

Retail Warehouse Dashboard



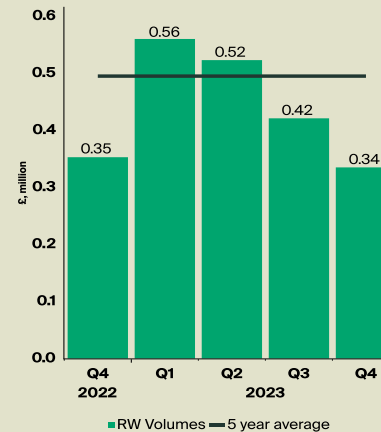
Q4 2023 | A concise quarterly synopsis of activity in the UK retail warehousing market.

Key Takeaways

- Globally the RICS' Commercial Property Sentiment Index was broadly unchanged from Q3 at -15 pts, with the Investment Sentiment Index also steady at -18 pts.
- Retail warehousing investment volumes fell for a fourth consecutive quarter to £335m, below the rolling 5-quarter average (£494m).
- Listed Propcos were the dominant purchasers in 2023, acquiring 51.0% of assets by deal volume, followed by Institutions (32.8%) and Private Propcos (6.3%).
- Prime yields were stable across both Open A1 and Bulky Goods Parks at 6.00%. Secondary Open A1 and Bulky softened by +25 bps to 8.00%.
- Capital values fell -3.2% QoQ, whilst rental values grew +0.4%,
- Unit vacancy rates improved by another -20 bps, falling to 7.6% - the best quarterly rate seen since Q2 2019. Vacancy rates are now well below their pandemic peak (Q2 2021: 11.5%).
- Footfall fluctuated (Oct -4.3% / Nov -1.0% / Dec -4.8%) but generally showed greater resilience than Shopping Centres and High Streets.
- Q4 retail sales were generally robust (values +3.9% YoY) although this marked a slowdown on a strong Q3 (+5.4%). Encouragingly, volume growth improved to -1.4% (vs. Q3 -2.1%).
- Performance by category was mixed, with Food sales (+6.4%) significantly outpacing Non-Food (+0.9%), with softening demand for Carpets (-0.4%), Furniture (-0.9%), and DIY (-3.9%).

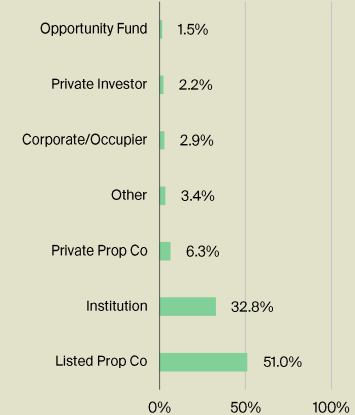
Investment Volumes

(Knight Frank) Last 5 quarters



2023 Buyer breakdown

(Knight Frank) By deal volume



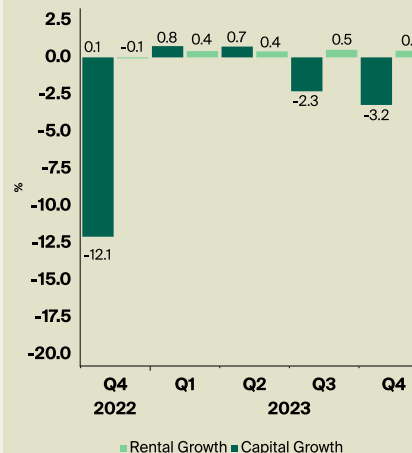
Key Deals YTD (Year to Date)

*KF DEAL

ASSET	PRICE £M	YIELD (%)	VENDOR	PURCHASER
SPRINGVALE RETAIL PARK, ORPINGTON *	£44.8M	7.33%	BLACKROCK	NFU
B&Q, CHORLEY	£5.8M	6.90%	FIRST PROPERTY GROUP	ABRDN
PART HARRIER PORTFOLIO *	£34.7M	9.88%	BAE SYSTEMS PENSION FUND	LCP
PARKGATE, ROTHERHAM	£55M	11.25%	RECEIVERSHIP	COLUMBIA THREADNEEDLE
TWO RIVERS SHOPPING PARK, STAINES (50% SHARE)	£155M	7.25%	ABRDN	M&G

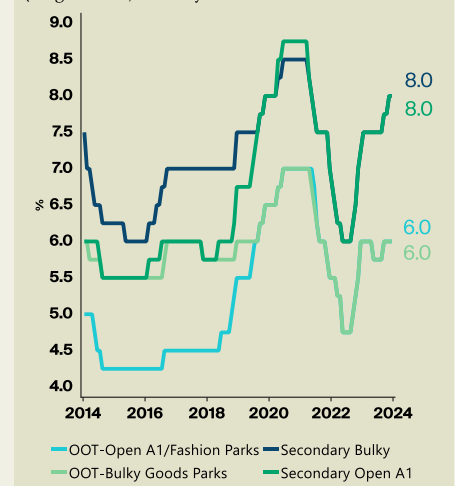
Rental & Capital value growth

(MSCI) QoQ change



Yields (guide available online [here](#))

(Knight Frank) Last 10 years



Retail Warehouse Dashboard



Q4 2023 | A concise quarterly synopsis of activity in the UK retail warehousing market.

