

MARKETBEAT RETAIL & LEISURE

Q3 2025

Better never settles

WHAT AWAITS IN 2026?

2025 has continued to serve as a significant year for the retail market in which virtually all sub sectors have been able to evidence recovery both in terms of investment and occupational activity. The sector remains firmly back on the radar for many investors with assets delivering compelling returns whilst major schemes continue to attract new openings from a host of exciting brands. However, as we approach 2026 optimism is being tempered by the reality of fiscal tightening during the November Autumn budget and continued caution around economic recovery and returning politically stability. Whilst it may be easy to view the market through a pessimistic lens, it's worth remembering that Q4 marks both an incredibly exciting, but also an important time for many of the retailers and F&B operators within the sector.

RAMPING UP RETAIL INVESTMENT

A number of key bell weather deals and the recent launches of prime schemes point to much improved conditions for prime and super prime retail assets. The improvement comes following a period of sustained focus on smaller lot sizes within the out of town and food store sectors. Improving attitudes from lenders are helping to encourage demand for higher lot sizes. Just as URW have closed out on their acquisition of a 25% stake in the regenerated St James Quarter, and a 50% share of the Bullring has traded, the market looks to be seeing higher activity for landmark schemes. Both this level of activity, and the general quality of assets, some of which considered landmark, is helping to attract and broaden investor interest in the sector.



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KEY TAKEAWAYS



A period of improving retail sales has helped to improve retailer sentiment as the market approaches the golden quarter. With retail sales volumes growing year on year for 3 consecutive months.



Supply has remained stable during 2025 at circa 8% with a marginal increase driven by some remaining retailer insolvencies, particularly for larger format retailers.



Total retail investment volumes remain inline with the long term Q1-Q3 average (+1%), despite a wealth of capital looking to deploy into the sector.



International new entrants, and expansion from Asian brands is inducing a new wave of global retail demand within the UK



Operators across the sector will be paying close attention to the November budget, looking to anticipate and mitigate against the likely impact on consumer market conditions in 2026.

ECONOMIC INDICATORS

	YOY Chg	12-Month Forecast
+0.51% RETAIL SALES VOL. YoY GROWTH	▲	▲
26.1% INTERNET SALES. PENETRATION RATE	▲	▶
-19 CONSUMER CONFIDENCE	▼	▶

PRIME RENTAL INDICES

	YOY Chg	12-Month Forecast
98.0 RETAIL PARK (Q4 2008 = 100)	▲	▲
87.7 SHOPPING CENTRE (Q4 2008 = 100)	▲	▲
136.3 HIGH STREET (Q4 2008 = 100)	▲	▶

Source: ONS, Gfk, C&W 2024

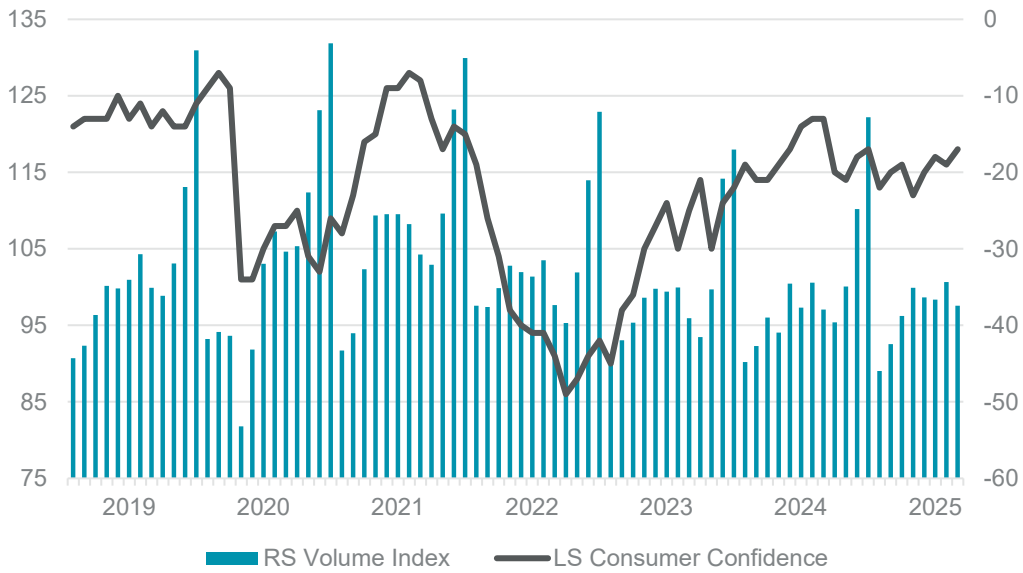
ECONOMIC CONDITIONS: WHAT COMES NEXT?

