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MARKETBEAT
RETAIL & LEISURE
Q3 2026

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SHOPPING CENTRE INVESTMENT MOMENTUM CONTINUES

The UK Shopping Centre market continues to see significant investor interest following a number of key deals, strong asset level performance, and increasingly buoyant sentiment. Prime transactional evidence has continued to improve throughout the year and with Metrocentre trading at 7.75% early in Q4 we enter 2027 with a positive outlook. Market activity shows that major institutional capital is firmly back in the driving seat, with a healthy pipeline of big-ticket deals likely to support activity in the new year. Lenders are on board too, with debt attitudes and conviction remaining strong. These changes highlight that the buoyant occupational market, and improved market dynamics we've seen over the last 18 months is now flowing through to investor sentiment and importantly deal activity., The key question in 2027 is whether this positivity begins to extend into secondary shopping centres, as this may unlock a second wave of recovery and transactional activity.

CONSUMER HEADWINDS RESURFACE

After a period of resilient consumer demand and stronger retailer performance, conditions have weakened noticeably as we enter the final months of the year. The GfK Consumer Confidence Index fell substantially by 11 points in October to -24, with confidence deteriorating across income, age and gender groups, while expectations for the economy and appetite for major purchases both fell particularly sharply. At the same time, renewed inflationary pressure, with headline inflation reaching 3.5%, is adding to the squeeze on household finances. Together, these indicators suggest the consumer backdrop may be approaching a turning point after a comparatively buoyant summer. For the retail occupational market, this introduces greater uncertainty: expansion decisions are likely to become more considered, scrutiny of store performance and affordability will intensify, and financially stronger retailers will be better placed to pursue opportunities. Against this backdrop, Black Friday and Christmas trading take on renewed importance, with performance through the Golden Quarter likely to play a significant role in determining retailer confidence and property strategies heading into 2027.



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KEY TAKEAWAYS

Retail spending remains robust, with average weekly sales volumes 1% higher than September 2025. This comes despite a weakening consumer market back drop and concerns around re-surfacing inflationary pressures.

Supply remains constrained across a number of sub sectors. The MSCI all retail average contracted to 4.7% down from 5.3% last quarter and 5.5% this time last year.

Total retail investment rises to £1.2bn across Shopping Centres, Out of Town, and Food Stores during Q3 2026. Annual returns of 7.5% continue to highlight strong asset-level performance.

London's experience offer continues to evolve beyond experiential leisure following a tranche of new IP led flagship & experiential format openings and announcements.

Uncertainty around peak trading across Q4 and Black Friday 2026 are likely to determine occupier decision making for early 2027.

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ECONOMIC INDICATORS

	YOY Chg	12-Month Forecast
+1.1% RETAIL SALES VOL. YoY GROWTH	▲	▶
28.3% INTERNET SALES. PENETRATION RATE	▲	▶
-24 CONSUMER CONFIDENCE	▲	▲

