H1 2026

Knight Frank

Retail Investment Update

The best offence is defence

knightfrank.co.uk/research

RETAIL INVESTMENT AT A GLANCE

Retail Warehousing

- A much quieter start to the year than this market has become accustomed to, with just £840m changing hands, although one characterised by fewer, larger trades.
- With no absence of demand, a handful of committed buyers still managed to identify opportunities to deploy capital whilst others sat on the sidelines awaiting greater clarity.

Foodstores

- Deal volumes are 47% lower than the same period in 2025 (in what was already a constrained year for the Foodstore market).
- Further sale & leaseback activity is expected later in the year but there will likely be a scarcity of openly marketed stock to satisfy the many active requirements in this area.

High Street

- Demand continues to grow from established, institutional investors with half a dozen such requirements actively pursuing well-let shopping parades. French SCPI, private and property company investors continuing to dominate regional markets.
- Stronger depth of demand has given owners of larger lot size investments the confidence to test the market, which should generate an increase in deal volumes in the second half of the year.

Shopping Centres

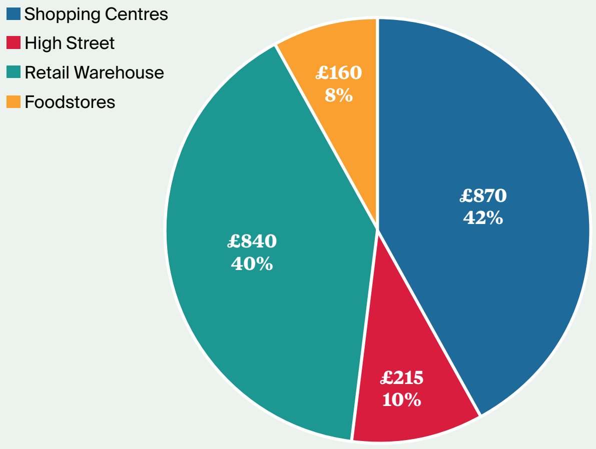
- The strongest performing sector (12m to May 2026), with deal volumes witnessing a 95% uplift to £870m in the first half. There remains a strong pipeline of forthcoming stock, which should see volumes return to long term averages this year.
- There is greater acceptance of the role large, regional shopping centres play in the UK Retail landscape, which, supported by a willing debt market, has driven investment demand for prime malls to recent peaks.

2025 vs 2026 YTD Transaction Volumes

Value of transactions, £bn

Source: Knight Frank Insight

2026 YTD Transaction Volumes (£m)



Source: Knight Frank Insight

Total retail investment volumes in the first half of 2026 stood at £2.09 billion, down -17% on the same period in 2025. Conflicts and global economic crises destabilised investment markets, triggering many owners and would-be investors to pause investment decisions. Shopping Centres bucked the trend, outperforming the same period last year by 95% and with more stock anticipated during the second half of the year, this sector is likely to be a bright spot once again, outperforming all traditional investment sectors on a Total Returns basis. Occupationally, however, the whole Retail market has shown its continued resilience, with core fundamentals remaining highly supportive of further investment activity once capital markets normalise in the second half.

