savills

SPOTLIGHT

RETAIL WAREHOUSING

RETAIL & LEISURE – UK – WINTER 2026

KEY TRENDS INCLUDE:

CONSUMER TRENDS: Value-led spending should support retail parks despite consumer caution.

OCCUPATIONAL TRENDS: Scarce space and broad demand support rental growth, albeit at a tempered pace

INVESTMENT TRENDS: Institutional demand supports prime pricing as secondary markets diverge.

RESEARCH

KEY STATS

3.5%
CPI SEPTEMBER 2026

4.0%
25BPS INTEREST RATE INCREASE IN NOVEMBER

-24.0
OCTOBER CONSUMER CONFIDENCE INDEX

-22
OCTOBER MAJOR PURCHASE INDEX

Consumer: A value-led golden quarter as inflation weighs on confidence

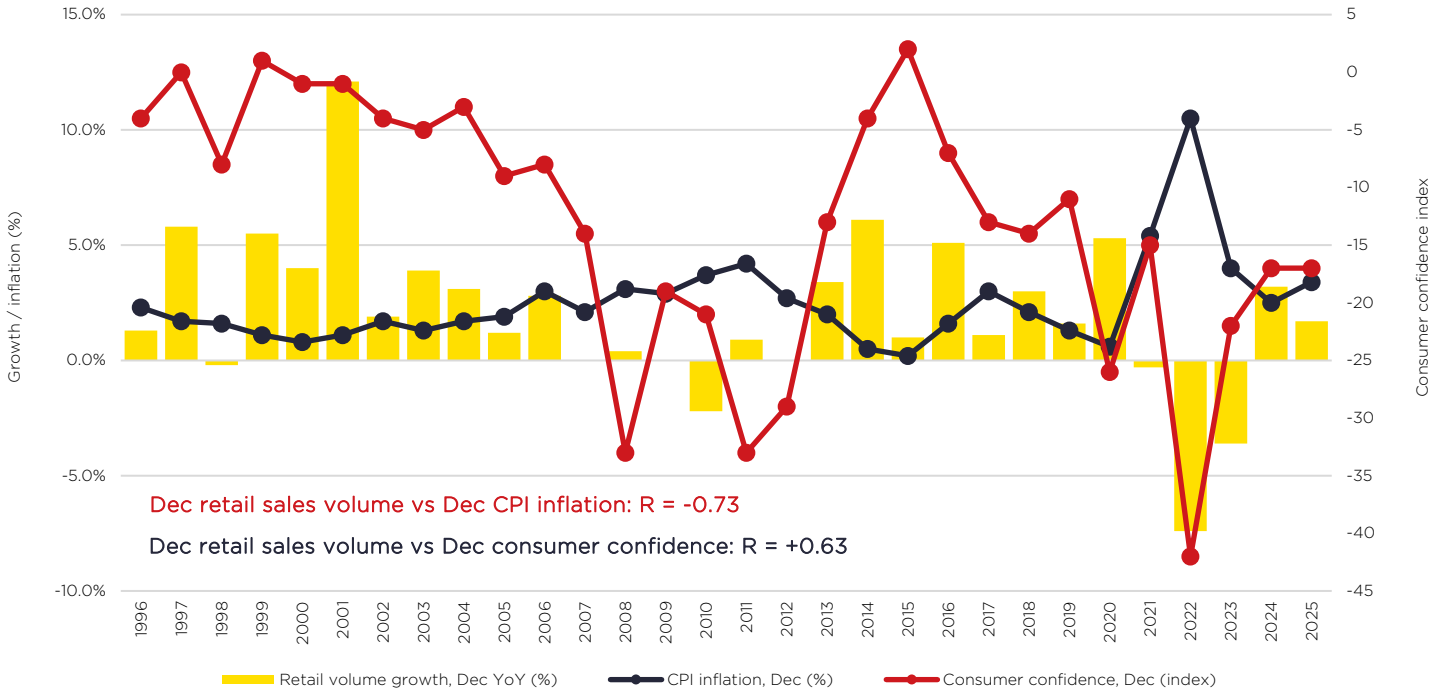
The consumer backdrop has become more challenging as the golden quarter begins. CPI inflation increased from 3.1% in August to 3.5% in September, driven principally by higher energy and fuel costs. Retail sales volumes subsequently fell by 0.4% in September, although they remained 0.8% above the same month last year and increased by 0.7% across Q3 as a whole. This points to a loss of momentum rather than a collapse in spending, but households are once again having to absorb higher essential costs before deciding how much they can allocate to discretionary purchases.

The effect on sentiment has been more pronounced. The NIQ/GfK Consumer Confidence Index fell 11 points to -24 in October, reversing the improvement seen over the summer. The deterioration appears to reflect not only renewed cost pressures, but growing uncertainty ahead of the Budget, which encouraged households to take a more cautious view of both the economy and their own spending. Expectations for the wider economy and the Major Purchase Index recorded the largest declines, both falling by 14 points. Personal finance expectations also weakened, suggesting consumers are becoming more cautious about committing to large purchases even where their current finances remain manageable.

This distinction is particularly relevant to retail warehousing. As highlighted in our previous Spotlight, the sector's occupier mix has shifted materially towards value and essential retail: bulky goods, homewares and electricals fell from 46.8% of floorspace in 2012 to 31.0% in 2025, while discount grocery increased from 1.3% to 5.6%, helping to lift convenience overall from 11.5% to 16.6%. Discount variety saw an even more significant increase, rising from 4.2% to 15.9%. This structural shift leaves the sector better aligned with more resilient areas of consumer spending, although furniture, electricals, kitchens and larger home improvement projects remain more exposed to consumer caution. Higher fuel costs are an additional sensitivity for a predominantly car-accessed format, although retail parks' accessibility, free parking and ability to combine several shopping missions in one trip should continue to support their relative performance.

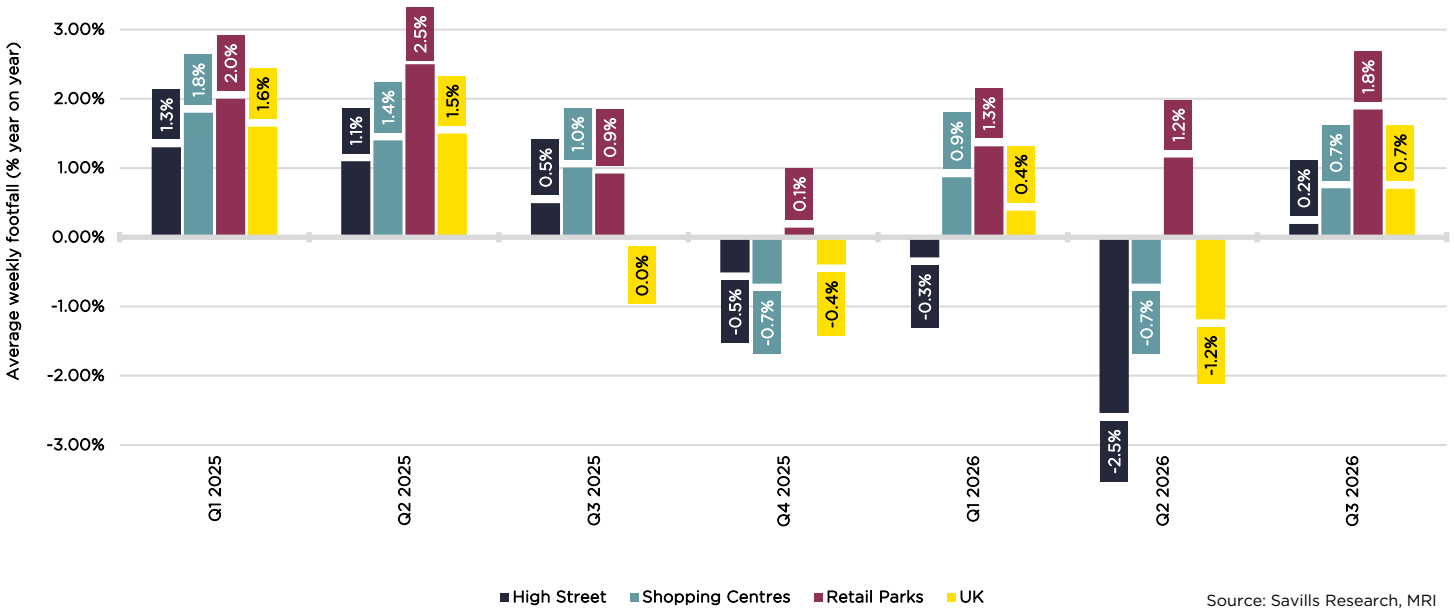
Indeed, MRI data shows retail parks were the only retail subsector to record year-on-year growth in average weekly footfall in every quarter, with Q3 footfall increasing by 1.8%. Their continued outperformance reflects the convenience of the format and

