

UK Retail Monitor

Q1 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

“Retail a harbour in the tempest? Or just a market quietly and efficiently going about its business amidst all the noise surrounding global tariff wars? Q1 was strong across consumer and occupier markets, although investment activity was more measured. Consumer markets to remain robust in Q2, but occupier markets will come under increased cost and margin pressure.”

Stephen Springham, Head of Retail Research

KEY HEADLINES

Traditionally covering some of the quietest months in the retail calendar, Q1 delivered plenty of positive activity. Consumer spending power strengthened as inflation eased, with retail sales accelerating through each month of the quarter. Occupational markets remained stable, with minimal distress, further improvements in vacancy rates, and strengthening rental growth. Capital markets were fairly active, with £1.3bn of investment volumes recorded. Crucially, signs of re-pricing emerged, with capital values returning to positive growth after 24 consecutive months of decline.

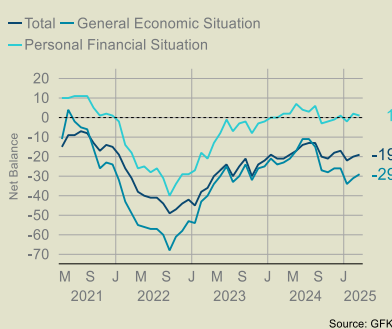
CONSUMER MARKETS

Households across every UK region had more to spend in Q1 compared to the same period last year. According to Asda's Income Tracker, consumers had an average disposable income of £257 per week after bills and essentials. Though global geopolitics remained a concern (views on the wider economy still deeply negative at -29pts), closer to home, consumers' positivity regarding their own personal finances has been stable (although weak) at around the +1pt mark for the last six months.

Shoppers continued to benefit from lower rates of inflation (CPI 2.6%) and above-inflation wage growth (+5.6%), which trickled through to increased spending power. Spending has now exceeded pre-pandemic levels across many regions of the UK (London, East Midlands, Scotland, North West), helping to drive strong quarterly retail sales (values +2.9% / volumes +2.0%), even without the stimulus of Easter in March.

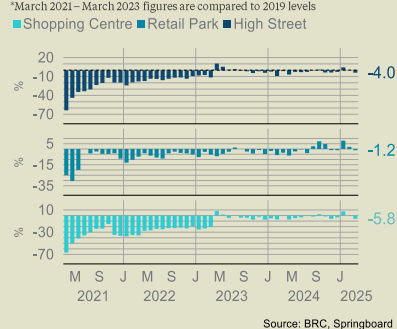
Consumer Confidence

Confidence over the next 12 months



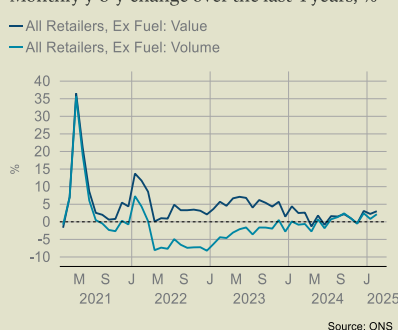
Retail Footfall

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



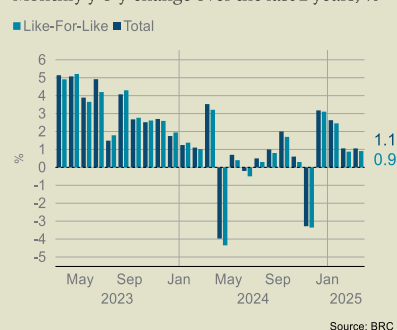
ONS Retail Sales

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



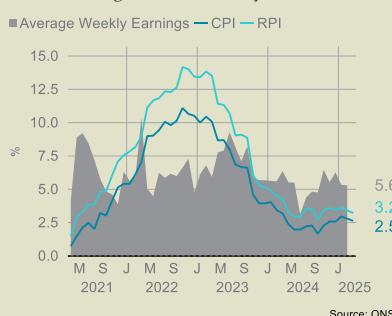
BRC Retail Sales

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



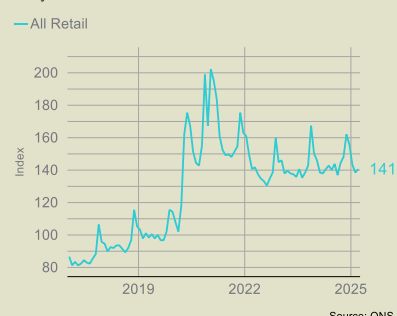
Average Weekly Earnings

Annual change over the last 4 years, %



Online Retail Sales Index

July 2019 = 100



OCCUPIER MARKETS

Q1 effectively marked the final honeymoon period before a wave of new cost pressures are introduced for retailers from this April (higher NI contributions, minimum wage rises, reduced business rates relief). Those hoping for government support were disappointed by the Spring Statement, which ignored calls to phase in NIC changes over two years, though crucially, no further new taxes were announced.

