CUSHMAN & WAKEFIELD

MARKETBEAT

ECONOMY & HOUSING

SEPTEMBER 2026

Better never settles

(EVEN) HIGHER FOR (EVEN) LONGER

The good news story of the month is that the economy has proved to be resilient. GDP grew 0.4% in July, following 0.3% in June, meaning that the economy had grown 1.6% on the year. Notably, growth for the month has come from sub-sectors engaged in AI and technology, the first signs of the hoped-for productivity that could deliver growth the government has promised.

Unfortunately, this is not where the majority of economic discourse has been – or will be – for the short term. With the Autumn Budget just over a month out, there is already conjecture on the extent to the measures which the new Chancellor can take against a backdrop of increased public debt, and higher borrowing costs.

The 10-year gilt touched its highest level since 2007 at 5.44%, before coming in to 5.3% off the back of the MPC meeting – still 100 basis points above where they were at the onset of the war in Iran.

While the September MPC meeting saw a decision to hold, four of the six who voted to hold said that if the conflict persists policy is likely to have to tighten. With the Fed raising the day before, for the first time since 2023, and the ECB having hiked twice since June, there is now an increased likelihood of a 25 basis points increase in November, with an additional potential hike early in 2027. It is worth noting that financial conditions have already tightened materially without the Bank Rate moving at all. Two- and Five- year fixed mortgages have risen by 82bps and 61bps since the start of the war, while the five-year SONIA is up to 4.8%.

This is despite the fact that for now inflationary data is just about holding firm – excluding direct energy pricing. The August data showed no domestic spillover from energy: core and services inflation were unchanged, food inflation is at a five-year low and private sector regular pay growth of 2.9% is below the rate the MPC associates with target-consistent inflation.

In the short and medium term, the question falls to the price of bonds. With the public sector debt of advanced economies – including notably the US and UK – now further in the spotlight, there is likely to be a larger and more persistent pressure on bonds. The September QT decision to run the gilt portfolio to 2034 has taken some heat out of the market but has also confirmed that active sales lie ahead. For now, the prospect of sub-4% bonds seems some way off, which will impact the pricing of real estate.

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KEY TAKEAWAYS

GDP grew 0.4% in July, following 0.3% in June, taking growth in the three months to July to 0.4%.

Retail sales volumes rose 0.5% in August against consensus for a 0.2% fall, fully reversing July's 0.5% decline and leaving volumes 2.4% higher than a year earlier.

Mortgage approvals fell to 56,053 in July, down 3.7% on June and 14.9% below July 2025. That is the lowest monthly figure since January 2024.

The 10-year gilt yield is currently in the region of 5.3%, easing from 19-year highs after the MPC decision but roughly 60bps above a year ago.

The BoE held Bank Rate at 3.75% but the vote split widened to 6-3 towards the hawks.

ECONOMY & HOUSING

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ECONOMIC INDICATORS

	YOY Change	Monthly Change
103.8 MONTHLY GDP	▲	▲
52.5 UK COMPOSITE PMI	▼	▲
-14 CONSUMER CONFIDENCE	▲	▲
4.9% UNEMPLOYMENT RATE	▲	▬
3.3% CPIH	▲	▲
4.8% 5 YEAR SONIA*	▲	▲
5.3% 10 YEAR GILTS*	▲	▲

Source: ONS, Moody's, Bank of England, GfK, S&P, FTSE Russell
**Markets are notably volatile*

ECONOMIC OVERVIEW

GDP grew 0.4% in July, following 0.3% in June and no growth in May, taking growth in the three months to July to 0.4%, the eighth consecutive period of three-month growth.

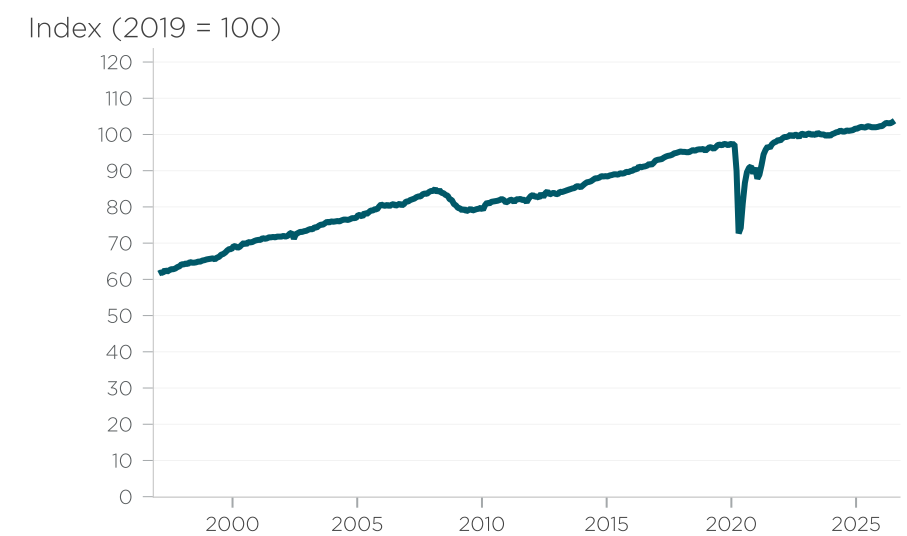
Output was 1.6% higher than in July 2025 and 1.3% higher on a three-month basis. Services drove the expansion, up 0.4% on the month and 0.6% over three months, while production (+0.2%) and construction (+0.1%) posted small monthly gains after each falling 0.5% over the three-month period. Within construction, new work fell 0.4% in July and public housing new work was down 8.4% over three months.

July's services growth was concentrated in business-to-business sub-sectors: administrative and support services rose 3.7% and information and communication 2.4%, with the ONS reporting that many of the fastest-growing firms in computer programming and information services are engaged in AI and cloud computing activity. Consumer-facing services fell 0.4% on the month.

