



Retail review:
2021, a year of
recovery



Introduction

As 2021 came to a close, EG News looked back on a year of highs and lows for retail the UK faced a third national lockdown and all the uncertainty that came with it at the start of the year, but retail was by no means hibernating through year two of the pandemic.

The sector saw major shake-ups in places like London where Ikea bought the former Topshop flagship for £378m while down the road both House of Fraser and M&S received consent for office-led conversions. In the regions, M&G Real Estate agreed to sell two malls – in the North East and South Wales – for £140m to LCP in a sign of growing investor interest in the second half of the year.

We also saw supermarket chain Morrisons acquired for £7bn by US private equity giant Clayton Dubilier & Rice and high street visitor numbers start to rise again – at least in the weeks before Plan B restrictions came into effect. Later, research at the start of 2022 showed that Oxford Street was the busiest shopping street in Europe in 2021, suggesting that London retail remains attractive.

But do these headline-grabbing deals reflect true levels of activity in the market in 2021? Using EG Radius leasing, investment and planning data, we take a look at the numbers behind the headlines. On the following pages, we dig into how 2021 compared to both 2020 and 2019, asking how far retail has come to returning to pre-pandemic activity.

What we find is a sector still battling forces out of its control, but having made headway in certain areas. As retail looks ahead to 2022, will the industry finally find itself in a place of stability?



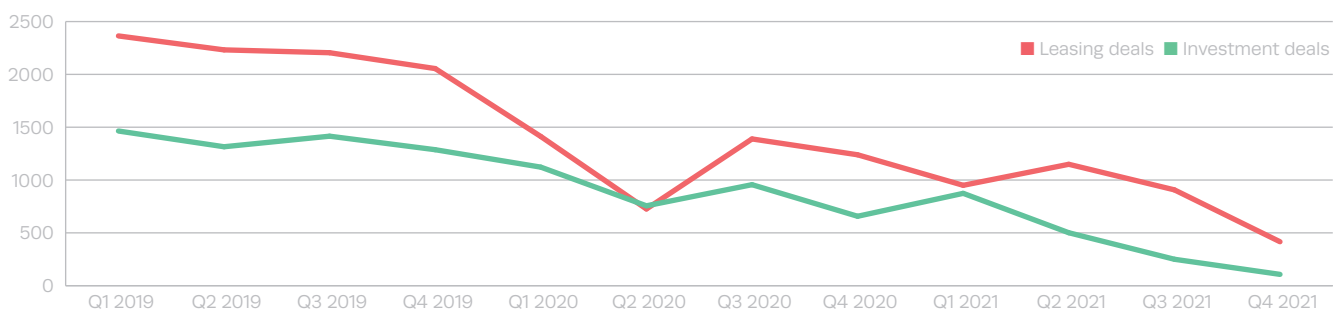
Deals overview

UK high streets were on their way to recovery near the end of the year. Although footfall was still down, according to the Centre for Cities, high street spending was 21% above pre-pandemic levels in the last week of November. Leasing and investment have not, however, recovered in the same way.

EG Radius recorded 9.6m sq ft of deals in 2021 (up to 15 December): 20% below the same period in 2020 and 58% below 2019. Some of this decline is because, at the time of writing, we can expect more deals to filter into the data and bring up totals for December 2021. Nevertheless, more end-of-year data is unlikely to close the gap: retail take-up in the first three quarters of the year was down 8% on 2020 and down 54% on 2019. Average quarterly take-up had fallen from 5.7m to 2.7m sq ft in two years.

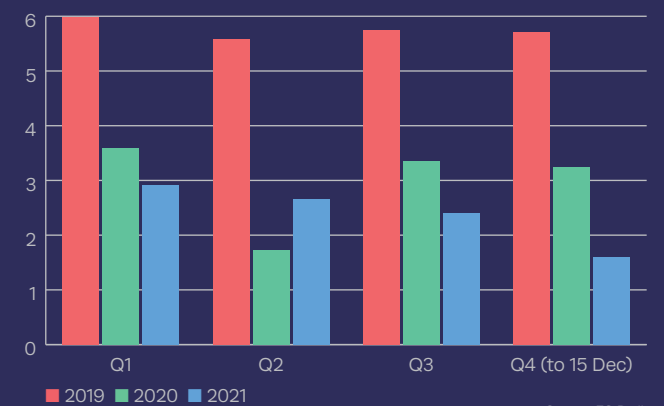
Despite a handful of noteworthy transactions, including Ikea's Topshop purchase, retail investment remained muted in 2021, with Radius recording just £3bn of deals – down from £8bn in 2019. Again, the year-end figures could rise marginally in the coming weeks, but the difference is considerable: EG Radius has recorded 1,732 retail deals in 2021, compared to 5,481 in 2019.

