UNITED KINGDOM

Retail & Leisure Q3 2024

	YoY Chg	Outlook
+4.0% YoY High Street Rental growth	▲	▲
+2.3% YoY Retail Warehouse Rental growth	▲	▶
+3.7% YoY Shopping Centre Rental growth	▲	▲

Source: Cushman & Wakefield

LATEST INDICATORS

	YoY Chg	Outlook
+0% Footfall (Sept 2024 vs 2023)	▲	▶
-20 Consumer Confidence (Sept 2024)	▲	▲
+2.3% Retail Sales Vol. Growth (Y-o-Y, SA, Sept 2024)	▲	▲
26.8% Online Share of retail. (By value SA, Sept 2024)	▲	▶

Source: ONS, GfK, Springboard

Occupational market remains buoyant

The occupier market continues to remain buoyant, with a steady pipeline of new openings across major national schemes helping to sustain the much-improved sentiment of late. Despite a lack of material improvement in consumer spend, and ongoing uncertainty, the increasingly prevalent pockets of healthy trading performance and a renewed focus on real estate strategy has continued to deliver new openings, most notably for strong brands with the ability to pay strong headline rent levels. Despite sustained momentum, the market remains cautious about the outcome of the Autumn mini-budget with an expected uplift on employer national insurance contributions likely to hit retaillers margins, and a potential delay to the much-awaited improvement in spend. Consumer confidence took a hit during September reneging on strong progress early in the year, an index score of -20 represented a contraction of 7 points, largely driven by a worsening in the economic outlook and reduction the major purchase index. The forthcoming golden quarter along with black Friday sales events are likely to provide some relief for some retailers, however in recent years spend has become increasingly drawn out and spread, a step-change from the sharp changes typically seen.

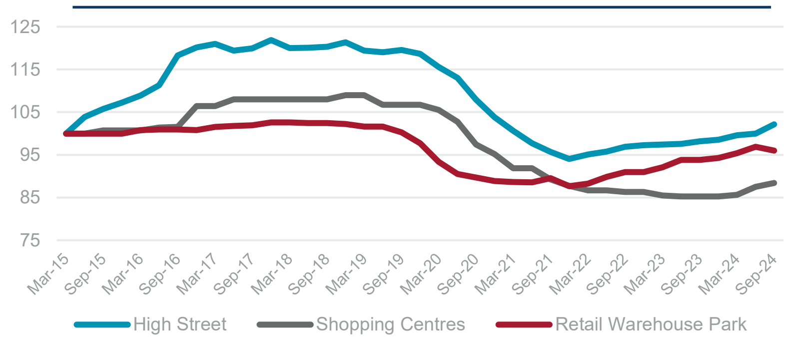
Performance continues to improve

Fierce competition to capitalise on limited consumer spend has bought about a focus on real estate and physical locations. For category leaders this has meant a greater focus on right-sizing their real estate portfolio with a particular emphasis on experience, retail media, and converting lower levels of footfall into spend. More broadly this has meant an honest assessment of retail footprints, resulting in both expansion into new locations as well as continued rationalisation for some brands. However, competitive tension continues within prime markets, a strong indication that the occupier market remains both healthy and robust. The supply of space also continues to contract with vacancy now 1% lower than this time last year, and towards the bottom end of historic norms. This comes as testament to the hard work put in by asset managers across the market, which has seen a number of sticky voids and lingering department store vacancies taken out of the market. Modest rental growth, and an uplift in prime Zone A rents is now being recorded for prime markets, a positive sign following the major rental collection undergone by the sector.

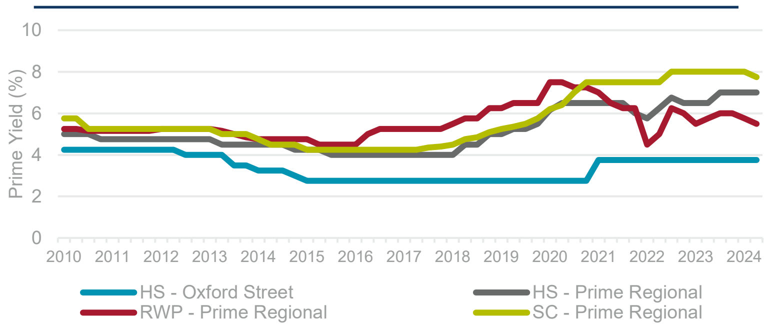
Investment market well positioned to capitalise on recovery

The retail investment market continues to see elevated levels of liquidity, and strong asset performance across its major sub sectors. However, and perhaps a contrast from other asset classes remains a lack of suitable investment options for those looking to re-enter or increase sector allocations. Despite the lack of supply, the sentiment amongst investors is that the sector has now reached the bottom of the cycle and in place has begun to recover. September saw the first yield compression for regional shopping centres since June 2015. Whilst Retail parks continue to prove a staple for investors, with pricing also seeing compression in recent quarters, owed to a strong occupational market and strong conviction around the performance of good quality schemes. Whilst investment volumes for shopping centres remain low, the outlook for strong performing schemes is much improved on where it had been just 2 to 3 years ago, with voids reducing, rents stabilising, and footfalls improving.

UK HIGH STREET RENTAL INDEX (Mar 2015 = 100)



UK SELECT RETAIL YIELDS (%)



MARKETBEAT

UNITED KINGDOM

Retail & Leisure Q3 2024

Strong Performers

Consumer Goods	Food & Beverage / Experience
On, M&S, Søstrene Grene, Oliver Bonas, Gymshark	itsu, Hollywood Bowl, Big Mamma, Wingstop

PRIME HIGH STREET STATISTICS

SUBMARKET	£ PSF ZONE A YR	PRIME YIELD (%)
London (City)	240	4.25
London (West End – Bond Street)	2,250	3.00
London (West End – Oxford Street)	450	3.75
Manchester High Street	225	7.00
Birmingham High Street	190	7.00
Leeds High Street	133	7.00
Bristol High Street	85	7.00
Cardiff High Street	135	7.00

SELECT Q3 2024 RETAIL INVESTMENT TRANSACTIONS

Property	Location	Buyer	SQFT	Price (£)
Cribbs Causeway	Bristol	M&G	780,000	£54m / 8.6%
Arnison Shopping Park	Durham	Realty	330,394	£106m / Unknown
Tandem Centre	London	ABRDN	118,079	£60m / 6.4%
Christchurch Retail Park	Christchurch	CBREIM	101,628	£33m / 6.2%
Leamington Shopping Park	Leamington Spa	NFU Mutual	160,000	£57.5m / 6.3%

Source: RCA, Cushman & Wakefield

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