

# UNITED KINGDOM

## High Street Retail Q1 2021


**CUSHMAN &  
WAKEFIELD**

**-21%**  
Rental Growth (Y-o-Y)

YoY  
Chg



12-Mo.  
Forecast



**4.75%**  
Net Equivalent Yield



Source: Cushman & Wakefield

### Easing of Restrictions Lifts Sentiment

The reopening of non-essential retail and of outdoor dining at pubs and restaurants from April 12<sup>th</sup> has marked a significant step towards the normalisation of retail trading. Retail destinations more reliant on office workers and international tourists like Central London will arguably have to wait a bit longer for footfall to return to pre-Covid levels. According to Springboard, on April 12<sup>th</sup> footfall in Central London was down by 56% relative to 2019 levels and compared to a 6.8% decline in market towns. The speed of recovery will equally depend on how quickly consumers spend the savings amassed during the pandemic. The FT estimates this windfall at £180 billion, or almost 10% of UK's GDP. The next months will also provide a gauge on the propensity of some consumers to keep shopping online post-lockdown. Meanwhile, the extension of the ban on the eviction of commercial tenants to May 31<sup>st</sup>, and of the business rates relief (100% in England until June 30<sup>th</sup>) should give retailers time to claw back some of the trading lost during lockdowns. However, many within the industry continue to advocate a wider reform of the business rates system.

### Relocation Drives Leasing as Occupiers Remain Cautious

With non-essential shops only just reopening, many retailers are waiting to see how things play out before making their next move. Some are taking advantage of the competitive terms on offer to relocate to better located/configured premise. Hand-over conditions have become a potential deal breaker as retailers try to keep a lid on fit-out costs. In parallel, many occupiers continue to try and negotiate down their lease liabilities and peg them to sales through turnover-deals. Some occupiers are also trying to edge against the uncertainty surrounding business rates by proposing business rates-inclusive deals and/or dual proposals ((laying out the various possible business rates re-instatement scenarios). Landlords are open to negotiations but generally reluctant to commit to long term turnover deals and successfully pushing back in some cases, particularly in the stronger retail locations. Limited activity has so far been dominated by brands with a local foothold, but we anticipate a resurgence in international occupier interest as soon as international travel resumes on a more meaningful scale in the last part of 2021 and 2022.

### Values Continue to Adjust

Values have continued to soften in the first months of the year. According to MSCI, standard shops were valued at a 20% discount in March compared to one year ago, with Central London faring a bit better (-15%) than the rest of the UK (-22%, excluding the South East). In London's West End, we expect values to bottom out in 2022 to then stage a gradual recovery.

#### LATEST INDICATORS

**-28.1%**

Footfall  
(March 2021)

YoY  
Chg



12-Mo.  
Forecast



**-16**

Consumer Confidence  
(March 2021)



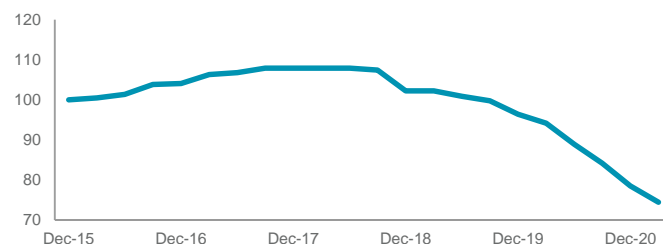
**-7.7%**

Retail Sales Growth  
(SA, Mar 2021)

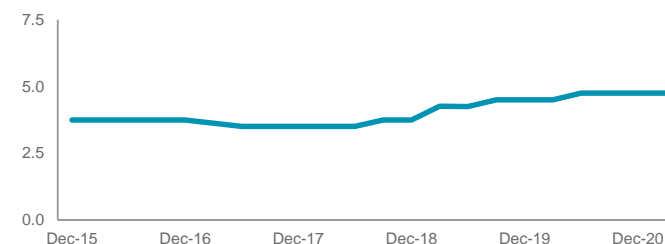


Source: ONS, GfK, Springboard

#### 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)	240	5.25
London (West End – Bond Street)	2,175	2.50
London (West End – Oxford Street)	700	2.75-3.00
Manchester	220	6.50
Birmingham	180	6.50
Leeds	140	6.50
Bristol	95	7.00
Cardiff	140	7.00

### KEY HIGH STREET INVESTMENT TRANSACTIONS Q1 2021

PROPERTY	LOCATION	SELLER / BUYER	SQFT	PRICE / YIELD
Emporio Armani, Bond Street	London	Aberdeen Standard Investments/ Motcomb Estates	15,325	£95.5M / 3.0%
75 George Street	Edinburgh	Wittington Investments/NA	1 building/4 floors	£5.8M / 6.3%
109 King's Road	London	Eyre Estate/ Martin's Properties	1 building/2 floors	£3.2M / NA
GAP Kids, 2 Market Hill	Cambridge	St John's College Cambridge/ NA	6,000	£2.5M / 7.2%

Source: RCA

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