UK Retail Monitor

Q2 2025

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

knightfrank.com/research

> “Subdued consumer confidence and weak footfall, yet decent retail sales performance. Strong (and improving) retail property performance metrics, yet a lacklustre investment market severely constrained by lack of stock. Retail remains as contradictory as it does fascinating.”
>
> Stephen Springham, Head of Retail insight

KEY HEADLINES

While global geo-political events continued to dominate the narrative and cast uncertainty over investment markets in particular, Q2 presented a mass of contradictions within the retail market. Many consumer barometers were weak, but retail sales held up (albeit highly erratically). Retailers were forced to absorb many of the negative effects of last year’s Autumn Budget as they came into force from April. Retail property performance continued on an upward trajectory, but this gave limited motivation for landlords to sell and volumes were therefore constrained by limited stock availability.

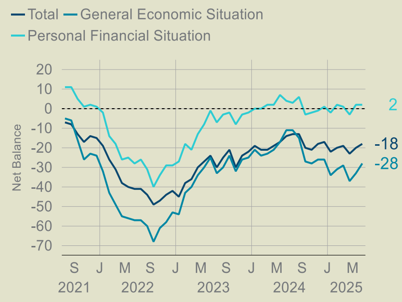
CONSUMER MARKETS

Economic growth as a whole remains sluggish, with GDP expected to have grown by just +0.3% in H1 2025. Within this, retail sales have significantly out-performed. Retail sales values in Q2 grew +3.2% YoY, with volumes ahead by +1.9%. In both cases, this marked a positive acceleration on Q1 (vals +2.1%, vols +1.1%). And implied shop price inflation remained at very manageable levels in Q2 (+1.3%).

These quarterly figures belie highly erratic and variable monthly performance. April was remarkably strong (vals +6.1%, vols +5.2%), May hugely disappointing (+0.0%, -1.2%), June somewhere between the two (+3.5%, +1.8%). The weather was a very influential factor over the quarter, providing a boost in April and June (to sales, though not necessarily to footfall). While there is still no clear nor consistent direction of travel, there is also no discernible evidence of any consumer downturn.

Consumer Confidence

Confidence over the next 12 months

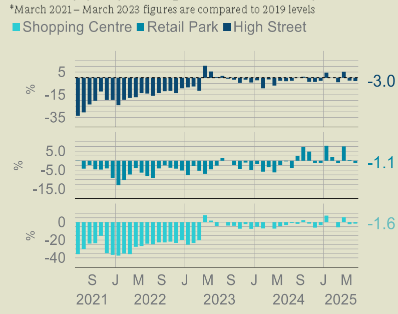


Source: GFK

Retail Footfall

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

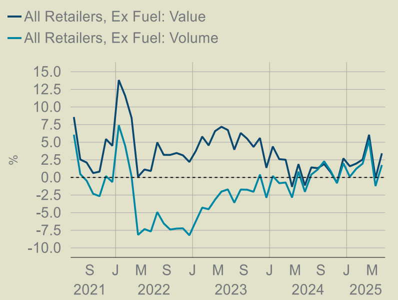
*March 2021 – March 2023 figures are compared to 2019 levels



Source: BRC, Springboard

ONS Retail Sales

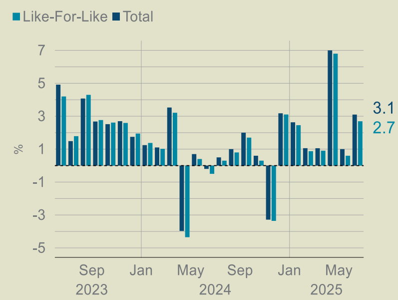
Monthly y-o-y change over the last 4 years, %



Source: ONS

BRC Retail Sales

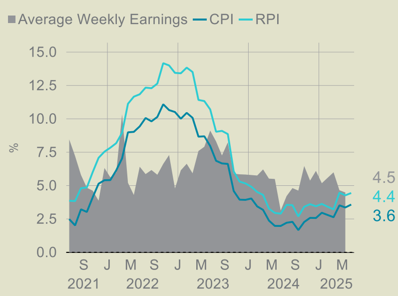
Monthly y-o-y change over the last 2 years, %



Source: BRC

Average Weekly Earnings

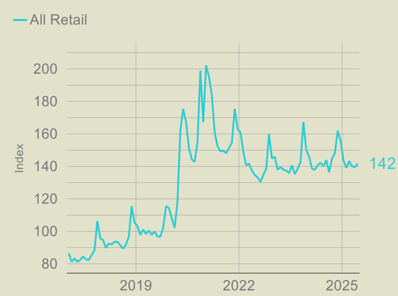
Annual change over the last 4 years, %



Source: ONS

Online Retail Sales Index

July 2019 = 100



Source: ONS

OCCUPIER MARKETS

Many of the 'retail-unfriendly' measures announced in the Autumn Budget (higher NI contributions, minimum wage rises, reduced business rates relief) came into full effect in April. Whilst deeply challenging, retailers had at least had a few months to prepare and try and militate against significant new pressures on the bottom line.

