Retail Renaissance 2026

Paper #5: High St: Never Say Never Again

2026

The fifth of six papers exploring key themes that are defining the Retail landscape and will play out going forward

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Paper #5: High St: Never Say Never Again

A new playbook

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3 KEY TAKEAWAYS:

- Renewed investor interest in the High Street – even from at least six institutional investors who sold down post COVID and vowed never to return.
- A new investment playbook to replace the old, which was too property-centric, disconnected from retail occupational markets, geographically-restricted and obsessed with demographic affluence.
- The new playbook is a forensic, bottom-up exercise, rather than a top-down tick-box list. Key considerations combine both centre-level KPIs (catchment/competition, supply/demand dynamics, space productivity) and asset-specifics (ownership/management structures, tenant trade/longevity, rental affordability).

> "Investment strategies that were not so much put on ice as buried in the deep freeze are starting to thaw. Even some institutional investors are making noises about making a return to High Street Retail."

Never again. Many disenchanted investors, particularly UK institutions and funds, vowed they would never entertain the idea of investing in in-town Retail again. They had their fingers badly burnt, their assets tumbling in value as part of Retail's painful, but ultimately necessary, rebase. Many of those assets were sold off at a hefty discount to perceived (read, historic) values. Once bitten, twice shy.

Time is a great healer. Retail's wider renaissance has not gone entirely unnoticed. Retail warehousing may have led the charge, but High Street Retail is also being re-evaluated. Investment strategies that were not so much put on ice as buried in the deep freeze are starting to thaw. Even some institutional investors are making noises about making a return to High Street Retail.

Once bitten, twice cautious. Investors are wary of repeating previous mistakes and investing badly. Expect a tentative trickle of investment back into the High Street, rather than a fast-flowing flood. And a new playbook than that deployed before.

WHERE DID IT GO WRONG BEFORE?

In essence, investors were playing a property-centric game that did not reflect the intricacies and complexities of the retail occupational market. Strategies adhered to the basic tenets of real estate, most notably market cyclicality, but did not account for the idiosyncrasies, volatilities and frailties peculiar to the Retail market.

What goes around comes around, what goes up comes down. Timing is everything. One of the basic principles of real estate cycles. But what if a market undergoes fundamental, structural change as Retail has done? What if seemingly fantastic real estate in a supposedly great town falls vacant and there isn't a queue of alternative occupiers willing or able to pay the rent at established tones?

> "Investment strategies were also propped up by 'false friends' – factors that were perceived to provide resilience and drive outperformance, yet did neither."

Not a hypothetical scenario by any means – a reality that many Retail landlords and investors have had to face up to in recent years. And few would wish to repeat.

Investment strategies were also propped up by 'false friends' – factors that were perceived to provide resilience and drive outperformance, yet did neither. Chief amongst these were geography and in particular the flawed notion that London and the South East reigned supreme.

THE OLD PLAYBOOK

'Market/cathedral towns in the South East'. A criteria previously at the top of many investors wish lists, based less on proven track record and much more on perception and familiarity. Nice places in familiar catchments is not a ringing endorsement for an investment strategy.

Nor is the less specific catch-all of London and the South East generally. Any assumption that this is where retailers make all their money is as naïve as it is ridiculous. Real estate generally in London and the South

> “Less a playbook, more a top-down box ticking exercise with precious little substance.”

East comes at a premium to the rest of the county and, in Retail, the perceived underlying value is baked into the pricing. If all else fails in Retail, there was a hypothetical safety net of value in alternative use. Investors would pay over the odds for the comfort of an underwrite that they would never exercise – nor could get to stack up, even if the need did indeed arise.

Demographics – another two-faced ‘false friend’. Above all, a blind obsession with affluence as affirmation of an asset’s worth. Demographics are indeed a crucial factor in retailing and provide a rich tapestry in understanding the shopping dynamics in any given location, but analysing them is a highly complex undertaking. Just because the residential population is demonstrably ‘affluent’, it does not necessarily make that audience any ‘better’ and that asset any more valuable. On the contrary, ‘affluent’ socio-economic groups are notoriously difficult to tap into – they are amongst the most discerning of consumers in where they shop and what they buy. ‘Affluent’ is not the same as free-spending – far from it.

