

## Cash back?

**Thanks to the Great British Weather, the holiday season may have been a wash-out for many who opted for a UK ‘staycation’ but the slight consolation may be that they have returned home with more money in their pocket than they might’ve done after a more exotic break.**

The last 18 months has seen a huge upsurge in personal savings. This has been driven people’s concerns about job security making them more prudent in their spending and also through the savings generated by lockdown restrictions and not travelling to their workplace.

Since March of last year, millions of workers have cashed-in travel season tickets; not needed to buy that morning coffee or lunchtime sandwich; have not used their cars as much; and for a long time were unable to browse around a shopping centre at the weekend. This has led to an estimated pool of more than £200bn of personal savings above the long-term average. To put this cash into a retail perspective: the UK spends about £17bn a year on fashion and £7bn on beer.

There’s also some evidence that we’re becoming more of a ‘cash-conscious’ economy. This can be seen in the extent to which people are reducing their credit card debt. A lot of payments may be contactless these days but plastic is increasingly being used as a direct debit – rather than credit – card. In the year to May 2021, the level of outstanding credit card balances fell by nearly 14%. This trend has been accentuated by the emergence of payment options such as Klarna and Paypal-in-3 which offer interest-free, direct debit payment alternative to credit card borrowing. Of course, their interest-free offer is also – like credit cards – contingent on you making your monthly payments.

Life during lockdown produced many distortions in established spending patterns and we are still discovering whether the behaviours we adopted during the pandemic have been inculcated or will be shed as everything becomes familiar again. So, as we return to more normalised trading conditions, there are big questions around how much erstwhile savers will start raiding the piggy bank for a trip down the shops and, if they do, what will they spend on – and where?

In this context, the split between shopping done online and ‘in real life’ is an important indicator. According to the ONS, online shopping as a percentage of total UK retail sales peaked at just under 35% at the end of the first quarter this year. By the end of June, this had come down sharply to 27% and looks to be settling at around 25% – closer but nonetheless somewhat higher than the pre-pandemic level of 20%. Over the longer term, the penetration of online sales into total retail spend will continue to grow but, for the present, people are clearly embracing a return to physical shopping environments.

From our perspective, we’ve seen traffic at the retail parks in our MetroBox fund return to pre-pandemic levels. In fact, in August traffic was up by 6.8% in comparison with the corresponding month in 2019.

As a business that is invested in retail warehousing and ‘Big Box’ distribution facilities which serve both online and physical retailers, these are evolving trends that are of major relevance to us. During lockdown, retail parks enjoyed above the line popularity with the consumer because they could be accessed by car rather than public transport and also facilitated ‘socially distanced shopping’ better than a crowded High Street or enclosed shopping centre. Going forward, we expect this growing shopper preference for the environment provided by retail parks to be maintained.

Of course, positivity around the potential for increased consumer spending has to be tempered by the fact that the smooth running of the supply chain is suffering both internationally – and also domestically owing to a shortage of HGV drivers in the UK.

It would be a cruel irony if eager festive shoppers with cash in their pockets were confronted by a shortage of the things that they want to put under the Christmas tree. However, it would also be a reason to look again at how we resource the movement of goods from source to shop.

James Watson, Tritax Group

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