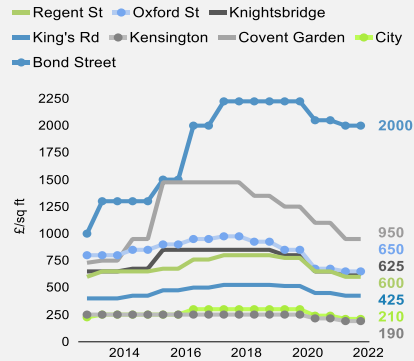


Central London Retail Market Q3 2022

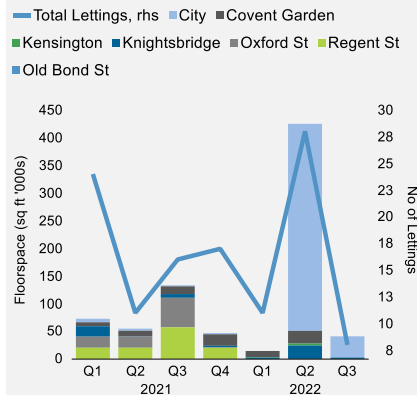
The Knight Frank Central London Retail Market quarterly update on key data and current market sentiment.

Prime Zone A Rents



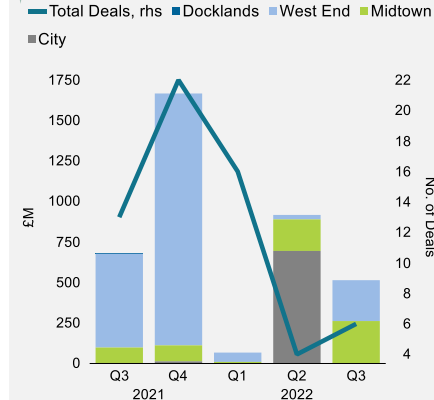
Source: PMA, Knight Frank

Lettings by Sub-market



Source: EGI, Knight Frank

Investment Volumes

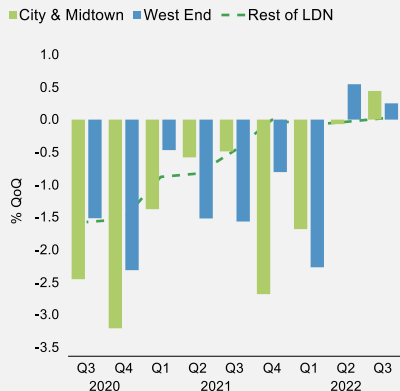


Source: Property Data, Knight Frank

KEY TAKEAWAYS

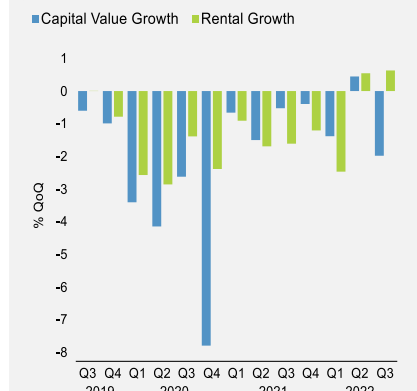
- Shoppers continued to flock back to stores, residual pandemic-induced screen fatigue driving demand and appreciation for physical retail. Shopper mobility remained below pre-pandemic levels (-28%), but has improved substantially vs. January levels (-49%).
- Lettings were fairly buoyant with many occupiers still acquisitive. Rents grew stronger (+0.6%) than Outer London (+0.3%), with the West End (+0.3%) and Midtown (+0.4%) leading the charge. Key deals included 23,000 sq ft to Cynergy Bank at Landsec's One New Change, and 5,000 sq ft to HIIT & yoga fitness brand, Digme, at 40 Coleman St.
- Investment deals totaled a healthy £513m, split equally between the West End and Midtown markets. Key acquisitions included 51 – 54 Long Acre for £32m by NFU Mutual. Sandwiched between the dominant estates of Capco and Shaftsbury, the site comprised a rare freehold opportunity in Covent Garden, with 90% of income originating from Inditex's Zara.
- Capital values reflected the wider downturn in CRE sentiment (-1.9%) but remained more resilient than Outer London (-2.9%). Yields remained stable on both Bond Street (2.75%) and Oxford Street (3.50%).