The microscope nevertheless fell heavily on an apparent uptick in retailer distress in Q2, with considerable restructuring at major players such as Poundland and River Island, plus the sale of WH Smith's non-travel business fanning the flames of another crisis on the high street. But a slowly declining vacancy rate and annualised rental growth (+2.0%) present a somewhat alternative view to any perceived malaise.

INVESTMENT MARKETS

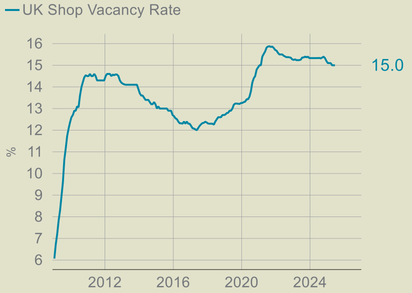
Retail investment volumes totalled £1.3bn in Q2, a marginal (+4.5%) increase on Q1 (£1.2bn). This took total volumes in H1 2025 to £2.51bn, in line with H1 2024, but significantly below the 10-year average of £3.65bn.

Two forces are conspiring to keep retail property investment in check – strong performance amidst macroeconomic uncertainty. There is currently limited impetus for owners to sell and many are opting to retain assets rather than bring them to market. Rental growth and decent returns are a strong hedge against a wall of uncertainty.

Strong sentiment and high demand for a limited pool of stock is obviously impacting pricing. Prime yields have compressed across all retail sub-sectors over the last year (-75bps in shopping centres, -50bps in high streets and retail warehousing, -25bps in foodstores).

Retail Vacancy Rate

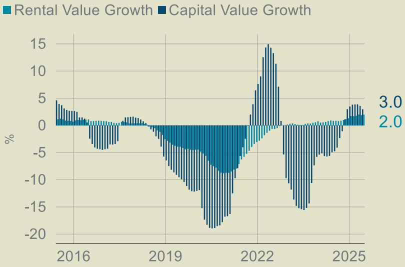
Last 12 years, %



Source: Local Data Company

All Retail - Rental / Capital Value Growth

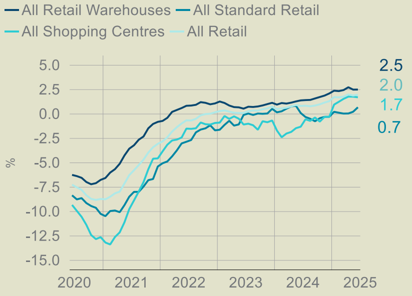
Rolling 12 month growth, last 10 years, %



Source: MSCI

Retail Rental Growth by sector

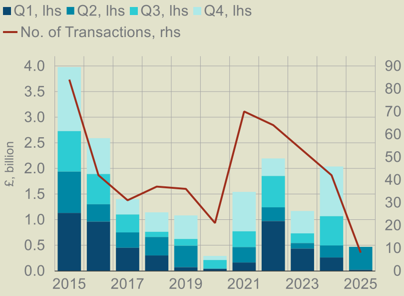
Monthly growth, last 5 years, %



Source: MSCI

Shopping Centre Transactions

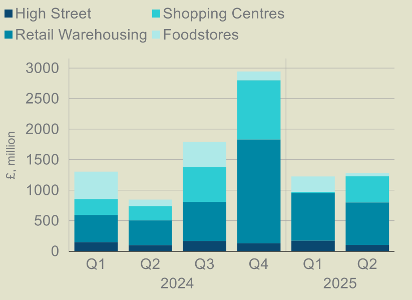
Last 10 years



Source: Knight Frank

Investment Volumes by sub-sector

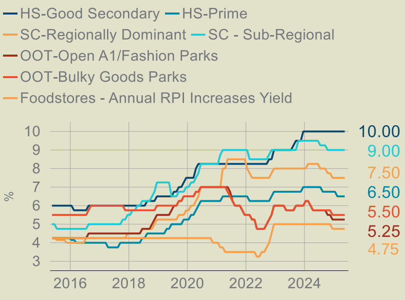
Last 6 quarters, £ millions



Source: Knight Frank

Yields

Last 10 years, %



Source: Knight Frank

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

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