

MARKETBEAT ECONOMY & HOUSING NOVEMBER 2025

Better never settles

CAR CRASH

The Chancellor will go into the Autumn Budget off the back of a headline fall in monthly GDP, the cause of which is quite a one-off. If it wasn't for the cyber attack that shut down JLR's production facilities, negatively impacting motor vehicle manufacturing output by 28.6%, the economy would have grown by 0.1% for the month.

Nevertheless, the most recent results highlight two important points: Firstly, that the UK manufacturing base remains so fragile and secondly, that economic growth is meagre – once population growth has been accounted for, the UK economy on a per capita basis is no better off than it were three months ago, and is only 0.8% better than a year ago, highlighting the productivity problem.

Growth is likely to remain sluggish as we move into the final quarter and new year. While monetary policy will likely continue to ease, fiscal policy will act as a major drag. On which....

NOTHING IS CERTAIN....

At the Budget, the Chancellor will need to raise taxes by approximately £38 billion which will likely weigh further on growth, while also have the impacts of weighing on inflation, and contributing to further interest rate cuts in the near future.

While there is so much conjecture as to make much of it moot, the likelihood is that increased taxation will fall mainly on higher earners, wealthy individuals, landlords and owners of expensive real estate. The likelihood is that politically, the Chancellor can do not much right. However, from an economic perspective, if the measures provided are disinflationary, and can include taxation that could drive growth, this would likely be seen as positive by the markets.

It is worth bearing in mind, however, this is no easy feat and volatility is likely. This is most recently evidenced in the week that was, where bonds moved 11 basis points in one morning on rumours of inclusion or exclusion of income tax rises.



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KEY TAKEAWAYS



September saw a 0.1% monthly fall in GDP as a result of the JLR hacking. This suggests the economy grew by just 0.1% in Q3.



Consumer confidence reversed its previous month's positive growth, decreasing from -17 to -19.



The UK Composite PMI recovered from 50.1 in September to 52.2 in October. A positive upside was the manufacturing PMI growing to a 12-month high.



In October, house prices saw a 0.1% monthly increase, therefore driving annual growth of 2.4%.



At its November 2025 meeting, the Monetary Policy Committee (MPC) voted 5-4 to maintain the Bank Rate at 4%.

ECONOMIC INDICATORS

	YOY Change	Monthly Change
102.7 MONTHLY GDP	▲	▲
52.2 UK COMPOSITE PMI	▲	▲
-19 CONSUMER CONFIDENCE	▲	▼
5.0% UNEMPLOYMENT RATE	▲	▲
4.1% CPIH	▲	▬
3.6% 5 YEAR SONIA*	▼	▼
4.6% 10 YEAR GILTS*	▲	▲

* Notably volatile at present

Source: ONS, Moody's, Bank of England, GfK, S&P, FTSE Russel

ECONOMIC OVERVIEW

September saw a 0.1% monthly fall in GDP. This means that the first reading of quarterly GDP suggests the economy grew by just 0.1% in Q3, after growth of 0.3% in Q2 with growth powered by services (0.2%) and construction (0.1%).

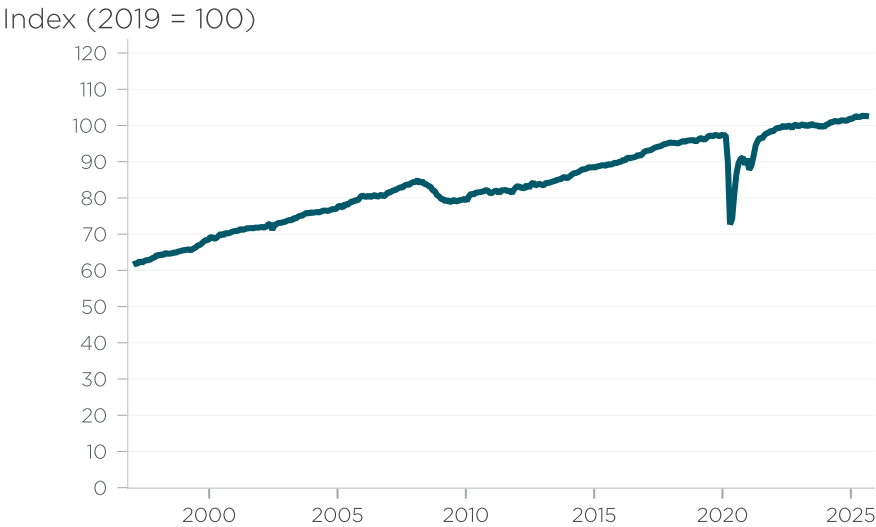
However, growth was offset by a fall in production. The manufacturing sector shrank by 0.5% partly as a result of the JLR cyber-attack. This resulted in motor vehicles falling by 29% during the month, and a 1.7% fall in manufacturing, the largest monthly fall since January 2021. However, despite the JLR hit, seven of the 13 manufacturing sub-sectors saw monthly falls suggesting this was not just a one-off temporary factor, with overseas demand remaining weak.

In all, the economy is 1.3% larger compared to the same quarter a year ago.