Despite reasonable levels of headline economic growth, with GDP growing by 0.3% between May and August versus the three months prior, the economic outlook continues to remain uncertain. Some positivity is to be taken in the short term from the latest indicators. Monthly GDP returned to positive territory in August and inflation data for September showed a degree of stability with CPI once again measuring in at 3.8%. Anticipation of tax rises in the forthcoming Autumn Budget are weakening sentiment, with the composite PMI falling to a barely expansionary score of 50.1, the manufacturing PMI sliding further to a contractionary score of 46.2 and consumer confidence worsening by two points to -19. Whilst sentiment often over-shoots real market conditions, the latest indicators may point to a softer economic environment and slowing recovery as we enter 2026. Should inflation remain sticky, and tax rises indeed be included within the next budget we may once again be faced with increasing levels of deal friction, and slower occupier take-up.

CONSUMER MARKET CONDITIONS:

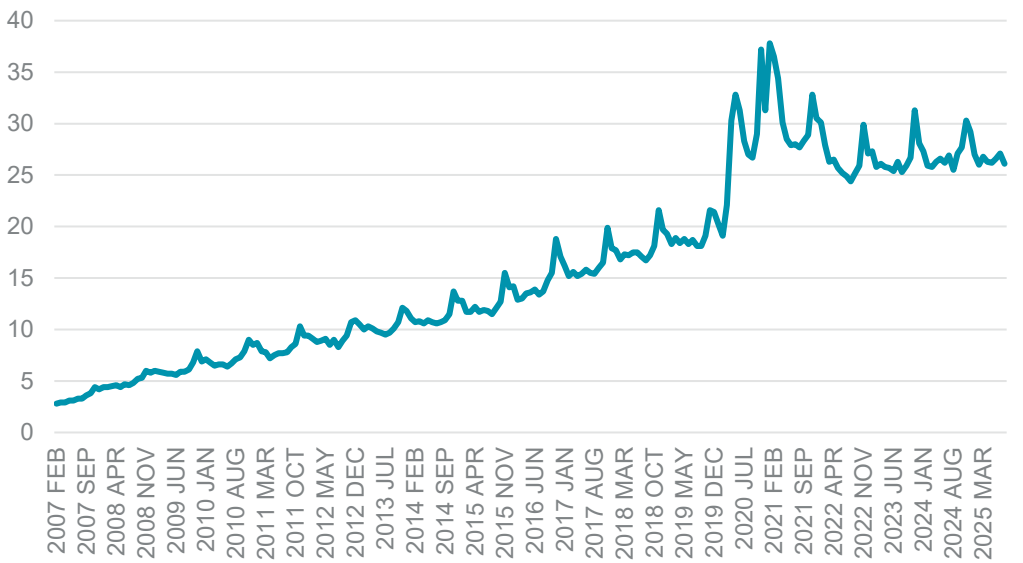
Consumer confidence weakened once again during September, reversing the improvement recorded in August. All five measures of consumer confidence recorded a decrease, with the largest impact being seen within the major purchase index, followed by both the personal and economic situation over the last 12 months. The latest data points to a significant slide in economic sentiment, largely attributable to anticipation of a higher tax environment following November’s budget announcements. Despite this retail sales performance remains relatively resilient, recording a 2.5% increase in average weekly sales value and a 0.51% increase in average weekly sales volumes relative to the same period last year. It is hoped that easing levels of inflation, a further interest rate cut, and of course extensive black Friday sales campaigns will help to support performance as we enter 2026.

