

# Central London Retail Market in Minutes



## Return to work supporting footfall recovery

Despite strong improvements in early Q4, footfall recovery in the West End was somewhat delayed over the Christmas period as the Omicron variant took effect. However, footfall in the district has since recorded week-on-week growth for four consecutive weeks since the easing of Plan B restrictions, largely driven by a return to the office. Albeit, office occupancy across Central London still remains significantly below pre-covid levels.

Prime West End unit vacancy improved for the second quarter in a row, averaging 12.9% in Q421 down from 13.7% reported in Q3. This follows further activity on Regent Street, including the opening of Fabletics in November and Gymshark signing a lease on the 18,000 square foot former J Crew unit. Swiss footwear brand, On, have also committed to Regent Street for their first UK store, securing a section of the former Ralph Lauren unit, due to open in 2022. We have also seen a pick up in active requirements.

The more recent improvement in footfall, vacancy and requirements is leading some landlords to harden incentives in some locations, thus widening the gap with occupier aspirations. This aspiration gap may limit deal activity over the first half of 2022.

In contrast to the West End, we have seen greater resilience and faster demand recovery in many of the West London villages supported by affluent local catchments and increased home-

## Headline Central London Retail Indicators

	Q4 2020	Q3 2021	Q4 2021
West End Footfall weekly average year-on-year (13 week period)	-66.8%	+33.4%	+158.4%
New International Entrants	10	2	5
Prime West End vacancy rate (Oxford, Bond, Regent St)*	N/A	13.7%	12.9%
<b>Prime headline rents</b>			
All Central London Prime ZA Rental Growth (year-on-year)	-8.6%	-17.4%	-20.0%
Oxford Street West Prime ZA Rent**	£750 psf	£675 psf	£600 psf
Bond Street Prime ZA Rent**	£2,400 psf	£1,750 psf	£1,750 psf

Source Savills Research; NWEC

Note: \*vacancy based on unit count, not floorspace

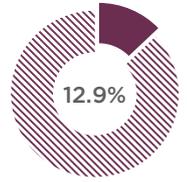
\*\*Prime ZA rents based on sentiment, due to lack of leasing evidence

working. Chelsea's King's Road is a key example. Vacancy fell to 5.6% in Q421 down from 6.2% the previous quarter, placing it well below the West End average. Likewise, indicative prime ZA rents have held since Q420 and sit 10.5% below pre-covid levels. For the West End the average differential to Q419 is 26.1%.

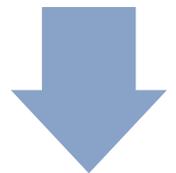
New additions to the street in Q4 included fitness operators VITA fitness and cyKO, while Japanese-Peruvian restaurant Nakanojo chose the King's

Road for its debut London site.

We expect the momentum seen on the King's Road will continue as some degree of agile working becomes commonplace. This will be further supported by the redevelopment of King's Walk shopping centre, which will deliver 80,000 sq ft of flexible retail, leisure and office space. Likewise, the newly formed Business Improvement District (BID) is forecast to see £4 million invested in the area over the next five years.



Prime West End vacancy improved for the second consecutive quarter, to reach 12.9% in Q4 2021



Central London prime Zone A rents declined -20.0% year-on-year in Q421

## Central London prime Zone A rental growth index prime Zone A rents continued to fall in Q4 2021, compared to the quarter before.



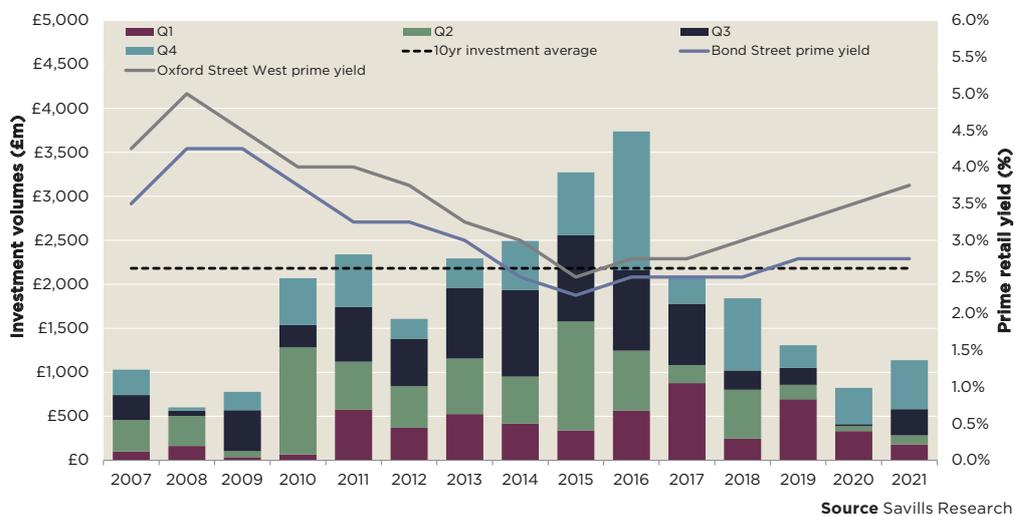
Source Savills Research



West End footfall reported its fourth consecutive week of growth compared to the week before, following the easing of Plan B restrictions

# Central London retail investment overview Q4 2021

**Central London retail investment volumes** in 2021 increased 38.3% compared to the same period in 2020.



## KEY INVESTMENT HEADLINES Q4 2021

Central London retail investment volumes reached £1.14 billion in 2021, up 38.3% compared to the particularly low levels recorded in 2020. A strong final quarter with volumes of £556.1 million, was the highest quarterly figure since Q1 2019.

Despite strong year-on-year growth, 2021 volumes remained 13.0% below 2019 pre-pandemic levels, primarily due to a continued lack of available stock.

A handful of key trophy assets accounted for the bulk of investment volumes last year, including IKEA's £378 million acquisition of Topshop's Oxford Street flagship store, reflecting the largest single transaction to complete in 2021.

This focus on trophy retail is also reflected in the recent acquisition of the Selfridges Department store business by the Central Group and Signa joint venture. While not a specific real estate deal, and therefore excluded from the transaction analysis, the acquisition included Selfridges property holdings,

including their Oxford Street store, which offers a number of value add opportunities.

Continued investor appetite for trophy retail assets is reflected in Bond Street's large share of 2021 volumes and the fact that indicative prime yields have held at their pre-pandemic level of 2.75%. The street makes up over a third (33.6%) of year-end volumes, exceeding the five-year average of 26.0%. This trend looks set to continue into 2022. Fenwick's flagship Bond Street store was placed on the market in February 2022 as a redevelopment opportunity with an asking price of £500 million. More recently the Max Mara store on Bond Street was also brought to market with a price tag of £113 million reflecting a 2.75% net initial yield.

As the trading environment continues to recover through 2022, supported by a return in international tourism, we could see investor confidence and appetite broaden beyond the trophy assets and streets of Central London.

	Q4 2020	Q3 2021	Q4 2021
Central London investment volumes (quarterly figure)	£412.7m	£298.4m	£556.1m
Prime Bond Street Yield	2.75%	2.75%	2.75%
Prime Oxford Street Yield	3.50%	3.75%	3.75%
Prime Regent Street Yield	3.75%	3.75%	3.75%

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