INTELLIGENT INVESTMENT

UK Retail Parks 2025

REPORT

CBRE RESEARCH
JULY 2025

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Consumer Trends

Economic backdrop

In September 2024, UK inflation briefly fell below the Bank of England's (BoE) 2% target, sparking market optimism. However, this trend reversed, with inflation rising above expectations in October. This downward trajectory led the BoE to **begin a series of interest rate cuts**, reducing the base rate to 4.25% in May 2025. The latest cut aimed to stimulate growth by encouraging lower mortgage rates and boosting consumer activity.

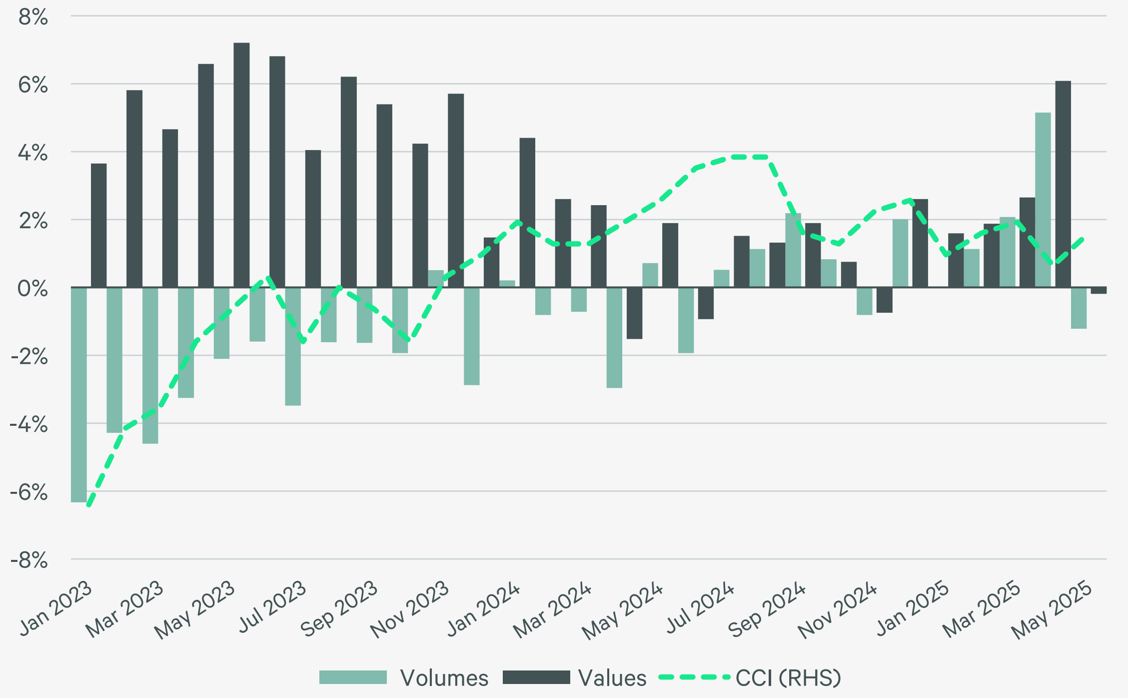
Wage growth has outpaced inflation, **increasing consumer disposable income**. However, employers remain cautious due to rising labour costs from changes introduced in April, such as increased National Insurance contributions and higher minimum wages. These factors may limit future pay rises and dampen hiring activity.

External risks, including higher U.S. import tariffs, threaten the UK's economic recovery, which could unsettle business confidence, suppress exports, and diminish consumer sentiment.

While some indicators suggest recovery, consumer confidence remains volatile. The GfK Consumer Confidence index reflects this instability, showing month-to-month swings despite a general year-on-year improvement. As of May, rolling data indicates higher **optimism about personal finances, although broader sentiment remains cautious**.

Retailers may benefit unevenly from this environment. Essential and value-based retail, particularly in out-of-town areas, is likely to remain resilient if spending tightens. Nevertheless, uncertainty around inflation, employment costs, and global trade policy continues to cast doubt over the UK's economic trajectory and consumer outlook.

