

# UK Retail Monitor

## Q4 2020

### KEY HEADLINES

The final quarter of 2020 provided full quantification of how the retail market fared in the face of the ongoing COVID-19 crisis. Weathering a second national lockdown (November) and extensive Tier 4 restrictions from mid-December, retail sales were surprisingly robust.



Q4 marked the best quarterly performance of 2020 in terms of retail sales values (+5.9%) and volumes (+5.0%). October achieved the highest level of monthly growth (+7.7%) since 2002, benefitting from a release of pent up demand and Christmas spend brought forward. November sales were not as dire as predicted (+4.7%), although buoyed by grocery (+6.9%). December held steady at +5.5% despite consumers having to juggle purchases between physical and e-commerce channels.



Overall footfall declined significantly in November (-65.4% YoY) but did not reach the extreme levels witnessed in March, with many operators offering click & collect services. December saw a positive monthly uptick (but still -41.9% YoY) in tandem with the return of consumer confidence (+3). FY20 footfall declined -39.1% YoY, with retail parks most resilient at -23.0% (SCs; -41.9%; HS -45.2%).



In Q4, online penetration hit a new peak (Nov: 36.2%) before sharply retreating 660bps with the return of non-essential bricks & mortar (Dec: 29.6%). In Dec pureplay retailers (+42.2%) underperformed the overall online market (+61.4%), suggesting strong consumer gravity toward multi-channel brands.



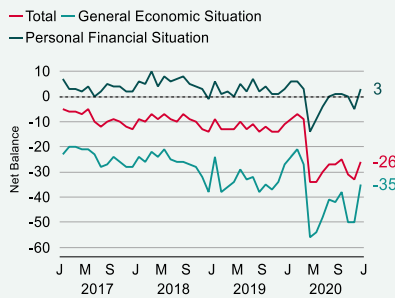
“Q4 saw strong consumer demand, albeit concentrated between the periods of government-imposed restrictions. The common denominator underlying those sectors reporting growth (food, DIY, healthcare)? Their ‘essential’ status and the simple fact that stores are able to open.”



STEPHEN SPRINGHAM  
HEAD OF RETAIL RESEARCH

### Consumer Confidence

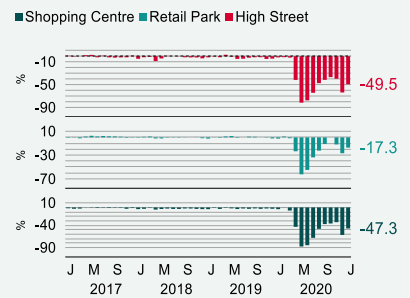
Confidence over the next 12 months



Source: GfK, Macrobond

### Retail Footfall

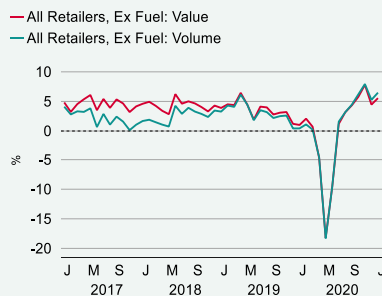
Monthly y-o-y change over the last 4 years, %



Source: BRC, Springboard, Macrobond

### ONS Retail Sales

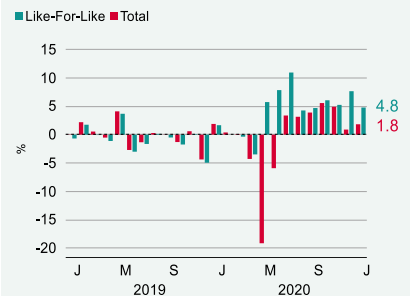
Monthly y-o-y change over the last 4 years, %



Source: ONS, Macrobond

### BRC Retail Sales

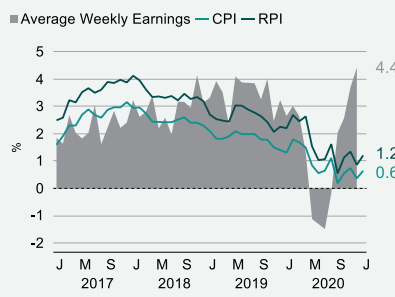
Monthly y-o-y change over the last 2 years, %



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

Average weekly earnings strengthened (+4.4%) and outpaced inflation as furlough rates decreased. CPI (+0.6%) and RPI (+1.2%) rose higher than expected, although both eased slightly in Nov, with sharp declines in clothing and footwear prices as fashion retailers attempted to shift surplus stock after a year of exceptionally weak consumer demand (-25%).



