CUSHMAN & WAKEFIELD

MARKETBEAT
RETAIL & LEISURE
Q2 2026

Better never settles

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RETAIL TO SEE GREATER POLICY SUPPORT BUT DUST MUST SETTLE

The UK is set to enter another political era, with Andy Burnham's replacement of Keir Starmer as leader of the Labour party and incumbent prime minister making him the 7th prime minister in 10 years. Early signals from the incoming prime minister already hint towards clear intent and stronger emphasis on high street renewal, devolution and targeted support for retail, hospitality and leisure operators. However, as already evidenced by the mixed response to the 20% hospitality rates relief package and a sharp outward movement of 10-year government bond yields, longer term policy support and a normalisation of economic conditions will follow a period of further political and economic uncertainty in the short term. Retailers and industry bodies will continue to lobby for greater support in curbing the impact of inflation and rising operating costs, which have outpaced policy support and spend growth in recent years.

SUPPLY CONTINUES TO CHALLENGE CAPITAL DEPLOYMENT DESPITE STRONG PERFORMANCE

A persistent shortage of investment-grade retail assets continues to influence market activity, with strong investor demand increasingly being directed towards off-market opportunities, joint ventures and partial stake transactions as buyers compete for limited stock. Although this has characterised the market in recent quarters, we anticipate this may begin to change throughout the remainder of 2026. Encouragingly, liquidity conditions appear to be improving as a growing number of owners look to crystallise value following a period of strong performance, with several major shopping centres and prime regional retail warehouse schemes reportedly being prepared for sale. While market volatility and financing conditions continue to influence transaction execution, these assets represent early signs of an improvement in supply levels, and that investment activity may strengthen through the remainder of 2026 as additional high-quality stock is brought to market.

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KEY TAKEAWAYS

- Retail asset performance continues, with all retail total returns of 7.6% against 4.8% for all property, and shopping centres leading the market at 8.2%.
- Retail vacancy has tightened to 5.2%, with retail warehousing at just 3.8%, leaving competition for the best space in prime schemes intense.
- Total retail investment falls to £1.4bn during H1 2026, reaching record lows as supply continues to limit investment activity.
- Consumer confidence rallies with a six point improvement to -17 in July. Sales volumes and values remain positive.
- Rental growth is broadening, with the prime 10 shopping centres up 2.8% and Central London up 6.0% over the year as competitive tension returns to the best destinations.

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ECONOMIC INDICATORS

	YOY Chg	12-Month Forecast
+3.9% RETAIL SALES VOL. YoY GROWTH	▲	▲
28.3% INTERNET SALES. PENETRATION RATE	▲	▶
-17 CONSUMER CONFIDENCE	▲	▲

PRIME RENTAL INDICES

	YOY Chg	12-Month Forecast
96.7 RETAIL PARK (Q1 2015 = 100)	▲	▲
95.0 SHOPPING CENTRE (Q1 2015 = 100)	▲	▲
117.4 HIGH STREET (Q1 2015 = 100)	▲	▶

Source: ONS, Gfk, C&W 2024

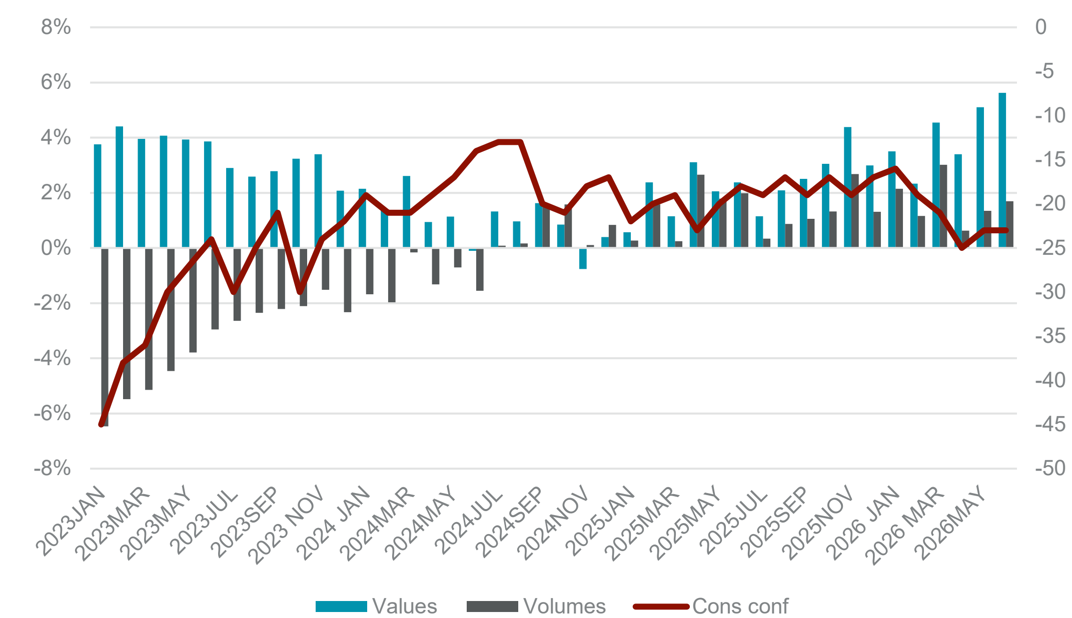
ECONOMIC CONDITIONS: MUTED GROWTH & UNCERTAIN OUTLOOK

