

Retail Warehouse Dashboard

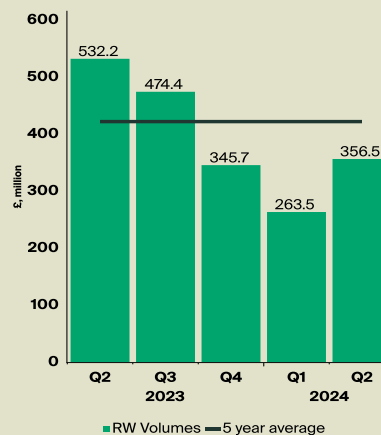


Q2 2024 | A concise quarterly synopsis of activity in the UK retail warehousing market.

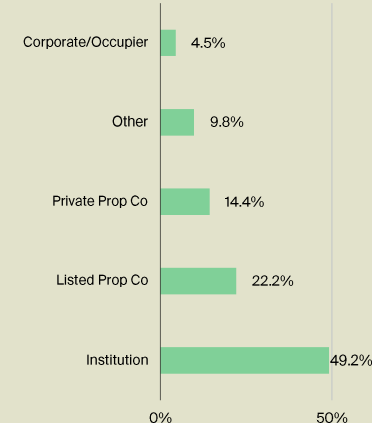
Key Takeaways

- Globally, the RICS' Commercial Property Sentiment Index was broadly unchanged from Q1 at -11pts. The Investment Index improved marginally, from -13pts to -11pts.
- Q2 investment volumes registered a modest £356m, taking total H1 2024 to £620m. This is -38% below H2 2023 levels and -54% below the 10-year average.
- Institutions and PropCos accounted for the majority of purchases (81.1%), equating to £289m worth of deals.
- Prime yields sharpened a further -25bps to 5.75% across Open A1 and Bulky Goods Parks. Secondary Open A1 and Secondary Bulky Goods also improved -25bps to 7.50%.
- Capital values strengthened +1.4% quarter-on-quarter and rental values grew +0.4%.
- Unit vacancy rates improved for an 11th consecutive quarter, compressing -40bps to 7.1%. This is approximately -1.2 percentage points lower than pre-pandemic.
- Consumer sentiment towards personal finances was positive (+4pts) and tracked higher than feelings toward the wider economy (-11pts).
- Retail sales were mixed due to poor weather with no clear-cut trends between bulky goods and/or discretionary/essential purchases: Garden Centre & Pets +4.7%/ Carpets +3.7% vs. DIY -0.5%/Electricals -3.5% / Furniture -12.7%.

Investment Volumes
(Knight Frank) Last 5 quarters



Q2 Buyer breakdown
(Knight Frank) By deal volume

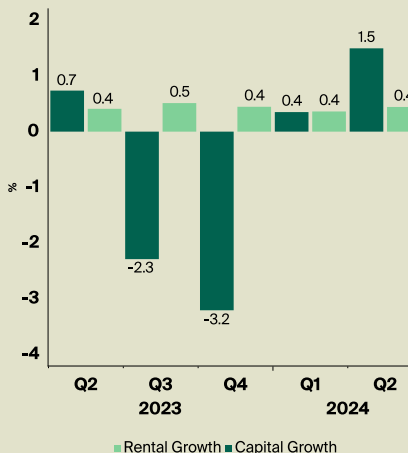


Key Deals YTD (Year to Date)

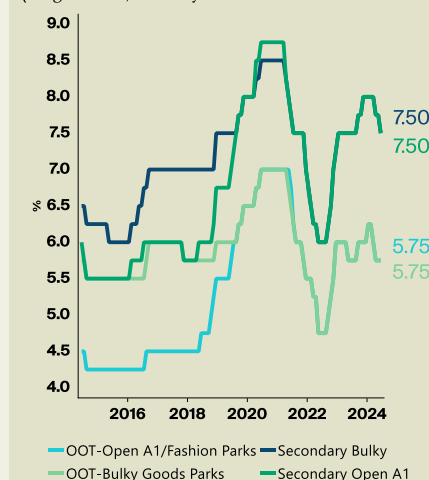
*KF DEAL

ASSET	PRICE £M	YIELD (%)	VENDOR	PURCHASER
SPENHILL RETAIL PARK, IPSWICH	£10.2M	6.25%	LONDON METRIC	ABRDN *
B&Q - PATRIOT DRIVE, MILTON KEYNES	£29.1M	7.10%	THE DUCHY OF CORNWALL *	NFU MUTUAL
THE PHEONIX CENTRE, CORBY	£26.0M	7.49%	PEEL HOLDINGS LTD *	COLUMBIA THREADNEEDLE
TANDEM CENTRE, COLLIERS WOOD	£60.8M	6.00%	SANTANDER	ABRDN *