RETAIL INVESTMENT UPDATE

REVIEW OF THE YEAR

Investment

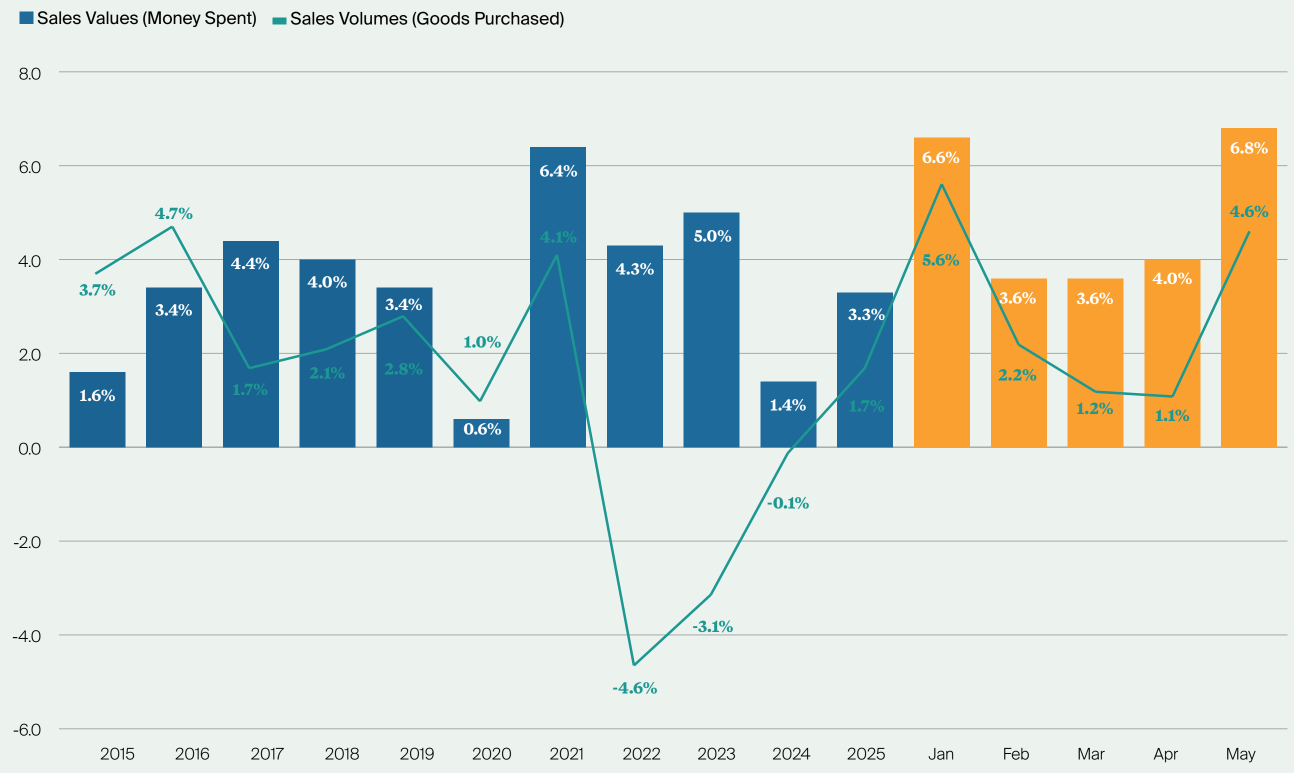
- With Retail once again delivering the top Total Returns in the market for a second consecutive year at 8.3% (12m to May 2026 vs All Property at 6.1%, Industrial at 6.6% and Offices at 2.5%), the start of 2026 saw the strongest demand across the subsectors that we have witnessed for a decade.
- Processes run through Q4 of the preceding year had outperformed expectations in terms of investor interest, number of proposals received and ultimately pricing, giving new confidence to the market and signalling the start of a resurgence of the Retail market at large. Sensing this, we forecasted a return to 10 year average deal volumes in 2026.
- March heralded the latest rendition of Murphy's Law with the advent of the United States and Israel's war in Iran and subsequent closure of the Strait of Hormuz – the latest major geopolitical shock to play havoc with investment markets across the globe.
- In reality, the only shock should have been that we expected an extended period of stability following a suite of global economic crises that have plagued the market in the decade since the Brexit referendum in 2016.
- With supply chains thrown into disarray, serious concerns about the impact of rising inflation and a corresponding movement in 5 year SONIA swap rates from 3.5% at the start of March, spiking as high as 4.4% in May, most sectors saw supply pipelines unsurprisingly deferred to later in the year as buyers and sellers sought greater clarity in market trajectory.
- With this backdrop, Retail Total Return forecasts have moderated marginally to 7.4% (source: Knight Frank Insight), albeit with the sector still expected to outperform other major investment sectors.