Figure 1: December retail sales volume growth vs inflation and consumer confidence, 1996–2025



Source: Savills Research, NIQ, ONS

Figure 2: Average weekly footfall (year on year) by asset class



Source: Savills Research, MRI

its greater exposure to value, essential goods and purpose-driven shopping. As household budgets tighten, consumers are likely to make fewer speculative trips but remain willing to travel where they can compare prices, complete several purchases and access convenient parking in one location.

The Budget offers support, but not a consumer reset

The Autumn Budget provides some targeted assistance to households and smaller businesses, but it is unlikely to transform the near-term spending outlook. Measures include a £100 Household Energy Payment for eligible households in Council Tax bands A-D in England from January 2027, alongside an extension of zero VAT on household electricity. These measures should provide some relief from higher living costs, particularly for lower-income households, but are unlikely to fully offset the renewed pressure from energy and wider inflation.

That pressure has subsequently been reinforced by monetary policy. The Bank of England raised Bank Rate by 25 basis points to 4.0% in November as higher energy costs intensified inflationary pressures, with CPI now expected to reach around 5% by mid-2027. For consumers, the increase adds further pressure to borrowing costs and could delay the recovery in big-ticket spending, particularly among mortgage holders refinancing onto higher rates. For retail warehousing, this is most relevant to more deferrable furniture, electrical and larger home improvement expenditure, rather than the sector's increasingly important grocery and value-led offer.

For retailers, the Budget presents a similar trade-off. The increase in the National Living Wage from April 2027 may support disposable incomes among lower-paid households but will also add directly to payroll costs across a labour-intensive sector. The benefit from stronger household spending is therefore less certain than the increase in employment costs, reinforcing operators' focus on productivity, store efficiency and more selective expansion.

> Consumers are becoming more selective, but retail warehousing is increasingly aligned with where they choose to spend
>
> **Sam Arrowsmith – Commercial Research Director**

Changes to business rates are helpful, but their impact on retail warehouse operators should not be overstated. From April 2027, the threshold for full Small Business Rates Relief for qualifying retail, hospitality and leisure properties in England will rise from a rateable value of £12,000 to £18,000, with tapered relief extending to £21,000. The Government estimates that a further 70,000 businesses will consequently pay no business rates, while bills for the remaining eligible retail, hospitality and leisure sector will be frozen in real terms for two years.

This will provide meaningful support to smaller independent occupiers and some leisure, service and food and beverage operators. However, most mainstream retail warehouse units occupied by national retailers have rateable values well above the revised thresholds, limiting the direct benefit to larger DIY, grocery, homeware, furniture and electrical operators. For these businesses, the wider rates measures provide greater cost certainty rather than a material reduction in occupational costs. Consequently, the changes are likely to be more meaningful for smaller occupiers than for the anchors that account for much of retail warehouse floorspace.

Christmas spending historically proves resilient

Long-run evidence provides some reassurance for the golden quarter. Since 1996, December retail sales excluding fuel have increased by an average of 2.0% a year in volume terms and 3.4% in value terms, with volumes falling year-on-year in only five of the past 30 years. Historically, inflation has been the clearest constraint: when CPI has been between 2% and 4%, December volumes have increased by an average of around 1.2%, compared with a 2.6% decline when inflation has exceeded 4%. Against the current backdrop, this points towards Christmas spending being protected, but with volumes more subdued than the long-term average.

Consumers' stated intentions support that view. The Institute of Practitioners in Advertising (IPA) 2026 Christmas Consumer Report found that 49% do not intend to cut back on any aspect of Christmas, up from 42% last year, while average expected festive spending has increased to £647, £84 higher than two

KEY TAKEAWAYS: Consumer

01

Consumer pressure is rising: Higher inflation and weaker confidence are reinforcing more selective spending.

02

Retail parks are better insulated: The shift towards grocery, discount and essential retail has strengthened resilience.

03

Policy support only goes so far: Budget measures offer some relief, but higher rates will continue to weigh on big-ticket spending.

04

Christmas should hold up: Festive spending remains resilient, but value, promotions and Black Friday will be increasingly important.

05

Out-of-town remains well positioned: Value, convenience and purposeful shopping continue to favour the retail park format.

years prior. However, 45% expect to feel more financially anxious because of rising costs, suggesting consumers will seek to preserve Christmas by shopping more selectively and making greater use of promotions.

Black Friday will consequently be particularly important. Some 22% expect to spend up to half of their Christmas budget during Black Friday, up from 16% last year, while Mintel found that more than 70% of Black Friday shoppers bought Christmas gifts during the event in 2025. With 34% of consumers now buying Christmas gifts in November and a further 26% in December, the peak is becoming increasingly compressed and promotion led.

For retail warehousing, this should favour the sector's growing exposure to grocery, discount and value-led retail, where spending is more needs-driven and price-conscious consumers are more likely to seek value. Black Friday will be particularly important for electricals and selected home categories, although retailers will need to capture promotion-sensitive demand without unnecessarily sacrificing margin or simply pulling December spend forward into November.



THE FORT, MANCHESTER

OUTLOOK: Selective spending favours retail warehousing

The most likely outcome is a steady rather than exceptional golden quarter. Value growth should continue to run ahead of volumes, with consumers protecting food and essential spending while remaining cautious around larger discretionary purchases. Retail parks should retain their relative advantage because their offer closely matches the priorities of the current consumer: value, convenience, accessibility and the ability to complete several purposeful shopping missions in one trip.

Beyond Christmas, the outlook will depend heavily on inflation and interest rates. If energy and fuel pressures ease, improving real incomes should gradually release demand for postponed home improvement, furniture and electrical purchases. If inflation remains elevated and borrowing costs rise, the recovery in big-ticket spending will be delayed. Either way, the sector's value-led tenant base and needs-driven offer leave it better positioned than most retail formats to navigate a period of selective consumption.



