UK Commercial – Q4 2024

SPOTLIGHT
Savills Research

Shopping Centre and High Street Spotlight

- Golden Quarter retail performance outlook is broadly positive for bellwether UK high street operators
- A positive year of investment trading ahead, with investors attracted by robust income return potential

UK retail consumer and occupational trends

Consumer confidence fluctuates as inflation climbs back above the Bank of England's target of 2%; however, further interest rate cuts are set to drive improvements in the economy.

Q4 2024 has been an eventful quarter in terms of the macroeconomic trends that impact consumer sentiment, spending patterns and, ultimately, retail operator performance. These trends will undoubtedly shape the outlook for the high street and shopping centre markets in the coming months, an outlook that remains broadly optimistic but does come with a pinch of caution.

In September last year, optimism was growing in the financial markets. The Consumer Price Index (CPI) dropped sharply to 1.7%, down from 2.3% in August – a larger fall than anticipated, and the first time headline inflation had dropped below the Bank of England's (BoE) 2% target since April 2021.

However, since our last iteration of this Spotlight at the end of Q3 last year, we have seen a reversion in this trend. In October, the headline rate of UK inflation came in higher than expected at 2.3%, according to figures released by the Office for National Statistics (ONS). This was above the 2.2% rate consensus forecast and took CPI back above the official BoE target. This reading indicates a significant increase, with higher gas and electricity prices seen as the main contributor by the ONS, coming after Ofgem lifted its energy price cap on 1 October by c.10% for the majority of UK households.

Although October saw a higher-than-anticipated increase, it is fair to say an increase was always expected as the UK approached the winter months. Nevertheless, longer-term disinflationary trends do remain intact when you consider that, at its peak, CPI reached 11.1% back in October 2022. It is this downward trajectory that encouraged the BoE to further cut interest rates to 4.75% from 5% in November, and why such a move had been widely expected amongst economists.

However, at the point of this reduction, the BoE warned any further interest rate cuts were likely to be gradual. Chancellor Rachel Reeves' October budget set out measures to increase government borrowing, raise the national living wage as well as elevate employer National Insurance contributions – a move that could trigger further inflation fluctuations, depending on how much of these costs are passed on to the consumer.

Indeed, in its December meeting, the BoE voted against a further interest rate reduction, choosing to hold at 4.75% in light of the fact the economy had performed worse than expected, with no growth at all between October and December. The UK grew strongly in the first half of 2024 when the economy was rebounding from the brief recession at the end of 2023. GDP increased by 0.7% between January and March, and 0.5% between April and June. However, growth has slowed since then, with zero growth for the whole of H2 2024.

This lack of growth, however, did provoke a further interest rate reduction in early February this year, with the BoE dropping the base rate by 25 bps to 4.5% – the third time the base rate has been cut since its peak in August 2024. The decision was supported by seven out of nine of the Monetary Policy Committee (MPC) members, with the other two advocating for a larger cut. The decision comes as prospects for economic growth have weakened, with some MPC members worrying that a higher policy rate would be overly restrictive. As a result, banks are likely to lower their fixed mortgage rates accordingly, with cheaper mortgages having the potential to boost housing market activity and consumer spending. With an uncertain global economy, the future path of interest rates in the near term is unclear, although Oxford Economics predicts three further cuts to the base rate in 2025.

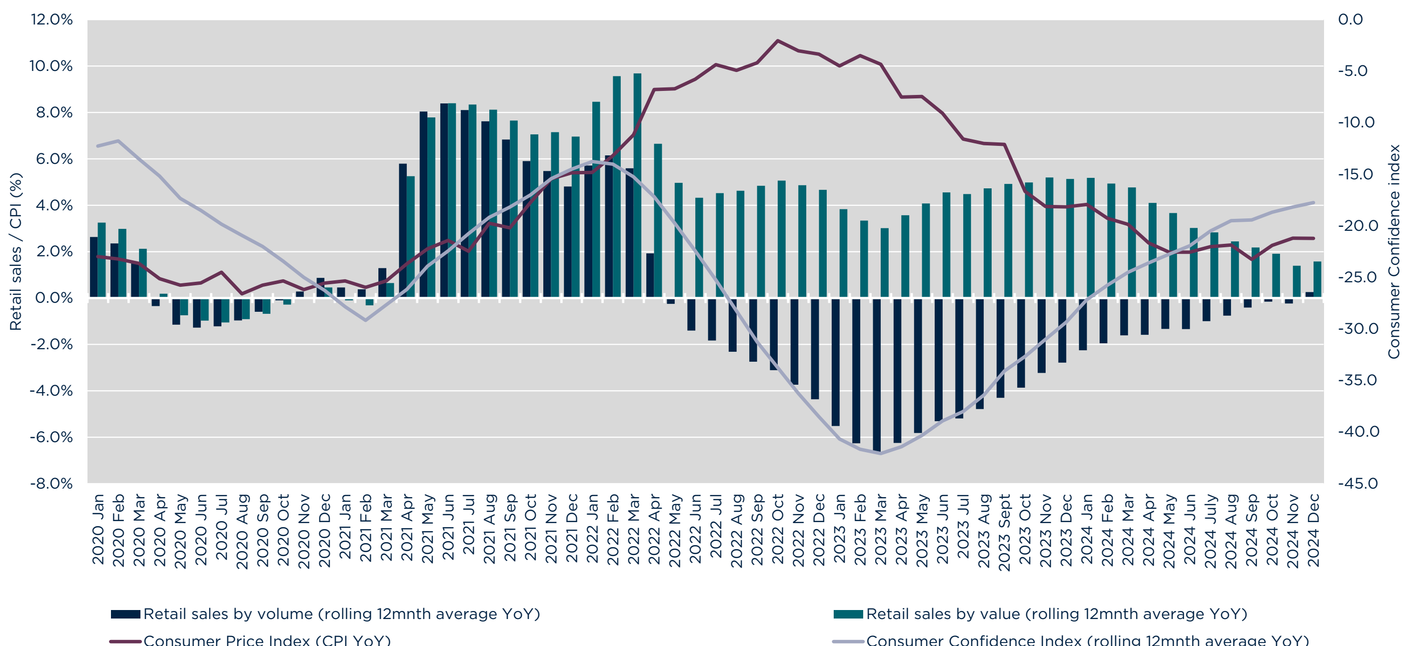
The latest cut will, of course, do no harm to the chance of continued improvements in inflation. Core inflation was 3.2% in December, down from 3.5% in the year to November. This measure is often considered a better indication of longer-term trends as it doesn't include food or energy prices, which tend to be very volatile.

