

UNITED KINGDOM

GLOBAL CITIES RETAIL GUIDE

2025 EDITION

Better never settles

UNITED KINGDOM OVERVIEW

Once called a nation of shopkeepers, the UK has produced a number of iconic international retail brands including Harrods, Selfridges, Harvey Nichols and Fortnum & Mason. The UK is a receptive market where domestic and non-domestic retail operators are quick to implement new retail strategies and technologies in a bid to gain advantage over competitors, creating a dynamic retail landscape.

As the capital of the UK, London offers many world class thoroughfares and shopping malls with high retail spend, while many prominent regional cities such as Birmingham, Manchester, Leeds, Liverpool, Newcastle, Edinburgh and Glasgow also offer strong footfall and significant spending power from both local and tourist shoppers.

The UK is one of the most sophisticated retail markets in the world and is particularly receptive to emerging formats. This includes the trend for 'pop-up' stores, food halls and more recently, immersive experiences. Events such as London Fashion Week, one of the world's premier fashion events, ensures that the UK continues to be a world leading retail location.

Post pandemic, consumers are increasingly looking for experiential opportunities, with a focus on spending time with friends and family. Destinations that contain leisure activities have been quicker to recover levels of footfall.

A well-advanced logistics and distribution infrastructure provides world-class support to retail companies. The UK has the benefit of a large number of international retail operators being well established within the retail offer, reflecting its long-standing trading history with all corners of the world, as well as its relatively transparent property industry and legal system, which makes it a relatively straightforward market for international retailers to enter, often as a first point of international expansion.



UNITED KINGDOM

Economic Overview

ECONOMIC SUMMARY

ECONOMIC INDICATORS	2023	2024F	2025F	2026F	2027F
GDP (% y/y change)	0.3	1.0	1.3	1.6	1.6
Consumer spending (% y/y change)	0.7	1.1	-1.6	0.6	1.6
Industrial production (% y/y change)	-0.4	-0.2	-0.1	0.6	1.0
Investment (% y/y change)	-0.1	1.2	2.9	2.5	0.7
Unemployment rate (%)	4.0	4.3	4.5	4.5	4.6
Inflation rate (%)	7.4	2.5	2.1	2.0	2.0
Exchange rate vs USD	1.2	1.3	1.3	1.3	1.3
Interest rates short-term (%)	4.7	5.1	4.2	3.0	2.5
Interest rates 10-year (%)	4.0	4.0	3.8	3.8	3.8

NOTE: *annual % growth rate unless otherwise indicated.
Figures are based on local currency and real terms. F forecast.

SOURCE: Moody's Analytics, Inc.