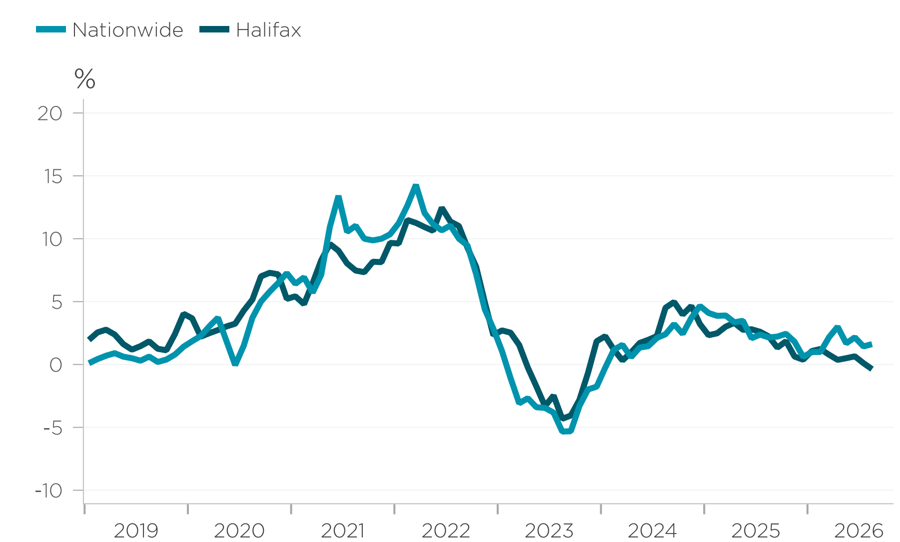
The near-term risk to activity continues to run through energy. The breakdown of the US–Iran ceasefire in mid-July, US strikes on Iran in early September and damage to Saudi export infrastructure have kept Brent above $100 and pushed UK gas to conflict highs. Saudi Arabia has said it will restore around half of the East–West pipeline's capacity within days, which took some pressure off prices this week, but the outlook for the second half remains hostage to the oil price. Elevated swap rates and weak buyer sentiment continue to follow from that.

Residential transaction volumes are drifting lower. With approvals now running close to 15% below a year ago, we expect activity to soften further into the autumn.

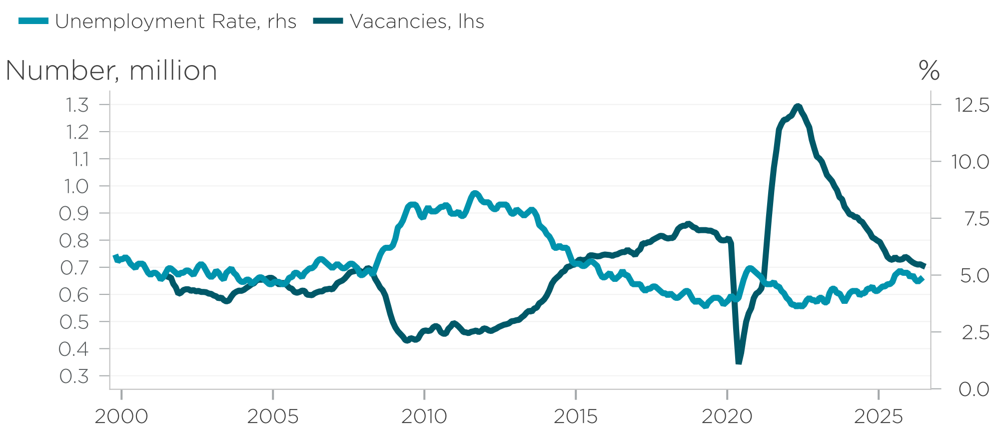
MONTHLY GDP



UK ANNUAL HOUSE PRICE INFLATION

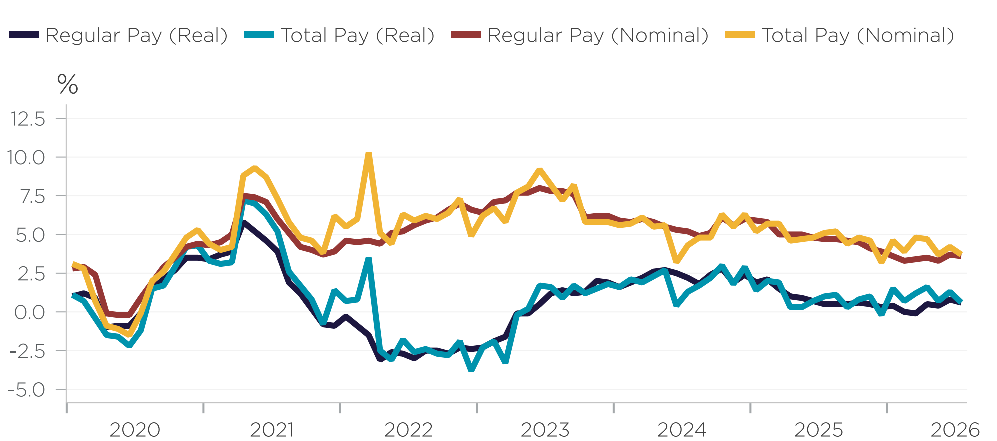


UNEMPLOYMENT & JOB VACANCIES



ILO REDUNDANCY RATE

PAY IN REAL & NOMINAL TERMS



EMPLOYMENT

Labour market data published on 15th September showed the unemployment rate unchanged at 4.9% in the three months to July, a fourth consecutive reading at that level, below the 5.0% consensus forecast but up from 4.7% a year earlier. Unemployment stood at 1.78 million, up 83,000 over the year, while the employment rate for 16 to 64-year-olds was 75.1%, marginally down on a year earlier.

The payroll data continue to soften. Payrolled employees fell by 26,000 in August to 30.2 million on the early estimate, following a 19,000 fall in July that was revised from an initial 13,000 decline. Payrolls are now 145,000 (0.5%) lower than a year earlier and around 95,000 below their pre-conflict level in February. The stabilisation that appeared to be emerging in early summer has not held, with the prospect of another tax-raising Budget likely weighing on hiring alongside labour costs.

Other indicators are mixed rather than uniformly weak. Workforce jobs rose 0.2% in the year to June and the LFS measure of employment rose 0.7%, though the ONS cautions that survey improvements flatter the latter. The Claimant Count rose to 1.692 million in August, up on both the month and the year, and the redundancy rate edged up to 3.9 per thousand employees.

Vacancies fell by 8,000 (1.1%) to 702,000 in June–August. Outside the pandemic this is the lowest level since August–October 2014, although the series has been broadly flat since the start of the year, down only 16,000 since January–March. Vacancy Survey feedback continues to attribute caution among smaller firms to higher labour costs, and there were 2.5 unemployed people for every vacancy in the latest quarter.

