

MARKETBEAT
ECONOMY & HOUSING
MARCH 2026

OPERATION EPIC FURY

On 28th February, the US and Israel launched coordinated military strikes against Iran, targeting military targets and Revolutionary Guard headquarters in and around Tehran. Supreme Leader Ayatollah Ali Khamenei was killed in the initial strikes, alongside other senior figures within the Islamic Republic. On 9th March, his son Mojtaba Khamenei was named as the new supreme leader.

The conflict has spread beyond Iran's borders. Iran has conducted retaliatory missile and drone strikes against Israel, Qatar, the UAE, Saudi Arabia, Bahrain, Kuwait, and most recently Azerbaijan. Over 1,200 people have already been killed in Iran, 570 in Lebanon, 12 in Israel, and 7 US soldiers. On Tuesday 10th March, the US declared its "most intense day of strikes" yet inside Iran, deploying its largest number of aircraft to date.

Oil markets have swung violently. On Monday 9th March, Brent hit \$119.50 intraday, the highest since mid-2022 and the largest single-day dollar move on record, before settling at \$98.96 as Trump told CBS the war was "very complete, pretty much." Brent fell to \$92.10 on Tuesday (down -6.9%) and has slipped further to around \$87 in early Wednesday trading. Markets seem to be betting the US will halt the campaign before triggering a full energy crisis. However, Iran has been laying mines in the Strait of Hormuz, and the US has destroyed 16 Iranian mine-laying vessels in response. The Strait remains closed. Until it reopens, analysts warn crude could still reach \$150/bbl if closures extend through March.

UK gas prices followed a similar pattern, surging to 144p/therm on Monday, the highest since January 2023 and nearly double pre-war levels, before pulling back to around 121p/therm on Tuesday.

Gilts at the time of writing have come off their Monday peaks. The 10-year bond, which hit 4.74% on 9th March (up 16bps on the day), eased back to around 4.55% on Tuesday as oil retreated. In what feels like a lifetime ago, gilts had been trending down after positive government accounts data for January.

For the BOE, the picture is dramatically different from a fortnight ago. Markets are pricing a 91% chance of no change at the 19th March MPC meeting. The rate outlook is almost entirely dependent on how quickly this resolves.



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KEY TAKEAWAYS



GDP grew just 0.1% in Q4 2025, confirming full-year growth of 1.3%. The OBR cut its 2026 forecast to 1.1% at the Spring Statement on before accounting for the Iran conflict.



Consumer confidence fell sharply to -19 in February, reversing gains made earlier in the year. The GfK reading missed consensus by four points, driven by rising unemployment and job security concerns.



February Composite PMI held at 53.7, suggesting 0.3% quarterly GDP growth. However, the OBR's 1.1% GDP growth forecast, published prior to the war, looks increasingly aspirational.



House price growth is currently running at 1% year-on-year. Major lenders have already begun raising mortgage rates, with 1.8 million families due to refinance off ultra-low five-year fixes this year.



The MPC meets on March 19th. The prospect of future rate cuts has now been put into doubt.

ECONOMIC INDICATORS

	YOY Change	Monthly Change
102.6 MONTHLY GDP	▲	▲
53.7 UK COMPOSITE PMI	▲	▲
-19 CONSUMER CONFIDENCE	▲	▲
5.2% UNEMPLOYMENT RATE	▲	▼
3.2% CPIH	▲	▲
3.9% 5 YEAR SONIA*	▼	▲
4.6-4.7% 10 YEAR GILTS*	▼	▲

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

*Markets are notably volatile

ECONOMIC OVERVIEW

GDP grew just 0.1% in Q4 2025, matching the previous quarter, rounding out a full-year growth rate of 1.3% for 2025. This was an improvement on the 1.1% recorded in 2024 but below the OBR's earlier expectation of 1.4%.

GDP per capita fell by 0.1% for the second consecutive quarter, underscoring how growth is failing to keep pace with population expansion.

The December monthly GDP growth of 0.1% followed a revised 0.2% in November, confirming that the economy ground to a near-standstill through the final quarter, with services output flat, construction falling 2.1%, and production the lone bright spot at +1.2%.

