UK Retail Monitor

Q4 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

> "All-pervading in the retail narrative, the repercussions of the Autumn Budget do not herald a retail apocalypse. On the contrary, most of the key metrics are trending as we would hope. The risk is that the narrative noise becomes so deafening that we get pushed into / talk ourselves into a situation we neither need nor should be in."

Stephen Springham, Head of Retail Research

KEY HEADLINES

A mixed quarter, with some signs of weakness (soft consumer sentiment, volatile retail sales and the prospect of rising operational costs) but plenty of resilience too (rising disposable income, strong Christmas trading, improving vacancy rates, rental growth and increased investment activity). The optimism that kicked off 2025 has faded somewhat, leaving a retail market seemingly full of contradictions. The next 12 months will bring challenges—but retail has weathered storms before, and it will endure.

CONSUMER MARKETS

Consumers had more to spend in Q4, but retail sales were erratic. Confidence in personal finances improved across the quarter (Oct -2pts, Nov -1pts, Dec +1pts), returning to positive territory but lagging behind summer highs (Aug 24: +6pts). Wage growth (+5.6%) comfortably outpaced inflation (CPI 2.5%), driving household disposable income up for a sixth consecutive quarter, according to Asda's Income Tracker.

Retail sales fluctuated, rising +1.0% in October, dipping -0.5% in November, and rebounding +3.5% in December. Non-Food sales values grew +3.5%, but with deflation at play, volume growth outpaced at +4.3%, indicating retailers relied on discounts to stimulate weak demand. Though some categories—Books, Watches & Jewellery and Cosmetics—held firm without discounting activity.

Christmas itself was strong. Shoppers spent +3.5% more in December year-on-year, with +2.9% more items purchased. Non-Food sales surged +6.8%, with double-digit growth (and healthy inflation) in categories like Cosmetics, Music & DVDs, and Books.

Consumer Confidence

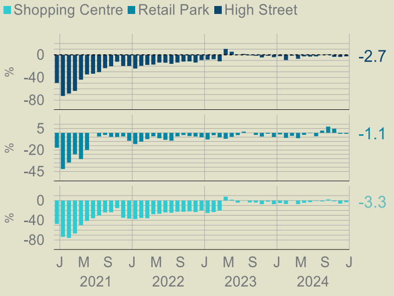
Confidence over the next 12 months

Source: GFK

Retail Footfall

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

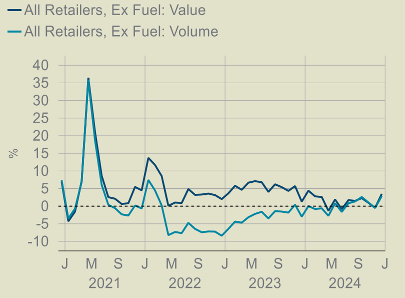
*March 2021 – March 2023 figures are compared to 2019 levels



Source: BRC, Springboard

ONS Retail Sales

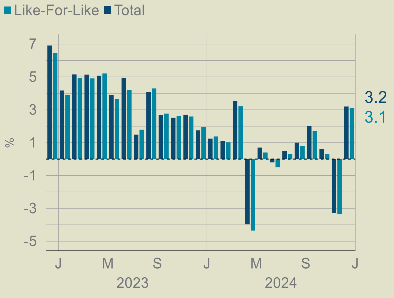
Monthly y-o-y change over the last 4 years, %



Source: ONS

BRC Retail Sales

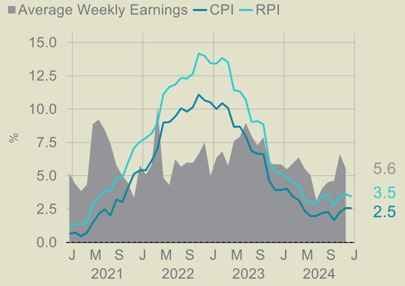
Monthly y-o-y change over the last 2 years, %



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

Retailers absorbed news of fresh cost pressures from the Labour government's first budget. While some were anticipated (retailers have adapted to rising minimum wages over the years) others, such as the lowered NI threshold, were unexpected. New (and unhelpful) challenges, though not wholly destabilising. Operators are arguably in a stronger position post-pandemic, having shed the weakest elements of their business.

