

HIGH STREET & OUT OF TOWN RETAIL FOCUS Q1 2024



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In 2023 we welcomed on board Ashwell Rogers to the SHW family to provide our new arm dealing predominantly with national out-of-town retail, adding to our retail advisory offer.

Despite the ongoing challenges of the High Street, there has been a positive outlook for out-of-town retail, with record rents being set within the drive thru/to markets.

Our current instructions stretch from Newcastle to Weymouth covering a mix of retail parks, restaurants and food retail units.

On the High Street, improving rents continues to be a struggle, but demand within the South East remains good, with many retailers/operators are using current market conditions to their advantage. As a result, prime and secondary rents have remained broadly static and we expect this to continue in 2024.

Retailers continue to evolve their businesses and some investors are beginning to come back in to the town-centre retail fold. The out-of-own retail investment market remains popular, albeit with little stock available. Local councils need to continue working with retailers to ensure the High Street remains viable and vibrant, together with diversification and intensification to ensure footfall remains and increases.



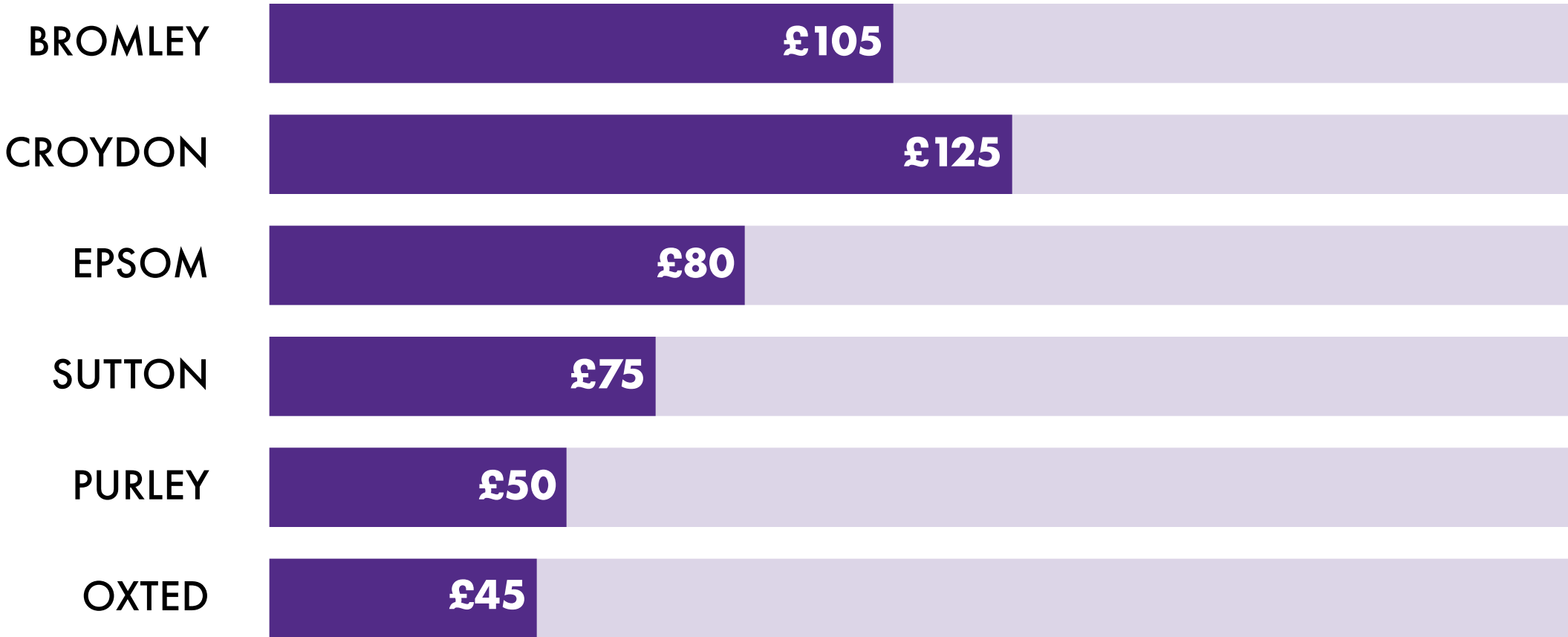
RICHARD PYNE
Partner



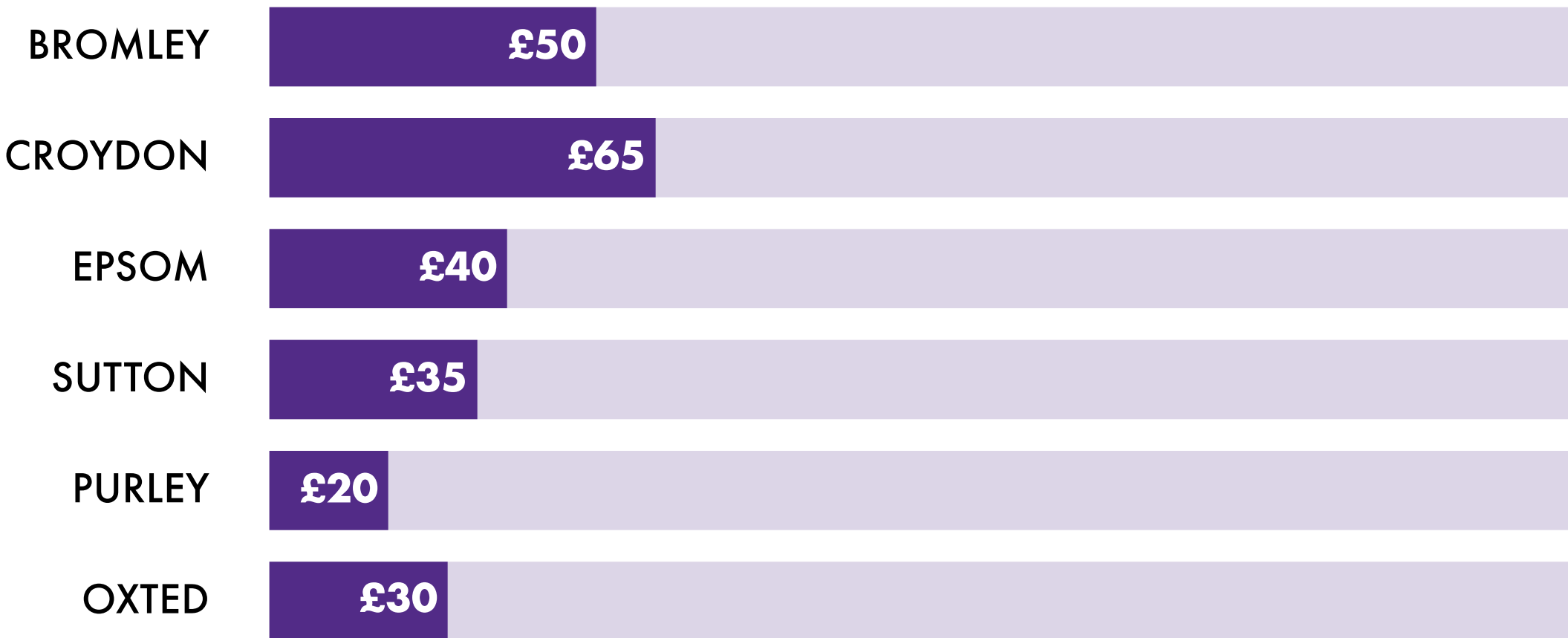
JEREMY GOOD
Director



PRIME RENTS (ITZA)



SECONDARY RENTS (ITZA)