Occupational

- Presented with the challenges emanating from the Middle East, with the potential for wide-ranging impacts on the consumer exacerbating "cost of living" concerns and further dampening already weak GDP growth, it would be easy to assume that Retail suffered a downturn in the early part of the year.
- In fact, Knight Frank analysis suggests that retail sales usually perform robustly during periods of economic distress, suggesting that rising inflation should not destabilise underlying consumer demand. During the GFC (2008-11) CPI inflation averaged +3.4% vs retail sales value growth of +2.8%; similarly through Covid and into the early stages of the Ukraine war (2020-2023) CPI inflation averaged +8.2% vs retail sales value growth of +4.7%.

Retail Sales 2015 – 2026YTD

% YoY Growth



Source: Knight Frank Insight

Key Transactions – H1 2026

Property	Sector	Purchaser	Vendor	Price	NIY %
Slough Retail Park, Slough	Retail Warehouse	DTZ Investors	Invesco	£55.1m	5.84%
Team Valley Retail Park, Gateshead	Retail Warehouse	Ashtrom	Ares	£102m	7.50%
Tristan Portfolio	Retail Warehouse	Realty Income Corporation	Tristan Capital Partners	£232.95m	7.75%
Sainsbury's, Hoddesdon	Foodstore	CBRE Capital Advisors	ICG Real Estate	£34m	5.00%
M&S, Richmond	Foodstore	Aberdeen	M&S	£20.1m	5.10%
Asda, Stockport	Foodstore	Corum	Fiera	£11.1m	6.83%
Hannington's Estate, Brighton	High Street	Baron Homes	Redevco*	£50m	7.50%
30-35 Queen Street, Oxford	High Street	Private Investor	M&G Real Estate*	£16.75m	5.91%
11-13 Piccadilly, Manchester	High Street	Private Investor	Schroders	£7.95m	7.10%
Merry Hill Shopping Centre	Shopping Centre	Redical	Lenders to intu*	£290m	8.60%
The Broadway, Bradford	Shopping Centre	Eurofund	Attestor / New River Retail	£70m	10.00%
McArthur Glen East Mids & York	Designer Outlets	Frasers	Aviva Investors	£400m	7.25%

* advised by Knight Frank.