EARNINGS

Wage growth is drifting lower. Regular pay (excluding bonuses) grew 3.5% in the three months to July, unchanged for a fifth consecutive period and in line with consensus, while total pay including bonuses slowed to 3.9% from 4.2% (revised up from 4.1%) as April's spike in private sector bonuses dropped out of the comparison. Total pay growth was last lower in late 2020. In real terms, regular pay grew 0.8% and total pay 1.1% on the CPI measure.

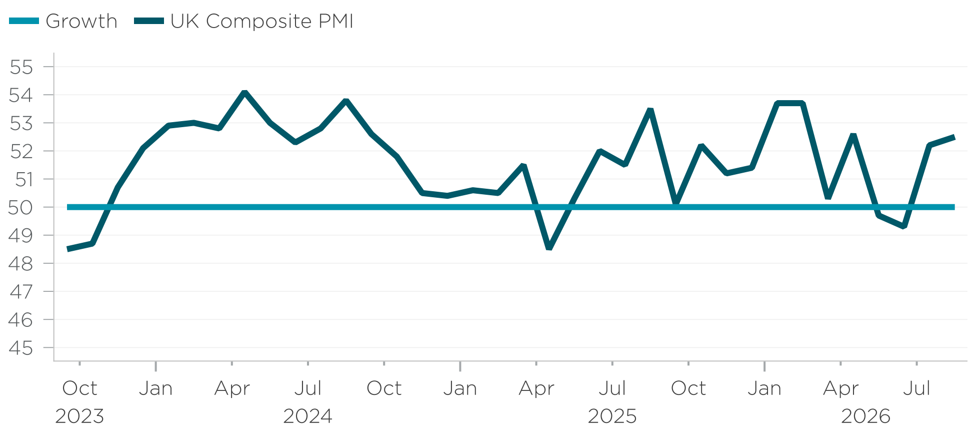
Private sector regular pay growth held at 2.9%, below the 3.25% rate the MPC considers consistent with 2% inflation. Public sector regular pay rose to 6.3%, still distorted by the timing of pay awards. The timelier HMRC median PAYE measure eased from 4.5% in July to a seven-month low of 4.1% in August, pointing to further slowing when the August average earnings data arrive.

The Bank's September Agents' survey suggests 2027 pay awards will be similar to this year's, which has helped underpin the MPC's decision to hold rates – with fewer job-to-job moves and limited private sector bargaining power, the transmission from an energy shock to wages is far weaker than in 2022.

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.

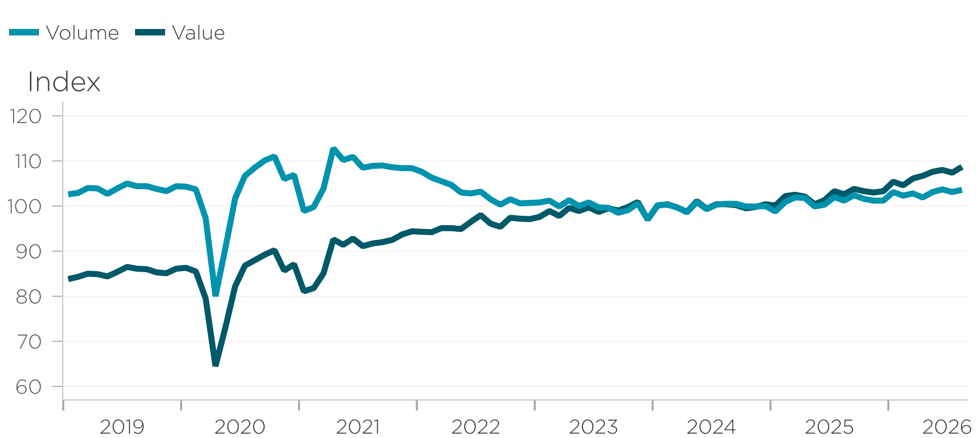
Source: ONS, Macrobond, Cushman & Wakefield

UK COMPOSITE PMI



CONSUMER CONFIDENCE

RETAIL SALES AND VOLUME INDICES



BUSINESS DEMAND

Business activity strengthened for a second month in August. The S&P Global UK Composite PMI rose to 52.5 from 52.2 in July, its highest since April. The final Services reading was 52.5, up from 52.1, with new work rising for a second month on reports of recovering business and consumer spending and improving investment sentiment. Export sales fell for a sixth month, with subdued European demand and geopolitical uncertainty the most common explanations. Service sector employment fell for a 23rd month, the longest run since the survey began in 1996.

Manufacturing eased to 51.7 from 51.9 in July, a tenth consecutive month above 50, with output growth the softest in four months but business optimism at a six-month high and employment growth the fastest in two years. Energy affordability remains the most cited constraint on the outlook, while input cost inflation accelerated sharply during the month, after three months of easing.

The Construction PMI fell to 44.3 in August from 44.7, a 20th consecutive month of contraction, with residential activity at 37.6 the weakest component, civil engineering at 40.5 and commercial at 47.8, its slowest decline since January. Firms cited weaker client demand, fewer project starts and higher borrowing costs linked to the Middle East conflict.

BUSINESS FAILURES

Registered company insolvencies in England and Wales were 1,946 in August, effectively flat against July's 1,934 and 3% below August 2025 (2,007), continuing the year-on-year improvement. Creditors' voluntary liquidations fell, but compulsory liquidations rose 8% on the month and 5% on the year as HMRC and trade creditors continue to pursue debts, and administrations jumped 44% on the month and 60% on the year. The administration spike was driven by more than 250 connected real estate companies. Construction remains the most exposed sector with around 350 insolvencies in August, some 17% of the total, followed by wholesale and retail (290) and accommodation and food services (261).

