

MARKETBEAT RETAIL & LEISURE

Q1 2026

REALIGNMENT & RE-ENGAGEMENT CONTINUE TO DRIVE ACTIVITY

Both the occupier and investment market have continued to benefit from realignment and re-engagement in 2026. Following the material and sustained improvement in trading conditions across the majority of categories during 2025, market activity in recent quarters points to the combination of slowing levels of rationalisation and insolvencies, and higher levels of take-up and real estate activity. For retailers this is driving quality led expansions, significant up-sizing within prime locations and continued relocation activity. This in turn has driven strong occupier market fundamentals, and helped support sustained income growth, further supporting the attractiveness of the sector to a growing number of investors.

FURTHER UNCERTAINTY CASTS SHADOW OVER SECTOR PERFORMANCE

Having entered 2026 with notable momentum and a renewed sense of optimism, the retail market must once again carefully navigate a highly uncertain and inflationary economy. The outbreak of the Iran War on the 28th of February has induced another highly inflationary economic shock, and destabilized what had been a much improved economic outlook and fast recovering consumer market. Whilst real estate remains sensitive to energy inflation risk and further interest rate and yield volatility, for many retailers the conflict presents another drag on the recovering consumer market conditions and improved trading. For many households and consumers, who have now endured an extended period of inflationary pressures, down-side risk once again persists and may drive an increase in household savings and lower levels of retail spend. From an investment perspective, although volumes remain constrained by low availability, core & core + investor appetite remains firm, with little sign of outward pricing movement since the outbreak of the war.



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KEY TAKEAWAYS



Consumer market continues to rally following sustained improvement during 2025. Both sales values (+4.6%) and volumes (+3.3%) remain in expansionary territory as households remain resilient.



Supply remains constrained across a number of sub sectors. The MSCI all retail average contracted to 7.1% during February down from 7.5% last quarter. Although many prime locations remain below this.



Total retail investment falls to £1bn during Q1 2026, 4% lower than during Q1 2025, as activity falls sharply during early 2026. Low availability continues to constrain activity.



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



Retailers will continue to monitor the impact of re-surfacing inflation, as down-side risk once again likely to weigh on real estate decision making.

ECONOMIC INDICATORS

	YOY Chg	12-Month Forecast
+3.33% RETAIL SALES VOL. YoY GROWTH	▲	▲
27.5% INTERNET SALES. PENETRATION RATE	▲	▶
-21 CONSUMER CONFIDENCE	▼	▶

PRIME RENTAL INDICES

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

Source: ONS, Gfk, C&W 2024

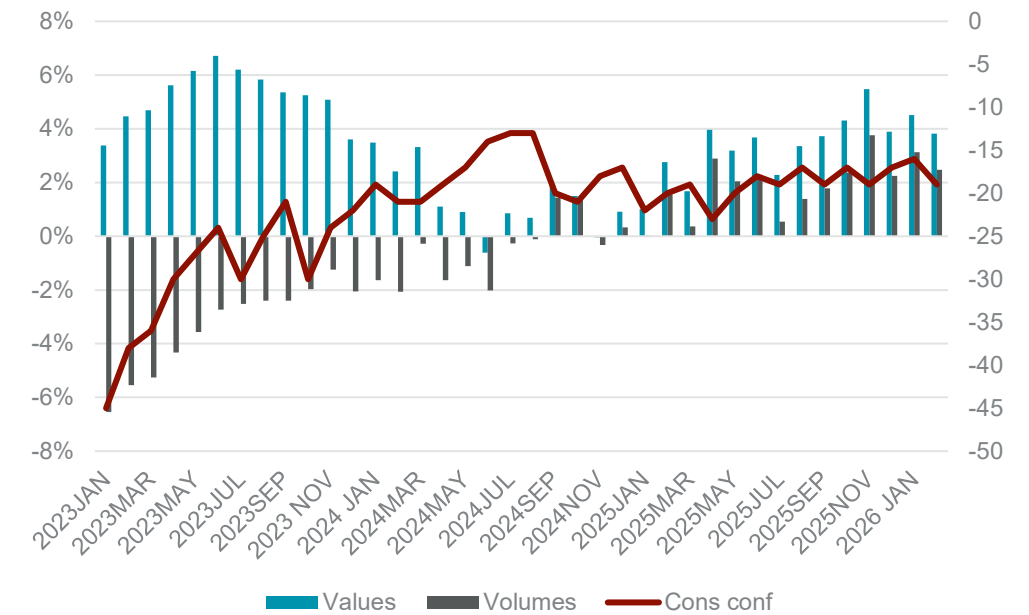
ECONOMIC CONDITIONS: MUTED GROWTH & UNCERTAIN OUTLOOK