RETAIL SALES GROWTH: % CHANGE OF PREVIOUS YEAR

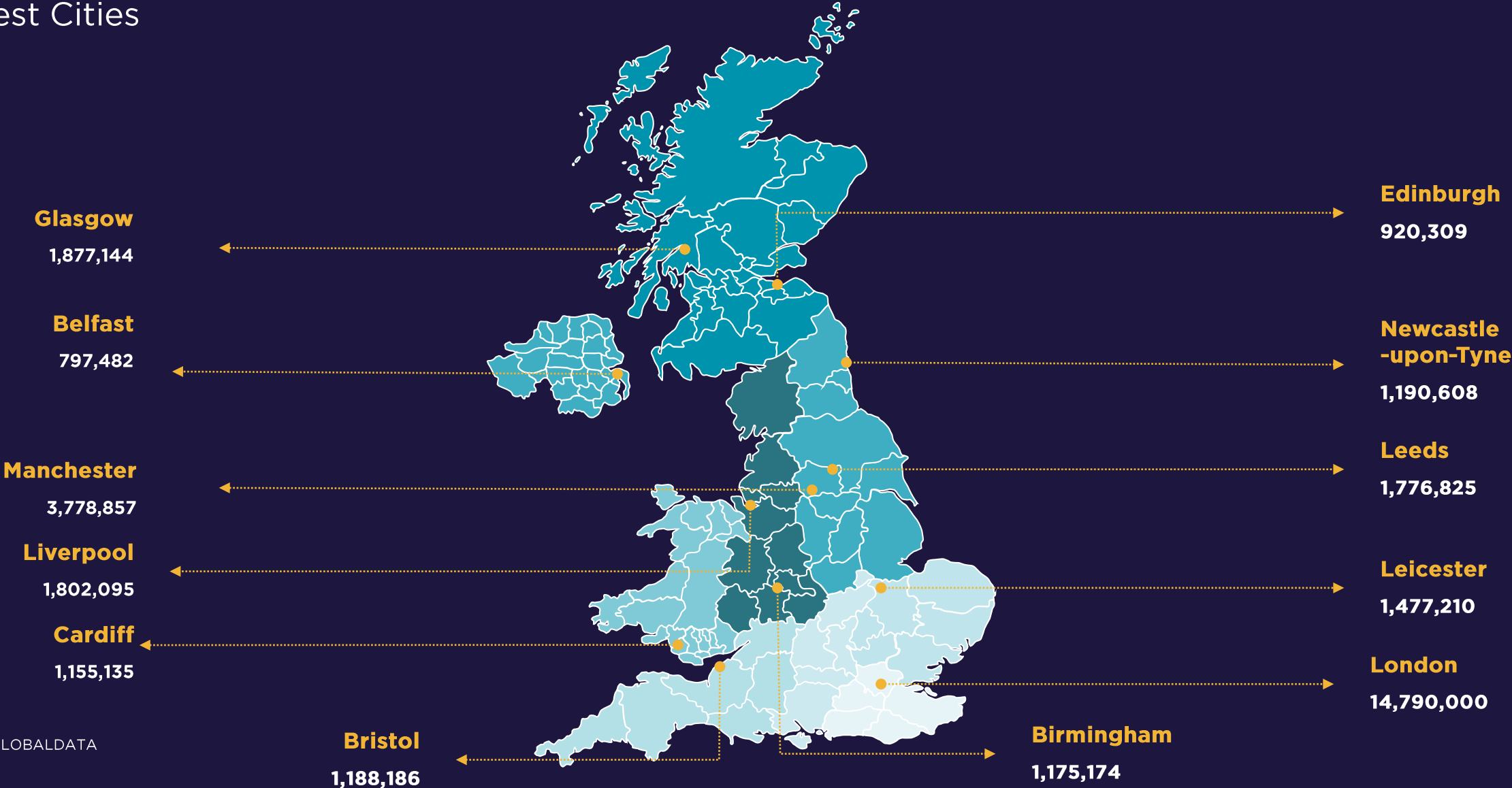
INDICATOR	2019	2020	2021	2022	2023
Retail sales growth volume (%)	3.2	-1.4	4.7	-4.1	-2.9

ECONOMIC BREAKDOWN (2023)

Population (million)	68.6	Parliament	Dominated by the Labour Party
GDP nominal (bil. USD)	3,218.0	Head of State	King Charles III
Public sector balance (% of GDP)	-5.8	Prime Minister	Sir Kier Starmer
Public sector debt (% of GDP)	97.0	Election Date	2029 (General)
Current account balance (% of GDP)	-3.5		

UNITED KINGDOM

Largest Cities



SOURCE: GLOBALDATA

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Retail Overview

MAJOR DOMESTIC FOOD RETAILERS



Tesco, Sainsbury, Morrisons, M&S Food, Waitrose, Booths, Co-Operative Group

MAJOR DOMESTIC NON-FOOD RETAILERS



John Lewis, Marks & Spencer, Next, New Look, Boots, Superdrug, Argos

INTERNATIONAL RETAILERS IN THE UNITED KINGDOM



H&M (ARKET, Cos, &Other Stories, Weekday), Inditex Group (Zara, Bershka, Pull & Bear, Stradivarius), Mango, Primark, IKEA, TK Maxx, Nike, Apple

MAJOR INTERNATIONAL FOOD RETAILERS



Aldi, Lidl, Walmart-Asda, Costco

NEW ENTRANTS TO MARKET



Jimmy Fairly, Gym Shark, House, Canada Goose, Kikki K, Miniso, Aime Leon Dore, On Running

TYPICAL HOURS

MONDAY - FRIDAY	SATURDAY	SUNDAY
09.00-18.00	09.00-20.00	10.00-16.00

**note that trading hours may vary depending on location and retailer type*

UNITED KINGDOM

Retail Scene

The UK is one of Europe's largest markets with a population of more than 67.2 million and above average retail spend per capita.

