#### ECONOMY OVERVIEW





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RETAIL DESTINATION



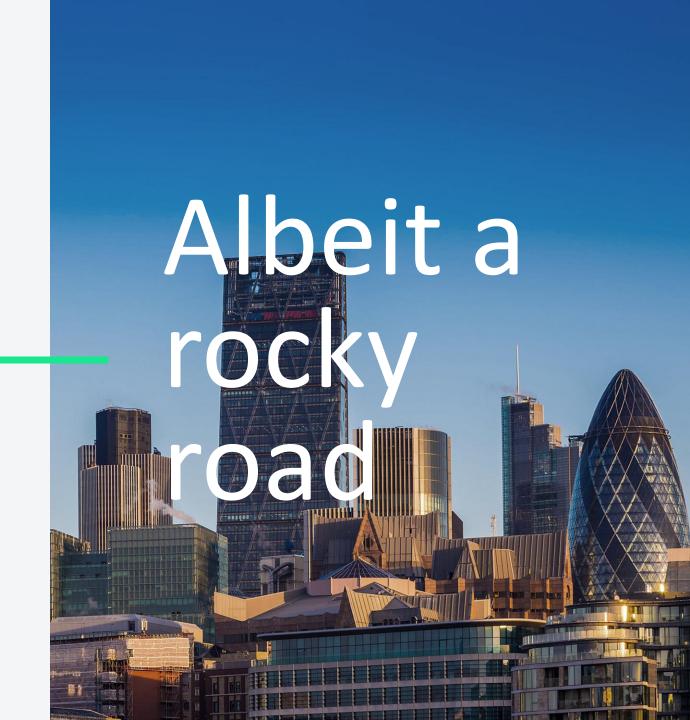


# UK economic & political outlook



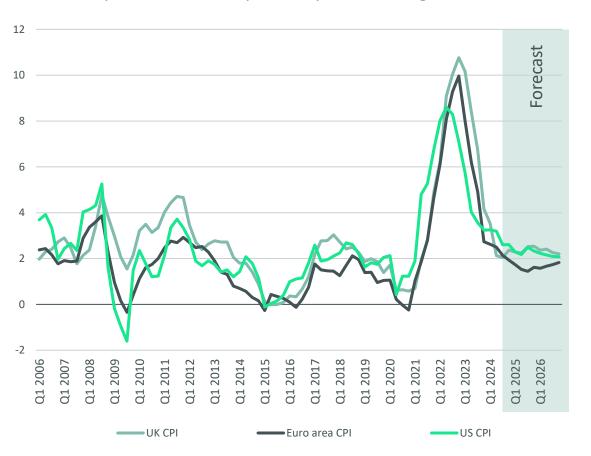
Jennet Siebrits Head of UK Research

# We are on the road to recovery

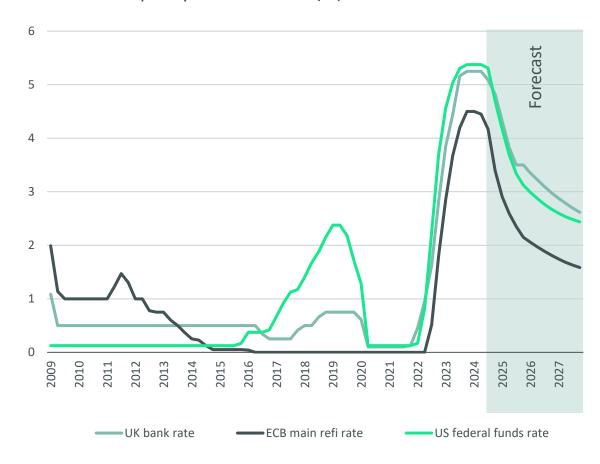


### Inflation has returned to a more moderate level and our rate cutting cycle has begun

#### Consumer price inflation – year on year % change



#### Central bank policy interest rates (%)



Source: Macroeconomic Forecasts: CBRE House View November 2024

