CUSHMAN & WAKEFIELD

MARKETBEAT

ECONOMY & HOUSING

OCTOBER 2025

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"YOU GOTTA HAVE FAITH"

When looking at the economy and even the way the data is being reported, at present, to paraphrase George Michael, "you gotta have faith."

Firstly, there's having faith in the data. The most recent data error has been through the undercounting of VAT income to the tune of £2 billion. In this case, finding an extra £2 billion down the back of the proverbial sofa is no bad thing and means that the current £62 billion public sector deficit is ever so slightly better than once feared.

This is another addition to a series of data issues from the ONS – particularly with regards to labour data, but also on inflation, retail sales and trade - that further erodes trust in data, that will impact decision making. There are no stones being cast here (I can assure you!), and there is new leadership at the ONS but trust in data is important for decision-making, particularly at the margins.

The second area of faith needed unfortunately comes in the outlook for the economy and the impacts from the long-signposted Autumn Budget. In reality, the VAT income amend has little impact on the tightening required to find up to £30 billion in the budget as a result of higher yields, the backtrack on welfare reforms, and weaker than forecasted productivity growth.

The Chancellor is an unenviable position. One of the options she has is to increase the amount of headroom. However, this could impact the financial markets, and there is no guarantee that the UK is not back in the same position not long after.

Unfortunately, and it should go without saying, but needing to have faith is not good for business. After a boost in PMI in July, the UK Composite PMI fell from 53.5 in August to 50.1 in September. This is the weakest reading since tariffs hit, with plenty of citations of uncertainty.

While the decision to push back the Autumn Budget to late in the year was a pragmatic one – in the hope that a more positive picture would emerge; in reality, the spectre of increased tax rises will hang over decision-making for businesses and investors in real estate until there is clarity.

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KEY TAKEAWAYS

- GDP stagnated in July, bringing growth in the three months to July to 0.2%, and up 1.2% year-on-year.
- Consumer confidence reversed its previous month's positive growth, decreasing from -17 to -19.
- The UK Composite PMI decreased from 53.5 in August to 50.1 in September. This was driven by a reversal in sentiment in the Services sector, and a continued malaise in Manufacturing.
- In August there were 93,630 residential transactions, a slight monthly decline of 1.7% but 1.7% higher than the same time last year.
- The next MPC meeting is on 5th November, with the base rate currently at 4%.

MARKETBEAT

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ECONOMIC INDICATORS

	YOY Change	Monthly Change
102.8 MONTHLY GDP	▲	▬
50.1 UK COMPOSITE PMI	▼	▼
-17 CONSUMER CONFIDENCE	▼	▲
4.6% UNEMPLOYMENT RATE	▲	▬
4.1% CPIH	▲	▼
3.8% 5 YEAR SONIA*	▲	▲
4.8% 10 YEAR GILTS*	▲	▲

** Notably volatile at present*

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

ECONOMIC OVERVIEW

Real GDP stagnated during July 2025, following 0.4% growth in June. Services and construction output both increased output by 0.1% and 0.2% respectively, albeit this was offset by production falling by 0.9% in the month.

This means that in the three months to July 2025, the economy grew by 0.2% compared to the three months to April. This was off the back of a stronger-than-expected Q2, with the economy growing by 0.3% for the quarter.

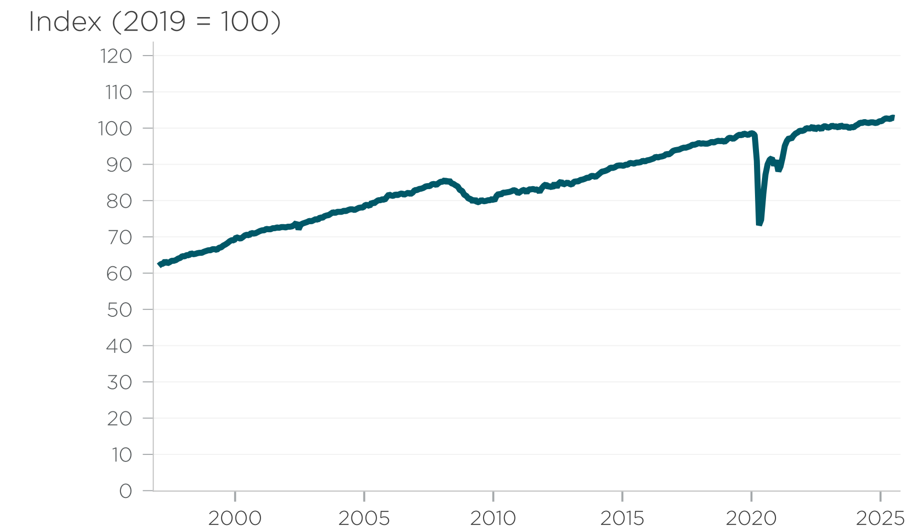
As of the end of July, it means that GDP has expanded 1.2% year-on-year, putting growth amongst the highest in the G7.

Business confidence has become more subdued over the last month. The UK Composite PMI fell from 53.5 in August to 50.1 in September, barely above the 50 benchmark for growth. This is the weakest reading in five months, when PMI took a hit as a result of the news on tariffs. Manufacturing PMI has now fallen for 12 consecutive months, and is now at 46.2.