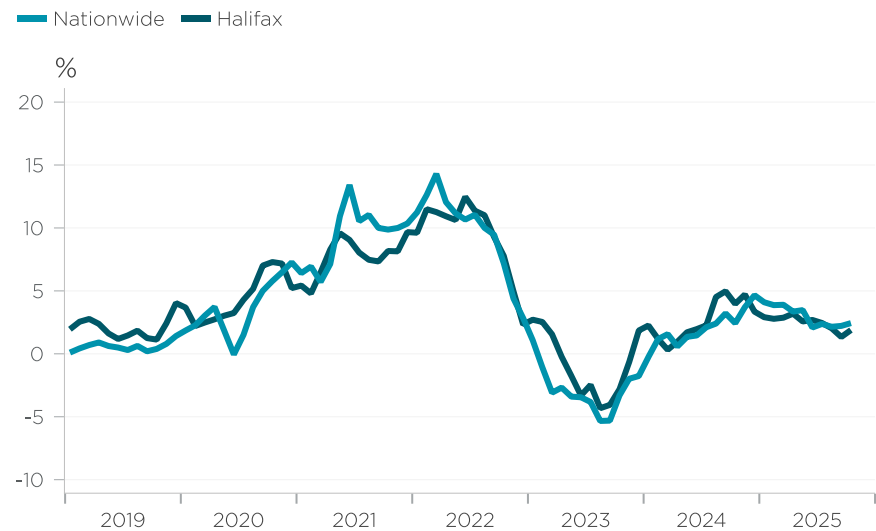
Business confidence improved during October. The UK Composite PMI, which had reached a one-year high of 53.5 in August 2025, subsequently fell sharply to 50.1 in September before recovered to 52.2 in October, well above the preliminary estimate of 51.1, signalling renewed momentum the services sector. However, there was also positivity in the Manufacturing PMI. The index improved to 49.7 in October, from 46.2 a month previous. This was driven by backlog clearance, restocking efforts and the restart of operations at JLR which should feed into economic growth in Q4.

The late Autumn Budget is highly likely to impact the housing market given the rumoured tax changes which seem to be focused on the residential sector. Despite wider uncertainty, the housing market is relatively stable at present. In October, house prices experienced a 0.1% monthly increase and annual growth of 2.4%, somewhat in line with the last few months. Mortgage approvals have also remained steady for the last few months, hovering around the 65,000 mark with 65,944 approved in September. They experienced a modest monthly and annual increase of 1.5% and 0.5% respectively. They remain 6% above the five-year average.

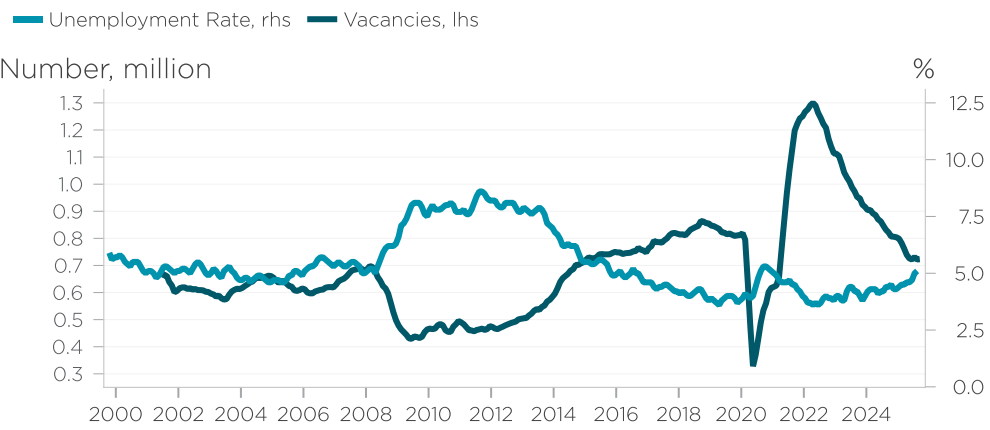
MONTHLY GDP



UK ANNUAL HOUSE PRICE INFLATION



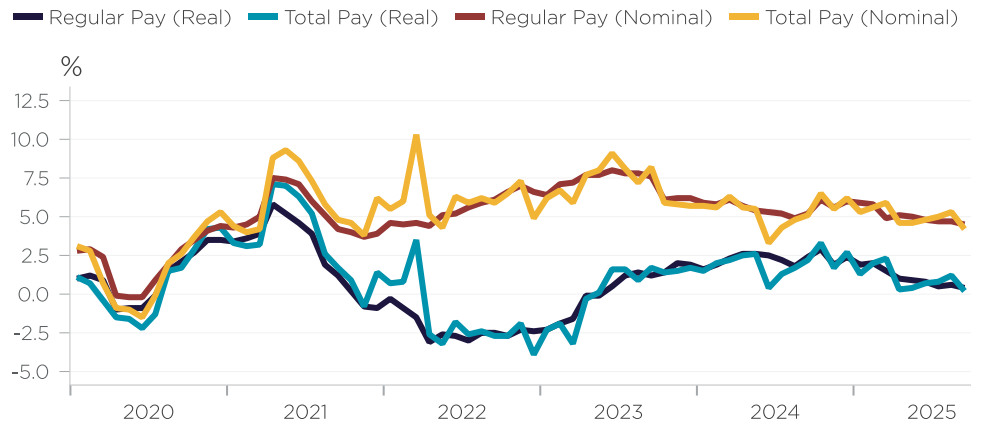
UNEMPLOYMENT & JOB VACANCIES



ILO REDUNDANCY RATE



PAY IN REAL & NOMINAL TERMS



EMPLOYMENT

Payrolled employees continued to decline, falling by 32,000 (0.1%) in between August and September. This means that year-on-year, there were 117,000 less people in work. The early estimates for October suggest an additional fall of 32,000, bringing the total to 30.3 million. The overall UK employment rate for people aged 16 to 64 dropped to 75.0% in July to September 2025, down 0.2 percentage points from the previous quarter but still higher than a year ago.

The UK unemployment rate increased to 5.0% in the three months to September 2025, the highest since early 2021 and above market expectations. This reflects a rise in people out of work for up to six months and over twelve months. The unemployment-to-vacancy ratio continues to climb, indicating a looser labour market however, vacancies remained broadly stable at 723,000 in three months to October after more than three years of sustained decline.

Due to the lagging nature of redundancy data, information on redundancies is unlikely to give a true indication of current economic health. Nevertheless, the three months that runs to September saw the number of redundancies spike from 3.8 to 4.5 per 1,000 employees. This is the second highest reading since the pandemic-impacted period of Jan-Mar 2021.

