MARKETBEAT

UNITED KINGDOM

High Street Retail Q4 2020

	YoY Chg	12-Mo. Forecast
-19% Rental Growth (Y-o-Y)	▼	►
4.75% Net Equivalent Yield	▲	▲

Source: Cushman & Wakefield

LATEST INDICATORS

	YoY Chg	12-Mo. Forecast
-34.6% Footfall (Dec 2020)	▼	▲
-26 Consumer Confidence (December 2020)	▼	►
+5.5% Retail Sales Growth (SA, Dec 2020)	▲	►

Source: ONS, GfK, Springboard

Third national lockdown adds further pressure to the sector

The crisis gripping the high street saw more retailers filing for CVAs and administrations during Q4, with Debenhams and Arcadia among the most notable casualties. According to the Centre for Retail Research, 2020 was the worst year on record for the number of companies/employees affected by retail failures (54 and 109,000 respectively).The third national lockdown is only likely to pile further pressure on struggling retailers and F&B operators. Retailers also remain nervous about the potential withdrawal from April of the business rates relief and the ban on eviction of commercial tenants. Likewise, in the wake of Brexit, some retailers have expressed concern over the abolition of tax-free shopping that will see international tourists unable to claim VAT refunds on items purchased in the UK. Unsurprisingly, the online sector continued to perform strongly, with online sales doubling between March and December. Overall, online accounted for nearly 30% of retail sales in 2020.

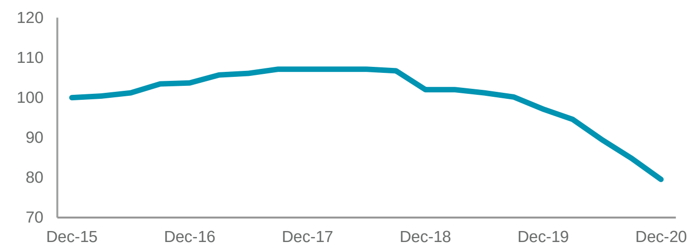
"Right-sizing" and retail failures push vacancies up

In what remains firmly an occupier market, retailers continue to actively negotiate with landlords to secure rent reductions and more flexible terms, often in the form of shorter leases with breaks and performance-based rents. Meanwhile, portfolio optimisation and retail failures have caused vacancies to increase further. The demise of Debenhams/Arcadia in particular have left sizeable voids on many UK high-streets. Announced closures would for example see the vacancy rate on London Oxford Street rise to 14% from c.7% currently. Against this backdrop, a growing number of landlords are contemplating the repurposing/redevelopment of their assets, often to residential-led mixed-use schemes where planning and lot size allow. While new openings are inevitably down, some brands are taking advantage of the attractive leasing terms of offer to position themselves for a rebound in consumer demand. In a bid to minimise fit-out costs, many retailers are also increasingly discerning on hand-over conditions in the choice of their unit.

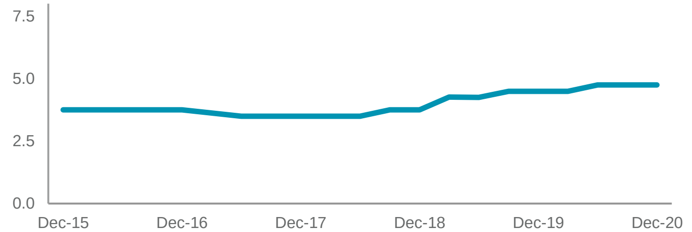
Values continue to dip

RCA data shows that some £720 million of high-street retail transacted in Q4, taking the annual total to £2.5 billion, on a par with 2019. Total retail investment reached £5.8 billion, the lowest amount on record since 2001. Negative sentiment around the sector resulted in a 22% year-on-year drop in capital values in December according to MSCI, with further falls likely as the sector continues to rebalance itself. Rent collection rates remain depressed, with only 50% and 33% of December rent collected at Day 7 from retail and leisure operators respectively according to Remit.

UK HIGH STREET RENTAL INDEX (Dec 2015 = 100)



UK HIGH STREET YIELD (%)



Unweighted average for London (Oxford Street), Birmingham, Bristol, Cardiff, Leeds, Manchester, Newcastle

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PRIME HIGH STREET STATISTICS

SUBMARKET	£ PSF ZONE A YR	PRIME YIELD (%)
London (City)	260	5.25
London (West End – Bond Street)	2,175	2.50
London (West End – Oxford Street)	750	2.75-3.00
Manchester	220	6.50
Birmingham	190	6.50
Leeds	150	6.50
Bristol	100	7.00
Cardiff	150	7.00

KEY INVESTMENT TRANSACTIONS Q4 2O2O

PROPERTY	LOCATION	SELLER / BUYER	SQFT	PRICE / YIELD
Chanel, Bond Street	London	SEB Group/ Chanel (own-occupation)	12,600	£310M / NA
Sainsbury's	Barnet, London	NFU Mutual/ Weybourne Investments	69,587	£51.1M / 3.6%
Clydesdale Bank, 48-50 Market Street	Manchester	Legal & General/ Asia Lion Investments	11,700	£11.8M / 5.4%
131-133 Cheapside	London	Lothbury / BH2	NA	£11.5M / NA
127-131 High Street	Guildford	N/A / Aberdeen Standard	1 building/3 floors	£3.2M / 6.1%

Source: RCA

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