Well-presented assets, let to brands that are perceived to be good, in nice market towns in the South East, supported by an affluent catchment. A summary of many investors’ playbooks historically – less a playbook, more a top-down box ticking exercise with precious little substance.

And, of course, there was strength in numbers. A situation whereby many investors were chasing the same ball seemingly endorsed the ‘playbook’ and perpetuated many of its limitations and shortcomings.

Comfort through herding? In the words of Nietzsche: *“Do you want to have an easy life? Then always stay with the herd and lose yourself in the herd”*. As we have learnt through the whole rebasing process and subsequent renaissance, there is no longer such a thing as an easy life in Retail.

ALIGNMENT WITH THE RETAIL OCCUPATIONAL MARKET

The old investment playbook only paid lip service to the forces that actually define a successful investment strategy – closer alignment with the Retail occupational market. Happy tenants are sticky tenants. Sticky tenants pay rent and provide reliable income streams. Reliable income streams underwrite and determine a property’s value.

What drives retailers’ location planning and real estate strategies? In base terms, retailers will occupy stores that make money, a focus that has tightened significantly in the face of a COVID-driven existential crisis. Making money, either directly through a P&L or indirectly as part of a cog in a multi-channel model, is the primary, nay sole, endeavour of any store-based occupier.

That is about as far as generalisations can go. Where retailers make money will vary dramatically by operator, sector, market positioning and by any number of other considerations. Very much horses for courses, a total minefield completely at odds with any preconception that retailers unfailingly trade best in the South East. Retailers generally are geographically agnostic.

Do prime stores – those located in the plum locations in the best towns or cities or in Regional Shopping Centres – trade better than less celebrated sites? Sometimes, maybe, possibly, not necessarily, no – take your pick.

High Street Retail Investment – Old vs New Playbook

OLD PLAYBOOK	NEW PLAYBOOK
Property-centric	Aligned with Retail occupational markets
Geographically-restricted	Geographically-agnostic
Biased towards London & South East	National
Underwrite priced in	Underwrite incidental
Preoccupation with affluence	Suite of considerations: catchment + competition, understanding supply/demand dynamics space productivity, ownership/management structure tenant trade + longevity, rental affordability

Source: Knight Frank

> "In short, retailers are happy in locations where they are generating good sales, rents are affordable and they are able to produce a decent, profitable return."

It's impossible to generalise. The only rule of thumb that carries any weight is that sales volumes in prime locations are likely to be higher than in other locations. But retailers will be paying for the privilege through higher rents, business rates and often service charges. Prime stores may achieve higher sales, but that may not necessarily filter through to higher profit. Often, there is a disconnect between the top and bottom lines.

Demographics are a key feed into any retailer's acquisition strategy and understanding customers is – and always will be – central to successful retailing. Unlike investors, retailers are not obsessed with affluence, they will have a much more intelligence-based and discriminating view of their customer base – who their core customers are, where they live etc. Snobbery has no place – their customers are what they are, not what they want them to be. Again, the end game is having stores in locations where the demographics are sufficiently supportive for that site to make money.

In short, retailers are happy in locations where they are generating good sales, rents are affordable and they are able to produce a decent, profitable return. The parameters of all of these things will vary dramatically, but it is as fundamental as that.

THE NEW PLAYBOOK

The new investment playbook for Retail needs to mirror its occupational counterpart. Rather than a top-down tick box list, a detailed, multi-faceted and forensic bottom-up analysis. Not exhaustive by any means, the new playbook needs to address the following six facets as a bare minimum:

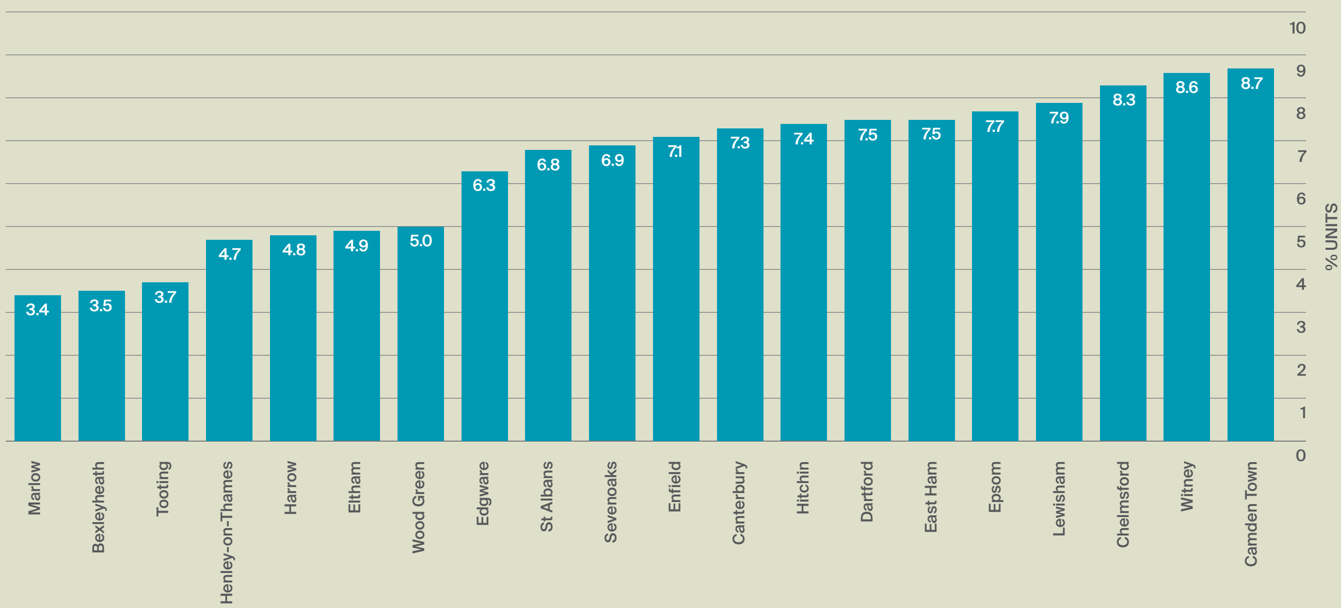
1. Catchment + Competition
2. Understanding the supply-demand dynamics
3. Productivity
4. Ownership / management structure
5. Tenant trade + longevity
6. Rental affordability
7. In broad terms, the first three relate to the town/city, the last three are more asset-specific. In an ideal world, both sets of metrics should complement and be consistent with each other.

Catchment + Competition

Two moving parts on understanding catchment characteristics – overall catchment size/geographic reach and penetration thereof. Part and parcel of that process is understanding market shares, leakages and local shopping hierarchies.

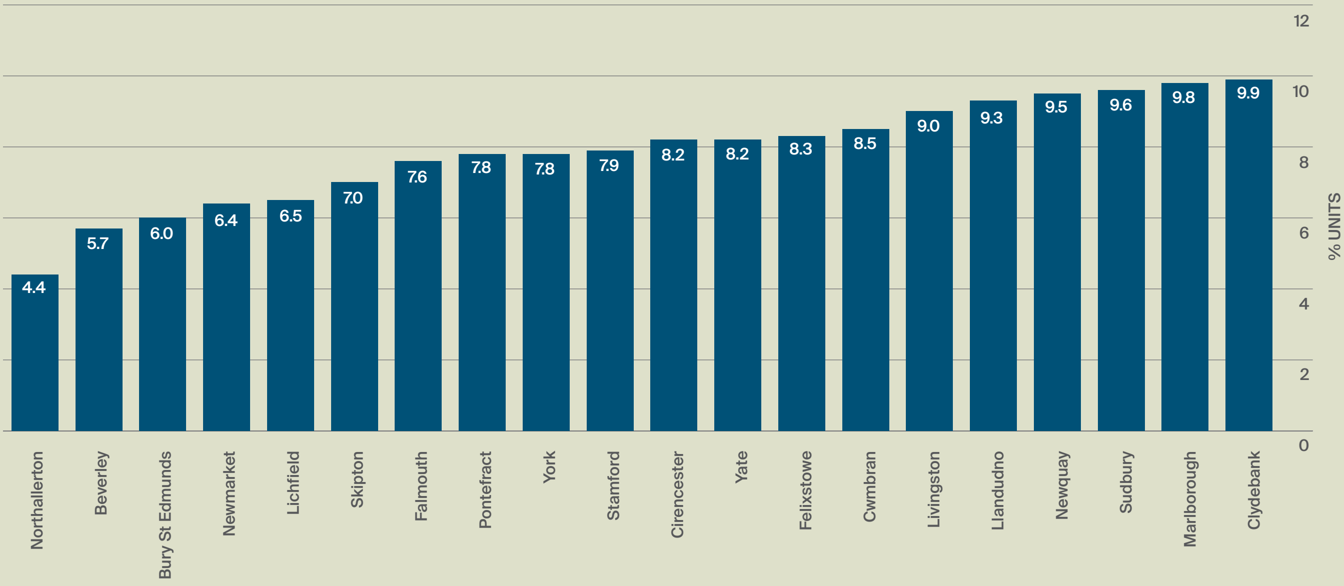
Demographics also fall under this umbrella. Rather than look for affluence as an endorsement, the key is striking an equilibrium between the tenant of any given asset and the audience that it serves e.g. a value-based operator is likely to trade better in a more demographically-challenged town. Also, understanding the nuances between demographic penetration

