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commercial property

Retail & Leisure Q3/24

Retail Market Commentary
plus focus on Windsor

Q3 2024 saw a changing of the political guard, with Labour taking up office after 14 years of a conservative government.

The first budget on 30th October by the new Chancellor of the exchequer Rachel Reeves, brought in a definite end to the current Retail Rates Relief of a 75% discount on rates in April 2025, although it will be replaced by a 40% discount from April 2025 until April 2026.

Yet again the business rates system has been identified as "outdated" and she has pledged to overhaul it but as yet there are no details available of what form this might take.

The appetite to grow

The primary economic indicators at this time are pointing to a cautious market – so whilst confidence has slightly dropped back, retail sales have shown sustained growth throughout 2024. The appetite to grow (pun intended!) of the fast food sector is demonstrated by McDonalds plans to open 200 new restaurants in the next four years as part of a £1 billion investment from the US fast-food chain and its franchisees in the UK and Ireland. The company announced the plans as it celebrates 50 years in the UK. It first opened its doors on Woolwich high street in 1974. McDonald's said it has spent more than £51.56 billion with UK-based suppliers and farmers since. Last year, McDonald's opened 41 new restaurants in the UK, the highest number in two decades.

Waitrose has also set its sights on growth by planning to open 100 new c-stores as part of a £1bn investment in its estate – according to Mintel, the convenience market grew by 5.3% in 2023 – although that was buoyed by inflationary increases offsetting a decline in sales volume. At present, the retailer has approximately 45 Little Waitrose c-stores, so if it hits its goal over the next five years that would mean less than 150 convenience stores in total. By comparison, the Co-op already has more than 2,500, Tesco has close to 2,000 and Sainsbury's has more than 800.

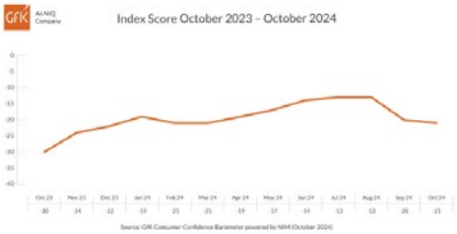
Frasers is also in talks with The Crown Estate to buy the 630,000 sq ft Princesshay shopping centre in Exeter, Devon - the business is in the unusual position of being able to not only purchase shopping centres but to also be a new anchor occupier which then boosts the capital value of a centre.

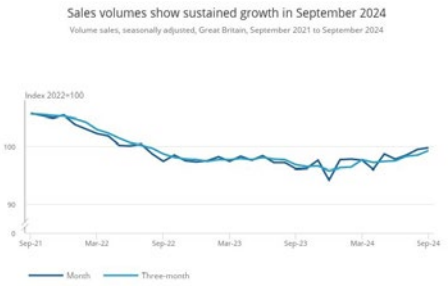
A stark reminder

In case it's needed, there was a stark reminder that commercial property investments can go down as well as up – this was highlighted by the recent acquisition activity from Mike Ashley's Frasers Group as they continue their property-buying spree in the UK. They are in talks to buy Fremlin Walk, an outdoor shopping centre in Maidstone, Kent - the 350,000 sq ft shopping centre was put on sale for £25m by owner M&G Real Estate who acquired the scheme for £110m in 2014!!

However not all sectors are on the up - the company behind the iconic British brand, Ted Baker, fell into administration in March this year. Ted Baker had around 975 employees in the UK and 46 stores, as well as a website and department store concessions. The closures put more than 500 jobs at risk.

CPI is showing a change of 2.6% and RPI at 2.7% and GDP showing a growth of 0.2%





Source: Monthly Business Survey, Retail Sales Inquiry from the Office for National Statistics

Windsor has seen substantial 'churning' of retail tenants over the last 18 months and the line up in the town which has 7.5m visitors a year, now includes:

- Oliver Bonas
- Black sheep
- Franca Manca
- Five Guys
- Mango
- Trailfinders
- Mountain Warehouse

We monitor the activity of 156 retail and leisure in the town together with 71 units in Windsor Yards and King Edward Court shopping centres, so a total of 312 units.

The vacancy rate for units in the town stands at a very low 6.73%, whilst units that are 'Available' (but may still be occupied) stands at 6.41%.

The current national average is around 14% so Windsor is fairing extremely well and has bounced back from the seriously challenging times of 2020 / 2021.

Rents are also edging back to pre-Covid times with notable deals being the letting of the former Barclays Bank on the corner of Peascod Street and High and Thames Street to a heritage gift retailer at a rent of £225,000 which reflected a net Zone A rate of £147.50 and also a lease renewal agreed at 37 Peascod St to The Works at a net Zone A of £97.46 Hicks Baker acted on both transactions.

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