Furthermore, CPI was 2.5% in the year to December 2024, down from 2.6% in the 12 months to November. This marked the first fall in the inflation rate for three months, which, although only a minor improvement, does suggest a stabilisation in price pressures at this point, making the likelihood of another material jump in inflation much less likely.

However, an uncertain economy inevitably has its impact on consumer confidence, which remains inconsistent on a month-on-month basis. Apprehension surrounding the impact the new government's first Budget would have on consumer finances back in September last year seemed relatively short-lived, with the months following seeing improvements in consumer optimism. The GfK's overall consumer confidence index fell to -17.0 in December from -21.0 in October. However, the index has since worsened to -22.0 for January, highlighting the unstable nature of the UK consumers' attitude toward the current economy.

Perhaps most importantly, consumer perception of their own personal financial situation over the next 12 months remains in positive territory (+1.4) for January on a rolling 12-month basis, suggesting overall, the consumer is much more optimistic about their future finances than was the case this time last year when the index stood at -7.2.

Figure 1: Retail sales volume vs value



Source Savills Research, ONS, GfK

Mixed messages over Golden Quarter retail performance but outlook is broadly positive for bellwether UK high street operators

Total sales in discretionary spend categories increased by +7.7% in December, compared to a negative base last year, according to accountancy and business advisory firm BDO's High Street Sales Tracker.

Black Friday, Cyber Monday and Christmas Eve drove sales growth both online and in-store in December; however, like-for-like (l-f-l) sales figures for the final three months of 2024 – the critical 'Golden Quarter' – saw overall growth of just +2.0%, compared to a base of -1.6% in 2023. High street shops saw sales remaining flat over the same period at +0.1% compared to 2023's base of -0.2%.

Outside of the first and last weeks of December, which saw the major sales events, high street sales were subdued, with sales declining -3.91% compared to a weak base in 2023 of -3.61%. Bad weather and widespread flooding were thought to have driven consumers to shop online, where sales increased by +20.7%.

However, the success of retail sales performance over the Golden Quarter is arguably one of perception. Our view is that a small improvement in l-f-l sales is a positive 'glass half full' result for the high street when you consider the impact the recent Budgetary policy could have had on both consumer confidence and their propensity to spend.

In fact, December saw retail sales value (excluding fuel) increase by 3.5% on the same month the previous year, according to the ONS. Perhaps more significantly, volumes grew by 2.9%. This evidences how consumers are beginning to get greater value for their money, following a sustained period in which they were spending more but getting less. Figure 1 highlights how the disparity between retail sales volume and value has continued to contract on a rolling 12-month basis, with December marking the first month we have seen positive volume growth on average for the year since April 2022.

Trading updates published by major retailers also reflect a much brighter account of the festive sales period. Marks and Spencer (M&S) has documented strong growth over the Golden Quarter, with its multi-faceted offer acting as a bellwether for the UK high street. Total UK and ROI sales grew +5.9% YoY for the 13 weeks to 28 December. Despite covering a number of sectors, all categories performed well, with the most notable total sales growth seen in grocery (+8.7%), whilst Clothing, Home & Beauty saw more marginal increases (+1.0%) – however, revenue did increase 2.6% when excluding the discontinuation of its furniture category, with the brand still outpacing the overall market.

M&S has maintained its growth momentum and increasingly appeals to a broader demographic, a testament to its focus on style, quality and value. It did, however, report negative in-store sales at -1.5% in part due to poor weather over the festive period; however, this was counteracted with positive online sales growth. With many of its stores in line for refurbishment as part of its renewal and rotation plan, the outlook for in-store sales remains a positive one.

