

# UK Retail Monitor

Q3 2024

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

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“All ticking along nicely and investor sentiment justifiably improving in tandem. And then retail is dealt a triple whammy of blows in the Autumn Budget (employer NI, minimum wage, business rates). This will not destabilise the progress being made, but is deeply unhelpful nonetheless.”

Stephen Springham, Head of Retail Research

## KEY HEADLINES

Retail property markets are showing plenty of promise, with occupational health at its best in years and rental growth projected across the board for 2024 — a significant comeback for shopping centres in particular, seeing positive growth for the first time since 2017. Stronger occupier dynamics are also drawing increased investor interest, with investment volumes ticking up over the previous quarter. Disappointingly, consumer spending was largely propped up by retailer discounts, though hopefully a short-lived trend, as spending power improves further in Q4.

## CONSUMER MARKETS

Inflation pressures receded and spending power grew, but consumers appeared to still be in a fragile state. Confidence in personal finances dipped back to negative territory (-3pts Sep) amid concerns over Labour's October Budget. Shoppers were effectively coaxed into spending with discounts and offers, as retailers sought to shift unsold seasonal stock.

On the surface, retail sales looked strong (values +2.8%) after a weak Q2 (+0.1%). Sales volumes (+2.6%) returned to positive territory for the first time since 2022, indicating consumers were both buying and spending more. But deflation emerged across many categories in August, with volumes outpacing values, as retailers sacrificed gross margin to sell product.

Deflation was mainly concentrated in out-of-town categories (Electricals, implied inflation -16.2%), while shopping centre and high street stalwarts Clothing (+1.2%) and Cosmetics (+1.8%) experiencing healthy inflation and sales growth.

### Consumer Confidence

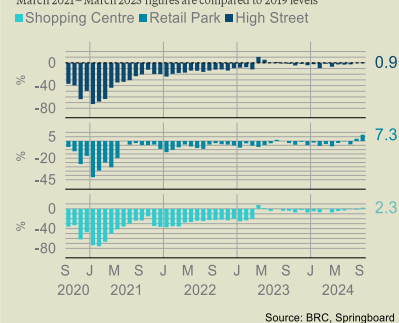
Confidence over the next 12 months



### Retail Footfall

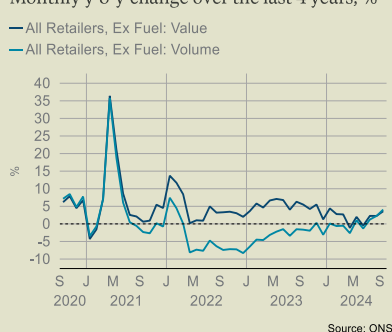
Monthly y-o-y change over the last 4 years, %

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



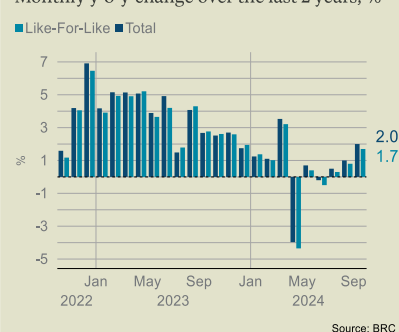
### ONS Retail Sales

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



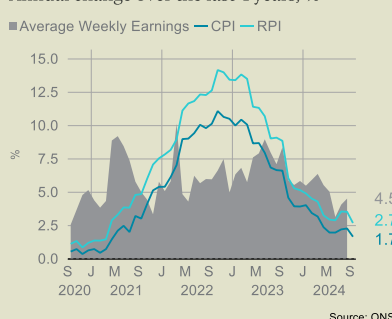
### BRC Retail Sales

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



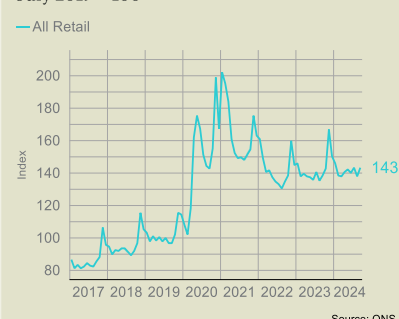
### Average Weekly Earnings

Annual change over the last 4 years, %



### Online Retail Sales Index

July 2019 = 100



## OCCUPIER MARKETS

Occupationally, retail is in one of the strongest positions it has been for some time. With only a few high-profile failures (Carpetright, Ted Baker), the market is now set to record its fourth-lowest year of occupier distress on record. Some 760 stores have been affected YTD, well below the 2,462 annual average (2019 – 2023). Vacancy rates have remained steady over the past 14 months, with store closures vs. openings nearly balanced for a third consecutive year (net closures H1 2024 -2,284 vs. 2020: -6,001).

