

# Retail Warehouse Dashboard

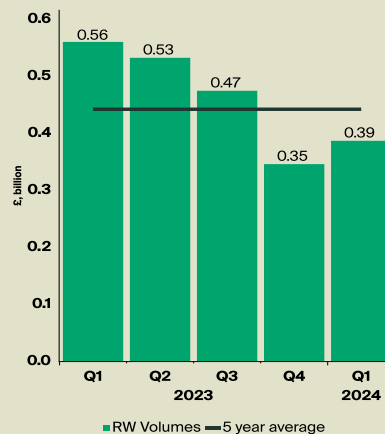


Q1 2024 | A concise quarterly synopsis of activity in the UK retail warehousing market.

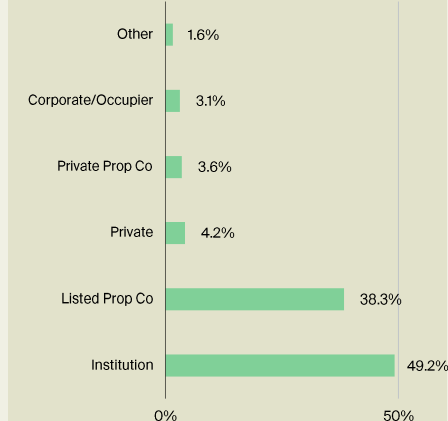
## Key Takeaways

- Globally, the RICS' Commercial Property Sentiment Index stood at -10pts, the least downbeat reading since Q2 2022. The Investment Sentiment Index also improved to -13pts (vs. -18 pts in Q4).
- Retail warehousing investment volumes improved +12% quarter-on-quarter to £386m, although this was still below the rolling 5-quarter average (£441m).
- Institutions and Listed PropCos were the dominant purchasers, acquiring 49.2% and 38.3% of assets by deal volumes respectively. Private buyers made up just 4.2%.
- Prime yields sharpened -25bps across both Open A1 and Bulky Goods Parks to 6.00%. Secondary Open A1 and Secondary Bulky Goods were stable at 8.00%.
- Capital values improved +0.4% quarter-on-quarter, whilst rental values grew +0.4%.
- Unit vacancy rates improved for a 10<sup>th</sup> consecutive quarter to reach 7.5% - well below their pandemic peak (11.5% Q2 2021) and pre-Covid rate (8.1% Q4 2019).
- Footfall varied (Jan -1.8% / Feb -5.8% / March -3.5%) with one of the wettest February's on record, but generally showed greater resilience than Shopping Centres and High Streets.
- Q1 retail sales were erratic (values +3.8% YoY) with volumes returning to positive growth (+0.2%). Category performance was mixed with Sports Equipment & Toys (+3.6%) much stronger than bulky goods (Furniture -5.9% / Carpets -1.0%) and Clothing (-0.8%).

