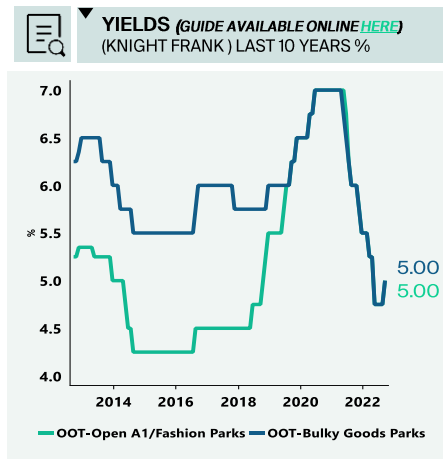
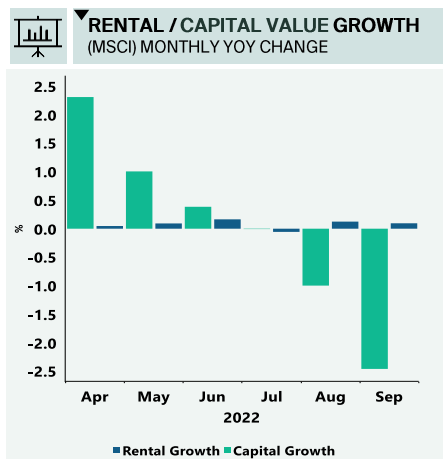
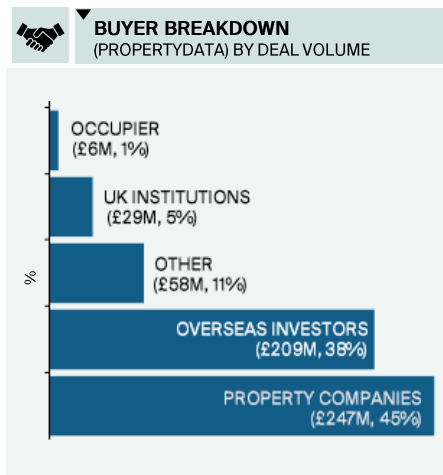
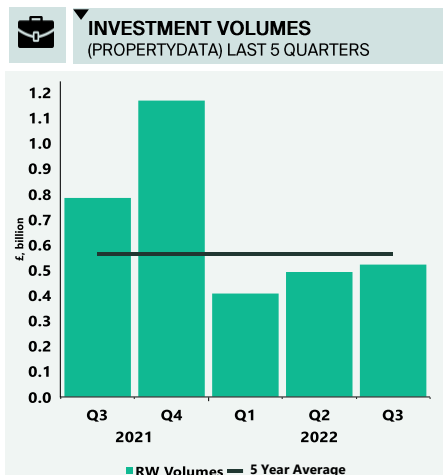


Retail Warehouse Monitor

Q3 2022



KEY TAKEAWAYS

- Investment volumes totaled £548.4m, an +11.6% uplift from Q2 (£491.3m). On a 2-year comparison, investment bounced +13% vs. Q3 2020.
- PropCos and Overseas Capital dominated, collectively acquiring £456.1m (83%) worth of assets. Realty, KFIM, and Supermarket Income REIT secured some of the largest deals.
- Yields moved out +25bps in tandem with other CRE sectors: a reaction to political turmoil triggered by Boris Johnson's resignation (July 7) and spiking gilt yields and interest rates.
- Capital values also weakened, re-entering negative territory (July 0.0%, Aug -1.0%, Sept -2.5%). But rental growth remained stable at ca. +0.1%.
- Although the valuation data lags, yields and pricing softened further with the arrival of new PM Liz Truss (Sept 5) and the unveiling of a catastrophic mini budget (Sept 23).
- Footfall remained stagnant, lingering around -4% below pre-pandemic levels. But RWH maintained its considerable gulf between Shopping Centre (-16.7%) and High Street (-14.4%) assets. Vacancy rates also improved 50bps to 9.7%, below All Retail (13.9%).
- Retail sales values in Q3 grew +4.0% with robust performance across Non-Food (+3.8%) and Food categories (+6.1%). Inflationary impacts remained uneven, with more discretionary products surprisingly achieving both value and volume growth (e.g. Carpets +20.9%/+12.4%, Computers +7.4%/+9.6%).