The caveat remains that labour market data provided by the ONS are subject to considerable uncertainty due to ongoing small sample sizes in the Labour Force Survey. The ONS are continuing efforts to improve the response.

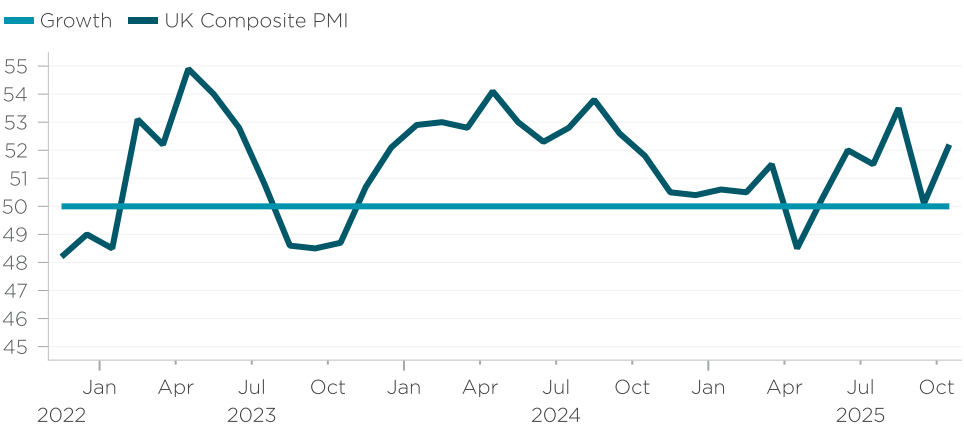
EARNINGS

Wage growth continues to moderate. For the three months to September 2025, annual regular pay growth was 4.6%, slightly lower than the 4.8% recorded previously. The annual growth in total pay (including bonuses) was 4.8%. In real terms (adjusted for CPIH inflation), annual growth was 0.5% for regular pay and 0.7% for total pay.

Public sector wage growth remains stronger, increasing to 6.6%, while private sector wage growth fell to 4.2%, its lowest since mid-pandemic, albeit still elevated in historic context.

After the public sector, the wholesaling, retailing, hotels and restaurants sector showed the strongest regular annual growth rate, at 5.7%, in July to September 2025. Finance and business services had the lowest annual regular growth rate at 2.7%.

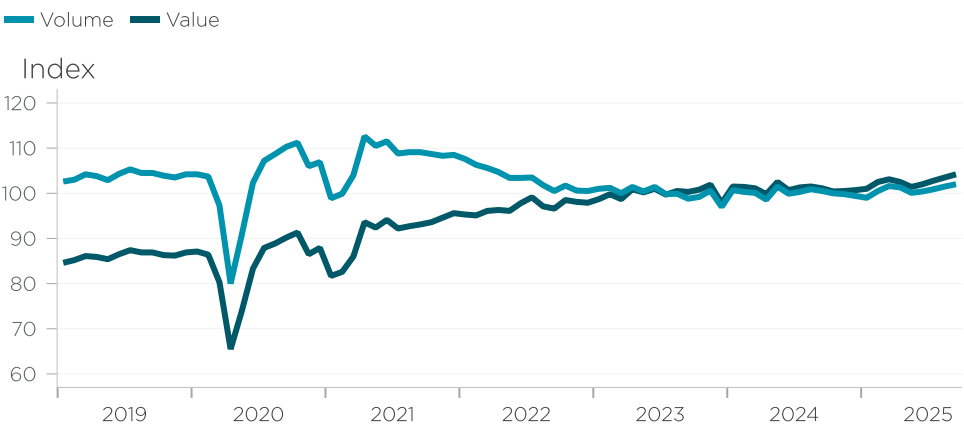
UK COMPOSITE PMI



CONSUMER CONFIDENCE



RETAIL SALES AND VOLUME INDICES



BUSINESS DEMAND

Business confidence saw improvement in October. The UK Composite PMI rose sharply to 52.2 from 50.1 in September, exceeding both the preliminary estimate (51.1) and market expectations, indicating renewed momentum in private-sector activity. The bounceback was led by the services sector, which expanded robustly with PMI of 52.3 (up from 50.8 in September), reflecting rising domestic demand, improved order books, and successful product launches. This was despite ongoing business uncertainty and delayed spending decisions ahead of the Autumn Budget.

Manufacturing PMI climbed to a 12-month high of 49.7 in October from 46.2 in September, marking the first rise in production in a year. This was due to backlog clearance, restocking efforts, and the restart of operations at Jaguar Land Rover albeit underlying demand remained subdued, with new business contracts down for the thirteenth month. New business orders returned to growth in October after a marginal reduction in September, but export sales continued to decline at a solid pace in both sectors, reflecting fragile global demand. Many service providers held off on workforce expansion owing to rising wage and National Insurance costs, but employment contraction moderated as businesses balanced cost pressures with optimism about future output, driven by lower borrowing costs and investment in new technologies.