Muted economic growth has continued during 2026, with the economy growing by 0.2% in the three months to January versus the previous 3-month period, and the monthly estimates showing a continued deceleration in the monthly figures through to January. Despite muted headline figures being affected by a contraction in construction output, both services and production output remained in positive territory whilst the UK composite PMI remained in expansionary territory despite a sharp decrease. February's CPI data points to stabilisation in the headline index at 3%, following a recent spike to 3.8% during summer 2025. Inflation of course is expected to rise sharply due to the Iran conflict which has seen Brent Crude Oil prices reach a peak of circa \$110/barrel. Households have been impacted almost immediately, faced with higher prices at the pump and a significant hike in the price of air travel. When combined with a deceleration in real wage growth, the latest economic developments undoubtedly will weigh on both sentiment and retail spend in the short term.

CONSUMER MARKET CONDITIONS: FROM RESILIENT TO REVIVAL?

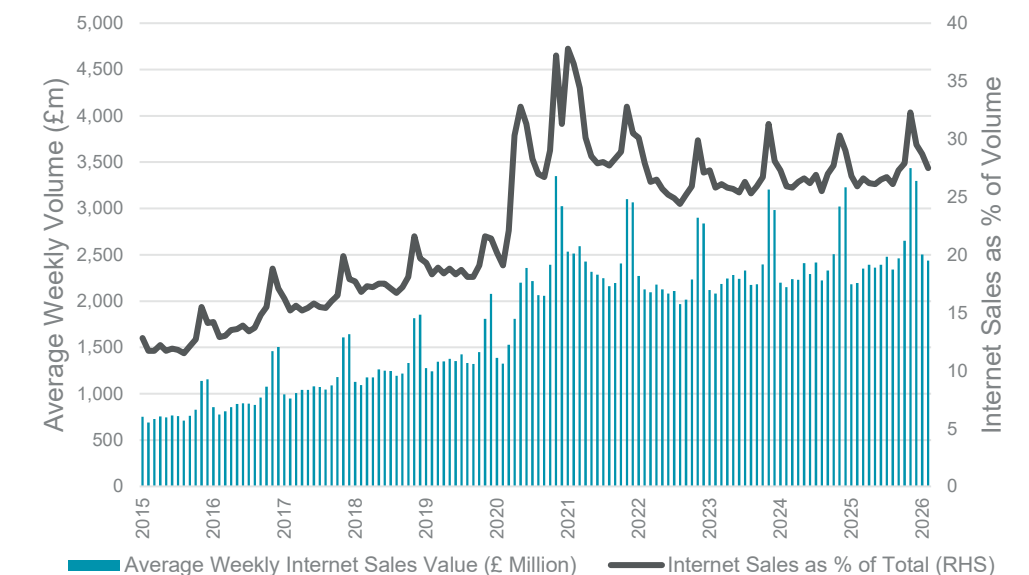
The March consumer confidence score saw a two-point contraction to -21, and the lowest score since April following what had been an 18-month high as we entered the new year. Consumers are once again understandably cautious about the economic outlook, and how recent developments will impact personal finances. The major purchase index has also continued to fall now at -18 having been at -10 during January. Despite the jaded economic outlook, consumer market conditions have proven resilient in recent months. Both retail sales values and volumes have remained in positive territory with volumes seeing consistent annual growth for 15 months, and 18 months for values. Data from the ONS for February points to a 3.4% increase in seasonally adjusted retail sales volumes versus February last year. The online penetration rate remains stable at 27.5% of all sales, having fallen back from its typical black Friday and Christmas related November peak. Whilst undoubtedly the economic and consumer market outlook remains uncertain, retailers can take some confidence from recent momentum and the proven resilience of households.

