The Knight Frank Retail Monitor provides a quarterly update on key data across all retail sub-sectors and current market sentiment.

Knight Frank

UK Retail Monitor

Q4 2021

KEY HEADLINES

The retail sector dodged a major bullet in Q4, avoiding the re-introduction of further crippling lockdown restrictions. Although the government's 'Plan B' did little to encourage recovery, the sector ended another difficult year with a generally solid performance.

◆◆

Consumer confidence experienced a rocky ride (Oct -17; Nov -14; Dec -15) as Omicron provided a fresh wave of uncertainty. Consumers' determination to splurge on major purchases ahead of Christmas buoyed confidence +3pts in Nov, before dipping by -1pt in Dec with the return of homeworking. Encouragingly, the outlook on personal finances remained in positive territory (+1), with negative sentiment driven more by concerns over the wider economy (-24).

◆◆

In Oct, Shopping Centres (-15%) and High Streets (-12%) recorded their best footfall levels since March 2020. However, footfall slipped in Dec as consumers opted to minimise social mixing to reduce the risk of having to self-isolate over the festive period (Oct -13%; Nov -15%; Dec -18%).

◆◆

Quarterly retail sales (+3.0%) showed Christmas purchasing was intentionally brought forward to avert potential disruption, making Dec's sales (+2.0%) appear restrained in comparison to Nov's (+6.0%). But the threat of supply chain bottlenecks actually proved a blessing. With retailers carefully managing stock, Black Friday margin erosion did not materialise, with significant uplifts in full-price sales.
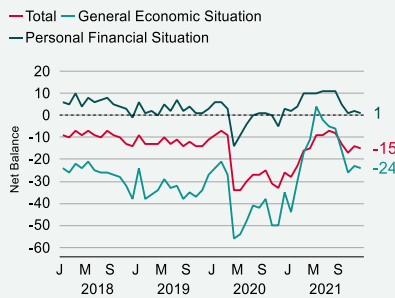
◆◆

"2020: the Nadir. 2021: the Bounceback. 2022: the Stabilisation and Start of a Tangible Recovery."

◆◆

STEPHEN SPRINGHAM
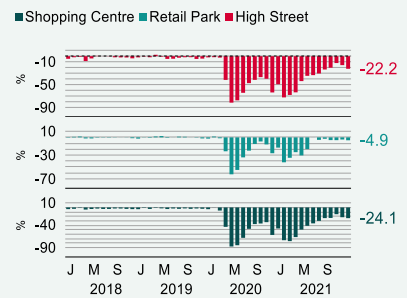HEAD OF RETAIL RESEARCH

### Consumer Confidence
Confidence over the next 12 months

— Total — General Economic Situation
— Personal Financial Situation

Source: Gfk, Macrobond

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

■ Shopping Centre ■ Retail Park ■ High Street

Source: BRC, Springboard, Macrobond

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

— All Retailers, Ex Fuel: Value
— All Retailers, Ex Fuel: Volume
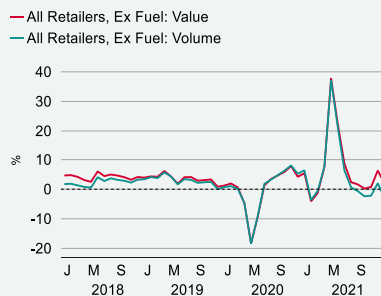
Source: ONS, Macrobond

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

■ Like-For-Like ■ Total
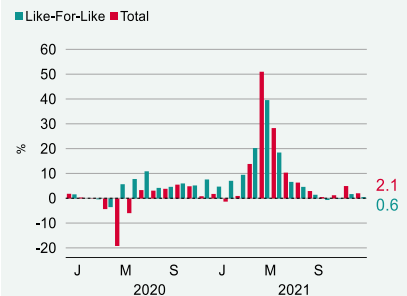
Source: BRC, Macrobond

Average Weekly Earnings
Annual change over the last 4 years, %

■ Average Weekly Earnings — CPI — RPI
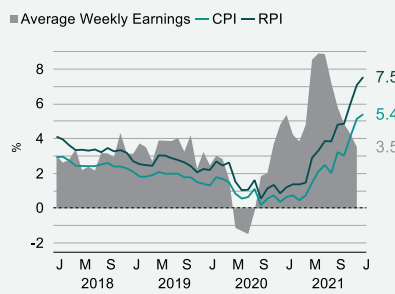
Source: ONS, Macrobond

Online Retail Sales Index
July 2019 = 100

Source: ONS, Macrobond

KEY HEADLINES

The direction of travel on vacancy provided further evidence of occupier stabilisation. Vacancy improved -10bps to 15.7% in Dec - the first time the figure has trended positively in four years. High Streets (14.4%) and Shopping Centres (19.1%) both showed improvement whilst Retail Parks (11.3%) remained stable, suggesting the structural impacts of the pandemic are now past their peak.

◆◆

In terms of investment, a record £3.2bn was transacted in Q4 – a level not seen since 2018, taking total volumes for 2021 to £9.0bn, above the 10-year average. But the market remained highly polarised, with 81% of volumes attributed to out-of-town Retail Warehousing and Foodstores. Overall, Retail Warehousing witnessed its strongest year since 2017, transacting £3.3bn in 2021.

