

UNITED KINGDOM

Retail & Leisure Q1 2024



CUSHMAN & WAKEFIELD



Source: Cushman & Wakefield

LATEST INDICATORS



Source: ONS, GfK, Springboard

Occupational market remains strong despite muted sales volumes

The impact of tightening monetary policy, and the economies continued battle against sticky inflation continues to weigh heavily on the shoulders of UK retail businesses. Retail sales volumes remain muted and despite a marginal 2% improvement against the recent January volume, remain below both February last year and pre-pandemic February 2019. Consumer confidence continues to sit towards relative highs, remaining stable at -21 during March 2024, above the last two-year's respective March readings. This recent boost in consumer confidence is largely resultant from household's being able to effectively pivot and guard their financial wellbeing which has lead to a subsequent improvement in the personnel financial situation component of the overall score. However this improvement is yet to materialise into any significant improvement in retail sales performance. In contrast to the back-drop of tough trading conditions and economic uncertainty, retailer performance continues to hold firm particularly for large national occupiers. Insolvencies and business failures have been largely limited to those that have fallen out of trend or failed to modernise and rationalise through recent years. Anticipation of economic recovery and a cautiously optimistic outlook from consumers is likely to see vitality to return to retail businesses during late 2024 and early 2025.

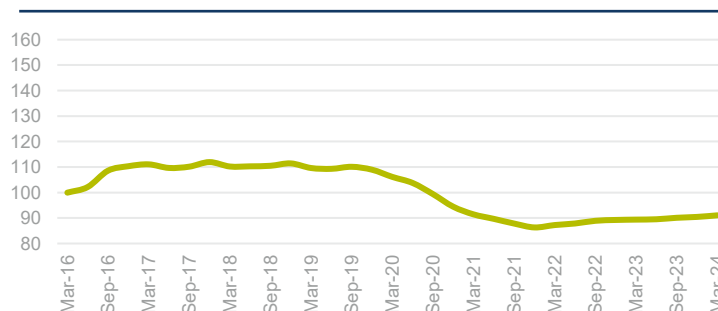
Prime centres continue to outperform

A shift in strategy from major UK retailers and significant interest from strong international brands continues to benefit best in class retail locations in prime markets. The vacancy rate for "all retail" contracted over the year to February, with a rate of 6.5% sitting towards the bottom of its long-term range. Both retail parks and shopping centres have also seen levels of supply contract over the year. Strong asset management and the return of occupier demand has helped in stabilising headline rents and inducing competitive pressure. Many major schemes are now seeing demand from both existing tenants looking to up-size and relocate internally, and for super prime and strong regional schemes, interest from new market entrants often includes international brands looking to expand into the UK.

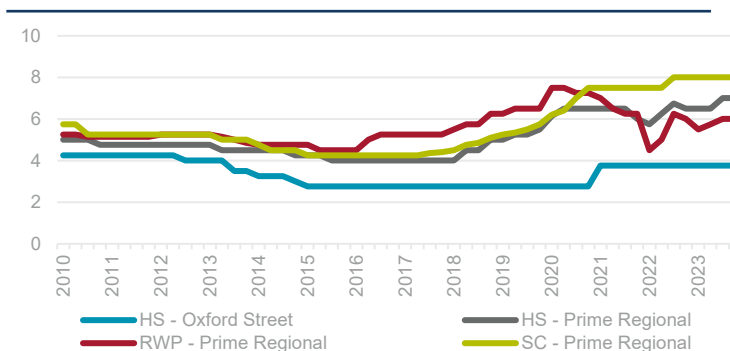
Investor sentiment improves although picture increasingly complex across retail spectrum

The retail market continues to be affected by a lack of material investment volumes, having been hit by the economic fallout that has impacted all property types. A shortage of good quality investment volumes us also continuing to suppress demand. Despite this, sentiment around the prime retail sector continues to improve, with a widening acceptance that the market is past the bottom and that certain parts of the sector are well positioned to capture investor interest throughout 2024. From a sub-sector perspective, retail warehouse parks continue to attract significant interest, with yields typically sat comfortably within single figure range. Many of the assets within this sector require smaller capital expenditure to modernise and make them ESG compliant, when compared with their counterparts, both new and old, in town and city centres. For larger shopping centres, questions are now not so much around occupational demand but focused on financing and on-going cap ex budgets.

UK HIGH STREET RENTAL INDEX (Mar 2016 = 100)



UK SELECT RETAIL YIELDS (%)



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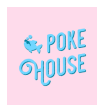
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CUSHMAN &
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Strong Performers

M&S
SIMPLY FOOD

ZARA



Consumer Goods

Food & Beverage / Experience

PRIME HIGH STREET STATISTICS

SUBMARKET	£ PSF ZONE A YR	PRIME YIELD (%)
London (City)	240	4.25
London (West End – Bond Street)	2,000	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 Q1 2024 RETAIL INVESTMENT TRANSACTIONS

Property	Location	Buyer	SQFT	Price (£)
Union Square	Aberdeen	LoneStar	500,901	£111m / 11.5%
Tesco Meir	Stoke on Trent	SUIR	80,700	£34.7m / 7.53%
Omni Centre	Edinburgh	Triple B	585,187	£65m / 8%
Goodmayes Retail Park	Chadwell Heath	DTZ Investors	103,499	£23.5m / 6.71%

Source: RCA, Cushman & Wakefield

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