Number of investment and leasing deals



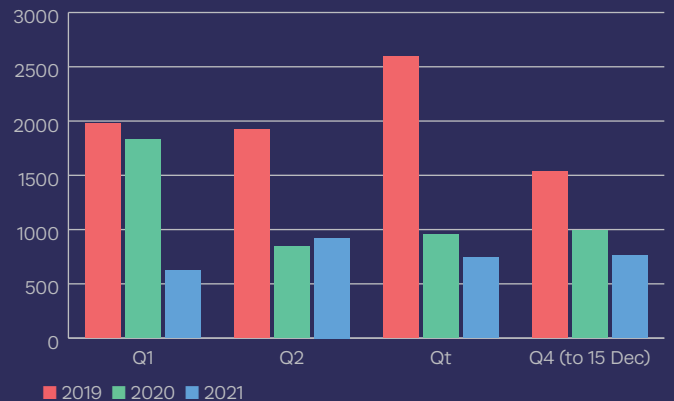
Source: EG Radius

UK retail take-up, 2019-2021



Source: EG Radius

UK retail investment, 2019-2021



Source: EG Radius



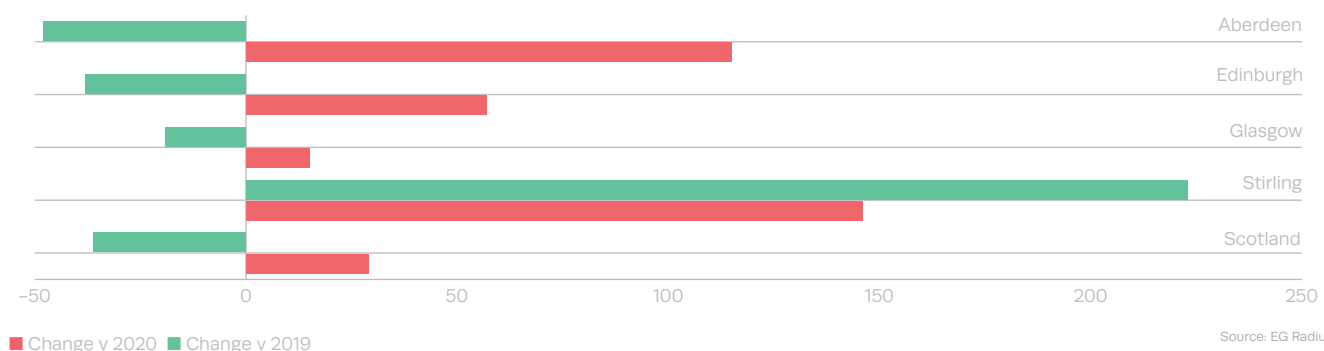
Deals regional focus

Leasing deals managed to rebound to an extent in parts of the regions, with several standout areas. In the period from Q1-Q3, while take-up fell in the East of England (-44% y-o-y), Greater London (-29%) and the West Midlands (-20%), it rose in Scotland (+29%), the North East (+24%) and the South East (+5%).

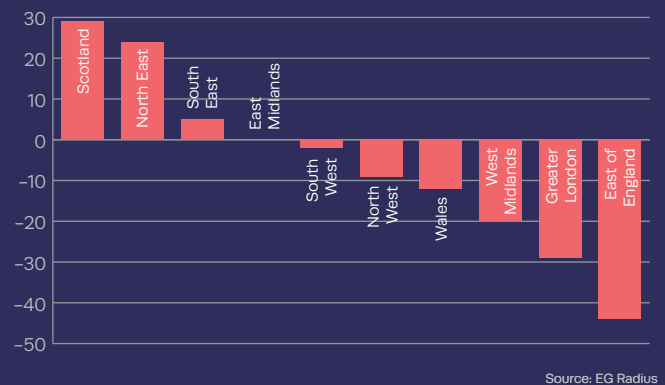
Scotland's retail activity was centred in four main markets: Glasgow, Edinburgh, Aberdeen and Stirling. These four cities accounted for 51% of lettings in 2021 (up from 45% in 2019). Moreover, with the exception of Glasgow, which saw take-up rise 15% on 2020, activity in these cities far outpaced the nation as a whole. Take-up more than doubled in Aberdeen (+115%) and Stirling (+146%), while rising 57% in Edinburgh.