DEALS DONE



58 George Street
Croydon
Let to multiple restaurant occupier on behalf of private client.



78 Church Road
Barnes
Portfolio managed by SHW, with transaction in hand, on behalf of private client.



58 Battersea Bridge Road
Greater London
Let to independent occupier, on behalf of private client.



1 Shorts Gardens
Central London
Let to independent occupier on behalf of private client.

MEET THE TEAM



Richard Pyne
Partner
07901 821843
rpyne@shw.co.uk



Ian Campbell
Associate
07964 485812
icampbell@shw.co.uk



Luke Longley
Associate
07947 373494
llongley@shw.co.uk



Matt Morris
Surveyor
07894 692426
mmorris@shw.co.uk



James Griffiths
Graduate Surveyor
07867 232653
jgriffiths@shw.co.uk

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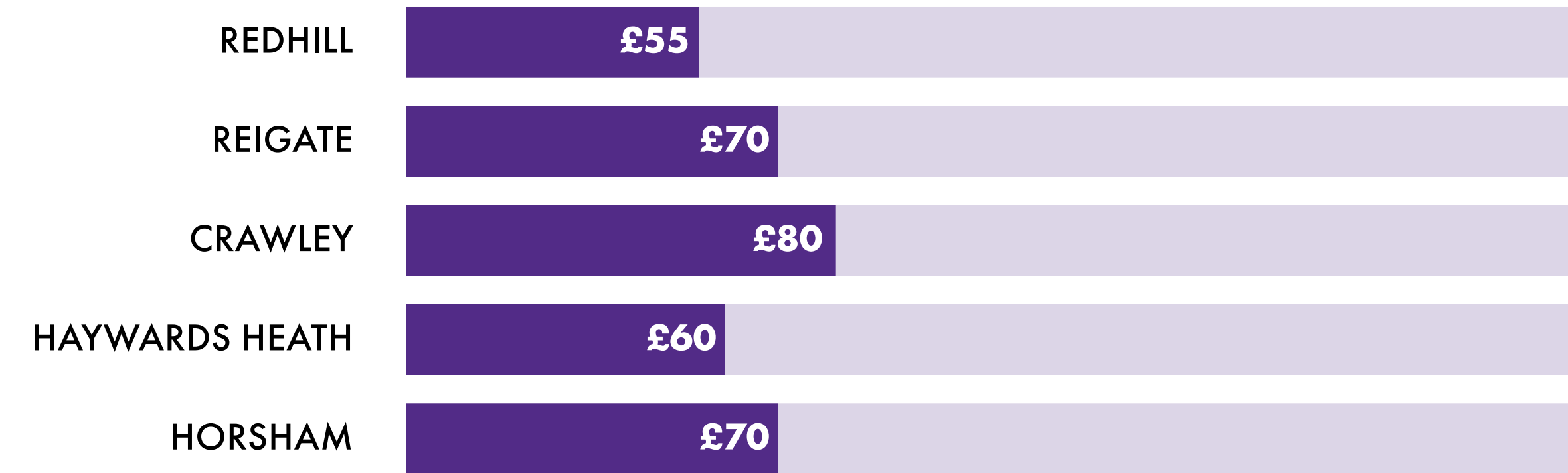
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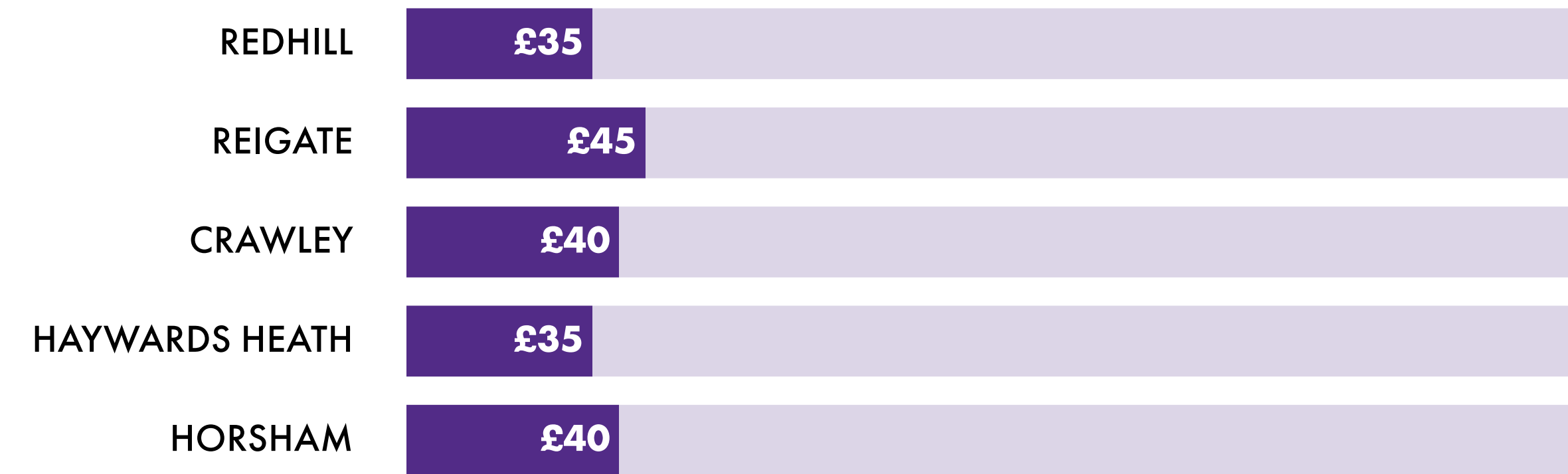
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PRIME RENTS (ITZA)



SECONDARY RENTS (ITZA)



DEALS DONE



21-23 High Street | Reigate
Former NatWest let to national occupier on behalf of private client.



