UK Retail Monitor

Knight Frank

Q3 2026

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

knightframk.co.uk/research

"Retail firmly on course to retain its status as the best-performing CRE asset class in 2026 – for the third successive year. Consumer markets in far better shape than feared at the outset of events in the Middle East. Investment markets erratic, but buoyed by the return of 'big ticket' Shopping Centre transactions."

Stephen Springham, Head of Retail Insight

KEY HEADLINES

A new Prime Minister and ongoing global conflicts in Ukraine and the Middle East. An uncertain backdrop as ever, but one that is only partially impacting on UK retail markets. Consumer and occupier markets remain seemingly impervious to external factors. Investment markets are more sensitive generally, but this has not acted as an impediment to a growing number of 'big ticket' Shopping Centre deals.

CONSUMER MARKETS

In September, overall consumer confidence hit its highest level (-13) since August 2024. Confidence in personal financial situations was tangibly higher (+5), just shy of the level achieved at the beginning of the year (January +6). This is significant as the latter tends to correlate far more closely with actual retail sales.

Retail sales values (exc fuel) in Q3 were up +3.8% YoY, with volumes ahead by +1.7%. In both cases, this marked a slight deceleration on the exceptional performance in Q2 (values +5.3%, volumes +3.0%). Q3 was characterised by an exceptional August (+4.9%) sandwiched between steady performance in both July (+3.3%) and September (+3.4%). Q3 demand was stronger in non-food (vals: +4.1%, vols. +2.5%) than grocery (vals. +2.1%, vols. +0.0%).

Shop price inflation averaged 2.1% across Q3, rising from 1.7% in July to 2.6% in September. Although increasing slowly, the wider inflationary impact anticipated in the wake of rising oil prices has yet to fully materialise. Above all, most evidence points to consumer markets being in decent shape ahead of the peak Christmas trading period.

Consumer Confidence

Confidence over the next 12 months

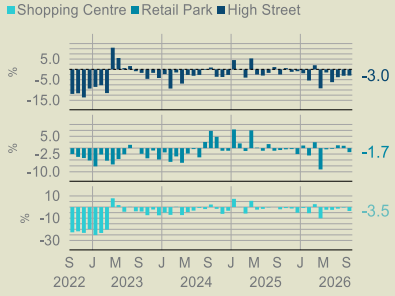


Source: GfK

Retail Footfall

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

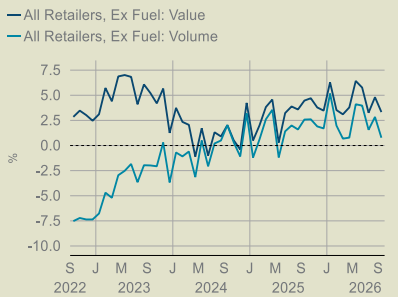
*March 2021 – March 2023 figures are compared to 2019 levels



Source: BRC, Springboard

ONS Retail Sales

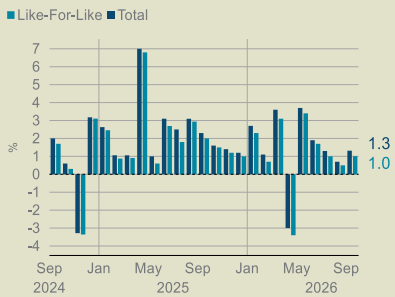
Monthly y-o-y change over the last 4 years, %



Source: ONS

BRC Retail Sales

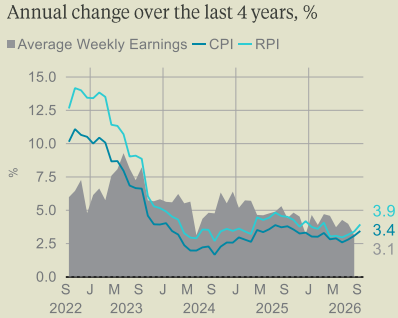
Monthly y-o-y change over the last 2 years, %



Source: BRC

Average Weekly Earnings

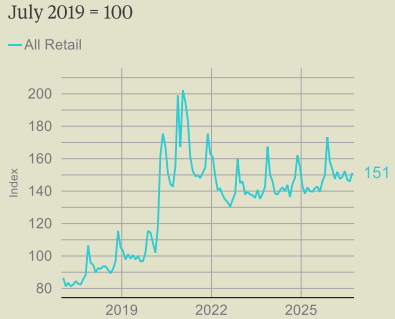
Annual change over the last 4 years, %



Source: ONS

Online Retail Sales Index

July 2019 = 100



Source: ONS

OCCUPIER MARKETS

This relative calm has extended to retail occupier markets and 2026 is on course to see one of the lowest levels of retailer distress on record. The Centre for Retail Research (CRR) lists just 12 business 'failures' YTD (operators undertaking some sort of restructuring, CVA or administration), with some 509 stores affected. By far the largest protagonist has been TG Jones (formerly WH Smith's high street business) with ca. 450 stores, although Poundland's future (ca. 600 sites) remains in jeopardy.