Next similarly reported impressive growth for the nine weeks to 28 December. Full price sales grew by +6.0% YoY (compared to the previous guidance of +3.5% for the period). This over-achievement led the retailer to raise the full-year guidance for group profit before tax by £5m to £1,010m (a 10% increase on the full year for 2023). Mirroring M&S, Next also reported an in-store sales decline of -2.1%, which will have been impacted by both poor weather and the outperformance of the retailer's branded offer, which is only available online. Continued investments in its store estate will also help create a more desirable in-store shopping experience and protect Next's store sales in the future.

Heightened demand for health & beauty gifts saw 36.9% of Christmas shoppers making a purchase in this category (up 1.1ppts on 2023), according to GlobalData's Christmas 2024 report. Superdrug

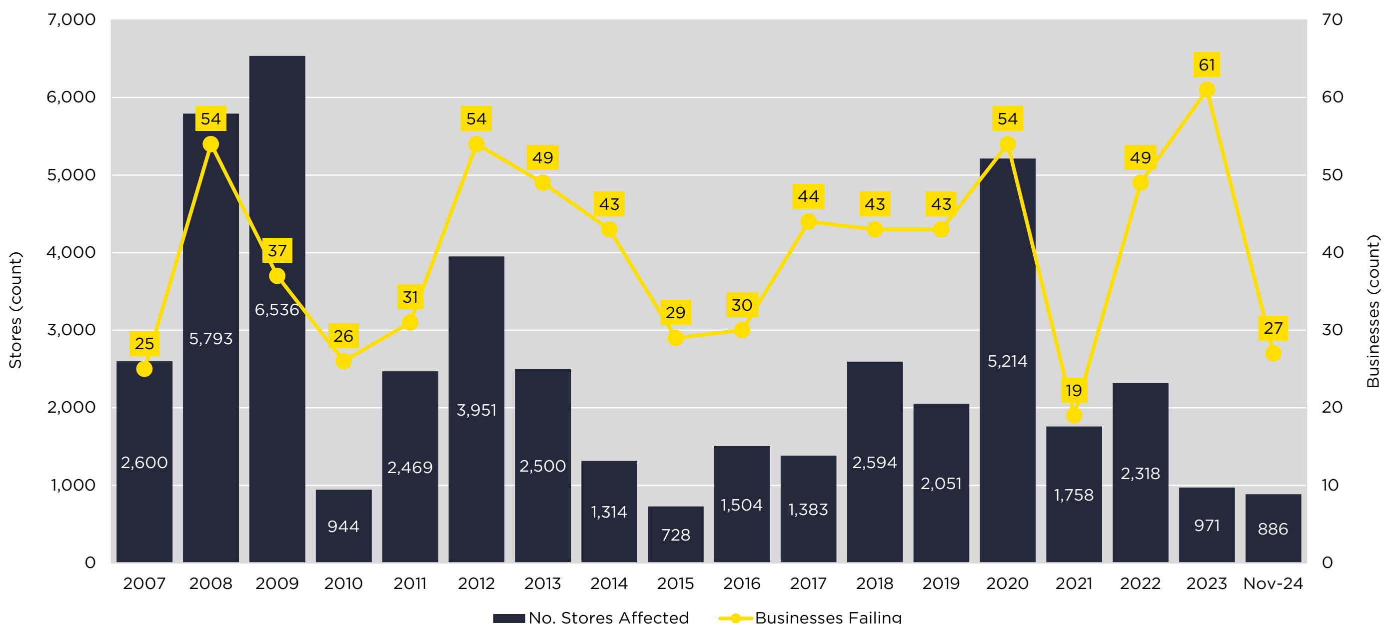
+7.7%
growth in total sales in discretionary spend categories in December 2024

+2.0%
like-for-like sales growth in 2024's 'Golden Quarter

+7.1%
total like-for-like sales growth in January 2025

Source BDO's High Street Sales Tracker

Figure 2: UK retail and leisure insolvency activity



Source Centre of Retail Research

once again saw its sales surge, maintaining its popularity among Christmas shoppers as sales rose 6.6% against strong comparative figures in the previous year (+9.2%). Indeed, l-f-l sales grew 5.1% on an already impressive 7.1% in the last year as Superdrug's reputation for value and range drove footfall.

Similarly, Boots reported a robust set of figures prior to the Christmas period for the quarter ending 30 November 2024. Its retail fascia has maintained momentum, up 8.1% on an impressive 9.8% growth in Q1 FY2023/24, benefiting from a strong 20% uplift in sales during Black Friday week.

The UK's major grocers have also all posted positive sales performance in their latest set of trading results, with Tesco highlighting 3.9% growth on a l-f-l basis, and M&S (8.7%), Sainsbury's (2.7%), Morrisons (3.8%), Aldi (3.4%) and Lidl (7.0%) each showing positive improvements on their total sales figures.

Primark saw less impressive results in the UK and Ireland, where revenue declined 4%, while l-f-l sales were down a stark 6.4% for the 16 weeks ending 4 January 2025. Where Primark once reaped the benefits of shoppers trading down amid inflationary challenges, many are now switching to retailers with better value-for-money perceptions, which, in itself, is arguably a sign of an improvement in consumers' economic outlook. That said, the retailer has continued to expand its click-and-collect service during the period, which is now available in 113 stores – a move set to boost online customer engagement, with the added advantage of creating additional in-store sales at the point of collection.