Figure 1: UK retail sales and Consumer Confidence Index



Source: ONS and GfK

Online retail

The UK's online penetration has returned to its pre-pandemic trend. In 2024, online sales rose across most main sectors and, in May 2025, were representing 27.2% of the total sales. Continued organic growth is expected for the remainder of the year, driven by underlying demographic trends. However, several retailers introduced return fees to mitigate the costs of 'serial returners' and this could dampen online sales growth – particularly in the fast fashion sector. Such initiatives are expected to further enhance the appeal of retail park locations, as their convenience, coupled with free parking, position them as ideal hubs for 'Click & Collect' and free in-store returns.

Consumers also value convenience and experience and seek places that offer shopping, collection and returns, leisure, and food and drink all in one location – not just for shopping and running errands, but also for spending time and socialising. Retail parks are well-positioned to support occupiers in this environment, offering **resilience to high inflation due to their focus on essential goods**. Furthermore, the growing wellness trend, particularly increased gym usage, is driving footfall and further strengthening their position.

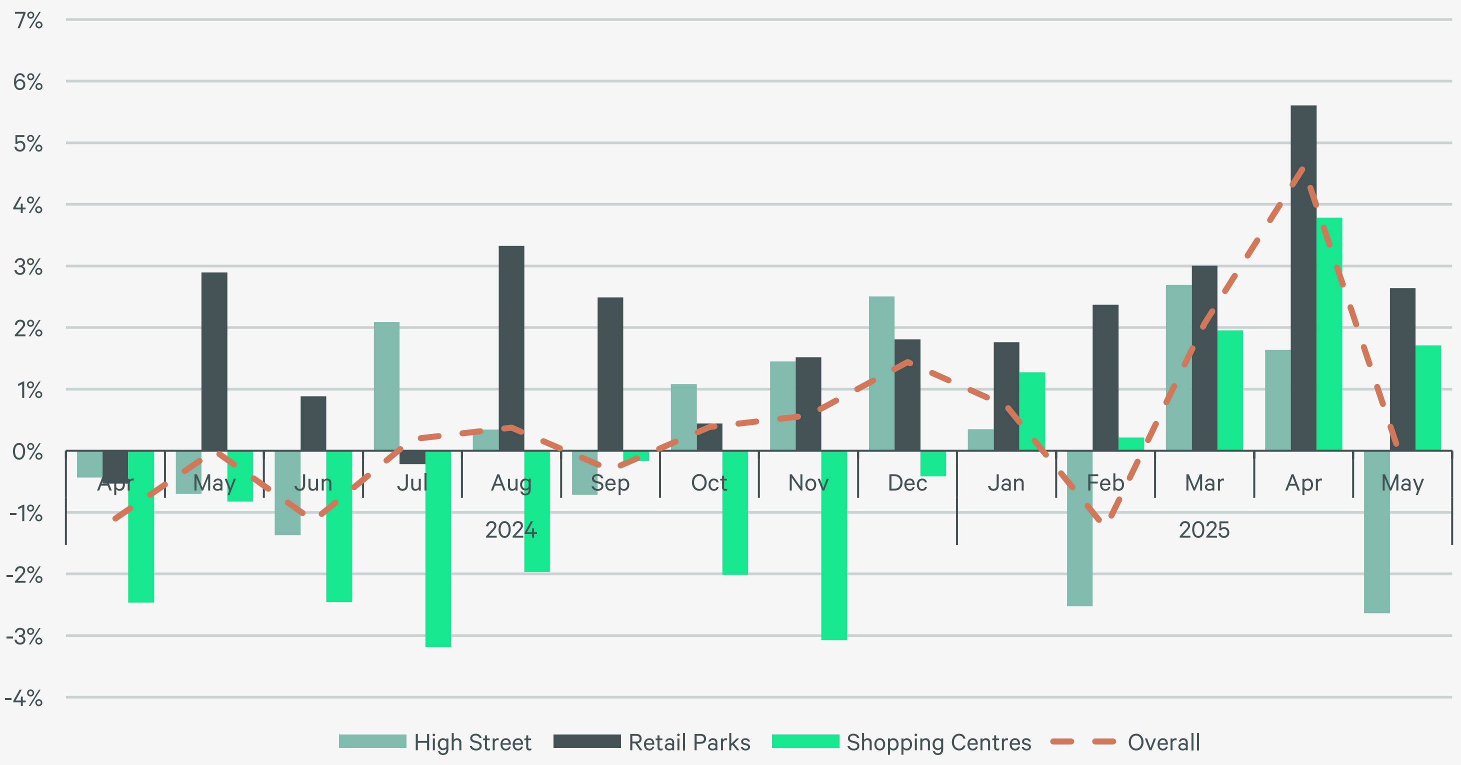
In-store experience and customer service continue to have an important role for customers and occupiers will continue to focus on delivering a cohesive omnichannel retail experience. And so, **channel segments such as 'Click & Collect' are expected to grow**. Retailers will increasingly incorporate elements of online retailing into physical stores, including collection and return points, which will drive more footfall in-store as a result.