KEY DEALS

*KF DEAL

ASSET	PRICE £M	YIELD (%)	VENDOR	PURCHASER
Waddon Retail Park Croydon	£13.0M	4.20%	CBRE IM	PropCo
Broadbridge Heath Retail Park Horsham	£27.9M	4.70%	Delancey	KFIM
B&Q Newton Abbot	£4.6M	5.85%	CBRE IM	Private
The Zebra Portfolio Various	£205M	6.25%	Frasers Group	Realty
*Carpetright Romford	£4.5M	6.18%	CBRE IM	SafeStore
Willow Brook Centre, Bristol	£84.0M	5.60%	CBRE IM	Supermarket Income REIT

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COMMENTARY

The fundamentals of the retail warehouse sector remain strong. Robust covenants, rebased rents, along with low and falling vacancy rates continue to create sustainable income for comparatively low capex. However, the well-documented global and domestic headwinds have significantly impacted 'active capital' across commercial real estate markets, dynamics to which the retail warehouse sector has not been immune.

Mounting pressure on institutional landlords to sell, whether due to redemptions or an overweight position to property / maturing funds, has softened pricing and sentiment further, with an influx of supply coming to market. Smaller lots and those with strong credentials are at the most liquid end of the market with private and cash buyers increasingly coming to the fore. Debt remains increasingly expensive, and largely not accretive at vendors' current aspirations, leading to further declines in values.

Despite pressures, the fundamental characteristics of the sector remain compelling and we expect volumes to pick up rapidly once global and domestic volatility settles.

GET IN TOUCH WITH US

Dominic Walton
Partner, Capital Markets
+44 20 7861 1591
dominic.walton@knightfrank.com

Daniel Serfontein
Associate, Capital Markets
+44 20 3640 7037
daniel.serfontein@knightfrank.com

Josh Roberts
Graduate, Capital Markets
+44 20 8187 8694
josh.roberts@knightfrank.com

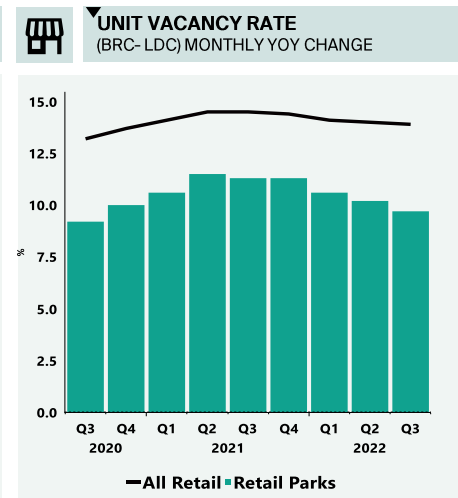
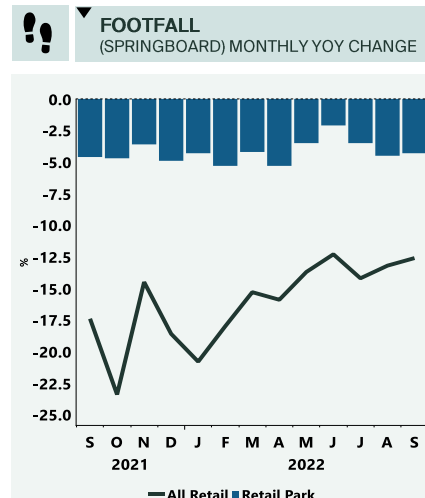
Freddie MacColl
Partner, Capital Markets
+44 2039 677 133
freddie.maccoll@knightfrank.com

Stephen Springham
Partner, Head of Retail Research
+44 20 7861 1236
stephen.springham@knightfrank.com

Emma Barnstable
Retail Research Analyst
+44 20 8106 1385
emma.barnstable@knightfrank.com

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“ Despite global & domestic pressures, the fundamental characteristics remain compelling. Expect volumes to pick up rapidly once volatility settles ”

- FREDDIE MACCOLL
PARTNER, CAPITAL MARKETS

