

# UK Retail Monitor

Q4 2022

## KEY HEADLINES

The appointment of the UK's third PM of the year in October (Rishi Sunak) created a slightly more stable political backdrop, in turn resulting in improving consumer confidence. Sentiment strengthened each consecutive month of the quarter, rising +7pts overall in Q4. Despite numerous pressures on household budgets, the outlook on personal finances was uplifted +11 pts vs. the outlook on general economic situation (+15pts).



ONS retail sales figures for Q4 were surprisingly downbeat, contradicting virtually all other retail newsflow of strong Christmas trading. Seasonally adjusted sales values (amount spent) allegedly grew just +3.6% in Q4, a slight deceleration on Q3 levels (+4.1%) and substantially below the non-seasonally adjusted and BRC figures of +6.0% and +6.9% respectively, both far more reflective of general market trends. Volumes (items purchased) were predictably impacted by inflation, declining -6.1% (or a more modest/credible -2.9% on a non-seasonally adjusted basis).



Annual retail sales for 2022 broke all records. Sales values (amount spent) grew +4.8%, the highest level of growth since 2004 (excluding the artificial post-Covid spike of +6.2% in 2021) and above 10- and 20- year averages (+3.4% and 3.2% respectively). In contrast, sales volumes (amount purchased) fell -3.4%, the worst annual performance since 1991. Grocery sales were respectable (+3.1%) and above the 10-year average (+2.4%, whilst non-food saw double digit growth for a second consecutive year (+10.2%).



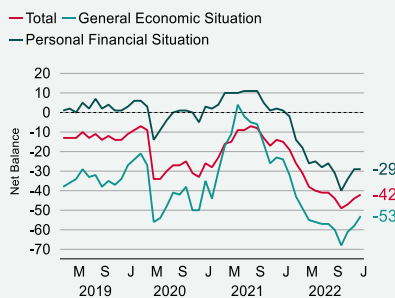
*“The spectre of recession spooked investors to the point of severe over-reaction ahead of Christmas. Thankfully, sentiment has improved considerably post-Christmas and there is a growing feeling that things might not actually be as bad as all that.”*



STEPHEN SPRINGHAM  
HEAD OF RETAIL RESEARCH

### Consumer Confidence

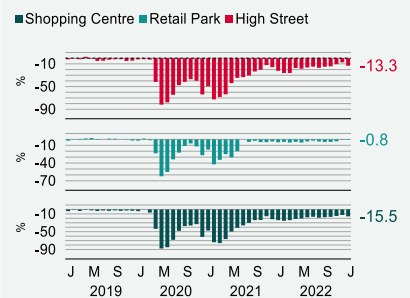
Confidence over the next 12 months



Source: GfK, Macrobond

### Retail Footfall

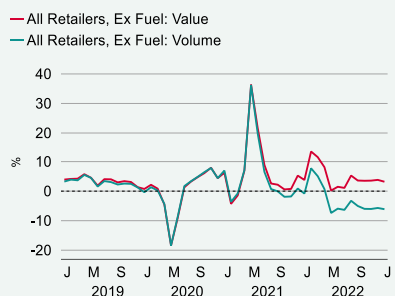
Monthly y-o-y change over the last 4 years, %



Source: BRC, Springboard, Macrobond

### ONS Retail Sales

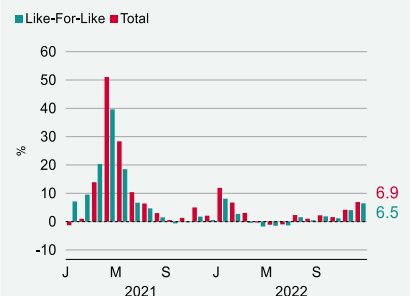
Monthly y-o-y change over the last 4 years, %



Source: ONS, Macrobond

### BRC Retail Sales

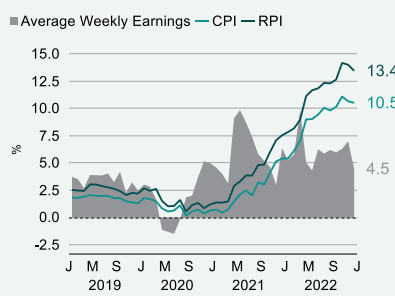
Monthly y-o-y change over the last 2 years, %



Source: BRC, Macrobond

### Average Weekly Earnings

Annual change over the last 4 years, %



Source: ONS, Macrobond

### Online Retail Sales Index

July 2019 = 100



Source: ONS, Macrobond

## KEY HEADLINES

Occupier markets held steady despite increasing 'cost of doing business' pressures. Overall retail vacancy rates improved for a fifth consecutive quarter to 15.3%. Just a small number of physical retailers entered administration (e.g Shurocopy, M&Co, AMT, Joules) – several securing the future of their stores via pre-pack agreements.