Top 20 Lowest Vacancy Rates – London and SE Centres



Source: PMA Promis, GOAD, Knight Frank Insight

Top 20 Lowest Vacancy Rates – Centres outside the South East



Source: PMA Promis, GOAD, Knight Frank Insight

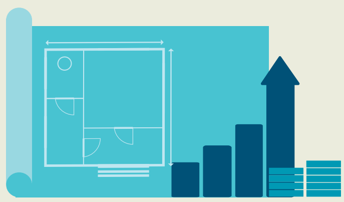
rates (i.e. %) and volumes (i.e. counts). For larger centres with extensive catchments, penetration rates of key demographic groups may appear low, but volumes are high.

#2

Understanding the supply-demand dynamics

The new playbook needn't represent a total abandonment of basic real estate tenets – the trade-off between occupational demand and physical supply is still a key feed. Vacancy rates are the obvious barometer of these dynamics, but 'headline' i.e. centre-wide data may not necessarily tell the full story. For example, demand may be heavily concentrated in a particular pitch and the vacancy rates may actually reflect very tertiary or peripheral areas of that town.

Retailer requirements provide some indication of potential demand, but tend to over – rather than understate as they seldom shed light on how active or passive individual requirements are. Occupier gap analysis (highlighting retailers that are currently absent but trade in similar towns or locations) remains a useful tool for assessing contingency and alternative operators, should incumbents vacate.

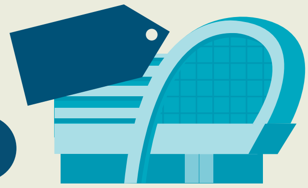


#3

Productivity

Sales/sq ft – a retailing KPI that has been diluted somewhat over time in parallel with the rise of online/multi-channel. But still a telling metric in understanding space productivity and identifying potential over-supply.

Asset-centric metrics that can be replicated at town level by crudely dividing gravitated spend figures by floorspace. Not an exact science, but a good proxy as to how hard that floorspace is working – hard working floorspace more likely to be profitable space. Not a guarantee that every store in that town is flourishing nor an endorsement for investing in that town in isolation, but a key feed into the wider appraisal process.



