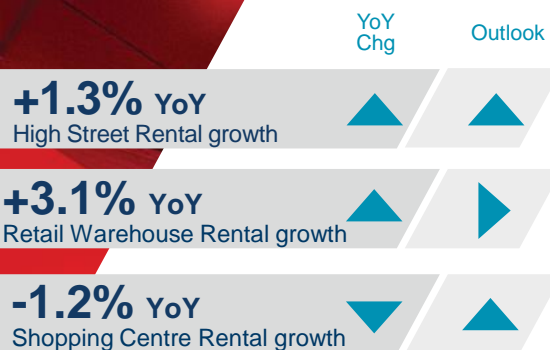


UNITED KINGDOM

Retail & Leisure Q4 2023


**CUSHMAN &
WAKEFIELD**


Source: Cushman & Wakefield

LATEST INDICATORS



Source: ONS, GfK, Springboard

Occupational market remains resilient

The retail occupational market, whilst being impacted by tough macroeconomic conditions, continues to show its resilience. Although the sector has seen significant rationalisation over recent years, occupiers are capitalising on re-aligned rental values, and sticky voids in order to attain favourable terms and secure strong retail pitches in new locations. As such prime retail locations continue to see strong enquiry levels and significant leasing activity. Green-shoots continue to emerge nationally, with competitive pressure and some signs of positive rental growth beginning to surface. This is particularly true for strong prime centres where supply continues to narrow as asset management strategies enacted over recent years are beginning to reduce vacancy and limit availability. Nationally rents largely remain stable through Q4 and relative to a year ago some markets have begun to see rents move on, with best-in-class locations such as Mount Street in London, and Princes Street and Buchanan Galleries in Scotland all-seeing double-digit rental growth over the period. Minor correction and adjustment continued to be observed within the shopping centre sector throughout 2023, however 2024 will likely see a return of rental growth, albeit at moderate levels.

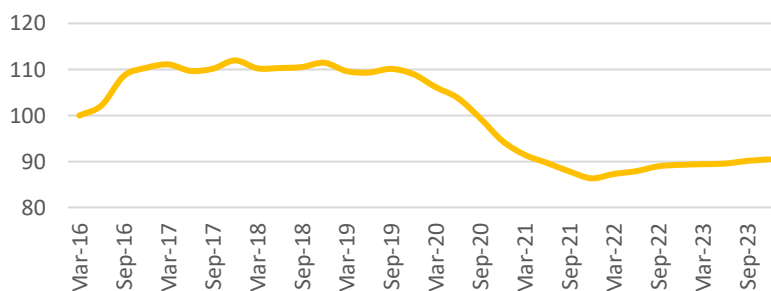
Retail strategy begins to pivot

Having weathered the bulk of the economic crisis, well positioned retailers are now beginning to focus on pivoting their strategy and re-aligning their real estate accordingly. In some cases, this has seen retailers trade-up, relocate and renovate existing locations as they place emphasis on in-store experience and look for locations that enable omni-channel integration and micro-fulfilment. However, 2024 is likely to be a year of transition for a number of brands seeking to meet their ESG targets, which will likely have a positive knock-on affect for the occupational market. A healthy pipeline of new entrants from international markets, and a transition from previously online only brands is also inducing competitive pressure between retailers with a number of flagship openings in key locations encouraging innovation and investment from existing occupiers. Acquisitive occupier types include med-tech, sportswear, and premium fashion brands.

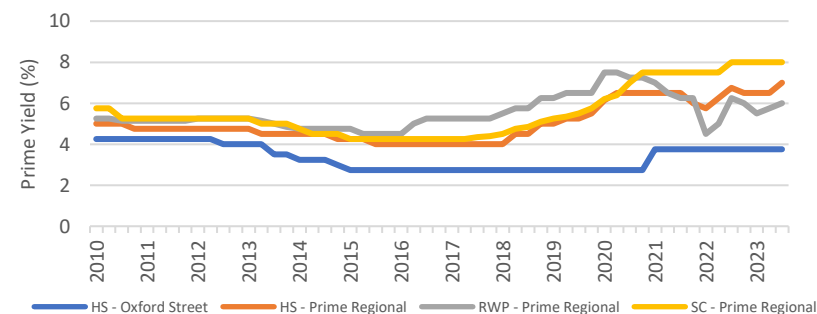
Investors continue to target best in class retail assets

As with the occupier market, prime retail investment feels to have entered a new phase. Whilst headline investment volumes remain low, sentiment continues to remain positive for the sector, with expectations that an anticipated rates cut in 2024 and economic recovery as we enter 2025 is likely to bring a significant increase in investment volumes. According to RCA investment volumes in 2023 were circa 40% below the pre-pandemic five year average, highlighting the challenges of placing capital under current macroeconomic conditions. However, the sector now offers an attractive risk premium for investors and attitudes are beginning to shift with investor conviction further buoyed by the resilience of physical retail locations. Across the retail spectrum performance is more varied, with established investors continuing to target prime locations and asset types exposed to food and consumer goods businesses, which are seen to be relatively robust in the face of inflationary pressure and economic downturn.

UK HIGH STREET RENTAL INDEX (Mar 2016 = 100)



UK SELECT RETAIL YIELDS (%)



UNITED KINGDOM

Retail & Leisure Q4 2023

Strong Performers



next

GYMSHARK

M&S
EST. 1884

INDITEX



HAWKSMOOR

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	6.75
Birmingham High Street	185	7.00
Leeds High Street	130	7.00
Bristol High Street	85	7.00
Cardiff High Street	135	7.00

SELECT Q4 2023 RETAIL INVESTMENT TRANSACTIONS

Property	Location	Buyer	SQFT	Price (£)
Waitrose S&L Portfolio	Portfolio	M&G	400,000	c. £130m / 6%
Grove Farm Retail Park	Chadwell Heath	Swiss Life	47,793	£12.3m / 5.99%
Omni Centre	Edinburgh	Undisclosed	585,187	£65m / 8%
Churchill Square	Brighton	INGKA	470,000	£143m / 10%

Source: RCA, Cushman & Wakefield

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