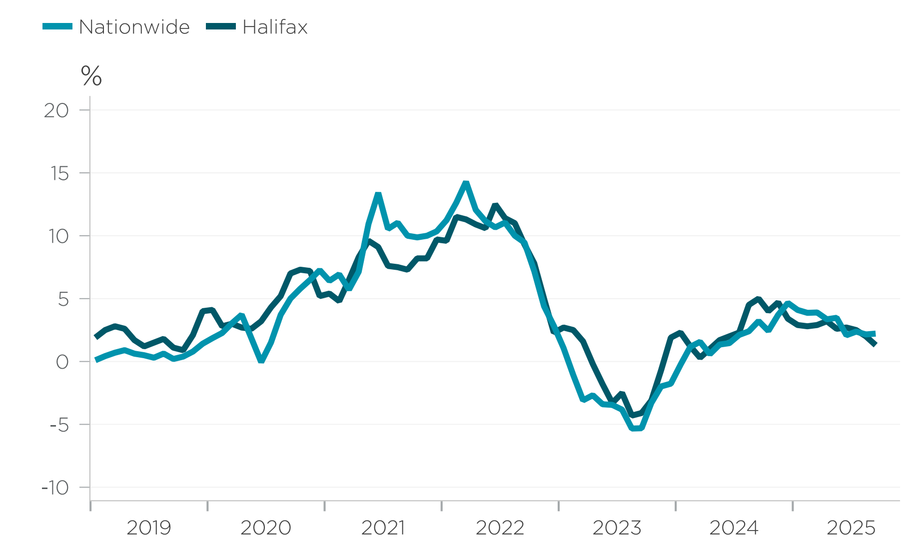
Consumer confidence also deteriorated during the month, as a result of looming concerns over tax increases in the November budget.

In August, house prices experienced a 0.5% monthly increase and annual growth of 2.2%, somewhat in line with the last few months. Transactions have remained pretty stable over the last few months, with August seeing 93,630 residential transactions, a slight monthly decline of 1.7% (likely to represent a summer slowdown). Nevertheless, sales remained 1.7% higher than the same time last year.

MONTHLY GDP

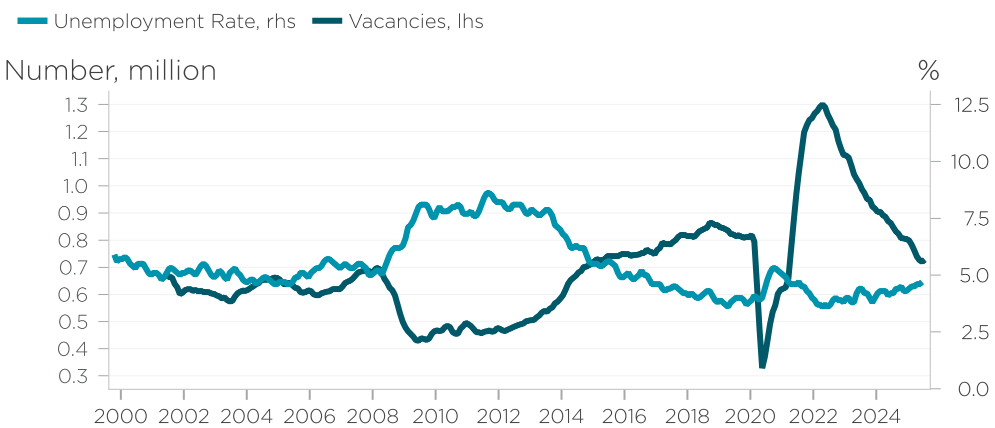


UK ANNUAL HOUSE PRICE INFLATION



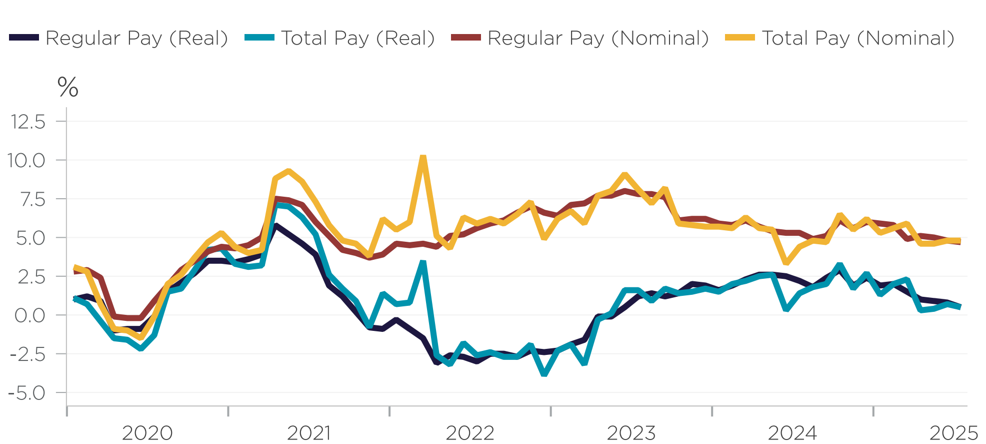
Better never settles

UNEMPLOYMENT & JOB VACANCIES



ILO REDUNDANCY RATE

PAY IN REAL & NOMINAL TERMS



EMPLOYMENT

Payrolled employees fell by 6,000 between June and July 2025, while early estimates for August suggest another fall of 8,000. Those same early estimates would indicate that the total workforce stands at 30.3 million - 127,000 fewer than it did a year previous, representing a 0.4% decline.

This represents the most sustained period of employment contraction since the pandemic. Since the Chancellor announced the increase in National Insurance contributions and the minimum wage in October 2024, payroll employment has declined consistently.

The UK unemployment rate climbed to 4.7% in May to July 2025, unchanged from the previous period but remaining at its highest level since August 2021.

Vacancies continue their sustained decline, falling by 10,000 (1.4%) to 728,000 in June to August 2025. This marks the 38th consecutive quarterly decline, with the cooling most acute in retail, consumer services, and manufacturing subsectors. The unemployment-to-vacancy ratio has increased to 2.3 in May to July 2025, up from 1.7 in the same period last year.

Due to the lagging nature of redundancy data, information on redundancies is unlikely to give a true indication of current economic health. Nevertheless, the data that runs to July saw the number of redundancies decrease from 3.6 to 3.5 per 1,000 employees. Its highest this year was 4.2 per 1,000 employees.

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. While some improvements have been made to survey methodology, triangulating across multiple datasets remains necessary. Nevertheless, the headline story across the labour market is one of continued loosening.