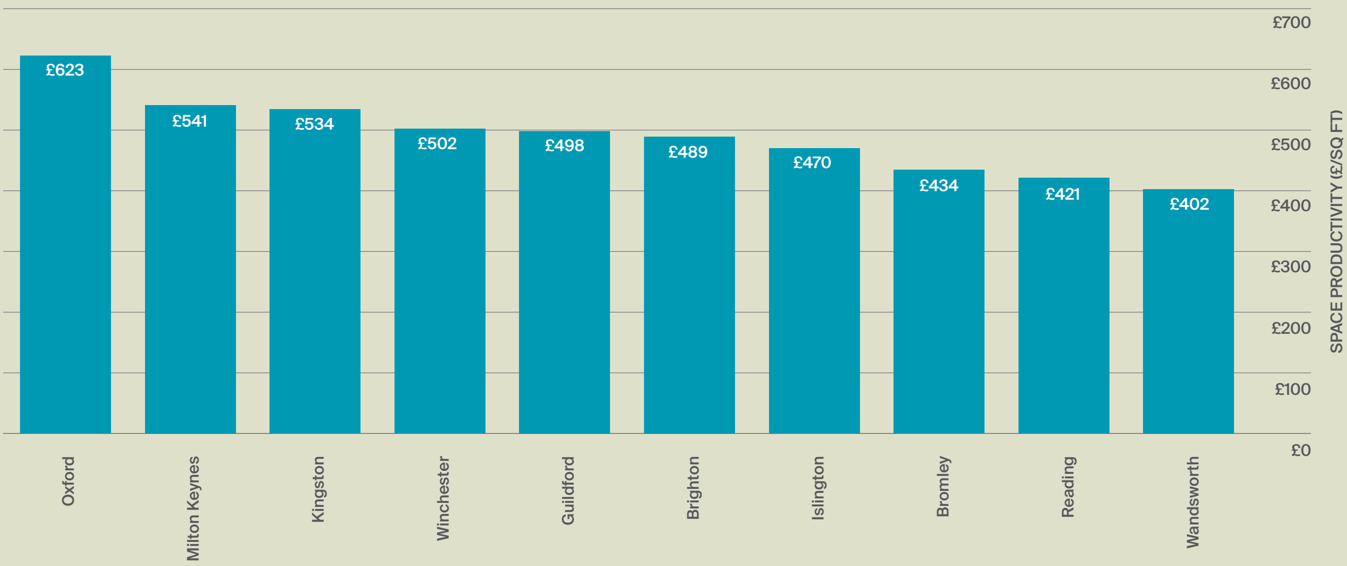
#4

Ownership / Management Structure

Understanding the ownership and management structure of any location is an underrated factor. Key considerations are the extent to which the floorspace is managed and by whom, and whether the approach is active or passive. Councils, private investors, REITs and institutions will all have different motivations. Fragmented ownership is a frequent

"Fragmented ownership is a frequent constraint to necessary change in many town centres, with various parties not pulling together for the common good."

Top 10 most Productive Centres – London and South East



Source: PMA Promis, CACI, Knight Frank Insight

constraint to necessary change in many town centres, with various parties not pulling together for the common good.

While an investor may only be buying into a specific asset, it is highly beneficial to understand the broader backcloth of other owners. How difficult will it be to execute any proposed asset management initiatives? How does the high street interface with the local shopping centre? Will any proposals at the latter impact the former in a positive or negative way? In simple terms, know your neighbours.

Tenant trade + longevity

The holy grail in any investment strategy, details on trading performance of the occupiers themselves. And not just having the data, actually understanding what it means and being able to put in into context e.g. a £ per week sales figure is only a rough and ready metric which 1. may not reflect trading on an annualised basis due to seasonality 2. does not necessarily reflect profitability. But in a largely opaque market, any trading data is better than none at all. If reliable and detailed, absolute gold dust.

Longevity – how likely is that tenant to remain in occupation, both in terms of not defaulting and potentially renewing at any lease expiry? Credit ratings such as Dun & Bradstreet (D&B) are still widely used yet do not foresee every CVA and administration. Even ostensibly strong retail brands may have overexpanded and not every store may be trading to the required level. A deep understanding of retail occupiers remains a prerequisite for any retail investment strategy. 'Sexy' tenants are not always the best tenants.