RETAIL SALES VOLUME & CONSUMER CONFIDENCE



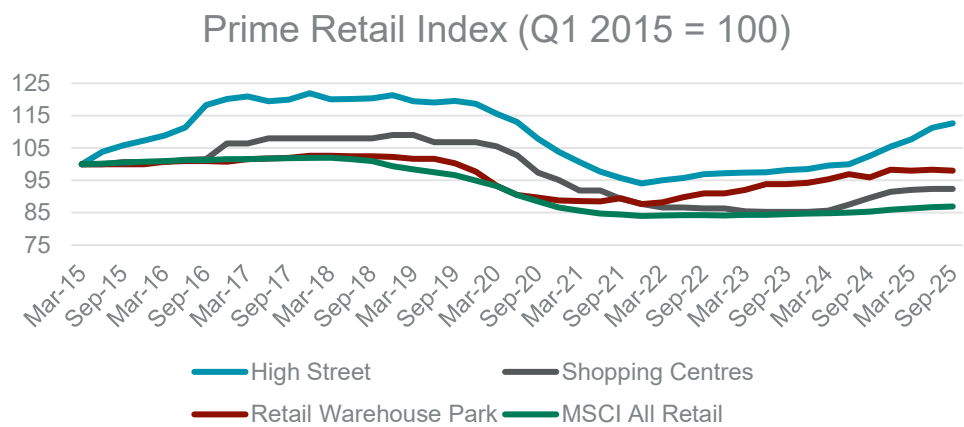
Source: ONS & GfK

ONLINE PENETRATION RATE (% OF TOTAL VALUE)



Source: ONS

RENTAL INDEX (Q1 2015 = 100)



VACANCY BY ASSET TYPE (FLOORSPACE %)



Source: MSCI

NATIONAL RETAIL: THE BEST AND THE REST

The occupational market continues to display its resilience with momentum remaining strong during Q3 despite challenging economic conditions. Whilst wide-spread expansionary activity remains limited to category leaders and international new entrants, more generally activity remains supported by the continued right-sizing of retail real estate. Owed to this stable level of demand, supply across the market has remained stable over the short term, with the MSCI – All Retail vacancy rate rising marginally from 8.1% to 8.2%. At a headline level however, supply remains structurally higher than during the same period last year in which vacancy was recorded at 6.7%, this comes as a result of a number of insolvencies within the last year. Insolvency and business failure remain to impact some segments of the market particularly for retailers operating from larger format stores such as Homebase and Carpetright. However, within prime national locations, activity remains strong which is keeping levels of supply healthy and in turn resulting in pockets of modest rental growth.

OUT OF TOWN RETAIL: STRONG DEMAND

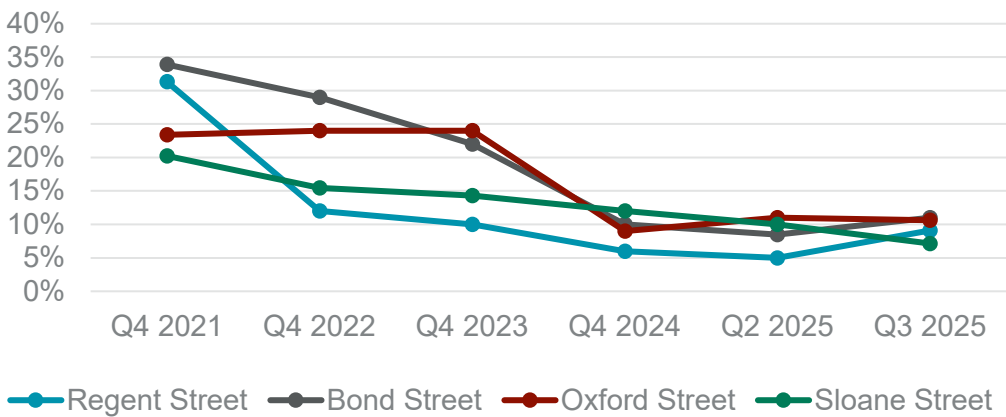
The retail warehouse market continues to enjoy strong trading, lower levels of vacancy, and strong occupier demand, owed to its more resilient budget and discount tenant line-ups. Activity continues to be underpinned by value-led consumer behaviour and the appeal of convenient and accessible retail formats. This means that across the wider market retail parks remain a standout, with institutionally held schemes reporting low and falling vacancy rates, and demand from both existing and new occupiers remaining robust. Owed to pockets of business failure, most notably Homebase, supply has increased marginally from 3.4% to 4.2% over the last 12 months. However, this is being driven by single larger units often on the periphery of parks. More generally the market has seen the reabsorption of space vacated by business failures at a healthy pace, with landlords increasingly turning to creative asset management strategies—such as subdividing oversized units, adding mezzanines, or repurposing car parks for pod units—to unlock additional lettable space.

