

Retail Renaissance 2025



Six Lessons: a Compendium

2025

Six papers exploring what other real estate sectors can learn from Retail's fall and unlikely rise again

knightfrank.com/research

Contents

P3 FOREWORD

P4 LESSON #1

Know your structural drivers

P8 LESSON #2

An end to complacency and underinvestment

P13 LESSON #3

Understanding / managing / avoiding
obsolescence and oversupply

P19 LESSON #4

Occupiers call the shots

P24 LESSON #5

Bigger = Better (possibly), Relevant =
Best (definitely)

P29 LESSON #6

Show me the income

P33 CONTACTS



Foreword

AUTHORS:



STEPHEN SPRINGHAM – PARTNER,
HEAD OF RETAIL INSIGHT



EMMA BARNSTABLE – ASSOCIATE,
RETAIL INSIGHT

The retail market has been there, seen it, done it. For better or worse. But either way, the journey has been a remarkable one.

It is no exaggeration to say that five years ago the retail sector was on its knees. In the midst not of a cyclical and temporary downturn, but of deep-seated and permanent structural change. The rise of online was supposedly the main catalyst for this structural change, but the reality was that a plethora of forces conspired against the retail sector - oversupply, overexpansion, onerous cost bases, underinvestment and complacency, as we made no bones about in our warts-and-all appraisal of the market. And then along came COVID. You couldn't make it up.

No one could pretend that COVID was good for the high street, but we would tentatively suggest that there were some positive, unintended consequences. Above all else, it turbo-charged the process of structural change. Still very painful, but it sped up the whole shake-out process. It forced retailers to embark on journeys of self-help – essentially, adapt and get match fit, or die. There is nothing like a global pandemic and existential

crisis to focus the mind. Cue rebasing, retrenching, recalibrating, resetting – re everything.

Fast forward to now, a very different, if still not perfect, story. Retail occupier markets are in a far more stable, better place, and vacancy rates are declining. Retailers are again investing in their physical estates and acquiring again – in a far more selective, measured manner than before. Retail rents grew +2.3% last year, with a clean sweep of rental growth across all retail channels and sub-sectors, a feat not achieved since 2014. Most importantly of all – retail is credible and investable again. And the icing on the cake: retail achieved a total return of +8.1% in 2024, making it the best performing commercial property class.

This Retail Renaissance hasn't just happened as a matter of course, it is the product of a process of critical reflection and an often painful voyage of self-help. It is not simply the result of a cyclical recovery. This series of six insight papers explore the lessons other real estate sectors could learn from retail's often brutal journey, as they potentially face their own versions of structural change, either now or in the future.

Retail Renaissance 2025

Lesson #1: Know your structural drivers

Lesson #1: Know your structural drivers

Embrace your sector's structural drivers, or get left behind when the market shifts.

AUTHORS: EMMA BARNSTABLE – ASSOCIATE, RETAIL INSIGHT / STEPHEN SPRINGHAM – PARTNER, HEAD OF RETAIL INSIGHT

3 KEY LESSONS:

- Understand your sector's structural and cyclical drivers, or risk being caught off guard when the market inevitably turns.
- No sector or asset is immune. Change is constant and doesn't discriminate. Better to adapt early than deny what is inevitably coming.
- Structural disruption rarely means total collapse. The impact is usually more nuanced, and actually full of opportunity.

It sounds simple, but know what drives your sector. Too often, gaining that understanding gets sidelined by the noise of day-to-day deal-making. But when markets shift, as they inevitably do, a lack of structural awareness can be fatal.

Structural change doesn't arrive with a drumroll. It creeps in quietly, then reshapes everything all at once. Those who misread it, or ignore it entirely, end up reacting to symptoms rather than pre-emptively addressing causes. Retail learned that the hard way.

Online retail is often cast as the main disruptor, and while it has reshaped the sector, it didn't act alone. Retail was already buckling under the weight of at least nine other deep-rooted structural flaws (see our ['Price of Change'](#) report for more detail:

oversupply, historic overexpansion, bloated portfolios, rising rents, brand dilution, debt-laden balance sheets, chronic underinvestment, cost inflation, and – perhaps most damaging of all – complacency). Most of these challenges went unrecognised or worse, ignored. Such oversight proved costly.

Real progress only came once the sector and its advisors finally confronted those structural flaws head-on. From that reckoning came renewal, and ultimately, the beginnings of a more sustainable future (or *'Retail Renaissance'*).

STRUCTURAL VS. CYCLICAL

Structural change rewrites the rules of the game. Driven by forces such as technology, demographics or social shifts, impacts are often irreversible and unlike anything seen in recent history. Think ageing populations, the decoupling of work from place, or the emergence of e-commerce. For an analogy: structural change is akin to climate change, completely resetting the baseline.

Cyclical change, by contrast, is the market's familiar cycle of booms, busts and everything in between. It's what landlords and investors expect to see: demand rises, rents follow and yields compress. Then the cycle turns, and it all goes into reverse. To continue the analogy: these are weather events and seasonal shifts, playing out on top of a changing climate.

The two are not interchangeable, but they do interact. Structural decline can masquerade as cyclical softness. Investors bet on reversion, expecting the old model to return,

“Online retail is often cast as the main disruptor, and while it has reshaped the sector, it didn't act alone. Retail was already buckling under the weight of at least nine other deep-rooted structural flaws.”

only to discover that the baseline has shifted permanently. Retail was a case in point. Many landlords treated declining rents and rising voids as a temporary dip, and waited for demand to bounce back. It didn't. The model had already broken. Long-brewing structural weaknesses were simply laid bare.

The two forces can also compound each other. Take industrial. Its surge over the past decade driven by many genuine (and largely positive) structural tailwinds: e-commerce, just-in-time logistics, geopolitical risk spurring re-shoring. But structural strength has now met cyclical froth of overheating rents and overly tight yields.

Cycles can also obscure underlying structural shifts. During recoveries, rising tides lift all boats – but if a sector is in structural decline, some boats are sinking regardless. And during downturns, structural winners can get unfairly dragged down with the rest.

KNOW WHAT DRIVES YOUR MARKET

Most advisors claim to understand their sector's fundamentals. Few do in practice. Market knowledge often

stops at the surface of rental levels, investment yields and take up. But true understanding means grappling with the structural mechanics underneath.

The ten structural issues we identified in *'The Price of Change'* report were not obscure. Many were hiding in plain sight. But they were either dismissed as temporary, or, worse, deemed someone else's problem.

Those advising clients need to interrogate their sectors more rigorously. Are trends cyclical or structural? If the latter, what are their origins? Can they be mitigated, or should they be embraced? Failing to ask these questions leads to poor advice, and ultimately, capital misallocation. Hubris is also dangerous. Just because a sector is buoyant now doesn't make it immune. Office landlords may have once scoffed at retail's downfall. Now, they're having their own reckoning.

INDUSTRIAL – FROM DARLING TO DISRUPTED?

Industrial has been on a winning streak, benefiting from structural tailwinds that others envy. But the only constant is change, and change can be a double-edged sword. Take advances in autonomous vehicle technology. If logistics no longer require human drivers, 24/7 operations could soon become viable. Time constraints that once favoured centralised UK hub strongholds like the Midlands' Golden Triangle could be jeopardised, suddenly finding themselves oversupplied as demand shifts towards peripheral, lower-cost locations. Why pay a premium for centrality when the lorry ticker tape isn't watching anymore?

"Most advisors claim to understand their sector's fundamentals. Few do in practice. Market knowledge often stops at the surface of rental levels, investment yields and take up. But true understanding means grappling with the structural mechanics underneath."

A 'doomsday scenario'? Perhaps. But it's not entirely implausible. No sector is immune to its own structural shake-up, but it can build its defences. Vigilance, rather than dismissal of possible risk, is critical.

ONLINE RETAIL – THE MISUNDERSTOOD DISRUPTER?

Structural change is rarely as straightforward as it first appears. E-commerce was never about replacing stores wholesale, it was about redefining their purpose. But initially, rising online penetration triggered panic. Investors feared a retail apocalypse, with stores rendered obsolete. Many retailers fed that narrative, diverting investment from physical formats and piling capital into online infrastructure. The digital 'space race' became the new holy grail, but that enthusiasm came at a cost. Online platforms were expensive to build, often low-margin, and during COVID, artificially inflated.

Online's share of retail spiked from 19.2% in 2019 to 37.8% in early 2021. Pureplay operators (those without a physical store) accounted for over

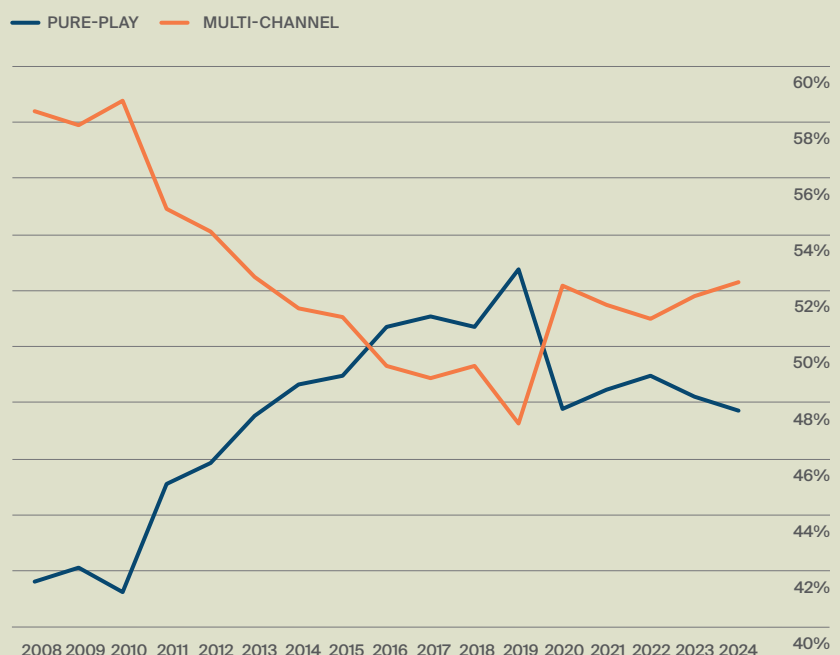
half (52.7%) of online retail sales, up from 41.1% a decade earlier. Triggering a wave of wildly optimistic extrapolations predicting online would account for 50% of all retail sales within years.

The reality proved more complex and more nuanced. Rather than replacing physical retail, online forced it to evolve. Not all retailers gave way to digital forces. Primark, Aldi and Lidl became standout examples of businesses that don't translate easily to the online model, yet continued to thrive.

The market began to recognise that stores and online weren't adversaries, they were symbiotic. One could succeed while the other grew. In many cases, they performed better together. Stores became essential cogs in a new multi-channel ecosystem, prompting fresh investment into bricks and mortar. From 2020 onwards, multi-channel retailers (those with both physical and digital presences) have consistently dominated online sales, accounting for an average 52% of the market versus 48% for pureplayers. But with that came a sharper edge.

Online 'pureplay' was the hype, multi-channel retail is the reality

% of online retail sales, pureplayers (digital only) vs multichannel (digital & physical) operators



Source: ONS, Knight Frank Insight

Underperforming stores were cut with little hesitation as their contribution was scrutinised more closely than ever.

Online fundamentally reset the way store performance was measured. The question was no longer just about in-store sales, but about the broader ‘halo effect’ – how a store’s presence boosted brand awareness and drove online transactions in the surrounding area. That shift helped rekindle appreciation for the role of physical space, not as a legacy cost, but as a strategic asset.

The market is now, arguably, out the other end of the tunnel. Online has matured, effectively treading water at 26% to 27% of total retail sales across 2024 and 2025. It no longer carries the existential threat it once seemed to pose. The frenzy has cooled. After its own ‘bonfire of vanities’, the market has come to accept that there’s still a place for bricks and mortar – though only for space that’s better, leaner and more relevant.

Next’s CEO Lord Wolfson captured this shift in the company’s March

2025 trading statement: “the worst of the retail-to-online structural shift [appears] to be behind us”. For the first time in over five years, the retailer plans to increase its physical trading space by +0.4% this year. A small move maybe, but a highly symbolic one.

OFFICES – FACING THEIR OWN ‘ONLINE MOMENT’?

Offices are starting to learn similar lessons: you can’t pretend remote work isn’t happening. But once you stop pretending, you can have a more nuanced, and frankly, grown-up, conversation about what it really means for the market.

The sector is now drawing its own conclusions from its structural disruptor (working from home). There’s growing acceptance that the genie is out of the bottle, and it’s not going back in. Instead of resisting change, the office market is beginning to adapt. Our *‘YourSpace’* research is tracking that shift in real time, moving past lazy assumptions about the ‘death of the office’ to uncover what

is actually happening and where the opportunities lie.