EARNINGS

Wage growth continues to moderate. For the three months to July 2025, annual regular pay growth was 4.8%, down from 5.0% in the previous period, while total pay (including bonus payments) grew by 4.7%. Annual growth in real terms using CPIH was 0.7% for regular pay and 0.5% for total pay.

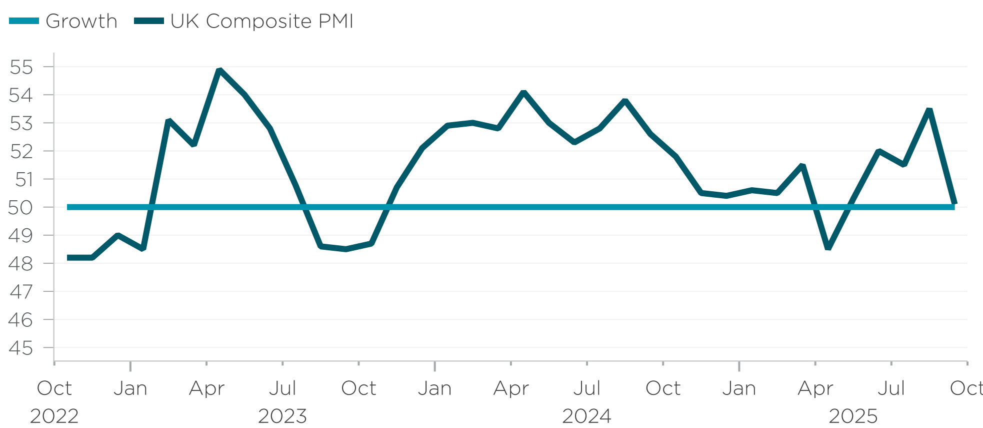
Public sector wage growth increased to 5.6% from 5.5% in the previous period. However, private sector wage growth fell further to 4.7% from 4.8%. For context, private sector pay growth remains above levels seen between the Global Financial Crisis and the pandemic.

The wholesaling, retailing, hotels and restaurants sector continues to show the strongest regular annual growth rate, though this has moderated from previous peaks. Construction wage growth also remains strong but has declined from earlier highs.

Median monthly pay increased by 6.6% year-on-year in August 2025, reaching £2,568. Annual growth in median pay was highest in the health and social work sector at 11.0%, while the lowest growth was in the professional, scientific and technical sector at 3.3%.

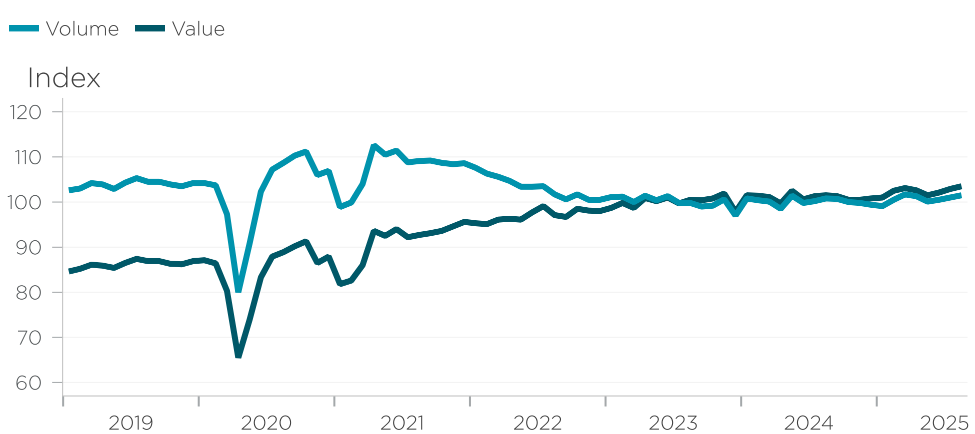
Source: ONS, Macrobond, Cushman & Wakefield

UK COMPOSITE PMI



CONSUMER CONFIDENCE

RETAIL SALES AND VOLUME INDICES



BUSINESS DEMAND

Business confidence has become more subdued over the last month. The UK Composite PMI fell from 53.5 in August to 50.1 in September, barely above the 50 benchmark for growth. This is the weakest reading in five months, when PMI took a hit as a result of the news on tariffs.

Manufacturing PMI has now fallen for 12 consecutive months and is now at 46.2. However, the downturn was driven by a sharp deterioration in the services sector, with the Services PMI falling to 50.8 in September from a 16-month high of 54.2 in August. This marked the slowest pace of expansion since April, as subdued economic conditions and heightened market uncertainty weighed on output growth.

New business orders contracted again in September, reversing August's modest growth. Factory order books experienced particular weakness, with export orders seeing one of the sharpest falls in two years due to weakness across multiple markets. Service providers cited weaker consumer confidence, delayed business spending decisions by clients "until after the autumn Budget," and declining exports as key factors affecting demand.

Many service providers reported lower headcounts due to non-replacement of voluntary departures, indicating a restrained approach to workforce expansion amid cost pressures from higher wages and National Insurance contributions.

BUSINESS FAILURES

Company insolvencies continued to stabilise at historically elevated levels. August 2025 saw 2,048 registered company insolvencies in England and Wales, representing a 2% decrease from July's 2,083 but remaining 6% higher than August 2024. This marks the third consecutive month of modest declines from the peak levels earlier in 2025.

The 12-month rolling insolvency rate decreased slightly to 52.6 per 10,000 companies in the year ending August 2025, down from 55.5 per 10,000 companies in the previous period. Despite this improvement, the rate remains significantly elevated compared to pre-pandemic levels, though well below the peak of 113.1 per 10,000 companies seen during the 2008-09 recession.

Creditors' voluntary liquidations (CVLs) continued to dominate, accounting for 78% of all insolvencies in August 2025. The number of compulsory liquidations fell by 9% from July but remained 15% higher year-on-year, while administrations decreased by 17% month-on-month but were still 6% above August 2024 levels.

