CUSHMAN & WAKEFIELD

MARKETBEAT
RETAIL & LEISURE
Q4 2025

Better never settles

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WHAT AWAITS IN 2026?

The UK retail market enters 2026 with renewed momentum and growing confidence. Last year saw resilient trading from major retailers, further strengthening in occupier demand, and a steady uplift in investment activity. 2025 saw a number of retailers reaffirm their commitment to physical first retail strategies. Many brands continued to elevate the in-store experience, investing heavily in premium fit-outs and experiential formats to differentiate themselves in an increasingly competitive landscape. Despite further headwinds as we move into 2026, the retail sector appears set for continued improvement, supported by stabilising macro-economic conditions, easing inflation, and sustained appetite from both occupiers and investors.

OUTPERFORMANCE SHIFTING PERCEPTION

2025 saw the retail market rise to the top of the performance charts, posting strong returns, and buoyed strong income growth across a range of all sectors. Having previously seen a number of investor groups reduce allocations to the sector, 2025 highlights once again the value proposition of the retail asset class and array of opportunities on offer to investors. Much improved financial market conditions, increasing competition between lenders into the sector, and renewed vigour within the occupational markets points to an exciting year ahead. With the sector offering a range of entry points, and a variety of investment product available we anticipate to see an increase in volumes, and a growing number of re-entrants into the market. Investors and analysts alike will be closely watching the deal pipeline as we proceed through the first half of the year.

Dominic Bouvet
International Partner
Head of UK Retail & Leisure
dominic.bouvet@cushwake.com
+44 (0) 7970 380 025

Marcus Wood
International Partner
UK Retail & Leisure Investment
marcus.wood@cushwake.com
+44 (0) 7979 245 430

KEY TAKEAWAYS

- Retail sales volumes improved during both November and December, growing by 5.25% and 0.05% versus the same period last year.
- Supply remains constrained across a number of sub sectors. The MSCI all retail average contracted to 7.5% during December down from 7.8% last quarter. Although many prime locations remain below this.
- Total retail investment reduced by 24% during 2025, falling to £5.4bn, as strong demand remains limited by low levels of investment grade supply.
- International new entrants, and expansion from Asian brands is inducing a new wave of global retail demand within the UK
- Retailers will continue to exercise caution in 2026, as further operational cost pressures over-shadow an otherwise resilient consumer market.

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ECONOMIC INDICATORS

	YOY Chg	12-Month Forecast
+0.05% RETAIL SALES VOL. YoY GROWTH	▲	▲
29.3% INTERNET SALES. PENETRATION RATE	▲	▶
-17 CONSUMER CONFIDENCE	▶	▲

PRIME RENTAL INDICES

	YOY Chg	12-Month Forecast
97.9 RETAIL PARK (Q4 2008 = 100)	▲	▲
95.0 SHOPPING CENTRE (Q4 2008 = 100)	▲	▲
147.6 HIGH STREET (Q4 2008 = 100)	▲	▶

Source: ONS, Gfk, C&W 2024

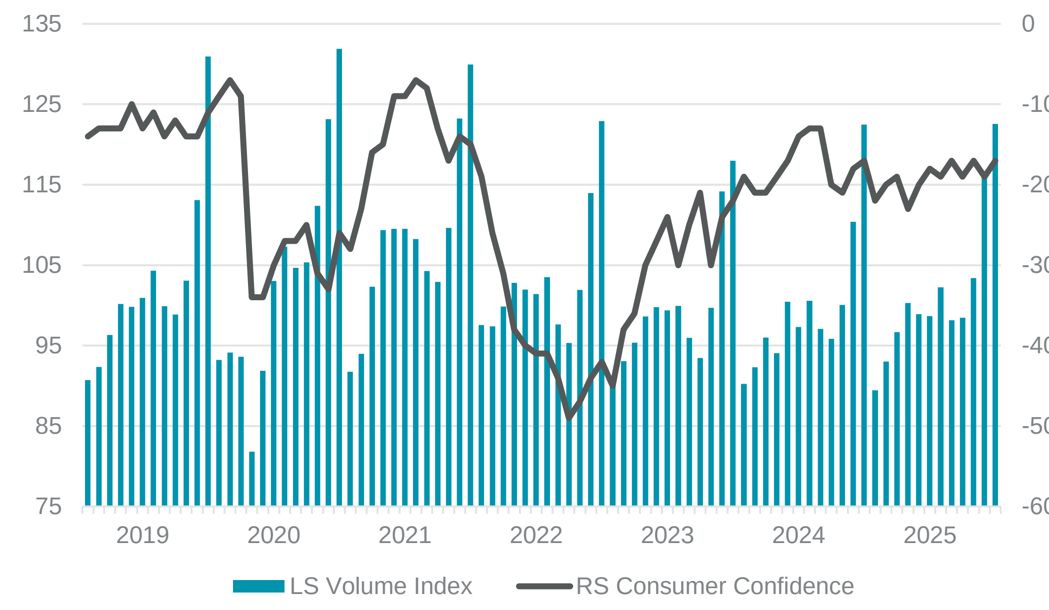
ECONOMIC CONDITIONS: MEANINGFUL GROWTH IN 2026?