Momentum continues to build in January with positive retail sales performance despite retailer cost concerns following government policy

According to BDO's High Street Sales Tracker for January, 2025 has started well. Total l-f-l retail sales grew 7.1% from a negative base of -0.8% for January last year. Store sales were up also, with 3.2% growth from a negative base of -4.2% for the same month in 2024, while non-store sales grew by 15.5% from a positive base of 3.2% for the same month last year. Following December's uplifting result, January's positive growth is a welcome start to the new year, with retailers hoping this marks the start of a return to long-term growth, an optimism not unfounded considering the consumer confidence improvements we saw toward the end of Q4 2024.

The counterargument to a continued positive outlook for retail performance will, of course, be framed by government policy changes, set to apply from the beginning of the next financial year in April. These changes are undoubtedly going to significantly increase operators' occupational costs. Businesses in the retail, hospitality and leisure sectors will have their business rates relief cut to 40% in 2025/26 from the 75% relief they currently receive, essentially nearly doubling their costs in this regard. The proposed 1.2% increase in employers' National Insurance rates will similarly hamper profitability, especially when combined with the reduction in the threshold for contributions from £9,100 to £5,000.

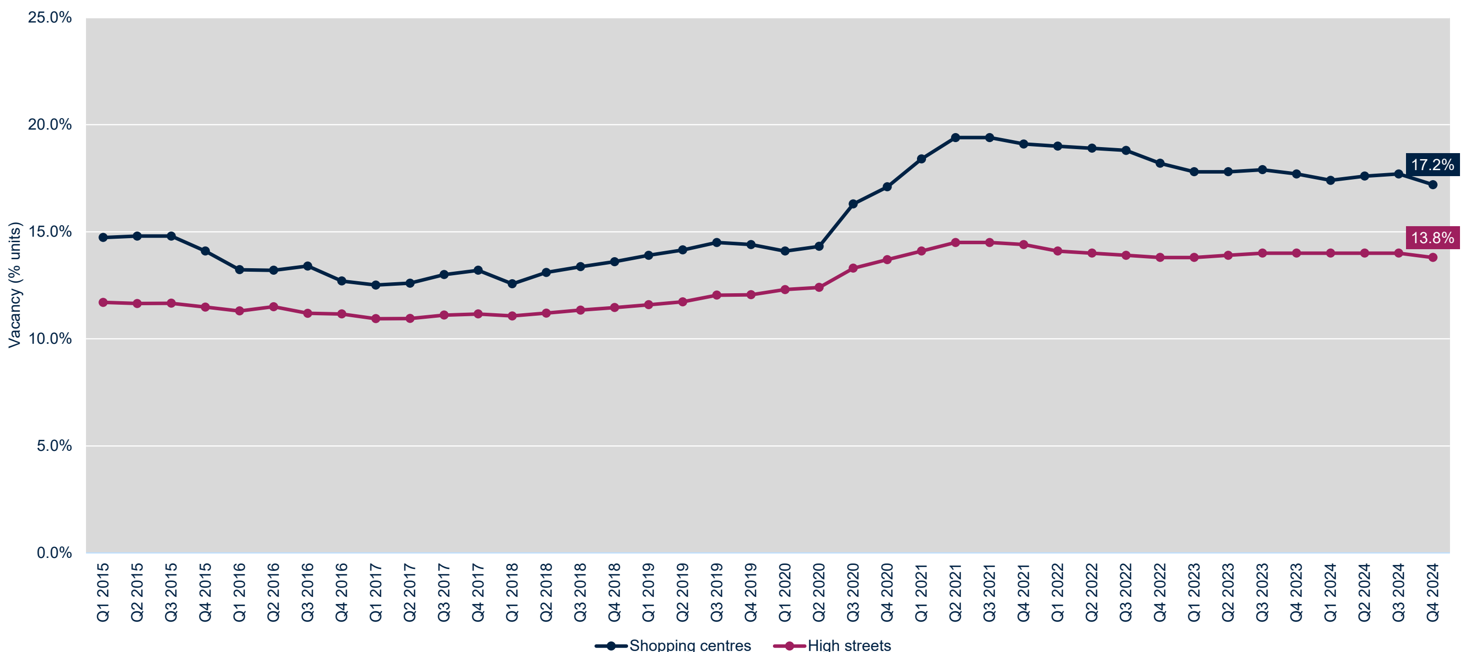
To add to this, from April 2025, the national living wage will increase by 6.7% to £12.21 per hour, whilst the national minimum wage for 18–20-year-olds will increase 16.3% to £10 per hour. In a sector reliant on staffing needs being largely serviced by a younger demographic, these increases will culminate in significant cost implications for operators, who will undoubtedly have to pass some of these costs on to their consumers, which could have the knock-on effect of damaging consumer confidence and reducing overall spending.

Next revealed in early January that it would raise prices by 1% on l-f-l goods to help offset £13m of its £67m additional wage costs. The high street giant also plans to make £23m in operational savings through efficiencies in warehouses, distribution networks and stores. Fashion retailer River Island is also understood to have drafted in consultants to make cost reduction and profit improvements ahead of the upcoming tax increases in April.