RETAIL SALES VOL & VAL YOY & CONS. CONFIDENCE



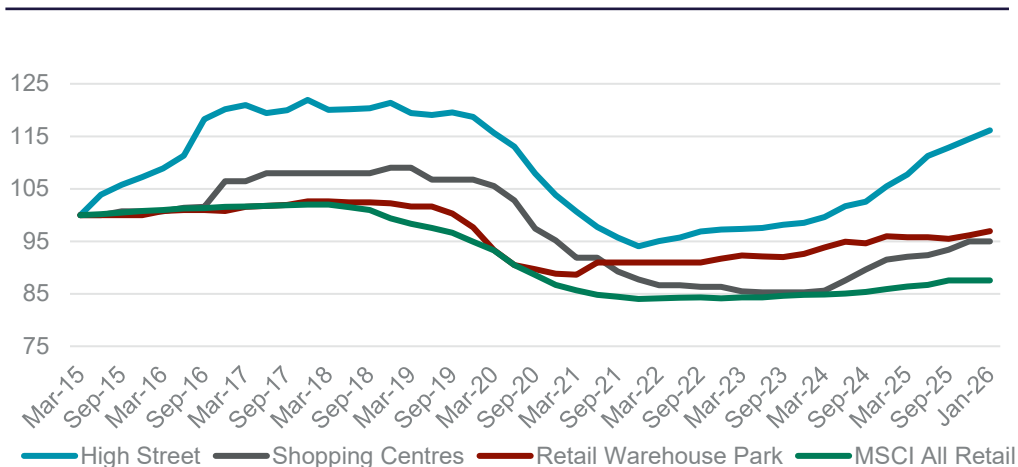
Source: ONS & GFK/Nielsen

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 resilient, underpinned by sustained demand from both returning brands and a growing cohort of new and international market entrants. Improving consumer spending trends through late-2025 and early-2026, supported by easing inflation and a release of pent-up demand, have enabled a number of retailers to re-start medium-term portfolio strategies, contributing to an increase in leasing momentum across prime retail destinations. After several years in which retailers prioritised investment in digital channels and omni-channel capability, current occupier behaviour points to a renewed emphasis on optimising physical store portfolios, particularly in dominant schemes capable of delivering footfall and dwell time. Healthy competition for space across the market is helping to maintain rental growth, with national shopping centre rents now showing growth of circa 3% year on year whilst prime regional high streets have seen circa 3.7%. As a result of returning competitive tension, asset managers are increasingly focused on balancing income growth and centre performance with investment in customer experience, placemaking and the attraction of first-to-market brands