Whilst low economic growth and concerns around lingering inflation continue to weigh on markets, we enter 2026 with an improved position relative to 12 months ago. Economic growth returned to positive territory during November 2025, posting a meagre 0.1% improvement and having registered no growth in the three months to October. Improvement was driven by the services sector, which helped to offset a minor contraction in manufacturing and construction output. The latest CPI data points to another rise in inflation, with an annual rate of 3.4% largely cited as a temporary surge. Many economists remain confident in the economy's ability to gradually ease away from the recent summer spike, making way for further rates cuts in 2026. Despite the recent spike in inflation and a continued slowing in annual real wage growth, real incomes continue to grow, with 0.8% registered during November. Slowing real wage growth combined with a softening in labour market conditions are likely to further ease inflationary pressures, providing further head room for rates cuts during 2026.

CONSUMER MARKET CONDITIONS: FROM RESILIENT TO REVIVAL?

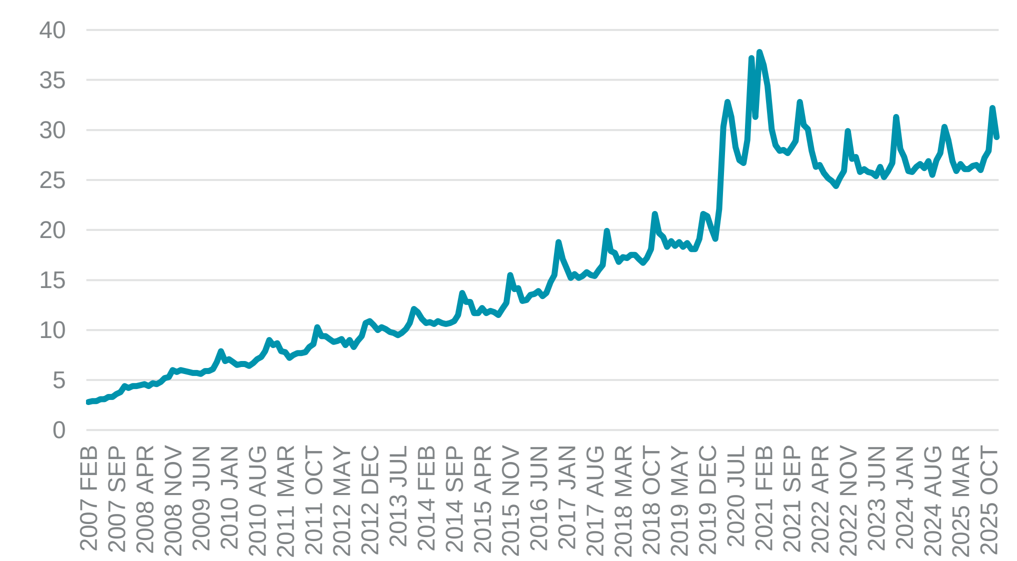
Consumer confidence has remained volatile in recent months with the latest data pointing to a two point improvement and index score -17. The improvement comes as a result of a four point uplift within the major purchase index and a 3-point improvement in the economic situation components of the index. Despite this continued volatility, retail sales performance has remained robust throughout 2025, with average weekly sales volumes improving by 5.5% year on year during November, and December outperforming last year's volume by 0.05%. Strong results throughout the golden quarter add to positivity from earlier in the year, with average weekly sales volumes consistently outperforming 2024 throughout the year. Black Friday and Cyber Monday sales events once again saw consumers take flight to online marketplaces in November, with the online penetration rate reaching 32.2%, and average weekly internet sales rising to £3.4 billion, growing by 13% year on year.