Five years on from the COVID-triggered ‘great global workplace experiment’, the tone has changed. Early fears of ‘will anyone come back?’ gave way to office-worker ‘FOMO’ (fear of missing out) once restrictions lifted. That’s since evolved into *‘FOBO’* (fear of becoming obsolete) as AI accelerates, fuelling employee concerns about falling behind and losing relevance in a changing workplace.

While the disruption has been painful, it hasn’t been directionless. It has forced the sector to confront uncomfortable truths, and in doing so, offered a loose blueprint for the future. One where floorspace has to earn the commute. Where buildings need to offer something the kitchen table can’t. Where offices are shrinking overall, but becoming more purposeful, more intentional. More relevant, even.

Sound familiar? It should. Retail got there first.

THE AGENT VIEW

“Early fears of structural change now look overstated”

Sam Waterworth – Partner, Retail Capital Markets



“To say retail is ‘back in fashion’ might be an overstatement, but the market has come a long way from the wave of CVAs in the late 2010s, and the enforced closures of the pandemic. At the time, it felt like structural change had upended everything. Estimating rental values became guesswork, and the assumption was often that tenants would exit at lease expiry.

Today, the picture looks very different. In core towns, rents have

stabilised and there are now signs of modest growth. That comes off the back of significant rental rebasing – a painful but ultimately necessary adjustment. What we’re now seeing is a more deliberate, selective approach from retailers. They’re not chasing scale, but many are investing into stronger, more profitable markets. M&S’s relocations to modern space in Liverpool, Bath, Bristol and Leeds are a good example. John Lewis, too, is back in investment mode. These aren’t signs of a sector in retreat, they’re signs of one redefining itself.

Yields remain elevated but are trending downward across all retail subsectors. On the High Street, prime yields sit at around 6.50%, compared with 4.00% in 2017. When you factor in rebased rents, capital values can

be less than half of their peak. That repricing has started to bring investors back, especially in locations where the fundamentals are clearer.

Some of the early fears about structural change being terminal now look overstated. What we’re seeing is a cyclical recovery playing out. Not everywhere, and not for every asset, but certainly in well-located, well-let stock. We recently advised on the successful (and profitable!) resale of a prime regional city High Street asset, bought just 18 months earlier. A strong result, and a reminder that in sectors that have already absorbed major structural change, opportunities do still exist. That might be a useful reference point for those navigating today’s disruption in the office market.”

Retail Renaissance 2025

Lesson #2: An end to complacency and underinvestment



Lesson #2: An end to complacency and underinvestment

The Perils of Neglect.

AUTHORS: STEPHEN SPRINGHAM – PARTNER, HEAD OF RETAIL INSIGHT / EMMA BARNSTABLE – ASSOCIATE, RETAIL INSIGHT

3 KEY LESSONS:

- Real estate markets are complex. Structural change can challenge steadfast notions around cyclicity and the need for aggressive development pipelines.
- Retail – especially, but not exclusively – is a capital-intensive property asset class. Effective capex deployment is a prerequisite.
- Complacency has no place in real estate – ultimately this will always come home to roost.

Complacency and underinvestment. Two of retail's most criminal structural failings, as identified in our *'Price of Change'* research report. The hardest to actually quantify and the least measurable, but arguably the most damaging. And the very first shortcomings that needed to be addressed in Retail's Renaissance.

Complacency and underinvestment mean different things to key retail stakeholders: retail occupiers, landlords, developers, investors, local authorities, central governments. It would be churlish to point the finger of blame at any single party, all were complicit in their own way of taking retail for granted. Collectively, they all neglected the hand that fed them and were left scratching their heads when the wheels came off.

RETAILERS – MISINVESTMENT?

As will be explored in **Paper 4**, many retailers were as guilty as those around them in becoming complacent. Key manifestations of this were over-expansion, compounded by a failure to address and weed out underperforming existing outlets. As the macro-economic market tightened from the late 2000s onwards, most were in the parlous situation of having too many stores, many of which were losing money. Cue massive retrenchment, a collapse in rents and significant occupier fall-out for much of the 2010s, exacerbated by COVID from 2020.

It would be inaccurate to suggest that retailers did not invest at all over this period, but the destination of that spend was not necessarily where it was needed most – the core portfolio. The chase for space meant that a disproportionate amount of investment was channelled into new stores. Simultaneously, there was a chase for 'online space', resulting in massive investment in the supposed holy grail of e-commerce. Online was very much in its infancy and was something of a great unknown – but it had to be embraced and therefore accounted for a vast proportion of most retailers' investment budgets. Investment in online and new stores completely diverted cash away from the bread and butter of the business, the existing store base.

Private equity (PE) undoubtedly had a lot to answer for. Few retailers benefited from the short termism of PE ownership and the typical investment model that came with it. Limited to no

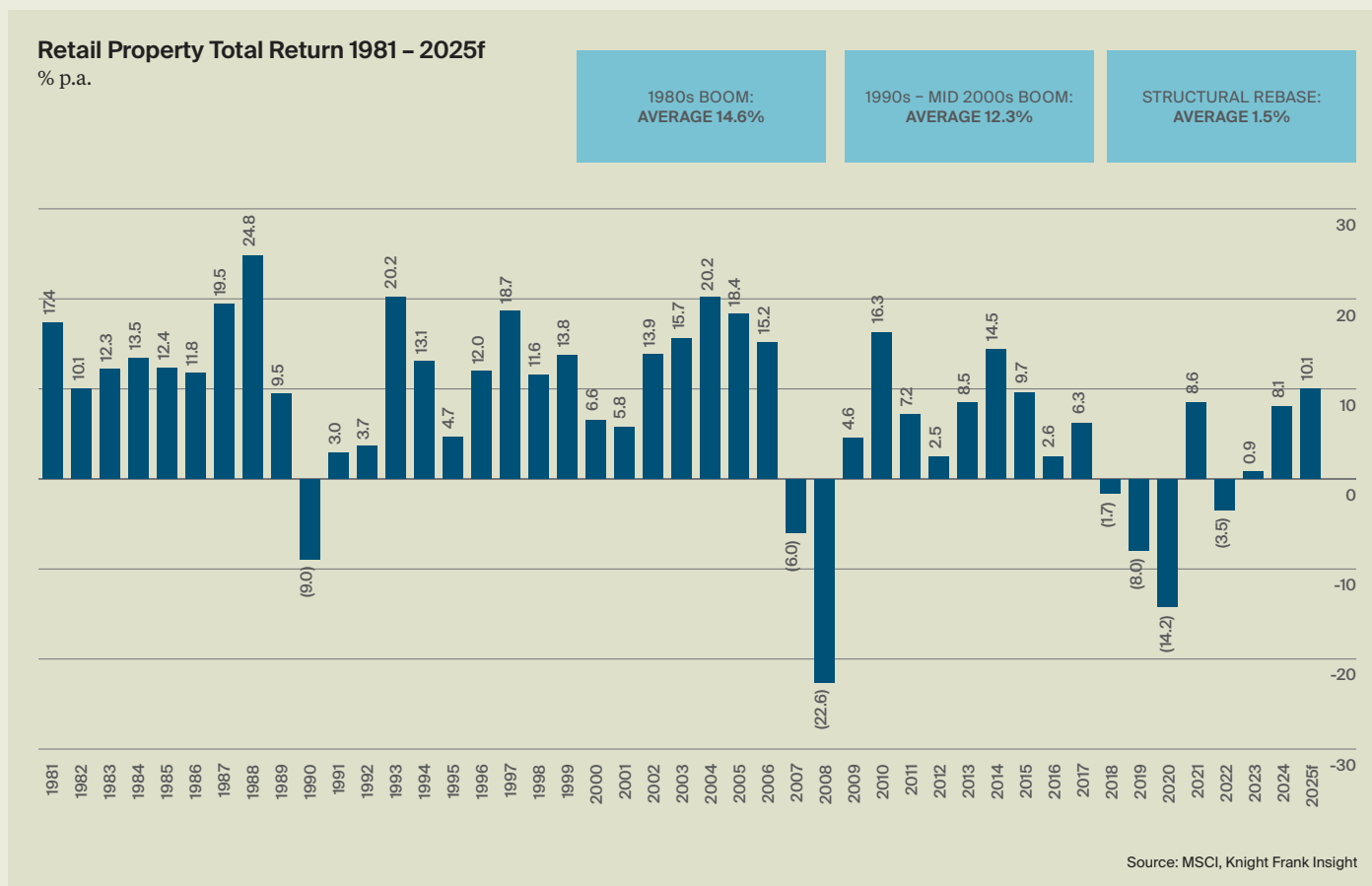
“As the macro-economic market tightened from the late 2000s onwards, most retailers were in the parlous situation of having too many stores, many of which were losing money.”

investment in the core business, but ramping up expansion to give a veneer of good health. Behind-the-scenes asset stripping. And then exit before any nasties surfaced on the balance sheet. PE was not solely to blame for upheaval in retail occupier markets, but some could certainly be left at its door.

LANDLORDS – KILLING THE GOOSE THAT LAYS THE GOLDEN EGGS?

Historically, retail nearly always delivered the goods for landlords. Between 1981 and 2006 it was by far the best performing real estate asset class, delivering annual average total returns of 12.3%. The market did have its up and downs, but these were largely cyclical and could be computed and reasoned with general real estate trends.

If retail was already delivering, there was limited impetus for landlords to invest significantly. Their priorities were invariably to drive rental growth to maximise property values. The need for significant investment in the upkeep of their assets, particularly shopping centres, largely flew under the radar and slowly but surely, retail stock became very dated.



Developers were of a similarly complacent mindset. If retail was delivering the goods, build more of it. An extremely aggressive retail development pipeline ensued from the 1980s onwards, the tap only abruptly switched off with the onset of the GFC. But, as explored in **Paper 3**, there was no process of obsolescence management, first and second generation schemes effectively staying in the market, but facing a downward spiral of decay. We sleepwalked into a situation of having a vastly

over-supplied market – which we are still grappling with to this day.

Retail delivered for landlords and developers for a long period of time. Until there came a time when it didn't anymore. And rather than a cyclical downturn, the catalyst for change was structural. Years of complacency, neglect, overdevelopment and underinvestment came back to haunt virtually overnight. Many fingers were burnt and some of the scars are still in evidence to this day.

INVESTORS – CAPITAL STACK CONSTRAINTS

Capital markets effectively mirrored these retail market dynamics. When retail was delivering, capital unsurprisingly flowed into the sector from all sources – institutions, REITs, private equity and private investors alike. When structural change engulfed the market and capital values plummeted, investors took flight. The funds in particular looked to massively rebalance their capital allocations away from retail.

The retail-focussed REITs saw dramatic falls in their respective share

prices. The most extreme case saw the demise of INTU, but Hammerson also had to significantly retrench and sell off a whole host of assets. The likes of British Land and Landsec either pivoted away from retail, or gravitated to those retail sub-sectors deemed more resilient e.g. retail warehouses.

Whatever the movements in overall volumes and capital flows, there was a fundamental shift in sentiment away from retail. For some, this has proved a case of 'once bitten, twice shy'. Even those investors that have returned now recognise that retail is a highly complex asset class.

By the same token, and for a host of reasons, investment into actual retail infrastructure has been severely lacking. Firstly, if the capital isn't flowing into the sector in terms of volumes, there is little impetus for actual investment in the upkeep and refurbishment of physical stock. Secondly, with share prices squeezed, the REITs were hamstrung in their ability to deploy capex. Thirdly, capital stacks, while a key vehicle in facilitating retail deals, remain far less conducive for proactive investment.

“Challenging as COVID undoubtedly was, it nevertheless had some positive, if unintended, consequences. It actually served to underline the retail sector’s resilience, when previously it had become renown more for its fragility.”

“But all stakeholders in retail now recognise that the market is tough, there are few quick wins and any low-hanging fruit has long been devoured.”

In essence, retail was starved of investment from all sides – and capital markets certainly didn’t provide much by way of respite.

THE LONG ROAD TO REDEMPTION

A Retail Renaissance. A grim picture that has slowly improved on the back of a painful voyage of self-help. The first stage of this journey was to understand the implications of structural change and acknowledge the retail market’s structural failings (see **Paper 1**). Denial was not an option.

An acceptance of the gravity of the situation was a first step away from historic complacency. And any last vestiges of complacency were then swept away in the maelstrom of COVID, an existential crisis focussing the mind in way that nothing else could.

Challenging as COVID undoubtedly was, it nevertheless had some positive, if unintended, consequences. It actually served to underline the retail sector’s resilience, when previously it had become renowned more for its fragility. Retail’s ability to weather the biggest storm imaginable and come out of the other side saw a discernible improvement in investor sentiment, initially more towards out-of-town channels (foodstores and retail warehouses) but since cascading to in-town sub-sectors too.

But all stakeholders in retail now recognise that the market is tough, there are few quick wins and any low-hanging fruit has long been devoured. But it is a market that can perform and deliver decent returns. Above all else, no one takes anything for granted in retail any more.