Part of this trend was a reflection of the sharp falls in leasing deals in cities in 2020, which particularly affected Aberdeen where Q1-Q3 take-up had fallen 76%. Significant growth in activity in 2021 went some way to reversing those falls, though not entirely. Retail take-up to Q3 2021 was still down on pre-pandemic levels in Aberdeen (-48%), Edinburgh (-38%) and Glasgow (-19%). The exception was Stirling, a smaller city where take-up rose in both 2020 and 2021, more than tripling in two years.

Retail take-up in 2021 compared to 2019 and 2020

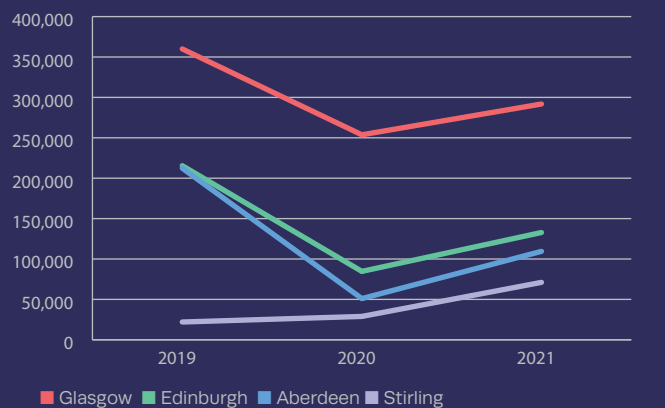


Growth in retail take-up, 2021 vs 2020



Source: EG Radius

Take-up in Scotland's four largest markets



Source: EG Radius

Planning overview

Unlike leasing and investment, retail planning activity returned to 2019 levels in 2021. This was in part due to a bumper month of new applications in March. Between the UK's phased re-opening – announced at the end of February – and the March budget, greater clarity unleashed pent-up demand in the industry.

While retail landlords enjoyed significant gains on the London Stock Exchange after the announcement, new applications flooded the system, totalling 1,698 in March alone. This was 27% above March 2019 and the single most active month in the last three years.

A second boost to total figures came in June when 1,446 retail proposals were submitted – a 16% rise on 2019. As a result, there were 9.4% more retail planning applications in the first half of the year than in 2019 (and 37.4% more than in H1 2020, reflecting how deep the slump during the first lockdown was).

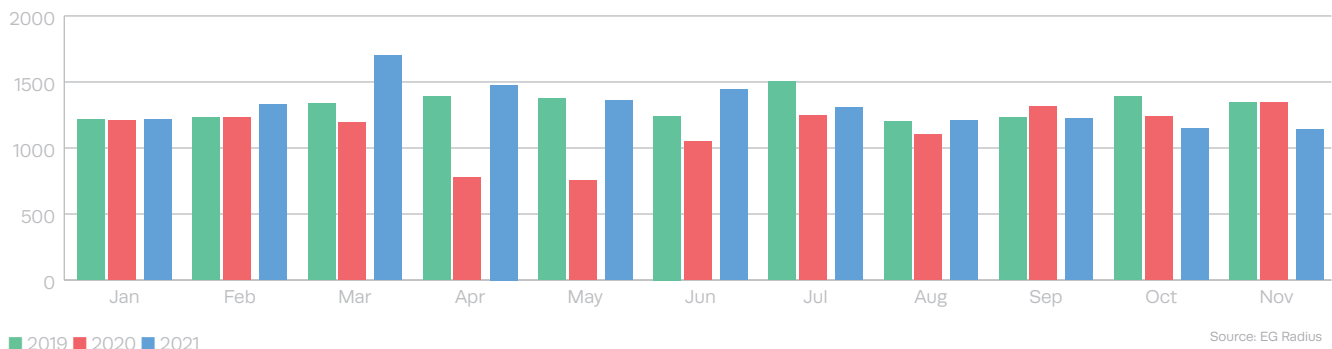
However, the sector slowed down in the second half of the year: the three months from September to November were all quieter than in both 2019 and 2020. This could be a sign of activity normalising – the fall in applications balanced out the earlier surge, leading to an overall rise of 0.6% in applications for the year up to November 2021 (December data was excluded because we expect to see more applications from the end of the year recorded in the coming weeks).

1698
NUMBER OF APPLICATIONS IN MARCH 2021 – THE HIGHEST MONTHLY TOTAL IN THREE YEARS

1323
AVERAGE MONTHLY APPLICATIONS IN 2021

16.9%
YEAR-ON-YEAR GROWTH IN APPLICATIONS

Retail planning applications, 2019–2021



Source: EG Radius

Planning regions and use types

Regional differences

Although 2021 was the year retail planning activity rebounded, how much it did so depended on where you were in the country. More applications were submitted than in 2020 in every region, but it ranged from 7% in the South West to 42% in Northern Ireland.