The S&P Global Composite PMI held at 53.7 in February, matching January's 17-month high. Services drove the result at 53.9, while manufacturing rose to 51.7. The Iran conflict represents a material downside risk to this trajectory.

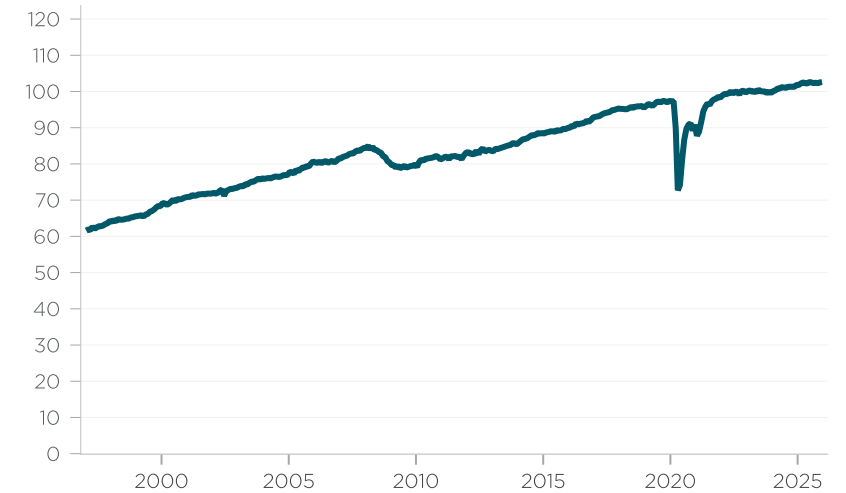
CPI fell sharply to 3.0% in January, down from 3.4% in December. Core CPI eased to 3.1%, its lowest since September 2021. However, the conflict-driven surge in energy prices will arrest this disinflationary trend, with the BoE's forecast of 2% inflation by April now in doubt.

Mortgage rates have already moved. With rate cuts very unlikely on 19th March and money markets now pricing a roughly 50-70% chance of a BoE rate increase by year-end of the year, we expect to see continued disruption in the mortgage market.

Mortgage lenders are now actively raising rates with Nationwide increasing rates across its two, three, five, and ten-year fixed products.

MONTHLY GDP

Index (2019 = 100)

