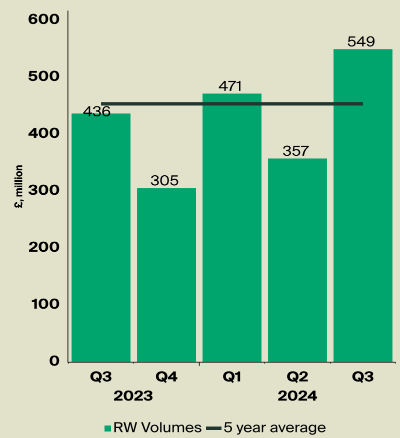
Retail Warehouse Dashboard

Q3 2024 | A concise quarterly synopsis of activity in the UK retail warehousing market.

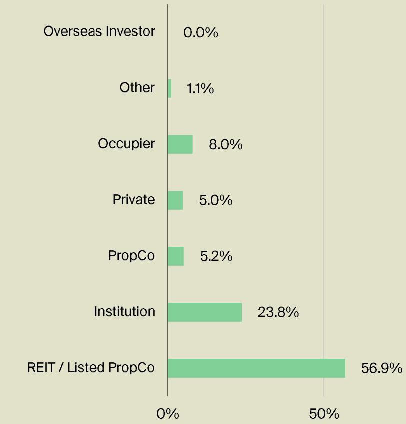
Key Takeaways

- Globally, the RICS' Commercial Property Sentiment Index improved to -7 pts (vs. -11 pts in Q2), the least negative reading in more than two years.
- Retail Warehousing investment volumes totalled £549m in Q3, marking the strongest quarter of the year. But YTD (£1.3bn) volumes are still below the equivalent periods in 2023 (Q1 to Q3: £1.5bn) and 2022 (£1.9bn).
- REITS, and Listed PropCos accounted for the majority of purchases (ca. 81%), boosted by the BL/Brookfield portfolio deal.
- Prime yields compressed -25bps to 5.50% across Open A1 and Bulky Goods Parks. Secondary Open A1 and Bulky Goods yields also improved -25bps to 7.00%.
- Capital values grew +1.3% quarter-on-quarter, whilst rental values strengthened +0.6% on Q2 levels.
- Unit vacancy rates also improved for a 15th consecutive quarter, compressing 30bps to 6.8%. Rates are approximately 150bps lower than pre-pandemic.
- Footfall likewise saw a major uptick in August / September (+2.6% / +7.3%) versus wider Retail (-0.4% / +3.3%).
- Retail sales strengthened (values +2.8%) after a weak Q2 (+0.1%). Sales volumes (+2.6%) returned to positive territory for the first time since 2022, indicating consumers were both buying and spending more.

Investment Volumes
(Knight Frank) Last 5 quarters



Q3 Buyer breakdown
(Knight Frank) By deal volume



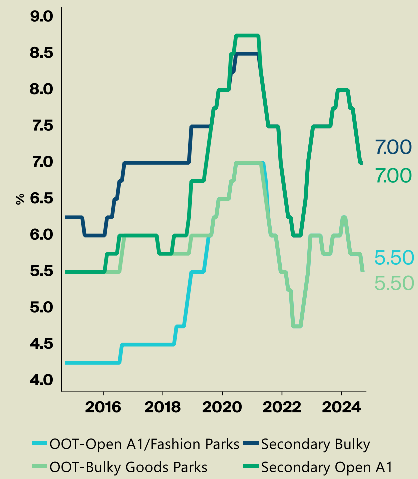
Key Deals YTD (Year to Date)

*KF DEAL

ASSET	PRICE £M	YIELD (%)	VENDOR	PURCHASER
Arnison Retail Park (Durham)	£106.3m	6.85%	CBRE IM	Realty
St James Retail Park (Sheffield)	£40m	5.25%	NFU	Colliers Capital
Longwell Green (Bristol)	£22.5m	5.60%	Sterling *	CBRE IM
Portfolio (Various)	£441m	6.70%	Brookfield	British Land
Leamington Shopping Park (Leamington Spa)	£57.5m	6.34%	abrdn	CBRE IM *