VENTURA RETAIL PARK, TAMWORTH



THE FORT, MANCHESTER



COLISEUM SHOPPING PARK, ELLESMERE PORT

Occupational: Out-of-town retailers fight for space in an increasingly "sticky" market

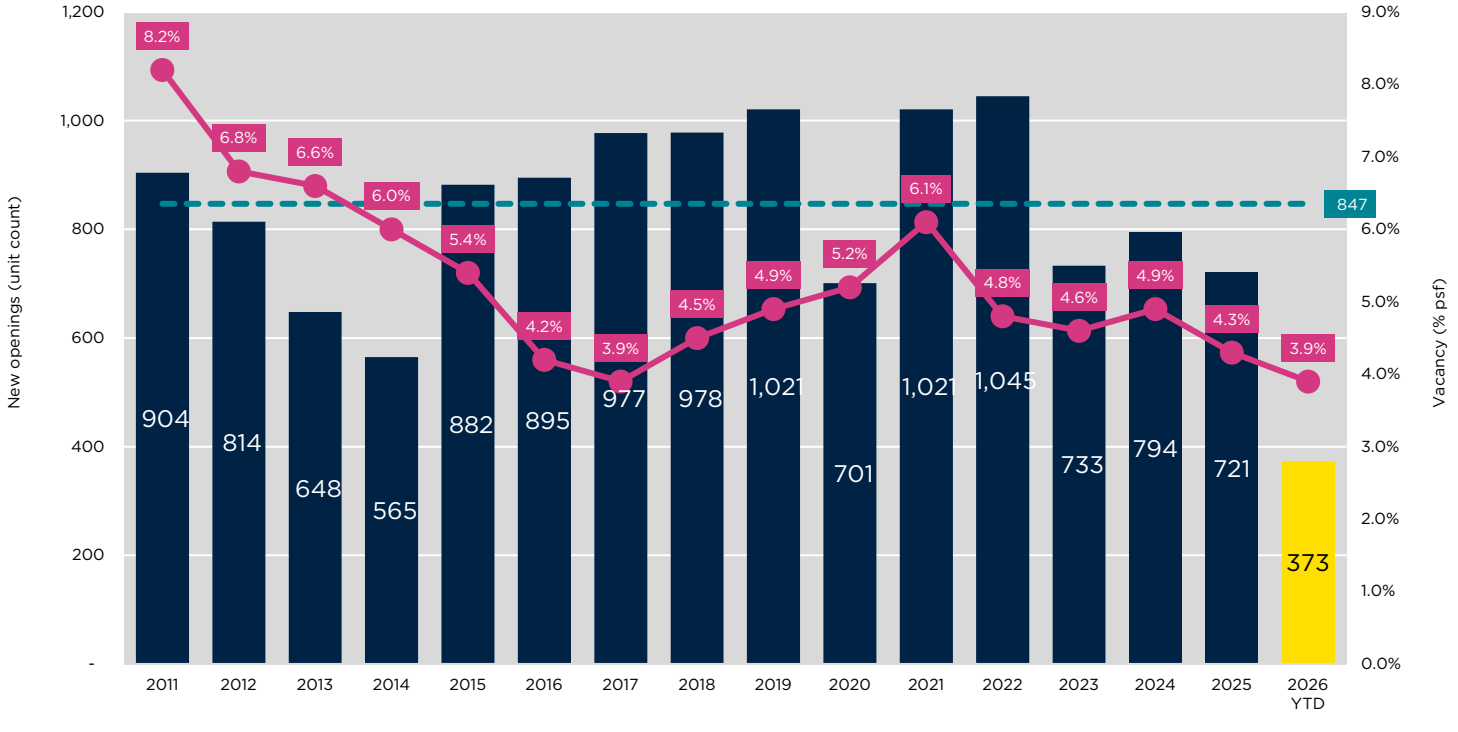
Space is becoming the scarce commodity

Retail warehousing is facing a supply problem. Outside bespoke discount grocery stores, selected roadside food and beverage schemes and drive-thru formats, almost no significant new retail park development is coming forward. Existing occupiers are also increasingly reluctant to release successful stores, meaning the principal constraint on expansion is not a lack of demand but whether a suitable unit becomes available at all. Less than 1% growth in overall retail warehouse supply has been recorded in four of the last five years. In 2025, 9.2 million sq ft of new lettings represented only 2.2% of total market stock. Supply increased by just 0.4% during the first three quarters of 2026, while newly let space accounted for only 1.1% of the market.

Retailers recognise that representation on a successful retail park may be difficult to replace if surrendered. Across Savills' deal book of new lettings, regears and renewals between 2023 and 2026, only 8% of occupiers vacated, meaning 92% renewed their lease commitments. Where operators do move, it is typically to rightsize, secure a better-configured unit or improve their pitch within a town, rather than leave the market altogether.

This has created an increasingly "sticky" occupational market. Lease expiries, relocations and portfolio reviews would once have returned a regular flow of units through which landlords could refresh tenant line-ups. Today, limited churn is restricting opportunities for incoming and expanding brands.

Figure 3: Annual UK retail warehouse new lettings versus vacancy



Source: Savills Research

There have been just 373 new lettings so far in 2026 up to the end of Q3, around half the 721 recorded during 2025, which was itself below the 15-year annual average of 847. Falling transaction numbers therefore reflect a shortage of opportunities rather than any meaningful moderation in demand.

Vacancy has fallen from 4.3% at the end of 2025 to 3.9%. Some of this reduction reflects long-standing vacant space being repurposed and removed from the available retail supply, but the practical result is the same: retailers are competing for a shrinking pool of suitable units.

While this has yet to translate into meaningful growth in overall retail warehouse supply, the imbalance between supply and demand is increasingly encouraging occupiers to pursue bespoke development where suitable opportunities can be found. Aldi and Lidl have long used purpose-built stores to support their expansion programmes, as have QSR operators such as Costa and Starbucks. However, this approach is increasingly evident across a broader range of occupiers, including M&S, Wickes and B&Q in DIY, Home Bargains and B&M in discount variety, and The Gym Group, PureGym and JD Gyms.

These are typically individual units or ad hoc development opportunities rather than major new retail park schemes, but their emergence demonstrates how the shortage of suitable existing stock is beginning to shape occupier expansion strategies. Build costs remain a further constraint. Recent inflationary pressures have the potential to feed through to construction costs, raising the prospect of further increases and keeping the viability of new development challenging.



Rental growth pauses as occupiers absorb higher costs

Ordinarily, constrained supply, falling vacancy and healthy demand would be expected to generate stronger rental growth. However, net effective rents have increased by only 1.7% so far in 2026, following growth of just 0.1% last year.

This reflects the tension at the heart of the market. Scarcity and strong retailer demand are supporting rents, but macroeconomic uncertainty, rising operating costs and pressure on consumer spending are limiting the extent to which operators can absorb further increases. For landlords, the difficulty of regaining possession also limits opportunities to establish fresh rental evidence and demonstrate rental growth.

That headline figure also masks considerable variation by asset quality. Rental performance is increasingly scheme-specific, with prime parks in strong catchments and deep occupier demand continuing to deliver meaningful growth, while secondary and tertiary locations have seen much more limited progression. As a result, average rental growth in 2026 may be muted and below inflation, but that does not necessarily reflect the experience of the sector's best assets.