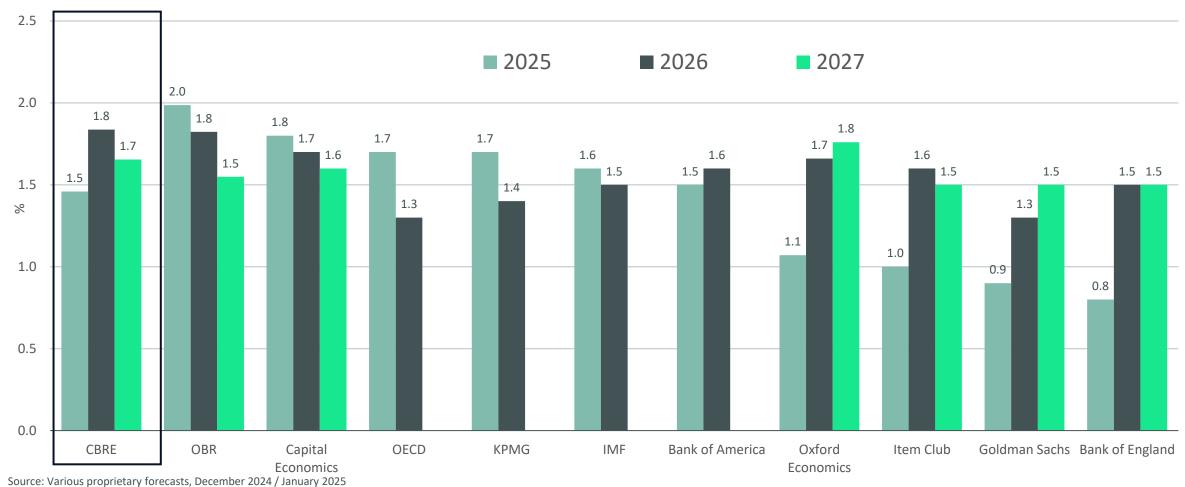
#### **CBRE** economic forecasts

	2023	2024	2025f	2026f
GDP growth	0.3	1.0	1.5	1.8
Inflation	7.3	2.5	3.0	2.6
Unemployment	4.0	4.3	4.3	4.2
Base rate (Q4)	5.25	4.85	3.85	3.00
10-year gilts	4.2	4.3	4.4	4.1

Source: CBRE Research

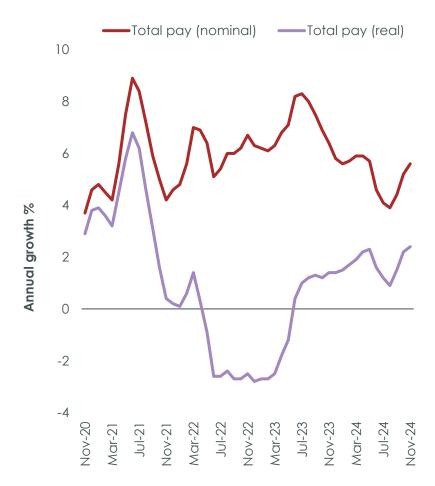
#### Big range of views for the near-term outlook

#### Summary of UK GDP growth forecasts, 2025-2027



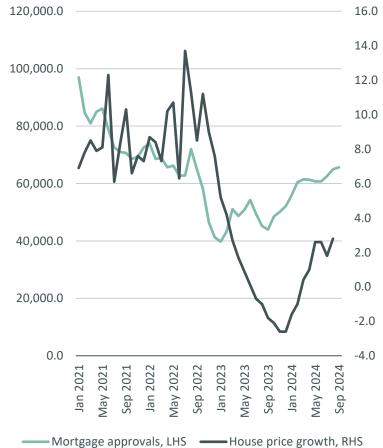
#### Short-term indicators suggest mixed sentiment