BUSINESS FAILURES

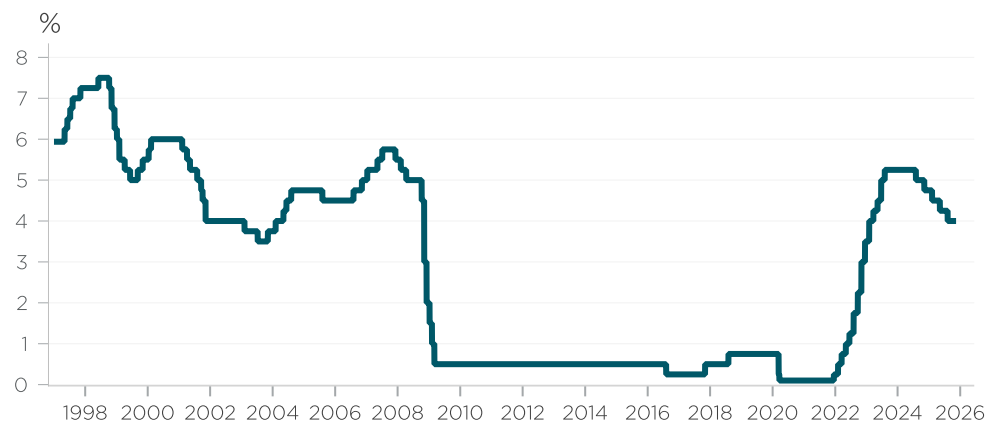
Company insolvencies during the first 9 months of the year are slightly up than they were in 2024, and in line with the numbers recorded in 2023 – which was a record-high for numbers. During September, there were 2,000 insolvencies, similar to both August (2,046) and September the year previous (1,967). Rolling 12-month rates dropped marginally to 52.9 per 10,000 companies, down from 55.0 the previous year, suggesting a modest trend toward improvement amid persistent stress. While the insolvency rate has increased since the lows seen in 2020 and 2021, it remains much lower than the peak of 113.1 per 10,000 companies Financial Crisis. This is because the number of companies on the effective register has more than doubled over this period.

CVLs accounted for 79% of all cases in September, whilst being down 9% m-o-m. Other procedures included 281 compulsory liquidations (down 9% vs August but 17% higher year-on-year), 124 administrations (2% higher month-on-month, 17% lower year-on-year), and 17 company voluntary arrangements—still low in volume. The profile of business failures suggests ongoing caution and “stable stress” as businesses put off major investments or recruitment pending new fiscal measures in the upcoming Budget.

CONSUMER DEMAND

Consumer confidence improved moderately in October: the GfK Consumer Confidence Index rose to -17 (from -19 in September), defying expectations for further decline. The major purchase index, tracking sentiment towards big-ticket spending, rose four points to -12, driven by delayed purchases ahead of Black Friday. Sentiment towards personal finances for the last year increased two points to -5, though forward-looking expectations slipped slightly to +3. Economic outlook expectations climbed two points to -30 as consumers awaited the Budget Retail sales volumes increased by 0.5% during the month, resulting in 1.5% increase year-on-year. There have been now four consecutive monthly rises, with volumes their highest since July 2022

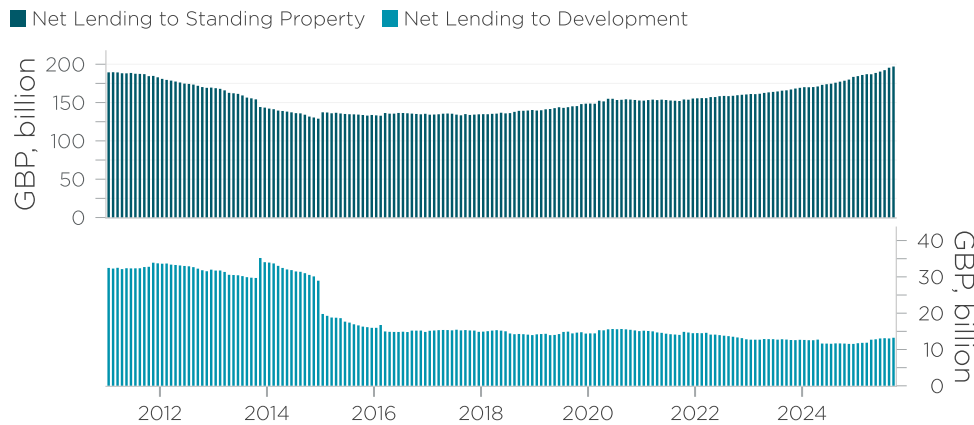
INTEREST RATES



5 YEAR SONIA & 10 YEAR GILTS



LENDING TO COMMERCIAL PROPERTY



INFLATION

The Consumer Prices Index (CPI) rose by 3.8% in the 12 months to September 2025, unchanged from August, marking the third consecutive month at this level and the joint-highest rate since January 2024. CPIH rose by 4.1%, similarly unchanged from August. Core CPI (excluding energy, food, alcohol, and tobacco) fell slightly to 3.5% in September from 3.6% in August.

Transport provided the largest upward contribution, while services inflation remained sticky at 4.7%. Price growth is widely expected to have peaked, with both Bank of England and analyst forecasts anticipating that inflation will slow towards the end of 2025 and into 2026, reaching the target zone by 2027.

MONETARY POLICY

At its November 2025 meeting, the Monetary Policy Committee (MPC) voted 5-4 to maintain the Bank Rate at 4%. Notably, four members (up from two in September) voted for a 25 basis point cut to 3.75%, citing better-established disinflation and increasing slack in the economy.

The MPC recognised that risks of greater inflation persistence have lessened and that the main risk is now weak demand. Underlying pay growth and services inflation have eased, underlining a shift in balance. In fact, the MPC were keen to highlight that the decision was a pause in the downward trend rather than the end. The softness of the labour market data and easing in pay growth makes it more likely that the MPC will cut in the next meeting.

Bond market volatility remains elevated. The 10-year gilt yield is ~4.6%, in line with where it had been a month previous. Nevertheless, until November 14th, bonds had been hovering 20 basis points lower. This increase was assumed to be a response to the rumours around the contents of the budget. Despite this, the UK ranks second within the G7 for bonds, after Japan which is in the middle of a hiking cycle.

UK bonds are the highest of all the countries within the G7, partly as a result of the shifts in Pension provision and the country ranks second with the G7 for bonds increases since the beginning of last year, only to Japan. The quantum of quantitative tightening has been tapered, and the Bank of England continues to manage the pace and distribution of gilt sales to minimise market disruption. The 5-year SONIA is down to ~3.6%, having been at 3.7% and 4% a month and year previous.