IN FOCUS: MOMENTUM, MOVEMENT, & MARKETING

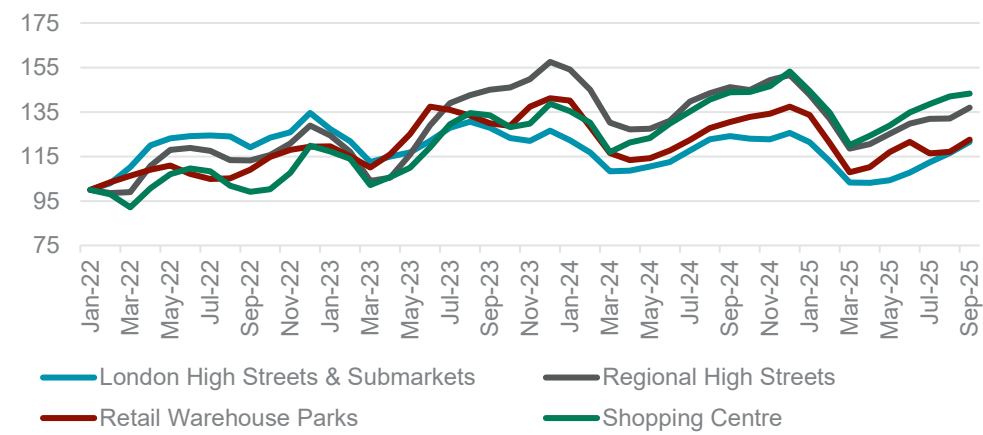
In 2025, brand collaborations and hype-driven marketing have become central to retail strategy, particularly among expansionary lifestyle and fashion brands like New Balance, On Running, Alo Yoga, and Havaianas. These brands are leveraging limited-edition drops, influencer partnerships, and cross-category collaborations to build buzz and drive footfall. The trend is especially strong in athleisure, footwear, and wellness categories, where consumers seek identity-driven products and immersive brand experiences. Flagship stores and pop-ups in high-footfall areas such as Soho and Covent Garden are being used as brand theatres—designed for social media engagement and community activation.

This shift is influencing real estate demand, with occupiers favoring flexible, high-spec units that support short-term activations and experiential retail. Landlords are responding by offering modular layouts, shorter lease terms, and enhanced tech infrastructure to accommodate dynamic retail formats. As hype marketing continues to shape consumer behavior, the ability to host agile, high-impact retail experiences is becoming a key differentiator for both occupiers and asset owners, particularly in urban retail environments.

SELECT LONDON AVAILABILITY RATES



FOOTFALL INDICES (JANUARY 2022 = 100)



CENTRAL LONDON RETAIL: STRONG OCCUPIER DEMAND AND LIMITED SUPPLY

Strong occupier demand and a continued lack of supply across the capitals key destinations continues to drive rental growth and asset performance. During 2025 demand continues to be driven by retailers upsizing or relocation to prime pitches, in turn limiting availability across key locations. Resilient demand from leading luxury brands and flagship new entrants are driving activity for key luxury streets such as New Bond Street and Covent Garden, whilst more broadly category leaders continue right size their real estate across the capital. As a result, vacancy across the capitals major four streets has reduced significantly since the end of 2021, with most locations now seeing less than 10% of space available, often located within a few units on the periphery of core streets and offering occupiers poorer quality pitches. The standard of fit-out and increasingly diversified use of floor space continues to provide premium customer experience across the capital.

FOOD & BEVERAGE & LEISURE: INCREASINGLY DYNAMIC DESPITE DOWNSIDE RISK

Throughout the year the F&B and Leisure markets have become increasingly dynamic, with pockets of fierce competition contrasting against a backdrop of challenging trading conditions and fast changing consumer preferences. Strong operators from across the sector continue expand aggressively particularly in the gourmet fast-food and grab and go sector, whilst more broadly casual and fast casual brands continue to re-align their real estate with wider market shifts. High quality operators such as the Ivy group, Wingstop and Dishoom continue to grow revenues or attract private financial backing, helping to fuel expansionary real estate activity. Despite cost pressures inner city diners particularly in London and other major cities remain relatively price-inelastic helping to sustain operator performance. Undoubtedly however, close attention will be paid to the upcoming November budget, as operators look to mitigate against a potential weakening in consumer market conditions and looking to continue their rollout of cost-mitigation strategies.

WHATS HOT?



Homeware, Gifting & General Retail

The strength of the homeware gifting and retail sector is playing out within major out of town retail parks and shopping centres. The homeware sector is seeing increased activity as it expands through smaller store formats, and non-typical locations.

Fashion & Footwear

Although fashion sales remain muted, a number of brands have seen momentum rally during 2025. This includes brands undergoing a resurgence and seeing a renewed interest having previously fallen out of favour with consumers. More broadly rationalisation and right-sizing continue to drive activity.

Health, Wellness & Beauty

The Health Wellness & Beauty sector remains buoyant, with companies scaling and expanding into large cities and major shopping centre schemes. A renewed focus on wellbeing post pandemic is helping to fuel demand from the sector as it approaches maturity.