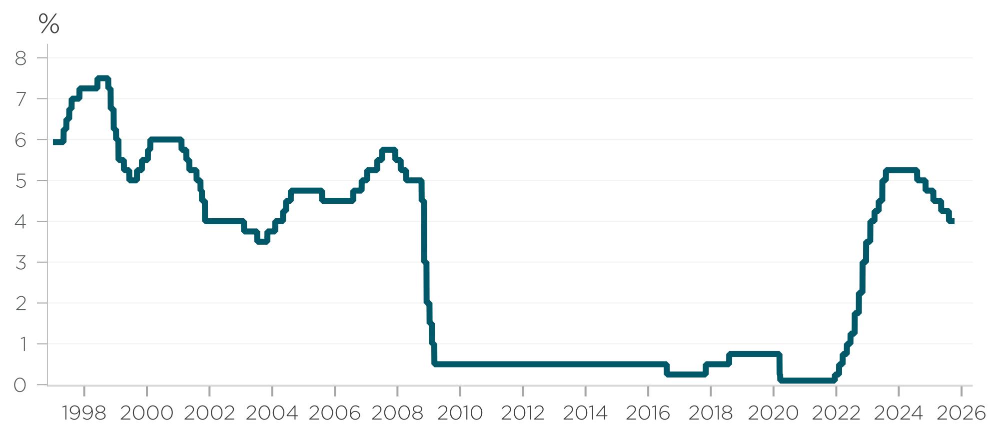
CONSUMER DEMAND

Consumer confidence weakened further in September 2025, with the GfK Consumer Confidence Index slipping to -19 from -17 in August. All five measures of confidence deteriorated in September, with the economic outlook remaining particularly subdued at -32. Personal financial situation perceptions for the past year fell three points to -7, while forward-looking personal financial expectations dropped one point to +4. The major purchase index, examining whether it's the right time for significant purchases, fell three points to -16.

Retail sales volumes increased by 0.5% in August, following an increase of 0.5% in July. With consumer spending increasing just 0.1% q-o-q, weak confidence is persuading consumers to hold steady, and put money aside. Household savings ration increased to 10.7%, well above post-GFC norms.

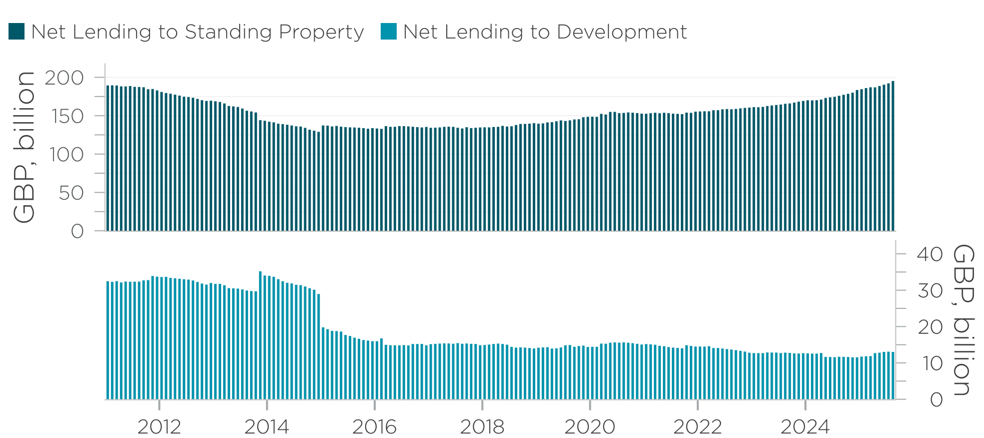
Source: ONS, Gfk, S&P Global, Macrobond, Cushman & Wakefield

INTEREST RATES



5 YEAR SONIA & 10 YEAR GILTS

LENDING TO COMMERCIAL PROPERTY



INFLATION

CPI rose to 3.8% in the 12 months to August 2025, unchanged from July, and is expected to edge up slightly in September before falling thereafter. CPIH fell marginally to 4.1% in the 12 months to August from 4.2% in July. Core CPI eased to 3.6% from 3.8%.

On a monthly basis, CPI rose 0.3% in August, up from 0.1% in July and matching forecasts. The Bank of England remains alert to the risk that temporary increases in inflation could put additional upward pressure on wages and pricing.

MONETARY POLICY

Despite inflation remaining well above target, the MPC voted by a majority of 7-2 to maintain Bank Rate at 4% in September 2025. This followed the expected 25 basis point cut to 4% delivered in August, continuing the cautious approach to rate reductions. Two members - Swati Dhingra and Alan Taylor - voted to reduce Bank Rate by 0.25 percentage points to 3.75%.

The Committee remains focused on "squeezing out any existing or emerging persistent inflationary pressures, to return inflation sustainably to its 2% target in the medium term". Governor Andrew Bailey emphasised that "we are not out of the woods yet" regarding inflation and that "future cuts need to be made gradually and carefully".

The next MPC meeting is scheduled for 6 November 2025. With inflation expected to rise towards 4% in the coming months and remain well above target, markets are not pricing in further rate cuts until 2026. Pay growth remains elevated but has fallen and is expected to slow significantly over the rest of the year.

The Committee also voted 7-2 to reduce the pace of quantitative tightening from £100 billion to £70 billion annually over the next 12 months. This adjustment aims to "taper off crisis-related interventions while minimising the impact on gilt markets" amid significant rises in long-term government debt yields. The Bank of England estimates that its quantitative tightening programme is adding 15-20 basis points to gilt yields. To address market pressures, the BoE announced it will sell fewer long-maturity gilts in the coming year, with an approximate weighting of 40% short-maturity, 40% medium-maturity, and 20% long-maturity bonds.