Source: Knight Frank Insight

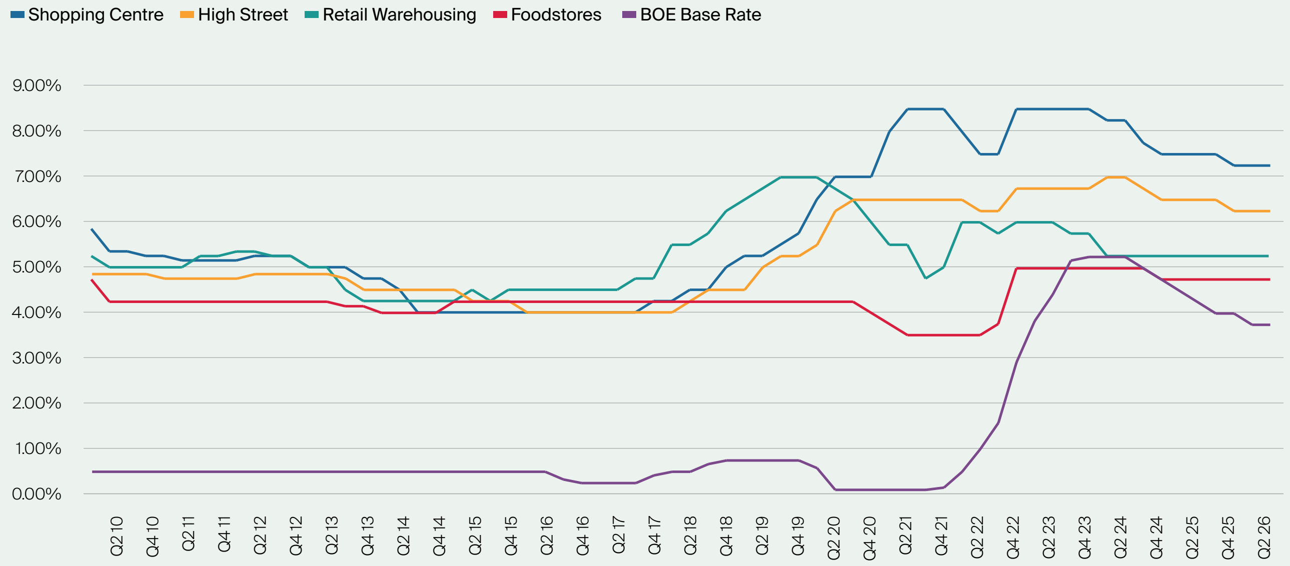
- This year, with inflation at +2.8% in the year to May, anaemic GDP growth averaging +0.4% and conflicts in both the Middle East and Ukraine unresolved, retail sales volumes have seen growth of +2.9% and sales values of +4.9% in the period January-May. This outperformed what was a strong year for Retail in 2025 seeing sales volumes of +1.7% and values of +3.3%.
- Retail remains in good health with most retailers now reporting positive intentions to grow, reshape or invest in their store portfolios. Vacancy rates are reducing across all of the Retail subsectors, new development remains very low (and will remain so for some time, particularly in the Shopping Centre and High Street markets) and online penetration continues to plateau at around 28% of all retail sales.
- With a new Government soon to be formed under Prime Minister-in-waiting Andy Burnham, lobbyists will be rallying against a number of legacy issues affecting the Retail sector at large: an outdated business rates system, VAT regulations favouring online marketplaces with the exemption on low value imports, the exodus of wealthy residents in the face of wealth taxes and inflexible employment regulations and living wage increases heightening the cost of doing business in the UK.
- There will inevitably be occupier fall out to add to the likes of Claire's, TG Jones, Quiz, Russell & Bromley, Poundland and Showcase Cinemas – all of whom are undergoing a restructuring, business sale or compulsory creditor arrangement (such as a "cram down" or CVA). However, the private equity ownership, overbearing financing arrangements or chronic lack of investment at play in each of these situations is as much to blame as challenges in trading conditions.
- In Knight Frank's six-part *Retail Renaissance 2026: Still Tough at the Top series*, we examine the trends shaping retail's next phase and explore why, despite being real estate's strongest-performing sector, success has to be fought for and there is no place for complacency.

Retail Warehousing

- With the Out of Town vacancy rate at a record low of 4.8% (but with many markets exhibiting next to no vacancy), it is easy to see why the subsector remains one of the most sought after across all property markets.
- Occupier demand has continued to strengthen as retailers note the relative performance of Out vs In Town formats. This is compounded by the absence of a development pipeline meaning existing stores have become increasingly valuable and new opportunities are being fiercely contested.

RETAIL INVESTMENT UPDATE

Prime Retail Yields & UK Base Rate 2010-2026 YTD



Source: Knight Frank Insight

- Rental growth (3% for the 12m to May 2026) continues to be a key driver for income-focussed investors (albeit moderating in part due to massive outperformance in the past 3 years) and a key contributor to total returns at 8.2% (12m to May 2026).
- In a period characterised by a lower number of larger trades, it is clear that the Retail Warehousing sector is now dominated by a handful of committed buyers; Hines (acquiring Junction One, Wallasey at £48.25m and Altrincham and Straiton for a combined £88m), DTZ Investors (Slough Retail Park at £55.1m), ICG (under offer to acquire Beckton Gateway at c.£65m) and Realty (most recently adding portfolios from Tristan Capital and South Street Capital for a combined £320m to an already enormous European platform).
- The deferral of investment supply into the second half, largely driven by the lack of delta between tightening yields and rising Gilt rates resulting from the war in Iran, will undoubtedly see further purchases from this group along with others targeting the sector (with the likes of Ashtrom, Schroders, Royal London and a number of French SCPI funds keen to add to existing portfolios).