The UK is a mature and competitive retail market as well as one of the most innovative and dynamic, where consumers have traditionally been very receptive to new concepts and formats.

The UK is one of the most sophisticated retail markets in the world and has an increasingly wide range of retail formats on offer. This includes a more recent trend for pop up stores to provide occupation and income from vacant retail units for landlords and enabling innovative and unique new retailers and concept stores to establish a presence in the retail market. A well-advanced logistics and distribution infrastructure provides world-class support to retail and F&B companies.

Many U.S. firms are attracted to the UK for the domestic market and as a beachhead for the European Union Single Market. On June 23, 2016, the UK held a Referendum on its continuing membership in the EU and the British public voted to leave. The country left the EU on 1st January 2021, and this has had implications for the availability of staff (many EU citizens returned home) among many other aspects of daily life.

In common with the rest of the world, the UK was also impacted by Covid-19, and the country's retail market is recovering. Many stores closed during 2020 and 2021 but a large number have also opened and are expanding. Retailers/F&B operators remain active and expansion plans are underway again.

Shopping and eating out habits changed during the lockdown periods. However, after a year of doing very little, people were keen to get back to normal in terms of shopping, eating out, socialising etc. Working patterns have however also changed which has implications for shopping and the food service sector. Large cities and towns with significant office occupiers are missing out on daytime visits during the week as office workers are still working from home or only visiting the office 2-3 days a week.

Whilst footfalls have rebounded considerably since the outset of the Covid-19 pandemic, particularly hot weather, the return of international tourism, and the cost of living crisis have de-stabilised momentum in recent months. Footfall recovery has stalled despite positive signs shown during early 2022. However footfall at retail parks continues to show promise and has done since December 2021 when footfall exceeded 2019 levels for the first time since the onset of the Covid-19 pandemic



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Retail Scene

As in most European countries the majority of cities and towns in the UK have a high street or downtown area, dominated by a mix of retail, food, beverage and leisure operators. Despite the challenges of UK weather, F&B operators continue to focus on sites with 'alfresco dining' options.

The stock of shopping centre space in the UK is characterised by a relatively high number of large schemes, in comparison to other European markets. Dominant schemes are typically anchored by a department store as well as a large leisure operator and comprise catering/leisure alongside comparison goods retailers. The success of food, beverage and leisure in driving footfall back to shopping centres means that spaces are being rethought and repurposed in order to meet changing consumer demands and drive overall footfall. A key feature of UK shopping centres is large department stores such as John Lewis, House of Fraser and Selfridges.

The recent closure of some of these spaces, often 15,000 sqm+, leaves a significant vacancy. Landlords are replanning this space in many ways, one example is immersive experiences – virtual football bar TOCA opened in the ex-Debenham's unit in Birmingham. Traditionally, operators are often clustered in a 'food court', establishing a destination for F&B provision. Increasingly distribution of F&B is throughout centres in order to increase dwell time and there are often concessions in the middle of schemes.

The UK has one of the most developed retail warehousing markets in Europe. The market is active and growing and has seen a record number of retailers entering the market from sectors such as homeware, fashion, sports goods and pet products, particularly post pandemic. The UK is also Europe's most mature factory outlet centre market, which is an established part of the retail landscape.

E-commerce has developed more rapidly in the UK than in most EU countries. During 2023 the online penetration rate showed a high degree of volatility for the first time showing seasonal peaks in and around Q4 and the black Friday sales event. Forecasts around the online penetration rate have consistently been revised downwards in recent months. The predominant contributing factors for this fast and widespread development of online retailing are the high levels of internet use across the UK, along with an established culture for retail catalogue ordering, high levels of credit and debit card usage, and rising confidence in internet security.

While it is possible to enter the UK retail market directly, many retailers enter into franchises via concessions/shop-in-shops. In addition, the advanced online market makes it viable for new entrants, particularly in the fashion sector, to launch their brand with a strong web presence and a limited number of large flagship stores in key locations.