130 High Street | Uckfield
Former Costa let to multiple occupier on behalf of private client.



14 The Martletts | Crawley
Portfolio managed by SHW, with transaction in hand to national franchisee.

MEET THE TEAM



Richard Pyne
Partner
07901 821843
rpyne@shw.co.uk



Alex Denning
Graduate Surveyor
07943 524921
adenning@shw.co.uk



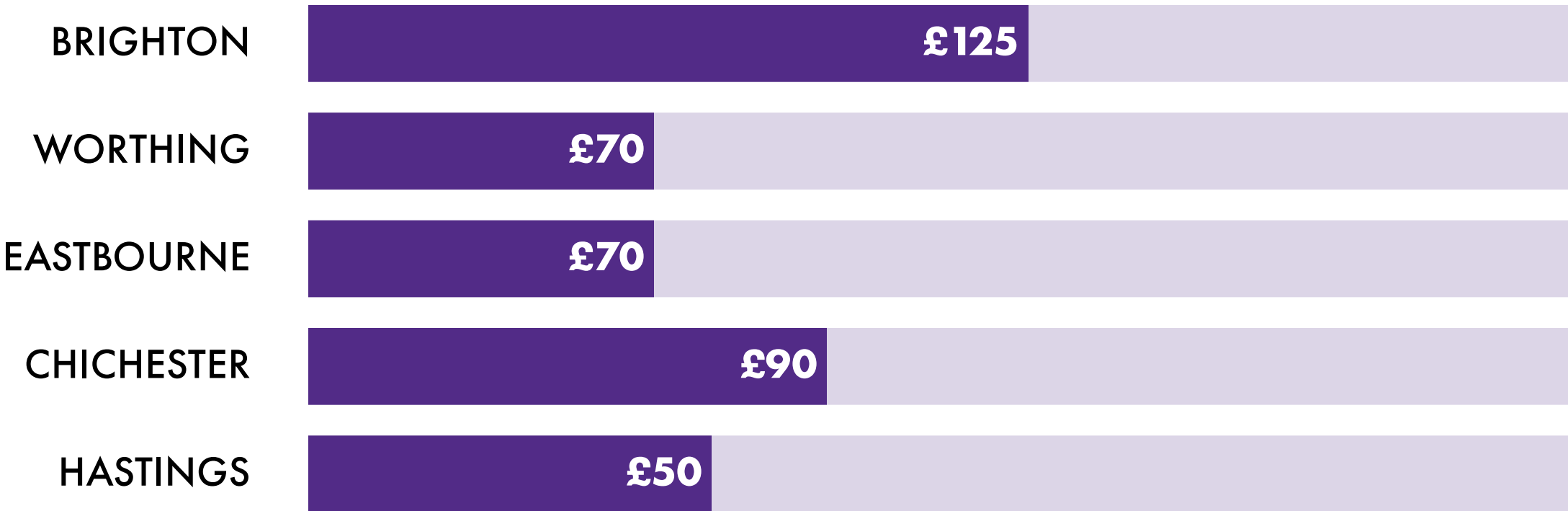
Rachel Finn
Director
07740 631560
rfinn@shw.co.uk