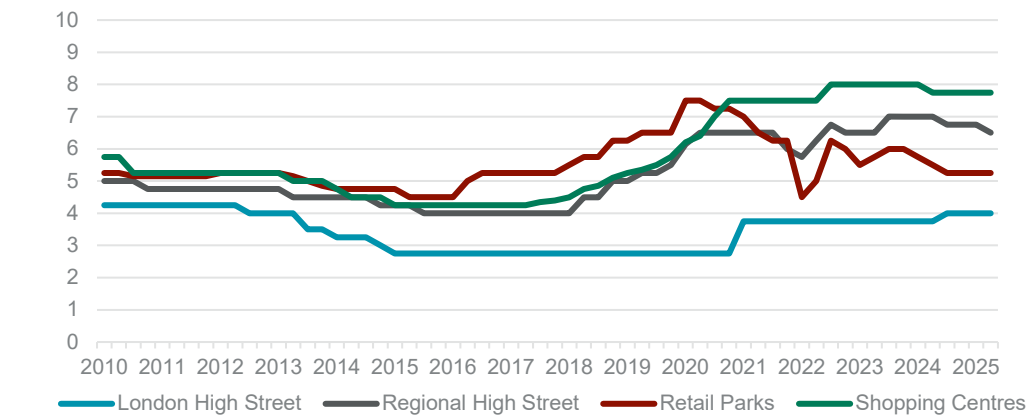
Luxury

The Luxury market has been less affected by the inflationary pressures and muted consumer market than other categories – although there are headwinds coming. This has seen activity sustain along key luxury retail corridors such as Bond Street and Sloane Street.

Food, Beverage & Leisure

Many operators continue to focus on safeguarding business performance in the face of elevated costs. Activity remains subdued, with expansionary activity largely limited to experiential leisure and the premium quick serve sector.

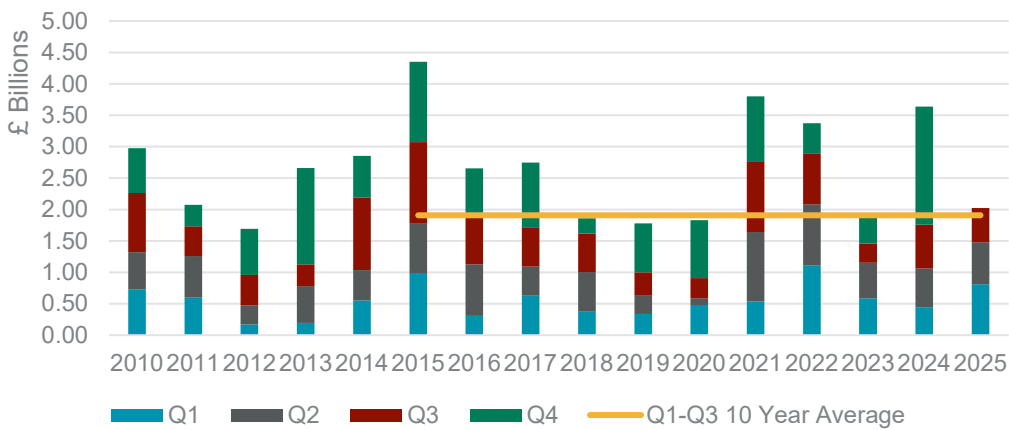
PRIME YIELD BY TYPE (NIY %)



INVESTMENT MARKET OVERVIEW: FUNDAMENTALS POINT TO RETAIL RENAISSANCE

The retail market remains a stand-out sector from an asset performance perspective with pricing having now stabilized, and some sub sectors offering compelling income growth opportunities. This in turn is encouraging strong levels of investor interest, helping to drive liquidity and support pricing. This means there is currently a significant amount of dry-powder targeting prime assets across the various sub-sectors. Despite the economic environment a good depth of buyers is helping to support pricing levels resulting in strong levels of competition for those assets currently on the market. Perhaps the most buoyant segment of the market remains core+ in which a wealth of capital continues to focus on limited supply and a lack of deliverable stock. Whilst strong fundamentals and a positive outlook mean the retail market is well positioned as we enter 2026, recent activity points to modest volumes and a potential stalling in the momentum seen through H1's relatively robust levels of transactional activity.