Figure 2: UK retail online penetration (%)

Source: ONS

Retail parks are outperforming broader retail in foot traffic

Figure 3: UK retail monthly footfall (YoY % change)



Source: Springboard, ONS, CBRE Research

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Occupier Overview

Occupier demand continued its strength in H1 2025

Retail parks witnessed strong levels of tenant demand last year and this positive trend has continued in the first half of 2025. Value retailers remain a key driver of tenant demand for retail parks with retailer Home Bargains being particularly active.

Discount food retailers Aldi and Lidl have each announced plans to target 50 new store openings a year, with retail parks forming a key-part of their opening strategies. Marks & Spencer also have ambitious plans to open full-line and food only stores in retail parks as part of their wider store rotation strategy.

Demand from homeware retailers such as Dunelm remained strong in the first half of the year. Within the leisure sector, Pure Gym and The Gym Group continue to see retail parks as a key channel for their new store openings in 2025.

Clothing and homeware retailer **Matalan is set to open ten new and relocated stores in 2025**, with retail parks being a major focus for its new store growth plan.

Tenant demand in the food and beverage (F&B) sector remains very strong from established brands such as Costa, McDonalds, KFC, and Burger King. Demand is further strengthened by new entrants such as **Popeyes, Raising Cane's, Wendy's, Slim Chickens, and Chick-fil-A**.

Vacancy levels reduced in the first half of 2025, demonstrating sector resilience

Vacancy rates spiked to 8.4% in Q2 2021, during the COVID pandemic, but then fell YoY to 5.1% by Q2 2024, reflecting **strong levels of tenant demand**. Another key factor driving low levels of vacancy in retail parks is the **lack of new supply** driven by competing alternative site use values (e.g. logistics and residential), high build rates, and protracted planning processes. As a result, **expansive retailers are focusing their opening programmes on existing retail parks**.

In 2024, the existing stock saw a rapid surge in supply, driven by the corporate failures of Carpetright (273 stores) and Homebase (133 stores). This influx led to an increase in vacancy levels, reaching 6.4% by the end of the year. Despite this, the subsequent take-up of these two large retailer portfolios has been swift and significant.

We estimate that **c.75% of all Carpetright stores in retail parks have been taken up or are under offer**, with the average unit size in retail parks being c.9,500 sq ft, with key take-up from Bensons for Beds and Pure Gym taking c.20 stores each. The Carpetright portfolio also attracted new retailers entering the retail park market such as Carperts4less (taking six stores).

