

# UK Retail Monitor

Q2 2024

The Knight Frank Retail Monitor provides a quarterly update on key data across all retail sub-sectors and current market sentiment.

[knightfrank.com/research](https://knightfrank.com/research)

“Macro-economic improvement, a rise in confidence, fresh hope under a new government. Just a shame that the weather well and truly rained on the retail parade in Q2 and hindered consumer demand. A slow start to retail investment markets in H1 2024, but a brighter H2 on the horizon.”

Stephen Springham, Head of Retail Research

## KEY HEADLINES

At first glance, an improving macroeconomic landscape appeared to set a promising tone. However, a deeper look reveals that consumer demand was actually incredibly weak in Q2, with unsettled weather exacerbating retailers' attempts to sell spring/summer stock, resulting in a spiral of deep discounting. It wasn't all bad, though, as sentiment continued to build in capital markets, with upwards revision to most retail property forecasts.

## CONSUMER MARKETS

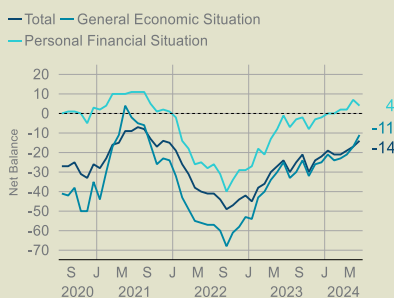
The prevailing narrative was one of easing consumer pressures and improving confidence. Prices eased, with headline inflation returning to more 'normalised' levels (CPI 2.1% vs 3.5% in Q1). And the prospect of a new government brought hope for change. Consumers felt more optimistic overall, with confidence metrics building each month, driven by better perceptions of the prospects for the UK economy.

Despite rising confidence and increased spending power, retail sales disappointed. Although most of the economic indicators were pointing in the right direction, Q2 sales data showed a deterioration from Q1. Sales values grew only modestly (+0.5%), down from +3.5% in Q1, while volumes fell by -0.5%, worse than the -0.2% decline reported in Q1.

Adverse weather undoubtedly significantly impacted retail sales. Unsettled, wet and dull conditions, including Storm Kathleen - the most severe since 2013 - suppressed appetite for spring/summer ranges both in-store and online. Clothing sales contracted at an average monthly rate of -3.5% in the first half of 2024, with June showing no recovery (-4.5%).

### Consumer Confidence

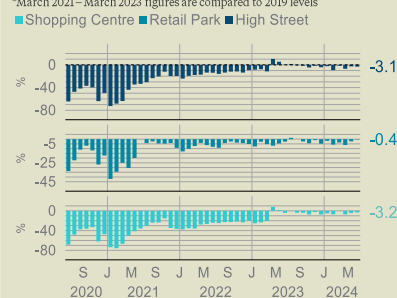
Confidence over the next 12 months



Source: GfK

### Retail Footfall

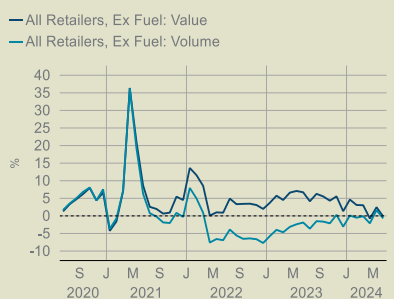
Monthly y-o-y change over the last 4 years, %



Source: BRC, Springboard

### ONS Retail Sales

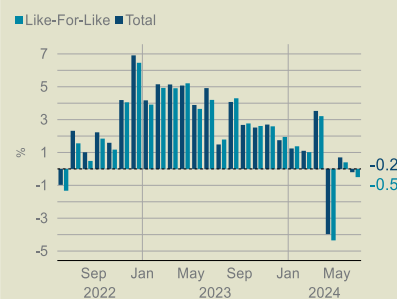
Monthly y-o-y change over the last 4 years, %



Source: ONS

### BRC Retail Sales

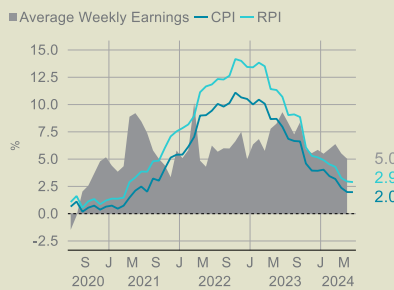
Monthly y-o-y change over the last 2 years, %



Source: BRC

### Average Weekly Earnings

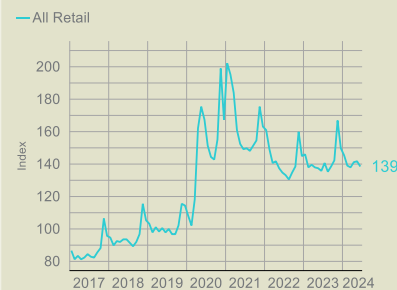
Annual change over the last 4 years, %



Source: ONS

### Online Retail Sales Index

July 2019 = 100



Source: ONS

## OCCUPIER MARKETS

In the face of weak consumer demand, retailers disappointingly resorted to heavy discounting to drive sales, particularly in the fashion sector. Both H&M and Next revealed they are bracing for sales declines in their next quarterly figures. With the full impacts yet to be revealed, most played up operational improvements under easing input costs, such as improved margins. Good progress was reported on turnaround and revised growth strategies (e.g. M&S, Decathlon, Pandora), while others are still navigating transformative periods (e.g. JLP, Matalan).