These are not the only operators looking to mitigate the increase in their costs. A survey by the British Retail Consortium (BRC) of CFOs at 52 leading retailers has recently revealed two-thirds of respondents say they will raise prices in response to the NI increases.

The fast fashion operator Quiz is an unwelcome reminder that for some operators, any further increase in costs and subsequent dent in their profit margins may result in drastic measures in order to survive. Quiz has around 60 outlets and employs roughly 1,500 people and is understood to be exploring both a pre-pack administration and a company voluntary arrangement (CVA) as a way to force through store closures and reduce costs. However, The Centre for Retail Research suggests only 886 stores were impacted by insolvency in 2024, suggesting the market has seen an improvement on the pace of operator distress versus that seen in 2023, significantly less than each of the previous five years (Figure 2) and below the long-term average of c.2,500 stores a year. This suggests that, at present, the market is merely experiencing its usual churn, characterised by the ebb and flow of the fortunes of different operators, rather than any significant activity related to widespread financial stress.

Figure 3: High street & shopping centre vacancy



Source Green Street

Vacancy continues its downward trajectory whilst footfall remains stable and shows further signs of promise

The fact that there has been no material difference in shopping centre (17.2%) and high street (13.8%) vacancy shows there are as many operators looking to take space as discard it. Vacancy across both asset classes actually fell in Q4 2024 by 0.5% and 0.2%, respectively (Figure 3). Although there is still some way to go before vacancy is at a level that breathes widespread investor confidence in the strength of the occupational market, the fact both it and consumer footfall remain stable, coupled with plenty of evidence of operators looking for new space, can be considered a positive result for the sector and is a clear indication of how durable it currently is as an asset class.

This positivity can also be said to be heading in the right direction. Footfall for Q4 2024 also saw no significant difference on last year's totals (a marginal 0.3% growth for high streets and an even more marginal 0.9% decline for shopping centres). These results may seem underwhelming; however, maintaining the status quo in light of yet another potential shock event by way of the Budget highlights the sector's increasing resilience. The footfall results for the quarter also belie some of the positivity that is building around why the sector has held its position and is likely to see further improvements in footfall going forward.

The simple fact is physical retail is proving resilient as more people are visiting retail destinations thanks to the increase in experiential shops and people returning to the office. According to the latest consumer pulse report by MRI Software and Retail Economics, 88% of the UK population visited a retail destination during October and November 2024. This has increased by 86.1% since May 2024.

The report also shows that 31% of office workers play a key role in high street retail, as visits peak during lunch hours, and 33% of workers choose to visit destinations after 5pm on weekdays. The under-35s are also increasingly drawn to experiential retail destinations that encapsulate dining and leisure options. In November, this demographic averaged 9.5 visits to physical retail destinations. This was double the visits of those over 55. MRI suggests the popularity of social commerce is influencing footfall into physical locations and opportunities for in-store experiences.

Rents saw growth in the first three quarters of 2024; however, this growth has paused as operators adjust to Budgetary cost increases

Rents fell on the deals done in Q4 2024, according to Savills in-house data – the first time we have seen a fall since Q2 2023 and the height of the cost of living crisis. Headline rents fell by 3.6%, with net effective rents falling by 3.8%. This is undoubtedly a response to the government's Budget announcement in October last year, with retailers taking a moment to understand the impact it is likely to have on their overall costs.

That said, the average headline and net effective rents outlined in Figure 4, still represent a 1.7% and 2.9% increase since the start of 2024, respectively. This suggests there is competitive tension in the market, and as vacancy continues to fall, operators looking to expand will need to continue to be competitive, particularly in well-occupied locations to which Savills book of new transactions is undoubtedly skewed toward. Our view is rental growth will return in 2025, albeit gradually, as operators in expansion mode get to grips with and learn how to offset their increasing costs, to reduce the squeeze on their profit margins.

Nevertheless, in reality, we could also see a further rental divergence between prime assets and weaker locations exposed to higher vacancy as operators continue to reposition their portfolios or look more strategically at growth opportunities. The polarisation that is evident in the investment market when it comes to pricing between prime assets and secondary locations is rooted in similar differences in occupational performance, particularly void rate and rental tone.