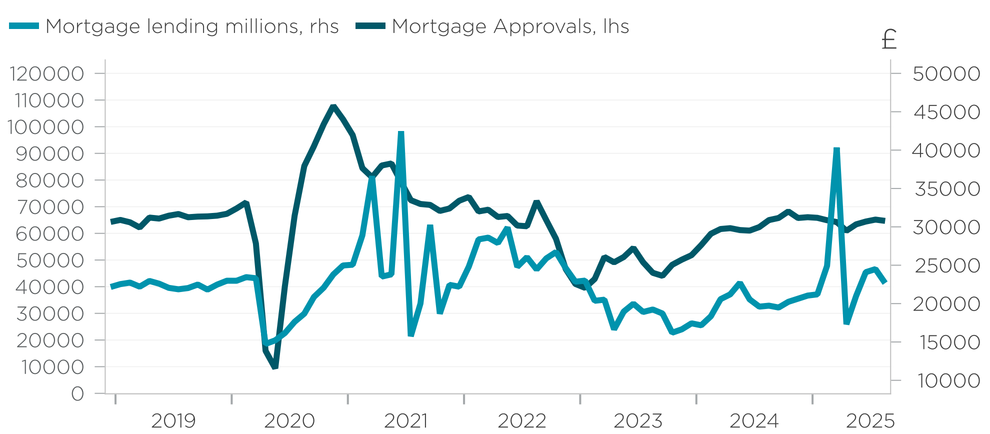
Bond market conditions remain volatile. 10-year gilts are running at approximately 4.8%. The yield curve has steepened considerably, with 30-year gilts reaching their highest levels since 1998 in early September. 5 year SONIA swaps are around 3.8%.

LENDING

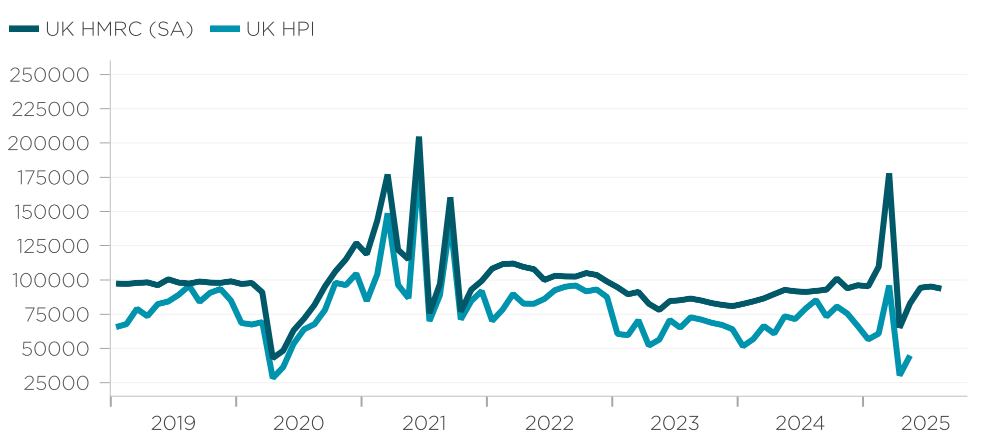
In August, net lending to property reached its highest monthly level since May 2020. This was after a sustained period of strength, during which net lending averaged £2.0bn. This means the last three months have seen net levels of £6.3 billion – the highest in the last 15 years. The majority of net new debt was against standing investment – with net lending falling, having reached record levels just two months ago. The heat of the lending market stands in contrast to investment liquidity, which suggests that refinancing is accounting for a significant share.

Source: Bank of England, FTSE Russell, , Macrobond, Cushman & Wakefield

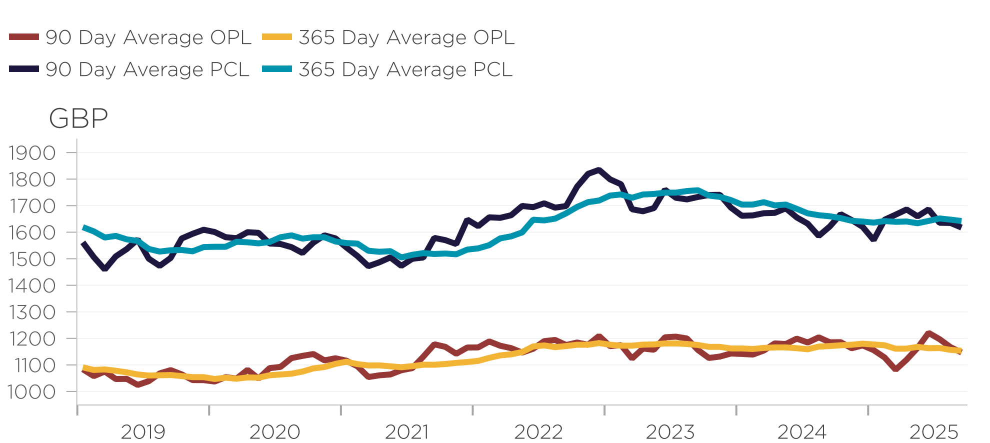
UK MONTHLY MORTGAGE APPROVAL & LENDING



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 64,680 approved in August. They experienced a modest monthly and annual decline of 0.7% and 0.5% respectively. They remain 1.7% above the five-year average.

Mortgage rates have remained stable as of recent months. Average quoted mortgage rates on a 90% LTV in September were 4.59%, compared to 4.56% last month. Taking a lower LTV of 75%, there has also been little movement with average rates of 4.19% in September in comparison to 4.13% in August.

SALES & PRICING

Similar to mortgage approvals, transactions have remained pretty stable over the last few months. In August there were 93,630 residential transactions, a modest monthly decline of 1.7% and sales remained 1.7% higher than the same time last year.

According to Rightmove there have been no immediate reactions from movers to the pending Autumn Budget and rumoured property tax changes. The housing market is very much a buyers' market, with an increase in the number of homes available for sale (8% above the same time last year according to Zoopla), improved affordability (albeit above the long-term average), and increased stability in mortgage rates.