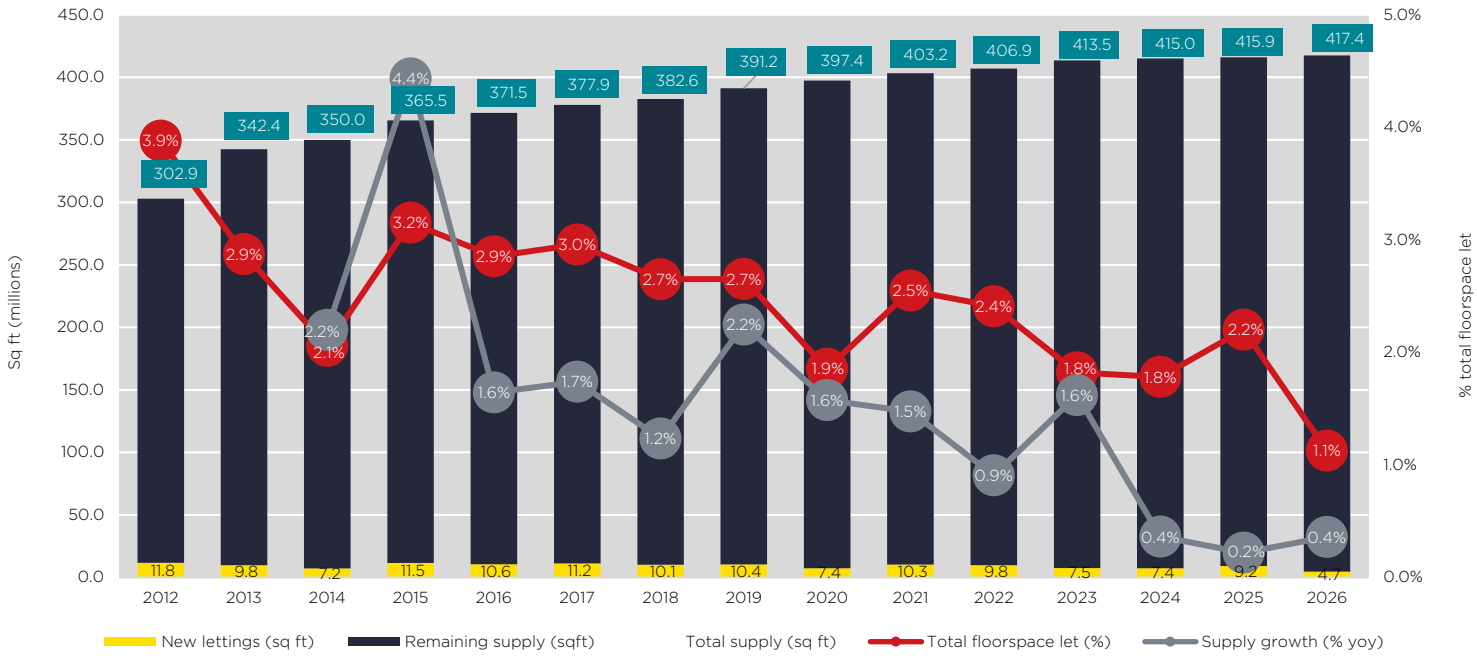
The picture is more complicated for units above 20,000 sq ft, where average rents declined by 10.3% during 2026. This does not signal a structural reduction in demand.

Instead, it primarily reflects a change in the quality of stock being transacted.

The administrations of Homebase and Carpetright released a pool of larger units during 2024 and 2025, many of which were in strong locations and had already survived substantial estate rationalisation. Competition for the best of these opportunities generated exceptional rental growth (figure 6). Those stores have now largely been absorbed, leaving a more secondary selection of units in terms of location, configuration or condition. Put simply, the best space was taken during 2024 and 2025, while the units transacting today are achieving less.

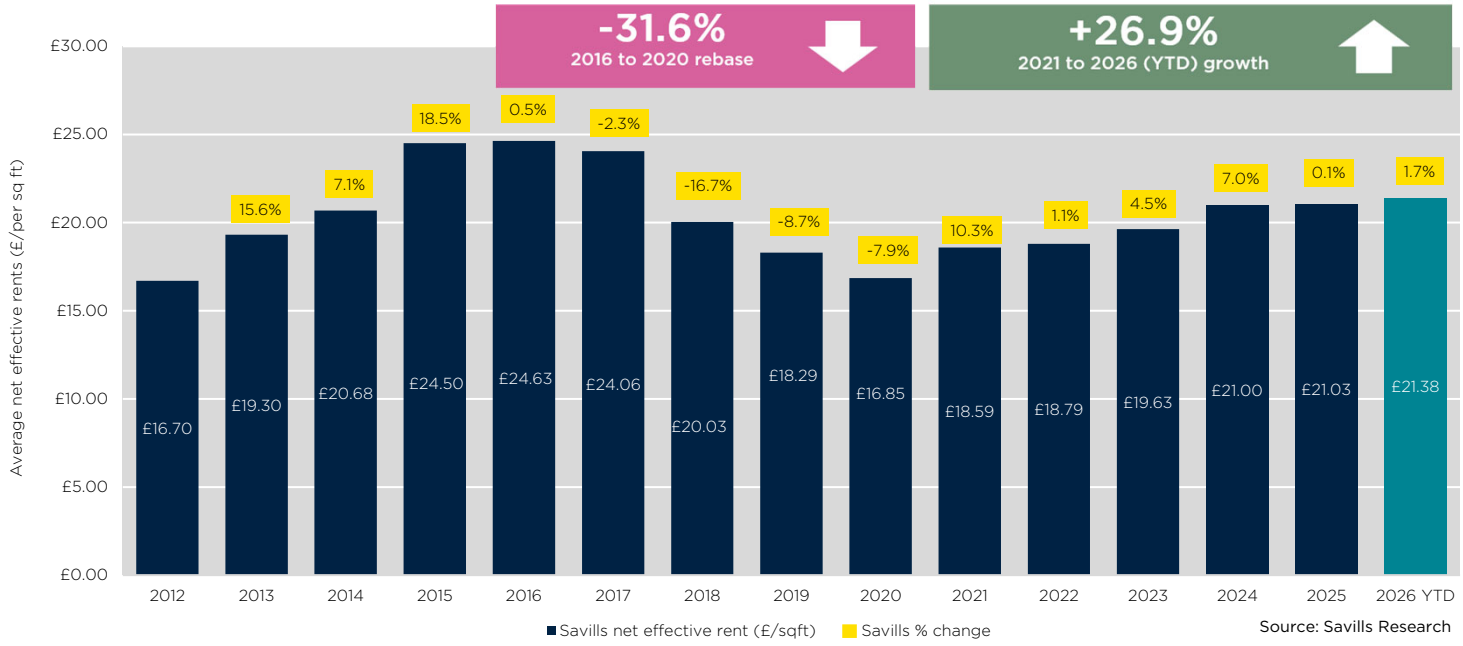
Even after this year's correction, the average rent for units above 20,000 sq ft stands at £13.74 per sq ft, 14.3% above its pre-administration level in 2023. Where schemes are well located and occupier demand is deep, further rental progression remains achievable.

Figure 4: New lettings vs retail warehouse supply (sq ft)



Source: Savills Research

Figure 5: Savills annual average net effective rents



Source: Savills Research

Drive-thru and drive-to quick-service restaurants continue to outperform. Savills data shows net effective rents reached £51.06 per sq ft in 2025, representing annual growth of 9.5%. Competition between operators, alongside rising development and conversion costs, continues to place upward pressure on rents and sustain a substantial premium to conventional retail warehouse space.

Alternative uses are also absorbing units that might otherwise have remained vacant. Padel operators, for example, are taking larger, lower-rented space that can be more difficult to relet to conventional retailers. This is bringing long-standing voids back into use but simultaneously removing further stock from the retail occupier market.

