

UK Retail Monitor



Q1 2026

The Knight Frank Retail Monitor provides a quarterly update on key data across all retail sub-sectors and current market sentiment.

knightfrank.co.uk/research

“Far too early to assess the impact of the war in the Middle East on the UK retail market – by the same token, equally premature to jump to any (negative) conclusions. Q1 retail metrics were generally strong, those that are sentiment-based the only ones to show any discernible shift as yet. As ever, the expectation may well be far worse than the actual reality.”

Stephen Springham, Head of Retail Insight

KEY HEADLINES

Q1 was obviously punctuated by the war in the Middle East, which started on 28 Feb. and is ongoing. Retail metrics in the two months prior to that were almost universally strong. There was limited evidence of any immediate response to the war in March, except in sentiment. The principal negative impact for the retail sector will be rising oil prices that will put further, unwanted pressure on operating costs and inevitably result in higher inflation for some (but not all) retail sectors.

CONSUMER MARKETS

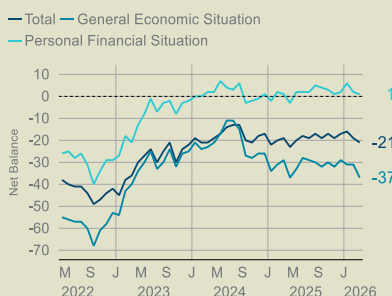
Inevitably, considerable media focus on consumer confidence. The GfK Indicator showed that confidence in the General Economic Situation slumped to -37 in Mar. (from -29 in Dec.), the lowest level in over two years. But confidence in their own Personal Finances (which correlates far more closely to retail sales) 1. tracked considerably higher (+1) and 2. was far less volatile (vs. +2 in Dec.).

Retail demand held up during Q1 by any meaningful measure. Retail sales values (exc. fuel) grew +5.0% YoY, with volumes ahead by +3.4%. An exceptional Jan. (vals. +6.7%, vols +5.7% YoY) was followed by a strong Feb. (+4.1%, +2.7%) and Mar. (+4.1%, +1.7%), the latter boosted to some degree by the timing of Easter.

Inflationary pressures will multiply going forward. Food prices are likely to track above CPI, but the situation in non-food is far more nuanced and many categories will track below. A worst case scenario would see retail sales volumes (‘real growth’) dip as the year unfolds, but retail sales values (underlying consumer spend) are likely to hold up regardless.

Consumer Confidence

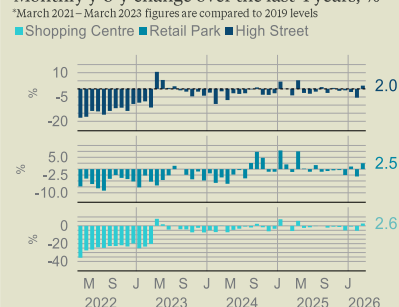
Confidence over the next 12 months



Source: GfK

Retail Footfall

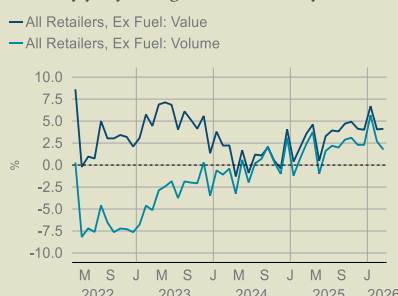
Monthly y-o-y change over the last 4 years, %



Source: BRC, Springboard

ONS Retail Sales

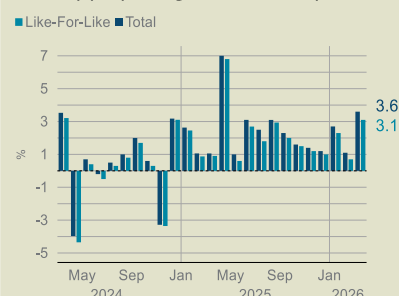
Monthly y-o-y change over the last 4 years, %



Source: ONS

BRC Retail Sales

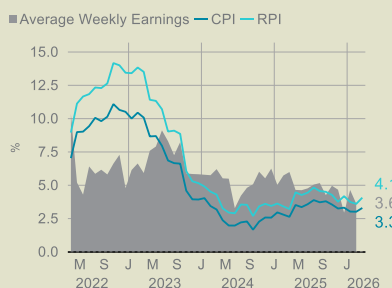
Monthly y-o-y change over the last 2 years, %



Source: BRC

Average Weekly Earnings

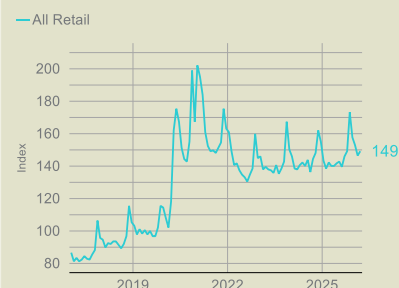
Annual change over the last 4 years, %



Source: ONS

Online Retail Sales Index

July 2019 = 100



Source: ONS

OCCUPIER MARKETS

The retail occupier response to events in the Middle East has been pragmatic. Few operators have a significant occupational presence in the region and those that do tend to be through franchise agreements. Equally, supply chain disruption should prove limited – most food imports to the UK come from the EU and not through the Persian Gulf, in non-food little container ship traffic has passed through the Red Sea/Suez Canal since 2023/24 and has rerouted via the Cape of Good Hope. However, rising crude oil prices will result in higher operating costs, unwelcome added pressures to a further rise in the minimum wage and business rate re-ratings, which both came into force in April (after quarter-end).