CONSUMER DEMAND

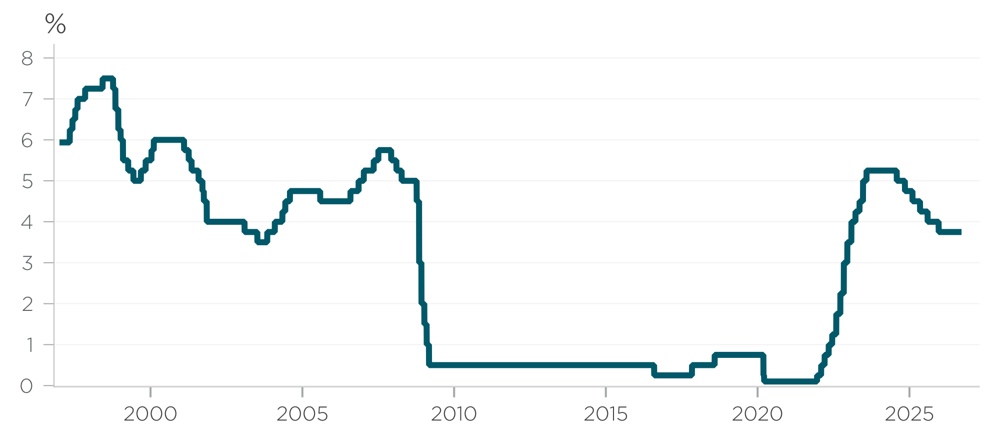
Consumer sentiment continued to recover through the summer. GfK consumer confidence rose three points to -14 in August, its highest reading since August 2024 and nine points above April's low, with four of the five sub-measures improving. Expectations for the economy over the next twelve months rose five points to -23, the forward-looking personal finance measure rose three points to +4, and the Major Purchase Index gained five points to -7, its highest since December 2021. Only the backward-looking view of the economy slipped, by one point to -40.

Retail sales volumes rose 0.5% in August against consensus for a 0.2% fall, fully reversing July's 0.5% decline and leaving volumes 2.4% higher than a year earlier and at their second highest level since April 2022. Non-store retailers and department stores recovered from July's promotion-timing and stock issues, and clothing and food stores also gained, helped by the last of the summer heat. Fuel volumes fell 1.3% as pump prices jumped.

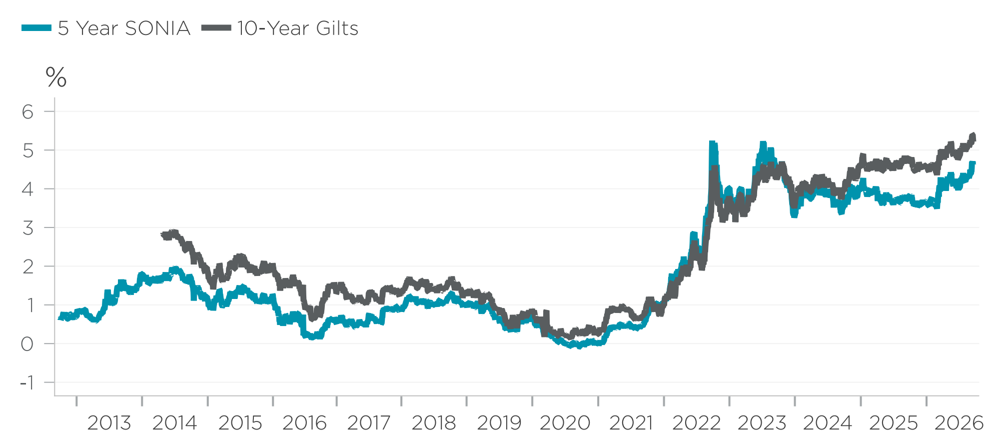
The squeeze is still to come, with households thus far absorbing higher energy prices by saving less. The Ofgem cap rises 4% to £1,723 for a typical dual-fuel household from 1st October, with gas unit rates up 8.7% and the electricity element flattered by the six-month VAT removal. On current wholesale prices, the January cap, to be announced on 25th November, is expected to rise by more than 20%.

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

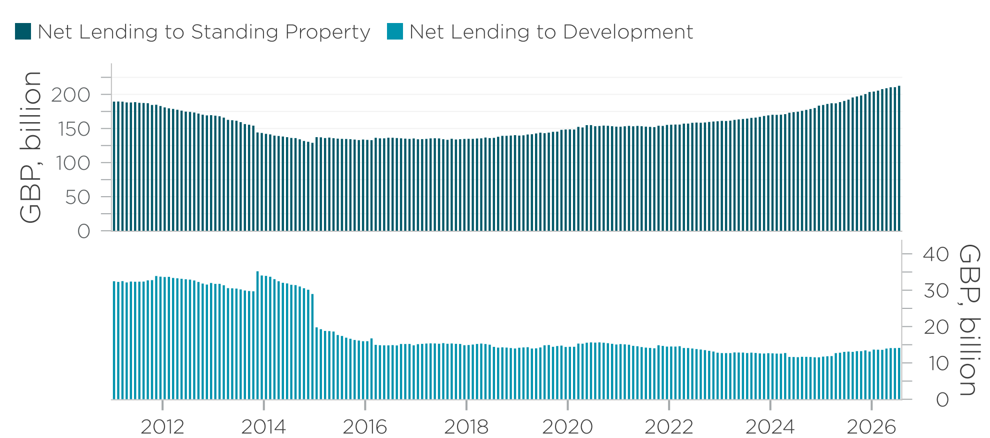
INTEREST RATES



5 YEAR SONIA & 10 YEAR GILTS



LENDING TO COMMERCIAL PROPERTY



INFLATION

CPI rose to 3.1% in the 12 months to August, up from 2.9% in July and in line with consensus, the second consecutive increase and the highest since March. CPIH rose to 3.3% from 3.1%. On a monthly basis both rose 0.5%, against 0.3% a year earlier. The increase was almost entirely petrol and diesel. Motor fuel prices rose 6.9% on the month, taking annual motor fuel inflation to 23.0% from 15.5% and adding around 0.2 percentage points to the headline rate. Transport inflation rose to 4.6% from 3.6%, with air fares up 6.2% on the month on long-haul routes. Goods inflation rose to 2.7% from 2.2%, its highest since September 2025.

What was striking was the absence of any spillover. Core CPI was unchanged at 2.6% for a fourth month, services CPI held at 3.4% – a rate historically consistent with headline inflation around 2% – and food and non-alcoholic beverages inflation stayed at 1.3%, its smallest contribution to the annual rate since September 2021.

The peak is likely still ahead, with the MPC expecting inflation to peak just above 4% early next year. The Bank's own research suggests that 4% is the threshold above which household inflation expectations begin to move, prompting an increased likelihood of a rate rise in November. For now, however, we would expect inflation to fall back towards 2% through 2027 as energy effects drop out, and the loose labour market caps second-round effects.