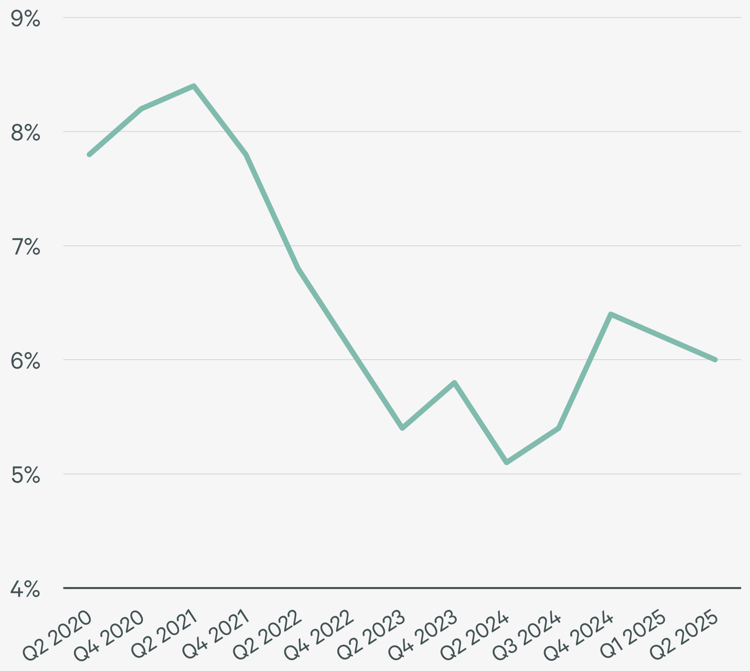
Our latest estimate for Homebase stores is c.85% either taken or under offer across retail parks and solus units. The Range have taken the largest proportion with 55 new store openings.

In the grocery sector, Sainsbury's has secured 13 stores, with Marks & Spencer announcing development plans for 12 new openings so far. Aldi and Lidl have also secured store packages on a freehold and leasehold basis.

In the DIY sector, B&Q has secured eight new stores across the UK and Republic of Ireland, with Wickes taking four stores. IKEA is a notable new entrant and has secured three former Homebases in retail parks in Harlow, Chester, and Norwich.

The swift take-up of these two portfolios has contributed to overall vacancy levels falling back down to 6.2% by Q1 2025 and to 6% in Q2, demonstrating the **strength and resilience of occupational demand for retail parks**. Furthermore, we note that many of the UK's leading landlords are reporting sub-2% vacancy rates across their prime retail park portfolios.

Figure 4: All retail warehousing vacancy rate



Source: Trevor Wood Associates

Rental growth set to continue in the second half of the year

The combination of low levels of vacancy and strong tenant demand has led the recovery in rental growth since 2021. **Rental growth for prime parks is focused on small to mid-size units typically between c.7,500 sq ft and c.20,000 sq ft**, where competitive tenant demand is strong.

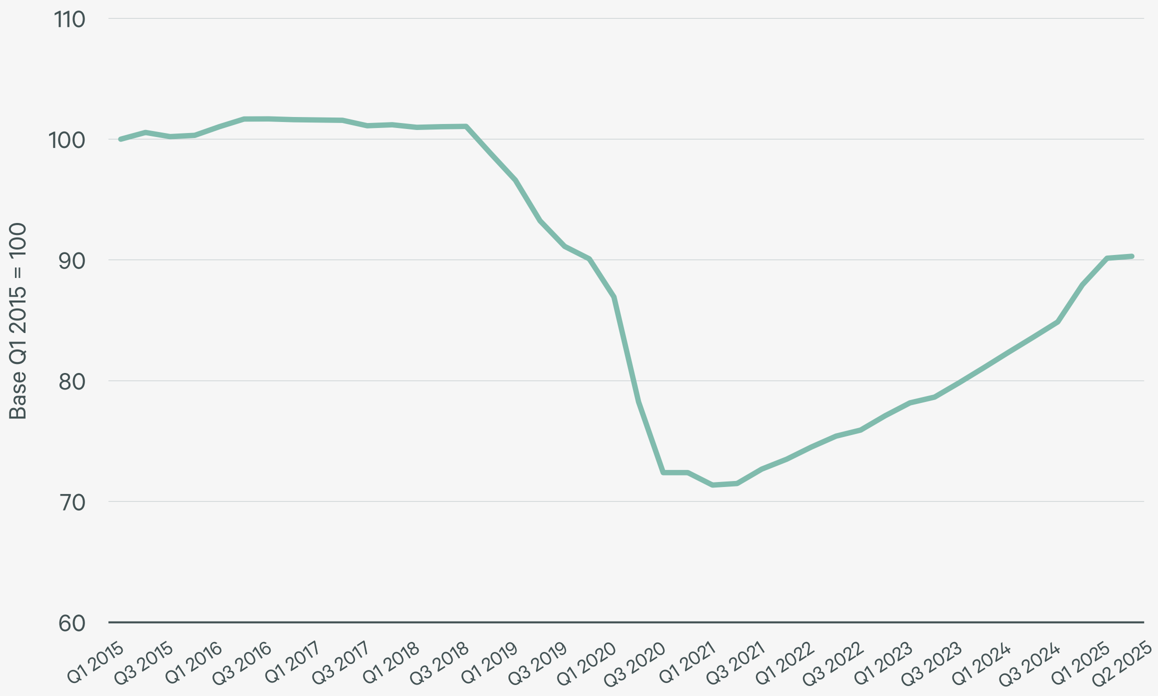
The release of available space from the Carpetright and Homebase portfolios last year has provided landlords with opportunities to undertake new lettings in retail parks which were either fully occupied or had very low voids. Many new lettings have been achieved at higher rental levels, which has led to the prime retail park growth index to grow 8% over the past 12 months ending in H1 2025.