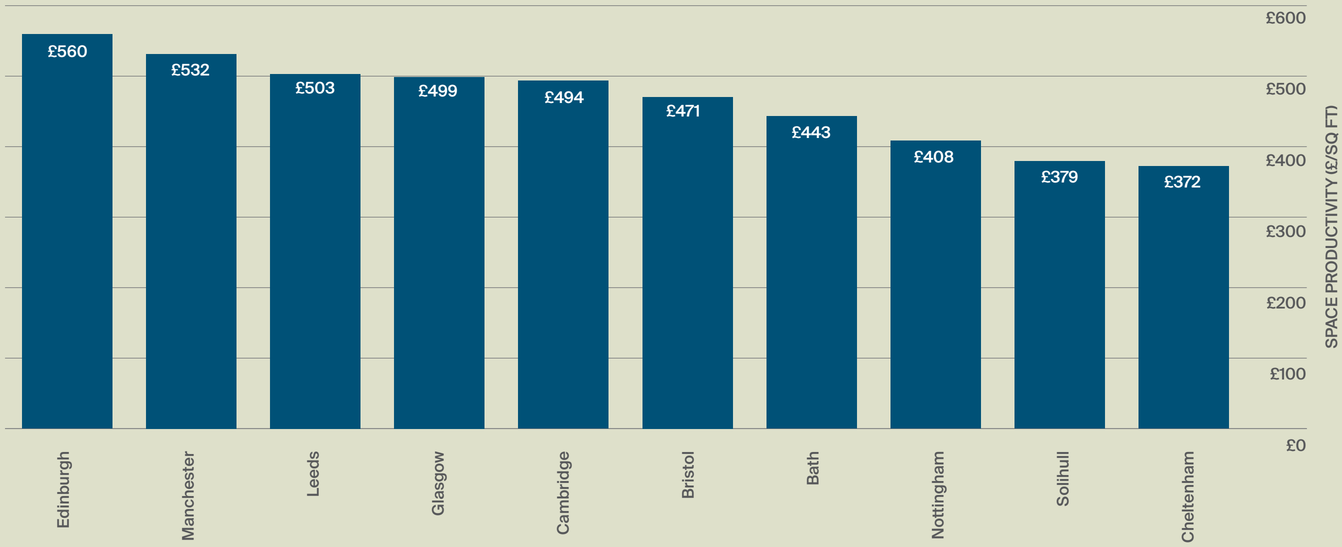
> "A deep understanding of retail occupiers remains a prerequisite for any retail investment strategy."

Rental Affordability

Again, there is a tendency for property investors to revert to real estate type here and place rents within an open market rather retail occupier context. The rent on an asset may be appropriate in the context of established tones elsewhere in the town and this may be provable by any number of market comps.

But it may not be affordable to the retailer that is currently in occupation, nor ones that could potentially backfill. Individual retailers have very different gross margin structures and business models and, by extension, very different affordability parameters. Applying 'effort ratios' is not the foolproof exercise it purports to be and remains very much a dark art. The affordability (or otherwise) of rent is only fully transparent in the context of trading performance data. A market rent is only sustainable if there is an occupier willing and able to pay it.

Top 10 most Productive Centres – Outside the South East



Source: PMA Promis, CACI, Knight Frank Insight

> "Is this new-found interest in in-town Retail reflected in the numbers? In Shopping Centres, yes. In High Street stock, not as yet."

READY TO DANCE TO A NEW TUNE?

Is this new-found interest in in-town Retail reflected in the numbers? In Shopping Centres, yes. In High Street stock, not as yet.

As explored in Paper #4 of this series, Shopping Centres are very much back in vogue and this is supported by data from our H2 Retail Investment Report. Shopping Centres recorded volumes of £870m in H1 2026, a +95% uplift from the £450m reported in the same period the previous year. A further £1bn of sales are currently either under offer or on the market and deal volumes should, barring any further unexpected global economic crises, return to long term averages at £2bn+. And, given the location of those assets that have or are likely to trade, investment is geographically-agnostic, refreshingly so.

A slightly more subdued picture in High Street stock – for now. High Street volumes totalled £215m in H1 2026, some -22% lower than the £280m traded in the same period last year and substantially lower than the two quarters contributing to record volumes of ca. £2bn in 2016.

Is the tide turning? 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, lower intensity managed estates from disenfranchised owners.

Private investors and property companies remain the core buyer group, although French SCPI have been particularly active in the regional markets with Alderan and Iroko Zen amongst others completing half a dozen transactions so far this year.