INVESTMENT – FROM A TRICKLE TO A FLOW?

There is also a growing recognition of the need for capital investment from across the stakeholder spectrum.

While not necessarily awash with cash for investment, retailers have

re-orientated their capex priorities. Most have right-sized their portfolios and dispensed with surplus space and under-performing outlets, a process as necessary for the wider health of the market as it was painful for any landlords affected. And the residual core portfolio is the focus for renewed investment, with a more balanced approach to online and in-store capex deployment. A ‘back-to-basics’ mindset generally, with the underlying aim of maintaining an attractive, fit-for-purpose store estate at its core. Any new store acquisitions now are selective rather than scattergun, any location planning strategy pragmatic rather than aggressive.

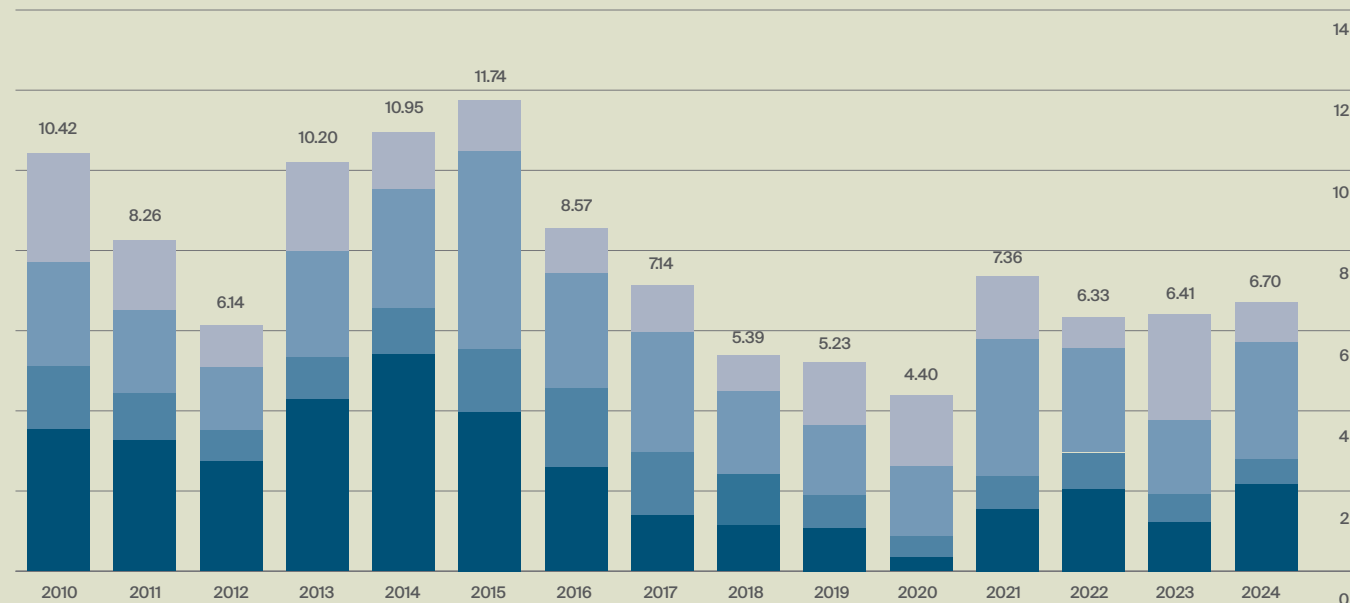
This journey has proved a wake up call for many landlords too and this has prompted wider acknowledgement of the need for rolling capital investment

“Any new store acquisitions now are selective rather than scattergun.”

Retail Property Investment Volumes 2010 – 2024

£ bn

■ Shopping Centres ■ High Street ■ Retail Warehouses ■ Foodstores



Source: Knight Frank Insight

programmes, if their assets are going to remain attractive to both shoppers and occupiers alike. But at the same time, a highly managed process that avoids throwing good money after bad and generates an actual, measurable return, be that immediate or longer-term. And the best case scenario of all, where landlords and tenants work in unison to maximise the quality and the value of the asset.

Retail's renaissance is also filtering through to investment markets. In fairness, investor appetite is generally still strongest for retail asset classes that have lower capital requirements, notably retail warehouses and foodstores. In contrast, shopping centres remain in the 'too difficult to deal with' box for some investors. But demand is slowly returning to shopping centres too, the difference from before being a more realistic appraisal of capex requirements,

short- and longer term. Rather than shy away from the thorny issue of capex, it is at least now being factored into the acquisition process. Some deals may falter on this basis, but we are seeing growing evidence to suggest that some investors can make it work.

PROOF IN THE PERFORMANCE PUDDING

Complacency gone and a far more pragmatic approach to capex and investment. Two of the key cornerstones to the *Retail Renaissance* process.

The result? Retail enjoyed total returns of 8.1% in 2024. Not only was this the best annual performance since 2015, it also made retail the top performing commercial asset class last year, surpassing both industrial (7.8%) and offices (0.7%). Crucially, this was achieved not just through income return (5.8%), but also through capital

growth (+2.2%). And for the first time in a decade, there was a clean sweep of rental growth across all the retail sub-sectors. And, most positively of all, this was not a mere blip nor flash in the pan, but a portent of things to come. This level of performance is forecast to improve further over the next five years.

A coincidence, or the result of a less complacent and more investment-friendly market? Very much the latter. And achieved without the established tenets of real estate markets, such as cyclicality and an active development pipeline.

Retail may not be for the faint-hearted, nor for those without the specialist market knowledge required. But for those with this knowledge, keen to embrace the challenges of a complex market and without a reticence to invest appropriately, the rewards can be substantial.

THE AGENT VIEW

"A positive move from defence to offense"

Will Lund – Partner, Retail Capital Markets



"Hamstrung. For many owners, allocating proactive, non-essential Capex to improve assets over the past five years simply hasn't been possible. With many properties bound by restrictive structures – be they massive capital losses since acquisition, overbearing lenders sweeping surplus cash to pay down legacy loans or receivership/administration processes (or a highly toxic combination of all three!) – simply keeping "head above water" was understandably a priority.

For some, this remains the case and the physical configuration of

some town centre assets particularly will mean that no amount of capital can change their fortunes (a driver of the stronger investment demand for out-of-town investments and "triple net" leases on offer in the foodstore sector). Why throw good money after bad?

Meaningful capital growth is likely to be limited to the strongest, (often but not always) largest, most well-configured prime assets. Many more dated secondary assets will be held back by hefty bills required to maintain aged infrastructure, especially where tenant demand continues to polarise.

We have, though, seen a move from defence to offense driven partly by the improving fortunes for many retail assets. With a resilient occupier market, stabilising yields and a better acknowledgement of the

sector generally, many owners have seen improvements in both income and capital values. With a new wave of ownership since COVID, we are seeing profits being made from retail investments and where this is the case, capital has been more forthcoming to explore proactive asset management plans.

Occupier investment is a key catalyst – as we reference in **Paper 4** in this series, retailers are now telling landlords "if you are not enabling sales growth you are hindering it". It is hard to ignore tenants demanding physical improvements to give their shoppers the best experience.

"The occupier is king" – another refrain from our series – and their satisfaction will be the ultimate barometer to asset performance, driving further investment before they vote with their feet."

Retail Renaissance 2025

Lesson #3: Understanding / managing / avoiding obsolescence and oversupply



Lesson #3: Understanding / managing / avoiding obsolescence and oversupply

Repurposing not necessarily the default option.

AUTHORS: STEPHEN SPRINGHAM – PARTNER, HEAD OF RETAIL INSIGHT / EMMA BARNSTABLE – ASSOCIATE, RETAIL INSIGHT

3 KEY LESSONS:

- Denial is a dangerous option. Oversupply and obsolescence need to be first acknowledged, then addressed. Or better still, avoided altogether.
- Obsolescence is more palatable if proactively managed, rather than addressed reactively and retrospectively – prevention is better than cure.
- Repurposing is a highly complex undertaking requiring bespoke solutions. There is no manual or blueprint – and it needn't be the primary course of action.

Oversupply + obsolescence = repurposing. The real estate equivalent of $E = mc^2$? Or does $2 + 2 = 5$? Oversupply is complex. So is obsolescence. Add them together and the product is something infinitely more complex.

Oversupply and obsolescence are both industry buzzwords, often bracketed together as interwoven twins of real estate evil. The reality is that they are separate forces that act as often in isolation as they do in unison and both come in many guises.

Repurposing the only equation-balancing solution? Unquestionably oversupplied as a market, with more than its fair share of obsolescent stock,

retail was involuntarily put forward as the ultimate guinea pig in the great repurposing experiment. There have been a few positive test results that went beyond control procedures. But few definitive cures and certainly no panaceas. And not nearly as much activity as the noise that encircled every endeavour.

Indeed, we have now turned full circle. An increasing number of proposed retail repurposing projects are now finding a future in....retail. More relevant retail than before. But retail nonetheless.

OBsolescence – IN ALL ITS MANY GUISES

Old fashioned. Out of date. No longer of use. In property terms, obsolescence is when a building no longer meets current needs – legally, physically, functionally or financially. It comes in many forms. Our '*Sustainability Series*' (*Meeting the Commercial Property Retrofit Challenge – Part 1: Defining a Strategy*'), categorises these risks under four main headers:

1. Regulatory

The risk of not meeting regulatory or legal requirements. In the UK, the Minimum Energy Efficiency Standards (MEES) require commercial buildings to have a minimum Energy Performance Certificate (EPC) rating of E to be lettable from 1 April 2023. There are proposals to raise this minimum to a C rating by 2027 and a B rating by 2030 – although timelines and implementation are far from set in stone.

2. Functional

Spanning two areas: sustainability and economic. The former relates to the shift in tenant preferences and the risk that a building no longer meets occupiers' ESG needs. The latter relates to the change in the economic makeup influencing the occupiers e.g. for offices, a shift from financial occupiers to life sciences – which require different types of space and possibly change of use.

3. Physical

These are largely climate change-driven impacts and may either be classed as 'Acute' (event-driven e.g. heatwaves, hurricanes, or droughts) or 'Chronic' (long-term climate shifts, such as temperature changes, sea level rise, or soil erosion).

4. Financial

Relating to access and cost of insurance and financing. With rising physical risk, the cost of insuring buildings is increasing, and, in some locations, the availability of finance is limited or indeed absent.

DECODING OBsolescence IN RETAIL

Many (but importantly, not all) of these roads to obsolescence are ESG-related. One of the underlying themes of this series of research papers is that retail is ahead of the curve in its evolution – more at the bleeding than cutting edge – and that other property sectors can learn from retail's often uncomfortable journey.

“Rightly or wrongly, ESG does not dominate the narrative in retail to anything like the extent it does in offices.”

ESG is something of an exception or outlier to this general theme – retail is definitely a laggard when it comes to many aspects of ESG. Rightly or wrongly, ESG does not dominate the narrative in retail to anything like the extent it does in offices. Yet it is as big an issue in retail real estate, perhaps even more so. As explored in our *‘Retail Renaissance’* report, retail certainly compares unfavourably with other property use classes in terms of MEES classifications. A paltry 4.2% of retail stock is currently rated as A/A+, with just a further 22.4% rated B.

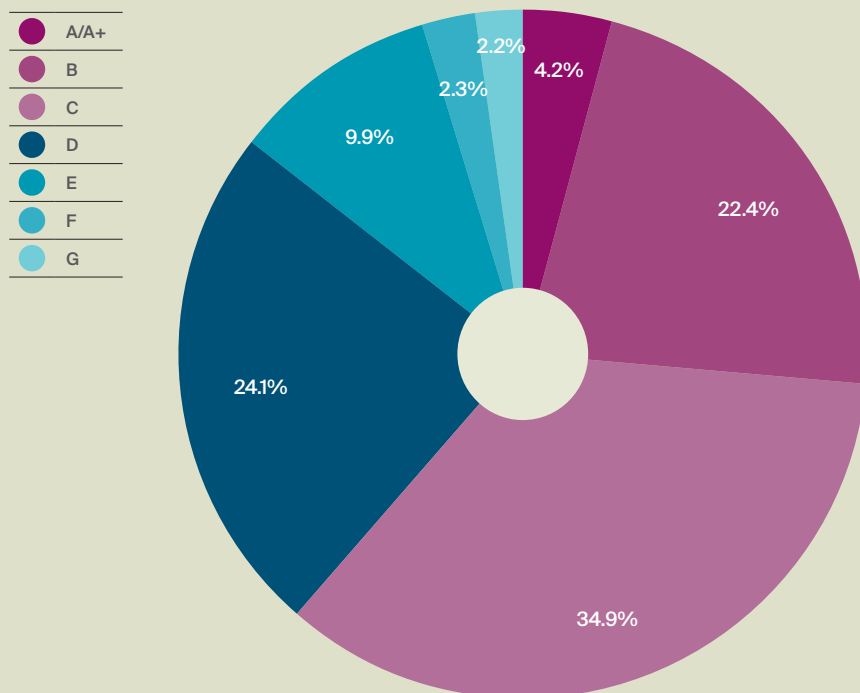
If MEES proposals become legislation – admittedly a massive if at this stage – 38.5% of retail units will be unlettable from 2027 and 73.4% from 2030. These figures are alarmist and make for sensationalist media headlines, but the key point is that retail is less evolved in the ‘E’ of ESG than other real estate sectors (although arguably plays better in the ‘S’ space, as we also explore in the *‘Retail Renaissance’* report).