However, not every region returned to pre-pandemic levels. Applications in 2021 fell below 2019 totals in the South West (-9.3%), the West Midlands (-9.1%), Greater London (-8.5%), the North West (-2.1%) and the East Midlands (-1.7%). On the other end of the spectrum, Northern Ireland (+24.7%) and Wales (+18.4%) saw the biggest increase in applications compared to 2019.

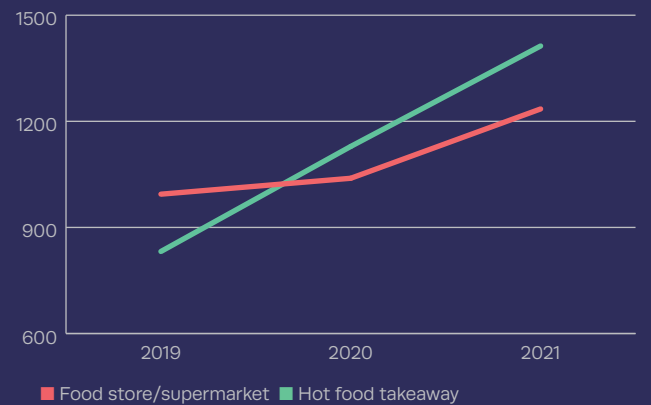
Betting shops and takeaways

Overall retail activity rebounded, but the types of retail in the planning system have shifted. Sectors that have either maintained demand or even benefited from periods of uncertainty and lockdown have done particularly well.

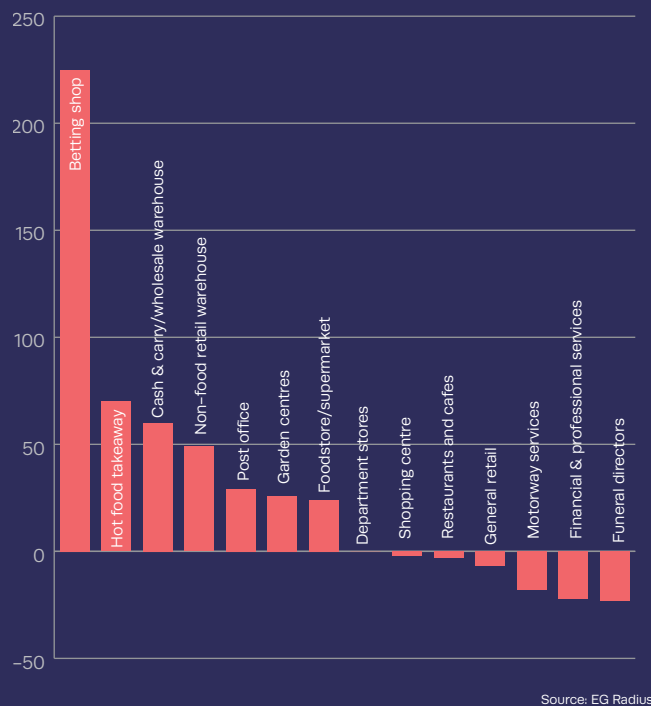
Though low in absolute numbers, applications for betting shops have more than tripled since 2019, rising from 12 in 2019, to 19 in 2020, to 39 in 2021. At the same time, hot food takeaways rose 70% from 832 in 2019 to 1,413 last year. Pre-pandemic, takeaways accounted for 5.8% of all retail applications. By the end of 2021, they climbed to just shy of 10%.

Food stores and supermarkets were another winner, steadily climbing from 994 applications in 2019 to 1,235 in 2021.

The rise of supermarkets and takeaways



Take-up in Scotland's four largest markets





Pockets of activity and some normalisation were evident in retail in 2021. But, as the year drew to a close, it was clear that the sector is still some way off where it was pre-pandemic.

The question is what the long-term effects of two turbulent years will be. As EG Radius planning data shows, when activity returns to normal levels in broad terms, we nonetheless see shifts in the retail that people want or need – and where they need it. Meanwhile, the leasing and investment markets are still tepid amid further question marks over the impact of the Omicron variant, rising cases and at least a temporary decline in footfall.

Will this year give us the certainty that 2021 ultimately failed to provide? That remains unclear. Not only will the sector face the continuing twists and turns of the pandemic; it will also grapple with the knock-on effects to how we work and live, and those trends are still in a state of flux.

As the sector evolves, and as different parts of it return to normal – or settle into a new normal – EG will continue to dig into the latest news, data and analysis to make sense of where retail is heading. Keep reading EG for the latest on all of these changes.

Conclusion