The UK economy continues to record modest growth despite a challenging global backdrop characterised by geopolitical tensions and ongoing conflict. Real GDP is estimated to have increased by 0.7% in the three months to May 2026, marking the sixth consecutive rolling three-month period of growth. Inflation has also eased in recent months, with CPI falling to 2.6% in June from 2.8% in May. While these trends suggest improving economic stability, businesses and consumers remain increasingly alert to renewed inflationary pressures. Although average earnings continue to marginally outpace inflation, rising food and fuel costs are expected to place renewed pressure on household finances and consumer spending during the second half of 2026. Further uncertainty around the course of global conflicts now points to the potential of an increase in the Bank of England base rate as we enter 2027.

CONSUMER MARKET CONDITIONS: FROM RESILIENT TO REVIVAL?

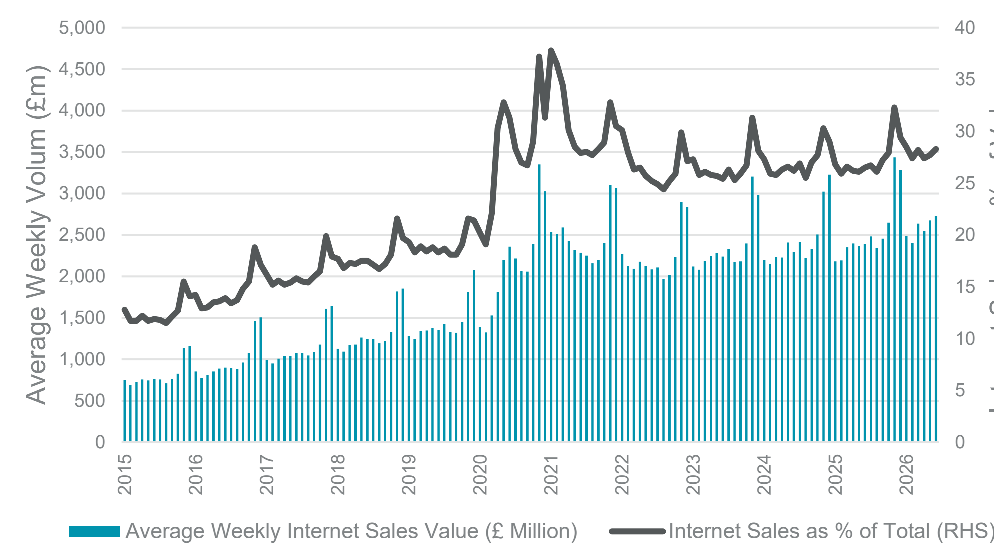
Consumer confidence rallied during late Q2, rising from a two and a half year low of -25 during April and having seen a six-point improvement to -17 during July. An uncharacteristically warm summer, the FIFA World Cup, and improving business sentiment has helped to support consumer spending through late Spring and into Summer. Average weekly sales volumes rose by 1.7% year on year during June 2026, marking the 24th consecutive month of growth, whilst values grew by 5.6%, helping to support retailer revenues. June also saw a significant increase in the rate of online shopping, with the penetration rate rising to 28.3%, and online volumes reaching their highest level since Christmas. Warm weather and busy summer social schedules have continued to impact footfall with all sub-sectors seeing lower levels of traffic during May and June.