Why is retail the laggard? In part, this is the negative by-product of a communication breakdown between occupiers and landlords, the former thinking it to be the latter’s responsibility and financial obligation, the latter the former’s. An impasse that doesn’t exactly shower the retail sector in glory and from which few edifying lessons could be learned.

Turning the argument on its head, other property sectors have become so preoccupied with ESG that it almost borders on paranoia. That is not to undermine or denigrate its importance in any way, but there is a risk that everything else can become subordinate. The pursuit of achieving the necessary ESG credentials overrides other equally critical operational fundamentals.

Retail’s regulatory risk of obsolescence: Only 26% of stock meets 2030 EPC B target

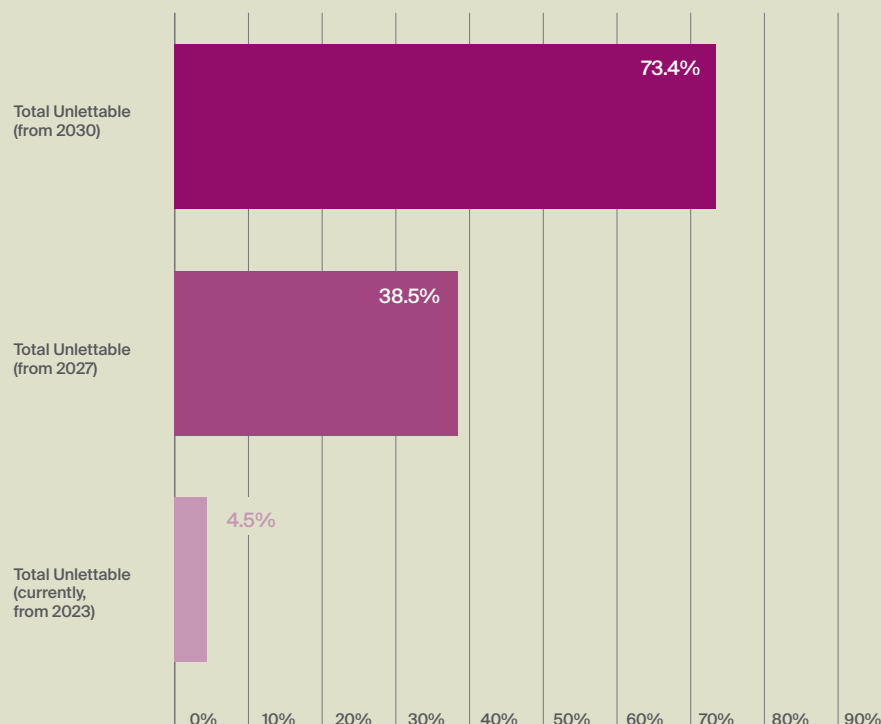
% of retail assets by EPC rating



Source: DLUHC, Knight Frank Insight

Proportion of retail floorspace at risk of becoming unlettable in next decade

% of potentially unlettable floorspace, by EPC milestones



Source: DLUHC, Knight Frank Insight

“The retail market is oversupplied, no question, no denial.”

But as already alluded to, obsolescence does not exclusively relate to ESG, it may equally arise through financial or commercial barriers. Given the choice of occupying a BREEAM Outstanding or MEES A+ store, or one with highly questionable ESG qualities (but one where a retailer will make more money), any retailer would opt for the latter. An uncomfortable truth maybe, but commercial decisions will always trump ‘doing the right thing’.

By extension, a brand new, high spec, ESG-compliant building is still obsolescent if there is no demand to occupy it. Even the best, most prime stock can be obsolescent if it is irrelevant to the fundamentals of supply and demand.

Of course, retail has always differed from other major commercial real sectors in that it is operational – in base terms, retail floorspace has to deliver in terms of sales or profit/sq ft and this is very measurable. Stores either make money or they don’t and that essentially dictates whether they are fit-for-purpose or obsolescent.

With offices increasingly aspiring to evolve towards a more operational model, surely some lessons to be learned from retail’s

highly-commercialised approach to obsolescence?

OVERSUPPLY – IDENTIFYING AND ACTIONING

The retail market is oversupplied, no question, no denial. How this situation arose is slightly more debatable, but essentially retail was guilty of overdevelopment in the good times, with no process of obsolescence management. These fundamental fault lines only became truly apparent amidst the tsunami of structural change, explored in **Paper 1** of this series. Too much retail floorspace was built both in-town and out-of-town (especially), surplus or deteriorating stock was left to drift, all the time that the multiple forces of structural change were waiting in the wings.

The actual quantum to which retail is oversupplied is a moot point. One of the largest REITs is on record as saying the retail market could be as much as 45% oversupplied (though, curiously, absolutely none of their substantial retail holdings falls into this category). A national vacancy rate of 14-15% is perhaps a better yardstick, if one is even needed.

A moot point or a total irrelevance? To focus on quantifying national retail oversupply misses the more serious issue of diagnosing where the problem is and delivering an effective solution. Oversupply is very much a localised, asset-specific issue. Town-level metrics drill down one level and are

instructive to a certain degree. Knight Frank’s core three retail oversupply metrics (vacancy, rental decline, space productivity) provide a more than decent starting point.

To summarise the full analysis, across the 300 PMA PROMIS centres:

- Vacancy rates range from 3.7% to 38.0%
- 10 year Zone A rental performance ranges from +25% to -233%
- Space productivity ranges from £30/sq ft to £542/sq ft
- 46 centres have vacancy rates above the ‘critical threshold’ of 25%
- 64 centres have seen rents fall by more than >100%
- 55 centres have space productivity below the ‘critical threshold’ of <£100/sq ft
- 10 centres worryingly exceed all three ‘critical thresholds’

There are any number of metrics and methodologies that we can deploy to identify and understand retail oversupply at a regional or town level. But these are only a gateway to translating this onto an asset-specific playing field and actually doing something proactive to address the issue.

Offices may be more advanced than retail in their embrace of ESG, but in terms of confronting oversupply? From a purely retail standpoint, many within the office space appear to still be in denial, drawing on prime metrics and changing definitions to suit, rather than address over-supply that is definitely there in certain locations.

Lessons to be learnt from retail? Understand and differentiate between which stock is working hard and remains fit-for-purpose. And seek to find solutions for that which isn’t, the sooner the better.

RELEVANCE THROUGH REPURPOSING

Repurposing is seen as the default option for failing or obsolete property stock, whatever the use class. So much so, that it has become a universal buzzword.

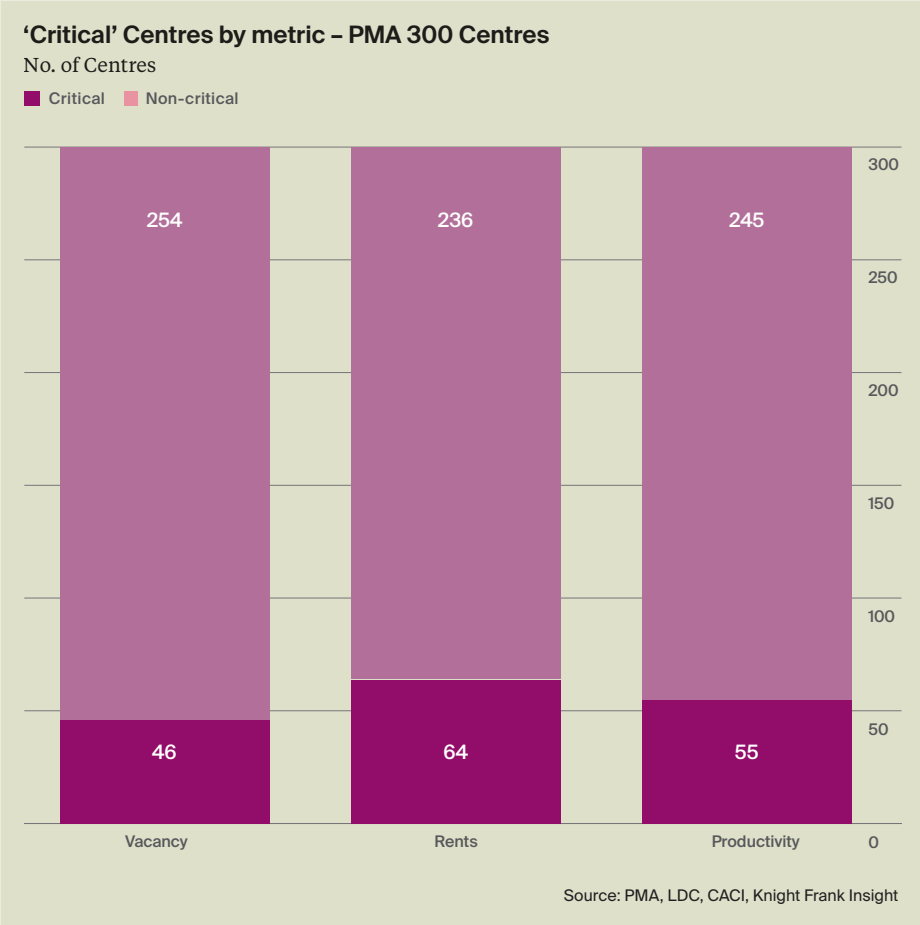
The reality is much more challenging – a number of great divides have to be crossed to make any would-be repurposing projects viable.

Retail oversupply indicators: performance benchmarks and critical thresholds

METRIC	VACANCY	RENT DECLINE	SPACE PRODUCTIVITY
Average	18.3%	-65%	£182/sq ft
Worst in Class	38.0%	-233%	£50/sq ft
Best in Class	3.7%	+25%	£542/sq ft
Critical Threshold*	>25%	-100%	<£100/sq ft
Count of Retail Centres exceeding the Critical Threshold	46	64	55

*The point at which an asset’s performance suggests structural, not just cyclical, issues

Source: PMA, LDC, CACI, Knight Frank Insight



Yes – there have been positive case studies of retail repurposing projects. But, by and large, these have been relatively small in scale, department stores rather than shopping centres. There have been examples of the latter, but generally, these have been few and far between and many proposed projects remain works-in-progress. The level of talk on shopping centres in particular has yet to translate into a commensurate level of activity. On the other hand, the 160-strong former Debenhams portfolio is slowly being reabsorbed into the market.

What is interesting is the variety of alternative uses that have been found for the Debenhams stores to date. From hotels, gyms, cinemas, F&B and competitive socialising formats on the Leisure side, through student accommodation and BTR on the residential side, through to life sciences, standard and serviced offices, to call out but a few. This is a key learning from this repurposing process – there is no ‘one size fits all’ solution to obsolete stock, repurposing is asset-specific and will need to reflect local demand and dynamics.

The other key lesson is that repurposing is seldom binary. There are instances of a straight substitution from one use class to another, but these are the exception rather than the rule. Many successful repurposing projects are mixed use, leveraging synergy between different property classes, again dictated by local demand. The prevailing sentiment that any/all surplus office stock can be turned into residential is far too simplistic and a far less blinkered mindset is required to make a success of potential repurposing opportunities.

RETAIL – BACK TO THE FUTURE?
Repurposing is challenging, but is achievable with the requisite know-how (for more detail, please refer to the *UK Cities DNA Paper ‘Mapping out the Repurposing Journey: the Keys to the Kingdom’*). But it is fair to say we are probably likely to see far less repurposing of retail space going forward than was projected even as recently as a couple of years ago.

On our *UK Cities DNA Paper ‘Five Great Barriers to Repurposing’*, we distil the challenges into the following generic divides:

- 1. Geography
- 2. Configuration/Ownerships
- 3. Asset Compromises/ Fabric Issues
- 4. Planning
- 5. Value alignment

Some or all of these will apply to a varying degree in any potential repurposing project. That is the nature of the beast. But ultimately, all these stars must align if the project is to have legs.

As an oversupplied market staring down the barrel of increased obsolescence through tightening ESG compliance, retail is an obvious, if not totally willing, volunteer for widespread repurposing. But rather than the repurposing poster child it is purported to be, retail actually shines a light on many of the complexities that these identified barriers pose. To focus on but one: value alignment is very difficult to achieve in retail, except in very specific locations (e.g. Greater London, some of the largest regional cities, certain affluent market towns in the South East).

