

UNITED KINGDOM

High Street Retail Q4 2019

	YoY Chg	12-Mo. Forecast
13.2% Vacancy Rate	▲	■
-0.6% Rental Growth	▼	■
4.2% Net Equivalent Yield	▲	■

Source: Cushman & Wakefield, Experian GOAD, MSCI

LATEST INDICATORS

	YoY Chg	12-Mo. Forecast
-2.5% Footfall	▼	▼
-11 Consumer Confidence	▼	■
0.7% Retail Sales Growth	▼	▲

Source: ONS, GfK, BRC, Springboard

Decembers general election result appeared to provide some relief to consumer sentiment

The growth in retail sales slowed to the lowest rate in almost two years during December, as volumes grew by just 0.7% year-on-year during the crucial Christmas trading period. For the quarter as a whole, retail sales growth averaged 1.4% Y-o-Y, compared to 3% during the same time period in 2018. The figures come amid concerns around economic growth, and speculation that the Bank of England could cut interest rates at the next MPC meeting. Whilst non-store retailing continues to be the main driver of retail sales growth in the UK, online sales grew by just 5.6% during Q4 to account for 19% of all retailing. December's general election result appeared to bring some reassurance to consumers, with the Consumer Confidence Index ending the year at -11, 3 points ahead of the start of 2019. In part, consumer confidence is being underpinned by a robust labour market and weak inflation.

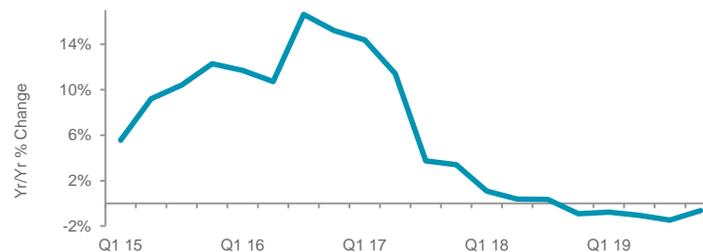
Rising availability is limiting opportunities for rental growth

Occupational metrics are volatile, with further financial distress and administrations reported during the final quarter of the year. Retailer profit margins are under pressure in an intensely competitive pricing environment, the effect of which is being compounded by rising costs and political uncertainty. Ongoing store rationalisation programmes have caused retail vacancy rates to nudge up from 12.8% to 13.2% during 2019 (Experian GOAD). Increasing availability, and general nervousness around the sector is limiting opportunities for rental growth, and in many cases, it has become a buyers' market. That said, polarisation is ongoing in the sector, and a concentration of occupier demand in prime, high footfall locations had gone some way in supporting prime rents in key locations, although a downward correction in these markets has started to feed through during 2019. New retail concepts are emerging on the back of these tough market pressures, as occupiers and landlords are forced to innovate.

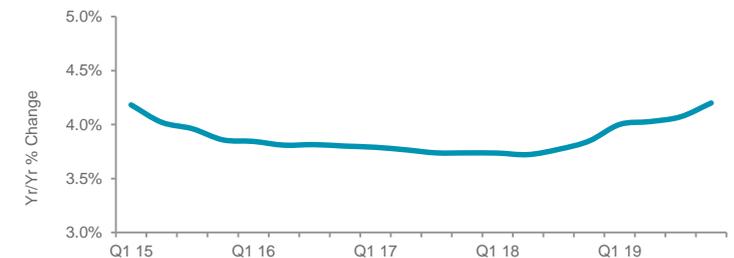
Pricing continues to adjust during a challenging market

There has been further outward movement of prime high street yields during Q4 2019, as pricing continues to adjust to challenging market conditions. High street investment volumes are suppressed compared to previous years, although the rate of decline in both transactions and volumes was less severe during 2019, compared to 2018. In total, 74 high street assets transacted during Q4, totalling £244m. Local authorities continue to be particularly acquisitive, buying up local town centre sites for regeneration.

UK HIGH STREET RENTAL GROWTH (WEIGHTED)



UK HIGH STREET YIELD (WEIGHTED)



PRIME HIGH STREET STATISTICS

SUBMARKET	£ PSF ZONE A YR	PRIME YIELD (%)
London (City)	300	4.50
London (West End)	2,250	2.50
Manchester	300	5.25
Birmingham	215	5.50
Leeds	240	6.00
Cardiff	190	6.25
Edinburgh	245	5.50
Glasgow	315	5.00

KEY INVESTMENT TRANSACTIONS Q4 2019

PROPERTY	LOCATION	SELLER / BUYER	SQFT	PRICE / YIELD
Kings House, Kymberley Road	Harrow	Oval Real Estate / Harrow Borough Council	83,000	£23M / 6.42%
195-200 & 202 High Road	Loughton	Schroders / Local Authority	N/A	£18.7M / 6%
54-72 Market Place	Romford	Private Client / Residential Developer	228,000	£12M / 6.6%
65-68 Briggate	Leeds	Aberdeen Standard / Corum Asset Management	18,000	£130.3M / 6.35%
52-56 Market Street	Manchester	UKCP REIT / Textech Machinery Ltd.	N/A	£10.31M / N/A

Source: Propertydata

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