RETAIL SALES VOLUME & CONSUMER CONFIDENCE



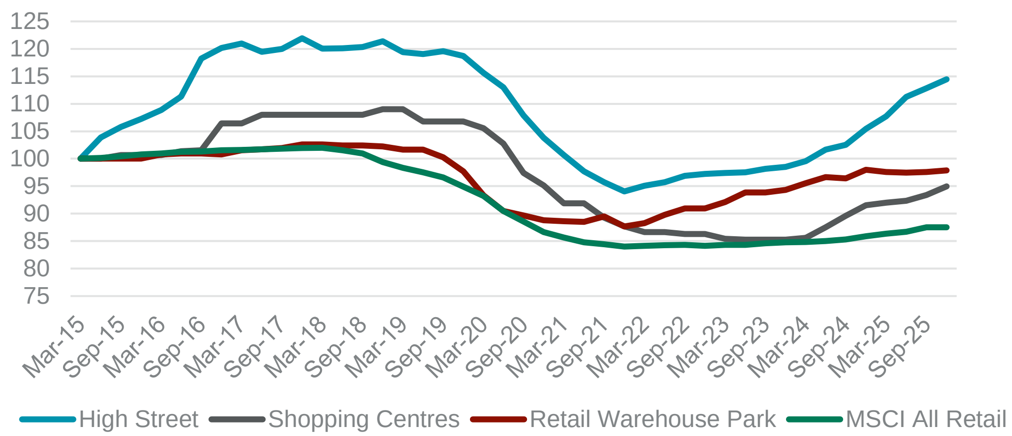
Source: ONS & GFK/Nielsen

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

National occupier market conditions remain robust, with the market continuing to benefit from a depth of both returning brands and demand from exciting new market entrants. Improved consumer market conditions has enabled some retailers to re-start significant portfolio strategies and is helping to drive market activity. H2 2025 saw sustained activity across major schemes, ranging from exciting new flagship stores, further relocations and upsizing, and the launch of multiple concept stores. After a number of years in which retailers have sought to invest significantly in digital marketplaces and omni-channel retail, market activity now points to a renewed focus on real estate portfolios. As a result, asset managers are increasingly seeking to balance delivering centre performance and income growth whilst enhancing customer experience and delivering new to market brands. Despite an increase in the MSCI national shopping centre vacancy rate, vacancy levels across the countries major schemes remains stable.

OUT OF TOWN RETAIL: STRONG DEMAND

Consumer behavior and lingering household caution continue to support demand within the out of town retail sector. Throughout 2025 the sub sector has continued to attract significant interest both from brands typically associated with prime high streets and major shopping centre locations. Furthermore a steady line up of new entrants including some international brands continues to complement this demand. Despite persistent competitive tension, prime headline rental growth cooled across the major schemes during 2025, with a number of fully let schemes and increasingly limited supply limiting the volume of new deal evidence needed to support further growth. Prime parks benefitting from a strong food anchor and varied line up of value retailers continue to dominant occupier focus, with a number of key schemes continuing to improve brand line-ups and increasingly using smaller format voids to provide variety and enhance off-peak footfalls. The MSCI retail warehouse park index points to vacancy of 3.8%, with a number of the Top 50 schemes now becoming fully let. As a result we continue to see a number of landlords continuing to sub divide larger units and adding to schemes through the instalment of modular pod spaces and complimenting major national brands with local retailers and services.

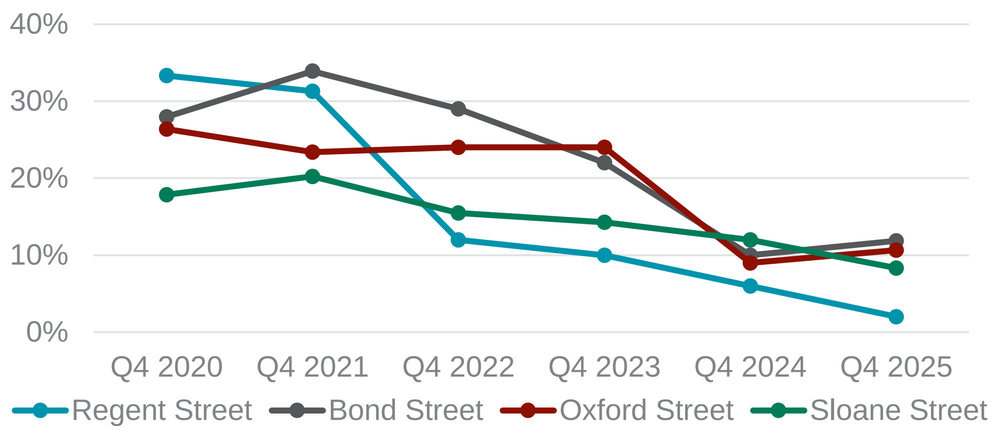
IN FOCUS: TRADING UPDATES & 2026 RETAILER OUTLOOK