OUT OF TOWN RETAIL: STRONG DEMAND

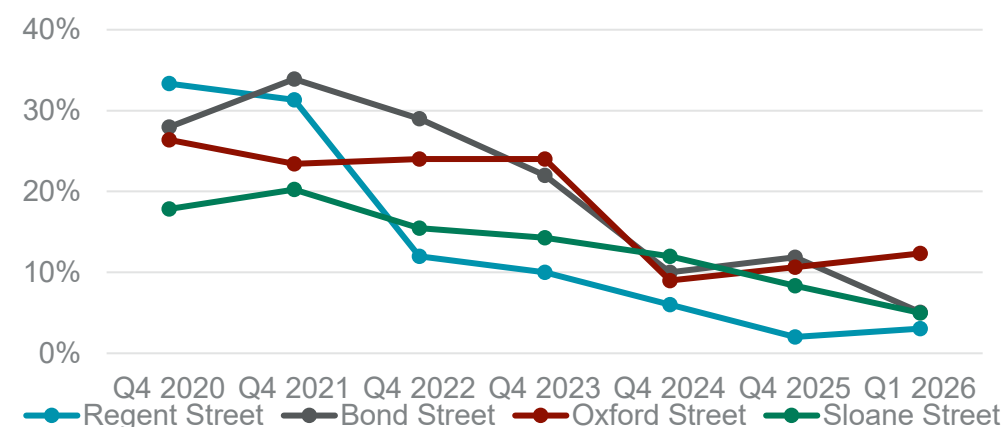
Throughout early 2026 the subsector has continued to attract sustained interest from retailers traditionally associated with prime high streets and dominant shopping centres, alongside a steady flow of new entrant including a number of international and digitally native brands. This breadth of demand has supported high levels of occupancy across leading schemes, with vacancy rates remaining low across most prime parks. Although competitive tension remains high the sector has seen moderating rental growth in recent quarters with prime headline rents across major parks stabilising with headline rental growth falling from a peak of 3.5% at the end of 2024 to 1.2% as of Q1 2026. This comes as limited supply and a growing number of fully let assets continues to constrain the volume of new lettings available to evidence further upward movement. Landlords across several key schemes have continued to actively refine tenant mixes, increasingly repurposing smaller format voids to introduce complementary operators, services and leisure uses, supporting footfall resilience and enhancing off-peak trading performance. Where existing voids persist we continue to see some landlords sub-dividing over-sized space or integrating modular pod space to help accommodate these changes.

IN FOCUS: “GENERATIONAL” CHANGES & ACCESSING GEN-Z

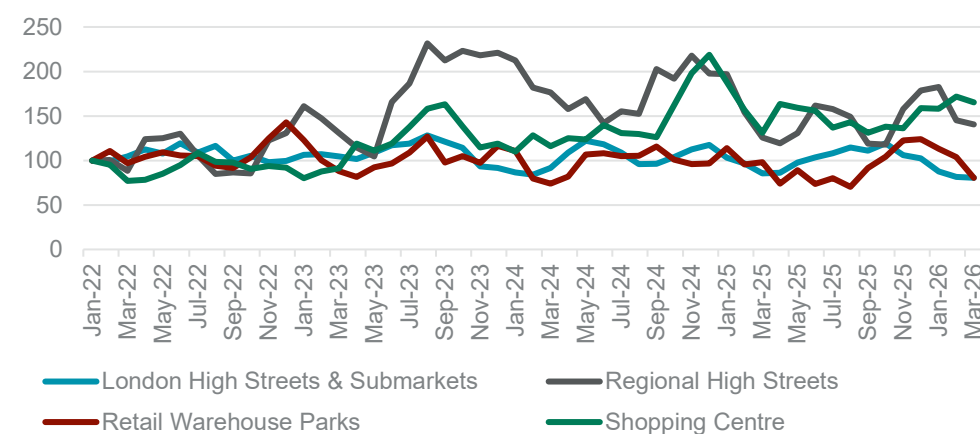
The modern retailer continues to face structural challenges in engaging the Gen-Z consumer, a cohort characterised by highly digital-native behaviour, low brand loyalty, and strong value sensitivity. It is estimated that the combined population of Gen Z and the Millennial generation before them now account for over 27 million people in the UK. Gen Z and those born between 2002 and 2017 continue to exercise highly selective purchasing behaviors and are often swayed by experience-led and community focussed marketing. While Gen-Z clearly remain engaged and active within physical retail spaces, generational traits and preferences are driving the need for retailers to think carefully about channel mix, store formats, and brand discovery. These generational changes are beginning to drive real estate activity.