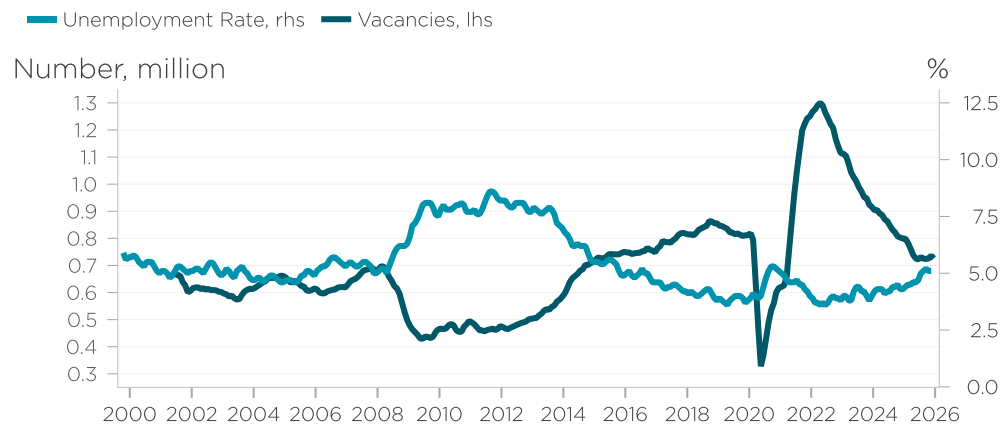


UK ANNUAL HOUSE PRICE INFLATION

— Nationwide — Halifax



UNEMPLOYMENT & JOB VACANCIES



EMPLOYMENT

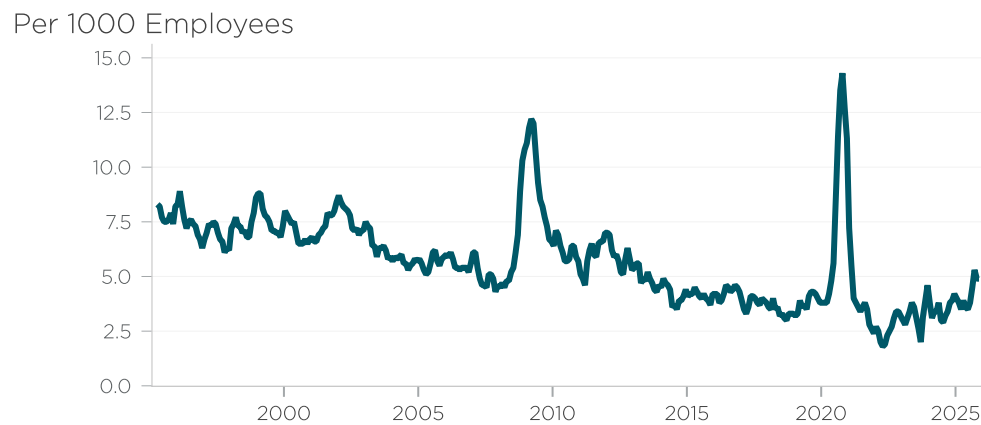
The labour market continues to loosen. The unemployment rate rose to 5.2% in the three months to December 2025, a five-year high excluding the pandemic period, and up sharply from 4.4% a year earlier. The BoE projects a further rise to 5.3% by mid-2026.

Payrolled employment fell by an estimated 184,000 in the year to December 2025, with a provisional monthly decline of 43,000. Retail and hospitality have been hardest hit, with 72,000 and 70,000 fewer jobs respectively year-on-year. These losses have been partly offset by gains in health and social care (+37,000) and public administration (+16,500).

Vacancies have stabilised at around 734,000 after a prolonged decline but remain well below their post-pandemic peak. For every vacancy, there are now 5.4 people who want a job, 1.5 more than pre-pandemic.

Despite a broadly positive PMI, February’s survey suggested further falls in employment, with firms citing the ongoing impact of employer National Insurance contribution increases from April 2025.

ILO REDUNDANCY RATE



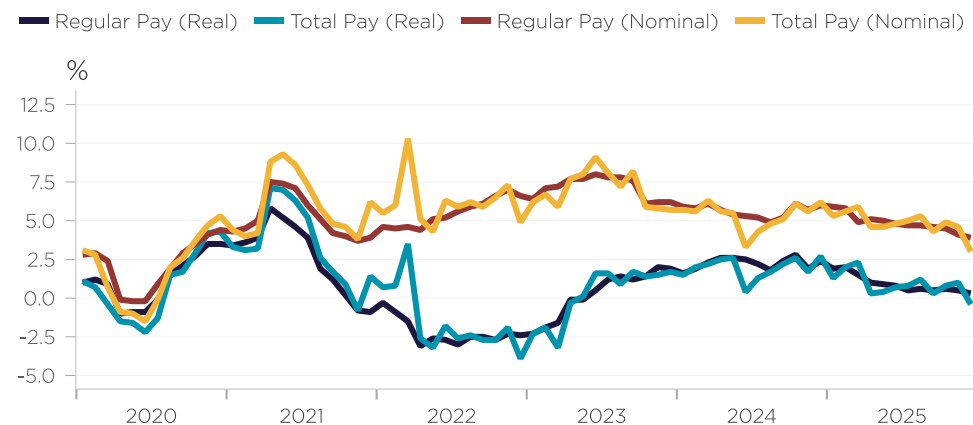
EARNINGS

Wage growth is moderating and approaching target-consistent levels. Regular pay (excluding bonuses) grew 4.2% in the three months to December 2025, down from 4.4% in the prior period. Total pay was also 4.2%.