Demand is broadening beyond the sector's traditional core

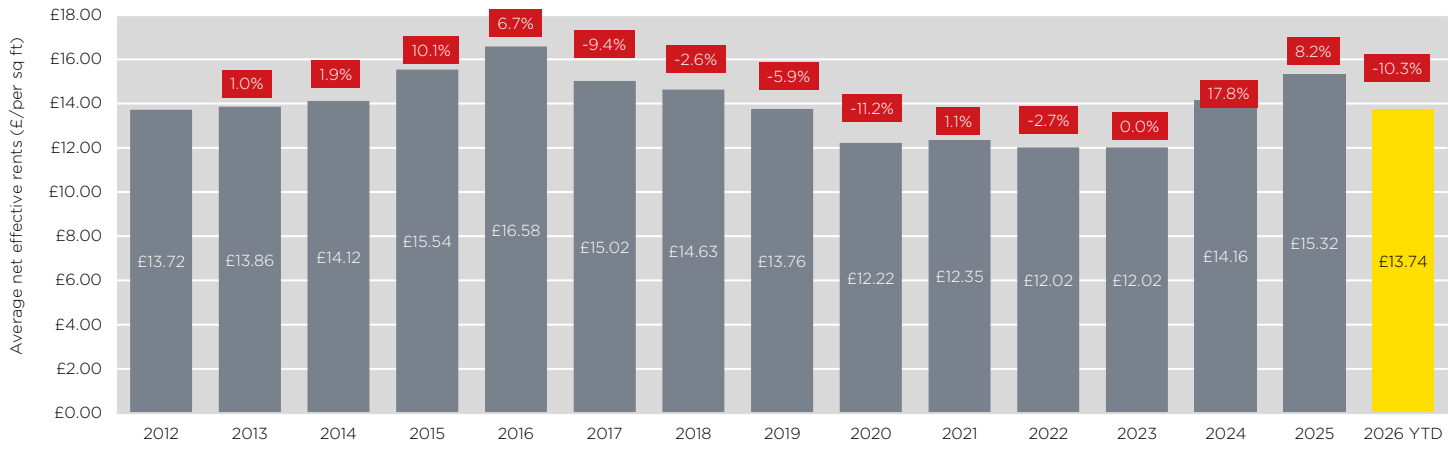
The market's increasing "stickiness" reflects more than simply a lack of available space; it is also being reinforced by strong and increasingly broad-based expansionary demand. The 15 most acquisitive retail warehouse occupiers have taken 140 units by Q3 2026, led by Home Bargains with 20, Lidl with 19 and PureGym with 13.

Value and grocery remain the bedrock of activity. Home Bargains, Lidl, Iceland, Aldi, Sainsbury's and B&M collectively account for 70 acquisitions, exactly half of the top-15 total. Grocery operators alone have continued to target accessible sites with strong catchments, good car-borne access and sufficient space for click-and-collect and fulfilment.

However, demand is no longer reliant solely on these defensive categories. PureGym, The Gym Group and JD Gyms have taken a combined 27 units, while M&S, Mountain Warehouse, Skechers, Dreams, Next and Tapi demonstrate continued appetite from fashion, footwear, home and specialist retailers. The move by traditionally shopping centre or high street-oriented brands towards larger out-of-town formats is particularly important, broadening the depth of demand for well-located space. More recent lettings to Rituals and Oliver Bonas provide further evidence of this evolution, with aspirational brands also willing to consider selected retail park locations.

This diversity should help the market absorb units released through retailer restructuring. Strong locations are increasingly capable of attracting interest from several occupier categories, reducing the risk that individual failures translate into prolonged vacancy. Unit configuration, planning, condition and covenant will determine the speed of reletting, but the breadth of active requirements provides a substantial occupational buffer.

Figure 6: Savills annual average net effective rents – 20,000 sq ft+ units



Source: Savills Research

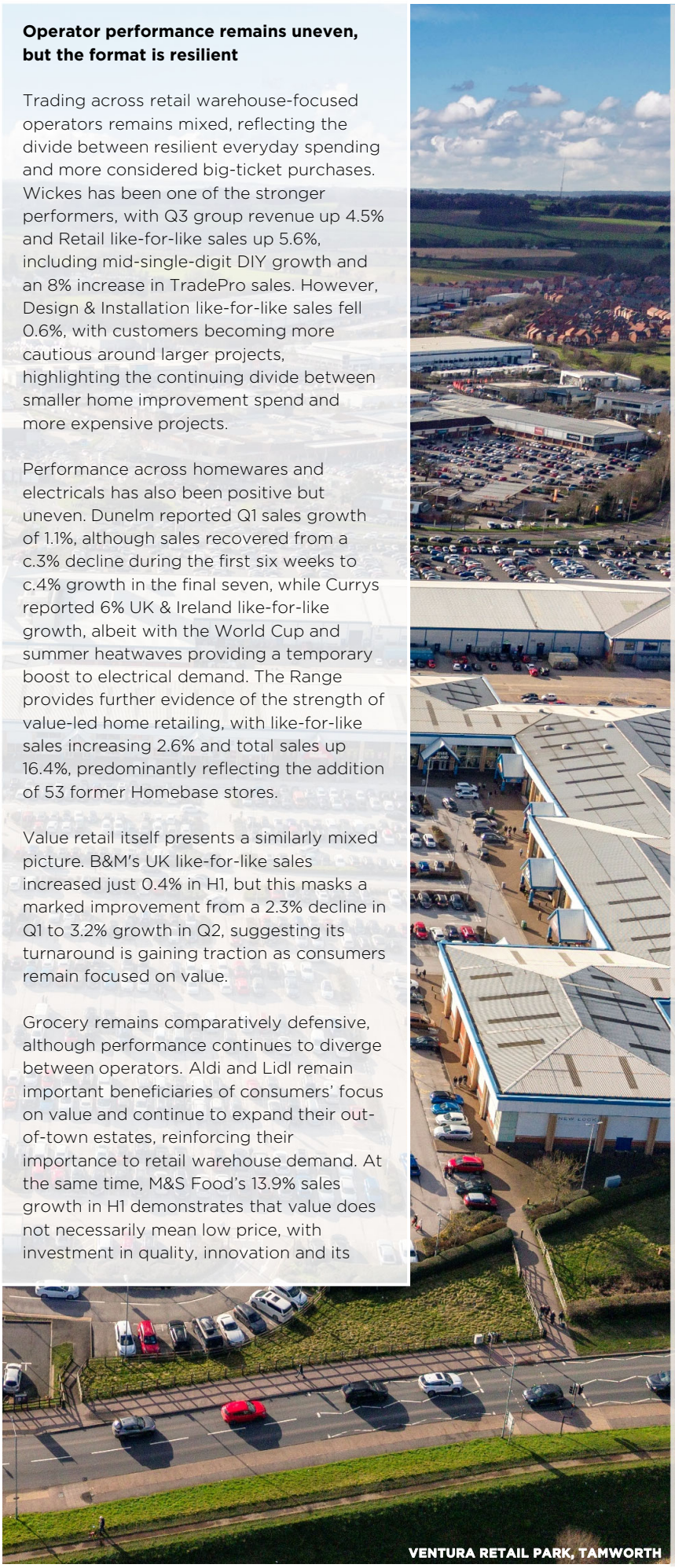
Operator performance remains uneven, but the format is resilient

Trading across retail warehouse-focused operators remains mixed, reflecting the divide between resilient everyday spending and more considered big-ticket purchases. Wickes has been one of the stronger performers, with Q3 group revenue up 4.5% and Retail like-for-like sales up 5.6%, including mid-single-digit DIY growth and an 8% increase in TradePro sales. However, Design & Installation like-for-like sales fell 0.6%, with customers becoming more cautious around larger projects, highlighting the continuing divide between smaller home improvement spend and more expensive projects.