PRIME RENTAL INDICES

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

Source: ONS, Gfk, C&W 2024

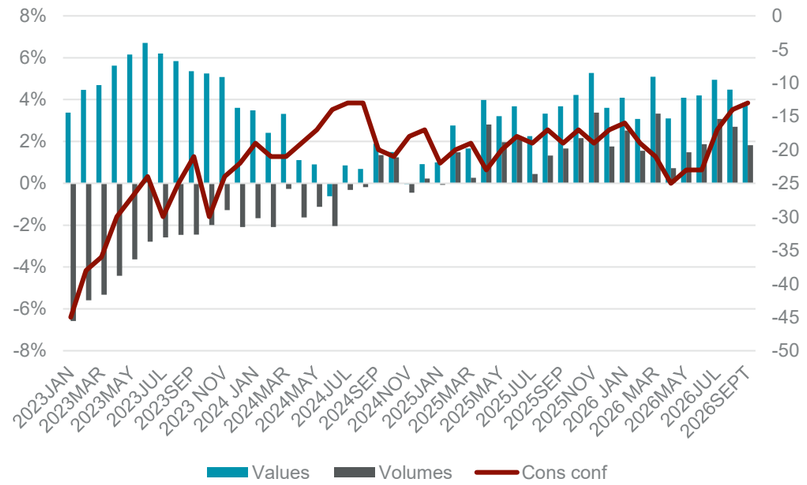
ECONOMIC CONDITIONS: UPSIDE SURPRISE, ENERGY-LED RISK

The UK economy has surprised on the upside, with GDP growing 0.1% in August against expectations of a contraction, lifting three-month growth to 0.7% and annual output growth to 2.1%, the strongest since August 2022. Production drove the monthly gain, with manufacturing up 1.2% led by pharmaceuticals, while services were flat and construction fell for a fourth consecutive month. Services growth remains concentrated in technology activity, whereas consumer-facing services fell 0.3% in August. CPI rose to 3.5% in September from 3.1%, the highest since October 2025, driven by motor fuel inflation of 29.8%, with early signs of broadening inflationary pressures as core CPI rose to 2.8% and services CPI to 3.7%. Stronger GDP, falling unemployment and above-consensus inflation have seen the MPC vote unanimously to raise Bank Rate by 25bps from 3.75% on 5 November, following September's earlier 6–3 vote to hold.

CONSUMER MARKET CONDITIONS: RESILIENT, BUT EASING

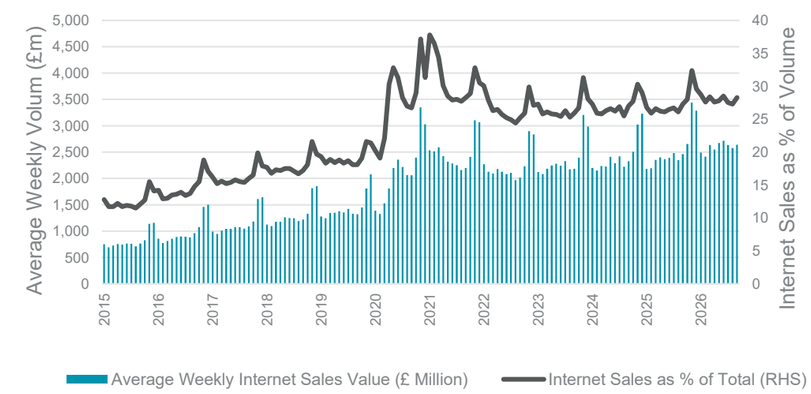
Consumer markets continue to show resilience despite the inflationary backdrop, although September offered the first meaningful signs of moderation. Consumer confidence improved to -13 in September but fell 11 points to -24 in October, the largest fall since July 2016 outside the pandemic, with the major purchase index down 14 to -22. Average weekly retail sales volumes excluding fuel were 1.1% higher than a year earlier, down from 2.9% in August, with volumes 1.7% lower month on month. BRC data show total sales up 1.3% in September, with food (+2.5%) outperforming non-food (+0.3%) as warm weather delayed demand for Autumn and Winter ranges. Online penetration remained stable at around 28%. Reaction to the 28 October Budget has been measured, with some winners and losers, though higher rates and wage costs add to pressure on retailers struggling to absorb rising costs. Demand remains supportive rather than weak, but with fuel, transport and goods inflation accelerating, the outlook entering 2027 is cautious, with squeezed disposable incomes the key downside risk to sales volumes.

RETAIL SALES VOL & VAL YOY & CONS. CONFIDENCE



Source: ONS & GFK/Nielsen

ONLINE PENETRATION RATE (% OF TOTAL VALUE)



Source: ONS

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RENTAL INDEX (Q1 2015 = 100)



VACANCY BY ASSET TYPE (FLOORSPACE %)



Source: MSCI

NATIONAL RETAIL: POLARISATION BETWEEN THE BEST AND THE REST

Strong occupational market fundamentals persist, but performance is now appearing in fits and starts as a result of tightening supply within prime locations, and increased deliberation and scrutiny over major real estate commitments. The market is increasingly polarised between best-in-class regional schemes, which continue to attract demand from returning brands and new entrants, and the wider secondary and tertiary schemes, which are struggling to keep pace in capturing the latest wave of occupier demand. For prime schemes, demand continues to be supported by category leaders expanding into regionally dominant locations with notable expansions and statement openings continuing to be announced across key locations such as: St James Quarter Edinburgh, St Davids Cardiff, Westgate Oxford and Lakeside Thurrock. Our C&W rental index reflects this divergence, with high streets at 116 (Q1 2015 = 100) while shopping centres remain below their 2015 starting point at 95. Vacancy tells a similar story: central London standard shops have tightened to 7.7% from 8.8% a year ago, whereas shopping centre vacancy has edged up to 9.4% from 9.0%. We expect this polarisation to continue next year as rising occupational costs and inflation hit retailers, with those in weaker locations most exposed. Retailers are likely to continue in concentrating investment into dominant schemes capable of delivering footfall and dwell time, widening the gap between prime and the rest.