LENDING

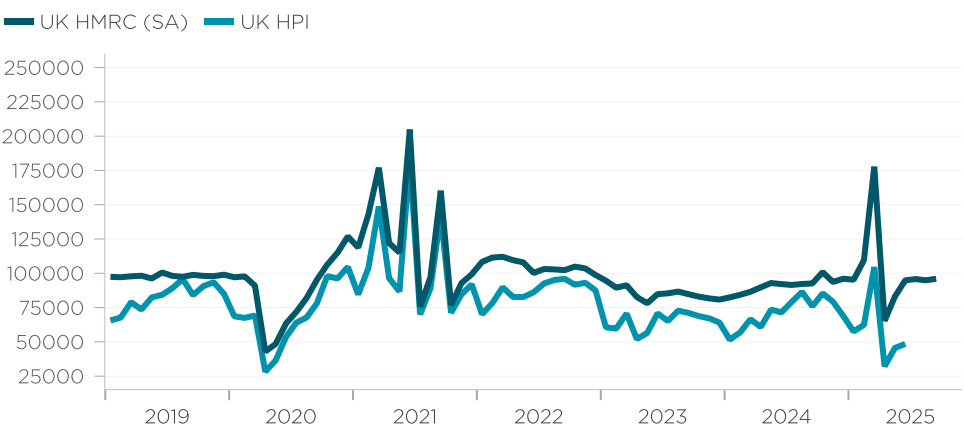
In September, net lending to commercial property reached its highest dropped from 2.6 billion to £1.65 billion. This brought down net lending over the three months to £6.2 billion, the first three-month decline since March. Lending to standing investments was at a six-month low, albeit remains £0.6 billion over the 2024 average.

Banks still remain keen to lend to the sector. The Q3 credit conditions survey showed a net balance of 13.6% of banks are planning to increase availability of credit to real estate during the final quarter of the year.

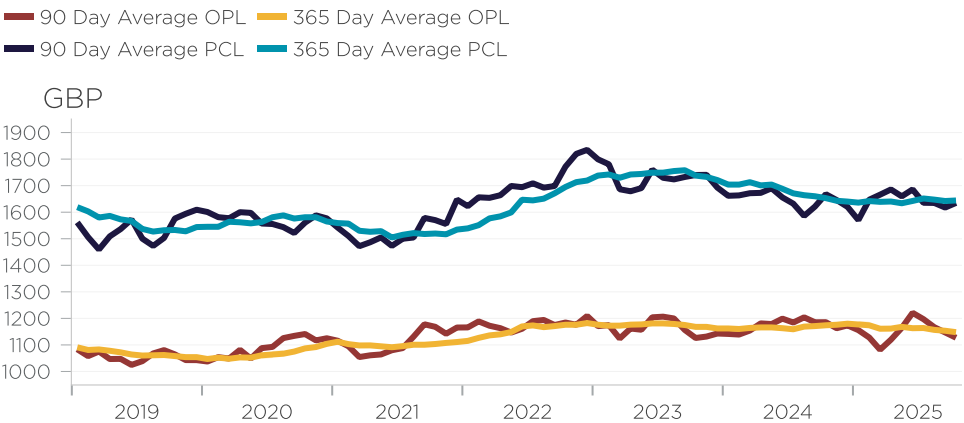
UK MONTHLY MORTGAGE APPROVAL & LENDING



UK MONTHLY TRANSACTION VOLUMES



CENTRAL LONDON CAPITAL VALUES



MORTGAGES

Mortgage approvals, an important gauge of housing market demand, have remained steady for the last few months, hovering around the 65,000 mark with 65,944 approved in September. They experienced a modest monthly and annual increase of 1.5% and 0.5% respectively. They remain 6% above the five-year average.

Mortgage rates have remained stable as of recent months. Average quoted mortgage rates on a 90% LTV in October were 4.59%, in line with last month. Taking a lower LTV of 75%, there has also been little movement with average rates of 4.22% in October in comparison to 4.19% in September.

SALES & PRICING

Similar to mortgage approvals, transactions have remained pretty stable over the last few months. In September there were 95,980 residential transactions, a modest monthly increase of 1.1% and an annual increase of 3.7%.

In October, house prices experienced a 0.1% monthly increase and annual growth of 2.4%, somewhat in line with the last few months. In Q3 house price growth varied by regions, mainly driven by affordability pressures. Northern Ireland (9.6%) experienced the greatest annual growth, followed by the North (5.1%) and Yorkshire & the Humber (3.8%). The Outer South East (0.3%), London (0.6%) and the South West (0.9%) experienced the lowest annual house price growth.

House prices, transactions and mortgage approvals have all remained relative stable over recent months - despite wider economic and geopolitical uncertainty - indicating a resilience in the housing market. The late Autumn Budget is highly likely to impact the housing market given the rumoured tax changes which seem to be focused on the residential sector