Overall, occupier distress in 2022 was largely concentrated amongst the online pureplayer community, as evidenced by the ratio of failing companies to stores affected (2022: 49 failures affecting 2,318 stores, vs. 2020: 54 failures / 5,214 stores). Looking forward, the Knight Frank Retailer Watchlist identifies just 58 of the Top 300 retailers as being 'at risk of failure' (19%). Of these, 22 are online-only operators. Encouragingly, a total of 191 (64%) present 'no immediate apparent risk of failure.'



In investment, sentiment across all CRE markets was deeply subdued, the aftershocks of the mini Autumn budget compounded by mounting fears over impending recession. The RICS Commercial Property Sentiment Index weakened to -15 pts (vs. -11pts in Q3). Retail yields moved out a further +25bps to +50bps, as capital values fell into negative territory (-9.7%). Retail investment volumes registered just £1.13bn in Q4, approximately -65% down on the same quarter in 2021 (£3.27bn).

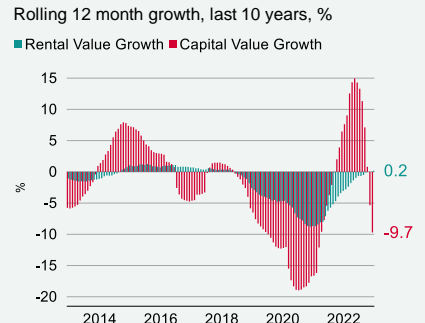


High Street deals ostensibly led the way, accounting for nearly half of all retail investment (£560m) in Q4 – although Lazari Investments' trophy deal at 63 New Bond Street heavily skewed the numbers (£430m). Other notable deals included a £76m portfolio deal comprising One Stop Shopping Centre in Birmingham's Perry Barr and Corby Town Centre, highlighting the strength of community-focused assets in locations with robust rental and population growth expectations. Investment in retail warehousing paused for breadth in Q4, but has resumed in 2023 on the back of swift but decisive price correction.

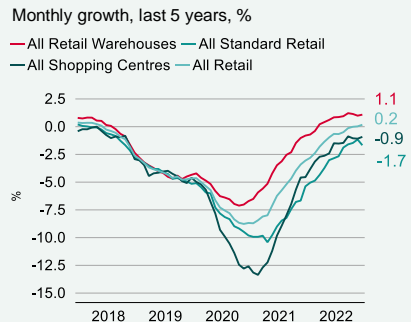
### Retail Vacancy Rate



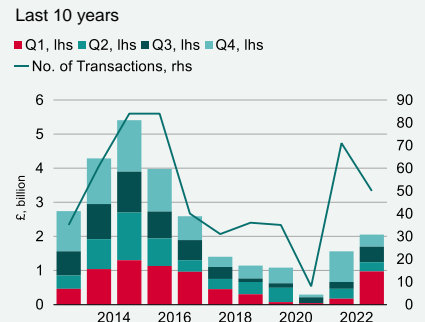
### All Retail - Rental / Capital Value Growth



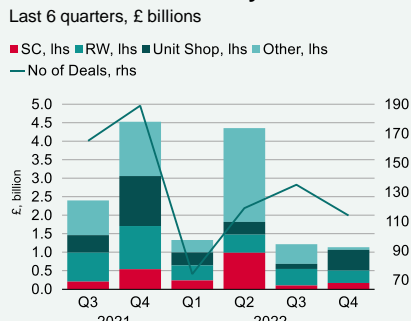
### Retail Rental Growth by sub-sector



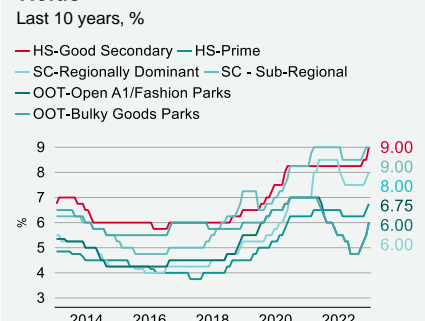
### Shopping Centre Transactions



### Investment Volumes by sub-sector



### Yields



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