

Retail Warehouse Dashboard

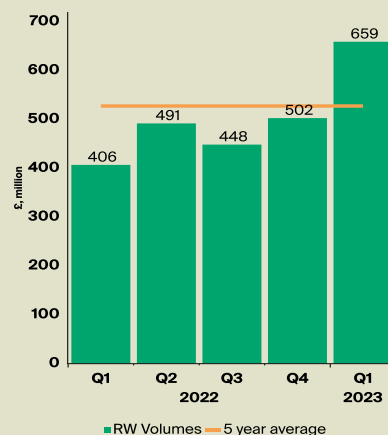


Q1 2023 | A concise quarterly synopsis of activity in the UK retail warehousing market.

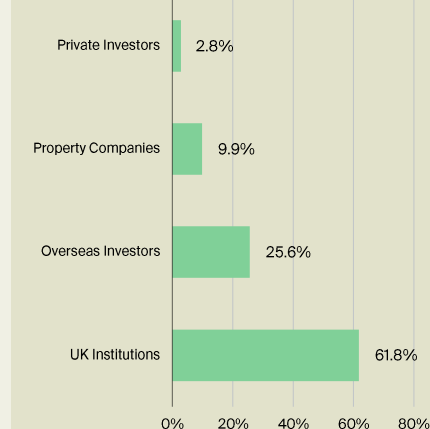
Key Takeaways

- CRE market sentiment saw an uptick in Q1 (-11 pts vs. -15 pts in Q4), but remains in negative territory according to the RICS Commercial Property Sentiment Index;
- Investment volumes accelerated +31% vs. Q4 levels, totalling £659 million, above the 5-year quarterly average;
- UK Institutions were the largest buyer segment, acquiring almost two thirds (61.8%) of all deals by volume (ca. £400m);
- Prime and Secondary yields held steady at 6.00% and 7.50% respectively, as capital growth made a substantial recovery (+0.7%) vs. the previous quarter and rental growth strengthened (+0.4%);
- Unit vacancy rates improved once again, moving -30bps to 8.7%, well below the All Retail rate of 13.8% (SC 17.8% / HS 13.8%);
- Footfall levels lagged somewhat in January but remain buoyant overall compared to wider UK Retail, albeit below pre-pandemic levels (-5.3% in March);
- Retail sales continued their growth streak with values increasing +5.6% YoY. Grocery sales accelerated +10.1%, higher than Non-Food (+4.1%), driven by double-digit grocery inflation;
- Sector performance was mixed with spend growth in some sectors (Clothing +13.3% / Furniture +5.2%) vs. some softening in others (Electricals -12.2% / DIY -2.9%).

Investment Volumes
(PropertyData, Knight Frank) Last 5 quarters



Buyer breakdown
(Knight Frank) By deal volume

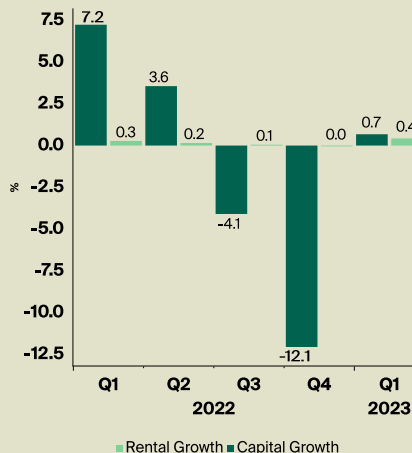


Key Deals YTD (Year to Date)

