

Columbia Threadneedle's big bet on retail parks

The fund house has been on a shopping spree, believing retail parks are immune to many of the headwinds facing traditional retail.

Shifali Gorka reports



When many institutional investors were fleeing the retail sector during the Covid-19 pandemic, Columbia Threadneedle Investments doubled down – but not on high streets or shopping centres. Instead, the company channelled money into what its team believed others had overlooked: retail parks.

“Retail warehousing wasn’t the sexy story during the pandemic – it was just wrongly lumped in with other retail assets,” said CTI fund manager

Tom Elviss in an exclusive interview with *Estates Gazette*. “That created a phenomenal buying opportunity.”

Elviss joined Columbia Threadneedle in 2021 from Aberdeen Asset Management. He oversees two institutional funds totalling £1.6bn, alongside two closed-ended vehicles with a combined gross asset value of £1.1bn. While the institutional funds are designed to deliver steady, market-plus returns, the closed-ended funds are higher risk and return-driven, created specifically to capitalise on market conditions.

In recent years, those conditions have pointed firmly toward retail warehousing. One of Elviss’s institutional portfolios now comprises 32% retail warehouse assets, alongside 52% industrial and a small allocation to residential. The strategy has seen a decisive shift away from offices, shopping centres and high streets.

“We’re pretty much out of offices, we’re completely out of the high street, we’re completely out of shopping centres,” Elviss said. “The thought of having to carry centres like shopping centres or high street or offices, which are really



challenged, just felt a bit perverse in some ways.”

That strategy allowed Columbia Threadneedle to pursue a more targeted allocation to sectors with stronger fundamentals. Select Fund 3, launched in 2020, is now around 75% weighted to retail parks.

Seizing the opportunity

Retail warehousing was being indiscriminately sold alongside weaker assets, pushing yields up and prices down, Elviss said – an opportunity

Columbia Threadneedle was well-positioned to seize.

“I think in a lot of institutions all retail was seen as bad. So it was like, ‘sell anything retail’, but that was a great opportunity,” he added.

By the time he joined the group in 2021, some of the retail parks the fund had acquired were trading at yields of 8.5% to 9%, well above the long-term sector average of 4.6% to 5.3%.

The fund’s average entry yield came in around 8.8% and, since then, the market has moved swiftly, prime yields

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have now compressed to around 5.5%. In a market where institutional capital is hungry for stable, income-generating assets, Columbia Threadneedle’s early confidence in retail parks has paid off.

The strategy has continued with Select Fund 4, a 2023 vintage, which is already 65% to 70% weighted to retail parks. Recent acquisitions include substantial sites such as Castle Marina in Nottingham (£45m), Parkgate in Rotherham (close to £60m), Birmingham’s Merry Hill (£40m), and further assets in Corby and Yeovil. This push has enabled the firm to build a strong retail park portfolio in a relatively short space of time.

Vacancies and voids

For Elviss, the attraction of the asset class’s fundamentals are compelling. Occupier demand has been one of the biggest strengths and the firm has seen consistently high occupancy across its portfolio. While the broader market void rate stands at around 4.6%, Elviss noted that once long-term vacancies are stripped out, the effective void rate drops to about 2%.

“We’re probably at about 98% at the moment across the house,” he added. “At one point in Select Fund 3, we had one 1,200 sq ft unit vacant out of the whole £400m of retail parks.”

Retail parks, Elviss argues, are immune to many of the headwinds facing traditional retail. To illustrate the trend, Columbia Threadneedle charted the growth in online sales alongside vacancy rates for retail warehousing and town centres. Back in 2011, both

sectors had roughly 8% vacancy. As online sales soared – peaking at 31% during the pandemic – retail warehouse voids dropped to around 4%, while in-town retail vacancies ballooned to 16–20%.

From an investment standpoint, retail parks are not only back in favour, they are increasingly seen as one of the most stable and attractive options in the UK real estate market. New development is limited and, with little prospect of new parks being built, existing developments are becoming even more valuable.

A robust tenant base, typically made up of well-capitalised national brands, is also a draw. “Your counterparty credit on a retail park should be a lot better than a multinational estate because you’re contracting with big FTSE 100 companies,” Elviss said.

For institutions, that has long been a key appeal: reliable yields; repeatable income; and limited volatility. Beyond income resilience, it’s about cost and operational simplicity. “Service charge at a retail park is usually sub-£2 per sq ft,” Elviss said, whereas shopping centres, with intensive maintenance, common areas and lighting, can be as much as £15 per sq ft.

Retail parks have also become essential to omnichannel strategies, functioning as both showrooms and last-mile fulfilment hubs. “It’s not just about shopping anymore, it’s logistics too,” Elviss said. “Retail warehouses now operate somewhere between a shop and a distribution centre... Try buying a garden shed on the high street.”