High Street vacancy rates remained stable in Q3 (14.3% overall, 13.2% exc. Leisure). In contrast, Retail Warehousing vacancy is at record lows (4.7% according to Trevor Woods Associates).

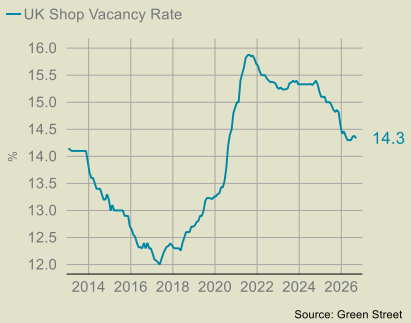
INVESTMENT MARKETS

Increasing signs of convergence between retail real estate market performance and investment markets. Retail remains the top performing commercial property sector, achieving total returns of 8.4% in the 12 months to September 2026 (vs. 5.2% for All Property), with Shopping Centres (9.1%) outperforming both Retail Warehouses (8.5%) and High Street Shops (7.8%)

Total retail investment volumes totalled £1.1 billion in Q3, around +6.4% higher than the previous quarter, taking YTD volumes to around £3.5 billion. Volumes were up QoQ in Retail Warehousing, Foodstores and High Street units. The apparent decline in Shopping Centre volumes (-33%) owed more to the timing of deals than a softening in investor demand. Hammerson's £218m purchase of a 50% stake in Manchester Arndale was included in the Q3 figures, but Landsec's £530m acquisition of Metrocentre did not complete until October and will therefore be incorporated in the Q4 figures.

Retail Vacancy Rate

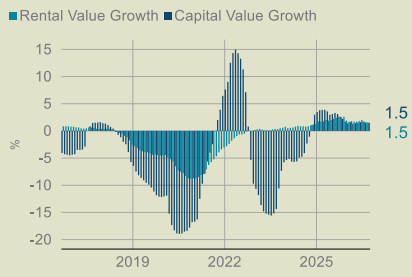
Last 12 years, %



Source: Green Street

All Retail - Rental / Capital Value Growth

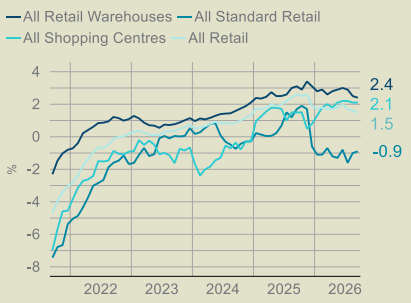
Rolling 12 month growth, last 10 years, %



Source: MSCI

Retail Rental Growth by sector

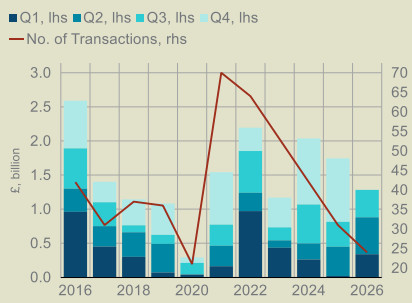
Monthly growth, last 5 years, %



Source: MSCI

Shopping Centre Transactions

Last 10 years



Source: Knight Frank

Investment Volumes by sub-sector

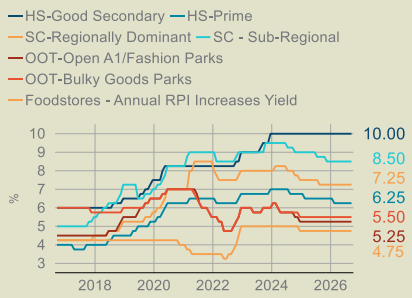
Last 6 quarters, £ millions



Source: Knight Frank

Yields

Last 10 years, %



Source: Knight Frank

Keep up to speed with retail markets with our quarterly dashboards and weekly Retail Note

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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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