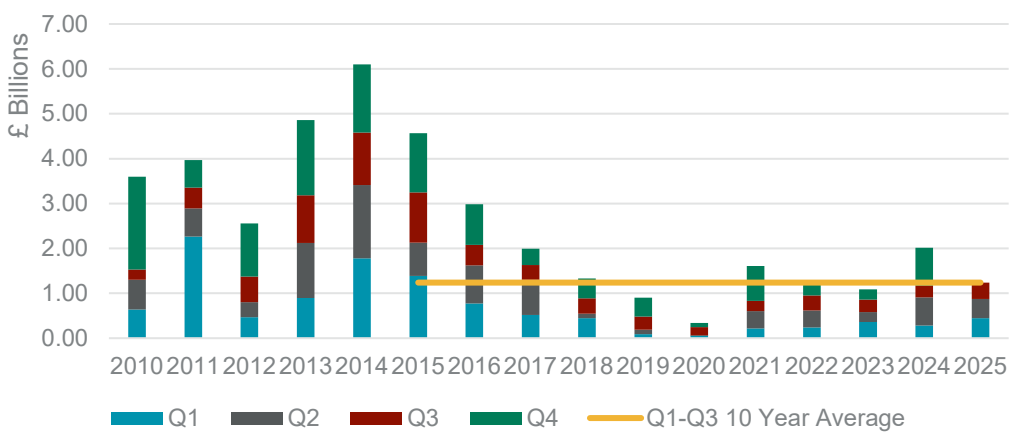
OUT OF TOWN INVESTMENT VOLUME (£B)



OUT OF TOWN INVESTMENT: STRONG PERFORMANCE, AND DEEP BUYER POOL

Out of town investment volumes fell to £545m during the third quarter of 2025, representing an 18% reduction on the volume recorded during Q2 and a fall of 22% versus Q3 2024. Despite this a strong H1 means that total investment into the sector during Q1-Q3 is 15% higher than at the same point last year, and 6% ahead of the 5-year pre-pandemic average. The most active buyer remains Realty who have continued to aggressively expand exposure to the segment in recent years. This demand is being complimented by traditional institutional investors such as Schrodgers, British Land, and DTZ Investors, who continue to actively search for best in class and prime locations offering strong fundamentals. Pricing remains stable with a range of entry points available to investors looking to deploy capital within the sector, strong performing schemes benefitting from a food retail anchor continue to see the lowest yields, particularly when indexed.

SHOPPING CENTRE INVESTMENT VOLUME (£B)



SHOPPING CENTRE INVESTMENT: LIMITED SUPPLY, BUT STRONG FUNDAMENTALS

Improving attitudes to lending into the sector is helping to support interest in the shopping centre market from a wide range of investors. The markets top centres continue to offer attractive rental growth prospects, and short term pricing stability may signal a potential turning point for the sector. Despite this market activity has continued to be limited by a lack of investment grade supply in recent quarters, which in places has seen frustration amongst some buyer pools. Total shopping centre investment fell to £364m during the third quarter of 2025, a 14% reduction on the volume recorded during the previous quarter, although 38% higher than during Q3 2024. These modest levels of activity mean that investment remains broadly in line with the long term Q1-Q3 average, although it is felt improving levels of supply in 2026 may help to drive market activity.

MARKET STATISTICS Q3 2025

SUBMARKET	£ PSF ZONE A YR	% RENTAL GROWTH YOY	PRIME YIELD (%)	Yield Shift BPS YoY
London (City)	250	4%	4.25	0.00
London (West End – Bond Street)*	2,750	20%	3.00	0.00
London (West End – Oxford Street)*	750	11%	4.00	25.00
Manchester High Street	240	2%	7.00	0.00
Birmingham High Street	195	5%	7.00	0.00
Leeds High Street	155	8%	7.00	0.00
Bristol High Street	85	0%	7.00	0.00
Cardiff High Street	140	4%	7.00	0.00

KEY INVESTMENT TRANSACTIONS Q3 2025

Property	Location	Buyer	SQFT	Price (£m)	Yield
Bullring (50% Stake)	Birmingham	Hammerson	1,300,000	£319m	7.1
Manchester Fort	Manchester	PGIM	326,251	£90m	7.25
Newcastle Shopping Park	Newcastle	Orchard Street	233,214	£40.5m	7.15
Bracknell Tesco	Bracknell	Supermarket Income REIT	72,862	£50.1m	6.15
Eagle Portfolio	Portfolio	Realty Income	752,118	£142m	7.35

Source: RCA & C&W

*Renewals not included in leasing statistics, *Bond Street & Oxford represent Zone A for 30ft Zones, remainder represent 20ft.



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