**Investment Volumes**  
(Knight Frank) Last 5 quarters



**2023 Buyer breakdown**  
(Knight Frank) By deal volume

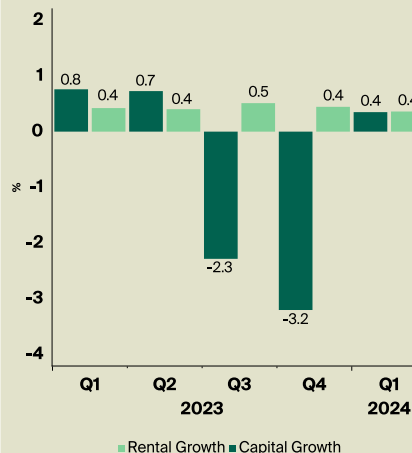


## Key Deals YTD (Year to Date)

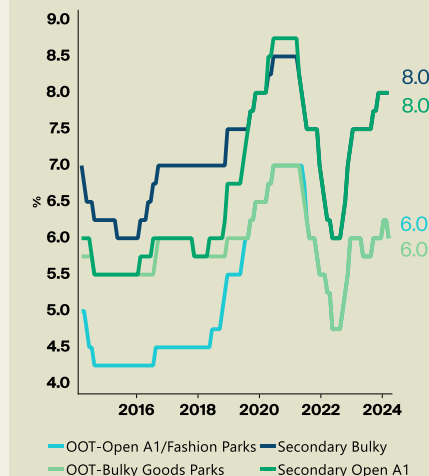
\*KF DEAL

ASSET	PRICE £M	YIELD (%)	VENDOR	PURCHASER
SPRINGVALE RETAIL PARK, ORPINGTON *	£44.8M	7.33%	BLACKROCK	NFU
BIRSTALL SHOPPING PARK, LEEDS	£60.0M	8.40%	L&G	REALTY INCOME
GROVE FARM RETAIL PARK, CHADWELL HEATH	£12.3M	5.99%	DTZ INVESTORS	MAYFAIR CAPITAL
THE RANGE, WINCHESTER ROAD, SOUTHAMPTON *	£5.46M	7.40%	CCLA INVESTMENT MANAGEMENT	THE WILLIAM PEARS GROUP

**Rental & Capital value growth**  
(MSCI) QoQ change



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



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## Research Commentary

**The stars are starting to align for retail - and even more so for retail warehousing - but are yet to spark widespread action amongst investors** – meaning now could be the time to act.

**The consumer outlook on personal finances reached its highest level since December 2021, thanks to strong wage growth (+6.0%) and easing Shop Price Inflation (1.3%).** Accordingly, retail sales were generally robust overall in Q1 (values +3.8% / volumes +0.2%) though clothing slumped (vals -0.8% / vols -5.7%) and Food sales growth slowed to +5.3%, the lowest in six quarters, partly reflecting easing inflation.

**Occupationally, Retail Parks were the only retail sub-class to see net occupancy growth of +0.3%** in 2023, outshining Shopping Centres (-2.5%) and High Streets (-3.3%). Fastest growing outlet types included takeaways (+151 units), food-to-go (+131), supermarkets (+40) and petrol stations (+48). This growth spurred rental growth of +0.4% quarter-on-quarter.

**The investment market is where the figurative spark is missing most,** although Retail Warehousing did outperform the wider retail market as the only sub-sector to see an uptick (+12%) in transactions in Q1, totalling £386m. Institutional demand accounted for approximately 49% of this volume. Stock shortages are expected to further sharpen yields to sub 6.00%, against a backdrop of low voids, anticipated rental growth, and supported by substantial institutional requirements, led by local authority mandates and pension funds.

**Looking ahead, forecast data underscores the investment case for the sector. Retail Parks are now expected to deliver the highest annual return (9.4% p.a.) over the next five years,** surpassing other commercial sub-sectors, including Offices (7.7%) and even Industrial (8.4%).

## Get in touch with us

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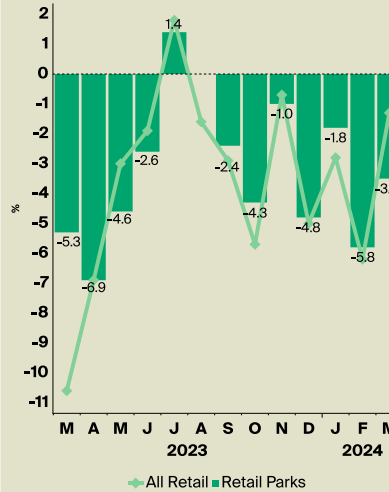
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## Footfall

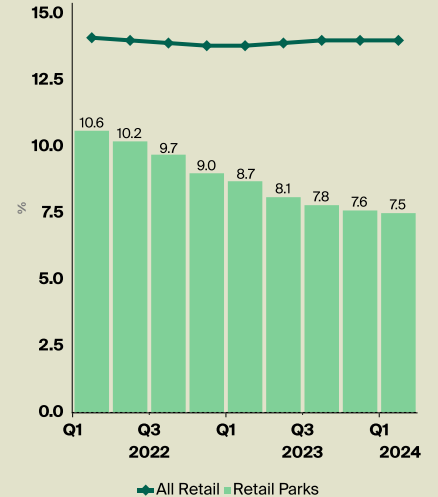
(BRC) Monthly YoY change \*

\*March 2021 – March 2023 figures are compared to 2019 levels



## Vacancy Rate

(BRC-LDC) Units



“

How soon is now? Buy now and pay less than in six months' time – for an asset class that is destined to deliver higher total returns than any other over the next five years (9.4% p.a.).

”

**RESEARCH VIEW**  
STEPHEN SPRINGHAM  
Partner, UK Markets Research

## Top Performing Categories

(ONS) Quarterly Sales YoY Change