OUT OF TOWN RETAIL: STRONG, WITH VACANCY APPROACHING HISTORIC LOWS

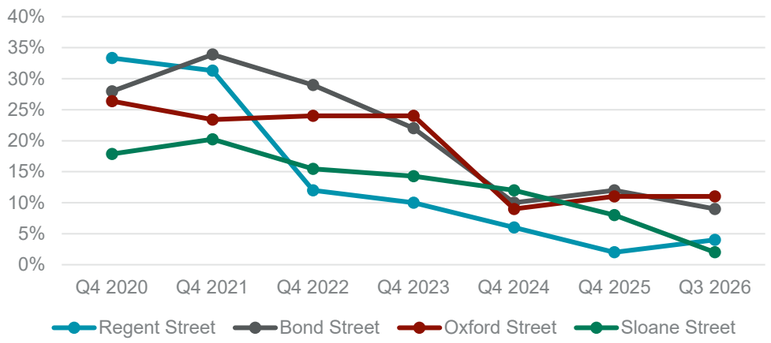
Out of town retail (retail parks) remains strong, with vacancy approaching historic lows at 2.9%, down from 4.1% a year ago and the tightest of any asset type. Across a number of prime schemes vacancy rate has fallen to near zero, limiting availability. Supply side constraints continue to limit market evidence, acting as a ceiling on headline zone a rental growth in the best locations despite reversion and rental growth persisting at both renewal and through regears. Occupier demand continues to be supportive across a broad range of categories, with brands continuing to pursue out-of-town expansion across the food, consumer goods, and lifestyle and wellness categories. Confidence in the sector is evident in occupier and landlord behaviour, extensions, conversions and the subdivision of units, alongside investment into intensifying existing space, all point to a belief in the sector's long-term prospects and structurally supported occupier demand. The retail warehouse rental index has recovered to 97, and we expect the sector to remain a relative outperformer as polarisation continues elsewhere.

IN FOCUS: EXPERIENCE-LED OCCUPIERS CONTINUE TO RE-SHAPE PRIME DESTINATIONS

Experience-led demand is broadening beyond leisure concepts into tangible retail demand, helping to support occupational demand and in places removing large format stores that had been contributing towards persistent voids. In London, destination brands are combining product, F&B and entertainment to take large units and convert experience into sales, footfall and dwell. Increasingly success is being determined by those landlords and estates able to effectively think both laterally and flexibly, in-turn broadening and strengthening the diversity and experience on offer. This change is playing out in real time. The Harry Potter flagship (21,000+ sq ft) opened on the 4th of November, whilst Miniso Land announced plans to take 19,000 sq ft at 363 Oxford Street from 2027, and Pop Mart has opened at 149 to 151 Oxford Street. This follows an earlier tranche of evidence, such as the Guinness Open Gate Brewery which includes two retail stores and expects over half a million visitors a year, whilst at Westfield London, Absurd City (Wake The Tiger) has taken around 70,000 sq ft on a 15-year lease, replacing KidZania. Not only does this have implications within the unit, but estates and institutional landlords are continuously adapting how they manage space and public realm in response, examples such as The Outernet & The Arch Gallery serve to evidence these trends, while re-purposing smaller voids offer a lower-cost way to test new experiential brands and concepts.

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LONDON PRIME STREETS AVAILABILITY RATES



FOOTFALL INDICES (JANUARY 2022 = 100)



CENTRAL LONDON RETAIL: RESILIENT DEMAND & OUTPERFORMANCE

Occupational market fundamentals remain resilient within London, despite a cautious outlook as we enter 2027. Availability remains tight within key markets and is much lower than during 2021 and 2022, although some slight upticks have been recorded. London continues to attract global brands, drawing on its worldwide reputation and strong consumer market. International brand entries, flagship openings and unit upsizing are all apparent across the city, reflecting retailers' appetite for larger, more prominent space in the capital's best locations. Announcements of Miniso World and Harry Potter on Oxford Street highlight the rising importance of experience-led flagships, as brands look to create destination stores that go beyond transactional retail. The luxury market also remains resilient, with demand for prime pitches holding firm. London rental growth at the end of Q3 averaged 2.3% QoQ and 6.8% YoY, marginally outperforming the national average. While growth has softened slightly from the 2025 peak of 3.7%, the 2.3% recorded in Q3 represents the highest level since Jun-25.