In August, house prices experienced a 0.5% monthly increase and annual growth of 2.2%, somewhat in line with the last few months. Digging a little deeper into house prices, Zoopla reported those higher value homes, priced over £1 million have seen an 11% annual decline in demand, whereas those priced under £500k have seen a 0.2% annual increase in buyer demand. This suggests that the April stamp duty changes, affordability pressures and the looming budget are having the greatest impact on higher priced homes.

PRIME LONDON CAPITAL VALUES

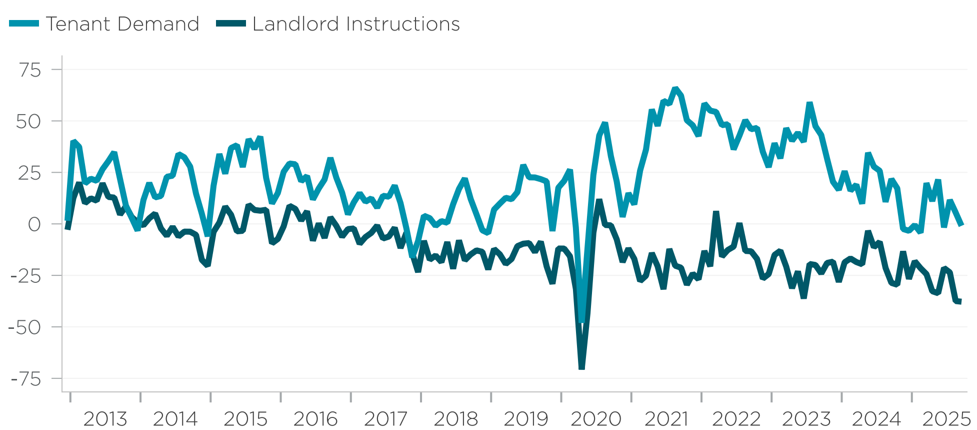
The Prime London market has recently seen declines in capital values due to broader economic and geopolitical uncertainties. Tax policies on non-doms, second homes, and private equity signal a tighter environment for wealth management and property ownership. As a result, London's property market may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

PCL - As of September 2025, 365 day average values in PCL are £1,642 psf, 0.3% below last month and 1.1% below last year. 90 day average values in PCL for September 2025 were £1,617 psf, 1.1% below Augst 2025. Achieved discounts to asking prices (365 day average) in PCL increased in September to -4.9%.

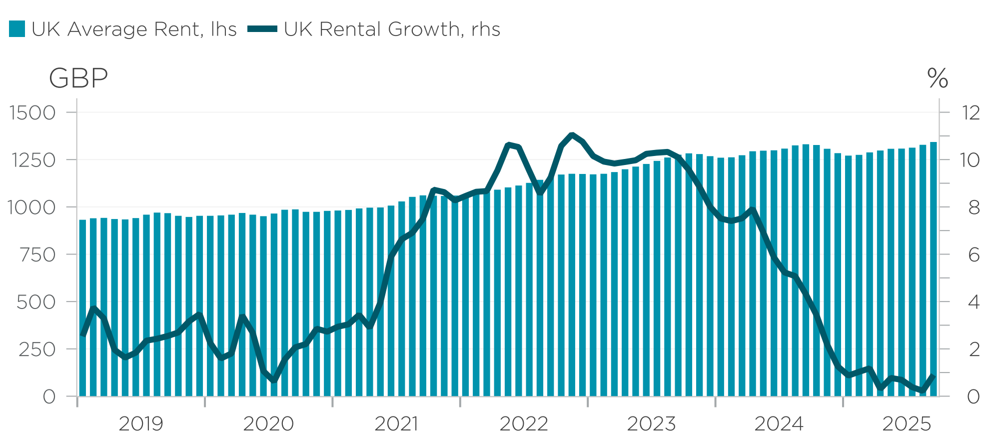
OPL - As of September 2025, 365 day average values in OPL are £1,153 psf, 0.3% below last month and 1.5% below last year. 90 day average values in OPL for September 2025 were £1,147 psf, 1.7% below August 2025. In OPL, discounts remained at -3.1%.

Source: HMRC, LonRes, Macrobond, Cushman & Wakefield

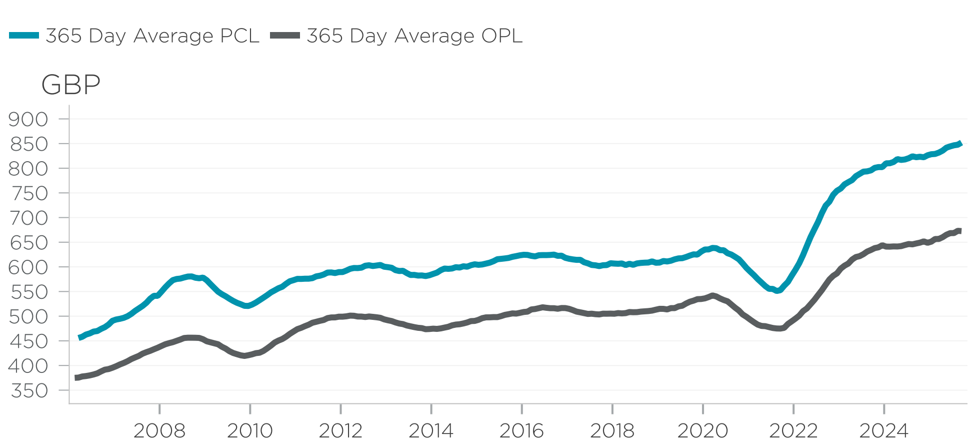
UK LANDLORD INSTRUCTIONS VS TENANT DEMAND



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 bill, 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 September 2025 showed tenant demand remaining flat, with a net balance of -1%, down from 5% last month. On the other hand, landlord instructions remained in decline with a net balance of -38%. This measure has been negative since August 2022 and has been in double-digit negative growth for the past 14 months.