MONETARY POLICY

At its meeting ending 16th September the MPC voted 6–3 to hold Bank Rate at 3.75%, a sixth consecutive hold, with Greene, Mann and Pill again voting for a rise to 4%. The split was unchanged from July but the tone was not. Four of the six holders – including Governor Bailey - indicated that policy is likely to have to tighten if the Middle East conflict persists, and the Committee judged that the risk of material second-round effects had increased. The Bank raised its Q3 growth forecast to 0.4% and now expects CPI to peak just above 4% early next year.

The decision leaves the Bank out of step with its peers. The Fed raised rates to 3.75–4.00% on 16th September, its first hike since 2023, and the ECB has hiked twice since June. This is due to the fact that financial conditions have already tightened in the UK, and the labour market is looser. Even so, there is now an increased likelihood of 25bp rises in November and February 2027. The MPC also set out a multi-year plan for quantitative tightening, reducing gilts held for monetary policy purposes to zero by end-2034. Long-dated yields fell sharply on the announcement, having previously been at post-GFC highs.

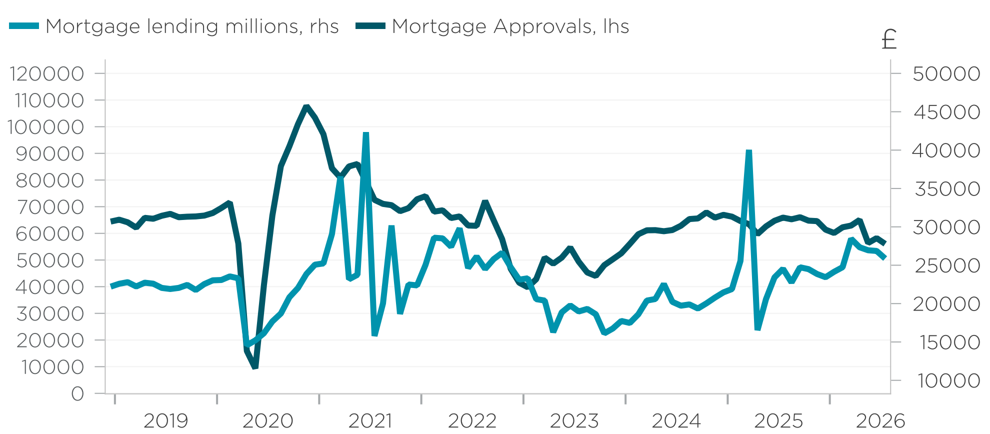
The 10-year gilt yield is currently in the region of 5.3%, easing from 19-year highs after the MPC decision but roughly 60bps above a year ago. The 5-year SONIA swap is at approximately 4.8%, up from 4.4% a month ago, and the effective rate on new mortgages rose to 4.45% in July.

LENDING

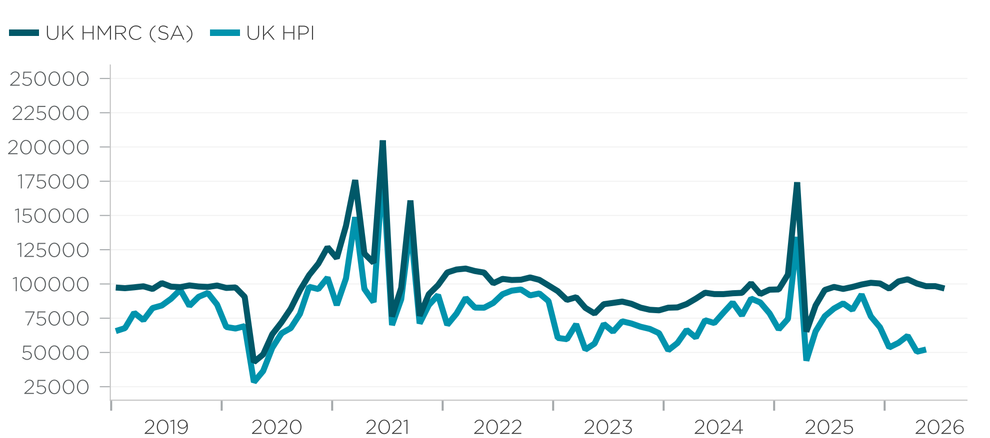
July saw a return to the pace of net lending witnessed in the first five months of the year, reaching £1.53bn. The breakdown of July's net lending was dominated by standing investments, where net lending was £1.47bn. Lending to development returned to positive figures in July, but at £59 million was well below the H1 monthly average of £164 million.

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

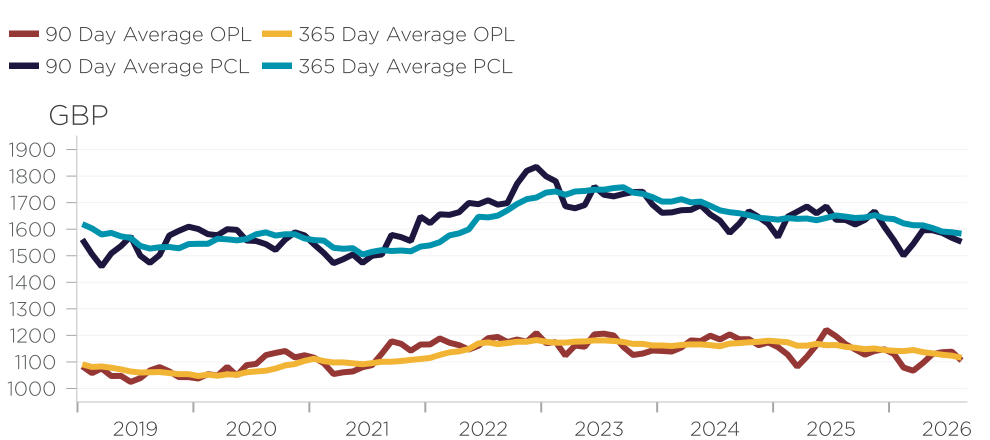
UK MONTHLY MORTGAGE APPROVAL & LENDING



UK MONTHLY TRANSACTION VOLUMES



CENTRAL LONDON CAPITAL VALUES



MORTGAGES

Long term borrowing costs have risen again. The ten year gilt averaged 5.14% in August, the highest monthly level since July 2007, and the two year SONIA swap rate has reached 4.35%, up 41 basis points since the start of July. Lenders have passed this through: the Bank of England's quoted two year fix at 75% loan to value rose to 4.92% in August from 4.79%, and the five year equivalent to 4.78% from 4.58%. It is the long end that prices this market, and it is offering no relief.