#### Average weekly earnings

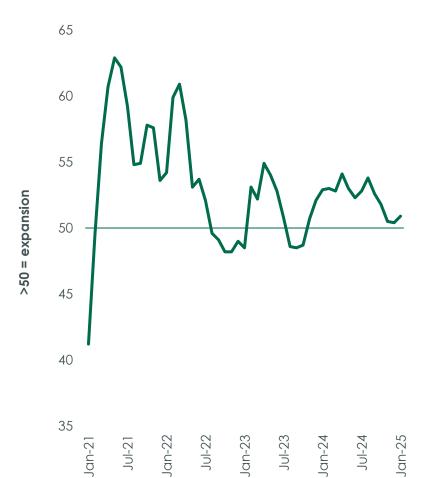


#### Housing market actiity

Source: ONS, 17<sup>th</sup> January 2025



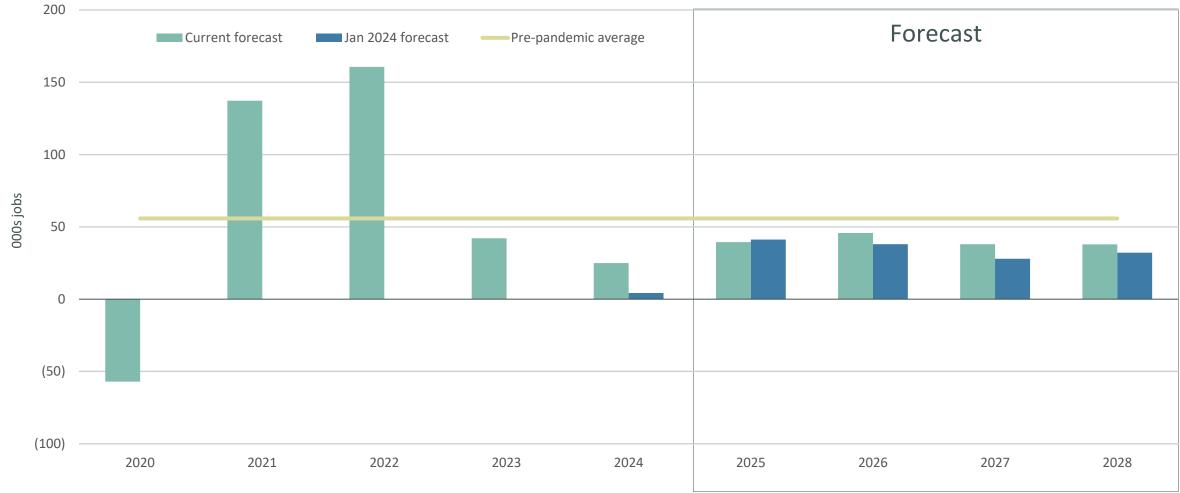
#### Composite PMI



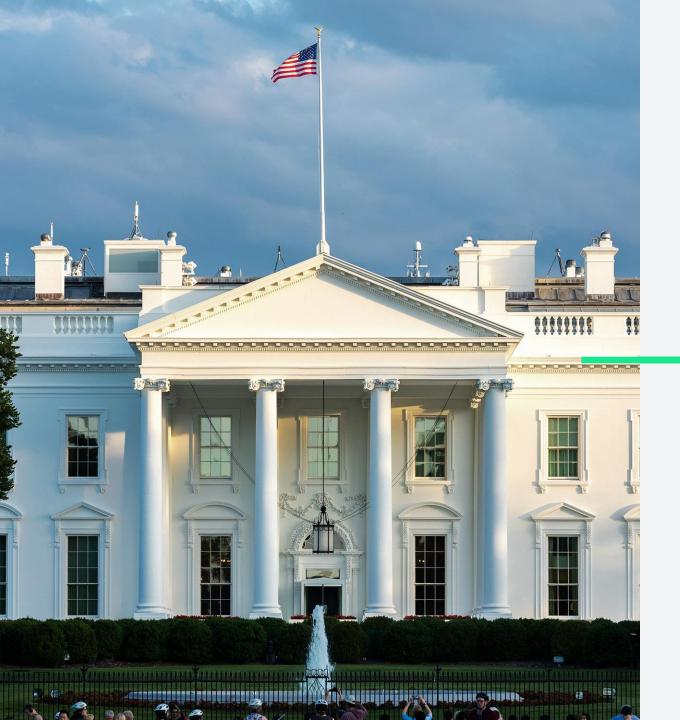
Source: S&P Global, 24th January 2025

#### Jobs growth is stronger than we expected a year ago

Office-based employment growth, Central London, 000s jobs



Source: CBRE Research



# The return of Trump

#### What is the likely impact of a second Trump presidency?

#### Trade:

Higher tariffs will feed through into higher inflation

Immigration:

Tighten labour markets in the US

Spending:

Fully enacted Trump spending will increase federal deficit by \$4.1tn

Deregulation:

Positive for economic growth

Foreign policy:

Resolution to Russia / Ukraine will be positive (economically)

Taxation:

Generally considered positive for CRE

Source: CBRE Research

#### Reasons to be optimistic



Resilient labour markets



Monetary easing boosting demand



Rate cuts can be used to stimulate economic growth



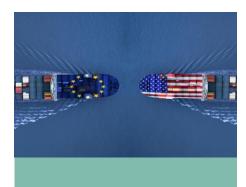
Resolution to Ukraine war could ease energy costs

#### Downside risks to the economy



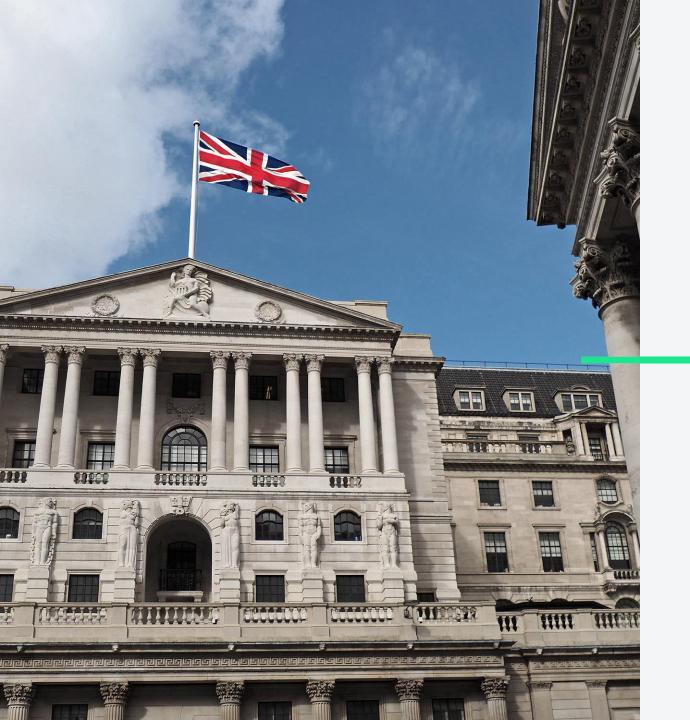


UK tax rises (with more to come?)



Tariffs / trade wars





## UK Government Initiatives

#### Policy implications for retail

Minimum wage increase and higher employee NI

Increase operational costs could potentially affect hiring decisions

**Business rates** 

The discount on business rates reduced from 75% to 40%, which could impact their profitability.

Minimum wage increases

Boost to consumer spending

Increased government spending Household income expected to grow, stimulating consumer spending

Source: CBRE Research

# So is it overall positive for retail?



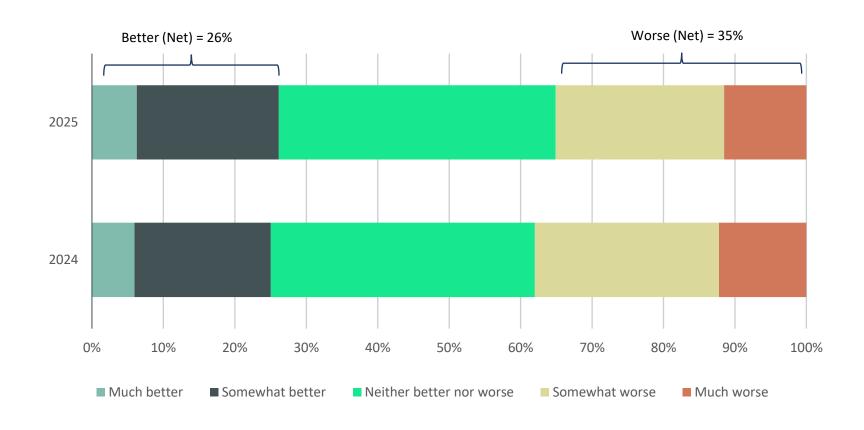
#### GfK Consumer Confidence Barometer (Jan 2023 – Feb 2025)

