

# UK Retail Monitor

Q4 2019

## KEY HEADLINES

Christmas was not the disaster that was widely reported, although the fact that Black Friday fell late (29 November) made it very difficult to derive an accurate read on retail sales figures.



Retail sales values grew by +1.8% year-on-year in Q4, while volumes (i.e. 'real' growth, net of inflation) advanced by +1.3%. This marked considerable deceleration on the previous three quarters.



Black Friday again proved a very disruptive force, merely displacing spend patterns into unhelpful peaks and troughs, rather than generating incremental growth. The culture of blanket promotions and discounting remains very damaging to retail industry margins.



The post-Christmas bloodbath predicted by some did not materialise. The only retailers of any scale to go into administration since Christmas are fashion operator Joy, department store chain Beales and giftware retailer Hawkins Bazaar (all three have been in administration in the past).



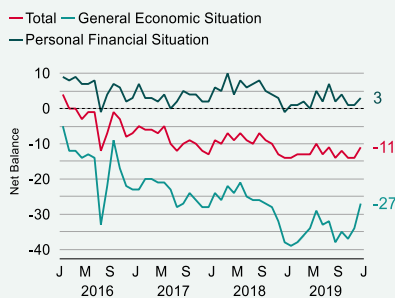
The General Election in December relieved a degree of uncertainty in both the macro-economy and property investment markets. Consumers themselves remain more ambivalent.



STEPHEN SPRINGHAM  
HEAD OF RETAIL RESEARCH

### Consumer Confidence

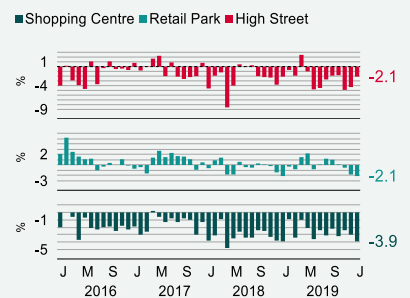
Confidence over the next 12 months



Source: Gfk, Macrobond

### Retail Footfall

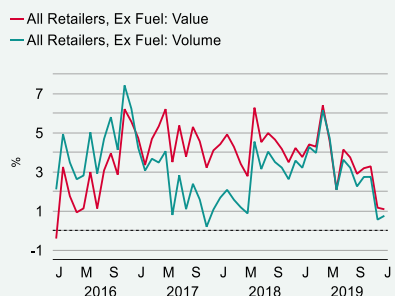
Annual change over the last 4 years, %



Source: BRC, Springboard, Macrobond

### ONS Retail Sales

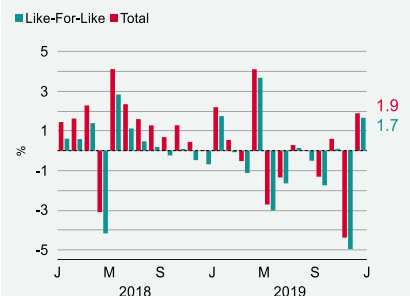
Monthly y-o-y change over the last 4 years, %



Source: ONS, Macrobond

### BRC Retail Sales

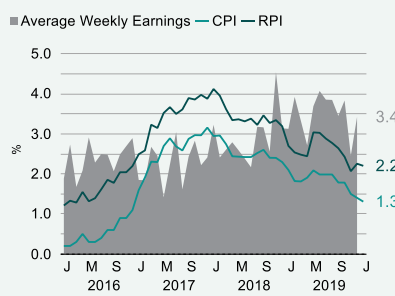
Annual change over the last 2 years, %



Source: BRC, Macrobond

### Average Weekly Earnings

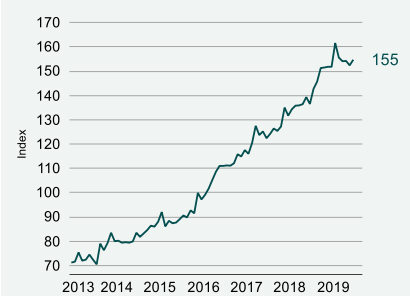
Annual change over the last 4 years, %



Source: ONS, Macrobond

### Online Retail Sales Index

July 2016 = 100



Source: ONS, Macrobond

## KEY HEADLINES

The outcome of the General Election and a clearer direction of travel on Brexit has improved investor sentiment considerably. However, this positivity is not reflected in Q4 and 2019 FY performance metrics.

All retail capital values declined by a further -4.17% in Q4, aggregating to a FY outturn figure of -11.60%. Shopping centres experienced the sharpest rebasing (Q4: -6.76%, FY: -17.66%), although retail warehouses did not fare much better (Q4: -5.41%, FY: -14.64%).