Occupier distress was minimal, limited mainly to 'repeat offenders' and online pureplayers (Select, Quiz, In The Style). Trading results were strong for many (Pandora, Dunelm, DFS, Footasylum, Next), while others underwhelmed (H&M, B&M, Pets at Home). Meanwhile, Mango, Abercrombie & Fitch, Superdrug, and Vagabond all announced expansion plans, feeding into improving vacancy rates (down 10bps to 15.1%). Rental growth also strengthened, growing above +1% for five consecutive months, led by retail warehousing and shopping centres.

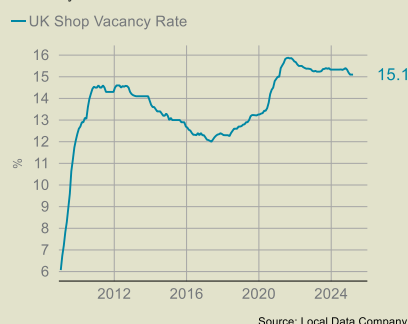
INVESTMENT MARKETS

Retail investment volumes totalled £1.3bn in Q1, below the five-quarter average (£1.8bn) but negatively skewed by Q4's exceptional £3.0bn. Retail Warehousing dominated (68%), with Foodstores (19%) and High Streets (11%) also active. Shopping centre investment was muted, contributing just 2% of total volumes.

The Bank of England's 25bps rate cut to 4.5% in February gave a modest lift to sentiment, but investors remained focused on retail's income resilience rather than chasing rate-driven gains. A strengthening occupier landscape is underpinning confidence, and after two years of decline, capital values turned a corner, with March alone recording +3.6% growth. Selective 25bps yield compression in Prime High Streets (6.50%) and Foodstores (4.75%) highlights a clear re-pricing and upward correction of values, as the sector is increasingly reassessed on the strength of its cashflows.

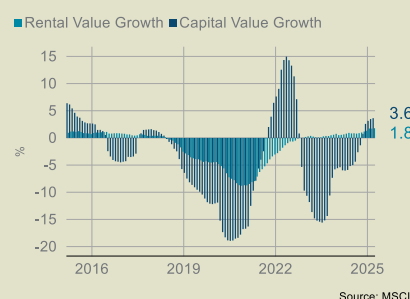
Retail Vacancy Rate

Last 12 years, %



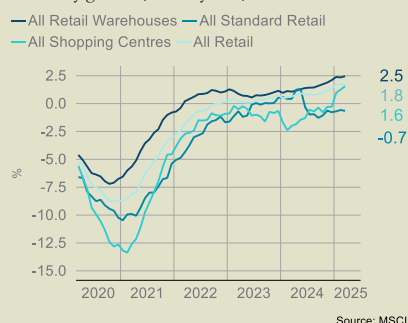
All Retail - Rental / Capital Value Growth

Rolling 12 month growth, last 10 years, %



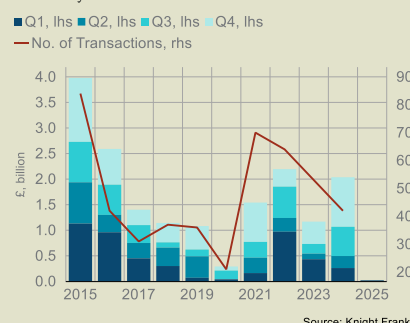
Retail Rental Growth by sector

Monthly growth, last 5 years, %



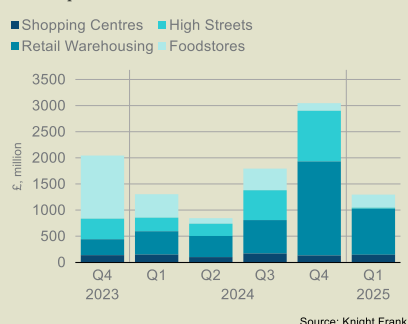
Shopping Centre Transactions

Last 10 years



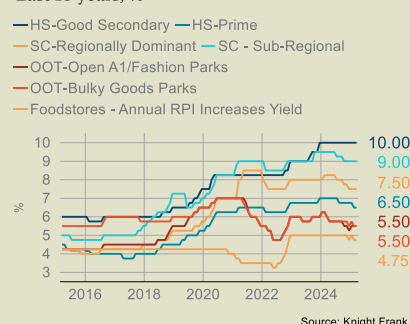
Investment Volumes by sub-sector

Last 6 quarters, £ billions



Yields

Last 10 years, %



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