

# UNITED KINGDOM

## Retail & Leisure Q3 2023



### LATEST INDICATORS



Source: ONS, GfK, Springboard

### Occupational market remains resilient

The retail occupational market continues to be characterised by the sustained bifurcation of space within the market which is being driven by a drive to quality alongside structural shifts in consumer preference. Despite this, a sense of optimism is returning to the sector, as pockets of rental growth are observed, competitive tension re-surfaces, and retailers are seemingly becoming more comfortable operating within the tough macroeconomic conditions. This change also comes at a time where consumer confidence appears to be defying high inflationary pressures, the online sales ratio is at its lowest point since July 2022, and retail sales volumes are just marginally below their August 2022 levels, all of which point to the sectors resilience. As such 15 of the 35 prime high street markets tracked by Cushman and Wakefield have seen rental growth when comparing their September-23 value to their Sep-22 levels, whilst 5 of the 9 retail park locations have also seen rents grow over the last four quarters. Whilst rental growth is not expected to persist across all sector types, it does evidence the improvement in occupier market conditions.

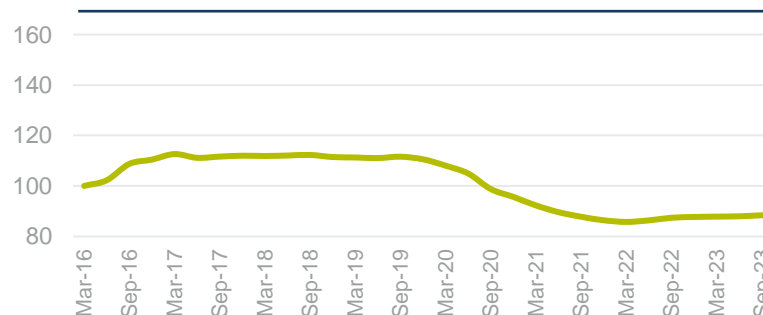
### Retail strategy continues to drive innovation and new store concepts

Throughout 2023 there has been no shortage of strategy announcements from the UKs leading retailers. In the face of tough trading conditions companies are launching and deploying a range of strategies in order to capture consumers favour, preserve cash flow, and convert footfall into spend. At a store level the strategies being deployed by retailers vary greatly across the different categories, but often include strategic partnerships, revised loyalty schemes, product collaborations, and the roll-out of upcycling and restoration programmes. Whilst at a head office level, current market conditions have resulted in an increase in merger activity with large multiples acquiring those in distress. As a result, real estate continues to be rapidly pivoted and transitioned in order to aid the roll out of such schemes.

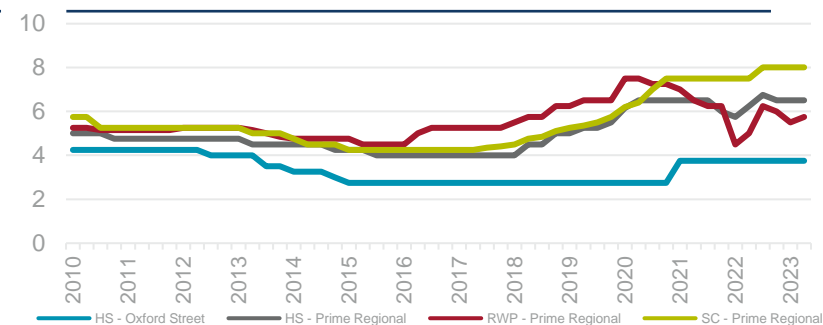
### Investors continue to target best in class retail assets

As with the occupier market, prime retail investment feels to have entered a new phase. Whilst headline investment volumes remain low, sentiment appears to have swung markedly in the last 9 months. This comes in the wake of an extensive period of recalibration and rationalisation, which has seen much of the sectors' excess and under-performing supply re-positioned, and re-purposed. The sector now offers an attractive risk premium for investors, with investor conviction further buoyed by the resilience of the consumer. Across the retail spectrum performance is more varied, with established investors continuing to target prime locations and asset types exposed to food and consumer goods businesses, which are seen to be relatively robust in the face of inflationary pressure and economic downturn. However, as 2023 has progressed more evidence has surfaced of investors starting to widen their risk profile, as investors appetite has grown to include opportunities to add value, re-position, and grow income.

UK HIGH STREET RENTAL INDEX (Mar 2016 = 100)



UK SELECT RETAIL YIELDS (%)



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Retail & Leisure Q3 2023

Strong Performers



Consumer Goods

Food & Beverage / Experience

PRIME HIGH STREET STATISTICS

SUBMARKET	£ PSF ZONE A YR	PRIME YIELD (%)
London (City)	240	4.25
London (West End – Bond Street)	2,000	3.00
London (West End – Oxford Street)	450	3.75
Manchester High Street	225	6.75
Birmingham High Street	185	6.75
Leeds High Street	130	6.75
Bristol High Street	85	6.75
Cardiff High Street	135	6.75

SELECT Q2 2023 RETAIL INVESTMENT TRANSACTIONS

Property	Location	Buyer	SQFT	Price (£)
Craigleith Retail Park	Edinburgh	Realty Income Corp	130,017	£62.4m / 7.8%
Gyle Shopping Centre	Edinburgh	Capital & Regional PLC	322,917	£40m / Undisc.
Pride Leisure Park	Derby	Elstar	121,000	£8.4m / 9.5%
Wickes, Brierley Hill	Birmingham	Private Investor	25,800	£5.1m / 6.73%
Epic Retail Portfolio	Portfolio	Realty	11 Assets	£196m / 7.8%

Source: RCA, Cushman & Wakefield

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