Consumer confidence increased by 2 points in February following January's sharp decline



Source: GfK February 2025

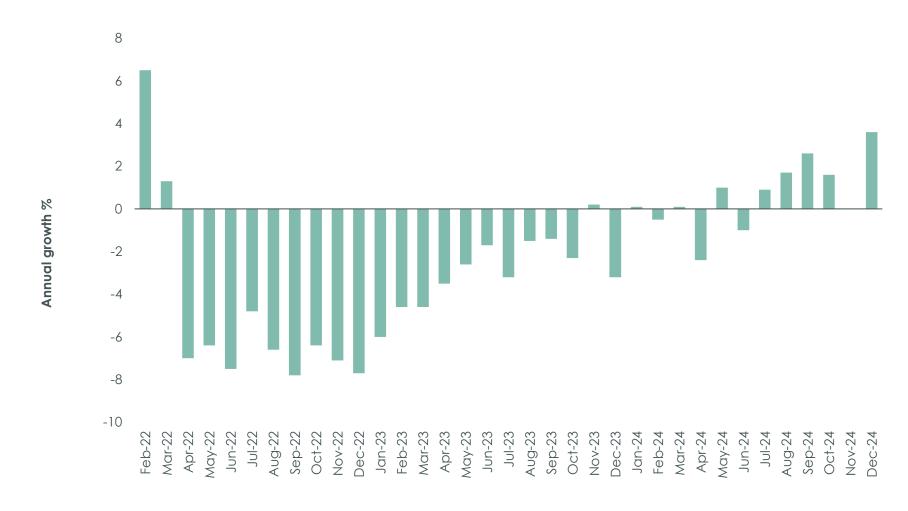
There is a slight improvement in the negative sentiment from last year, though 35% still feel worse