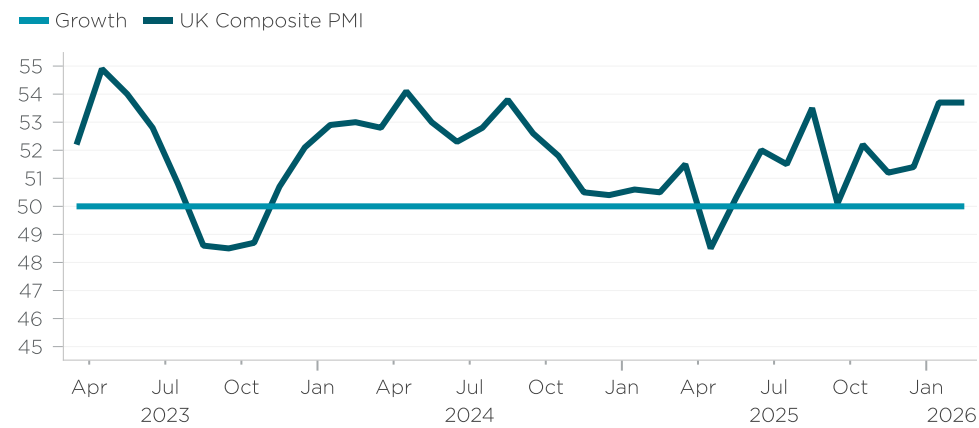
Private sector regular pay growth has slowed to 3.6%, its weakest since early 2021. The Bank’s Agents’ pay survey suggests basic private sector settlements will average 3.4% in 2026, broadly consistent with the inflation target. PAYE real-time data showed median pay growth of 3.7% in December, continuing to decelerate.

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.

PAY IN REAL & NOMINAL TERMS



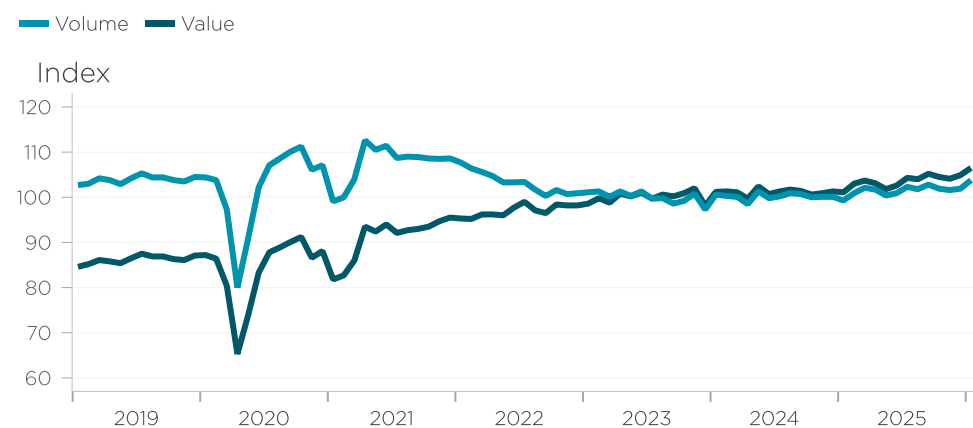
UK COMPOSITE PMI



CONSUMER CONFIDENCE



RETAIL SALES AND VOLUME INDICES



BUSINESS DEMAND

The S&P Global Composite PMI held at 53.7 in February, matching January and marking two consecutive months at the highest level since April 2024. Services drove the result at 53.9, while manufacturing edged down slightly to 51.7.

While the survey is widely considered to overstate momentum relative to GDP data, it suggests an improvement driven by a reduction of temporary drags and a moderation of cost pressures. New orders grew at the fastest pace since September 2024, although input cost inflation accelerated for the third successive month, reaching a six-month high.

BUSINESS FAILURES

The total number of registered company insolvencies in England and Wales was 1,744 in January 2026, 4% higher than December 2025 but 14% lower than January 2025. The year-on-year decline continues a welcome trend from the post-GFC highs seen in 2023-24.

CVLs accounted for 76% of insolvencies and were near a four-year low. However, administrations jumped 41% from December, warranting close attention.

CONSUMER DEMAND

Consumer confidence fell sharply to -19 in February, reversing the improvement seen in December and January. The GfK reading missed consensus by four points, with the decline driven by rising unemployment, job security concerns, and weakening personal financial expectations. The reading marked over ten years of negative consumer confidence.

Retail sales volumes surged 1.8% month-on-month in January, the strongest monthly rise since May 2024 and well above the 0.2% consensus. Annual growth reached 4.5%. Online spending values rose 14.7% year-on-year, the largest annual increase since April 2021. While the January data provided welcome evidence of consumer resilience, the subsequent eruption of the Iran conflict and its implications for energy bills and mortgage costs may temper momentum through Q1.

