Retail Warehouse Dashboard

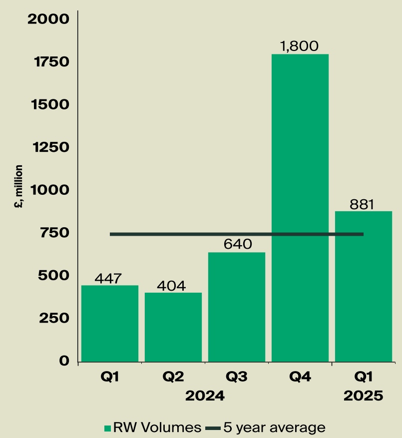
Knight Frank

Q1 2025 | A concise quarterly synopsis of activity in the UK retail warehousing market.

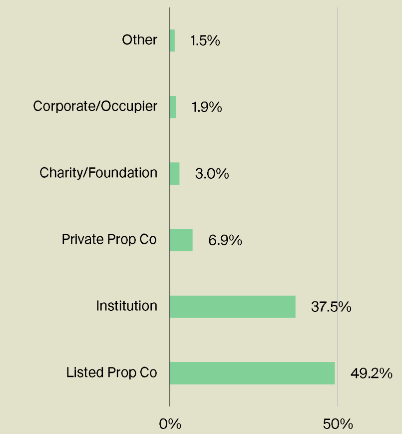
Key Takeaways

- The RICS UK Commercial Property Monitor saw an improvement in headline investor demand, rising to a net balance of +4% from -4%.
- Retail warehousing investment totalled £881m in Q1, following a bumper Q4 (£1.8bn). This was above the 5-year quarterly average (£746m).
- Listed PropCos accounted for nearly half of purchaser deal volumes (49.2%), with a further 37.5% acquired by Institutions.
- Prime yields on Open A1 Parks and Bulky Goods Parks aligned at 5.50%. Secondary Bulky and Open A1 yields compressed -25bps to 6.75%.
- Parity in both quarter-on-quarter capital value and rental growth of +0.6%, but in both cases a deceleration on Q4 (CVG +2.3%, rents +0.8%)
- Improvements in unit vacancy rates slowed after a strong rally, improving just -10bps to 6.4%. Vacancy rates are approximately -190bps lower than pre-pandemic levels.
- Retail Park footfall surged in January (+7.9%) and remained much stronger in subsequent months than wider Retail (Feb. +2.0% vs. +0.2% and Mar. -1.2% vs. -5.4%).
- Q4 retail sales (values) grew by a robust +2.9%, with Non-Food (+3.7%) stronger than Food (+1.8%). Value growth for many out-of-town categories was buoyant e.g. Carpets (+22.4%), Sports Equipment and Toys (+14.7%), Garden Centres & Pets (+6.0%), though many categories were deflationary.

Investment Volumes
(Knight Frank) Last 5 quarters



Q1 Buyer breakdown
(Knight Frank) By deal volume

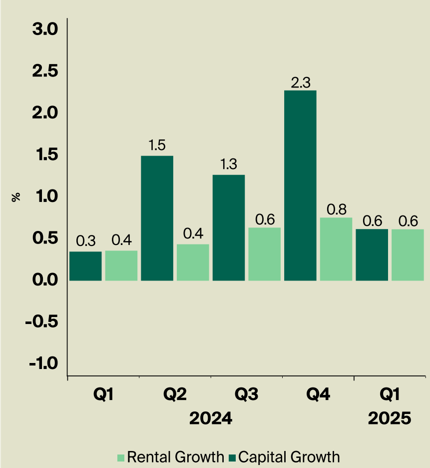


Key Deals YTD (Year to Date)

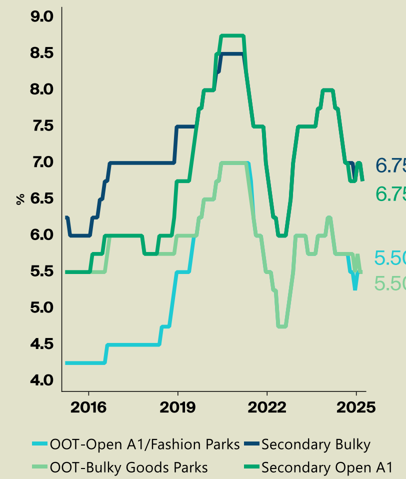
*KF DEAL

ASSET	PRICE £M	YIELD (%)	VENDOR	PURCHASER
County Oak Retail Park, Crawley & Solihull Retail Park (Solihull)*	£157.25m	6.45%	Delancey	Realty Income Corporation
Lakeside Retail Park (West Thurrock)	£114m	6.80%	Landsec	Goldentree Asset Management
Lion Retail Park (Woking) *	£40.5m	5.20%	British Land	Border to Coast UK Real Estate ACS / abrdn
Airport Retail Park (Coventry)*	£37.23m	6.00%	Metrics Property Coventry Ltd	NFU Mutual
Eastern Avenue Retail Park (Romford)	£27m	5.50%	abrdn	Royal London Asset Manager