What of the formerly disenchanted institutional investors, those that vowed "never again"? Knight Frank intelligence can identify more than half a dozen UK institutions who are openly targeting High Street investments – the most in recent memory, with a list including a good number of investors who sold the sector so extensively in distressed periods either side of COVID.

Disappointingly, but perhaps unsurprisingly, these investors are largely targeting well-secured parades let to investment grade covenants on prime pitches in Outer London or the South East. Old habits die hard.

But there is a world outside the South East window. And a whole different playbook as to how best to mine it.

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THE LEASING AGENT VIEW

Follow the occupier

David Legat – Partner, Head of Retail Agency

It's encouraging to see renewed investor interest in the High Street; from an occupational perspective, it is also long overdue.

Our markets adjusted long ago. Occupiers have spent the last decade doing what many investors are only now beginning to do: taking a far more forensic view of location and performance. Occupiers have become increasingly selective, focusing on profitability, productivity and the strategic role each store plays within an ever-more sophisticated multi-channel network.

We see this every day. Retailers are searching for the right property, on the right pitch, in the right town. Traditional notions of "prime" towns and cities have become far less important than whether a location can consistently deliver the right customers, sales volumes and returns.

Perhaps the most encouraging aspect of the current cycle is that retailers are expanding again. Demand is no longer confined to a handful of trophy locations; for many expanding occupiers, the number of viable target locations exceeds the number of stores they are looking to open. That dynamic helps keep the market honest. Retailers can be disciplined in their acquisition strategies, pushing for terms that ensure long-term sustainability. Equally, they are prepared to walk away when deals do not stack up commercially, confident that alternative opportunities exist elsewhere.

The era of the "must-have" location has passed. Every store must justify its place in the portfolio and make a positive contribution to the wider business. Rent sits at the heart of that equation. While market evidence and comparable transactions remain important, leasing decisions are increasingly informed by affordability and store economics. The most sustainable outcomes are achieved when rent reflects both market reality and occupational performance. Get that balance right, with the right occupier in the right location, and both landlord and tenant have the platform to succeed.

We are seeing occupiers actively target towns and cities across the UK, often in locations that would previously have been overlooked. Their focus is straightforward: securing space at affordable occupational costs in markets capable of delivering attractive returns over the long term.

Retailers have already identified where the strongest opportunities lie. The best investment outcomes are likely to come not from relying on historic real estate assumptions, but from understanding where tenants want to be, can afford to be, and are actively choosing to grow today.

For investors considering a return to the High Street, the message is simple: follow the occupier.

THE INVESTMENT AGENT VIEW

A tentative return – but welcome back

Will Lund – Partner, Head of In-Town Capital Markets

Retail is once again on fund managers' shopping lists and it is not entirely surprising. An aggressive rebasing of capital and rental values to historic lows should be enough to pique the interest of any discerning investor.

The resilience of Regional Shopping Centres has been well-publicised to the extent that this market is in the midst of a Lazarus-like recovery. Major REITs Landsec and Hammerson have reported their desires to expand their portfolios, joined by other domestic and European funds actively investing in this sector.

But is the High Street going unnoticed? Well, actually no. Recent sales in Brixton, Greenwich, Oxford and Glasgow all attracted institutional interest and we are now monitoring a handful of fund requirements seeking risk-adjusted outperformance from relatively low asset management-intensive opportunities.

Most of these groups are targeting larger opportunities (£10m+) let to a handful of high quality occupiers on long leases and will (for now) typically defer to familiar markets in the South East as they make early forays (or returns in some cases) to the High Street Retail market. However, these sales are few and far between and will likely see a number of these investors chasing the same stock.

There is value to be found outside of these core markets. Why should a retailer naturally be more profitable in Cambridge than Clydebank? Greater alignment between occupational and investment dynamics means that acquisitions are no longer solely a geographically-led decision with the onus being on really understanding one's occupier. If local dynamics are supportive there is potentially equal opportunity to benefit from long, sustainable, growing income streams in either of these locations.

With investors in today's turbulent markets seeking opportunities for outperformance, the robust fundamentals of the In-Town Retail markets could be enough to tempt institutional investors back to this sector and, potentially, into more regional markets once again.

We like questions, if you've got one about our research, or would like some property advice, we would love to hear from you.

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