

UNITED KINGDOM

High Street Retail Q2 2021


**CUSHMAN &
WAKEFIELD**

-18%
Rental Growth (Y-o-Y)

YoY
Chg



12-Mo.
Forecast



5.25%
Net Equivalent Yield



Source: Cushman & Wakefield

Tourists and Office Workers Missing Ingredient to High Street Recovery

A few months have passed since the re-opening of non-essential retail in April and the latest data releases paint a picture of a steadily recovering High Street. GfK Consumer Confidence Barometer was back to pre-pandemic levels in June and retail sales surged 11% above 2019 levels in May according to the ONS. By contrast, footfall was still down by 27% relative to 2019, albeit this represents massive improvements from -63.7% registered in March. Not so surprisingly, shopping destinations more reliant on office workers and tourists for trading are taking longer to recover given the continued high prevalence of home-working and ongoing restrictions to international travel. In the second week of July, footfall across the London's New West End was still down by 63% relative to the corresponding week in 2019. C&W estimates that only 12% of the top 20 nationalities of international visitors to London were in the UK government "Green List" at the time of last update. The lifting of all main social distancing restrictions from July 19th should continue to support the recovery in footfall albeit further policy changes cannot be ruled out.

Opportunities Abound for Tenants

For all these recent improvements, the High Street continues to deal with the impacts of the pandemic and the shift to online. Gap is the latest retailer that has decided to move all its business online. The end result is a rise in voids. London West End's vacancy rate for example is forecast to surpass 16% by year-end. An expanded choice of units and discounted rents (by 40% in the case of London's Oxford Street) are enticing some retailers into upgrading and/or opening new shops. Sports Direct, JD Sports, Zara, Uniqlo and Sketchers are some of the brands that have recently taken space or have plans to do so. Leisure concepts such as Boom Battle Bar and Monopoly are also actively expanding, as are some F&B operators such as Brewdog. The extension of the moratorium on tenant evictions until March 2022 has been welcome by occupiers although in some cases there is a perception that it might only delay the inevitable. Generally, occupiers remain cost-conscious and continue to seek large capital contributions and/or ready-fitted units and flexible terms (albeit there are signs that the lease length of offers is slowly increasing).

Investment Activity Remains Subdued

According to RCA, some £900 million of High Street properties transacted in the first half of 2021, a 21% decline relative to H1 2020. Revealingly, more than 50% of this amount was invested in supermarkets as specialist investors and new entrants continue to seek long, secure income and retail assets with capital preservation credentials.

LATEST INDICATORS

-27.2%

Footfall
(June 2021 vs 2019)

YoY
Chg



12-Mo.
Forecast



-19

Consumer Confidence
(June 2021)



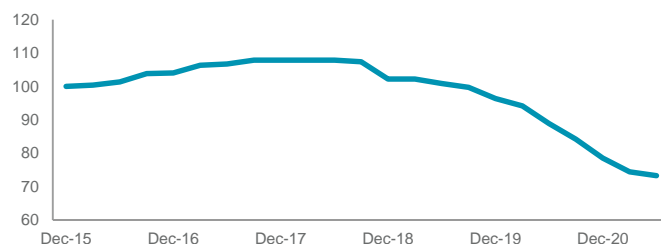
-1.6%

Retail Sales Growth
(SA, Feb 2021)

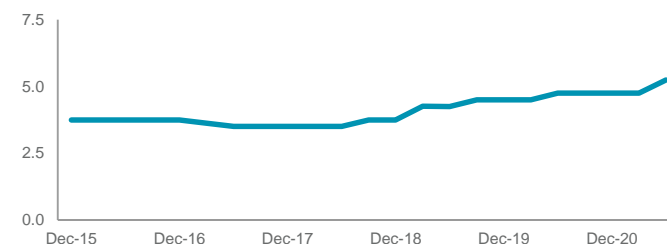


Source: ONS, GfK, Springboard

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) | 2,150 | 3.00 |
| London (West End – Oxford Street) | 675 | 3.75-4.00 |
| 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 Q2 2021

| PROPERTY | LOCATION | SELLER / BUYER | SQFT | PRICE / YIELD |
|------------------|--------------------|---------------------------------|---------|---------------|
| Tesco Extra | Hillingdon, London | Henley/ Realty Income Corp | 100,000 | £70M / NA |
| Tesco Superstore | Colchester | Abrdn/Supermarket Income REIT | 54,300 | £63M / 4.5% |
| 50 Frith Street | London | Shaftesbury/ NA | 3,744 | £5.3M / 4.0% |
| 85-87 Briggate | Leeds | National Friendly/ Due West Ltd | 10,968 | £2.2M / 6.4% |

Source: RCA

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