“It is fair to say we are probably likely to see far less repurposing of retail space going forward than was projected even as recently as a couple of years ago.”

If anything, we are now seeing a slight shift away from retail repurposing and more towards refurbishment and retrofits.

Some key examples of this shift include British Land's significant U-turn on Thurrock Shopping Park. The REIT bought the scheme from Nuveen for £82m (£3.8m per acre) back in 2021. With considerable fanfare, it secured planning to repurpose the scheme as a 664,000 sq ft urban logistics project at the end of 2023. Repurposing a failing sector (retail) into a prospering one (urban logistics) seemed an absolute no brainer. Until

the recent decision was made to turn the retail space... back into more retail.

A few years ago, Landsec were equally ambitious in pivoting away from retail, announcing plans to repurpose key shopping centre schemes such as Buchanan Galleries in Glasgow. That was before they acquired Liverpool ONE at the end of 2024 for £490m. A major change of heart that is likely to see renewed investment in core shopping centres, rather than divestment or full-scale repurposing. Investment that is likely to see retail footprints redefined – and made better – rather than downgraded completely.

A switch away from retail...back to retail. But better retail.

Repurpose to make relevant. Or refresh and make relevant. Relevance is the ultimate end game either way. And rediscovering relevance is the roadmap that any oversupply or obsolescence challenges must ultimately follow.

“Investment that is likely to see retail footprints redefined – and made better.”

THE AGENT VIEW

“Retail for retail’s sake”

Sam Waterworth, Dan Serfontein – Partners, Retail Capital Markets



SAM
WATERWORTH



DAN
SERFONTEIN

“Even before the Russia/Ukraine conflict, the viability of retail repurposing was challenging. With the resultant build cost inflation, a far more stable occupational market and the challenges of securing vacant possession becoming clearer, we are now, in the main, appraising retail for retail’s sake.

For town centre retail, the obvious exceptions are department stores and peripheral pitches. If a former department store has not been taken and reoccupied by now, the likelihood is that repurposing is needed. With a national high street

vacancy rate of 13.7% (and shopping centres at 16.8%), it is clear that many towns are oversupplied. However, this is most manifest in secondary/tertiary pitches, where Existing Use Values (EUVs) are low, and this is where projects start to become viable and where developers are focused.

Out-of-town retail, by contrast, has far lower levels of oversupply, as evidenced by a vacancy rate of just 6.4%. Repurposing to date has generally been driven by higher value uses rather than obsolescence, but with retail warehouse values increasing, the balance is gradually tipping. The rate of repurposing is consequently slowing and there are numerous examples of would-be developers opting to maintain the status quo. We are, however, seeing investors modernise their parks, particularly with regards to decarbonisation, to access the ESG premium available for best-in-class retail warehousing, with core Local Government Pension Scheme (LGPS) money typically having a minimum EPC requirement.

Some of the most interesting repurposing projects we have seen:

- Lindt House, Richmond – former House of Fraser acquired in 2022

for ca. £350/sq ft. Comprehensively repurposed to provide two high-end restaurants, a Third Space gym and Lindt’s Global HQ.

- Former Sainsbury’s, Austin Drive, Coventry – an oversupplied foodstore market where planning has been secured for conversion to self-storage.
- Johnnie Walker, Edinburgh – former House of Fraser repurposed into Johnnie Walker’s 75,000 sq ft flagship visitor experience.
- Former B&Q and Homebase, Wandsworth – an example of repurposing to higher value uses, two retail warehouses redeveloped into over 1,000 much needed new homes.
- Former Debenhams, Cardiff – perhaps most unusual, but certainly hitting the ‘S’ of ESG, Landsec are transforming this former department store into a public square with a splash pad, play park and raised terrace with two restaurants overlooking the city square.

Interesting projects, successful repurposings – but more the exception than the rule?”

Retail Renaissance 2025

Lesson #4: Occupiers call the shots

Lesson #4: Occupiers call the shots

Where occupier demand leads, real estate must follow.

AUTHORS: EMMA BARNSTABLE – ASSOCIATE, RETAIL INSIGHT / STEPHEN SPRINGHAM – PARTNER, HEAD OF RETAIL INSIGHT

3 KEY LESSONS:

- Occupiers make the market, property is the supporting act. Buildings don't create value on their own, occupier demand does. Landlords who ignore this are playing a losing hand.
- Affordability is strategy, not charity. Chasing headline rents while squeezing tenants is short-term thinking. It undermines value and invites risk. Income only lasts if it's sustainable.
- Loyalty is dead. Occupiers are mobile, strategic and increasingly selective. If space doesn't serve their purpose, they'll move on.

Markets are shaped by demand, not design. The commercial property industry may spend most of its time focused on buildings, but the real power lies with the people using them. Retail, more than any other sector, has had to learn this the hard way. Others – particularly offices and industrial – might want to pay attention.

Strip everything back and one truth remains: occupiers are the market. A building only holds value if it serves a need. Retail's recent history offers no shortage of examples of what happens when that's overlooked – and how quickly fortunes can shift when occupiers are put back at the centre.

RETAIL'S CAUTIONARY TALE: OCCUPIERS ABOVE ALL

The property sector often sees itself as the main character in the story. In reality, it's a supporting act. There's a very clear pecking order with occupiers at the top, landlords beneath them, and – at least in retail – consumers above the lot.

Retail's most volatile moments have come when that hierarchy was flipped. The long stretch from the 1980s into the early 2000s was defined by expansion at all costs. Retailers, driven by aggressive growth targets, opened stores at a remarkable pace – 20, 30, sometimes 50 stores a year. Developers and landlords responded accordingly, delivering space at scale, with demand (at least for a time) seemingly insatiable.

By the 2010s, the cracks weren't just beginning to show but were widening. Retailers' portfolios had become unwieldy with too many stores, in the wrong places, on the wrong terms. Retailers responded by shedding stores, restructuring leases and, in many cases, using Company Voluntary Arrangements (CVAs) to reset their liabilities. Landlords found themselves exposed, and on the back foot.

For retail owners, it was a sobering realisation that the market doesn't revolve around the asset. It revolves around the occupier, who doesn't simply influence real estate value, but defines it.

WHEN THE OCCUPIER SUFFERS, SO DOES EVERYONE ELSE

Retail's effective rebirth – (*or renaissance, as we dub it*) – has hinged on a basic principle that space has to

“Markets are shaped by demand, not design. The commercial property industry may spend most of its time focused on buildings, but the real power lies with the people using them. Retail, more than any other sector, has had to learn this the hard way.”

work. Not just aesthetically, and not just as a line on a lease schedule, but commercially. If it doesn't serve the occupier – operationally, strategically, or financially – it won't let. The result being vacancy and churn, all of which disrupt cash flow and dent asset performance.

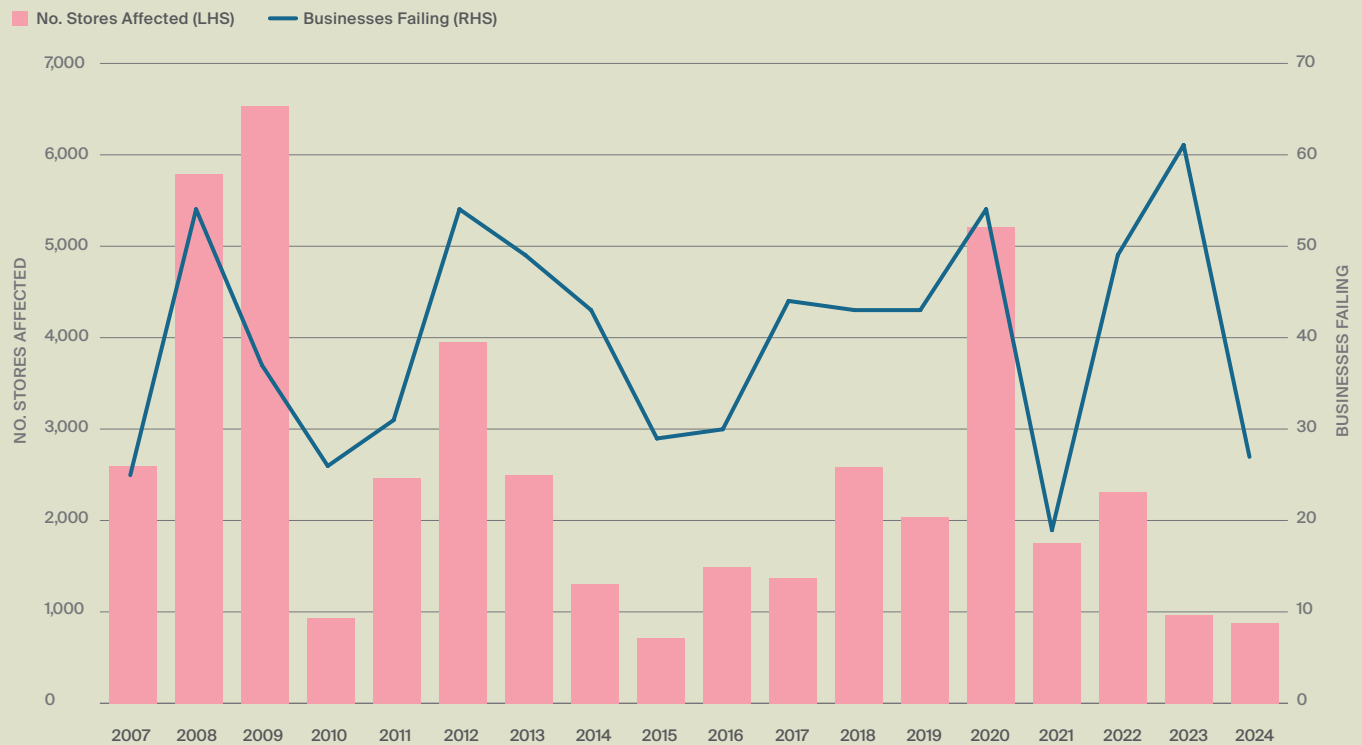
Too often, the property industry has approached things backwards. The default mode has been landlord-first. Long leases, rigid structures, valuation-led assumptions about growth and – particularly in the case of retail – a general underinvestment in genuine tenant engagement. The relationship was transactional, not strategic. And that, in the end, proved costly.

What emerged from the last decade's correction is a retail occupier base that is leaner, more focused, and arguably stronger than at any point in recent memory. The COVID shakeout cleared out weaker operators, leaving a leaner, more focused cohort with sharper strategies and better-aligned estates.

Investors, in turn, have adjusted their expectations, and retail is now

2024: the fourth quietest year for retail distress – a sign of a leaner, stronger occupier base

Retail failures: number of businesses failing vs. stores affected



Source: Centre for Retail Research, Knight Frank Insight

‘back in the game’. Retail, once written off as too structurally challenged, is now forecast to deliver the highest income returns across all sectors, with projections of 5.7% per annum between 2024 and 2028, outperforming both offices (5.4%) and industrial (4.6%). This reflects renewed confidence in retail’s occupier base. Investors are not backing the building – they’re backing the tenant.

The same principle applies across the commercial spectrum, with confidence flowing from the bottom up. If the occupier holds firm, the rest will follow.

WHEN REAL ESTATE TRIES TO LEAD, IT LOSES ITS WAY

Retail’s missteps haven’t been hard to spot. They’ve typically come when real estate started believing its own hype – launching developments driven by design ambition rather than operational and occupational fit. These were the so-called ‘vanity projects’, many of which emerged during the mid-2000s

development boom. Often visually striking, but commercially fragile.

The flaw was always the same: occupiers were treated as an afterthought. Rents were set to satisfy funding models, not occupier balance sheets. Specifications prioritised aesthetic appeal over operational efficiency. The business case rested on the flawed assumption that “if you build it, they will come”. Sometimes they did, temporarily. Sometimes they didn’t come at all.

“Retail’s missteps haven’t been hard to spot. They’ve typically come when real estate started believing its own hype – launching developments driven by design ambition rather than operational and occupational fit.”

By contrast, the shopping centre, retail park, and high street schemes that have stood the test of time best are those built through partnership. Landlords and retailers working together to create space aligned to how retailers actually trade. The emphasis is on collaboration, not prescription.