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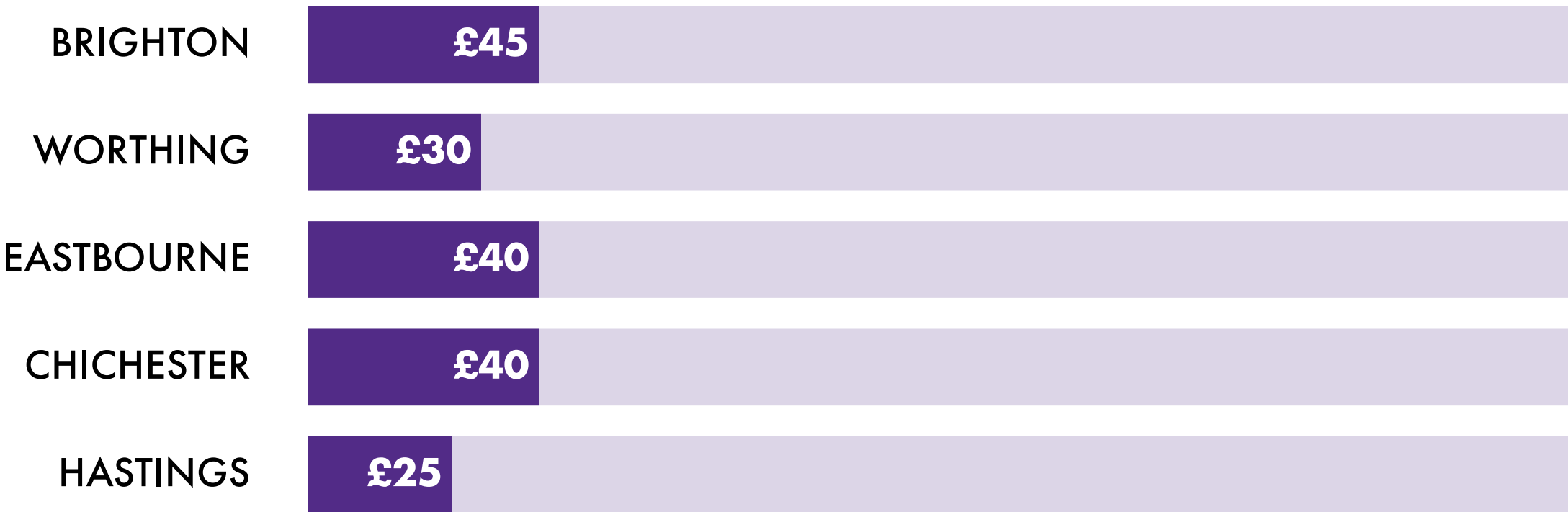
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PRIME RENTS (ITZA)



SECONDARY RENTS (ITZA)



DEALS DONE



38 West Street
Brighton
Former VANS let to national occupier Island Poke on behalf of private client.



149 North Street
Brighton
Let to multiple occupier on behalf of multi-national real estate company.



117 Montague Street
Worthing
Let to an independent occupier on behalf of a private client.



142-144 terminus Road
Eastbourne
Let to national occupier and investment sold on behalf of a family trust.

MEET THE TEAM



Richard Pyne
Partner
07901 821843
rpyne@shw.co.uk



Duncan Marsh
Partner
07970 524840
dmarsh@shw.co.uk



Max Perkins
07947 373545
mperkins@shw.co.uk



Alex Denning
Graduate Surveyor
07943 524921
adenning@shw.co.uk

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EXECUTIVE SUMMARY

The early feedback on retail trade over Christmas 2023 is mixed. There have been some positive reports from the food retailers and variety retailers, such as Next, and the data from the banking sector suggests an increased volume of transactions, although the spend per transaction was lower due to early discounting.

The last 12 months have seen challenges for the sector. At the end of the year there were signs of an easing of the economic pressures, although the emerging crisis in the Red Sea may impact retailers supply chains in 2024.

Against this backdrop, the Out-of-Town Retail and Leisure market maintained its position as the most buoyant retail sector. Vacancy rates continued to fall, leaving few opportunities for acquisitive retailers. The failure of Wilko released some units, but many were acquired from the administrator limiting landlords opportunities to prove market rents by re-letting. This dearth of transactions is beginning to have an impact on asset performance as it is increasingly difficult to prove a retail park’s true value. We have seen a few situations where retailers have chosen not to renew but the trend has been for most to protect their existing retail park portfolios at renewal.

The drive-thru and coffee shop operators remain very active, with competition continuing to push rents upwards on acquisitions. Construction costs for new units have increased significantly, but the demand is leading to increased rents, with a number of deals being agreed at over £80 psf in location across the country.

The investment sector continues to consider retail parks as the most attractive retail asset class. Although yields softened in 2023 and little stock has come to the market, this shortage of stock, coupled with unsatisfied demand for the sector, will lead to a reassessment of values and new opportunities coming to the market in 2024.