Performance across homewares and electricals has also been positive but uneven. Dunelm reported Q1 sales growth of 1.1%, although sales recovered from a c.3% decline during the first six weeks to c.4% growth in the final seven, while Currys reported 6% UK & Ireland like-for-like growth, albeit with the World Cup and summer heatwaves providing a temporary boost to electrical demand. The Range provides further evidence of the strength of value-led home retailing, with like-for-like sales increasing 2.6% and total sales up 16.4%, predominantly reflecting the addition of 53 former Homebase stores.

Value retail itself presents a similarly mixed picture. B&M's UK like-for-like sales increased just 0.4% in H1, but this masks a marked improvement from a 2.3% decline in Q1 to 3.2% growth in Q2, suggesting its turnaround is gaining traction as consumers remain focused on value.

Grocery remains comparatively defensive, although performance continues to diverge between operators. Aldi and Lidl remain important beneficiaries of consumers' focus on value and continue to expand their out-of-town estates, reinforcing their importance to retail warehouse demand. At the same time, M&S Food's 13.9% sales growth in H1 demonstrates that value does not necessarily mean low price, with investment in quality, innovation and its



VENTURA RETAIL PARK, TAMWORTH

KEY TAKEAWAYS:

Occupational growth

01

Value and essential retail remain major drivers of demand. Home Bargains leads the ranking of the most acquisitive retail warehouse brands in Q1–Q3 2026 with 20 acquisitions. Other value and grocery operators among the top 15 include Lidl (19), Iceland Food (11), Aldi (8), Sainsbury's (7) and B&M (5). Together, these operators account for 70 acquisitions, exactly half of the top 15 total.

02

Grocery expansion remains particularly important. Lidl, Iceland, Aldi and Sainsbury's alone account for 45 retail warehouse acquisitions in Q1–Q3 2026, illustrating continued demand for accessible out-of-town locations from foodstore operators. M&S has also completed 11 acquisitions, reinforcing the growing appeal of out-of-town locations to established national brands combining food with a broader retail offer.

03

Gyms are now a meaningful component of retail warehouse demand. PureGym is the third most active occupier with 13 acquisitions, while The Gym Group have taken 8 and JD Gyms has taken 6, reinforcing the continuing diversification of retail parks into frequent-visit leisure and service uses.

04

Demand extends well beyond value and grocery. Mountain Warehouse (10), Skechers (7), Dreams (6), Next (5) and Tapi (5) demonstrate continued appetite from fashion, footwear, home and specialist retailers. This breadth is important because occupational demand is not dependent solely on the traditionally defensive parts of the market.

05

Traditionally high-street and shopping-centre-oriented brands continue to expand through larger-format locations. Marks & Spencer has completed 11 acquisitions, while the presence of Next and Skechers among the most acquisitive operators reinforces the appeal of accessible out-of-town locations to established national brands.

06

The breadth of demand should help the sector absorb retailer failures and estate rationalisation. In the context of Poundland's current difficulties, good-quality space returned to the market could attract interest from several occupier categories rather than automatically translating into prolonged vacancy, although location, unit configuration and covenant will determine how quickly individual units are recycled.

food proposition continuing to encourage consumers to trade up where the perceived value is strong. By contrast, ASDA remains under pressure following a prolonged period of underperformance, with Q3 like-for-like sales excluding fuel down 0.1% and food sales up just 0.1%, despite continued investment in price.

Collectively, these results point to resilience rather than a broad-based recovery. Value, grocery and smaller DIY or replacement-led purchases are generally holding up better than larger discretionary home improvement projects, although operator-specific execution remains increasingly important. Crucially for the property market, uneven trading has yet to translate into any meaningful weakening in demand for retail warehouse space.

The strength of value retail nevertheless requires some nuance. A more price-conscious consumer does not automatically translate into stronger performance for every value operator; increasingly, perceived value matters as much as absolute price. Poundland's recent difficulties demonstrate the limitations of a proposition historically built around a fixed low-price model, which has become harder to maintain as costs and prices have risen.

By contrast, operators such as B&M and The Range have developed broader propositions where value is based not simply on being cheap, but on offering choice, recognisable products and acceptable quality at prices consumers perceive to be competitive. M&S Food demonstrates the same principle from a different direction: consumers remain willing to pay more where quality and differentiation justify the premium. More broadly, defensive categories provide a supportive backdrop, but proposition and execution ultimately determine which operators capture that spend.



THE GYM GROUP, MIDSOMER NORTON

Retailer distress will create churn, not a vacancy shock

Recent retailer distress is a reminder that strong property fundamentals do not insulate individual businesses from rising wages, energy costs, weak consumer demand or execution failures.

Poundland remains in rescue talks after securing an extension of creditor protection until 26 November, with discussions continuing over both a sale of the whole business and offers for significant parts of the estate.

For retail warehousing, the property implications remain manageable. Poundland has c.122 retail warehouse stores extending to approximately 1.3 million sq ft. If all were returned to the market, sector vacancy would rise from 3.9% to around 4.3%, returning only to its level at the end of 2025. In practice, the impact is likely to be smaller, with better-located and suitably configured units likely to attract interest from value, grocery, home and other expanding operators, while weaker stores will face a more selective market.

Shoe Zone is also rationalising its portfolio, but this represents a reconfiguration rather than a withdrawal from physical retail, with the operator continuing to favour larger-format stores. Together, these restructurings should create some welcome occupational churn without materially changing the sector-wide supply position.

> Falling transaction numbers therefore reflect a shortage of opportunities rather than any meaningful moderation in demand
>
> **Sam Arrowsmith – Commercial Research Director**

Occupational outlook

Retail warehouse fundamentals remain strong, underpinned by constrained supply, low vacancy and broad occupier demand.

The defining occupational story is increasingly the scarcity of suitable space. Weaker consumer confidence and rising operating costs may temper rental growth, particularly for secondary stock, but are unlikely to reverse it across the best schemes.

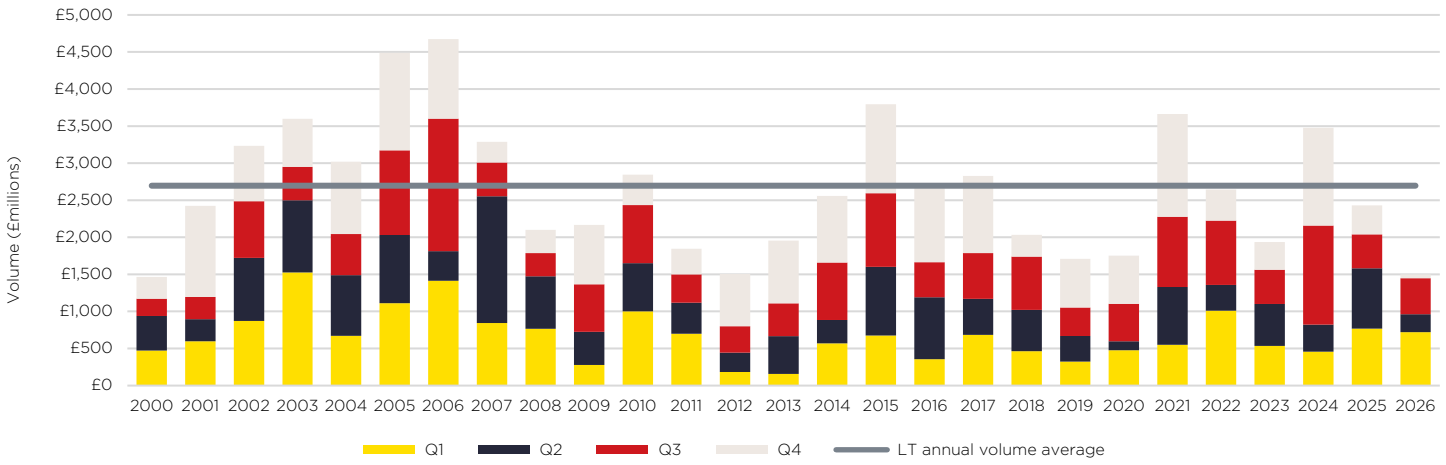
Looking ahead, rental progression is likely to be steady rather than spectacular. The latest IPF consensus forecasts point to retail warehouse rental value growth of 2.3% in 2026, 2.1% in 2027 and 2.0% in 2028, averaging 2.2% pa over the five years to 2030. Constrained supply remains supportive, but wider economic and fiscal pressures will limit how aggressively retailers can absorb higher rents. Equally, limited churn gives landlords fewer opportunities to regain possession and establish new rental evidence. Rental growth should therefore accumulate through individual deals rather than a flood of open-market evidence.