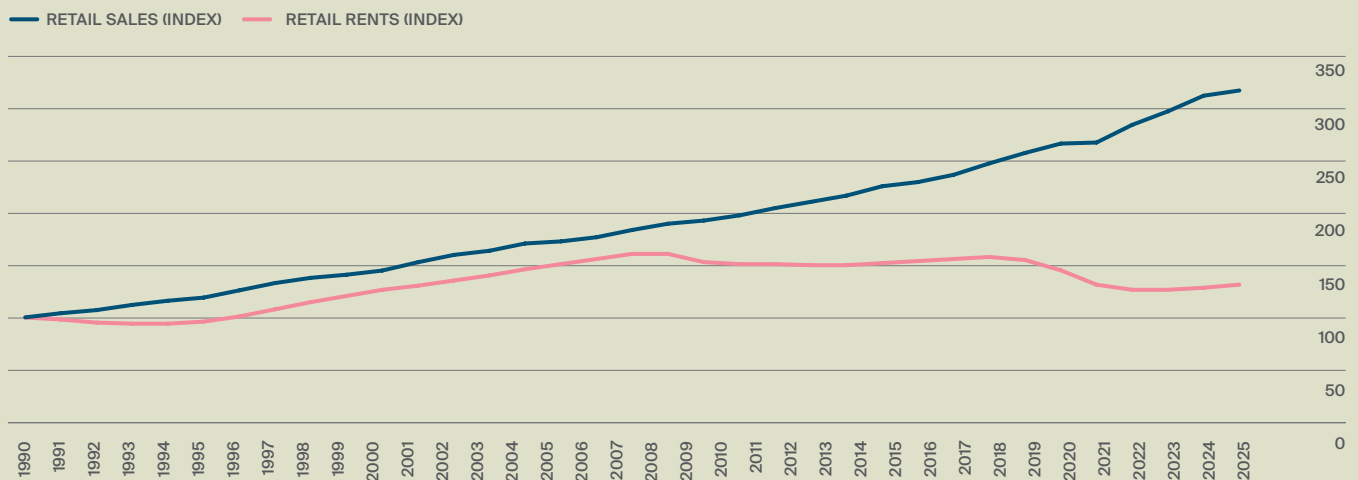
That thinking is now beginning to *filter through to the office sector*. Many landlords are still playing catch-up, while occupiers are deep into re-evaluating how much space they need, where they need it, and how it supports their people. The most forward-thinking landlords are engaging earlier – co-designing space with tenants, understanding that the office is no longer just a place of work, but part brand expression, part talent strategy, part cultural asset.

A QUESTION OF AFFORDABILITY

Perhaps the *most significant structural failing identified in retail* over the past decades was the growing disconnect between rental levels and sales

A widening affordability gap: retail sales versus retail rents

Index 100 = Year 1990



Source: ONS, MSCI, Knight Frank Insight

performance. As headline rents climbed, lease structures were increasingly propped up by generous incentives and cash contributions. Meanwhile, many occupiers were facing stagnant or declining trading conditions. The result was a widening affordability gap – papered over in the short term, but never properly addressed, until the numbers stopped stacking up and tenants pushed back.

Affordability became the priority. In many cases, this meant challenging leases head-on through negotiation, or in some cases, legal action. More fundamentally, leasing models shifted, with turnover-based structures gaining traction. All-inclusive packages bundling rent, service charges and rates provided simplicity and cost predictability, especially for operators managing tight margins.

Crucially, flexibility began to be seen by retail owners not as a concession, but as a form of defensive asset

“Loyalty, then, is no longer assumed – it must be earned. That means understanding what tenants value, what they’re willing to pay for, and how physical space fits into their strategic priorities.”

management. A lease that enables tenant profitability is more likely to be sustained. A tenant that trades well is more likely to renew. And an asset that adapts to demand is more likely to retain value. These are not just theoretical principles, but the foundations of sustainable income (see **Paper 6** of this series).

Both offices and industrial now find themselves at a similar crossroads – or will soon if they haven’t already. *A more cautious occupier mindset is forcing a reassessment of what constitutes value.* Headline rents may continue to rise in certain markets, but are increasingly being assessed through the lens of total cost with service charges, running costs, capex and lease flexibility all factored in.

Retail has learned, often the hard way, that rental growth is only meaningful if it’s truly affordable. If record rents are achieved by overextending the occupier or hiding true cost through incentives, do they really reflect value, or mask risk? The better question may not be “how much can we charge?” but “how long will they stay?”

SERVICE CHARGES: COST VERSUS VALUE

Perhaps one of the clearest examples of this value-for-money scrutiny is service charges. In retail, they were once passively absorbed as necessary,

if sometimes opaque. But that dynamic has shifted, with retailers now far more forensic in how they interrogate overall occupancy costs. They want transparency. They want justification. And above all, they want value.

A similar tension is now emerging in offices. Premium schemes with high service charges are under pressure – especially where amenities feel more like gimmicks than genuine productivity tools. Climbing walls, slides and ping-pong tables may have their place for some, but if they do not enhance operational performance, they are hard to justify for many.

Across sectors, the message is consistent. Every square foot must earn its keep and produce a clear return on investment, not just in terms of (retail sales) revenue, but through efficiency and brand alignment. Retail reached that conclusion some time ago. The rest of the market is now catching up.

DON'T ASSUME LOYALTY – EARN IT

If there’s one thing retail has made clear, it’s that occupiers are not passive. Retailers now manage space more deliberately, reviewing portfolios site by site, lease by lease. Performance matters. If a store is not delivering, it is closed, and if a lease does not work, it is renegotiated. The assumption that tenants will sit tight if unhappy simply no longer holds.

Few illustrate this better than Marks & Spencer: scaling back underperformers while doubling down on full-line stores and food halls that deliver. This is not exceptional, but indicative of a broader occupier mindset. The rise of CVAs within retail, controversial though they remain, reflects the same power shift – a tool not just to cut costs, but to reset terms with landlords and send a clear message. Even when challenged by the likes of British Land, M&G, and Hammerson, the courts have often sided with the occupier. *Lazari v New Look* stands as a clear test case: landlords no longer dictate the terms.

Loyalty, then, is no longer assumed – it must be earned. That means understanding what tenants value, what they’re willing to pay for, and how physical space fits into their strategic priorities. Tenants have

choices. And increasingly, they’re using them.

London’s office market is perhaps the clearest parallel. Occupiers are rethinking not only how much space they need, but what they need to deliver. Our 2025 London Series reinforces this: *tenants will move, but only if there is a clear, demonstrable benefit*. If the offer doesn’t improve on cost, quality, or fit, they won’t move at all. The idea that tenants will compromise for average space, or overpay for the sake of postcode, is no longer valid. The scrutiny is too sharp, and the market too competitive.

THE RETAIL ROADMAP

The relationship between retail landlords and occupiers hasn’t been easy, but it has been instructive. What has emerged is a sector that is more resilient, more pragmatic, and

far more aligned with the realities of demand. There may not be a perfect blueprint, but there is a roadmap.

At its heart lies a simple, enduring truth – occupiers make the market. Buildings don’t create value in isolation. Ignore the occupier, and the numbers will catch up with you. But understand them, and value tends to follow.

“The idea that tenants will compromise for average space, or overpay for the sake of postcode, is no longer valid. The scrutiny is too sharp, and the market too competitive.”

THE AGENT VIEW

“If the store doesn’t perform, it doesn’t stay”

David Legat – Partner, National Retail Agency



“Occupiers are calling the shots. And in 2025, they’re doing it with more clarity, and less compromise, than ever. Retailers are still trading, consumers are still spending, but the playbook has changed. It’s not about turnover, it’s all about profit, and space that doesn’t support that is being cut loose.

The real pressure isn’t on the top line, but underneath it. The current operating environment is

forcing a sharper focus on costs. Wage increases, NIC changes, and looming business rates reform are all squeezing margins. Retailers aren’t abandoning physical stores wholesale, but they are becoming more selective, doubling down on high-performing locations and rethinking the role of marginal stores. That doesn’t necessarily equate to widespread closures, but it does mean landlords need to look harder at what makes each unit viable.

We’re seeing investment flow into the core stores with high-profit, strategically important locations being refurbished, upsized, repositioned. This isn’t just limited to the obvious ‘prime’ spots. But with capital tight, those plans increasingly come with a caveat: landlords need to have skin in the game. After years of pulling back on incentives, landlords are being asked to lean in, particularly where there’s a clear

return in the form of longer leases or performance-linked rents.

Affordability has become a shared priority. For the tenant, it’s about survival. For the landlord, it’s about income resilience. That shift is prompting more open conversations about service charges, lease structures, and, in some cases, whether a store still justifies its place in the estate. This is particularly sharp in secondary locations, where fallback options are thinner.

The broad trend isn’t one of retreat, but refinement. The tolerance for underperformance is low, and the assumption of loyalty is gone. Occupiers are making deliberate, often ruthless decisions about what space stays and what goes. For landlords, the message is clear: if you’re not helping drive performance, you’re holding it back.”

Retail Renaissance 2025

Lesson #5: Bigger = Better (possibly), Relevant = Best (definitely)

Lesson #5: Bigger = Better (possibly), Relevant = Best (definitely)

The Quest for Relevance.

AUTHORS: STEPHEN SPRINGHAM – PARTNER, HEAD OF RETAIL INSIGHT / EMMA BARNSTABLE – ASSOCIATE, RETAIL INSIGHT

3 KEY LESSONS:

- There is some strength in large / prime – but this does not provide total protection from market forces and biggest isn't always best.
- It is dangerous to hide behind clichés and accepted definitions – generalisations rarely do justice to the complexities of the market.
- Understanding asset-specifics is paramount – and relevance trumps everything. Period.

“A flight to prime”. Yawn. A strong contender for the most overused phrase in real estate, the most hackneyed cliché that, dare I say, you will find in virtually every report about offices. Effectively lazy shorthand for either “biggest / newest / shiniest / primest is best.”

In fairness, retail could be guilty of this too, but maybe less so now than a cycle ago. The voyage of self-help that the retail market has been forced to undergo has led many supposedly property truisms to be called into question. Does prime really always reign supreme, is biggest always best?

SOME STRENGTH IN SCALE

There is definitely still a grain of truth in the theory. If not total, scale does offer at least some protection against market forces and challenges. This

rings true across the three core retail sub-sectors: shopping centres, retail warehouses and high streets.

The most prime shopping centres are the 14 regional malls (e.g. the two Westfield schemes, Bluewater, Trafford Centre, Merry Hill etc), plus the pre-eminent schemes in the largest UK cities (e.g. Bullring in Birmingham, Arndale in Manchester, St James Quarter in Edinburgh etc). Although not totally immune to the challenges of retail generally, these have weathered the storm far better than many of their smaller counterparts. They still enjoy strong occupier demand and remain a massive consumer draw and while they too have rebased in value, they still command a significant investment premium (ca. 7.00% – 7.50% yield). Above all else, they are, and will always be, shopping centres, incubated totally from the whole repurposing debate.

It is a similar story in retail warehousing, where the largest shopping parks (e.g. Fosse Park, Castlepoint, Fort Kinnaird, Glasgow Fort, New Mersey etc) continue to enjoy a similarly virtuous circle of massive destination appeal and strong occupier demand. Rents are correspondingly high (Fosse Park £105/sq ft, Castlepoint £62.50/sq ft, Fort Kinnaird, Glasgow Fort, New Mersey all £55/sq ft), but sustainably so and investment yields are at a premium (5.25% - 5.50%). They remain unquestionably ‘best in class’.

CENTRAL LONDON – THE ETERNAL OUTLIER

A slightly more nuanced picture on the high street itself – and this is where

“The voyage of self-help that the retail market has been forced to undergo has led many supposedly property truisms to be called into question. Does prime really always reign supreme, is biggest always best?”

some of the lazy catch-all definitions of prime start to come up short. Prime Central London is in a class of itself, a unique market that warrants separate classification. Despite rebasing, rents and pricing are obviously at a massive premium to the rest of the market, underpinned by demand for trophy assets. Flagship stores in the West End do not necessarily adhere to the same P&L metrics as ‘normal’ retail outlets, demand tends to more whimsical, a desire to make a statement as much as to make money.

Away from Central London, it is very hard to generalise. Major cities do promise high levels of footfall and potential spend by virtue of their scale, but is that a guarantee that a retailer will make money there? It is a dangerous assumption to make, especially factoring in any number of moving parts, such as a multitude of pitch options and variable rental tones. High turnover potential is often matched by high occupational costs and this can be a massive drain on profitability. And as the saying goes, turnover is vanity, profits are sanity.

Does size equal strength? Vacancy Rates by Retail Centre Type

RETAIL CENTRE TYPE	NO. OF RETAIL CENTRES	AVERAGE VACANCY (%)
Regional Shopping Malls	14	14.1%
Major City	9	18.2%
Regional Centre	25	16.1%
Sub-regional Resilient Town	29	13.6%
Sub-regional Weak Town	37	20.9%
Average Resilient Town	29	16.2%
Average Weak Town	72	22.7%
Small Town	72	16.8%
Smaller London Centre	22	10.5%

Sources: PMA, LDC, Knight Frank Insight

Balancing this conundrum is one of the great challenges of retailing. It also brings the limitations of definitions of ‘prime’ into sharp focus. Is a pitch ‘prime’ just because it is in a major city? Can a small town, by definition, not have any ‘prime’ stock? Is a secondary/tertiary pitch in a ‘prime’ centre any more ‘prime’ than a ‘prime’ pitch in a secondary centre? This is where the phrase ‘flight to prime’ becomes not just lazy or questionable – but actually totally meaningless.

