

UNITED KINGDOM

High Street Retail Q2 2020

	YoY Chg	12-Mo. Forecast
15%* Vacancy Rate	▲	▲
-3.6% Rental Growth	▼	▼
4.3% Net Equivalent Yield	▲	▲

Source: Cushman & Wakefield, Experian GOAD, MSCI

LATEST INDICATORS

	YoY Chg	12-Mo. Forecast
-73.3% Footfall (May 2020)	▼	▲
-30 Consumer Confidence (June 2020)	▼	▲
-13.1% Retail Sales Growth (May 2020)	▼	▲

Source: ONS, GfK, BRC, Springboard

COVID-19 has accelerated trends that were already well underway in the retail sector

Data for Q2 reflects the peak of the COVID-19 crisis, with non-essential retail and restaurants closed for much of the quarter. Given that non-essential retail began re-opening mid-June, we would expect to see improving market fundamentals during Q3 (providing a second lockdown is not imposed). Weak labour market fundamentals have affected consumer confidence, GfK's Consumer Confidence Index bottomed out at -34 during April and May, the lowest recorded level since 2009. Combined with compulsory store closures, this lack of confidence was reflected in retail sales volumes, which contracted by a record 18.4% and 13.1% during April and May respectively (ONS). That said, non-store retailing grew exponentially during this time to account for 33.4% of all retailing during May, compared to c.20% pre-lockdown.

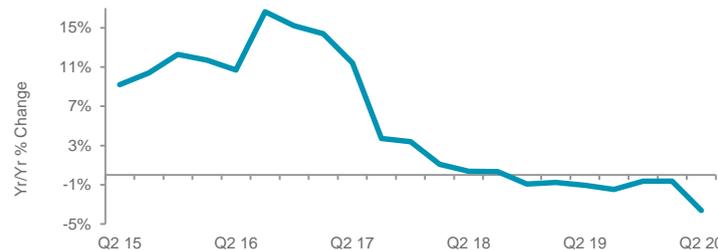
Spike in availability as physical retail begins re-opening

Occupational metrics are extremely volatile, with further financial distress and administrations reported during the second quarter of the year. The full extent of administrations and CVA's on town centre vacancy rates is as of yet unknown, however, as of the 1st July, and estimated 1.3% of retail and leisure floorspace in the UK had been affected by operator administrations since the implementation of lockdown measures on the 23rd March. The government was quick to offer support to occupiers – protection from eviction, underwriting of wages, cash grants – although there is growing concern around in-store capacity restrictions and the affect this will have on turnover as stores and restaurants re-open. Some of the financial strain has been shifted to landlords, who are having to be increasingly flexible with both the frequency of rent collection (some have switched to monthly payments rather than quarterly) and the amount of rent received. Requests for turnover-linked rents have also been increasing. Data from CoStar suggests that retail rent collection rates were as low as 14% on June pay-day.

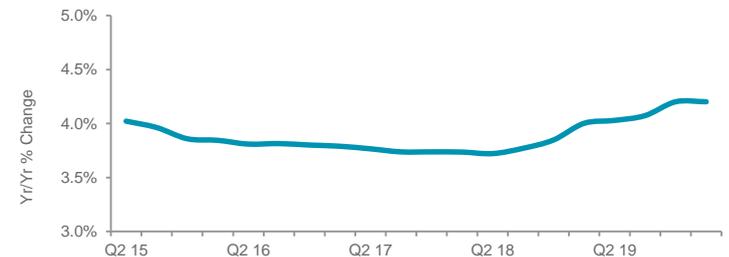
Pricing continues to adjust during a challenging market

High street investment volumes contracted 96% year-on-year during Q2. Reasons for these historically low volumes include COVID-19 related concerns, general concerns towards the sector and a lack of available debt. Further adjustments in pricing be necessary going forward, to ensure retail remains an attractive proposition relative to other sectors.

UK HIGH STREET RENTAL GROWTH (WEIGHTED)



UK HIGH STREET YIELD (WEIGHTED)



*Vacancy rate is based on an estimate of pre-COVID-19 levels combined with the floorspace of retailers that have gone into administration during lockdown. The true figure will be unknown until all retail & leisure has re-opened.

PRIME HIGH STREET STATISTICS

SUBMARKET	£ PSF ZONE A YR	PRIME YIELD (%)
London (City)	290	5.00
London (West End)	2,250	2.75
Manchester	295	5.75
Birmingham	200	5.75
Leeds	230	6.50
Cardiff	180	6.25
Edinburgh	240	6.00
Glasgow	305	5.50

KEY INVESTMENT TRANSACTIONS Q2 2020

PROPERTY	LOCATION	SELLER / BUYER	SQFT	PRICE / YIELD
30-32 Clumber Street	Nottingham	N/A / Wesleyan Assurance	5,800	£3.05m / 7.85%
Beacon Hill Road	Newark	N/A / N/A	7,00	£1.2M / 7.5%
Walker Road	Winnington	Lane End Group / Private Investor	2,700	£1.2M / 5.2%
10-13 Cardiff Street	Aberdare	N/A / N/A	35,000	£1.1M / 8.3%
Waley Road	Blackpool	N/A / Breck Holdings	4,000	£0.75M / 7%

Source: Propertydata

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