88%
of the UK population visited a retail destination during Oct - Nov 2024

33%
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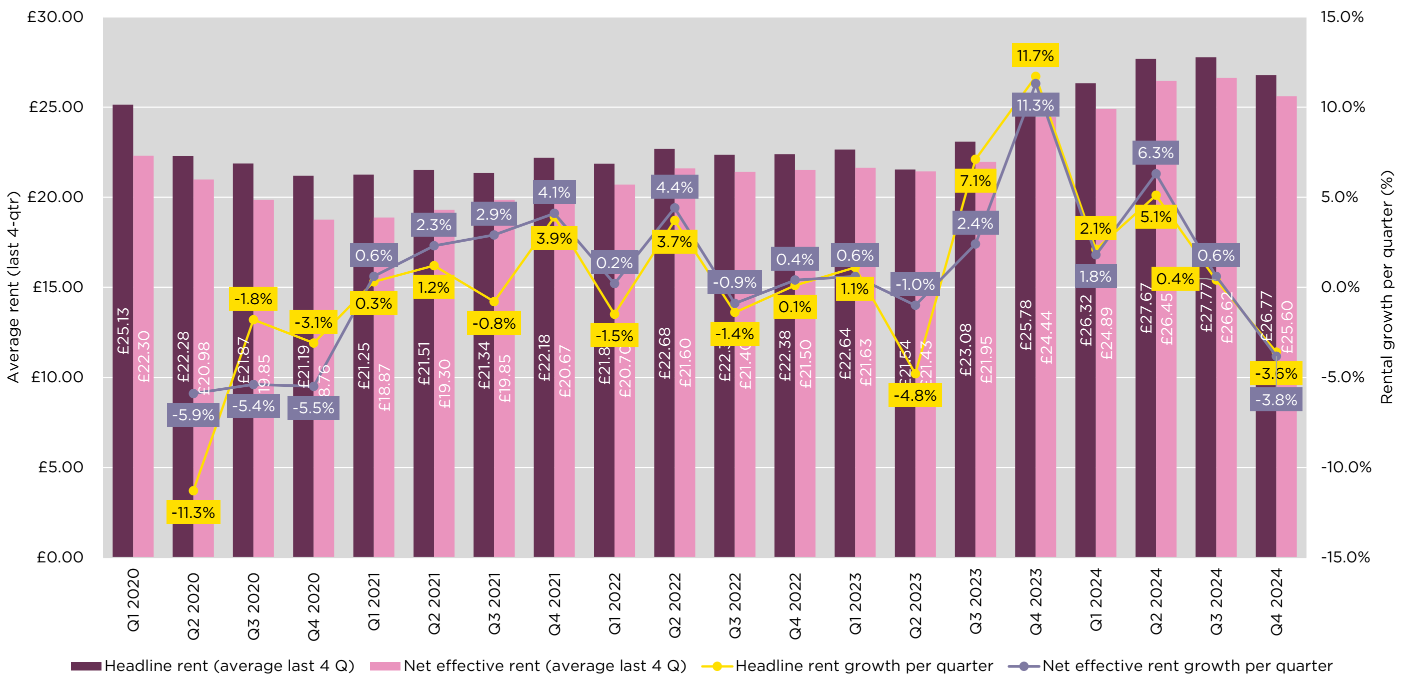
9.5
average visits to physical retail destinations by under-35s in November 2024

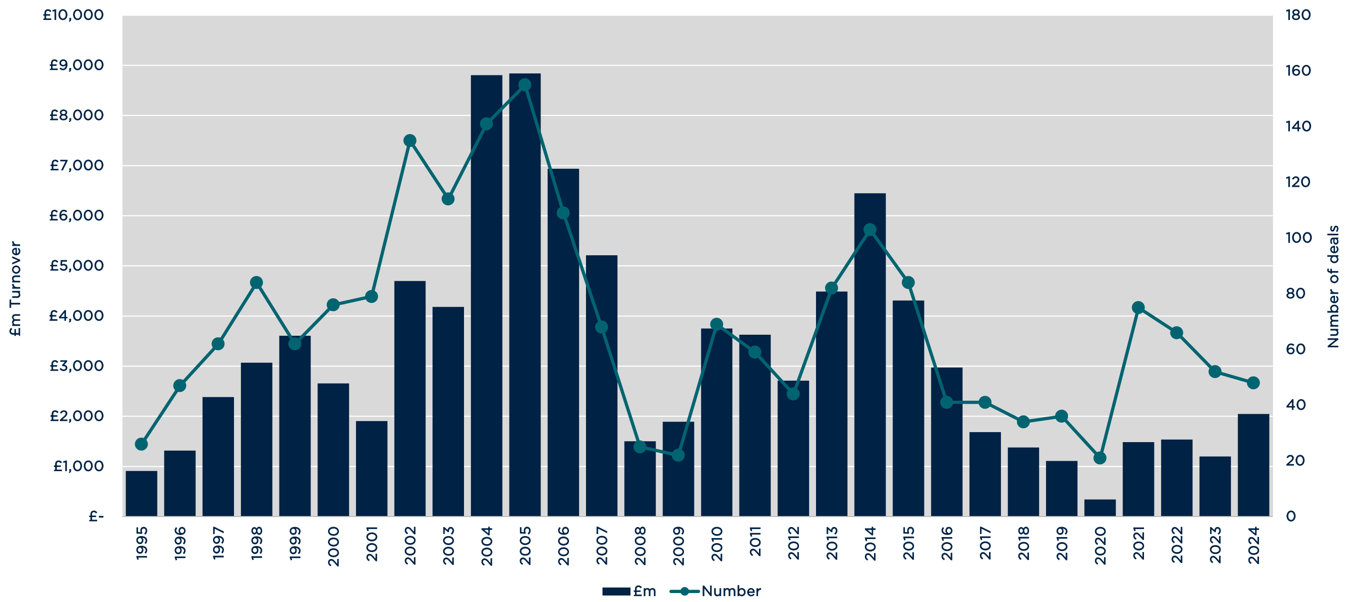
Source MRI Software and Retail Economics

Figure 4: Savills high street & shopping centre deals analysis



Source Savills Research

Figure 5: Shopping centre investment volumes full year 2024



Source Savills Research

UK retail investment market

A positive year of investment trading ahead, with investors attracted by robust income return potential, underpinned by an improving occupational market

Shopping centre investment

Shopping centre investment volumes reached £2.0bn in 2024, spread over 48 transactions. This remains well below the average annual capital value of £3.4bn and 71 deals seen over the last quarter of a century. However, in a sector that reached a peak of £8.9bn across 155 transactions back in 2005, this comparison is perhaps a little unfair.