FOOD & BEVERAGE & LEISURE: POLARISED, BUT GROWTH LED BY STRONG BRANDS

As with the wider retail market polarisation is also apparent across the food & beverage and leisure space. Prime London F&B remains very tight, with operators continuing to renew existing leases and, in places, expand their footprint, which is keeping availability limited in the strongest locations. Casual dining, by contrast, continues to grapple with weakening consumer sentiment and, with wage, energy and input costs still elevated, operators are likely to proceed with caution as we enter 2027. This is twinned with a movement away from chain dining towards more localised and custom offerings, curated specifically at market level, as operators tailor their concepts to the local customer rather than roll out a uniform format. Growth continues to be driven by well-capitalised, expansionary brands such as Black Sheep Coffee and Gail's, whose financial backing allows them to keep securing space within top pitches nationally. New London additions including Sourdough Sophia, Junk Burger and Puffy Cookies highlight sustained demand from new entrants, showing that appetite for fresh concepts remains. Wellness and lifestyle themes are increasingly apparent in both F&B and leisure units, reflecting consumers' growing focus on health, wellbeing and experience-led spending. Overall, the outlook remains cautiously selective, favouring well-capitalised operators in prime locations.

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 2026. 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

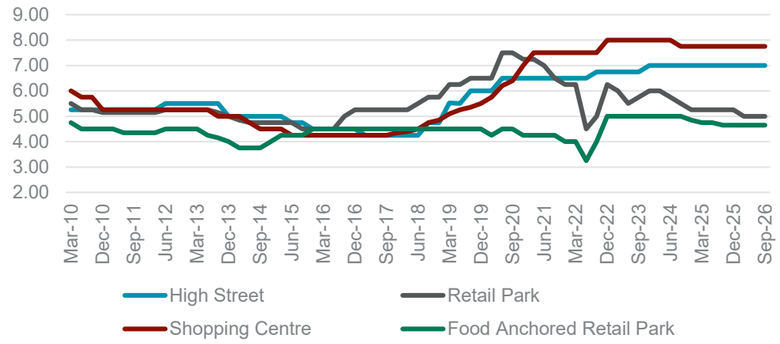
The Luxury market has been less affected by the inflationary pressures and muted consumer market than other categories – although there are headwinds coming. This has seen activity sustain along key luxury retail corridors such as Bond Street and Sloane Street.

Food, Beverage & Leisure

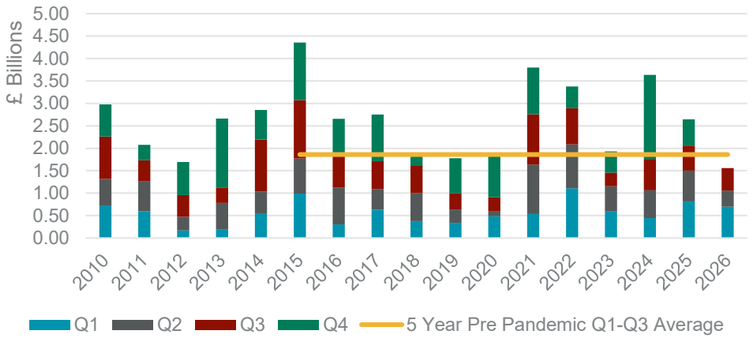
Many operators continue to focus on safeguarding business performance in the face of elevated costs. Activity remains subdued, with expansionary activity largely limited to experiential leisure and the premium quick serve sector.

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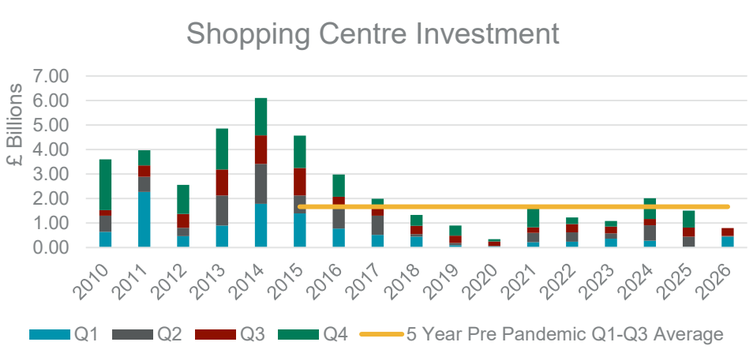
PRIME YIELD BY TYPE (NIY %)