Foodstores

- With deal volumes at £160m, roughly 50% lower than the same period in 2025, the absence of supply in this market continues. Exacerbated by a lack of willing sellers, a lack of arbitrage between prime yields and Gilt rates and covenant challenges with the private equity owned Morrisons and Asda, this is likely to be the lowest volume year in this sector since Covid.
- These currently depressed volumes are, as they have been for the past 12m, driven by a lack of stock rather than an absence of demand, with most UK fund managers maintaining some form of food requirement to add to specialists ICG and Supermarket REIT amongst others.
- Tesco continues to acquire leased stores via pre-emption agreements and negotiated deals, seeking to reduce balance sheet liabilities and invest a substantial cash pile generated by the profitability of its core business. The retailer acquired its store on Finchampstead Road in Wokingham for £41.6m in such a transaction. Similarly, Waitrose have reported plans to buy-in strong performing stores, and acquired their Hersham branch for £22m.

- We understand further sale & leaseback activity is being considered by Asda to release capital from its owned real estate, which would support an improvement in volumes in the second half. Lidl – reportedly selling a £113m sale & leaseback portfolio of 14 UK stores to Border to Coast (managed by Aberdeen) – has been busy with a similar strategy across Europe having concluded a €203m portfolio of 24 stores (17 in the UK) to ICG last year.

High Street

- Knight Frank intelligence suggests more than half a dozen UK institutions are actively targeting High Street investments – the most in recent memories with a list including a good number of investors who sold the sector so extensively in distressed periods either side of Covid. Typically, these requirements will start with a narrow focus, most likely targeting well-secured parades let to investment grade covenants on prime pitches in Outer London or the South East.
- Notwithstanding this, an improving depth of demand has been witnessed on a range of recent High Street sales. Private investors and property companies remain the core buyer group although French SCPIs have been particularly active in the regional markets with Alderan and Iroko Zen among others completing half a dozen transactions so far this year.
- Deal volumes are yet to reflect this uptick in activity, standing at £215m, 22% lower than the £280m traded in the same period last year and substantially lower than the two quarters contributing to record volumes of c.£2bn in 2016. The High Street has become a granular market but remains highly popular amongst investors seeking lower intensity management.
- With prime yields at 6.25% (some 225 bps higher than their peak in 2016) and with many high quality opportunities buyable at much higher cap rates, some savvy investors have acknowledged a renewed opportunity to aggregate high income-producing estates from disenchanted owners.
- Ongoing sales of The Greenwich Estate (being marketed by Knight Frank at £80.2m). John Lewis, Cheltenham (another Knight Frank sale at £22m) and Zara and Foot Asylum on Buchanan and Argyle Streets, Glasgow (£17m) are evidence of growing confidence in investment demand for larger lot sizes.

Shopping Centres

- Shopping Centres are the only subsector to have recorded an uplift in deal volumes during H1 2026 against the corresponding period in 2025 with volumes rising 95% from £450m to £870m. This near doubling of volumes belies the scale of activity in the market, with more than £1bn of sales currently either under offer or on the market. Deal volumes should, barring any further unexpected global economic crises, return to long term averages at £2bn.
- A remarkable recovery has been staged by many large regional malls which has contributed to far greater acceptance of their role in the UK Retail landscape. These assets have been proven to provide critical mass for shoppers and occupiers and, where these have been invested in (and reinvented in some instances), provide a unique shopping proposition given there is unlikely to be any future development of large retail assets for some time.
- Major UK REITs LandSec and Hammerson have publicly stated their desires to acquire further large shopping centres where they align with their portfolios. Frasers, owners of Sports Direct and a host of high street brands, have continued their prolific acquisition spree adding designer outlets at York and East Midlands totalling £400m. Redical concluded the acquisition of Merry Hill shopping centre (sold by Knight Frank) at £290m, adding to their portfolio of prime assets.
- Knight Frank's ongoing sale of Metrocentre at £500m will be a bellwether for the sector with further investment pipeline largely fuelled by assets formerly within the intu portfolio as well as a handful of profit takers, sensing a moment to capitalise on this renewed demand to exit assets acquired opportunistically immediately following Covid.
- Debt markets are highly supportive of the Shopping Centre sector – undoubtedly a key contributing factor to the current strength of demand. Outward movement in SONIA 5 year swap rates (currently standing at less than 4% for the first time since February) was counterbalanced by a reduction in margins (with the best centres now achieving less than 2%) meaning "risk-on" owners are readily able to achieve mid-teen levered returns from relatively benign business plans.