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Retail Scene

There are no restrictions on foreign companies either buying or renting property in the UK. It is generally believed that the UK lease structure is more orientated towards landlords than tenants, yet despite this, leases are becoming shorter with five-year break options becoming increasingly common. Upward only rent reviews and full repairing and insuring obligations are still in force across the retail sector.

Although it is possible to take occupation of a new unit within a few weeks, it is more realistic that, on average, it will take 6 to 9 months from initialising the property search to taking occupation of an existing property. This includes time for considering location options, the identification of buildings or sites, negotiating leasehold or freehold terms, and drafting of the appropriate legal documentation.



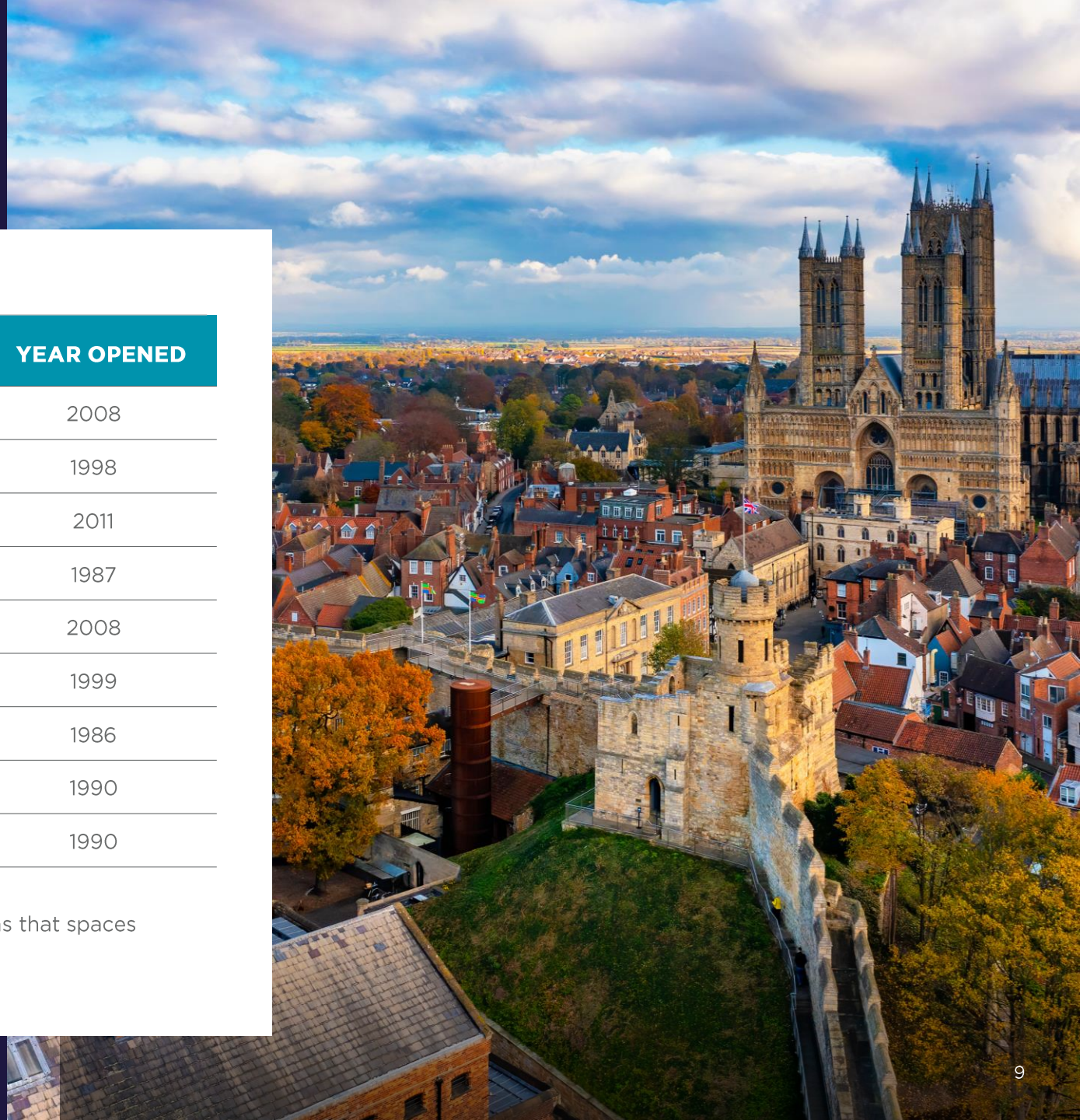
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Shopping Centres