RETAIL SALES VOL & VAL YOY & CONS. CONFIDENCE



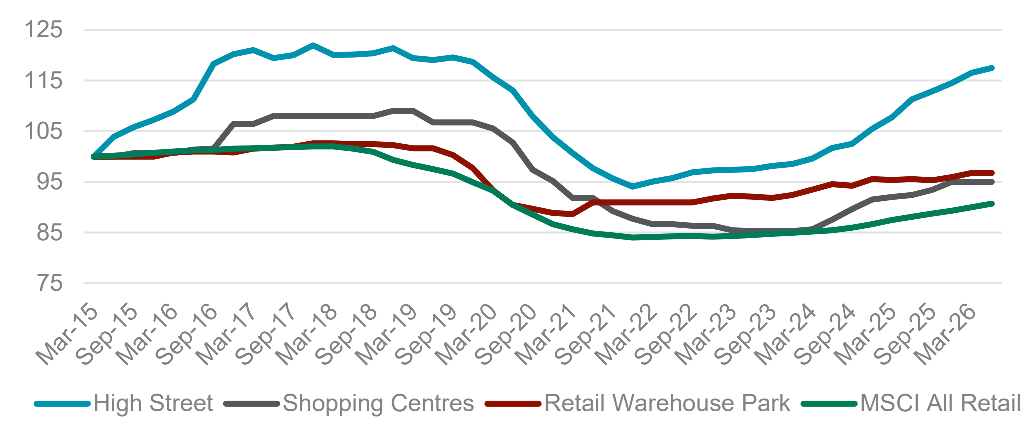
Source: ONS & GFK/Nielsen

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

Occupier demand across the UK's leading shopping centres and regional high streets remains resilient, supported by a combination of selective portfolio expansion, growing confidence among retailers and continued interest from new market entrants. Retailers continue to focus on locations capable of delivering high footfall, strong catchments, and look to secure functionally efficient space capable of facilitating omni-channel retail sales models. These forces continue to bolster and accelerate demand for space across prime centres, with greater levels of competition continuing to reduce the supply of well-located space. Strong demand and the return of competitive tension is driving rental growth across the top centres, with the prime 10 centres tracked by C&W registering average annual rental growth of 2.8% over the last year. Increasingly within these centres activity is supported by retailers investing in flagship formats, launching new concepts and trialling innovative retail technologies. As a result not only do market fundamentals remain solid, but prime centres continue to see an evolution of their retail offer, helping to reinforce the value of physical retail, enhance customer experience, and drive retailer performance.

OUT OF TOWN RETAIL: STRONG DEMAND

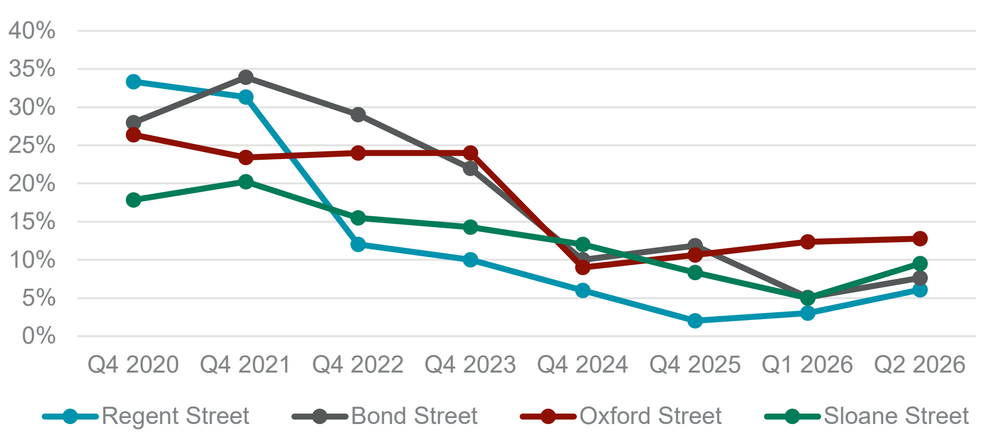
Occupier demand across the retail warehouse market remains robust, underpinned by continued expansion from grocery, discount and home improvement operators, which provide a strong backbone to the sector. Demand has broadened further over the past 12-18 months, with an increasing number of fashion, health & beauty and lifestyle brands traditionally associated with shopping centres and high streets now actively seeking representation on the best retail parks. Retailers continue to be attracted by the affordability, accessibility and operational flexibility offered by the format, particularly as stores increasingly fulfil both transactional and omni-channel functions. Supply remains a key constraint across many markets, with vacancy rates at or near historic lows and limited development activity restricting availability. As a result, competition for well-located space remains intense, supporting continued rental growth across prime retail warehouse assets. Rental growth across 9 centres tracked by C&W measured 1.2% at the end of Q2, down from a peak of 3.3% at the end of December 2024. Slowing rental growth comes as a result of limited supply as despite the depth of demand within the market, leasing activity for best in class units within the top schemes remains increasingly constrained as many parks approach full occupancy.