REIT Share Price Tracker

	Landsec	British Land	Hammerson	NewRiver	Supermarket Income REIT	London Metric
30/06/25 Share Price (p)	651.00	413.60	369.80	78.20	87.90	188.30
H1 2026 Movement	5.1%	4.1%	13.2%	13.7%	8.4%	-0.2%
EPRA NTA per share (p)*	882	590	394	105	88	201
Premium to NTA	-26%	-30%	-6%	-25%	0%	-6%

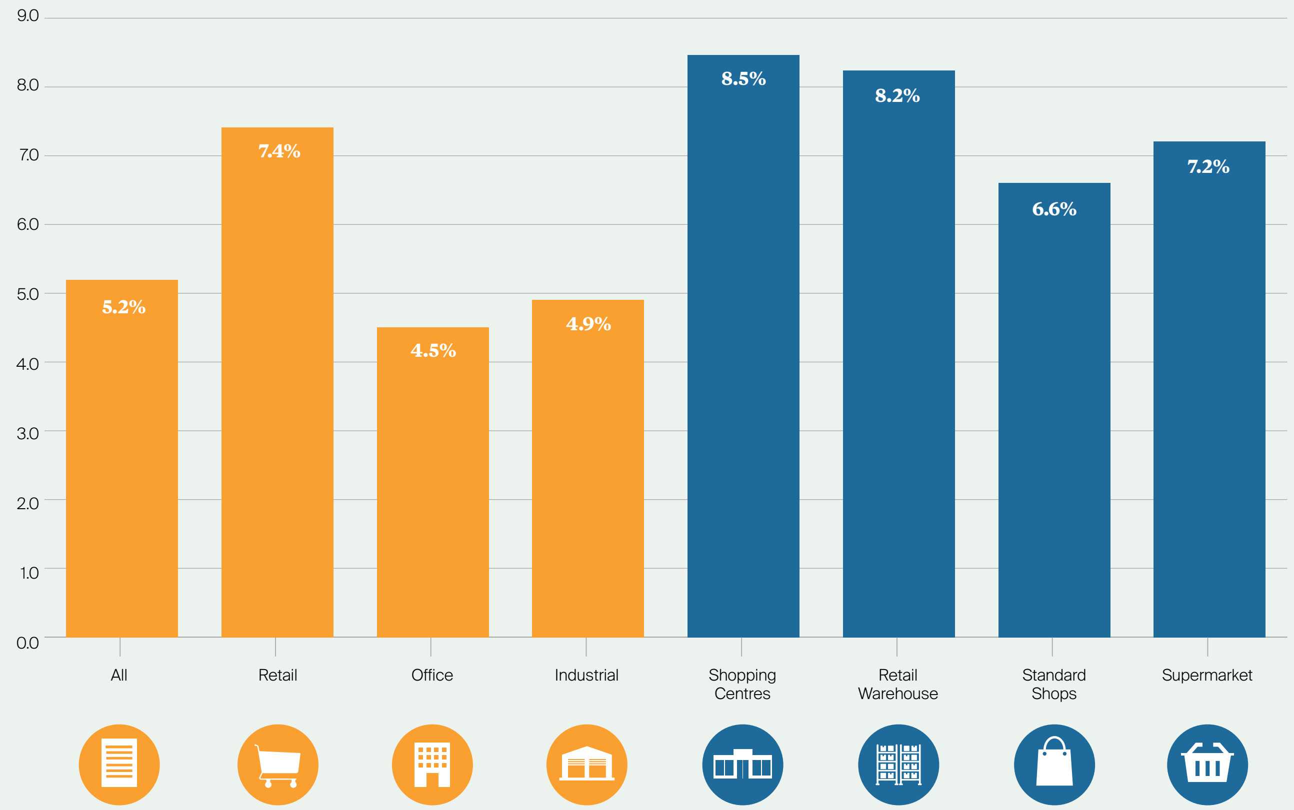
*Latest available published NAV per share