Demand has weakened again. Mortgage approvals fell to 56,053 in July, down 3.7% on June and 14.9% below July 2025. That is the lowest monthly figure since January 2024 and well beneath the six month average of around 60,150. Gross mortgage lending fell for a fourth consecutive month, to £25.9bn. The stabilisation seen in the spring has not held.

SALES & PRICING

Residential transaction volumes are drifting lower. HMRC's seasonally adjusted estimate for July was 96,710, 1.7% below June and 1.1% below July 2025. Approvals lead transactions by roughly three months, and with approvals now running close to 15% below a year ago, we expect activity to soften further into the autumn.

House price growth has stalled. Halifax recorded an annual fall of 0.4% in August, the first since November 2023, while Nationwide's measure was 1.6% higher over the year at an average of £275,465. The regional spread remains wide. Northern Ireland led at 8.6% in the second quarter, with the North and the North West at 3.9%, against 0.1% in the Outer South East and 0.3% in the Outer Metropolitan area.

Until inflation and borrowing costs settle, activity and sentiment will remain subdued, most of all in London and the South East where affordability is tightest. Supply provides the floor. Planning consent is not the binding constraint: London granted more homes permission in 2025 than in any year on record, yet build to rent starts across the major cities are running at 45% of their five year average. Viability and development finance are what hold delivery back, and that shortfall is already locked in for 2028.

PRIME LONDON CAPITAL VALUES

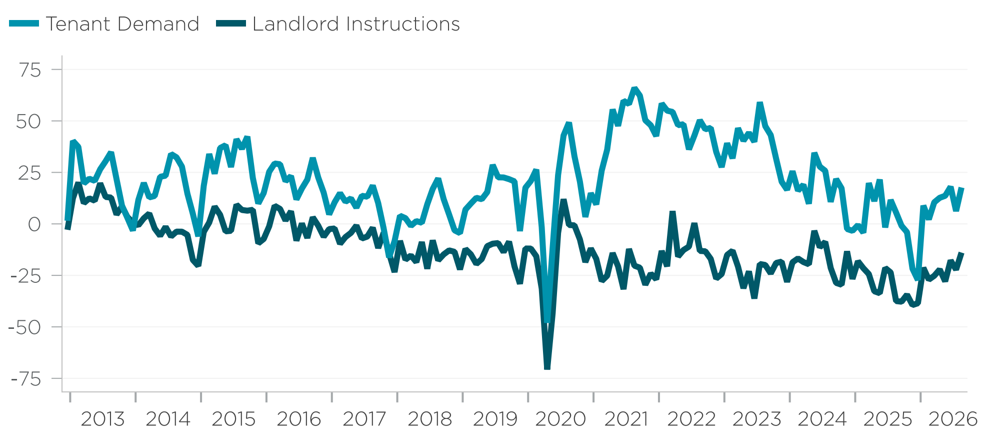
Prime London capital values remain under pressure. Tax changes covering non-domiciled residents, second homes and the proposed high value property charge point to a tighter environment for wealth and property ownership, and buyers are pricing that in.

PCL - As of August 2026, 365 day average values in PCL were £1,583 psf, 0.3% below last month and 3.9% below last year. 90 day average values in PCL for August 2026 were £1,553 psf, 1.0% below July. Achieved discounts to asking prices (365 day average) in PCL grew to –5.0% from –4.9%.

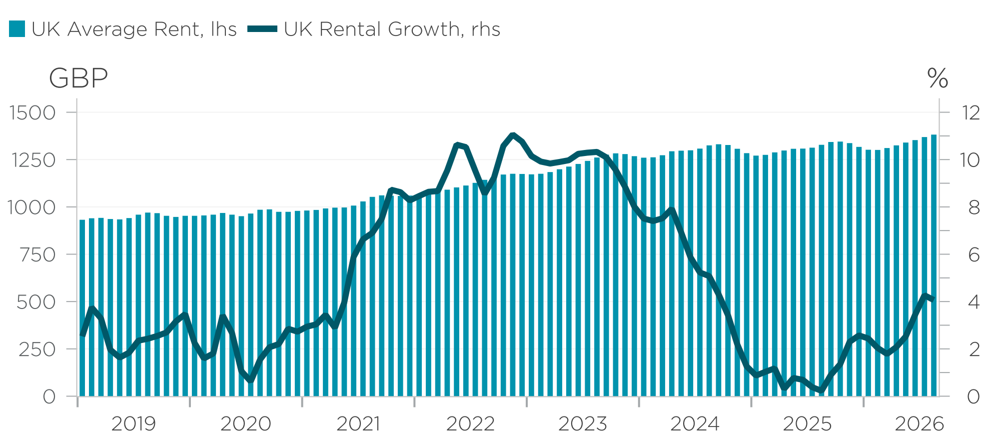
OPL - As of August 2026, 365 day average values in OPL are £1,116 psf, 0.7% below last month and 3.5% below last year. 90 day average values in OPL for August 2026 were £1,105 psf, 2.9% below July. In OPL, discount to asking price grew to -3.8% from -3.7%.

Source: HMRC, LonRes, BoE, Macrobond, Cushman & Wakefield

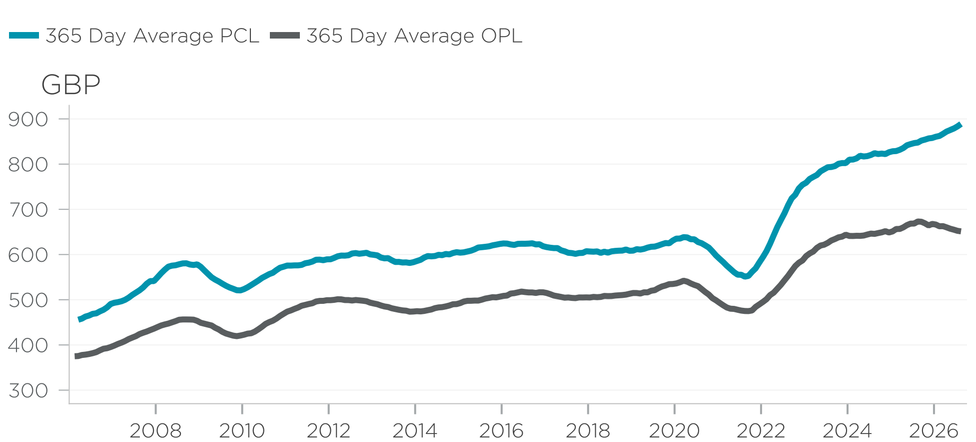
UK LANDLORD INSTRUCTIONS VS TENANT DEMAND



UK ANNUAL RENTS



UK LONDON RENTS



SUPPLY & DEMAND

The RICS residential survey for August 2026 showed tenant demand at a net balance of +18%, positive in every month since January. Landlord instructions remained negative at -14%, the least negative reading since November 2024 but still pointing to supply leaving the sector. Rent expectations for the next three months rose to +44%, the strongest reading since December 2023.