THE NEGATIVE FLIPSIDES

Bigger can be best, but it is not necessarily always the case. Larger centres also carry major inherent risks, the key ones being over-supply and over-rent. Over-supply is one of the key retail structural failings we identified in our *‘Price of Change’* research report. It follows that the larger the centre, the greater the risk there is too much floorspace. This is borne out through empirical evidence, with the nine ‘Major Cities’ (as identified by PMA) having an average vacancy rate (18.2%) higher than both ‘Regional Centres’ (16.1%) and ‘Small Towns’ (16.8%). Three of the major cities have vacancy rates higher than 20% (Leeds 20.8%, Newcastle 22.3%, Cardiff 23.0%). Prime centres with high volumes of non-prime stock, the margin of error is very large.

The same downside risks apply to the regional shopping malls. According to LDC, the average vacancy rate across all 14 schemes is 14.1%. But Metrocentre (23.9%), Lakeside (19.3%) and, perhaps more surprisingly, Westfield London (24.0%) all significantly exceed this figure. Covering more than 2 million sq ft, it is difficult to argue that Metrocentre in particular is not over-spaced.

Similarly on occupational costs. Headline prime zone As are all £300+/sq ft at Bluewater, Meadowhall and Trafford Centre, £350/£400+ sq ft at the two Westfield schemes. Throw in hefty service charges and high business rates, it can be difficult for retailers to actually make money in the rarified ‘prime’ space of regional shopping malls. Maybe not over-rented by the letter of surveying law, but onerously high in the affordability stakes for many retailers. Above all, it is very dangerous to assume these are ‘the best’ stores for most retailers – and as we established in and as we establish in **Paper 4**, occupiers are king.

Rents provide a useful barometer as to resilience. But again, the evidence is totally inconclusive. Comparing prime zone As of the 300 PMA Centres on pre-COVID (2019) vs current levels, only 12 have not gone backwards.

Of these, only Edinburgh could lay claim to being a ‘prime’ centre. In contrast, the other end of resilience spectrum features large cities such as Birmingham and Newcastle, plus other major destinations such as Croydon, Kingston, Reading and Southampton.

Equally, the confines of London providing a defence? The cases of Chiswick and Clapham Junction totally contradicted by those of Brixton, Richmond, Islington and Camden Town. Meanwhile, the likes of Hitchin, Paisley, Bridlington, Redcar and Stamford hardly qualify as ‘prime’ in anyone’s book, yet in terms of rental tones they have proved to be some of the most resilient centres in the UK.

Inconclusive does not come close – and this illustrates perfectly the limitations of many generalisations.

IN DEFENCE OF THE ‘SUB-PRIME’

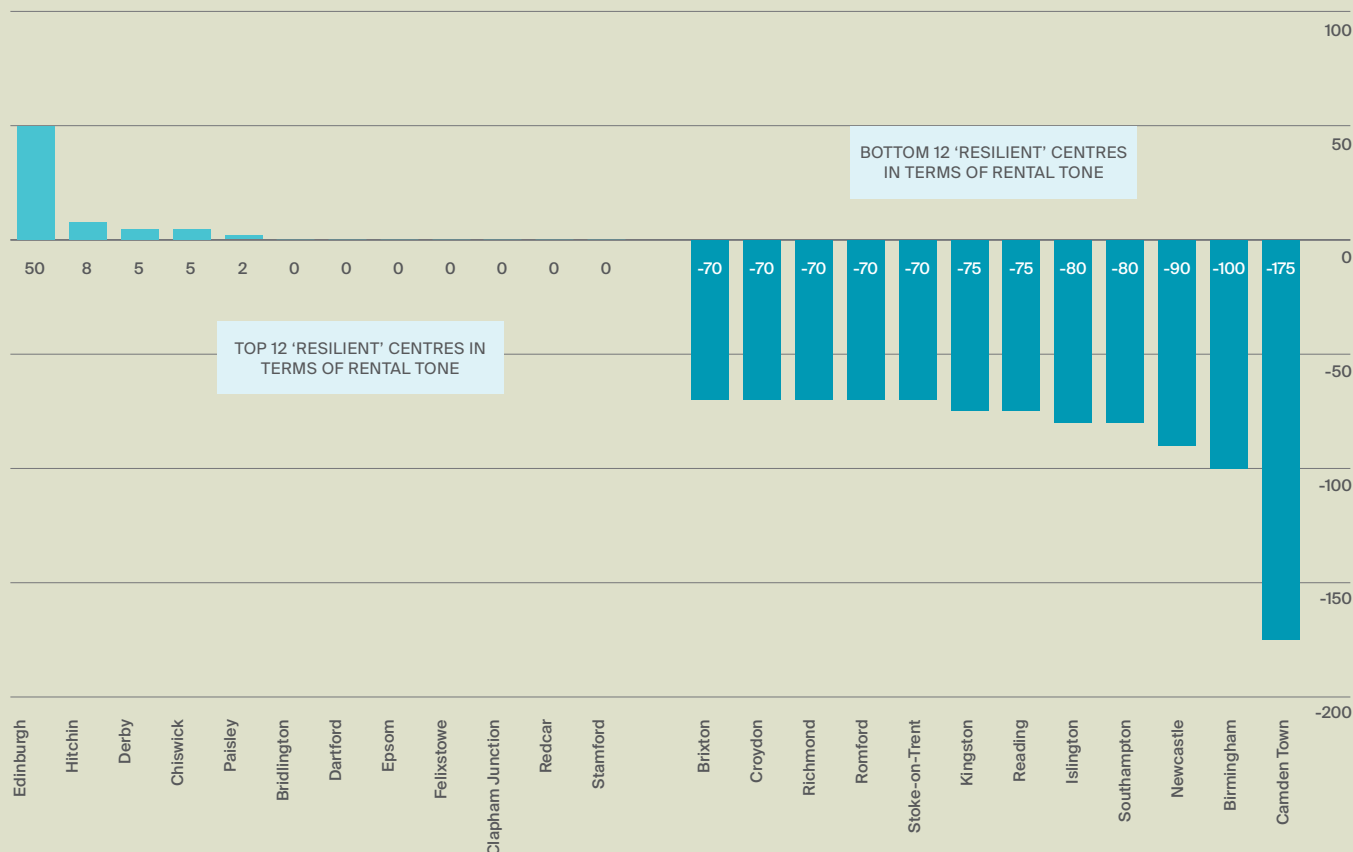
Does a ‘flight to prime’ completely preclude small centres? Absolutely not, on the contrary, many down-at-heel, demographically-challenged centres actually perform very well. They may not present nearly as well as ‘prime’ centres, but they tick the most vital box of all – they correspond to the needs of their catchment.

This may not be desperately aspirational, but it is functional and convenience-based. Less high end fashion, more everyday needs (food, health & beauty etc). Lower footfall overall but higher frequency/more regular footfall, lower disposable income but a higher propensity to spend, lower occupational costs and higher affordability for retail occupiers – the diametric opposite of more celebrated ‘prime’ centres.

“Over-supply is one of the key retail structural failings we identified in our ‘Price of Change’ research report. It follows that the larger the centre, the greater the risk there is too much floorspace.”

Zone A retail rent change 2019-2024

£/sq ft



Source: PMA, Knight Frank Insight

“So, big, small or inbetween – what is best? Experience has taught us that the answer to this will always be ‘it completely depends’.”

There is a tendency to over-polarise retail around these two extremes – ‘Prime Destination Centres’ and ‘Convenience-based Rough Diamonds’, if you will. But again this is a dangerous over-simplification, as it assumes that all those in the middle ground are squeezed – and this is probably the largest segment of the market. Many middle-ground towns and centres may

indeed be highly challenged and at the sharpest end of years of neglect. But many aren’t, and it would be woefully wrong to tar all with the same brush.

So, big, small or inbetween – what is best? Experience has taught us that the answer to this will always be ‘it completely depends’. This ‘it completely depends’ should by no means be interpreted as a cop out or as an ‘I don’t know’, it is acknowledgement of the limitations of convenient generalisations that fail to do justice to the complexities of comprehending and measuring retail performance. ‘It completely depends’ recognises the importance of understanding and being able to assess asset-specifics, chiefly the extent to which it corresponds to the needs and aspirations of the audience that it serves.

LIMITATIONS OF ‘EXPERIENTIAL’

‘Experiential’ has become something of a buzzword in retail, the inference being that only ‘experiential’ retail can in any way prosper. The issue is that ‘experiential’ is a very vague term that defies any tangible definition. The common assumption is that ‘experiential’ has to incorporate massively high-tech retail stores alongside a multi-faceted leisure proposition, which spans F&B to include a plethora of competitive-socialising thrills and spills. All fine and good in the right location, but not a panacea nor a prerequisite for every retail centre.

There are far better yardsticks than ‘experiential’. Less poetic maybe, but ‘half decent’ is not a bad starting point. The reality is that many towns and retail destinations have suffered from

chronic neglect and under-investment for many years (again, please refer to our *'Price of Change' report*) and this has now come home to roost. Thankfully, many are now seeing this lack of investment redressed, but at the same time, many are not. Investment can take many forms, but need not necessarily extend as far as being anything approaching 'experiential'. For 'half decent' read 'well-maintained' or simply 'invested in', rather than necessarily all-singing, all-dancing.

THE RELEVANCE OF BEING RELEVANT

But 'relevant' is the best yardstick of all. Yes, 'relevant' is a generic and ambiguous term, but it is far more appropriate and meaningful than 'experiential'. 'Relevant' is all-encompassing and agnostic at the same time. 'Relevance' will mean very

different things to different centre and asset types – the requirements for a regional shopping mall to be 'relevant' will be very different from those of a small, community-based centre.

Despite these shifting nuances, 'relevance' in retail does carry certain common denominators. As already alluded to, the hallmark of 'relevance' is meeting and exceeding the needs and expectations of the catchment and audience that centre or asset serves. Implicit in this is achieving the virtuous circle of attracting and curating the right tenant mix that will entice this audience to come and spend. Happy tenants, willing and able to pay a decent rent. Underpinned by a rolling investment programme to keep the wheels in motion and enable evolutionary change.

Biggest isn't necessarily best. 'Relevance' is best. And 'relevance'

may be found in either big or small assets, or equally those inbetween. 'A flight to relevance' may not trip off the tongue in quite the same way as a 'flight to prime' or 'flight to quality'. But a quest for 'relevance' has totally redefined retail markets away from more established buzzwords.

Other property sectors may wish to take note...

"Biggest isn't necessarily best. 'Relevance' is best. And 'relevance' may be found in either big or small assets, or equally those inbetween."

THE AGENT VIEW

"Prime is appealing, but not the only game in town"

Will Lund – Partner, Retail Capital Markets



"Sticking to what they know or just following the herd? It is perhaps easy to understand why many investors flock to "prime" assets in uncertain times, but to draw the line there, excluding investments in other equally relevant assets, would perhaps be naïve.

Typically larger, dominant, and able to draw from the widest of catchments, these prime assets often form part of a mix of uses. Owners have invested to develop distinct quarters within their assets, with leisure, activities, socialising, catering and retailing now essential

parts of the occupier mix – sometimes alongside living and workspace uses.

That said, access to investments in the prime sphere is challenging at best. Very few of these opportunities see the light of day. A handful of shopping centre stakes have been sold (but all for ownership shares of 50% or less) and in previous years, none have traded at all. In the rare instances that minority shares of prime investments have reached the market, they have been readily acquired by existing stakeholders. That's clear evidence that owners believe in the future of these assets and are not willing to let go at today's discounted market pricing.

One exception which we expect to buck this trend in the years to come are assets from the former Intu portfolio – where the likes of Lakeside, Manchester Arndale and Derby would all be considered "prime" super regional centres. But the distressed days in the aftermath of COVID are

behind us. All of these centres have been reinvested in, realigned to suit modern needs and restructured. If and when their owners decide to exit, they will be seeking premium pricing.

With many investors making their first retail acquisitions (and possibly first UK acquisitions) it's not surprising that their focus is on the "best of the best". But with a clearer understanding of how high-quality assets operate and should be managed, some are starting to venture into other areas of the market: targeting yield, purpose, or specific opportunities too good to turn down.

Smaller, convenience-led investments – particularly food-anchored assets – have their place. With more plentiful supply and consistently elevated yields, we expect buyers to remain active here too. Provided they are relevant, perhaps good things can indeed come in small packages?"

Lesson #6: Show me the income

Income return – undervalued but should not be underrated.

AUTHORS: STEPHEN SPRINGHAM – PARTNER, HEAD OF RETAIL INSIGHT / EMMA BARNSTABLE – ASSOCIATE, RETAIL INSIGHT

3 KEY LESSONS:

- Never undervalue the importance of income return – a stable source of revenue whatever the tempest.
- Income must be protected and not taken for granted – it is guaranteed, but only under certain conditions.
- Income is not immune to structural change – to protect it, a landlord must be cognisant of wider market forces and act accordingly.