RETAIL INVESTMENT UPDATE

KNIGHT FRANK OUTLOOK

- Retail will likely be the best performing sector through 2026 once again, with Shopping Centres continuing their dominance at the top of the leaderboard. Knight Frank forecasts suggest Retail will deliver returns of 7.4% for 2026 with Shopping Centres at 8.5%, pushing Retail Warehousing into second place at 8.2%.
- This outperformance could drive demand from more strategic investors from across the globe. The UK remains the most popular destination for cross-border investment (unveiled in Knight Frank's recent *Active Capital survey* results) but so far most has been channelled into London offices or the industrial and residential sectors. A body of evidence is building in support of the Retail sector which gives us confidence in a return of capital from sovereign wealth investors, European funds, UK pension funds as well as Far Eastern capital to UK Retail markets.
- With stock supplies chronically low across most UK investment markets, greater stability in the second half of the year will drive a rapid recovery of deal volumes. A number of forthcoming Shopping Centre, Retail Warehousing and High Street sales will gather demand from active players in each market. Unfortunately, we do not expect a drastic shift in the supply of openly marketed Foodstores, suggesting that the many active requirements in this space will remain unsatisfied.
- Prime yields will likely remain stable through the year, although this only tells part of the story given economic conditions in the early part of the year could have seen rapid outward shifts in most prime Retail yield groups. A general economic recovery should support a normalisation of inflation and a return to a policy of monetary easing.

Total Returns – Knight Frank Forecast
2026 (f)



Source: Knight Frank Insight

Retail will likely be the best performing sector through 2026 once again, with Shopping Centres continuing their dominance at the top of the leaderboard.

KNIGHT FRANK DEALS

A selection of our recent transactions are shown below.
Thank you to all of our clients who have worked with us this year.

Merry Hill Shopping Centre

Subsector: Shopping Centre
Purchaser: Redical
Vendor: Lenders to intu
Price: £290m
NIY: 8.60%

Bligh's Meadows, Sevenoaks

Subsector: Shopping Centre
Purchaser: Compagnie du Parc
Vendor: Aberdeen
Price: £23.5m
NIY: 7.85%

Middleton Shopping Centre

Subsector: Shopping Centre
Purchaser: Adhan Group
Vendor: Silverpoint Capital / New River Retail
Price: £8.5m
NIY: 11.00%

Hannington's Estate, Brighton

Subsector: High Street
Purchaser: Baron Homes
Vendor: Redevco
Price: £50m
NIY: 7.50%

Goodmans Fields, Aldgate

Subsector: High Street
Purchaser: Alderan
Vendor: Berkeley Homes
Price: £17.9m
NIY: 8.75%

30 & 33-35 Queen Street, Oxford

Subsector: High Street
Purchaser: Private Investor
Vendor: M&G Real Estate
Price: £16.75m
NIY: 5.91%

2-12 Powis Street & 5-7 Beresford Sq., Woolwich

Subsector: High Street
Purchaser: Cervidae
Vendor: British Land
Price: £6.2m
NIY: 6.92%

60-62 Northumberland Street, Newcastle

Subsector: High Street
Purchaser: Iroko Zen
Vendor: Wittington Investments
Price: £6m
NIY: 8.00%

Sainsbury's Local, Ashford

Subsector: Foodstore
Purchaser: Private Investor
Vendor: Sainsbury's
Price: £1.95m
NIY: 5.46%

Asda, Didcot

Subsector: Foodstore
Purchaser: Private Investor
Vendor: Knight Frank Investment Management
Price: £3.7m
NIY: 6.25%

Sainsbury's Local, Bridge of Weir & Brightons

Subsector: Foodstore
Purchaser: Private Investor
Vendor: Sainsbury's
Price: £2.6m
NIY: 5.63%

Morrisons, Plymouth (U/O)

Subsector: Foodstore
Purchaser: TBC
Vendor: Fiera
Price: Q £22m
NIY: Q 6.23%

"Knight Frank are highly active across all of the retail sub-sectors, with specialists focused on each market. Please do not hesitate to get in touch if we can assist with your Retail investments."

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