The imbalance is unlikely to improve in the short to medium term. The 2% increase in income tax on rental income from April 2027 and the Renters' Rights Act from 1st May will both weigh further on private landlord supply. That creates space for institutional capital in the maturing Build to Rent (BTR) segment, but the supply response is constrained by viability. Starts across the major cities are running at 45% of their five year average and consents at 52%, so the delivery gap is already set for the rest of the decade. The government-backed National Housing Bank aims to accelerate delivery through debt, equity and grants.

RENTAL VALUES

In August the average UK rent was £1,382, 0.9% above July, taking annual rental growth to 4.1%. Excluding Greater London the UK average was £1,179, 0.8% above July and 3.4% higher than a year earlier. Greater London reached £2,238, up 5.1% on the year. Nine of the twelve regions recorded month on month growth, with Wales down 1.0% and the West Midlands down 0.3%.

The acceleration has been building for a year. Annual growth bottomed at 0.2% in August 2025 and has since risen to 4.1%. London has led the change. Rents there were falling a year ago, down 0.9%, and now rank among the fastest growing in the UK. The rest of the UK slowed to 1.2% and has recovered to 3.4%.

Across the regions the South West leads at 5.2% on the year, just ahead of Greater London at 5.1% and Northern Ireland at 4.9%. The North West at 2.4% and the West Midlands at 2.5% are the weakest of those growing. Wales alone sits below its year ago level.

PRIME LONDON RENTAL VALUES

The two prime markets have separated. Prime central London (PCL) rents have risen in every month of 2026 and are 4.9% above a year ago. Outer prime London (OPL) has fallen in seven of the eight months and is 3.2% lower. The PCL premium has widened to 36.5%, the widest in the series and up from 25.9% a year ago. Demand is concentrating at the international, less rate sensitive top of the market.

365 day average rental values in August 2026 show rents in PCL are 0.6% above the previous month and 4.9% above last year, at £889 per week. Median weekly rental values are more volatile and recorded larger increases. One bed flats in August let for £750 pw, 3.3% above last month and 8.4% above the same time last year. Two bed flats let for £1,044 pw, 1.7% below the previous month but 7.7% above the previous year.

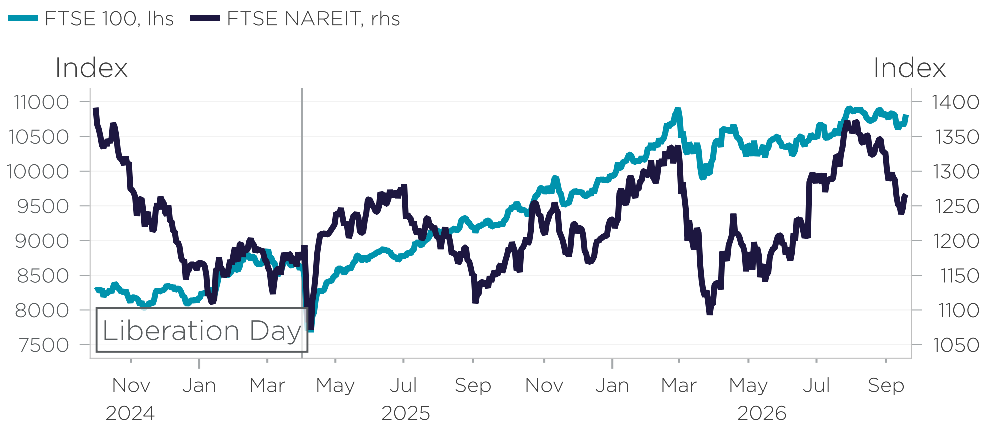
365 day average rental values in August 2026 show OPL rents fell 0.2% since the previous month and are 3.2% below last year, at £651 per week. OPL turned negative on an annual basis in April and the decline has deepened in each month since. In OPL median weekly rents for one bed flats let for £600 pw, 8.3% above last month and 0.8% above last year. Two bed flats let for £750 pw, 3.4% above last month but 4.5% below last year. Medians rest on small samples and shift with the mix of stock let, so the 365 day averages are the better guide to direction.