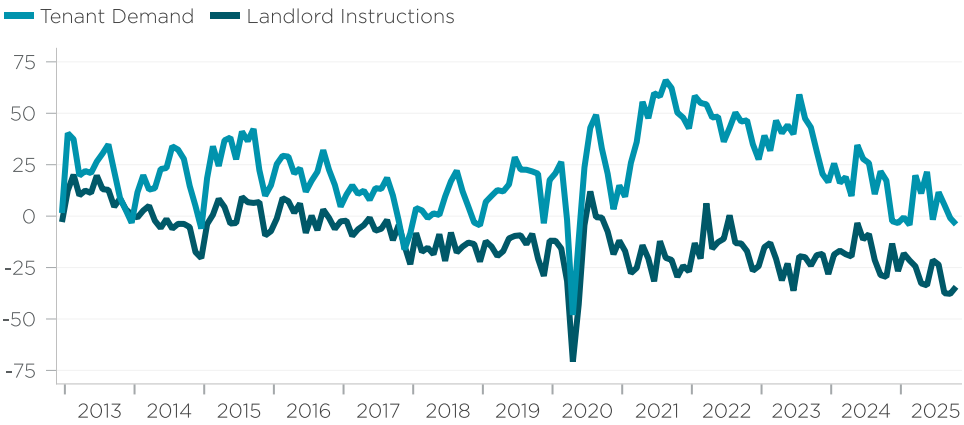
PRIME LONDON CAPITAL VALUES

The Prime London market has recently seen declines in capital values due to broader economic and geopolitical uncertainties. Tax policies on non-doms, second homes, and private equity signal a tighter environment for wealth management and property ownership. As a result, London's property market may see shifts in buyer behavior and continued price sensitivity at the prime end of the market.

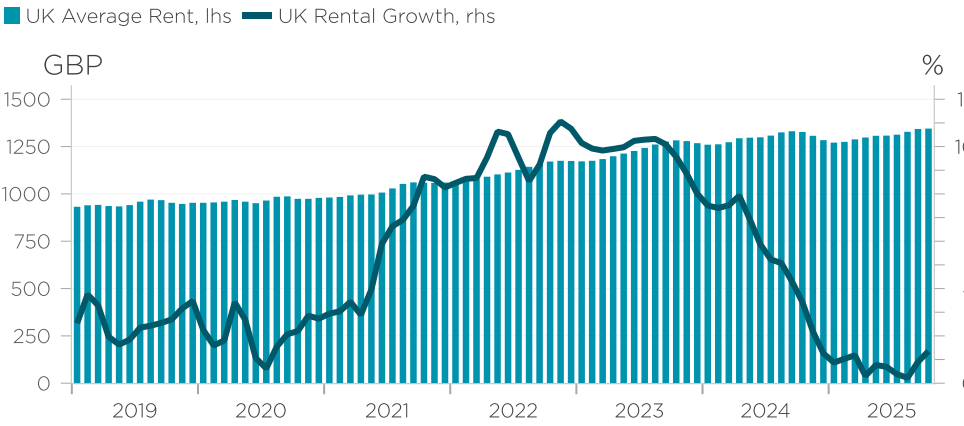
PCL - As of October 2025, 365 day average values in PCL were £1,644 psf, 0.1% above last month but 0.5% below last year. 90 day average values in PCL for October 2025 were £1,635 psf, 1.1% above September 2025. Achieved discounts to asking prices (365 day average) in PCL fell in October to -4.7% from -4.9%.

OPL - As of October 2025, 365 day average values in OPL are £1,148 psf, 0.5% below last month and 2.2% below last year. 90 day average values in OPL for October 2025 were £1,127 psf, 1.7% below September 2025. In OPL, discounts grew for October to -3.2% from -3.1%.

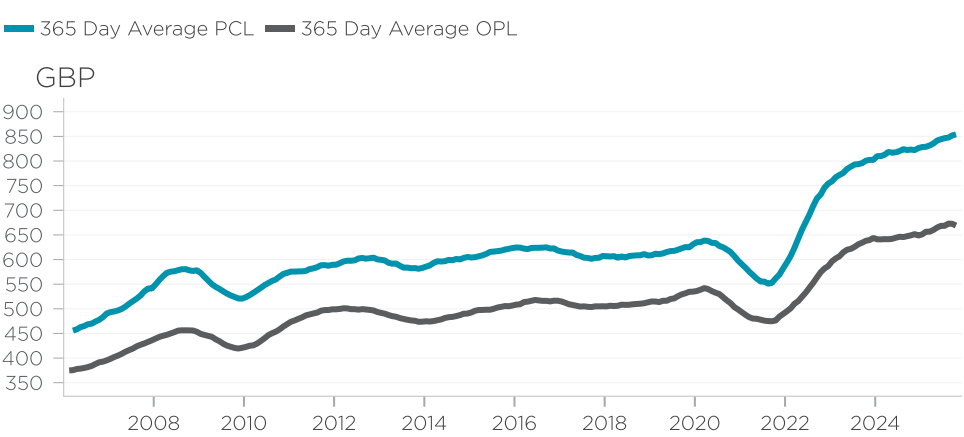
UK LANDLORD INSTRUCTIONS VS TENANT DEMAND



UK ANNUAL RENTS



UK LONDON RENTS



SUPPLY & DEMAND

The supply-demand imbalance is now becoming more balanced, with a slowdown in tenant demand. Looking ahead, we expect the market to settle into a more sustainable growth path, with rental increases averaging around 3% per annum over the medium term. While structural undersupply, particularly in London, will continue to support headline growth, affordability constraints are expected to act as a long-term ceiling on further rental uplift. Regulation is also playing an increasingly influential role in shaping the market, with recent tax changes, rumoured upcoming tax changes in the Autumn budget, energy performance standards, and the Renters Right Act, all likely to continue to push some landlords out of the market. Multifamily will continue to play a huge role in delivering new rental homes going forward.

The RICS residential survey for October 2025 showed tenant demand remaining in negative territory, with a net balance of -5%, down from -1% last month. On the other hand, landlord instructions remained in decline with a net balance of -34%, a slight improvement on -38% last month.

RENTAL VALUES

In October, the average UK rent was £1,345, 0.1% above last month, bringing annual rental growth to 1.4%, an increase on last month. Despite weaker tenant demand and affordability pressures, a shortage of homes available to rent has been placing upward pressure on rental values.

In October 2025 annual rental growth varied across the UK, with the greatest rental growth being in Northern Ireland (10.6%), followed by the East Midlands (4.5%), and Yorkshire and the Humber (3.5%). Wales (0%), South East (0.2%) and Greater London (0.3%) experienced the lowest levels of annual rental growth, however no regions experienced a fall in annual rental growth.