TOP SHOPPING CENTRES BY SIZE

NAME	CITY	SIZE (GLA SQM)	YEAR OPENED
Westfield (White City)	Sheperd's Bush, London	230,279	2008
The Trafford Centre	Manchester	192,449	1998
Westfield (Stratford)	Stratford, London	175,000	2011
Metrocentre	Newcastle	170,286	1987
Liverpool One	Liverpool	166,740	2008
Bluewater	Greenhithe	148,974	1999
Merry Hill	Dudley	143,531	1986
Meadowhall	Sheffield	135,190	1990
Lakeside	Thurrock	133,180	1990

The success of food, beverage and leisure in driving footfall back to venues, means that spaces are being rethought and repurposed in order to meet consumer demands.



UNITED KINGDOM

Food & Beverage

The UK's food and beverage market is one of the major sectors in the country, with an annual turnover in excess of £100bn. It is a consumer-targeted industry, that has undergone significant investment in order for operators to stay innovative and keep up with consumers who seek new experiences and innovation.

The food, beverage and leisure market is constantly evolving with new and interesting concepts for consumers to experience.

A current trend includes competitive socialising; It is a popular option of spending time together with family, friends and corporate teams of all ages. Competitive socialising has been taken one step further from traditional activities such as table tennis, darts and board games to create more immersive experiences. Examples include axe throwing and escape rooms.

A trend that emerged from the pandemic includes "Dark Kitchens". Dark kitchens are small, efficient and often windowless kitchen facilities used by food and beverage operators to produce meals for the sole purpose of delivery.

The concept offers F&B operators flexibility to be located in non-traditional restaurant locations, often situated in industrial locations, close to arterial routes to facilitate quick delivery times. This is both cost effective and provides an opportunity for entrants to trial their concept with minimal investment.



MAJOR FOOD AND BEVERAGE OPERATORS

Costa Coffee, Pret a Manger, Starbucks, Greggs, McDonalds, Burger King, KFC, Wagamama, Franco Manca, Pizza Express, Prezzo, Five Guys, Wahaca, Byron, Joe & the Juice

NEW FOOD & BEVERAGE ENTRANTS TO MARKET

Popeyes, Marugame Udon, Wingstop, Chicken Shop, Wendy's

UNITED KINGDOM

Key Features of Lease Structure

ITEM	COMMENT
Lease Terms	<p>Traditionally, UK leases have been for terms of 15-25 years and often can be higher, with 35 years seen in parts of the retail market (such as for an anchor tenant). Leases now typically range between 5-10 years, with the average lease length in the UK now around 7 years. Break options were rare in the past but now are increasingly negotiable, with tenant's 5-year break clauses now common. In the absence of a clear agreement in the lease, the tenant has no legal right to break so long as the landlord fulfils his obligations. Where agreed, breaks are typically at the first rent review for office and industrial space, and are now becoming more common for retail also at the first review. The authorised use will depend on the terms of the lease which will also state the degree to which this may be varied by the tenant.</p>
Rental Payment	<p>Rents are typically payable quarterly in advance, though monthly payments can be negotiated with landlords, who have been more flexible with rental payments terms since the covid19 pandemic. Turnover/percentage rents are increasingly seen in shopping centres and common in specialist sectors such as factory outlets, hotels and airports. However, the recent rise of click-and-collect services have seen many landlords move away from turnover rents, since they are unable to capture online sales with the turnover rent. A security deposit is not normally required for a tenant with a strong covenant or where a parent company guarantee (or less frequently a bank guarantee) is provided. For weaker covenants a deposit may be required, by negotiation, with 6 months' rent equivalent commonplace. Premium payments are common place in the retail market, with values effected by rising rents and fluctuating supply.</p>
Rent Review	<p>Indexation is not common practice but is seen on an increasing basis, together with fixed uplifts, and can be particularly prevalent in the supermarket sector. The basis of rental review in open market is every five years (upward only, even where rents generally have decreased).</p>
Service Charges, Repairs and Insurance	<p>A service charge is usually payable in multi tenanted buildings and covers management fees, security, cleaning, landscaping, internal maintenance of common parts, external maintenance and insurance, servicing of elevators, water, heating, air conditioning, management fees and property taxes. It excludes internal maintenance and insurance of rented accommodation, utility charges and VAT. The landlord is responsible for external/structural matters in shopping centres (charged back via service charge). The tenant is responsible for internal matters. The landlord usually insures the main structure and external fabric, but will charge this back to the tenant. Insurance for common parts is also paid by the landlord and charged back to the tenant. The tenants usually pays for internal insurance directly.</p>