The household saving ratio, at 9.7% in Q3 2025, remains elevated relative to pre-pandemic levels. Whether consumers begin to spend more freely was expected to be key variable for 2026 growth, though the war-driven uncertainty arguably strengthens the case for continued caution.

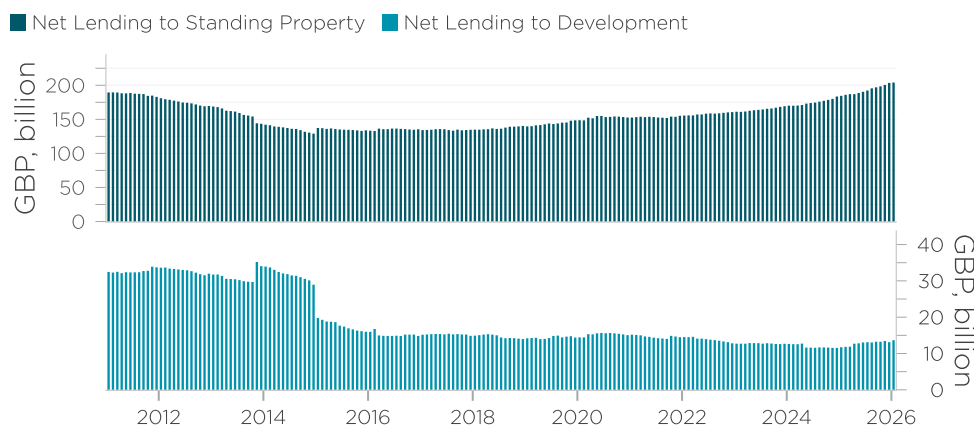
INTEREST RATES



5 YEAR SONIA & 10 YEAR GILTS



LENDING TO COMMERCIAL PROPERTY



INFLATION

CPI fell sharply to 3.0% in January, down from 3.4% in December, the largest monthly decline since spring 2025. CPIH eased to 3.2% from 3.6%. This was driven by downward contributions from transport (air fares, petrol) and food.

Core CPI (excluding energy, food, alcohol, and tobacco) eased to 3.1%, the lowest since September 2021. Services CPI fell to 4.4%, its joint-lowest level since May 2022.

However, the Iran conflict has materially altered the trajectory of inflation. UK gas prices have nearly doubled to 144 pence per therm since 28 February, the highest since January 2023, while Brent crude has surged past \$100 a barrel.

MONETARY POLICY

For the Bank of England, the picture has shifted dramatically. Prior to the conflict, markets priced an 80% probability of a rate cut in March. Update: That has evaporated. Markets now see a 91% probability of no change on 19th March, with only a 9% chance of a cut. More strikingly, money markets are now pricing a roughly 50-70% chance of a BoE rate increase by year-end, a complete reversal from expectations of two rate cuts just two weeks ago. ING's James Smith has pushed his call for the next cut to April at the earliest but acknowledged that "if energy prices stay at or above current levels, it's hard to see the Bank cutting rates.

As of Monday 9th March, 10-year gilt yields jumped a further 16 basis points to 4.72-4.74%, their highest level in five months. The two-year gilt rose to 3.89%, with yields up 32bps on the day on the Morningstar measure. The 30-year gilt remains at 5.44%. The weekly rise exceeding 40 basis points is the most significant since September 2022.

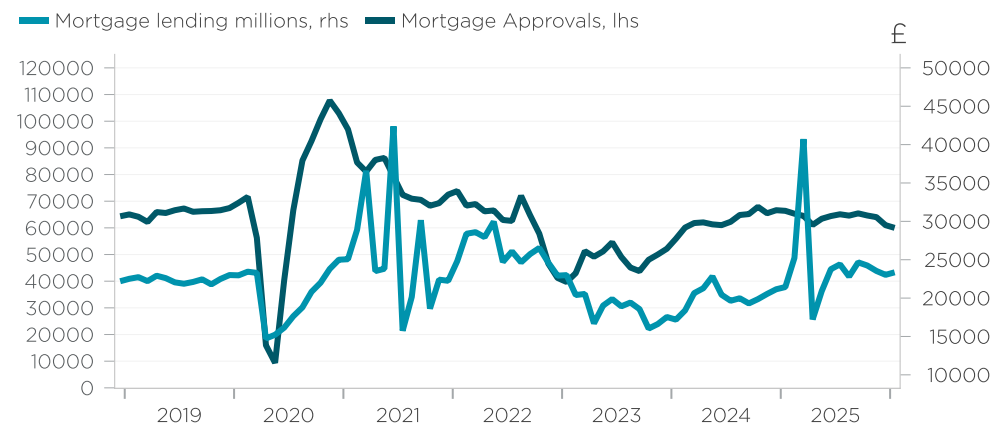
5-year SONIA is currently at approximately 4.0%, having risen sharply from ~3.6% at the start of the conflict. It is worth noting that despite this move, rates remain below the level of a year ago when 5-year SONIA was approximately 4.3%.