PRIME LONDON RENTAL VALUES

Prime London rental growth remained subdued with a more sustainable rental growth than previous years. In October Prime London experienced stronger rental growth for 1 and 2 bed flats than Outer Prime London.

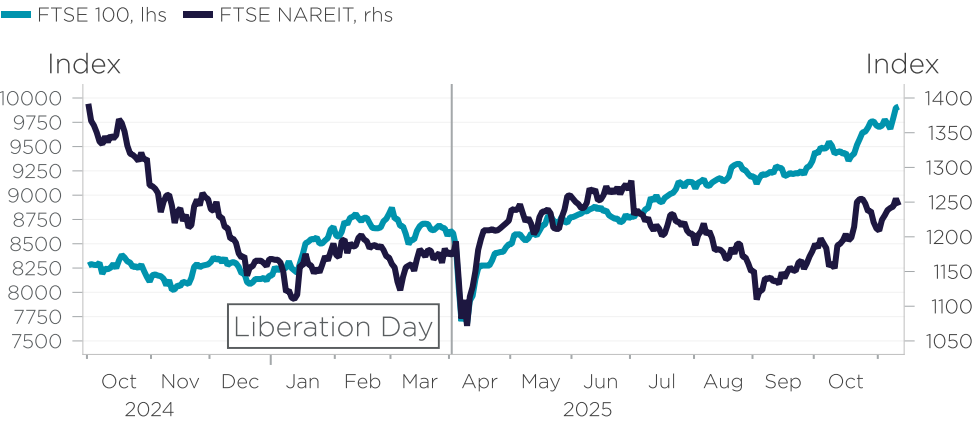
365 day average rental values in October 2025 show rents in PCL are 0.3% above the previous month and 3.8% above last year. Median monthly rental values are more volatile. One bed flats in November 2025 let for £692 pw, 4.6% below last month and 1.1% below the same time last year. Two bed flats let for £1,115 pw, 13.7% above the previous month and 5.6% above the previous year.

365 day average rental values in October 2025 show OPL rents are 0.5% below last month, however they remain 3.1% above last year. In OPL median weekly rents for one bed flats let for £565 pw, 2.1% below last month and 2.1% below last year. Two bed flats let for £750 pw, in line with last month and 8.8% below last year.

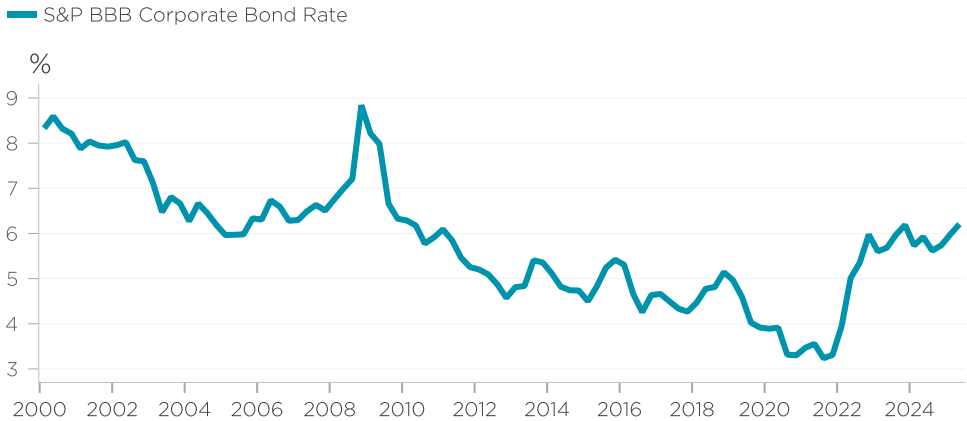
ADDITIONAL KEY CHARTS

Source: FTSE Russell, Federal Reserve, CBOE, ONS, Bank of England, LonRes, Economic Policy Uncertainty, Nationwide, Macrobond, Cushman & Wakefield