Going into H2 2025, we estimate that **rental growth pressure will continue its forward momentum** driven by the demand/supply imbalance.

Traditional high street retailers such as Mountain Warehouse, Superdrug, and Skechers are looking to secure more stores in retail parks, and we expect this trend to continue. New international entrants such as ebebek and Nick Scali have recently opened new formats and are planning to expand further during 2025.

During the second half of 2025, retailers will face increased operating costs. These included higher tariffs and increased minimum wage and National Insurance contributions. In H1 2025, Hobbycraft launched a CVA together with restructuring proposals from River Island and the new owners of Poundland being recently announced. We forecast continued levels of corporate restructuring activity during H2 2025.

Figure 5: Retail parks prime rent index



Source: CBRE

03

Investor Overview

Retail warehouses investment up 32% YoY in H1 2025

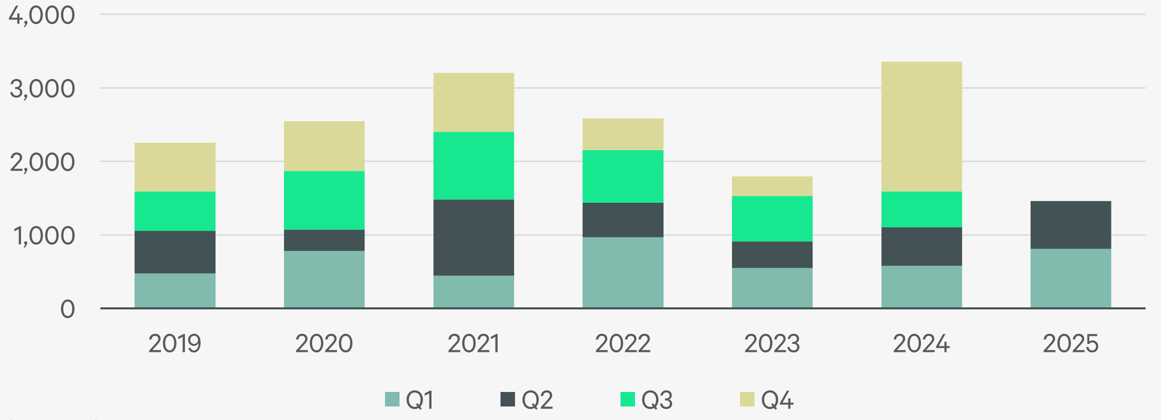
Following on from a busy end to 2024, **momentum in retail warehouses has continued into 2025 with positive investor confidence and several new entrants** closing notable transactions. Key market drivers include a robust occupier market and the realisation of rental growth. Whilst there was a brief pause in April following the announcement of increased tariffs by the U.S., warehouse sector activity quickly bounced back, and deals pressed on ahead.

Retail warehouses transaction volumes **reached c.£1.5bn in H1 2025, representing a 32% increase YoY.** This is following on from a strong 2024, which totalled £3.35bn – the highest level since 2021. We did, however, see the number of deals fall below the five-year average in 2024 to 100, demonstrating a **notable increase in larger lot size transactions** – a theme that has continued into 2025, with the average lot size in H1 at c.£38m, across 40 transactions.

Both in 2024 and during the first half of 2025, there have been **numerous large portfolio transactions** (approximately one third of the total investment in retail warehouses in 2024), predominantly initiated on an "off market" basis. This trend has coincided with improving market sentiment – the last notable flurry of portfolio sales was in 2022, when yields were at the lowest point in five years.