Research Commentary

The sector concluded 2023 with a stable Q4, signalling a steady end to the year. Consumer markets remain underpinned by a robust labour market with low unemployment (3.9%) and strong wage growth (+6.5%), against improvements to inflation (5.2%). Retail sales growth, while slightly down from Q3 (+5.4%), remained resilient at +3.9%, with volume growth showing improvement to -1.4%. The outlook for 2024 is stable, with FY24 retail sales forecast to grow by +3.0%, with a return to positive volume growth at +0.5%.

The occupier landscape went from strength to strength. Physical retailer distress hit a record low, with just 971 stores affected in 2023, the lowest since 2015. This contributed to a notable 20bps improvement in the unit vacancy rate, now at 7.6%. The scarcity of available stock has heightened competition among occupiers vying for expansion space, including Greggs, Taco Bell, Cook, JD Sports Gyms, and Popeyes. High street brands such as Lush and Mango were also seen venturing into the RWH arena for the first time, further intensifying competition for space, and driving positive rental growth.

Despite a strong occupier base, capital markets remained disconnected with Q4 transaction volumes subdued at £335m, taking the 2023 total to £1.84 billion. While secondary stock yields softened, core buyers, including institutions with local authority mandates, stayed active. Institutional investors continue to show strong sustained demand for premium assets, but face a shortage in stock, which may drive prime yields to sharpen by -50-75bps in 2024. Further upward rent pressures are expected under declining vacancy rates and limited development. 2024's transaction volumes are projected to match 2023's, assuming interest rates stabilize and decrease within the year, aiding a debt market recovery.

Get in touch with us

CAPITAL MARKETS



Dominic Walton

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



Daniel Serfontein

Associate, Capital Markets
+44 20 3640 7037
daniel.serfontein@knightfrank.com



Josh Roberts

Surveyor, Capital Markets
+44 20 8187 8694
josh.roberts@knightfrank.com



Freddie MacColl

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



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

Keep up to speed with retail markets with our quarterly dashboards and weekly Retail Note

[SIGN UP ONLINE](#)

Knight Frank Research provides strategic advice, consultancy services and forecasting to a wide range of clients worldwide including developers, investors, funding organisations, corporate institutions and the public sector. All our clients recognise the need for expert independent advice customised to their specific needs. Important Notice: © Knight Frank LLP 2021 This report is published for general information only and not to be relied upon in any way. Although high standards have been used in the preparation of the information, analysis, views and projections presented in this report, no responsibility or liability whatsoever can be accepted by Knight Frank LLP for any loss or damage resultant from any use of, reliance on or reference to the contents of this document. As a general report, this material does not necessarily represent the view of Knight Frank LLP in relation to particular properties or projects. Reproduction of this report in whole or in part is not allowed without prior written approval of Knight Frank LLP to the form and content within which it appears. Knight Frank LLP is a limited liability partnership registered in England with registered number OC305934. Our registered office is 55 Baker Street, London, W1U 8AN, where you may look at a list of members' names.

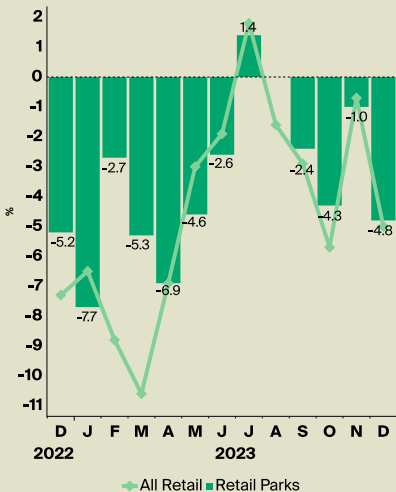
Knight Frank Research Reports are available at knightfrank.com/research



Footfall

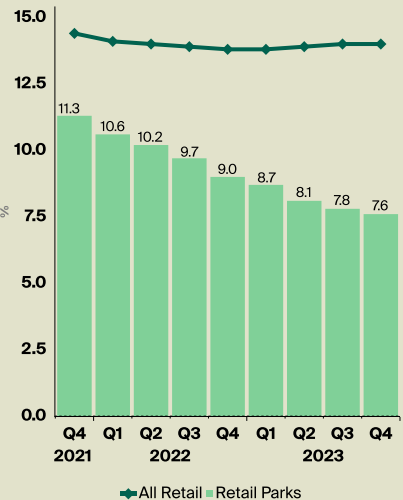
(BRC) Monthly YoY change *

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



Vacancy Rate

(BRC-LDC) Units



“

Investor demand for RWH is there in spades, but volumes remain subdued due to the ongoing stand-off between vendor valuations and market pricing. Expect one or both sides to move in 2024. ”

RESEARCH VIEW

STEPHEN SPRINGHAM

Partner, UK Markets Research

Top Performing Categories

(ONS) Quarterly Sales YoY Change