Trading results during early 2026 point to a strong quarter for a number of key anchor tenants across the sector. Notable retailers posting strong trading results include; Next, The Cotswold Company, OKA, Levis, White Stuff, Pandora and Ocado. This year's trading results point to improved performance particularly within premium segments and the homeware categories, aided by a normalization in consumer market conditions and easing attitudes towards big ticket spend. Strong performance from key anchors during the final quarter, will drive further activity following improved consumer spending in 2025.

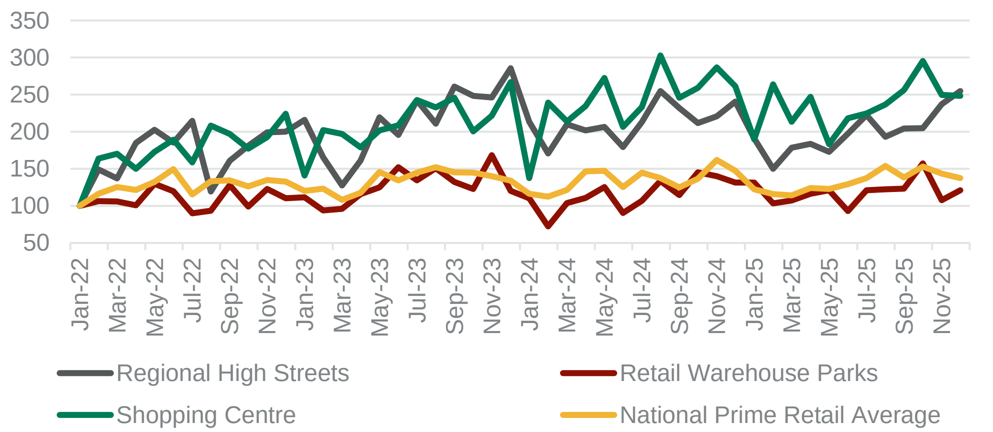
UK retailers have increasingly shifted their focus toward **protecting profitability**, responding to persistent cost pressures including higher labour costs, rising national insurance contributions, and elevated operating expenses. Many operators are entering 2026 with the goal of prioritising margin preservation over headline sales volume and revenue growth, this comes as retailers increasingly seek to sure up balance sheets, gradually moving away from aggressive promotional and price competitive strategies. Notably those retailers posting muted sales growth largely attribute such results to fast moving market conditions, with a number of brands noting an erosion of market share particularly to competitors focusing on product innovation and customer experience. This has been most pronounced within the highly competitive lifestyle and active wear segments.

Source: ONS, Oxford Economics, C&W

SELECT LONDON AVAILABILITY RATES



FOOTFALL INDICES (JANUARY 2022 = 100)



CENTRAL LONDON RETAIL: STRONG OCCUPIER DEMAND AND LIMITED SUPPLY

Occupier demand across Central London remained resilient through Q4 2025, although the wider market displayed clearer signs of caution as cost pressures and fragile sentiment continued to weigh on retailer decision-making. Despite this softening backdrop, prime Central London retail continues to outperform. Demand within the capital remains buoyed by it's strong international draw, and see's the best streets still characterised by constrained availability and continued competition for high-quality space. Availability remains tight across major Central London destinations, with most vacancy concentrated in secondary or fringe pitches. Both Sloane Street and Regent Street both seeing further contractions throughout the course of 2025. The MSCI monthly indices points to a vacancy rate of 6.8% across institutionally held assets, whilst proprietary C&W data points to a lower average rate of 3% across seven key streets. Luxury and flagship brands remain the core drivers of leasing activity, particularly on key streets such as New Bond Street and Covent Garden. Notable market activity includes openings by Kith, Guinness Storehouse, Rituals, Gap, and a number of new boutique brands.