RENTAL VALUES

In September, the average UK rent was £1,343, 1.1% above last month, bringing annual rental growth to 0.9%, a slight increase on last month. Weaker tenant demand and continued affordability pressures continue to impact rental values, however, a further decline in landlord instructions may lead to some upward pressure on rents in the coming months.

In September 2025 annual rental growth varied across the UK, with the greatest rental growth being in Northern Ireland (7.4%), followed by Yorkshire and the Humberside (3.8%), and East Midlands (3.4%). The North East (-1.9%), South West (-0.3%) and Greater London (-0.1%) experienced the lowest levels of annual rental growth and were the only 3 regions to experience negative annual growth.

PRIME LONDON RENTAL VALUES

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

365 day average rental values in September 2025 show rents in PCL are 0.5% above the previous month and 3.6% above last year. Median monthly rental values are more volatile. One bed flats in September 2025 let for £725 pw, 4.8% above last month and 11.5% above the same time last year. Two bed flats let for £981 pw, 1.2% above the previous month and 3.3% above the previous year.

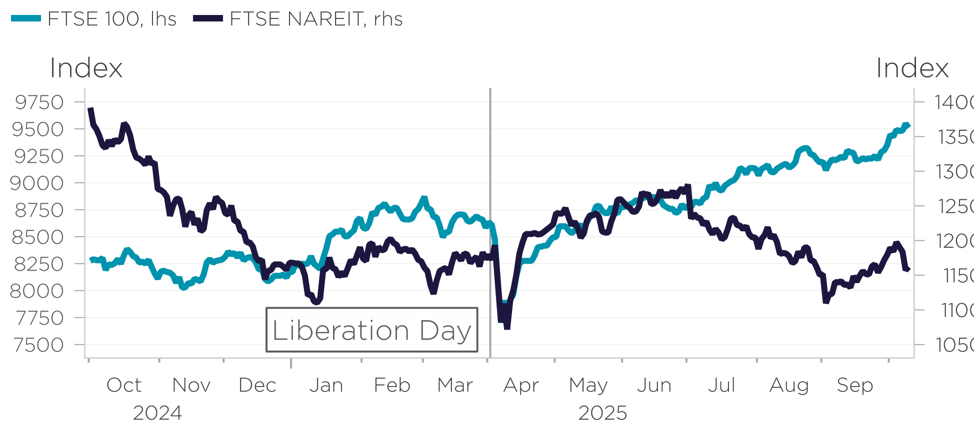
365 day average rental values in September 2025 show OPL rents are 0.1% below last month, however they remain 3.9% above last year. In OPL median weekly rents for one bed flats let for £577 pw, 3.0% below last month and 1.5% below last year. Two bed flats let for £750 pw, 4.5% below last month and 0.7% below last year.