Several brands also announced new expansion intentions and store investments (e.g. Greggs, Mango, Superdrug). The only significant distress signal in Q2 came from Muji, which placed its European arm into administration, though rumours also swirled around Carpetright, its eventual administration coming to pass after quarter-end. Consequently, the national retail vacancy rate remained stable at 15.3%.

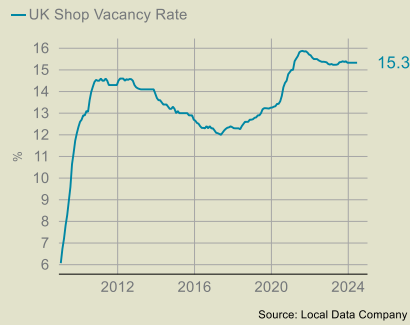
## INVESTMENT MARKETS

A slow start to the year, with deal volumes totalling £2.23bn in H1 2024, down from £2.89bn in H1 2023. Retail Warehousing (£617m) saw strong demand across the board, with most UK institutions having active requirements and demand strongest for prime assets. The shopping centre market (£714m) has revived, with the pool of buyers the best it has been in five years, with genuine competitive tension among bidders. Foodstore volumes normalised (£676m) following a bumper year in 2023, but are in line with 10-year averages. High streets (£226m) underwhelmed at 60% below the 10-year average, driven by low availability of bigger lots.

Despite this, sentiment towards retail is clearly improving. Total return forecasts (8.0%) for 2024 have been revised upwards since the beginning of the year (previously projected at 6.5%). Upgrades were made across all sub-sectors, reflecting an improving economic backdrop.

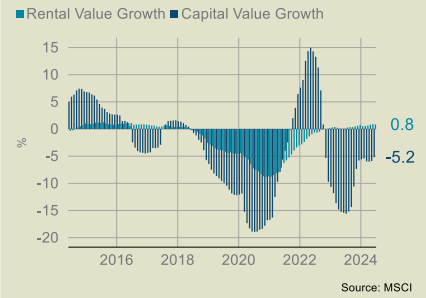
### Retail Vacancy Rate

Last 12 years, %



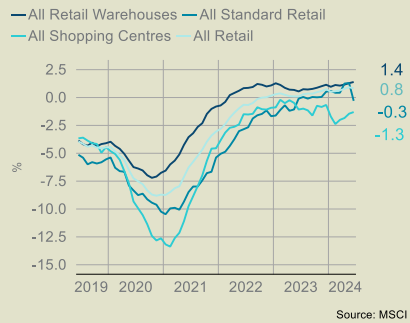
### All Retail - Rental / Capital Value Growth

Rolling 12 month growth, last 10 years, %



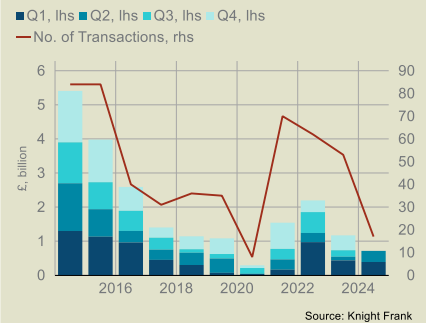
### Retail Rental Growth by sector

Monthly growth, last 5 years, %



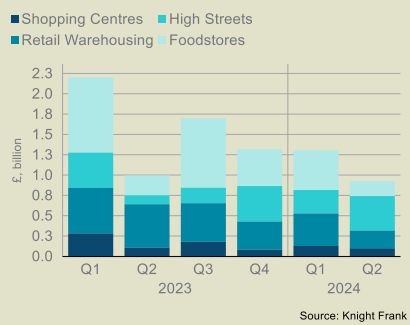
### Shopping Centre Transactions

Last 10 years



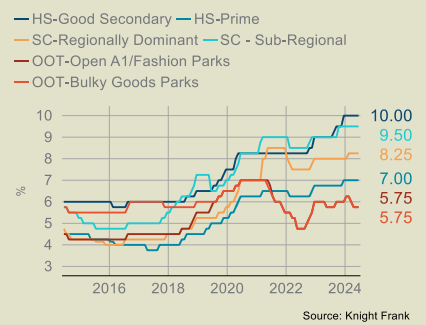
### Investment Volumes by sub-sector

Last 6 quarters, £ billions



### Yields

Last 10 years, %



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

[SIGN UP ONLINE](#)

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

## COMMERCIAL RESEARCH



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



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

## CAPITAL MARKETS



**Charlie Barke**  
Partner, Head of Retail Capital Markets  
+44 20 7861 1233  
charlie.barke@knightfrank.com

## AGENCY



**Jonathan Eastwood**  
Partner, Head of Retail Agency  
+44 20 86827769  
jonathan.eastwood@knightfrank.com



© Knight Frank LLP 2023 - This presentation has been prepared for general information only and not to be relied upon in any way. Although high standards have been used in the preparation of the information, analysis, views and projections presented, no responsibility or liability whatsoever can be accepted by Knight Frank LLP for any loss or damage resultant from any use of, reliance on or reference to the contents of this presentation. As a general presentation, this material does not necessarily represent the view of Knight Frank LLP in relation to particular properties or projects. Reproduction of this presentation in whole or in part is not allowed without prior written approval of Knight Frank LLP to the form and content within which it appears. Knight Frank LLP is a limited liability partnership registered in England with registered number OC305934. Our registered office is 55 Baker Street, London, W1U 8AN, where you may look at a list of members names.