Retail vacancy increased +50bps between Sep and Dec, serving as a stark reminder of the pandemic's impact. Major high street groups EWM and Arcadia entered administration placing ca. 1,500+ stores and 33,000+ jobs at risk. Debenhams also entered liquidation, edging shopping centres and high streets across the UK closer to the prospect of losing an anchor tenant. This has since come to pass and vacancy rates will inevitable accelerate in 2021 as a result.



Rebasing of all retail capital values continued (Q4 -3.7%), although the monthly rates of decline decelerated (Oct -1.0%; Nov -0.9%; Dec -0.4%). Supermarkets were the only retail sub-sector to buck this trend (Q4 +1.3%). Rental values saw similar easing (Q4 -2.4%), with shopping centres experiencing a QoQ decline of -4.0%, retail warehousing -1.7% and high streets -2.5%.



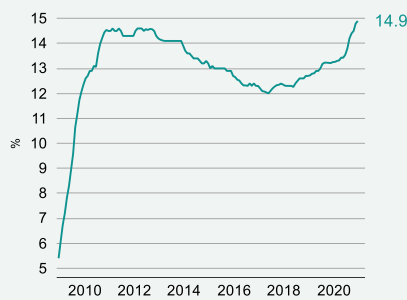
203 retail investment deals completed in Q4 totaling £2.2bn, an increase of +53% on Q3. High streets saw a massive QoQ uplift of +353% to £526.5m. Supermarkets (+74%; £574m) and retail warehousing (+21%; £648m) continued to attract investor interest, but shopping centre volumes continued to stall (-48%; £82m).



Overall, FY20 retail sales growth (values +0.4%; volumes +0.5%) was the lowest on record, but was arguably a fairly decent return in the circumstances. The figures underline the relative resilience of retail spend compared to the wider economy (GDP -10%), but also highlight the need to operate at full capacity i.e. with physical stores open and not subject to lockdown.

### Retail Vacancy Rate

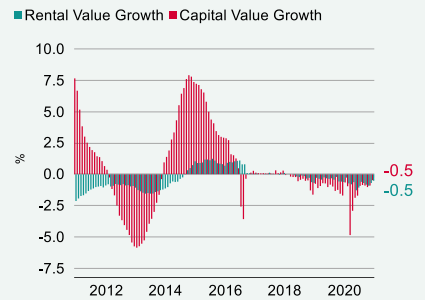
Last 10 years, %



Source: Local Data Company, Macrobond

### All Retail - Rental / Capital Value Growth

Last 10 years, %



Source: MSCI, Macrobond

### Retail Rental Growth by sub-sector

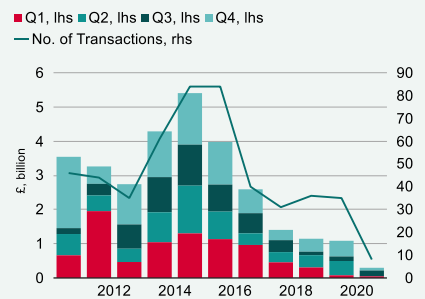
Last 5 years, %



Source: MSCI, Macrobond

### Shopping Centre Transactions

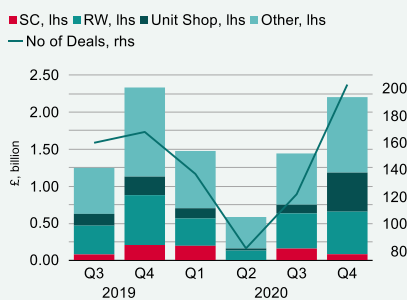
Last 10 years



Source: Knight Frank, Macrobond

### Investment Volumes by sub-sector

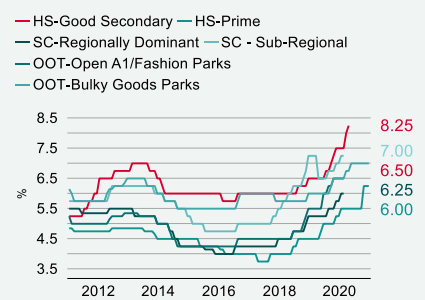
Last 6 quarters, £ billions



Source: Property Data, Macrobond

### Yields

Last 10 years, %



Source: Knight Frank, Macrobond

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