FOOD & BEVERAGE & LEISURE: INCREASINGLY DYNAMIC DESPITE DOWNSIDE RISK

The UK F&B and leisure sector became more polarised through Q4 2025, with performance diverging sharply between resilient operators and those struggling against tightening consumer conditions. While mid-market casual dining chains continued to rationalise their estates, the quick-service and fast-food segments remained relative outperformers, benefiting from rebounding customer traffic over the second half of the year. Operators continue to navigate tough trading conditions whilst seeking to protect operating margins and profitability. Concern around the November Budget and rising wage and input costs continue to influence operators' real estate strategies heading into 2026. Many brands intensified rollout of cost-mitigation measures, reviewed unit economics, and prioritised locations with proven footfall resilience, particularly in major cities such as London where diners showed continued relative price-inelasticity.

WHATS HOT?

IKEA, SØSTRENE GRENE, M&S, MANGO, UNIQLO, edikted, pureseoul, SPACE NK, alo, RIMOWA, miu miu, HERMÈS PARIS, Yard Sale, SIX by NICO, Dave's Hot Chicken

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.

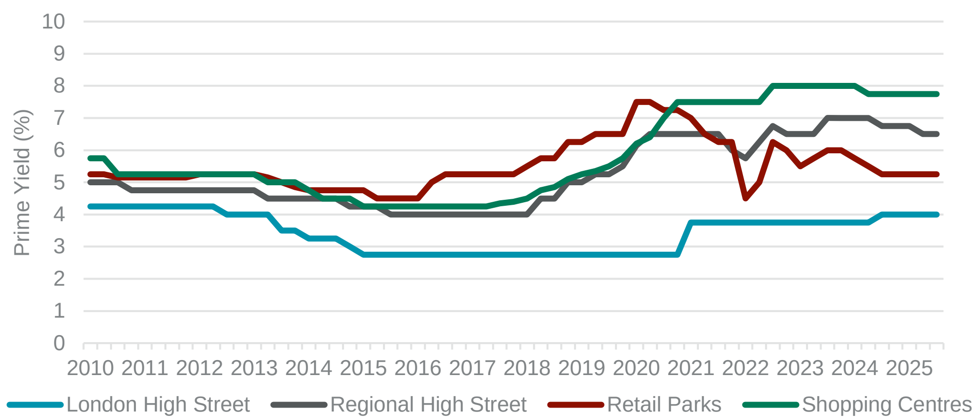
Luxury

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.

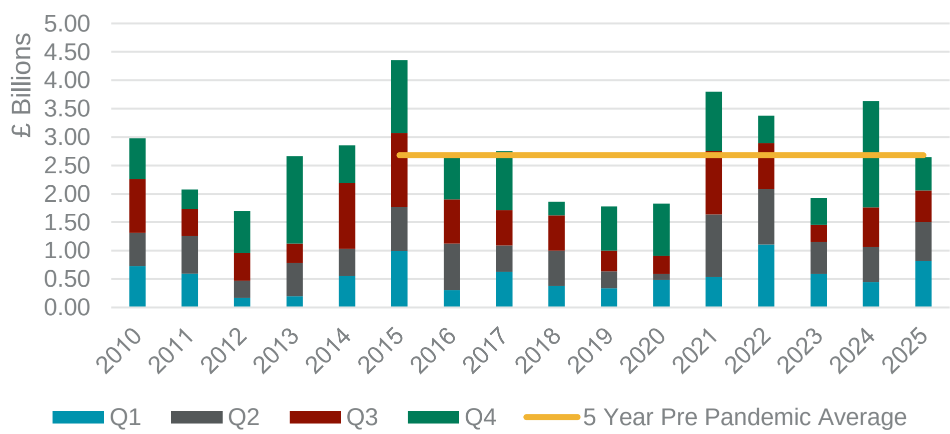
Food, Beverage & Leisure

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.

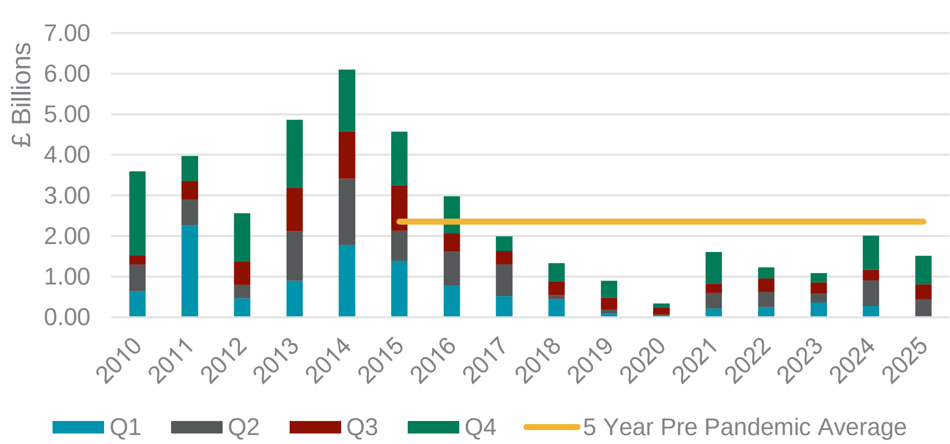
PRIME YIELD BY TYPE (NIY %)