Experiential retail has moved from a differentiator to a core requirement as retailers compete for attention in an increasingly crowded digital environment. Physical stores are now expected to deliver interaction, immersion and entertainment with retail spaces pivoting away from a sales focussed space to serve as a retail showroom and brand hub. Retailers are increasingly using physical space to foster community-led loyalty, and stores are being repositioned as local hubs, hosting workshops, events, classes and brand-led experiences. AI may prove the difference in solving for Gen Z. Not only does AI help to improve the speed at which personalisation and customization can be integrated but also offers retailers the potential to leverage visitor insights, sales and store data to better understand these behaviors. Those retailers able to combine the power of AI with access to flexible, modular, and adaptable space will likely continue to outperform and strengthen their brands, whilst those staying put will continue to lose ground.

SELECT LONDON AVAILABILITY RATES



FOOTFALL INDICES (JANUARY 2022 = 100)



CENTRAL LONDON RETAIL: RESILIENT DEMAND & OUTPERFORMANCE

Central London retail has continued to outperform, underpinned by the capital’s strong international appeal and sustained tourist footfall. The best-performing streets remain characterised by constrained availability and continued competition for high-quality space, with demand consistently focused on proven pitches in favour of secondary or fringe locations. Recent news of the final approval of Oxford Streets pedestrianization will continue to drive outperformance particularly within the West End, supporting demand for strategic relocations and upsizes along the street. Luxury, premium and flagship-led concepts remain the primary drivers of leasing activity, particularly across locations such as New Bond Street, Covent Garden and core West End pitches, where retailers continue to prioritise brand visibility. Locations such as Carnaby Street remain attractive for new entrants, as highlighted by the recent opening of US retailer Edikt’s first UK store. More broadly across the capital experiential formats and long-term strategic positioning continue to drive medium- and long-term real estate strategy, and are emphasised by openings such as the Guinness Open Gate Brewery, and Meta’s commitment to debuting a permanent store on Oxford Street.

FOOD & BEVERAGE & LEISURE: INCREASINGLY DYNAMIC DESPITE DOWNSIDE RISK

Despite resilient retail sales and pockets of improved footfall, operators continue to navigate a challenging trading environment, with a clear focus on protecting operating margins and maintaining profitability. Ongoing concern around the November Budget, alongside rising wage, energy and input costs, has continued to shape real estate decision-making heading into 2026. In response, many brands have intensified cost-mitigation strategies, undertaken detailed reviews of unit economics and adopted a more selective approach to expansion, prioritising locations with demonstrable footfall resilience and trading density. For prime locations some operators continue to acquire space in order to act on opportunities through availability however, this is increasingly limited to well capitalised and substantially backed new market entrants. As a result, leasing activity has remained most robust in prime city-centre, transport-led and destination schemes, while secondary locations have seen more limited appetite. Overall, the outlook for the sector remains cautiously selective

WHATS HOT?



SØSTRENE GRENE

M&S

MANGO

LEFTIES

edikt-ed

pureseoul

SPACENK



RIMOWA

MIU MIU



SIX by NICO



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.