This hybrid role is paying dividends, quite literally. With minimal capital expenditure requirements, stable occupancy and reliable rent collection, Columbia Threadneedle sees retail parks as one of the most income-resilient assets in UK real estate.

Elviss points to the re-letting of former Carpetright stores as a prime example. Across those returned units, the firm has typically achieved a 15% premium on previous rents.

In one case at a park in Andover, Hampshire, a £14 per sq ft unit previously let to Carpetright, attracted three interested parties and was eventually re-let for over £20 per sq ft. “You see there almost 50% rental growth in one unit,” said Elviss.

A similar pattern has played out with former Homebase stores, many of which have now been absorbed, with retailers including The Range stepping in to take up the space.



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Looking beyond location

Columbia Threadneedle has built a nationwide footprint. “We’ve pretty much covered the UK,” Elviss said. “We actually tend to be more active in the North and Midlands than the South.”

Columbia Threadneedle has leaned into assets in regional markets where trading conditions are strong and occupational costs are far more manageable. Across

Select Funds 3 and 4, average rents sit at £14–15 per sq ft – a level that remains accessible for most occupiers. “A tenant paying that kind of rent has got a decent chance of making money,” Elviss said. “If it’s a B&Q in Rotherham or a B&Q in Guildford, it’s still selling the same stuff, but the rent could be a lot less.

“The best park doesn’t have to be in the outskirts of London,” Elviss added.



Kingsway Retail Park in Rochdale is part of CTI's Select Fund III

In fact, the highest retail warehouse rent in the UK isn't in the capital at all, it's at Fosse Park in Leicester, which commands £105 per sq ft. Other top-performing parks include Teesside and Middlesbrough.

Success depends not just on location, but on a mix of factors: the size of the asset; town centre performance; tenant line-up; and overall park experience. In many cases, the local town centre may be underdeveloped encouraging shoppers to the nearby retail park.

Columbia Threadneedle isn't pursuing major repositioning across its retail park portfolio, but asset management remains a central part of its strategy, particularly where there are opportunities to drive income and enhance tenant appeal.

"Infill opportunities are limited," said Elviss, adding that the firm is making strategic use of available space wherever it can. One area of increasing focus is

the rollout of electric vehicle charging infrastructure across its parks.

Alongside EV points, Columbia Threadneedle is also exploring the use of rooftop space for solar panels. But these kind of development opportunities remain selective.

The overarching aim is still to extract value through active asset management, keeping the parks fresh, relevant and well-occupied. "We're just trying to utilise the space and maximise the space we've got," Elviss said. "Generally, it's just rotating tenants, driving rent – getting the right tenant in the space for that catchment."

Arrival of the Americans

Despite their strong performance, retail parks aren't without risk. For Elviss, tenant default remains the most visible concern. "Last year it was Carpetright and Homebase. This year some other retailers

will probably cease trading," he said. "It's just what happens in every sector."

While similar risks exist in offices and industrial property, Elviss said the impact is simply more visible in retail because of its high profile.

But although the retail sector as a whole is always subject to some level of risk, Elviss sees the risk profile of retail parks as manageable and predictable. "Every year a couple of retailers will probably go out of business and rotate out," he says, "but it's a very stable sector that offers a good income return."

Momentum hasn't gone unnoticed – particularly by international capital. Where UK institutions once dominated the retail warehouse market, global investors are now entering at pace, especially American names.

"Realty Income is the biggest owner in the UK now... in five years, they've gone from nothing to the biggest retail warehouse owner in the UK, which is pretty good going," Elviss said. Other major names are also piling in. Farron and Golden Tree recently bought a park in Thurrock for £150m, while Heinz acquired a £50m site in Sheffield as part of a European Core Plus strategy.

Sovereign funds are exploring partnerships with established UK operators, and last year Redevco made a dramatic entrance with a £550m portfolio buy in one move.

The challenge now isn't finding interest, it's assembling scale. "The problem will be is trying to build a portfolio," Elviss said. With limited new stock entering the market and strong competition for prime assets, putting together a significant platform isn't easy.

Still, the diversity and depth of today's investor base signal a major shift, what was once a purely UK institutional play has grown to become a globally recognised opportunity.

"The market used to be owned by M&G, L&G, Aviva, Aberdeen," said Elviss. "And you're getting a lot more sophisticated and diverse base of investors now."

Columbia Threadneedle's team remains positive. The structural advantages of retail parks, their affordability and their flexibility have kept them resilient through turbulence. That's why the firm continues to back them, not just for the rebound, but for the long-term ride. As Elviss put it, "We know where we make money."

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