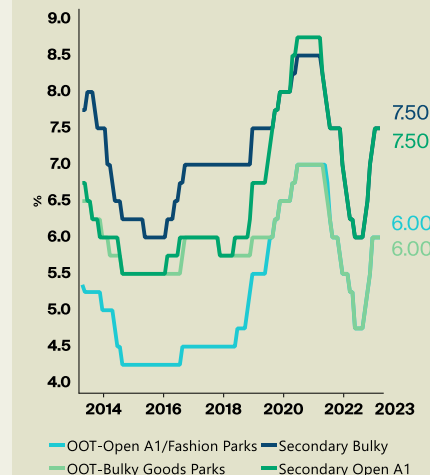
+ indicates a Knight Frank deal

ASSET	PRICE £M	YIELD (%)	VENDOR	PURCHASER
PURLEY CROSS RETAIL PARK (CROYDON)	£59.0M	5.48%	OVVAL	DTZ
B&Q (STEVENAGE)	£21.3M	6.23%	ORCHARD STREET	AVIVA
WESTWOOD RETAIL PARK / GATEWAY RETAIL PARK (THANET) +	£54.5M	8.20%	RECEIVERSHIP	BRITISH LAND
MADFORD RETAIL PARK (NOTTINGHAM)	£10.6M	7.80%	TESCO PENSION TRUSTEES	COLUMBIA THREADNEEDLE
MOUNTBATTEN RETAIL PARK (SOUTHAMPTON)	£15.0M	6.45%	CBRE GI - SHELL PENSION FUND	COLUMBIA THREADNEEDLE

Rental & Capital value growth
(MSCI) QoQ change



Yields (guide available online [here](#))
(Knight Frank) Last 10 years



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Research Commentary

Retail Warehousing is fast emerging as one of the most attractive asset classes for investment in 2023. Total returns for the quarter (2.37%) made it the best performing of all CRE sectors, above Retail (1.04%), All Property (0.15%) and even Industrial (0.66%).

It's little surprise that the sub-sector now tops most investors' shopping lists. With rebased rents, reduced rates liability, and low void rates, Retail Warehousing presents an attractive option for those eager for Retail exposure, without the complexities of the High Street / Shopping Centre markets. A dearth of new development, and an increasingly positive occupier story, will mean buyers will soon be incorporating rental growth into their buying models.

Despite the weight of capital chasing the sub-sector, stock flow is constraining deal volumes. Sales have mostly emanated from vendors most under pressure to dispose. However, the return of institutional activity has triggered some measured yield compression at the primer end of the market. We expect this to continue as buyers entice ambivalent vendors with sharper pricing. An increase in supply, alongside emergence of an 'ESG premium', will also be defining features, as institutions seek out the shiniest, most efficient stock. We anticipate increased activity from leveraged investors too, as rent rebasing and retailer expansion injects life into hitherto tertiary stock.

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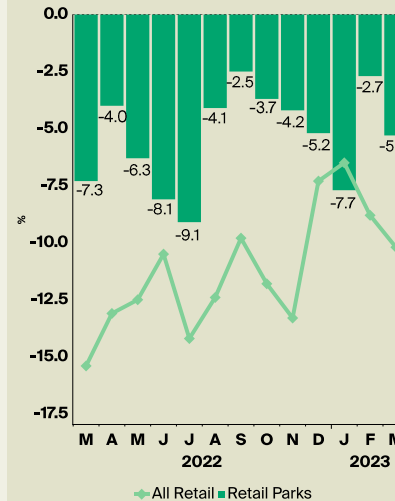
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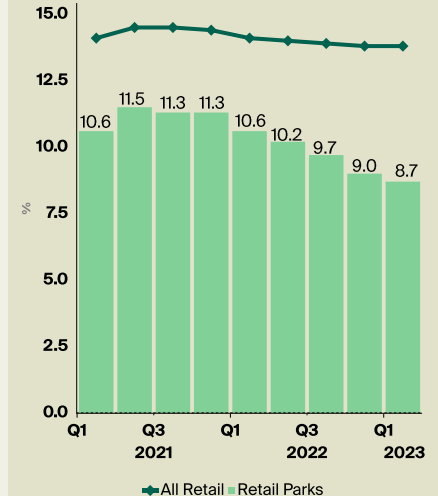
Knight Frank Research Reports are available at knightfrank.com/research



Footfall
(BRC) Monthly change vs. 2019 levels



Vacancy Rate
(BRC-LDC) Units



“Investment demand has seen a resurgence with virtually every UK institution currently holding a requirement for Retail Warehousing. But it is the lack of quality stock on the market which has held the sector back to date”

MARKET VIEW
Freddie MacColl
Partner, Capital Markets

Top Performing Categories
(ONS) Quarterly Sales YoY Change