FTSE 100, FTSE NAREIT



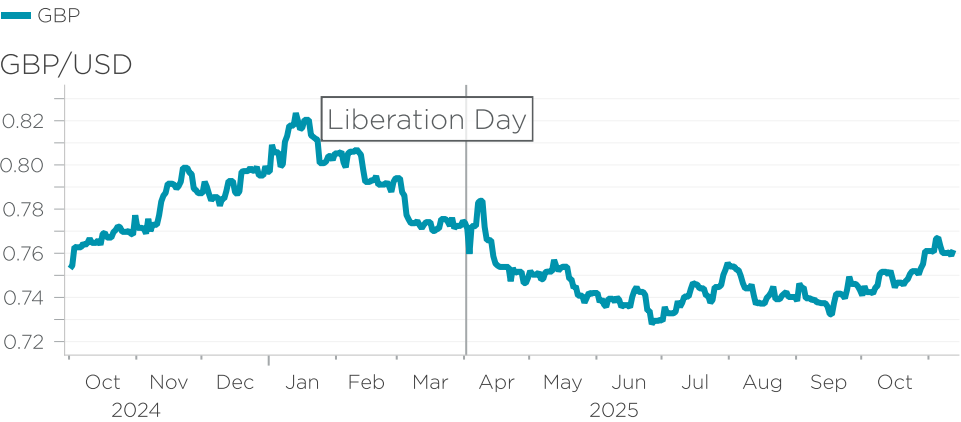
CORPORATE BBB BONDS



UK EARNINGS GROWTH



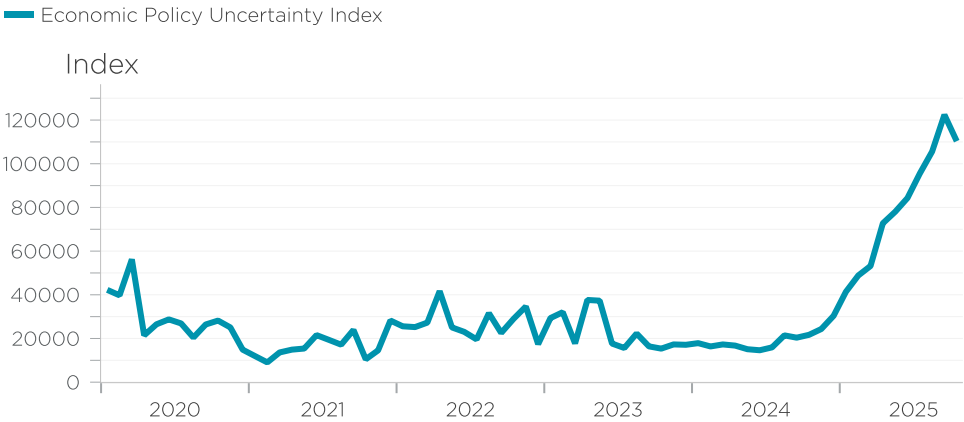
GBP USD SPOT RATES



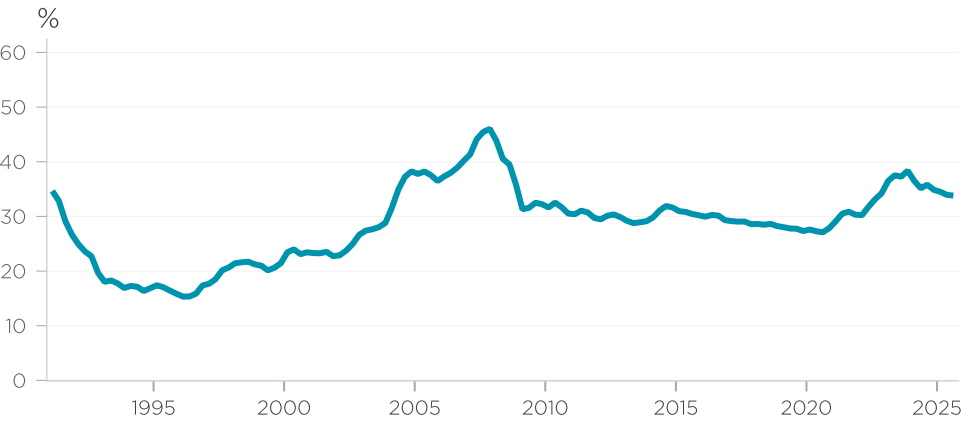
VIX INDEX



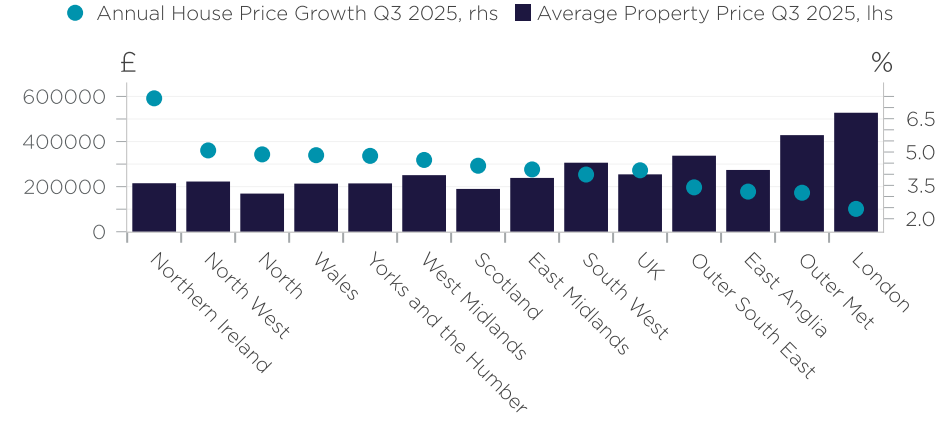
GLOBAL ECONOMIC POLICY UNCERTAINTY INDEX



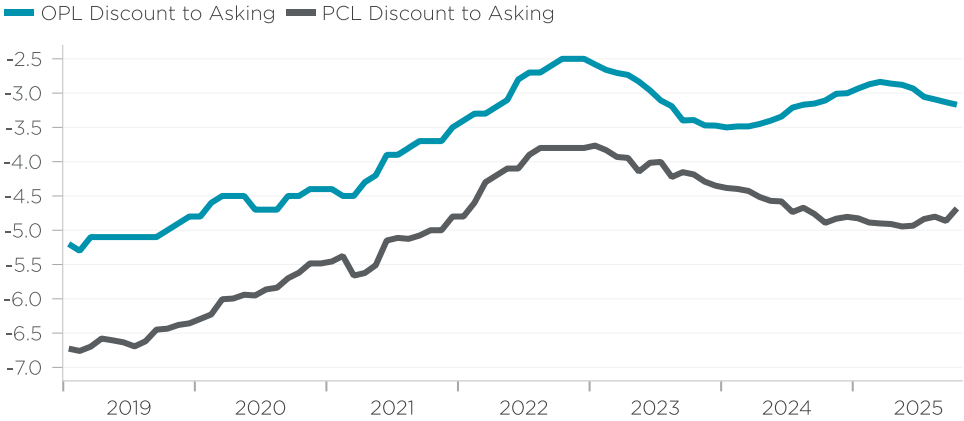
FTB MORTGAGE AS % OF TAKE HOME PAY



REGIONAL HOUSE PRICE GROWTH



CENTRAL LONDON RESI CAPITAL VALUE DISCOUNTS TO ASKING





MARKETBEAT

ECONOMY & HOUSING

NOVEMBER 2025

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Better never settles