Indeed, it masks the significant improvement the market has seen in the last 12 months. 2024 volumes are the highest they have reached since 2017, significantly above the average annual capital value of £1.3bn (47 deals) achieved over the last eight years.

Furthermore, 2024's transactions were also well in advance of the previous year, where volumes reached only £1.2bn by comparison, albeit spread over 52 deals, four more than in 2024, reflective of the larger lot sizes that were traded.

This positive performance has been replicated in yield adjustments. Despite rises in 20-year gilt costs, each of the shopping centre sub-sectors has witnessed a stabilisation in yields, with the exception of the very best schemes where we have seen improvements; Savills super prime equivalent yield, for example, has moved in by 50 bps from the start of 2024, currently sitting at 7.75%.

These are trends we expect to continue to see over the course of the next 12 months as the strong demand for shopping centre investment continues to grow, with prime and super prime yields expected to harden further as investors clamour for the best of the best, of which supply is limited..

This activity will, of course, be partially driven by improvements in liquidity in the debt market. The level of loan-to-value (LTV) offered by the banks has improved, whilst, at the same time, the cost of debt has reduced. The European real estate debt market has faced challenges in recent years due to reduced activity and reduced asset values as a result of higher interest rates. However, 2024 saw renewed bank activity, leading to a competitive debt market across all asset classes.

Currently, UK inflation sits at 2.5%, approaching the BoE 2.0% target, whilst interest rates were cut by a further 25 bps in February to 4.50%. Alternative sectors, particularly retail, are likely to benefit, as seen in recent shopping centre refinancings and restructurings. Lenders will likely prioritise existing operating performance, and those operators who have tailored business plans and asset management strategies will secure more favourable terms. In particular, prime shopping centres, and prime London retail are expected to attract strong interest.

EESG credentials will also become important this year when it comes to securing debt. Lenders are increasingly focused on ESG specifications during the debt-raising process, which results in longer closing times due to more extensive due diligence aimed at mitigating market risks.

What is clear, in 2024, larger transactions made a much bigger impact on market volumes than has been the case in recent years. Since 2019, there have only been 17 shopping centre transactions with a capital value exceeding £100m. Remarkably, in 2024 alone, seven transactions surpassed the £100m mark, totalling £1.5bn. This represents 41% of all transactions over £100m that have occurred since 2019.

Interestingly, of the seven 'three-figure-plus' deals, six were 'stake' sales, and this is a trend we expect to continue in 2025 as investors who already believe in these assets look to increase their exposure. In Bluewater, Kent, Landsec increased its ownership by another 17.5%, bringing its total ownership to 66.25%; Norges bought the other 50% in Meadowhall, Sheffield; M&G acquired the other 50% in The Mall, Cribbs Causeway, whilst Landsec recently acquired a 92% stake in Liverpool ONE from ADIA (69%) and Grosvenor (23%); Hammerson took the remaining 50% stake in Westquay, Southampton, whilst Royal London acquired an additional 50% stake in centre:mk in Milton Keynes.

This is unsurprising when you consider how long some of these landlords have owned shares in these assets and understand the positive trajectory they are on. However, it also marks a welcome return of a number of institutional buyers not seen for some time, whose strategy, in many cases, allows them to not only deploy more capital in the best assets in the sector, but also gain full (or majority) control and subsequently further asset-manage the space to improve income. In each of the examples, the sale has achieved a net initial yield of between 8.30% and 9.25%. Institutional purchasers made up 69% of transactions by value, totalling £1.4bn (up from only 17%, £203m the year before).

The scale of some of the assets coming to market this year is why Savills predict volumes to reach at least £2.5bn in 2025. However, despite the appetite for prime, the £100m+ deals are rare beasts – many investors would like to deploy capital in the top 30 UK shopping centres, but they are difficult to get hold of, with many owners choosing to hold. We, therefore, inevitably have a two-tier market, with the very best easily contested and seeing strong competition, versus the other end of the spectrum – the sub-£25m deals that form the bread and butter of the shopping centre investment market.

In this space, the market achieved a capital value of £321m, equating to 16% total sales volume; however, this represents 67% of the total number of transactions (32 of 48) and thus remains a key part of investment activity. Furthermore, the average capital value over the last eight years has been pretty consistent, averaging £322m, meaning this year was directly in line and giving the market some confidence this is likely to continue in 2025.

Indeed, there are plenty of institutional vendors in this space looking to sell assets despite the increased appetite from institutions at the contrasting end. AEW continued to lead in 2024, selling three additional assets, bringing the total to 13 since 2022. Nuveen also maintains its position as a key vendor, disposing of assets as it closes its Shopping Centre Fund. Notably, both GIC and The Crown Estate exited two schemes in 2024 – marking the first such sales by either institution in over a decade.