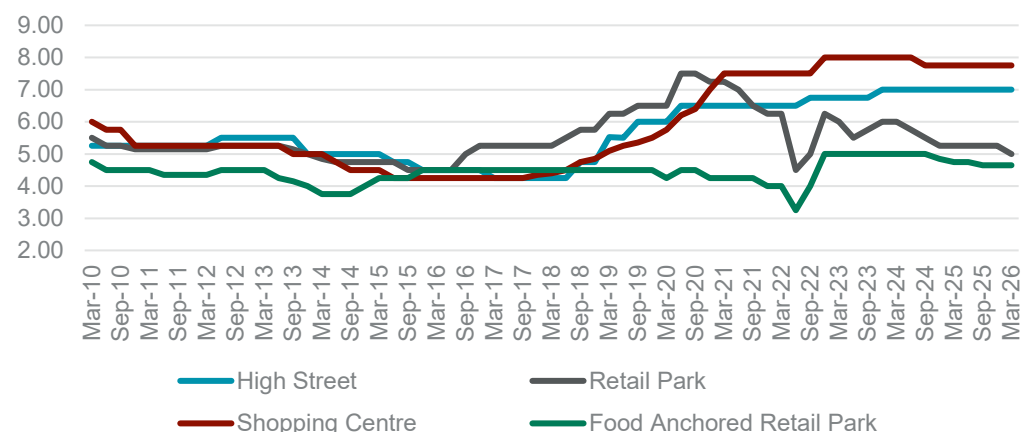
Luxury

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.

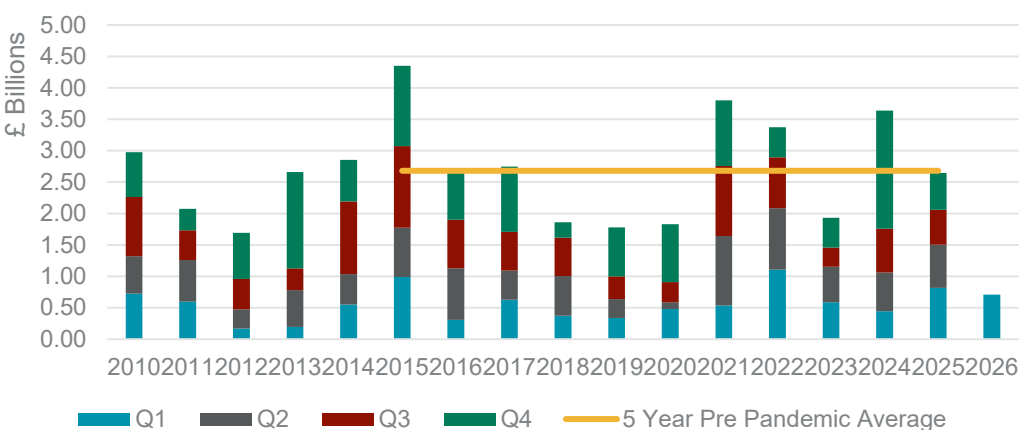
PRIME YIELD BY TYPE (NIY %)



INVESTMENT MARKET OVERVIEW: FUNDAMENTALS POINT TO RETAIL RENAISSANCE

Following a year of standout asset performance in 2025, the retail investment market has continued to deliver strongly into 2026. February MSCI data shows the All-Retail segment recording a total annual return of 8.7%, the strongest performance of any commercial real estate sector within the Index. The sector continues to benefit from robust income growth and strong occupier market conditions. While returns continue to vary by sub-sector, the direction of travel is clear: retail performance is being underpinned by improving occupational fundamentals, returning liquidity and conviction, resilient income growth and increasingly compelling relative value.

OUT OF TOWN INVESTMENT VOLUME (£B)