Rental growth. Capital value growth. High total return. Yield compression. Unquestionably these are top of virtually any landlord's or investor's wish list. Income return? Something of an afterthought, a distant relation to the other metrics – but by no means a poor one.

INCOME – PAWN OR KING?

There is actually a school of thought that income is actually king and that income return trumps everything else. Some investors and REITS (e.g. LondonMetric) make no bones about this and this is a central plank to their investment strategy. And amidst all the current (and I'm sorry to say, future) global geo-political upheaval and economic fragility, the income-trumpeting school of thought is likely to recruit many more members and converts going forward.

The case for prioritising income may seem radical compared to the aforementioned other property performance metrics. But it is actually the most fundamental thing of all, the very premise of making money out of property. A landlord owns a building, they let it to a tenant who pays them a rent. The longer the agreement, the more fixed and stable that source of income is. Simple beyond belief.

RETAIL AND INCOME – SURPRISING BEDFELLOWS?

Income has historically always been one of the retail market's strong suits. Back in the day, retail had many strings to its investment bow, in many cases, all the wish list elements outlined at the start of this paper. But obviously, the retail market has been through the mill massively since the late 2000s, through a toxic combination of external forces (GFC and COVID) and deep-seated structural change. Rents and capital values rebased (and some) and yields softened (and some more). But retail income held firm and for a number of years, this was the last string left on the proverbial investment bow for retail.

Why has retail always delivered such solid income returns? This is far easier to answer historically than latterly. Historically, it actually owed more to factors that now appear highly anachronistic – long leases with upwards only rent reviews. Retail leases across all channels (high street, shopping centre, retail warehousing) were typically 25 years, with rents subject to open market review or pegged to RPI/CPI. Either way, they couldn't go down. As long as that tenant didn't go bust, income return was guaranteed.

“Retail property markets have since changed – whisper it, but arguably for the better.”

Retail property markets have since changed – whisper it, but arguably for the better. Lease lengths have come down significantly and there is far greater flexibility than before, and generally everything is much more tenant-friendly. Most shopping centre leases these days are for a maximum of 10 years, and indeed, more likely five, with multiple break clauses written in. Income is less assured and stable than it once was.

Despite this, retail income returns have not collapsed, despite all the trials and tribulations of the market over the last decade / 15 years. For the simple reason that many retail tenants have remained in situ and have continued to pay the rent. Yes, vacancy rates have risen and of course, there has been significant occupier fall-out through so many well-documented retailer CVAs and administrations. But a surprising amount of vacated space has actually been re-absorbed by other tenants and income, one way or another, has been preserved.

Protecting retail income is a far tougher undertaking these days than it was on the easy street of 25 year leases and upward only rent reviews. But that is one of the painful lessons that retail has learnt on its journey towards renaissance. As outlined in other papers in this series, complacency and underinvestment are crimes of lethargy and real estate has to be

Retail income returns – steady and still competitive

Historic income returns by sector (%)

SECTOR	SINCE INCEPTION (1981)	10 YEAR AVERAGE	5 YEAR AVERAGE	2 YEAR AVERAGE	2024
All Offices	5.9	4.1	4.1	4.5	4.7
All Industrial	7.2	4.5	4.1	4.1	4.5
All Retail	5.7	5.2	5.5	5.7	5.8
Retail Warehouses	6.6	6.1	6.4	6.3	6.3
Shopping Centres	5.9	5.4	6.1	6.6	6.5
Standard Shops	5.3	4.1	4.2	4.3	4.4
Supermarkets	6.3	5.4	5.6	6.3	6.4

Source: MSCI, Knight Frank Insight

constantly on the front foot, evolving with its occupational market. And to be proactive as well as reactive.

There is still something of a hierarchy within the various retail property sub-sectors in terms of income profile, although, numerically at least, the differences are not vast. Over the longest timeframe (since MSCI/IPD inception in 1981), all retail has delivered an average annual income return of 5.7%. Retail warehousing (6.6%) and shopping centres (5.9%) have both exceeded this figure, while high street shops have delivered a marginally lower income return (5.3%).

STABILITY AMIDST A TIDE OF UNCERTAINTY

There has been a slight reversal in recent times and this is forecast to continue over the next five years. Perhaps surprisingly given their greater exposure to ongoing structural change, shopping centres have delivered the strongest annual income returns over the last two years (6.6%), higher than offices (4.5%) and industrial (4.1%), a figure we forecast be maintained over the next five years.

Five year forecast income returns for shopping centres (6.6%) are slightly higher than both retail warehousing (6.4%) and supermarkets (6.2%). However, there are tangible differences between the sub-sectors. Lease lengths in retail warehousing are likely, in general, to be longer than in shopping centres. In supermarkets, a new

lease will invariably be longer still, definitely 10+ years, probably 20+. As explored in our *Foodstores: a Feeding Frenzy Report*, the reason for this is very simple: stores are fundamental to all the supermarket operators, they are what they do and they remain committed to ongoing occupation. Not at any cost, but a defensive and offensive position they will fight tooth and nail to maintain.

Whilst the forecast figures may be very marginally lower, income for supermarkets and retail warehouses is far lower risk than in other retail channels. Indeed, few, if any, property sectors promise as robust, low-risk, long-term income as supermarkets. There may be some market concerns currently around Morrison's and Asda's covenants – even if founded

(which we do not believe them to be), their ongoing status as functioning foodstores is beyond question, even if occupied by a competitor.

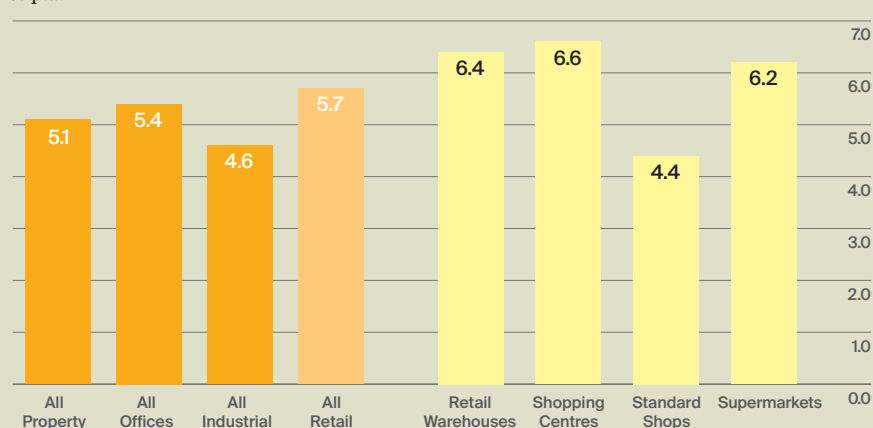
STRUCTURAL CHANGE – THE GREAT LEVELLER

The merits of compound income form something of a refrain with LondonMetric's founder and CEO Andrew Jones: *"We are a thematic triple net income investor in structurally supported sectors with high quality assets that enjoy strong occupier contentment. Logistics remains our strongest conviction call for accelerated rental growth, particularly urban logistics, and this weighting is expected to increase materially as we reinvest proceeds from non core and ex-growth asset sales, with approximately £180 million already sold or under offer since year end."*

"Structurally supported sectors" are the operative words here. In the eyes of LondonMetric shopping centres and high street shops fall more into the category of "structurally challenged sectors", hence their non-exposure to them. Retail warehousing and supermarkets are more "structurally supported" and therefore fit their investment criteria, albeit behind logistics in terms of priority. But as explored in **Paper 1** of this series, structural change is a real leveller and can strike any sector in any guise. Above all, this again highlights the need to constantly

Forecast income returns 2024 – 28

% p.a.



Source: REFL, Knight Frank Insight

see the bigger picture, to be aware of potential structural change and to strategise accordingly.

As already flagged, a significant flight to income is likely to be a by-product of the current and future geo-political and economic turmoil. A migration to a modicum of assurance amidst a sea of uncertainty. An average income return rate of 6%+ certainly looks enticing given current 10 year gilt yields of 4.75% (as at 22 May 2025). With heightened volatility across equity markets, UK commercial real estate stands out as a defensive, income-producing asset class – historically viewed as a safe haven for global investors. And retail is

able to hold up its hand as proudly as any other use class.

FINAL THOUGHTS

The last of this insight series, the importance of income ties together many of the other insight papers. Strong income returns are by no means a gimme. Any threat of structural change must be first understood, then neutralised at worst and embraced at best. Potential oversupply and obsolescence risks must be proactively addressed and managed. Scale provides some shelter to the storm, but the overriding end game has got to be relevance, whatever that

may mean in any given location or context. Maintaining the right level of investment is paramount and there is no room for complacency. Occupier is king and after all, they are the ones providing the income. And happy tenants pay good income.

Retail has been there, seen it, done it. It has been a long, painful journey, but we are somehow down the road to salvation. Unfortunately, that road is never-ending, another painful lesson that has had to be absorbed along the way. Be that as it may, other property sectors would do well to listen to retail's hard-earned lessons.

Forewarned is forearmed.

THE AGENT VIEW

“Investors going large and long on income”

Dan Serfontein – Partner, Retail Capital Markets



“From an investment perspective, resilient, long income remains the main focus for Core & Core+ investors – increasingly so given the current economic backcloth. Local Authority Pension Funds continue to dominate the core markets, with a propensity to focus on dominant retail parks, often anchored by food or DIY operators, guarantors of strong, stable income.

Whilst a number of retailers' standard position is a 5-year lease term, we have seen a greater increase in key anchor tenants, such as B&Q, offering rarer 15-year unbroken terms. Retailers agreeing to longer rather than shorter terms, who'd have ever thought? But the net result is long-dated secure income from a landlord's anchor tenant. In an environment where the likes of B&Q have seen a number of stores close for redevelopment or acquired by

other retailers such as Home Bargains or Lidl (for owner occupation), coupled with a severe lack of suitable alternatives (due to low vacancy rates and limited new stock being developed), these long leases enable tenants to ‘protect’ their best trading stores. A defensive win for retailers, an income win for landlords.

The flight to long income is perhaps best illustrated by the French SCPI funds, who are currently the most active Core+ buyers in the retail warehouse market. SCPI funds, in a similar way to Realty Income, pay investors a monthly dividend. Therefore, securing long income (whilst offering yield) is an absolutely essential criteria for investing.

So, is retail really returning to the days of “key money” and “insurance leases”, once solely the prevail of Bond Street and Oxford Street (trophy locations where retailers simply had to be and were prepared to pay handsomely for the privilege)? In some instances, yes, but clearly not universally so. These core buyers will focus on the best, most secure income opportunities (where we have heard stories of retailers battling it out to be on the best parks).

But opportunities for other, more risk-on investors, do still exist across the retail sub-sectors. Believe it or not, there are still retail parks with occupational flaws, which will require proactive asset management (and capital expenditure) to rectify. It is in such examples that more opportunistic buyers can differentiate themselves, to take advantage of a more active business plan and shorter term income profiles.

Equally, for more open-minded buyers willing to accept a more granular, active investment play, the shopping centre sector has also shown recent resilience. Historically low rents, reduced business rate obligations and a greater focus on operational costs has created a positive dynamic for retailers in town centre settings. Vacancy is reducing here too and landlords at last have alternatives to incumbent occupiers (even if they are highly unlikely to exercise options to vacate in profitable stores).

In the meantime, though, we expect the weight of low risk capital seeking exposure to the retail sectors to find its home in the hugely resilient retail warehouse and foodstore investment markets.”

We like questions, if you've got one about our research, or would like some property advice, we would love to hear from you.



Stephen Springham
Partner, Head of UK Markets Insight
stephen.springham@knightfrank.com



Emma Barnstable
Associate, Commercial Insight
emma.barnstable@knightfrank.com



Charlie Barke
Partner, Head of Capital Markets
charlie.barke@knightfrank.com



Will Lund
Partner, Head of In Town
Retail Capital Markets
will.lund@knightfrank.com



Dom Walton
Partner, Head of Out of Town
Retail & Leisure Capital Markets
dom.walton@knightfrank.com



David Willis
Partner, Shopping Centre
Capital Markets
david.willis@knightfrank.com



Ross Needham
Partner, Shopping Centre
Capital Markets
ross.needham@knightfrank.com



Alastair Bird
Partner, High Street
Capital Markets
alastair.bird@knightfrank.com



Sam Waterworth
Partner, High Street
Capital Markets
sam.waterworth@knightfrank.com



Dan Serfontein
Partner, Retail Warehousing &
Leisure Capital Markets
dan.serfontein@knightfrank.com



Freddie MacColl
Partner, Out of Town Retail &
Leisure Capital Markets
freddie.maccoll@knightfrank.com



David Legat
Partner, National Retail Agency
david.legat@knightfrank.com