Source: CBRE UK Consumer Survey 2025

#### Uptick in retail sales

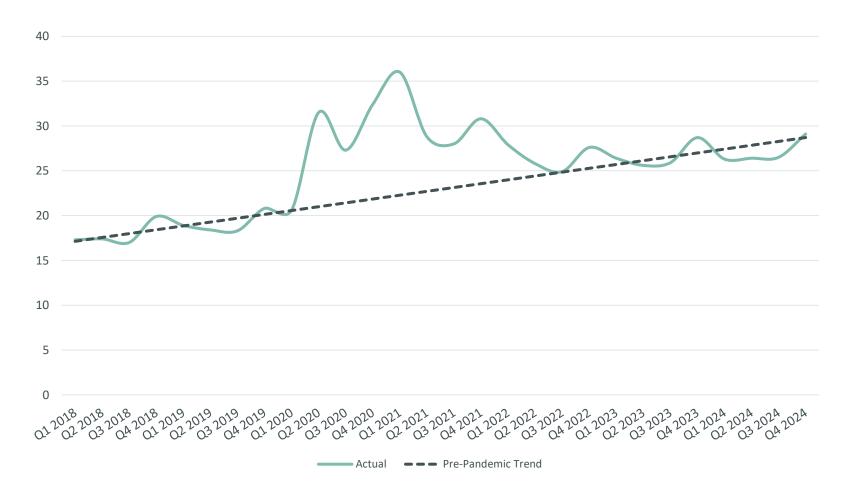
#### Monthly UK retail sales volumes



CLICKS AND BRICKS

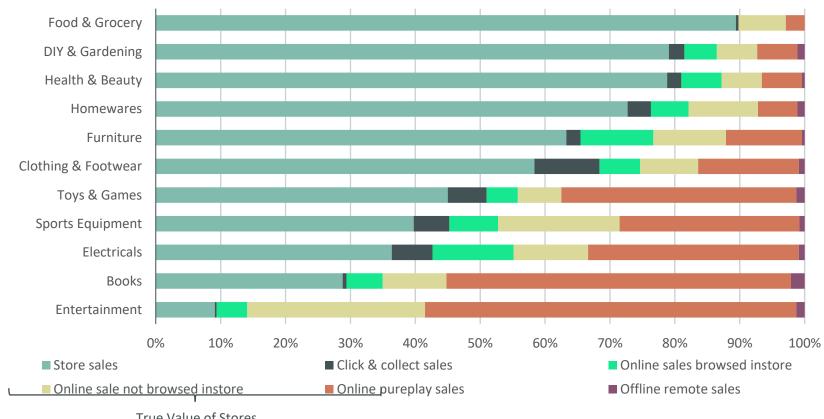
UK retail online penetration (% of all retail sales), 2015-19 Trend and Actual

The UK's online penetration has returned to prepandemic trend



Source: CBRE Research, ONS December 2024

#### But it's not as simple as online vs offline anymore



20

True Value of Stores

Source: GlobalData

**CLICKS AND BRICKS** 

Online return fees have changed the way consumers are interacting with the store

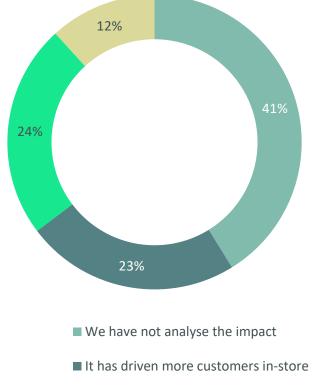
If you need to return an item that you've ordered online, which option would you prefer to use, if any?





■ Neither / no option in particular

■ Return the item by Post, and pay a delivery fee



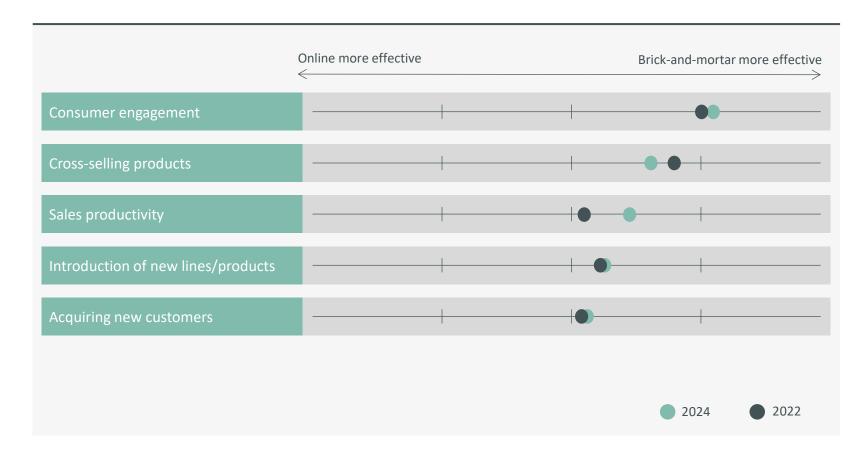
Source: Consumer Survey 2025, CBRE Research.

Source: European Retail Occupier Survey 2024, CBRE Research.

■ It has driven more sales in-store

And occupiers are seeing the alternative value that can be delivered through bricks and mortar

#### Please evaluate the performance of the following aspects of brick-and-mortar and online retail



Source: <u>European Retail Occupier Survey 2024</u>, CBRE Research.

## Any Questions?



Jennet Siebrits Head of Research



# Thank you.

Gracias ধন্যবাদি Salamat धन्यवाद Obrigado 謝謝 Спасибо **감사합니다** Merci شكريہ תודה Danke あかどう Terima Kasih شكر . Danke あかどう Тегіта Казіһ

To keep up to date watch out for my Thought of the Week.

Jennet Siebrits
Head of UK Research

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RETAIL DESTINATION