◆◆

Meanwhile, growing consensus alongside mounting evidence that rents are rebasing to more sustainable levels saw investors warm up to the in-town market. High Streets witnessed a massive +220% QoQ uplift in volumes, transacting £305m vs. £103m in Q3. The tide also appeared to be slowly turning for Shopping Centres, with the sub-sector registering its best quarter of the year (£900m), with several centres attracting multiple bids and growing demand for larger lot sizes.
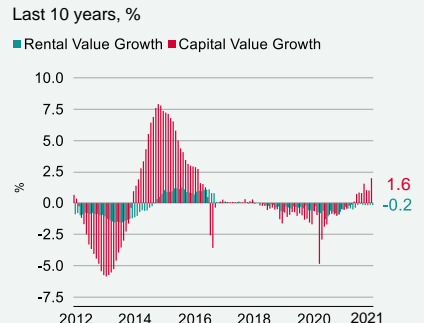
◆◆

2021 did not quite bring an end to the chaos wreaked by the virus, and the resilience of retailers was again severely tested (particularly in the first half of the year). But with consumers showing a clear desire to return to stores and retail sales reaching their highest annual growth in the last two decades (+6.2%) - there is plenty to be optimistic about for the year ahead.
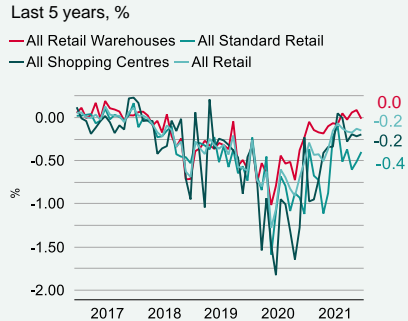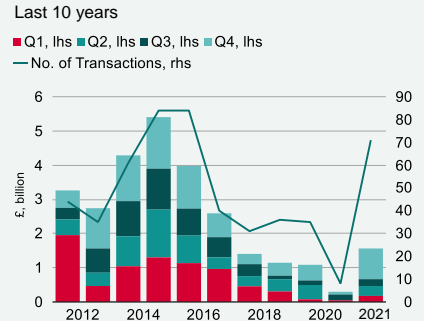
Retail Vacancy Rate
Last 10 years, %

15.7

Source: Local Data Company, Macrobond

All Retail - Rental / Capital Value Growth
Last 10 years, %

■ Rental Value Growth ■ Capital Value Growth

1.6
-0.2

Source: MSCI, Macrobond

Retail Rental Growth by sub-sector
Last 5 years, %

— All Retail Warehouses — All Standard Retail
— All Shopping Centres — All Retail

0.0
-0.2
-0.2
-0.4

Source: MSCI, Macrobond

Shopping Centre Transactions
Last 10 years

■ Q1, lhs ■ Q2, lhs ■ Q3, lhs ■ Q4, lhs
— No. of Transactions, rhs

Source: Knight Frank, Macrobond

Investment Volumes by sub-sector
Last 6 quarters, £ billions

■ SC, lhs ■ RW, lhs ■ Unit Shop, lhs ■ Other, lhs
— No of Deals, rhs

Source: Property Data, Macrobond

Yields
Last 10 years, %

— HS-Good Secondary — HS-Prime
— SC-Regionally Dominant — SC - Sub-Regional
— OOT-Open A1/Fashion Parks
— OOT-Bulky Goods Parks

9.00
8.50
8.25
6.50
5.50
5.50

Source: Knight Frank, Macrobond
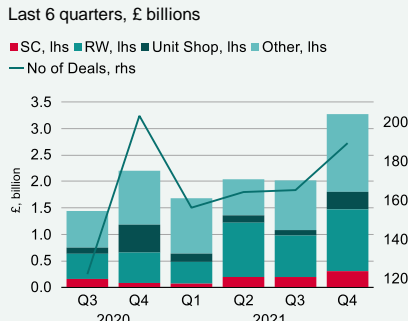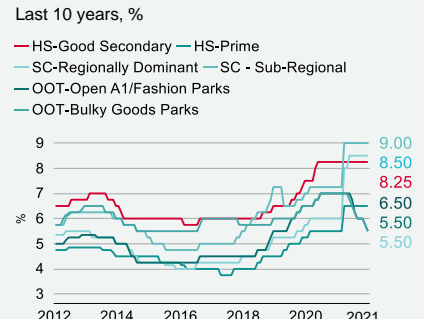
Please get in touch with us

Commercial Research

Retail

Stephen Springham
Partner, Head of Retail Research
T +44 20 7861 1236
E stephen.springham@knightfrank.com

Emma Barnstable
Retail Research Analyst
T +44 20 8106 1385
E emma.barnstable@knightfrank.com

Charlie Barke
Partner, Head of Retail
T +44 20 7861 1233
E charlie.barke@knightfrank.com

Knight Frank Research
Reports are available at
knightfrank.com/research

Knight
Frank