Retailers buying into the sector is also a trend we see continuing, having established itself in 2023. Last year saw 6% of transactions bought by retailers, albeit down from 23% the year before. Frasers Group was the most prominent, which, along with Evolve Estates and LCP, remained active in the shopping centre market in 2024, each acquiring five additional schemes. Since 2022, Evolve and LCP have acquired 17 centres, whilst Frasers Group has acquired 8. Northdale and Magnetar added a portfolio of three assets and have another under offer, bringing their total acquisitions to eight since 2022. Landsec continues to expand its portfolio, buying two more schemes in 2024, with another deal under offer.

Figure 6: Shopping centre yields

SC equivalent yields: Savills classifications	Q1 2023	Q2 2023	Q3 2023	Q4 2023	Q1 2024	Q2 2024	Q3 2024	Q4 2024
Super Prime	8.25%	8.25%	8.25%	8.25%	8.25%	8.25%	8.00%	7.75%
Prime	9.50%	9.50%	9.50%	9.75%	9.75%	9.75%	9.75%	9.50%
Town Centre Dominant	11.00%	11.00%	11.00%	11.25%	11.25%	11.25%	11.25%	11.00%
Secondary	13.75%	13.75%	13.75%	14.00%	14.00%	14.00%	14.00%	14.00%
Tertiary	16.50%	16.50%	16.50%	17.00%	17.00%	17.00%	17.00%	17.00%
Convenience & Community	10.25%	10.25%	10.25%	10.50%	10.50%	10.50%	10.50%	10.25%
SC equivalent yields: REVO classifications	**Q1 2023**	**Q2 2023**	**Q3 2023**	**Q4 2023**	**Q1 2024**	**Q2 2024**	**Q3 2024**	**Q4 2024**
Dominant Prime	9.50%	9.50%	9.50%	9.75%	9.75%	9.75%	9.75%	9.50%
Regionally Dominant	8.25%	8.25%	8.25%	8.25%	8.25%	8.25%	8.25%	7.75%
Regional Scheme	8.75%	8.75%	8.75%	9.00%	8.75%	8.75%	8.75%	8.75%
Sub-Regional Scheme	9.25%	9.25%	9.25%	9.50%	9.50%	9.50%	9.50%	9.50%
Neighbourhood Scheme	10.75%	10.75%	10.75%	11.00%	11.00%	11.00%	11.00%	11.00%
Good Secondary	11.75%	11.75%	11.75%	12.00%	12.00%	12.00%	12.00%	12.00%
Secondary	13.75%	13.75%	13.75%	14.00%	14.00%	14.00%	14.00%	14.00%
Local Scheme (Successful)	10.25%	10.25%	10.25%	10.50%	10.50%	10.50%	10.50%	10.25%
Local Scheme (Challenged)	17.00%	17.00%	17.00%	17.00%	17.00%	17.00%	17.00%	17.00%

Source Savills Research

High street shop investment

As a house, Savills feels particularly positive about high street shops as an asset class, with investment interest heading firmly in the right direction.

The volume of shop investments traded up to the end of Q3 last year was 16.2% lower than the same period in 2023. However, by the year's end, that difference had fallen to only -5.7%. Q4 volumes totalled £365.4m, a 32.4% increase on the previous quarter and an 80% increase on the same quarter the previous year. As a result, total volumes reached £1.8bn for 2024, with further growth in transactions expected in 2025.

The rationale for buying remains consistent. The income return is arguably one of the most generous available for any core hold, and we expect turnover to steadily increase over the next 12 months, in line with the improving investor sentiment towards high street retail and the wider economic recovery.

From an occupational standpoint, the sector feels much more robust, with a stabilisation in vacancy rates and some examples of rental growth. For the majority of trades Savills has been exposed to, income returns on rack-rented properties are increasingly approbative, making debt costs accretive and favourably impacting the yield that can be achieved.

Like large portions of the shopping centre market, high street shop investments are more focused on sustainability and increasing income return than capital growth.

The sector has seen some new entrants over the last nine months, culminating in a broad pool of private investors, reflective of the small and granular nature of the assets on offer. We are undoubtedly beginning to see an increase in the number of £10–£15m parades and blocks coming to the market, for example, and this has brought high street retail onto a wider group of investor's radars.

While there is definitely rising institutional interest in retail as an asset class, we do not expect this to materially impact on the high street retail investment market, due to the lot sizes on offer generally being too small for such investors. One consequence of this increased interest, however, might be that we see fewer institutional sales of high street retail.

That said, institutions do still own plenty of stock and have been the sector's primary vendors over the last decade. Assets that are made available are likely to continue to come from them, particularly with the decline of defined benefit pension funds, under which many smaller lot sizes are still located. The upshot is the market is likely to see a steady churn of institutionally owned assets coming to the market over the next 12 months rather than a flood.

In this income return-focused investment sector, Savills is anticipating modest capital value improvement over the year, mostly seen in a widening of assets meeting the definition of prime, where its current benchmark equivalent yield is 6.5%.

£365m
of high street shop investment in Q4 2024

80.0%
increase in high street shop investments in Q4 2024 versus Q4 2023

£2.0bn
of shopping centre investments traded in 2024

-25 bps
The movement in prime shopping centre yields in Q4 2024

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