OUT OF TOWN INVESTMENT VOLUME (£B)



SHOPPING CENTRE INVESTMENT VOLUME (£B)



INVESTMENT MARKET OVERVIEW: IMPROVING LIQUIDITY AND RESILIENT RETURNS

Retail investment liquidity has improved, leaving the sector well placed to close the year in a relatively good position. Q3 saw £1.2bn transact, up from £408m in Q2 and the highest quarterly volume of 2026, supported by solid food and grocery activity of £429.2m. Despite some improvement the recovery remains modest, with most sectors still firmly behind their long-term averages and sector wide investment falling 16% behind the 5 year pre-pandemic Q1-Q3 average volume.

Asset performance remains strong, with all retail delivering a total return of 4.9% over the last 12 months, and outperformance continuing to be recorded across some retail subsectors (MSCI). Recalibrated rental values and robust occupational fundamentals continue to drive good income returns against broadly stable pricing, while reversion is filtering through and occupational market health is spreading slowly into secondary and tertiary locations, although some polarisation persists. As we enter 2027, pricing is expected to soften in response to the wider headwinds and volatility recorded across financial markets.

OUT OF TOWN INVESTMENT: MODEST VOLUMES, STRONG DEFENSIVE DEMAND

Out of town volumes are unlikely to set any records this year. Q3 saw £499.8m transact, up from £359.8m in Q2 but below the same period last year, with a total return of 7.1% over the last 12 months. Competition for assets has intensified, with both core and more opportunistic capital active, while a modest level of stock under offer points to measured volumes in the near term. Grocery-led stock remains a highly attractive defensive asset type: Q3 was a reasonably strong quarter for food and grocery activity, although volume remains dominated by 2-3 major players rather than a broad-based uplift, and pricing remains strong with conviction stronger still. Whilst a detachment between perceived and stated pricing versus valuations persists, this is affecting retail less than sectors with stickier pricing. Evidence for well-let retail parks in Milton Keynes and Nottingham should help to crystallise some of the outward yield movement expected but not yet recorded within transactions.

SHOPPING CENTRE INVESTMENT: TURNING A CORNER WITH ALIGNED PRICING

Shopping centres have started to turn a corner, with Q3 volumes of £324.7m up from just £30m in Q2, although still below the same period last year and well below the long-term average. Total returns of 7.6% over the last 12 months underline the strength of income performance across the sector.

Landmark bellwether deals are providing important evidence, with Metrocentre trading at 7.75% early in Q4, closely aligned with valuation yields and pointing to more aligned pricing expectations at the prime end of the market. Established shopping centre REITs remain active, complemented by PropCos and Private Equity re-entering despite wider capital market headwinds. Circa 30 transactions have been recorded year to date; whilst volumes have not bounced back substantially, this highlights the depth of demand and diversification across lot sizes and buyer pools.

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MARKET STATISTICS Q3 2026

SUBMARKET	£ PSF ZONE A YR	% Change YoY	PRIME YIELD (%)	Yield Shift BPS YoY
London (City)	250	0.0%	4.25	0.00
London (West End – Bond Street)	2750	0.0%	3.00	0.00
London (West End – Oxford Street)	800	6.7%	4.00	0.00
Manchester High Street	250	4.2%	7.00	0.00
Birmingham High Street	195	0.0%	7.00	0.00
Leeds High Street	160	3.2%	7.00	0.00
Bristol High Street	90	5.9%	7.00	0.00
Cardiff High Street	145	3.6%	7.00	0.00

KEY INVESTMENT TRANSACTIONS Q3 2026

PROPERTY	LOCATION	BUYER	SIZE (SQFT)	PRICE (£M)	YIELD (%)
Manchester Arndale	Manchester	Hammerson	1,900,000	216.70	7.75
East Kilbride Shopping Centre	Sheffield	Evolve	1,000,000	20.00	16.00
Eastgate Retail Park	Bristol	Tikehau Capital c/o Hemisphere	116,618	27.70	7.57
Beck Retail Park	Wakefield	Church Commissioners	194,852	36.00	6.64
Alvis Retail Park	Coventry	Schroders	135,076	35.30	6.45

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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