Rental Growth by Sub-market



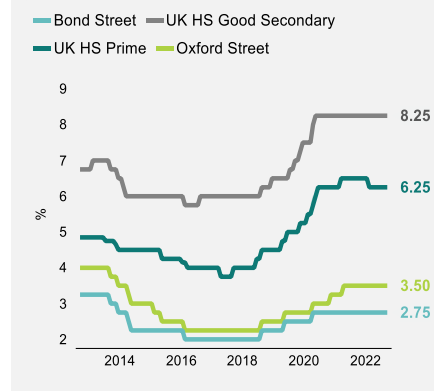
Source: MSCl, Knight Frank

Central London Rental / Capital Value Growth



Source: MSCl, Knight Frank

Prime Yields



Source: Knight Frank

“The surprise but much-needed reform of business rates in the Chancellor’s Autumn Budget stands to drastically reduce the tax burden on many retail premises in Central London, resuscitating demand from international brands.”

- ROB HARGREAVES
PARTNER, RETAIL AGENCY

Central London Retail Market Q3 2022

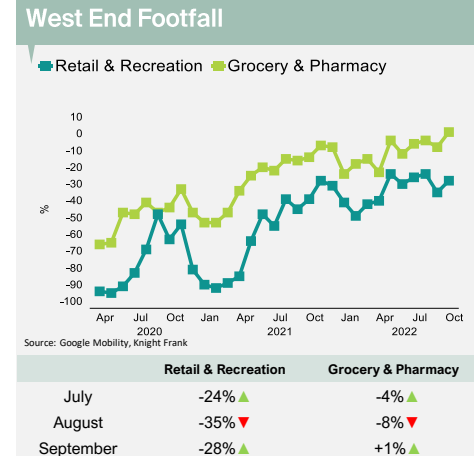
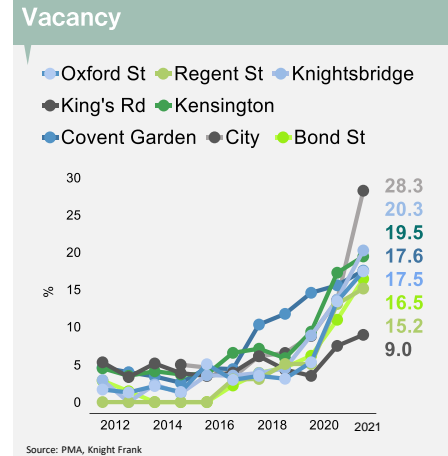
The Knight Frank Central London Retail Market quarterly update on key data and current market sentiment.

COMMENTARY

Recovery in Central London retail markets remains in full swing, despite wider economic gloom. London remains on track to achieve its predicted rebound in tourist trade by 2023, with full recovery of historic annual turnover levels still anticipated. Sales are still set to supersede pre-pandemic levels by 2024 to reach £10bn, a +20% increase on 2019 levels. Forecasts have been buoyed by the strength of recovery in inbound tourist visits and spend, which were upgraded during the quarter to 65% and 76% respectively of 2019 levels.

Central London's second key source of custom – the office worker – has also been steadily trickling back. TfL data show tube entry / exits at ca. 70% of pre-pandemic levels, with workers travelling back on average 3.5 days each week. **Overall, spend in the West End continues to outperform footfall**, with YTD sales up +109% YoY, as consumers spend more purposefully. Footfall entered positive territory for the first time during the October half-term: registering +3% up vs. pre-pandemic 2019 levels.

Property metrics are reflective of current wider sentiment across CRE capital markets, with Central London faring much better than Greater London. Revised forecasts show an encouraging picture for London retail over the medium to long-term, with West End rents predicted to return to growth by 2024 (+1.4%), a positive upward revision vs. Q2 forecasts. Overall, West End rents are forecast to grow +1.5% between 2023 and 2026, versus +0.9% (City) and +1.0% (Greater London). And considerably better than the wider South East (+0.1%) and UK (+0.0%) geographies, which saw minor downward revision this quarter.



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Key Investment Deals

Location	Price	Yield	Purchaser
51 – 54 Long Acre	£31m	5.3%	Merseyside Pension Fund
52 – 53 Dean Street	£1.8m	5.6%	Private
5 d'Arbly Street	£3.2m	4.27%	Private

Source: Property Data, Knight Frank

Key Lettings

Location	Unit Size (sq ft)	Tenant
One New Change	23,000	Cynergy Bank
40 Coleman Street	5,000	Digme
The Royal Exchange	800	Samsonite

Source: EGI, Knight Frank

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