IN FOCUS: FORMAT INNOVATION REDEFINING RETAIL REAL ESTATE

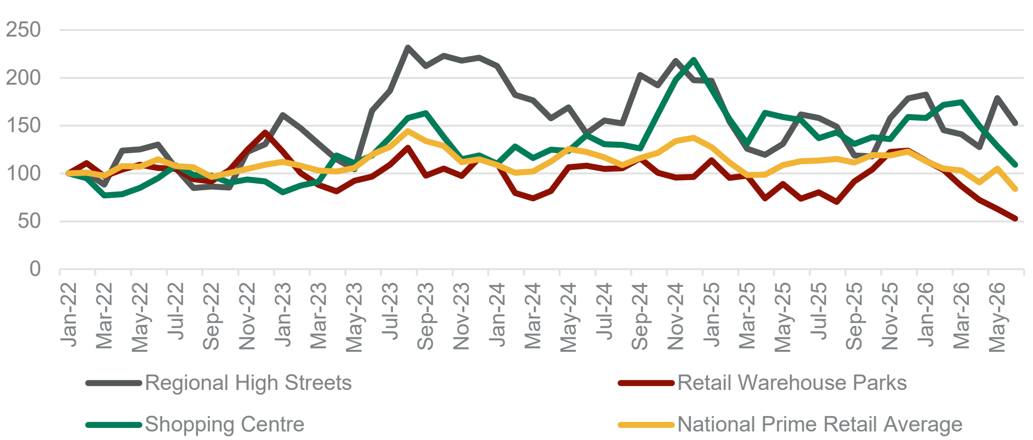
Physical stores continue to evolve as retailers increasingly view space as a platform for customer acquisition, brand building and omni-channel engagement, rather than simply a point of sale. Physical stores are now both expected and required to support a broader range of activity than during previous real estate cycles, with in-store activity now including fulfilment, product discovery, customer service, community engagement and content creation. As online customer acquisition continues to become costly, physical real estate once again represents a highly accretive, deliberate and strategic choice, with retailers accelerating investment into both existing and new stores. This, twinned with tightening supply and an evolution of the role of the store are driving innovation.

This evolution of the physical retail model has meant that flexibility has become a core theme of real estate strategy. Asset managers and landlords are therefore being required to proactively embed greater flexibility into space, mitigating void risk associated with larger legacy units and making appropriate capital expenditure allowances for subdivision, extension, reconfiguration and renewal. Recent examples of format innovation include, Boots launch of a 2,150 sq ft fragrance only and experience rich format announced at Broadgate Central, and Sephora's launch of a smaller c. 5,000 sq ft Carnaby Street flagship. Many digitally native retailers have demonstrated an ability to adapt more quickly to changing consumer expectations, leveraging customer data and online insights to develop highly productive store formats that require less space, offer greater flexibility and provide a clearer integration between physical and digital channels.