PRIME NON-FOOD RETAIL RENTS *



PRIME NON-FOOD RETAIL RENTS:



Next – The Peel Centre | Gloucester
SHW advise the property company landlord, on the retail park.



Costa – Deva Retail Park | Chester
SHW are advising the instructional investor landlord on the rent review.



Pets at Home – Jubilee Retail Park | Weymouth
SHW advise the investor landlord, on rent review and lease renewal strategy.

MEET THE TEAM



Jeremy Good
Director
07867 606061
jgood@shw.co.uk



Ian Campbell
Director
07964 485812
icampbell@shw.co.uk

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* Assumes 10,000 sq ft, open non-food retail planning within these conurbations, excluding fashion parks.

UK ECONOMY AND THE INVESTMENT MARKET

- GDP in the UK economy has steadily and resiliently grown since the covid volatility of 2020/2021, despite covid / Brexit / inflation and higher interest rates
- UK domestic interest rates increased as BoE seeks to combat inflation
- Higher cost of money reduces the margin between the amount of interest that borrowers must pay for debt and the rent that they hope to collect
- Consequently, buyers have been seeking higher yields to maintain margins – this reduces sale prices, this is now somewhat ameliorated by expectations of inflation and the interest rates steadying
- Despite this, many buyers and sellers seeking to trade for their own reasons often driven by, for example, generational change / I H T, project completion, fund life ending, redemptions, lender pressures or crystallising profit

RETAIL INVESTMENT YIELDS

Prime High street - **6 - 9%**
Shopping Centres - **8 - 11%**
Retail warehouse – **5 - 11%**

Depending on:

- Location
- Letting
- Covenant
- Rent – above or below current ERV?

FUTURE

- Footfall is improving
- Scope for leisure
- Innovative reuse of larger units
- Changes of use having positive impact
- Shopping centres changing quickly, eg NHS at Metrocentre and IKEA at Hammersmith and now potentially Brighton

BUYER TYPES

- HNW Individuals
- Family Property Companies
- Pension Funds
- Family Office/Trust
- Property Investment Companies
- SIPP and SSAS entities
- Property Developers

Resilience – Supermarkets and convenience stores, retail warehousing

Re-Pricing – High Street, restaurants, vacant units



Crawley High Street
Freehold, Prezzo Restaurant sold by SHW at 6.98%



Wallington, Woodcote Road
Tesco, Caffè Nero & Specsavers sold by SHW



Churchill Square Brighton
500,000 sq ft Shopping Centre purchased by IKEA

MEET THE TEAM



Martin Clark
Partner
07771 780708
mclark@shw.co.uk



Nick Bradbeer
07850 605770
nbradbeer@shw.co.uk



Jeremy Good
Director
07867 606061
jgood@shw.co.uk



Richard Pyne
Partner
07901 821843
rpyne@shw.co.uk

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SHW BRIGHTON

Brighton

Lees House, Brighton, East Sussex.
BN1 3FE

01273 876200 | brighton@shw.co.uk

SHW CRAWLEY/GATWICK

Crawley

Origin One, 108 High Street, Crawley,
West Sussex. RH10 1BD

01293 441300 | crawley@shw.co.uk

SHW SOUTH LONDON

Croydon

Corinthian House, 17 Lansdowne Road, Croydon.
CRO 2BX

020 8662 2700 | southlondon@shw.co.uk

SHW EAST SUSSEX

Eastbourne

Chantry House, 22 Upperton Road, Eastbourne,
East Sussex. BN21 1BF

01323 437900 | eastsussex@shw.co.uk

SHW HAMPSHIRE

Hampshire

Victoria House, 178-180 Fleet Road, Fleet,
Hampshire. GU51 4DA

01252 811011 | hampshire@shw.co.uk

SHW SW M25

Leatherhead

Wesley House, Bull Hill, Leatherhead, Surrey,
KT22 7AH

01372 818181 | swm25@shw.co.uk

SHW WEST SUSSEX COAST

Worthing

3 Liverpool Gardens, Worthing, West Sussex.
BN11 1TF

01903 229200 | westsussexcoast@shw.co.uk

SHW LONDON

London

14-15 Berners Street, London.
W1T 3LJ

020 7389 1500 | london@shw.co.uk

SHW SE M25

Bromley

Imperial House, 21-25 North Street, Bromley.
BR1 1SD

020 3763 7575 | sem25@shw.co.uk



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