Source: RICS, Homelet, LonRes, Macrobond, Cushman & Wakefield

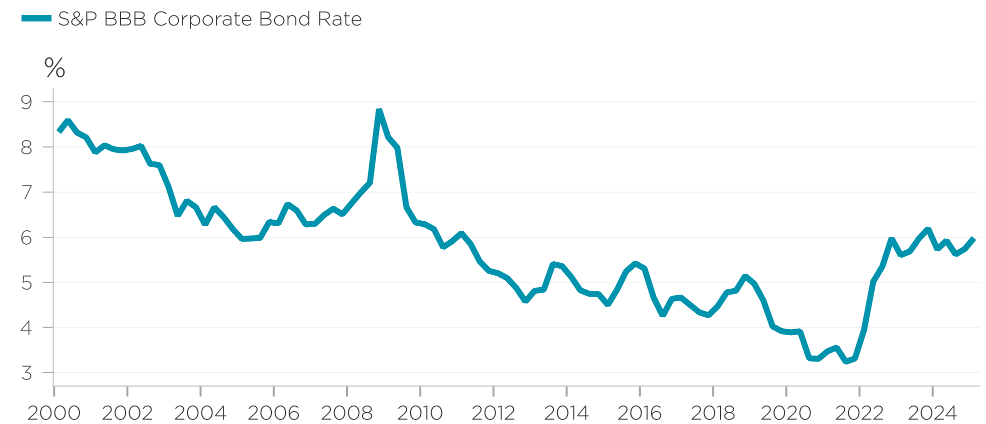
ADDITIONAL KEY CHARTS

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

FTSE 100, FTSE NAREIT

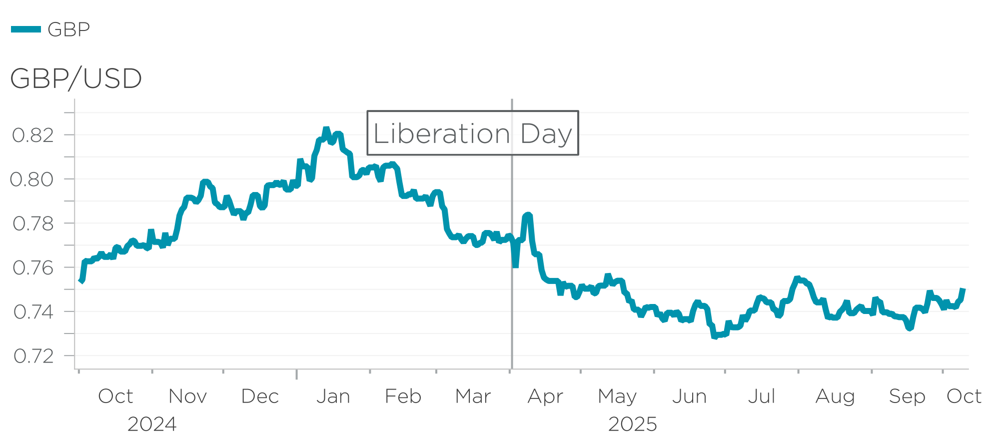


CORPORATE BBB BONDS



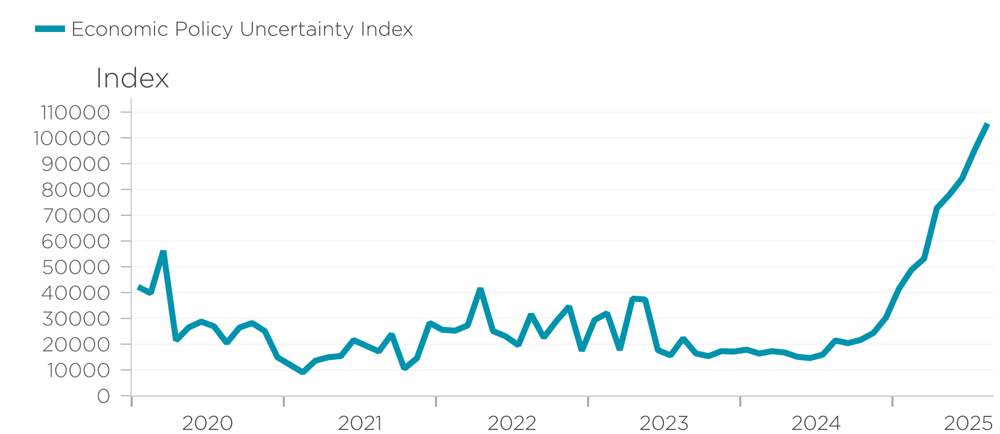
UK EARNINGS GROWTH

GBP USD SPOT RATES

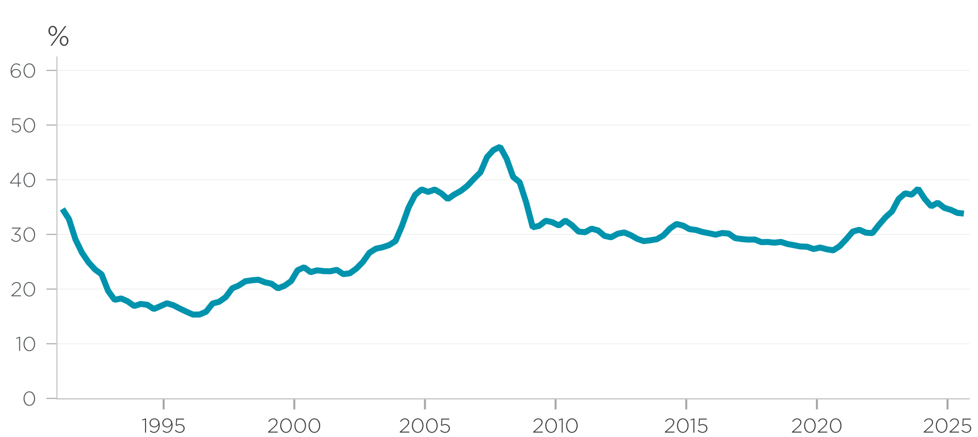


VIX INDEX

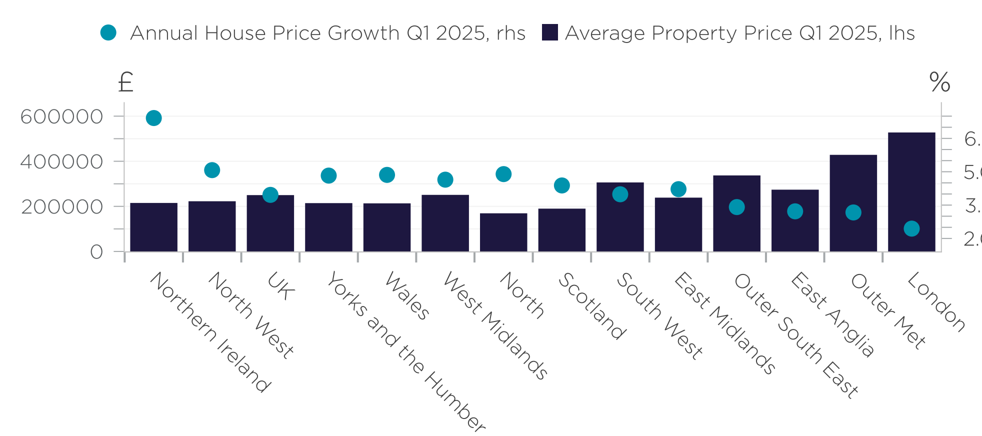
GLOBAL ECONOMIC POLICY UNCERTAINTY INDEX



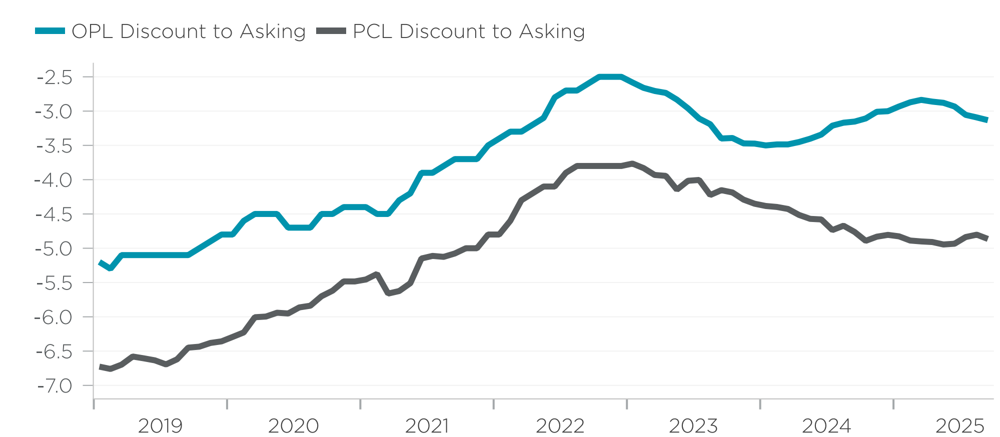
FTB MORTGAGE AS % OF TAKE HOME PAY



REGIONAL HOUSE PRICE GROWTH



CENTRAL LONDON RESI CAPITAL VALUE DISCOUNTS TO ASKING



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