In the first half of 2025, both prime and secondary yields remained stable at 5.50% and 7.25%, respectively. However, **yields are trending wider than the five-year peak in 2022,** suggesting further compression is still to come. Institutional capital has maintained dominance across the prime end of the market, with REITs and private equity leading the core plus space.

Figure 6: All retail warehouses investment volumes (£m)



Source: CBRE

Figure 7: Retail parks prime yields

Source: CBRE

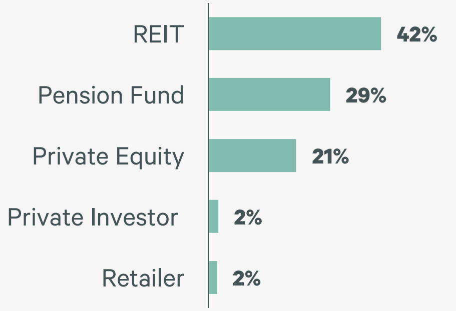
Wave of high-profile new entrants to the market in 2025

Retail parks continue to attract a wide range of investors, including UK institutions (predominantly on behalf of Council Pension Fund mandates), REITs, and private wealth groups. PropCo requirements are still active, although the value-add buyers are finding capital deployment more challenging in the current market, due to yield compression across secondary assets.

Institutional capital has maintained dominance across the prime end of the market, with REITs and private equity leading the core plus space. However, a wave of new entrants have been active in the market, with capital from France and the U.S. accounting for 58% of H1 buy-side activity, which demonstrates the strength of the retail warehousing sector. UK retailers remained a staple across the buyer pool, mainly targeting sub £15m lot sizes.

Figure 8: Top 5 retail parks buyer profile

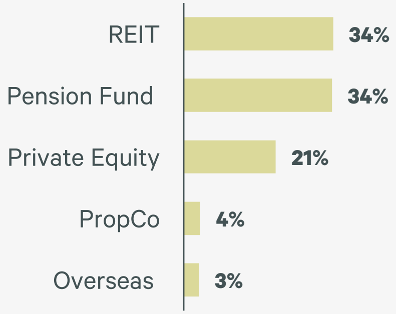
H1 2025



Source: CBRE

Figure 9: Top 5 retail parks seller profile

H1 2025



Source: CBRE

Key investment deals: H1 2025

ICG	ICG completed their first UK retail park deal, acquiring a three-asset package from M7, in an off-market transaction for £136.5m. Properties included Great Lodge Retail Park in Tunbridge Wells, The Arches Retail Park in Watford, and Priory Retail Park in Colliers Wood.
Aberdeen Investments	Aberdeen Investments, on behalf of the Standard Life Pooled Pension Property Fund, has acquired Sears Retail Park, Solihull for £69.6m, representing a NIY of 6%. The property comprises a mix of modern, state of the art accommodation extending to a total of c.136,300 sq ft. It is anchored by Marks & Spencer and Next, and other tenants include TKMaxx, Homesense, Boots, and Mountain Warehouse.
Farran Capital	Farran Capital completed the purchase of Lakeside Retail Park in West Thurrock from LandSec, which is the largest single asset transaction is recent years at £114m, representing a NIY of 7.15%.
Hines	Hines, as a new entrant to the retail warehouse sector in the UK, has completed the purchases of Junction 27 in Leeds, from Tritax for c.£53m at a NIY of 6.50%, in addition to Drakehouse Retail Park, Sheffield, from Sidra for £50.5m at a yield of 7.10%.

Coming into H2 2025, the market remains stable, with **depth of demand from investors for all subsectors**. We anticipate increased transactional activity for the remainder of the year.

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Key Takeaways

Key Takeaways

Retail sales
After two consecutive years of decline, retail sales volumes increased in 2024 and are now slightly above 2019 levels.

Vacancy rate
Retail parks remain popular amongst occupiers and investors, with vacancy rates remaining low.

New investors
A growing number of investors are entering the UK retail market from overseas.

Rental growth
A robust occupier market and the realisation of rental growth will be key drivers for buyers in 2025.

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