OUT OF TOWN INVESTMENT VOLUME (£B)



SHOPPING CENTRE INVESTMENT VOLUME (£B)



INVESTMENT MARKET OVERVIEW: FUNDAMENTALS POINT TO RETAIL RENAISSANCE

2025 saw the retail sector rise to the top, with strong performance being driven by high levels of income growth with the MSCI Quarterly Index pointing to annual total returns of 9.4% during November 2025, and outperforming the All Property index values. Strong asset-level performance across all subsectors is driving investors to re-examine sector allocations, and has seen investor appetite vastly improve during the last 12 months. Debt availability and pricing from major lenders is also much improved, and will aid liquidity and further performance upside during 2026. Despite such strong levels of outperformance investment activity remains muted having fallen to £5.3 billion from £7bn during 2024, a contraction of 24% and 8% below the pre-pandemic average. Whilst strong conviction around the sector persists, the investors looking to deploy within the sector continue to grapple with an absence of accessible opportunities.

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

Out of town investment fell to £585m during the final quarter of 2025 representing a 5% improvement on the Q3 value, but falling short of the Q4 2024 volume. Annual investment volumes totaled £2.6bn a contraction of 27% on the previous year, as portfolio volumes cooled following a buoyant 2024. Strong asset performance, and conviction from major investors continues to see competitive tension and rising prices for those assets bought to market. Market activity has been dominated by realty, who accounted for approximately 31% of total activity across the subsector. This demand is being complimented by traditional institutional investors such as schroders, 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: LIMITED SUPPLY, BUT STRONG FUNDAMENTALS

Market fundamentals continue to support improving levels of shopping centre investment despite muted volumes. Shopping centre investment volumes rose during the final quarter of 2025, with circa £700m trading, an improvement of 91% on the Q3 volume. Despite this the total annual volume fell to £1.5 billion during the year, impacted by an absence of quality assets trading particularly during Q1. Rebased values, strong asset performance, and consumer trends continue to aid recovery in the sector. Although the supply of quality prime shopping centres remain constrained in 2025, it is expected that 2026 will see a significant uplift in investment activity as investors look to exit in strong performing locations.

MARKET STATISTICS Q4 2025

SUBMARKET	£ PSF ZONE A YR	% RENTAL GROWTH YOY	PRIME YIELD (%)	Yield Shift BPS YoY
London (City)	250	11%	4.25	0.00
London (West End – Bond Street)*	2,750	20%	3.00	0.00
London (West End – Oxford Street)*	775	11%	4.00	25.00
Manchester High Street	250	7%	7.00	0.00
Birmingham High Street	195	3%	7.00	0.00
Leeds High Street	160	17%	7.00	0.00
Bristol High Street	90	0%	7.00	0.00
Cardiff High Street	145	4%	7.00	0.00

KEY INVESTMENT TRANSACTIONS Q3 2025

Property	Location	Buyer	SQFT	Price (£m)	Yield
The Oracle Shopping Centre (50% stake)	Reading	Hammerson	820,000	£104m	7.5%
Goldstone Retail Park	Brighton	Swiss Life	81,000	£43.5m	5.15%
Asda 10 Unit Portfolio	Portfolio	Supermarket Income REIT	Portfolio	£196m	7.4%
The Lexicon	Bracknell	Reality Income Corp	1,000,000	£140m	9.2%
Cantium Retail Park	London	DTZi	71,000	£48.5m	4.85%

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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EDWARD BAVISTER
Head of UK Retail & Leisure Research
edward.bavister@cushwake.com

DOMINIC BOUVET
Head of UK Retail & Leisure
dominic.bouvet@cushwake.com

MARCUS WOOD
Head of UK Retail & Leisure Capital Markets
marcus.wood@cushwake.com