LENDING

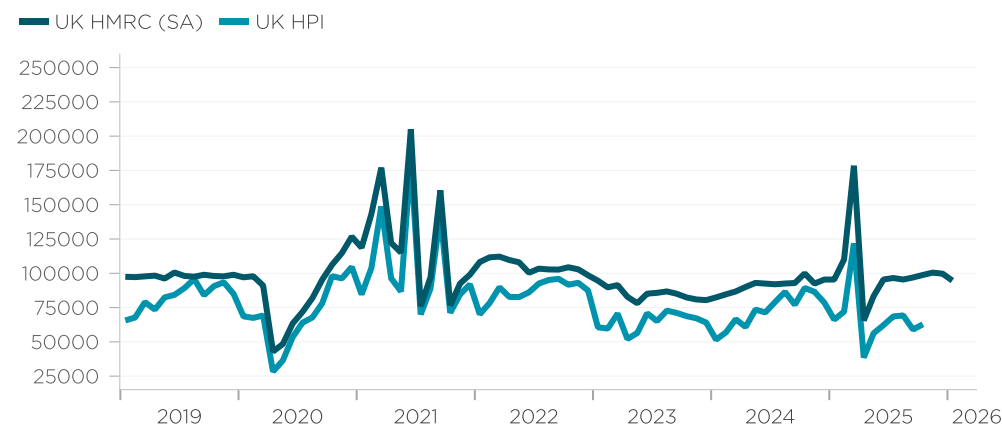
Net lending to property was strong again during December, reaching £2.47 billion. This took the three-month rolling total to £6.69 billion, its highest since May 2020.

However, the surge in swap rates following the Iran conflict will impact the market.

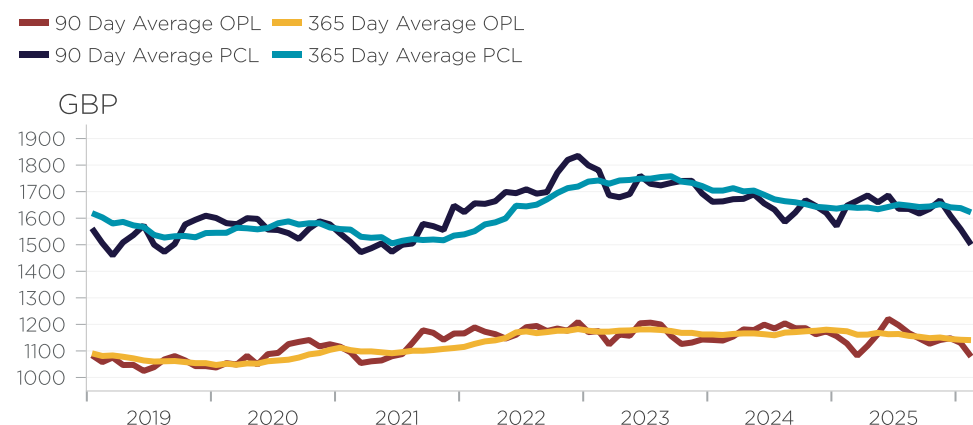
UK MONTHLY MORTGAGE APPROVAL & LENDING



UK MONTHLY TRANSACTION VOLUMES



CENTRAL LONDON CAPITAL VALUES



MORTGAGES

The current situation in the Middle East has impacted mortgage rates. With rate cuts very unlikely on 19th March and money markets now pricing a roughly 50-70% chance of a BoE rate increase by year-end, we expect to see continued disruption in the mortgage market. Mortgage lenders are now actively raising rates with Nationwide increasing rates across its two, three, five, and ten-year fixed products. HSBC UK has raised rates for new customers by 0.10-0.25%. The average two-year fixed mortgage rate now stands at 4.84% and the average five-year fixed at 4.96%. The two-year gilt yield, which is closely correlated to fixed-rate mortgage pricing, jumped 32 basis points on Monday alone to 4.19% (10th March).