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Key Features of Lease Structure

ITEM	COMMENT
Property Taxes and Other Costs	The local government authority charge the “rates”, the local property tax which is payable on commercial property (equating to approximately 45% of rent). The government sets rateable values in a 5 yearly review. A standard rate (the Uniform Business Rate or UBR) is applied to the rateable value, in order to calculate the rates payable. This is set by government and may be subject to phasing allowances to reduce the impact of valuation changes and also by differing the rates for large and small businesses and empty properties. VAT at 20% can be charged on rental payments, but it is usually recoverable by most tenants (tax advice should be sought). In recent times there have been business rate cost saving initiatives provided by the government (no/reduced business rates payable during covid19).
Disposal of a Lease	Sub-letting is usually possible under the terms of the lease, subject to the landlords approval. Assignment rights are not normally barred in the lease but will also be subject to consent, which should not be unreasonably withheld. Early termination is typically by break clause; to be negotiated at outset of lease by mutual consent upon negotiation. In some instances, leases are mutually terminated outside a break clause or before an end of term, provided a premium amount is agreed. At the lease end, the tenant is responsible for dilapidations unless the landlord agrees for the site to remain partially fitted (for re-letting). All tenant improvements must be approved by the landlord subject to the alteration covenant in the lease and the fact that approval should not be unreasonably withheld. Older leases may have Privity of Contract whereby all former lessees can be held liable for any default by a later tenant under the same lease.
Valuation Methods	Shops are valued on a 'zoning' basis. The retail zoning principle recognises that the area at the front of the shop, adjacent to its primary window frontage (normally referred to as “Zone A”) is the most valuable in rental terms. The rate per square foot halves back through regular depths towards the rear of the ground floor, with “Zone B” valued at A/2, “Zone C” at A/4, “Zone D” at A/8 and a “Remainder” zone, typically valued at A/12. Upper and lower sales floors are similarly valued as a proportion of the “Zone A” rate, with basement and/or first floor sales accommodation typically taken at A/10, and ancillary at A/20. There will occasionally be local variations to these rates, which will also depend on the quality and functionality of the accommodation, relative to the market norm. For corner units with a double retail frontage, it is usual to add a small percentage to the value of the ground floor, the amount of which will depend on the degree of overall prominence of the retail frontage. Restaurants are typically valued on a rent/sqft basis.
Legislation	The Landlord and Tenant Act, 1954, Part II (as amended) and subsequent acts is one of the pre-eminent pieces of legislation. Leases must be in writing and the lease document forms the standard documentation required. A formal deed is required for all leases over 3 years. A mandatory standard form of lease does not exist although a market standard is in place. There have been varying initiatives to simplify and shorten the lease, particularly to help smaller businesses.



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ABOUT CUSHMAN & WAKEFIELD

Cushman & Wakefield (NYSE: CWK) is a leading global commercial real estate services firm for property owners and occupiers with approximately 52,000 employees in nearly 400 offices and 60 countries. In 2023, the firm reported revenue of \$9.5 billion across its core services of property, facilities and project management, leasing, capital markets, and valuation and other services. It also receives numerous industry and business accolades for its award-winning culture and commitment to Diversity, Equity and Inclusion (DEI), sustainability and more.

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