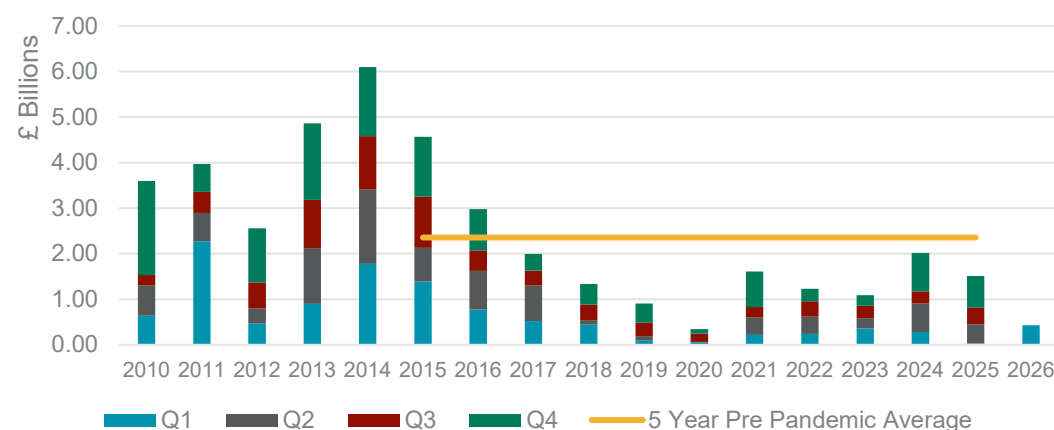


OUT OF TOWN INVESTMENT: STRONG PERFORMANCE, AND DEEP BUYER POOL

Out-of-town retail investment volumes rose by circa 20% quarter-on-quarter in Q1 2026, with £708m of transactions recorded. Despite this short-term improvement, volumes remain 13% below Q1 2025 levels, reflecting an ongoing shortage of available stock rather than a lack of investor appetite.

Persistently constrained supply has limited market activity in recent quarters; however, the completion of two transactions with lot sizes in excess of £100m during Q1 served to reaffirm the sector’s institutional appeal. What’s more, market evidence continues to point pricing stability with pricing holding firm in the face of further financial market volatility. However, in the absence of readily available product, investors are increasingly pursuing off-market opportunities in order to deploy capital. This sustained depth of demand is being driven by the continued strength of the occupational market, defensive income characteristics and the sector’s perceived liquidity, all of which continue to differentiate out-of-town assets within the wider retail universe.

SHOPPING CENTRE INVESTMENT VOLUME (£B)



SHOPPING CENTRE INVESTMENT: LIMITED SUPPLY, BUT STRONG FUNDAMENTALS

Shopping centre investment volumes declined to £428.9m in Q1 2026, a 38% quarter-on-quarter reduction, as transaction numbers fell sharply. Only seven centres transacted during the quarter, compared with 18 in Q4 2025, highlighting the extent to which supply constraints are suppressing activity.

Despite subdued volumes, fundamentals continue to improve. The completion of Redical’s acquisition of Merry Hill represents the largest UK shopping centre transaction since Hammerson’s purchase of a 50% stake in Bullring, and provides an important signal of returning investor confidence at scale. More broadly, retail assets remain attractively priced relative to other real estate sectors. Current entry points allow investors to absorb higher debt costs while driving performance through robust income growth. At the same time, many owners are choosing to retain assets in anticipation of further value recovery, further constraining volumes but reinforcing the view that the sector has moved decisively into a recovery phase.

MARKET STATISTICS Q1 2026

SUBMARKET	£ PSF ZONE A YR	£ PSF ZONE A YR	PRIME YIELD (%)	Yield Shift BPS YoY
London (City)	250	0.00%	4.25	0.00
London (West End - Bond Street)	2,750	0.00%	3.00	0.00
London (West End - Oxford Street)	800	3.33%	4.00	0.00
Manchester High Street	250	0.00%	7.00	0.00
Birmingham High Street	195	0.00%	7.00	0.00
Leeds High Street	160	3.33%	7.00	0.00
Bristol High Street	90	0.00%	7.00	0.00
Cardiff High Street	145	0.00%	7.00	0.00

KEY INVESTMENT TRANSACTIONS Q1 2026

Property	Location	Buyer	SQFT	Price (£m)	Yield (%)
The Broadway	Bradford	Eurofund	572,876	£69	10.5
Merry Hill	Birmingham	Redical	1,670,000	£291	8.75
Tristan Capital Partners Portfolio	Portfolio	Realty Income	682,973	£260	7.75
Team Valley Retail Park	Gateshead	Ashtrom	390,000	£105	7.7
Monks Cross Shopping Park	York	Royal London Asset Management	264,396	£70	7.5

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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