As for mortgage approvals, data prior to the Iran conflict was already showing a slowdown in housing market demand. Mortgage approvals dipped at the end of 2025, and this continued into 2026 with 59,999 mortgages approved in January, 9.6% below the same time last year and 1.7% below last month. Going forward we expect to see a continued decline in mortgage approvals as mortgage rates remain volatile and consumer sentiment weakens.

SALES & PRICING

Similar to mortgage approvals, transactions have seen a modest slowdown. In January 2026 there were 94,680 sales, down 5% on last month and down 0.8% on the same time last year. For those buyers locked in on lower mortgage rate offers, we will likely see them continue to transact over the next couple of months, as long as consumer confidence doesn't impact pending purchases. As for house prices, in February, UK house prices experienced a 0.3% monthly increase bringing annual growth to 1.0%.

It is too early to tell the impact the Iran conflict will have on the UK housing market. However, we do expect higher mortgage rates and reduced consumer confidence to have an impact on buyer demand. This combined with the forecasted disposable income squeeze and softer labour market conditions, is likely to put downward pressure on pricing. That being said, the residential market has proven its resilience to geopolitical shocks in recent years.

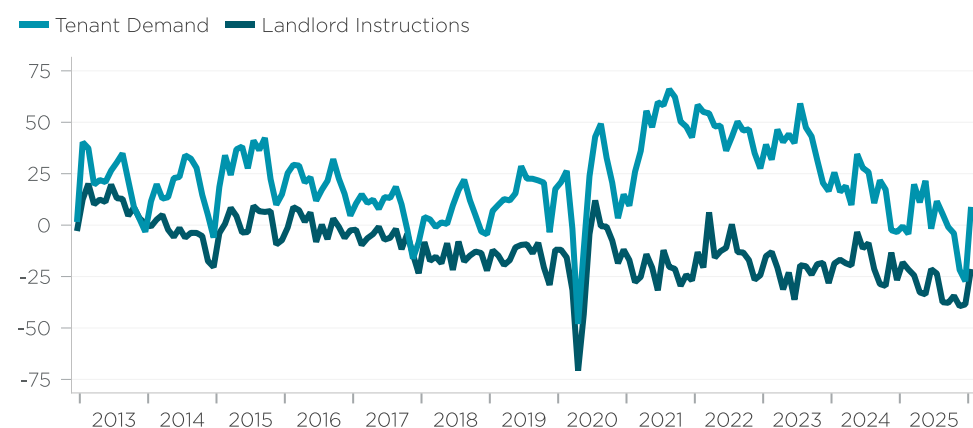
PRIME LONDON CAPITAL VALUES

Prime London has experienced muted growth in capital values due to broader economic and geopolitical uncertainties. Tax policies on non-doms, second homes, and the new 'mansion tax' signal a tighter environment for wealth management and property ownership.

PCL - As of February 2026, 365 day average values in PCL were £1,622 psf, 1.0% below last month and 1.2% below last year. 90 day average values in PCL for February 2026 were £1,501 psf, 3.7% below January. Achieved discounts to asking prices (365 day average) in PCL improved to -4.7% from -4.8%.

OPL - As of February 2026, 365 day average values in OPL are £1,141 psf, 0.1% below last month and 2.8% below last year. 90 day average values in OPL for February 2026 were £1,079 psf, 4.6% below January. In OPL, discounts grew to -3.5% from -3.4% in January.