Against this backdrop, retail vacancy rates continue to decline, quietly rather than rapidly. Overall high street vacancy rates (14.4% overall, 13.2% exc. Leisure) are now at their lowest level since Q3 2020.

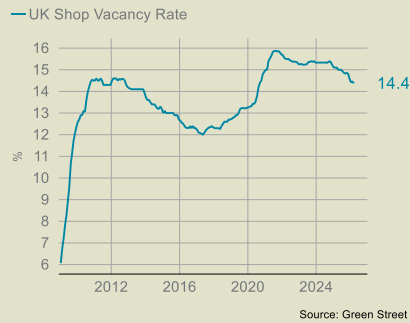
INVESTMENT MARKETS

Total retail investment volumes were £865.4m in Q1. This marked a -37% decline on Q1 in 2025 (£1.37bn) but masked a myriad of moving parts between sub-sectors. Retail warehousing (£319.4m) and foodstore (£71.4m) volumes showed significant YoY declines (-64% and -73% respectively) against bumper corresponding quarters in 2025, reflecting a lack of stock rather than an absence of investor demand.

In contrast, Q1 shopping centre volumes (£335.1m) compared very favourably against a particularly lacklustre quarter the previous year (£19.5m). These figures were boosted by a single, big ticket deal in the shape of the £290m KF sale of Merry Hill, but the depth and breadth of demand (12 bidders, six over asking price) does augur well for the rest of the year.

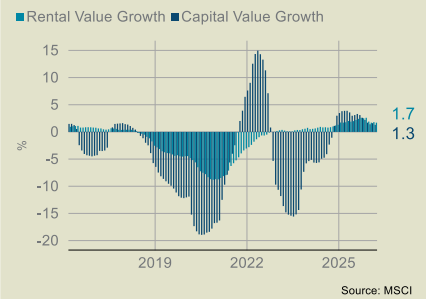
Retail Vacancy Rate

Last 12 years, %



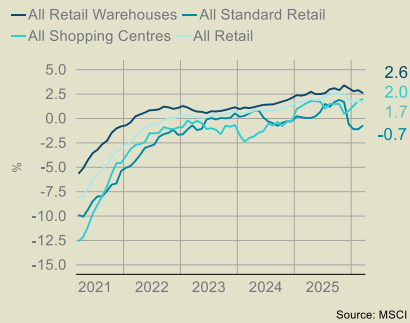
All Retail - Rental / Capital Value Growth

Rolling 12 month growth, last 10 years, %



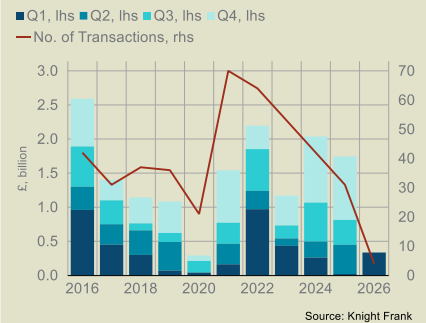
Retail Rental Growth by sector

Monthly growth, last 5 years, %



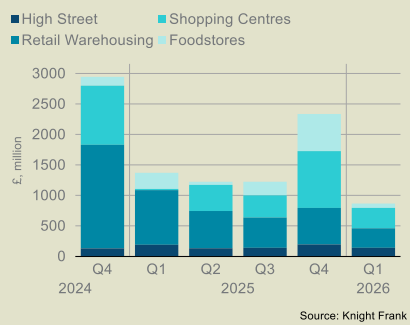
Shopping Centre Transactions

Last 10 years



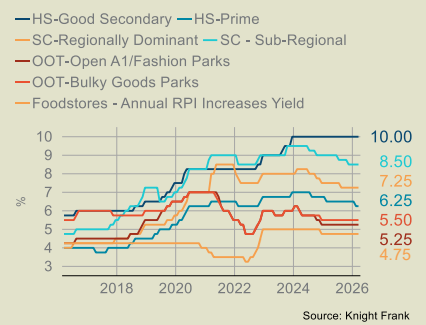
Investment Volumes by sub-sector

Last 6 quarters, £ millions



Yields

Last 10 years, %



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