Larger-format rental evidence may remain volatile as the mix of available stock changes, but the rapid absorption of former Homebase and Carpetright units demonstrates continued demand for good-quality space. The decline in average rents above 20,000 sq ft should therefore be viewed primarily as a mix effect rather than weakening demand.

Beyond the golden quarter, retailer requirements are likely to become more selective, but not materially weaker. Operators will prioritise dominant parks, proven catchments, efficient units and schemes that support omnichannel fulfilment. Landlords may need to be pragmatic on incentives or capital contributions where space is secondary but should retain pricing power for the most sought-after units.

The present period of modest headline rental growth is best viewed as a pause within the wider recovery rather than a turning point. Occupiers are protecting successful locations; alternative uses are removing obsolete or difficult space and there is no meaningful development pipeline capable of easing supply pressures. For retailers seeking the right unit on the right scheme, competition will remain intense. For landlords and investors, this scarcity continues to underpin one of the strongest combinations of occupational resilience and medium-term income growth prospects in UK commercial property.

Figure 7: Retail warehouse transaction volumes



Source: Savills Research

Investment: Conviction strengthens, but supply constrains volumes

Investment activity rebounds after the mid-year lull

Retail warehouse investment rebounded in Q3 following a quieter second quarter, when the onset of the Iran conflict, higher energy costs and increased financial-market volatility caused some investors to pause. Q3 volumes reached £485 million, 6.4% above Q3 2025 and more than double the £242 million recorded in Q2.

Nevertheless, the temporary slowdown has weighed on the year-to-date total. Investment reached £1.45 billion during the first three quarters of 2026, 29.0% below the £2.04 billion transacted over the same period last year. This reduction reflects constrained stock flow and disrupted transaction timing rather than a material weakening in appetite. Demand remains active across both institutional and non-institutional capital, but the pipeline has become more sporadic, with no single source of vendors replacing the earlier sell-down by retail funds and defined-benefit pension schemes.

This leaves the market in a relatively unusual position: buyer appetite is strengthening, but investors are increasingly asking where sufficient stock will come from to sustain a £3 billion annual market. Realty's extensive ownership of higher-yielding retail warehouse assets may be contributing to the shortage, with fewer properties returning to the market several years after its initial accumulation phase. However, constrained stock should not be interpreted as automatic support for all pricing. Buyers remain highly selective, particularly outside the prime segment.

Pricing increasingly divides between prime and the rest

The market is no longer moving through a gradual prime-to-secondary pricing curve. Instead, a clearer divide is emerging between institutional-quality assets, which benefit from low-cost equity, and those dependent on debt-backed purchasers.

Prime open A1 and prime restricted yields have remained stable at 5.25% and 5.75% respectively during 2026. More recent bidding evidence on prime South East assets has seen multiple institutional bids at sub-5.25% yields, suggesting pricing for the strongest stock may be beginning to compress.. Competition is being led by local government pension schemes and institutional managers including Aberdeen, Schroders and DTZ Investors.

The picture is less certain beyond prime. Secondary open A1 and restricted yields have moved out by 25 basis points to 8.25% and 8.50% respectively, while limited transactional evidence elsewhere makes it harder to establish where pricing has settled. The market between approximately 6.5% and 8.0% has been particularly affected by the rising cost of debt, with some geared buyers becoming more selective as their required returns have increased.

This divergence largely reflects changes in financial markets rather than weaker retail warehouse fundamentals. The ten-year UK gilt yield increased from 4.46% in January to 5.20% in August, while the five-year gilt rose from 3.92% to 4.80%. Ordinarily, the increased return available from lower-risk government debt would put upward pressure on property yields. The fact that prime retail warehouse yields have remained stable despite this movement is therefore a strong indication of institutional conviction in the sector and its income-growth prospects. By contrast, higher borrowing costs have had a greater impact on geared investors, who require a sufficient margin between their cost of debt and the return available from an asset, putting greater pressure on pricing in the secondary and value-add market.

The result is firm prime pricing rather than widespread yield compression. The best assets continue to attract multiple bidders and achieve yields between approximately 5.25% and 5.75%; institutionally acceptable stock immediately below that level can still command competitive pricing, but the next pool of capital may require an additional yield premium of around 150 basis points. Comparatively little capital currently occupies the space between the two.



£1.45bn

INVESTMENT VOLUMES Q1 TO Q3 2026

29% REDUCTION ON SAME PERIOD IN 2025

Scale returns to the market

Despite lower year-to-date volumes, several major transactions demonstrate that investors are once again prepared to deploy capital at scale. The largest was Realty's £232.95 million acquisition of an eight-asset portfolio from Tristan, reportedly at a 7.75% corporate yield. Other significant deals included Ashtrom's £102.5 million acquisition of Retail World Team Valley at a 7.5% corporate yield and NewRiver's £73.5 million purchase of The Springs in Leeds at 7.12% net initial yield (NIY).

The five largest transactions accounted for approximately £622 million, equivalent to 42% of recorded investment. This concentration shows that the market can once again support major portfolio and individual-asset transactions, rather than relying predominantly on smaller private-property deals. It also demonstrates liquidity across different strategies: lower-yielding institutional assets are attracting core capital, while portfolios and assets capable of generating higher initial returns continue to appeal at yields closer to 7.5%–8.0%.

Pricing remains dependent on the quality and durability of the income. Investors are differentiating according to location, tenant mix, lease length, rental affordability, capital expenditure requirements and the ability to unlock asset-management opportunities. The return of larger transactions therefore signals growing conviction, but not a wholesale return to pre-2022 pricing.

Hines becomes one of the year's dominant buyers

Hines has emerged as one of the most acquisitive institutional investors in UK retail warehousing during 2026, committing in excess of £300 million across several meaningful transactions. Its largest investment involved the acquisition of Nugent Shopping Park in Orpington from British Land for a price in the order of £85m. Further acquisitions on behalf of the Hines European Core Fund included Altrincham Retail Park and Straiton Retail Park in Edinburgh, both acquired from ARES.

Hines has also acquired Newbury Retail Park from Starwood Capital, alongside further retail warehouse investments during the year. Its acquisitions span different locations, lot sizes and yield profiles, but share a focus on strong catchments, constrained supply and the potential to capture rental growth through active management.