Rental & Capital value growth
(MSCI) QoQ change

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



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Research Commentary

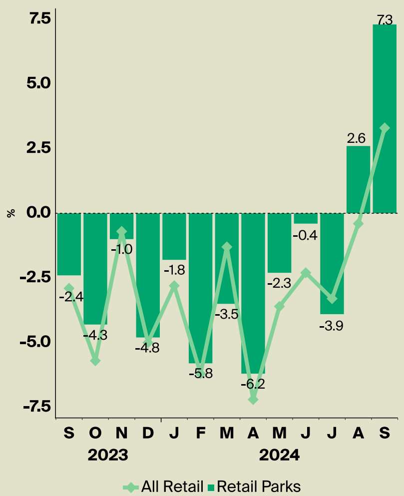
Currently one of the most in-demand commercial sub-sectors, now forecast to deliver a remarkable double-digit annual return of 12.4% in 2024, outpacing even the industrial sector.

With more stock entering the market, strong demand has driven deal volumes to £549 million this quarter, marking a modest increase over Q2. Intense competition for assets has lowered yields by -25 basis points to 5.50%. A more balanced dynamic between buyers and sellers is increasingly evident. While the core market remains dominated by institutions, local authorities and pension funds, the core-plus sector has welcomed new entrants, including French SCPI funds, bringing added diversity from overseas capital. Annual total returns are now forecast at an impressive 12.4%, a substantial rise from the 2.1% achieved in 2023, and notably higher than the returns expected for the Industrial sector (7.4%) and All Property (5.1%).

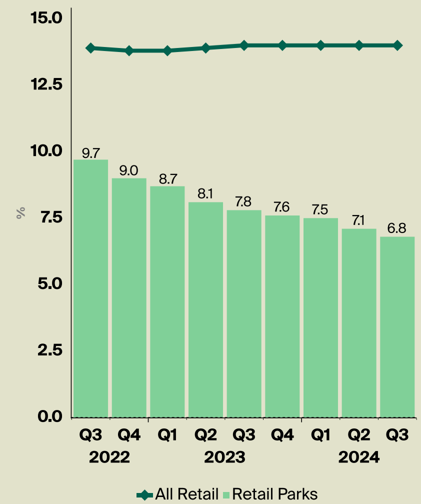
Occupational demand for space remains fierce, with vacancy rates tightening by -30 basis points to 6.8% - the 15th consecutive quarter of improvement. Only 2.9% of units are classed as 'problematic' (vacant over three years), a figure notably lower than in Shopping Centres (7.6%) and High Streets (5.5%). Average annual rental growth for 2024 is now forecast to register +1.9%, outpacing wider Retail (+1.3%) but still lower than All Property (+3.6%), marking a steady comeback after years of market recalibration.

Retail sales showed strength in Q3, with Non-Food up by +3.7% and Food by +1.0%, reversing Q2's declines (-1.5% and -0.2%, respectively). However, much of the Non-Food boost was discount-driven, as consumer sentiment on major purchases softened, dropping by -10 basis points from August to September. Notably, deflation in Electricals (-16.2%) was steep, with further slightly concerning price decreases across Pets & Garden (-2.5%), Carpets (-2.0%), Household Goods (-1.6%), DIY (-1.5%) and Furniture (-0.6%).

Footfall
(BRC) Monthly YoY change *



Vacancy Rate
(BRC-LDC) Units



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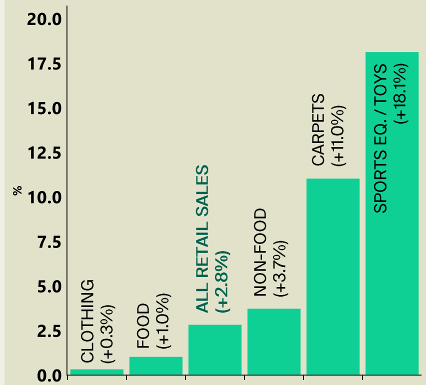
RESEARCH VIEW
STEPHEN SPRINGHAM
Partner, UK Markets Research

Retail Sales Categories
(ONS) Quarterly Sales YoY Change



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