SELECT LONDON AVAILABILITY RATES



FOOTFALL INDICES (JANUARY 2022 = 100)



CENTRAL LONDON RETAIL: RESILIENT DEMAND & OUTPERFORMANCE

The strength of Central London's retail market continues to underpin its position as one of the world's leading retail destinations, driving sustained demand, resilient footfall and continued investment across best-in-class locations. Key West End destinations increasingly fulfil distinct roles within the market, with New Bond Street remaining the focal point for global luxury brands, while Carnaby Street and Soho continue to attract a strong line-up of innovative, digitally native and international retailers seeking flagship representation and UK market entry. Beyond the West End, retail remains central to major mixed-use and regeneration schemes, with destinations such as King's Cross, Broadgate Central and Battersea Power Station attracting strong tenant line-ups. Central London stores remain critical to brand building and customer acquisition, driving investment in flagship stores, innovative formats and experiential concepts. Recent examples include Sephora UK's boutique-format flagship on Carnaby Street, Edikted's European flagship, and SKIMS' Regent Street flagship. Strong demand, coupled with limited availability of well-positioned space, continues to support rental growth, with the 25 London locations tracked by Cushman & Wakefield recording annual rental growth of 6.0% at the end of Q2 2026. Availability remains constrained across many prime locations, reinforcing competition for the capital's best space.

FOOD & BEVERAGE & LEISURE: INCREASINGLY DYNAMIC DESPITE DOWNSIDE RISK

Occupier demand across the food and beverage sector remains resilient, although expansion strategies have become increasingly selective as operators balance growth ambitions against a challenging cost environment. While the introduction of permanent business rates has provided some support, this has largely offset rather than eliminated wider cost pressures. Demand remains concentrated on locations capable of delivering footfall and spend, including dominant shopping centres, mixed-use destinations, transport hubs and prime high streets. Operators continue to favour flexible and efficient formats, including grab-and-go concepts, kiosks and smaller footprint stores. Despite these challenges, food and beverage operators continue to play an important role in placemaking strategies, helping to drive footfall, dwell time and destination appeal within mixed-use developments. The strongest locations continue to attract healthy occupier demand, with activity increasingly driven by a combination of operational resilience, customer convenience and experience-led propositions.

WHAT'S 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

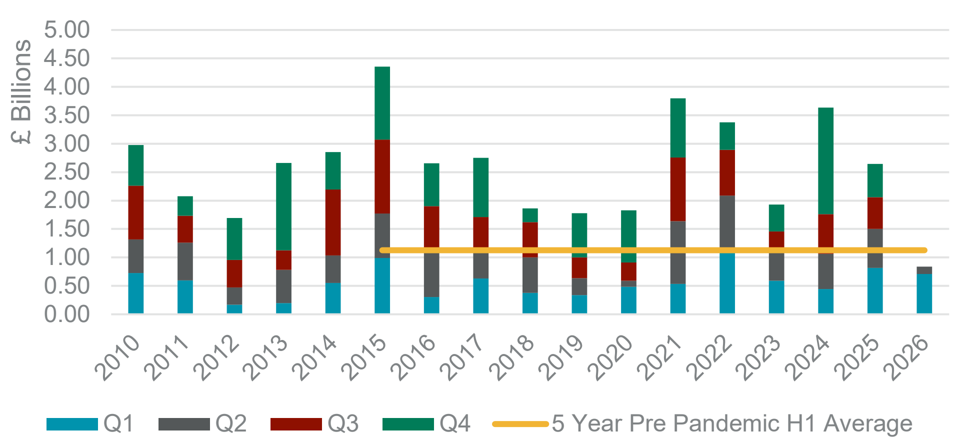
The Luxury market has been less affected by the inflationary pressures and muted consumer market than other categories – although there are headwinds coming. This has seen activity sustain along key luxury retail corridors such as Bond Street and Sloane Street.