The scale of this commitment is significant. While many traditional UK institutional funds, investment managers and LGPS mandates have tended to acquire individual assets more selectively, Hines has pursued a broader accumulation strategy, building meaningful exposure to the sector across multiple acquisitions. Its activity demonstrates that major international institutional capital is prepared to build exposure to retail warehousing at scale rather than treat the sector as a tactical allocation. It also provides a direct link to the occupational story: low vacancy, resilient income and constrained development are increasingly supporting the investment case.

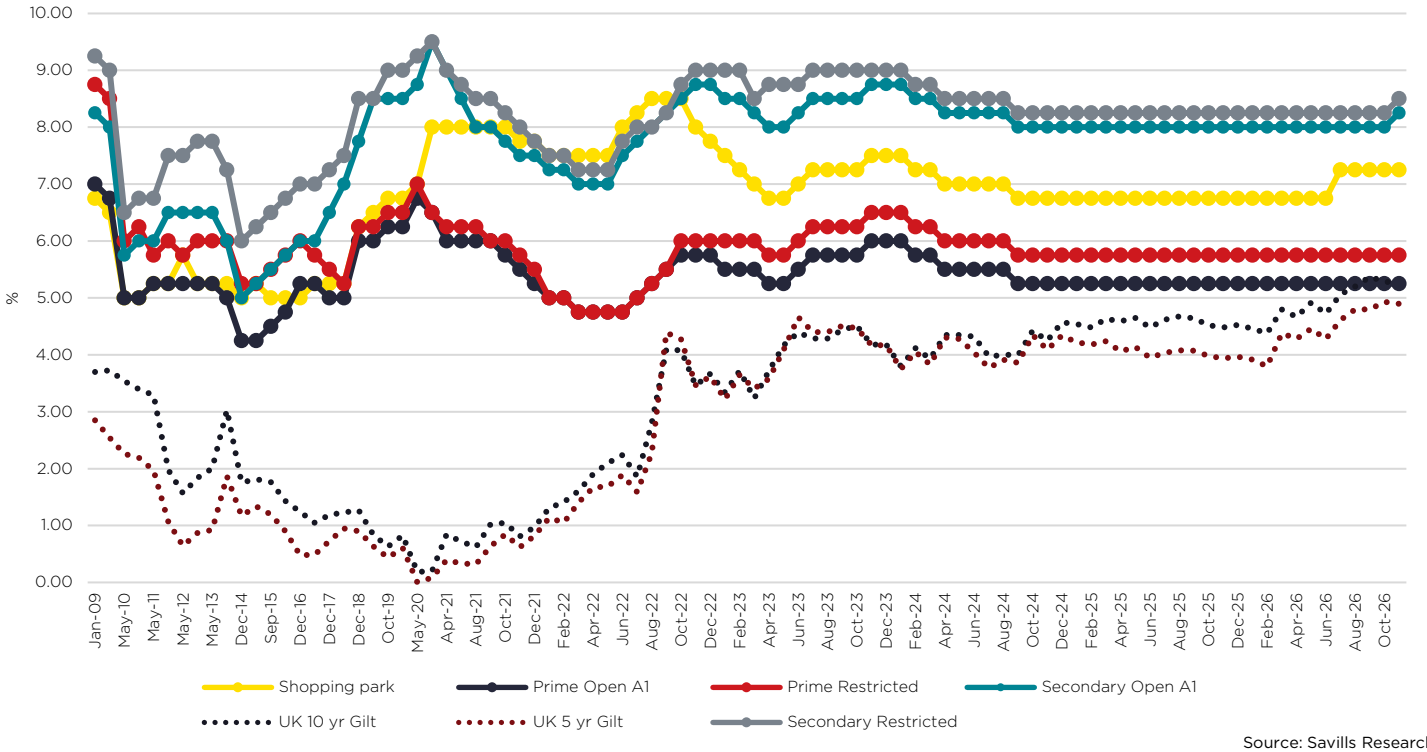
Asset management could unlock the next phase of growth

The shortage of occupational churn presents both a strength and a complication for investors. High occupier retention protects income and supports values, but it also limits landlords' ability to regain possession, improve tenant mixes and establish new rental evidence. Investors do not require continuous churn, but they need periodic opportunities to demonstrate reversion and deliver their business plans over a typical five-year hold period.

Retailer restructuring can therefore create asset-management opportunities without materially undermining the wider investment case. Poundland's 122 retail warehouse stores extend to approximately 1.3 million sq ft; even if all were returned to the market, vacancy would rise only from 3.9% to around 4.3%, broadly where it stood at the end of 2025. In practice, better-located stores are likely to attract interest from expanding value, grocery, home and leisure operators.

Any release of space could provide landlords with opportunities to improve covenants, reconfigure units and establish fresh rental evidence. However, these benefits will be highly asset specific. Vacancy may support value creation on the right scheme, but weaker locations and poorly configured units could require capital expenditure and longer reletting periods.

Figure 8: Retail warehouse yields



Source: Savills Research

Investment outlook: Prime pricing holds as investment demand strengthens

The sector enters the final part of 2026 in a position of stability. Institutional demand is increasing, geared capital remains available where pricing provides sufficient headroom over debt costs, and the occupational fundamentals continue to compare favourably with other commercial property sectors. The principal constraint is the availability of investible stock rather than the availability of capital.

Prime assets should continue to attract strong competition and could experience selective yield compression where multiple institutional bidders converge. However, elevated gilt yields and borrowing costs make broader-based hardening unlikely. The divide between low-cost institutional equity and debt-dependent purchasers is consequently likely to remain a defining feature of the market, sustaining firmer pricing for the best assets while placing greater pressure on secondary and value-add opportunities.

Volumes may therefore remain uneven from quarter to quarter. There are sufficient buyers to support a healthy market, but not enough predictable stock to guarantee activity at the levels seen in 2025. A significant increase in supply would not necessarily translate into stronger pricing across the board; equilibrium depends on enough stock emerging to satisfy active requirements without overwhelming the more selective pool of geared capital.

Retail warehousing nevertheless remains well placed. Investors that initially prioritised logistics, living, hotels and other sectors are returning to the attractions of low vacancy, durable income, attractive entry yields and steady rental-growth prospects. The market is not experiencing indiscriminate yield compression, but it is demonstrating something arguably more sustainable: greater institutional conviction, strong pricing for good assets and sufficient depth of capital to support transactions at scale.



GREAT EASTERN RETAIL PARK, ROTHERHAM

KEY TAKEAWAYS:

Investment

01

Investment activity is recovering, but stock remains the constraint: Q3 volumes reached £485 million, more than double Q2 and 6.4% ahead of Q3 2025, although year-to-date volumes remain 29% lower at £1.45 billion.

02

Prime pricing continues to demonstrate institutional conviction: Prime open A1 and restricted yields remain at 5.25% and 5.75%, with recent institutional bidding on prime South East assets moving toward the 5% range despite higher gilt yields and borrowing costs.

03

A clearer pricing divide is emerging: Low-cost institutional equity continues to compete strongly for prime assets, while higher borrowing costs are placing greater pressure on the more debt-dependent secondary and value-add market.

04

Capital is available to transact at scale: The five largest deals accounted for approximately £622 million, or 42% of investment, demonstrating that the market can once again accommodate sizeable individual assets and portfolio transactions.

05

Hines has become one of the year's dominant institutional buyers: With in excess of £300 million committed across multiple acquisitions, its activity demonstrates growing international institutional confidence in the sector's low vacancy, resilient income and rental-growth prospects.

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