Rental & Capital value growth
(MSCI) QoQ change



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



Retail Warehouse Dashboard



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

Research Commentary

A significant amount of capital continues to chase the retail warehousing sector, which is projected to deliver higher total returns (8.8% p.a.) than any other asset class over the next five years.

A lack of stock is stymying deals - putting further downward pressure on yields. Q2 (£356m) and H1 (£620m) transaction totals were modest, approximately -38% below H1 2023 levels. A shortage of sellers, rather than buyers, is hindering the sector and increasing competitive pressures. Transaction volumes are primarily being sustained by mid-market activity dominated by Realty Income, British Land and Columbia Threadneedle - whilst institutional investors chase after a similar core product in London and the South-East.

Consumer markets wobbled despite strengthening spending power. Sentiment improved as inflation brought prices down. But retail sales grew by only a modest +0.5%, and disappointingly, volumes deteriorated (-0.5%). Adverse weather suppressed demand for spring/summer ranges, with category performance mixed: Sports Equipment & Toys (values +5.3% / volumes +4.9%), Garden Centres & Pets (+4.7% / +5.4%) Carpets (+3.7% / +3.5%) vs. Food (-0.1% / -2.5%), DIY (-0.5% / 0.0%), Electricals(-3.5% / +1.4%) and Furniture (-12.7% / -11.2%).

RWH rents grew for a sixth consecutive quarter, amid a diversifying occupier landscape. Soft sales in certain categories proved challenging for some operators (Wickes -4.2% / Halfords -7.9%) but not others (Home Bargains +10.2%, Greggs +13.9%, Iceland +24%) - underlining how the sector has evolved. No longer dominated solely by bulky-goods / DIY operators, RWH is largely shielded by a diverse mix of fashion, convenience, discount and F&B retailing. Adidas' latest debut at two British Land retail parks further highlighting the format's enduring appeal. Expect Carpetright's fallout to see swift re-absorption by a diverse base of occupiers, driving further rental growth. Rents are now forecast to grow +1.3% in 2024, vs. +1.0% predicted at the beginning of the year.

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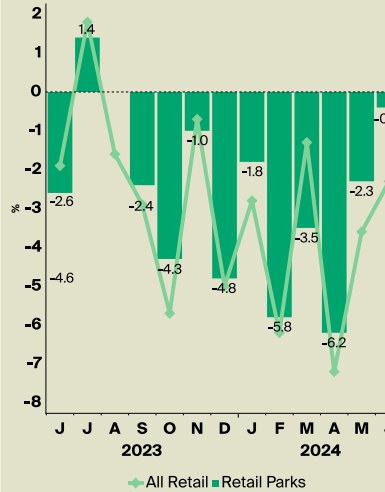


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Footfall

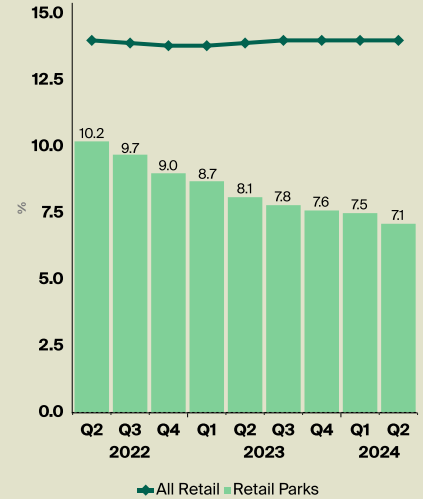
(BRC) Monthly YoY change *

* March 2021 - March 2023 figures are compared to 2019 levels



Vacancy Rate

(BRC-LDC) Units



“The first (of hopefully a sequence) of interest rate cuts should take some of the shackles off RWH investment markets. But the demise of Carpetright also serves as a reminder of some of the frailties of the occupational market.”

RESEARCH VIEW
STEPHEN SPRINGHAM
Partner, UK Markets Research

Top Performing Categories

(ONS) Quarterly Sales YoY Change