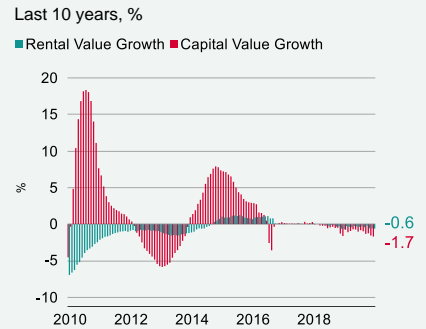
Shopping centre deal volumes hit an all-time low in 2019 at just £1.1bn. This was despite a slight uptick in Q4 (£460m) on the back of a couple of large deals – Mailbox in Birmingham and Kings Mall, Hammersmith. Councils remain active buyers in the sector and accounted for 22% of deal volumes in 2019.

All retail assets have seen capital values decline by an average of ca. -37% since their peak in 2007. For shopping centres (-51%) and retail warehouses (-43%) the correction has been particularly severe. But a slowly stabilising occupier market, coupled with improving investor sentiment generally, is likely to prompt renewed interest in the retail market in 2020. Retail warehousing is likely to be the main beneficiary initially, with Private Equity one of the key protagonists.

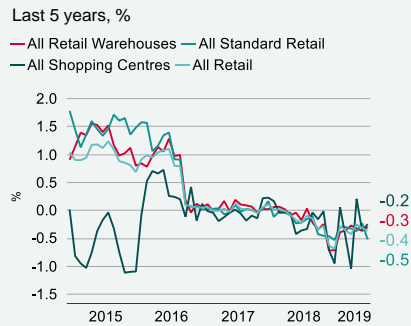
### Retail Vacancy Rate



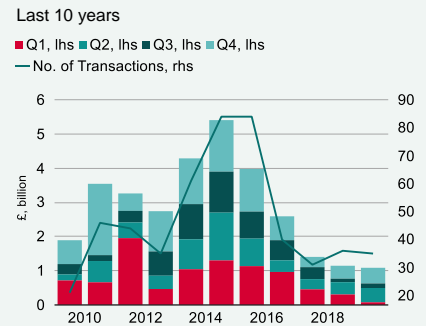
### All Retail - Rental / Capital Value Growth



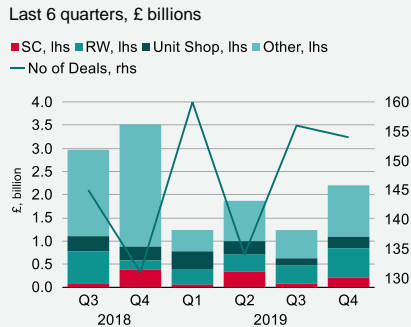
### Retail Rental Growth by sub-sector



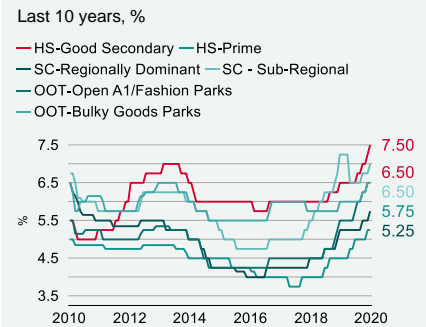
### Shopping Centre Transactions



### Investment Volumes by sub-sector



### Yields



Please get in touch with us

#### Commercial Research

##### Stephen Springham

Partner, Head of Retail Research

T +44 20 7861 1236

E [stephen.springham@knightfrank.com](mailto:stephen.springham@knightfrank.com)

#### Retail

##### Charlie Barke

Partner, Shopping Centre Investment

T +44 20 7861 1233

E [charlie.barke@knightfrank.com](mailto:charlie.barke@knightfrank.com)

##### Dominic Walton

Partner, Out-of-Town Investment

T +44 20 7861 1591

E [dominic.walton@knightfrank.com](mailto:dominic.walton@knightfrank.com)

Knight Frank Research  
Reports are available at  
[knightfrank.com/research](http://knightfrank.com/research)



Knight Frank Research provides strategic advice, consultancy services and forecasting to a wide range of clients worldwide including developers, investors, funding organisations, corporate institutions and the public sector. All our clients recognise the need for expert independent advice customised to their specific needs. Important Notice: © Knight Frank LLP 2020 This report is published for general information only and not to be relied upon in any way. Although high standards have been used in the preparation of the information, analysis, views and projections presented in this report, no responsibility or liability whatsoever can be accepted by Knight Frank LLP for any loss or damage resultant from any use of, reliance on or reference to the contents of this document. As a general report, this material does not necessarily represent the view of Knight Frank LLP in relation to particular properties or projects. Reproduction of this report in whole or in part is not allowed without prior written approval of Knight Frank LLP to the form and content within which it appears. Knight Frank LLP is a limited liability partnership registered in England with registered number OC305934. Our registered office is 55 Baker Street, London, W1U 8AN, where you may look at a list of members' names.