Food, Beverage & Leisure

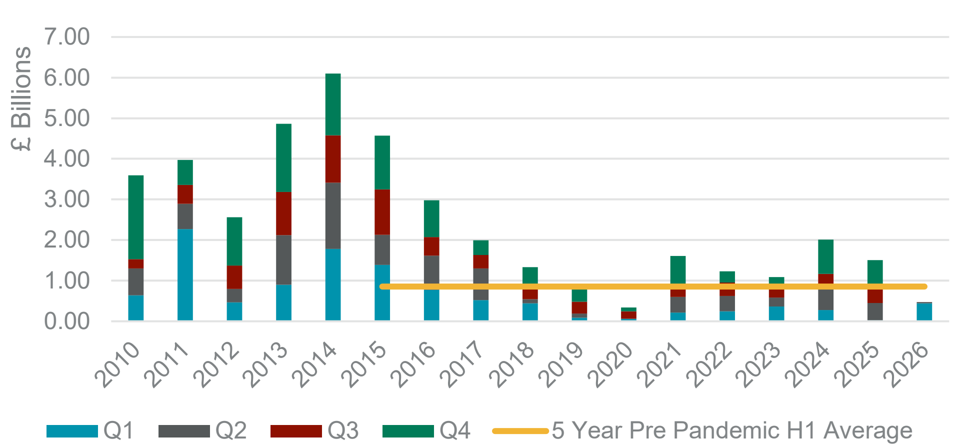
Many operators continue to focus on safeguarding business performance in the face of elevated costs. Activity remains subdued, with expansionary activity largely limited to experiential leisure and the premium quick serve sector.

PRIME YIELD BY TYPE (NIY %)

OUT OF TOWN INVESTMENT VOLUME (£B)



SHOPPING CENTRE INVESTMENT VOLUME (£B)



INVESTMENT MARKET OVERVIEW: FUNDAMENTALS POINT TO RETAIL RENAISSANCE

Retail investment volumes remain constrained despite improving occupational fundamentals, as investors continue to respond positively to the sector's relative performance and widening rental growth story. Strong asset-level performance, combined with a strong range of asset optionality, is supporting interest from an increasingly diverse range of investors. MSCI data shows that total returns for the All Retail segment saw growth of 7.6% year on year, outperforming the All Property average of 4.8% at the end of Q2. However, a severe shortage of investment-grade opportunities continues to limit transaction volumes, with activity falling to record lows during Q2 2026 with just £176m transacting. In places this has seen activity driven by off market opportunities. At the same time, limited pricing evidence across several retail sub-sectors, together with ongoing volatility in financial markets and uncertainty surrounding the wider economic outlook, continues to weigh on investor conviction. As a result, sales processes are often becoming more protracted, with financing conditions and risk appetite in some cases narrowing the buyer pool to equity-backed purchasers, sector specialists and investors.

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

Retail parks remain the most sought-after retail investment sub-sector, continuing to attract strong interest from institutional, private equity and overseas investors. Investor conviction is underpinned by exceptionally strong occupational fundamentals, with record-low vacancy, high levels of tenant retention and sustained demand from an increasingly diverse occupier base spanning grocery, value, fashion, health & beauty and leisure operators. Asset performance remains strong across the subsector with the MSCI Retail Warehousing segment showing returns of 7.6% over the last 12 months, well ahead of the All Property Average. Whilst demand for retail park investments remains strong, transaction activity is being constrained by a shortage of investment-grade stock, with many owners reluctant to sell given the sector's strong income profile and positive rental outlook. As a result, competition for the best assets remains intense and subject to strong bid depth.

SHOPPING CENTRE INVESTMENT: LIMITED SUPPLY, BUT STRONG FUNDAMENTALS

Highly attractive asset performance, resilient occupational fundamentals, and a variety of investment opportunities continue to attract growing investor interest. Although transaction volumes remain below historic averages, sentiment has improved materially over the last 12 months as demand remains strong, vacancy has tightened and rental growth has returned across the best-performing schemes. These factors have driven the sector's outperformance with Shopping centres delivering total returns of 8.2% over the year, making the sector one of the strongest performers across the real estate spectrum. However, current limited supply across all asset types continues to weigh on activity, whilst low levels of transactional evidence and financial market volatility continue to cloud pricing assumptions. Despite the challenges of H1 2026, the outlook for the sector remains positive and liquidity is expected to improve as a number of high profile shopping centres are brought to market during H2 2026.

KEY STATS
Q2 2026

MARKET STATISTICS Q2 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	7.00%	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 Q2 2026

LOCATION	BUYER	SQFT	PRICE (£M)	YIELD
Slough Retail Park	DTZ Investors	152,425	£55	5.84%
Altrincham & Straiton Portfolio	Hines	298,000	£90	6.30%
Junction One Retail Park Wallasey	Hines	190,874	£50	6.35%
The Ridings	Wakefield Council	319,000	£11	Undiscl.
Asda, Stockport	French SCPI	44,766	£11	7.22%

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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