Budget concerns were temporarily set aside in favour of maximising the festive trading period. Major anchors reported solid Christmas sales e.g. Next sales of +6.0%, exceeding expectations (+3.5%). A sustained period of occupational stability also translated into improved real estate performance. Vacancy rates improved to 13.8%, breaking five quarters of stagnation at 14.0%. Meanwhile, rental values saw year-on-year growth above +1% for the first time since 2016, marking a key milestone in recovery post rebasing.

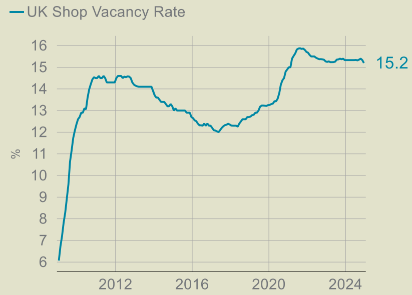
INVESTMENT MARKETS

Investment volumes surged to £2.9bn, marking the strongest quarter of 2024 and the highest in several years. Retail Warehousing led the charge, accounting for 58% of total deal volume, while Shopping Centres contributed 33%. Yield compression is now firmly underway across both sub-sectors. Shopping Centres saw major prime deals, lifting the average lot size to £74m (vs. £38m in Q2). Landsec's £490m acquisition of a 92% stake in Liverpool ONE set a new benchmark, driving -25bps of compression on prime yields for Regionally Dominant schemes (7.50%).

Retail Warehousing followed suit, with prime yields compressing by -25bps and -50bps across Open A1 (5.25%) and Bulky Goods Parks (5.50%) respectively, thanks to a flurry of portfolio deals. RWH's Q4 total of £1.7bn marked its strongest quarterly performance in recent years.

Retail Vacancy Rate

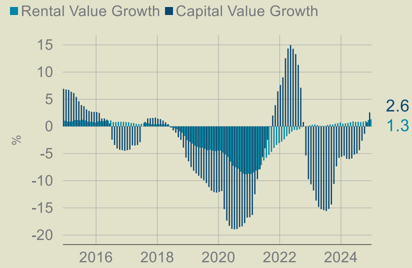
Last 12 years, %



Source: Local Data Company

All Retail - Rental / Capital Value Growth

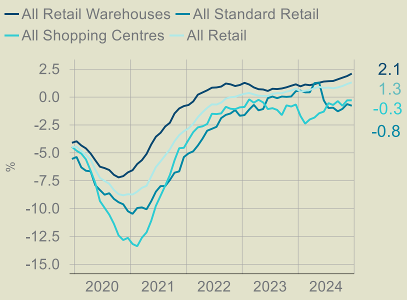
Rolling 12 month growth, last 10 years, %



Source: MSCI

Retail Rental Growth by sector

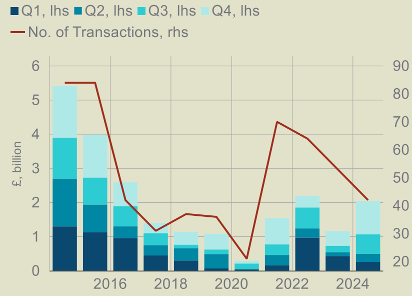
Monthly growth, last 5 years, %



Source: MSCI

Shopping Centre Transactions

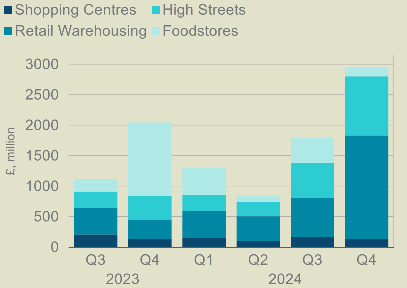
Last 10 years



Source: Knight Frank

Investment Volumes by sub-sector

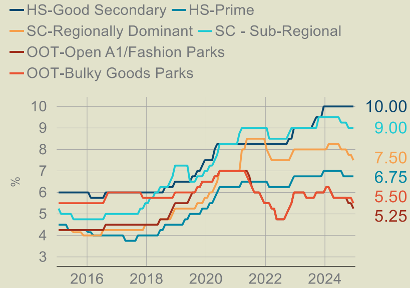
Last 6 quarters, £ billions



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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