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

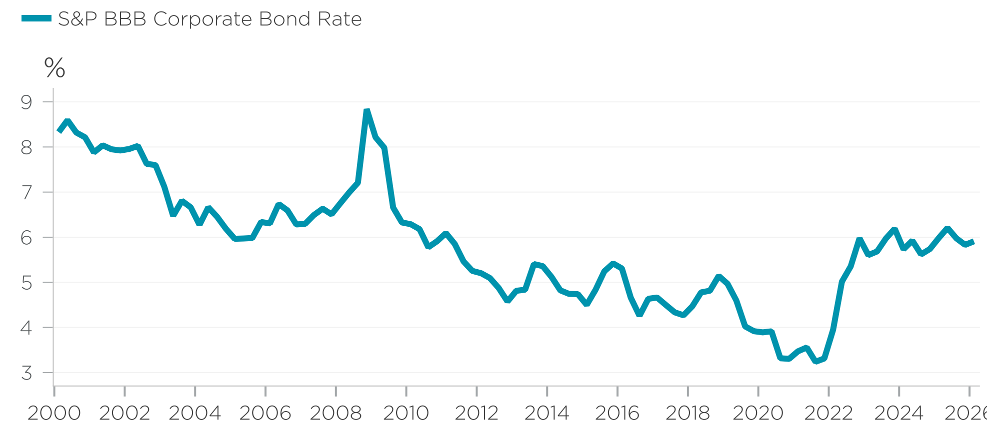
ADDITIONAL KEY CHARTS

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

FTSE 100, FTSE NAREIT



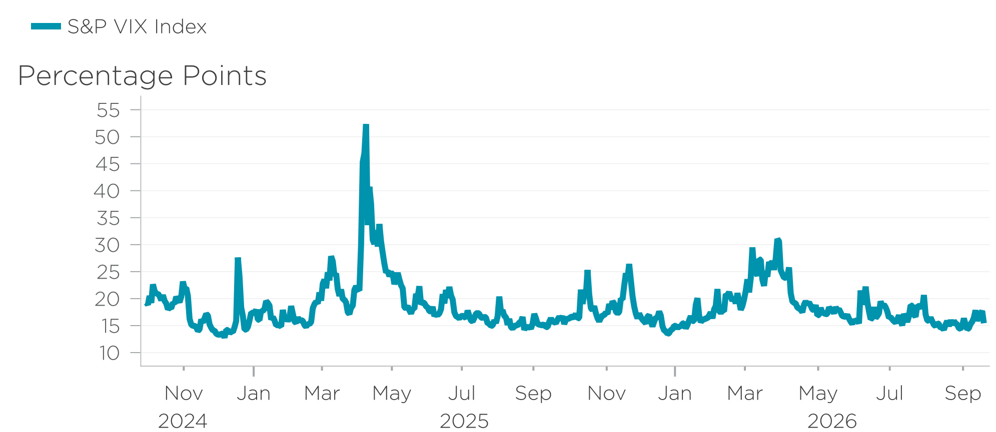
CORPORATE BBB BONDS



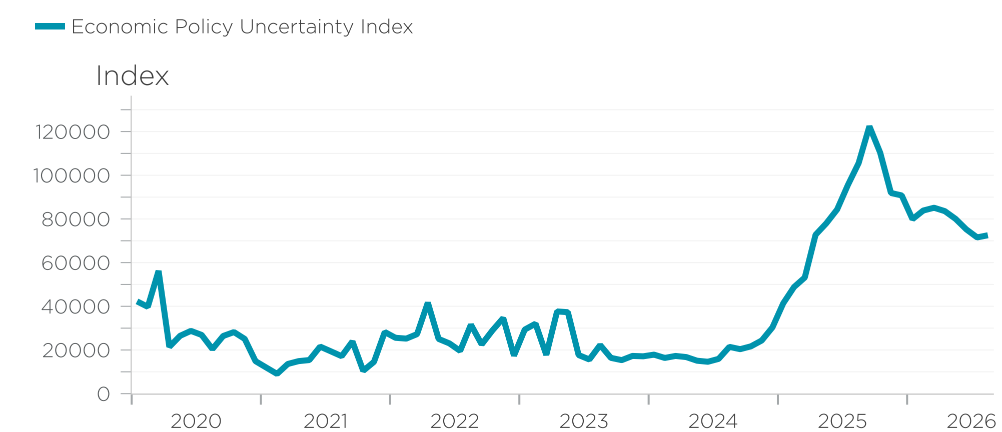
UK EARNINGS GROWTH

GBP USD SPOT RATES

VIX INDEX

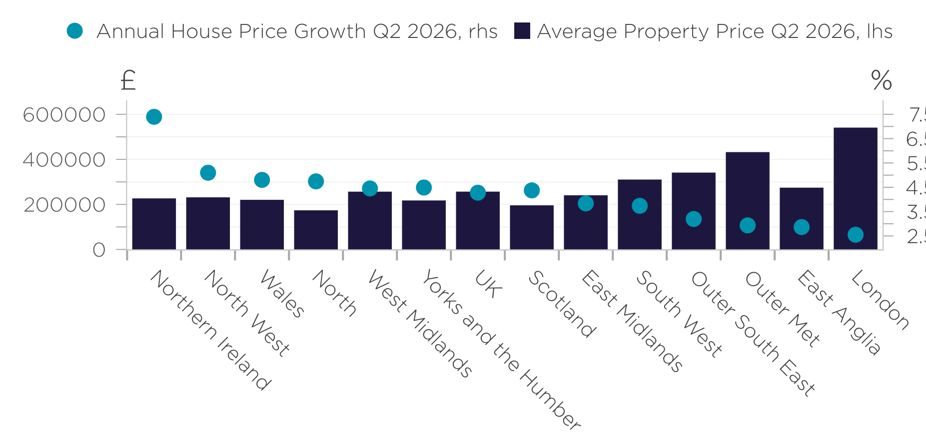


GLOBAL ECONOMIC POLICY UNCERTAINTY INDEX

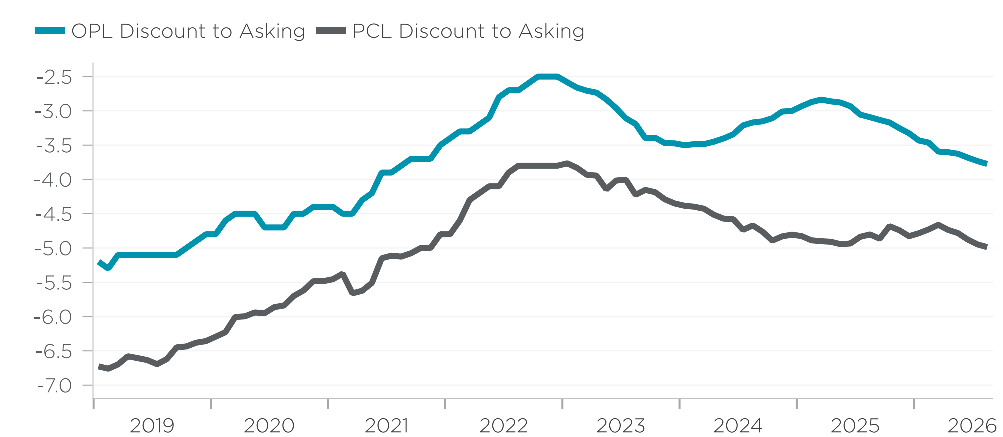


FTB MORTGAGE AS % OF TAKE HOME PAY

REGIONAL HOUSE PRICE GROWTH



CENTRAL LONDON RESI CAPITAL VALUE DISCOUNTS TO ASKING



MARKETBEAT

ECONOMY & HOUSING

SEPTEMBER 2026

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