Retailers put on a display of quiet optimism, underscoring their loyalty to physical store formats. M&S reaffirming its commitment to the high street, announcing new stores in Bristol & Bath. Sossander, the online pureplayer, opened its first physical stores in Marlow & Chelmsford. And Mountain Warehouse revealed plans to expand by 50 sites. Retail rents are now forecast to grow +1.3% overall in 2024 after years of rebasing, with sub-sector expectations universally positive (RWH: +1.9%, High St +1.6%, SC +1.2%).

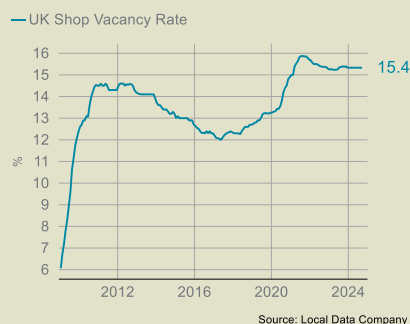
## INVESTMENT MARKETS

Deal volumes totalled £1.6bn across Q3 – the strongest quarter of 2024 so far. All sub-sectors saw an uptick, with Shopping Centres leading the way, making up 36% of deal volumes. Retail Warehousing (32%) and Foodstores (26%) made up the remainder. Just 6% of retail deals happened on the High Street. Investor sentiment continues to warm toward retail, with annual total returns (8.2%) now forecast to register stronger than Industrial (7.4%) and All Property (5.1%).

Performance is undoubtedly being driven by Retail Warehousing – where annual total returns are forecast at an impressive 12.4% (up significantly from 2.1% in 2023), outperforming even Industrial (7.4%). As more stock has come to market and competition for assets remains intense, yields compressed by a further -25bps to 5.50%.

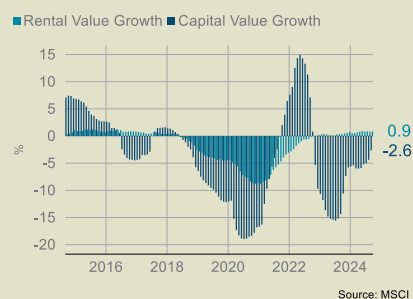
### Retail Vacancy Rate

Last 12 years, %



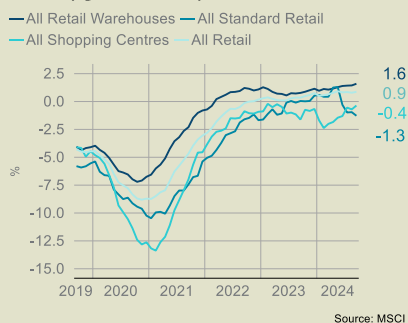
### All Retail - Rental / Capital Value Growth

Rolling 12 month growth, last 10 years, %



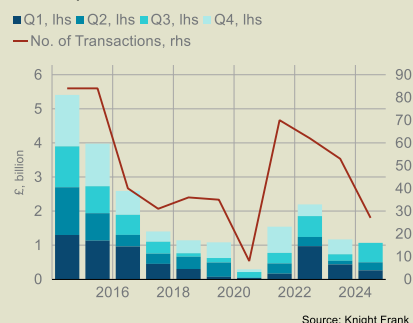
### Retail Rental Growth by sector

Monthly growth, last 5 years, %



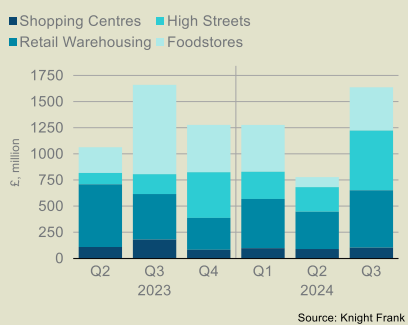
### Shopping Centre Transactions

Last 10 years



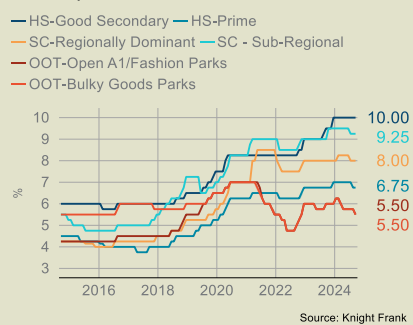
### Investment Volumes by sub-sector

Last 6 quarters, £ billions



### Yields

Last 10 years, %



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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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