Rental & Capital value growth
(MSCI) QoQ change



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



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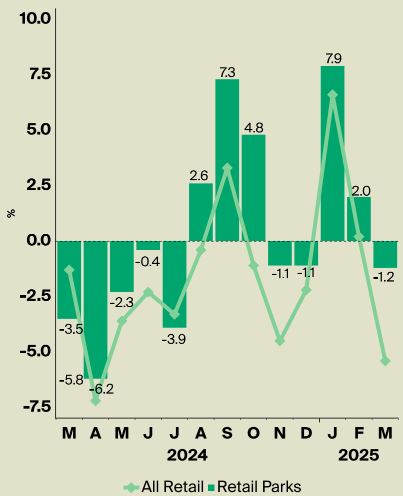
Research Commentary

Investor conviction held steady in Q1 as retail warehousing led overall retail capital markets. Retail warehousing roared into 2025 with £881m of investment in Q1, representing 68% of total retail volumes, propping up wider retail capital markets. Activity remains fairly elevated off the back of a bumper Q4 (£1.8bn), with Q1 volumes exceeding the 5-year quarterly average (£746m), underscoring the continued allure of simple-to-run, resilient formats. Listed PropCos (e.g. LondonMetric, Realty) accounted for nearly half of purchasers by value (£433m), while Institutions such as NFU, Royal London and State Street accounted for £330m. Yield shifts reflected ongoing investor confidence despite global unrest: prime Open A1 and Bulky Goods Parks converging at 5.50%, while secondary product saw compression of -25bps to 6.75%.

Occupier demand holds firm as rental growth breaks new ground. Unit vacancies in out-of-town retail hit a new low of 6.4% in Q1, the tightest rate since 2018, and marking the 14th straight quarter of improvement. However, momentum is slowing, with just -10bps improvement on the previous quarter, hinting the rate may be bottoming out. Even so, demand remains solid with rental growth strengthening to +2% each month – the first time it has broken that threshold since 2007, according to MSCI. Leasing intent also remains buoyant. Screwfix is targeting 35 new stores by 2026, Superdrug has confirmed a push into OOT formats and Wickes sees further opportunity to backfill the voids left by Homebase and Wilko. Matalan has announced 10 new stores this year, with a clear focus on retail park locations. Even if net absorption slows, the expansionary stance from key operators suggests pressure on prime space is far from easing.

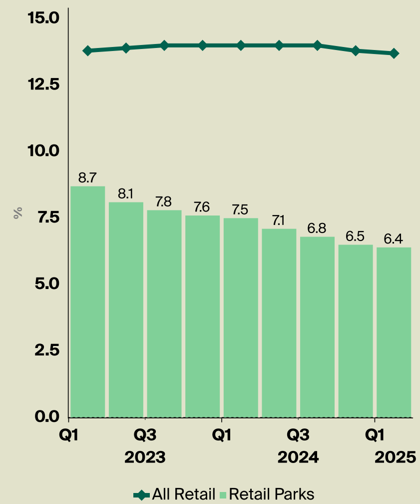
Footfall

(BRC) Monthly YoY change*



Vacancy Rate

(BRC-LDC) Units



Get in touch with us

CAPITAL MARKETS

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

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

Volkan Denli
Surveyor, Capital Markets
+44 20 7861 1051
volkan.denli
@knightfrank.com

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

Josh Roberts
Senior Surveyor, Cap Mkts
+44 20 8187 8694
josh.roberts
@knightfrank.com

COMMERCIAL RESEARCH

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

Emma Barnstable
Associate, Commercial Research
+44 20 8106 1385
emma.barnstable
@knightfrank.com

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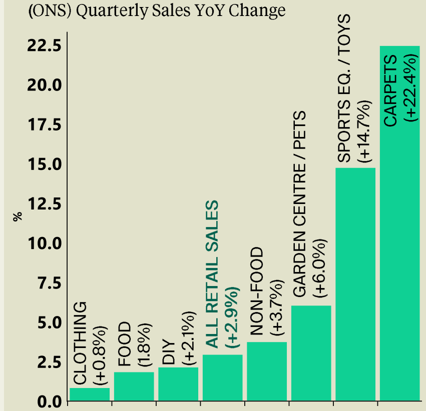
AGENT VIEW
DANIEL SERFONTEIN
Partner, Capital Markets - Out of Town & Leisure

Retail Sales Categories

(ONS) Quarterly Sales YoY Change



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