UK LANDLORD INSTRUCTIONS VS TENANT DEMAND

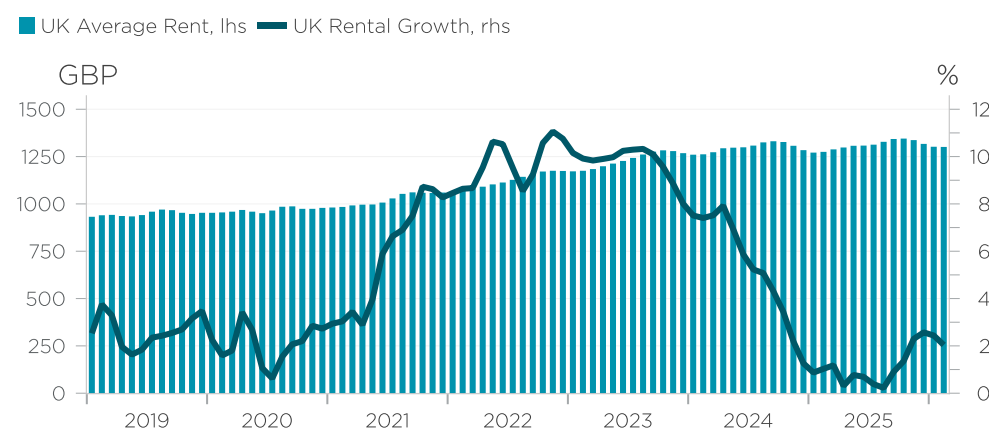


SUPPLY & DEMAND

The RICS residential survey for January 2026 showed a modest pick up in demand, with tenant demand returning to positive territory with a net balance of 9%. On the other hand, landlord instructions remained in decline with a net balance of -21%, a modest improvement from -39% last month, but still showing constrained supply in the rental market.

The imbalance between supply and demand remains and is unlikely to improve in the short to medium term. Increased regulations (recent tax changes, MEES, and the Renters Right Act) and higher mortgages are likely to continue to push many private landlords out of the market and despite strong investor appetite in the Build to Rent sector, viability issues have and will continue to impact the level of new supply coming forward. As for tenant demand, increased mortgage rates and reduced buyer demand will likely increase tenant demand, as some first-time buyers opt to delay buying their first-home in the current environment.

UK ANNUAL RENTS

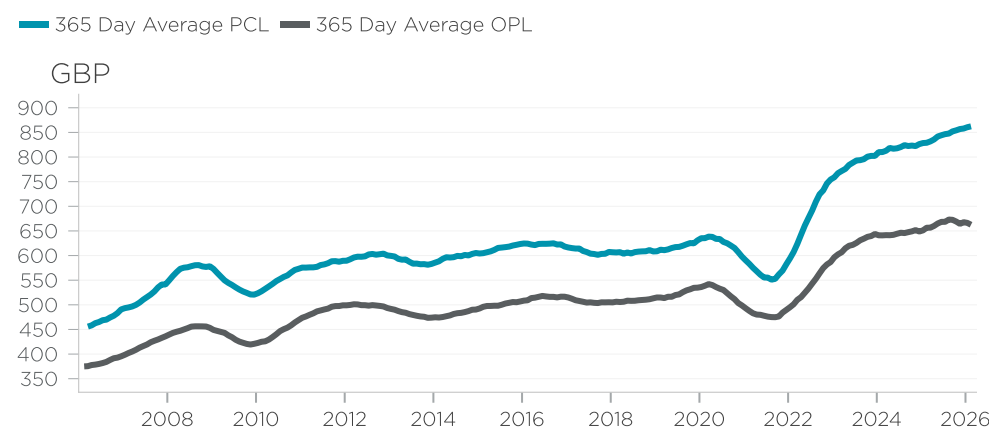


RENTAL VALUES

In February, the average UK rent was £1,301, 0.1% below last month, bringing annual rental growth to 2.0%.

In February 2026 annual rental growth varied across the UK, with the greatest increase in Northern Ireland (5.1%), followed by the North East (4.6%) and Scotland (4.6%). The North West (1.0%), South East (0.7%) and East of England (-0.3%) experienced the lowest levels of annual rental growth.

UK LONDON RENTS



PRIME LONDON RENTAL VALUES

Upward pressure on prime London rents is expected given the combination of the new 'Mansion Tax', previous introductions of non-dom changes and overseas buyer SDLT surcharges, all making renting in Prime London more attractive. In addition, the rise in tax on rental income, increased mortgage rates and the Renters Right Act, is likely to impact Buy-to-Let landlords, reducing rental supply. That being said, the UK economic outlook and the impact on personal finances may place some downward pressure on rents.

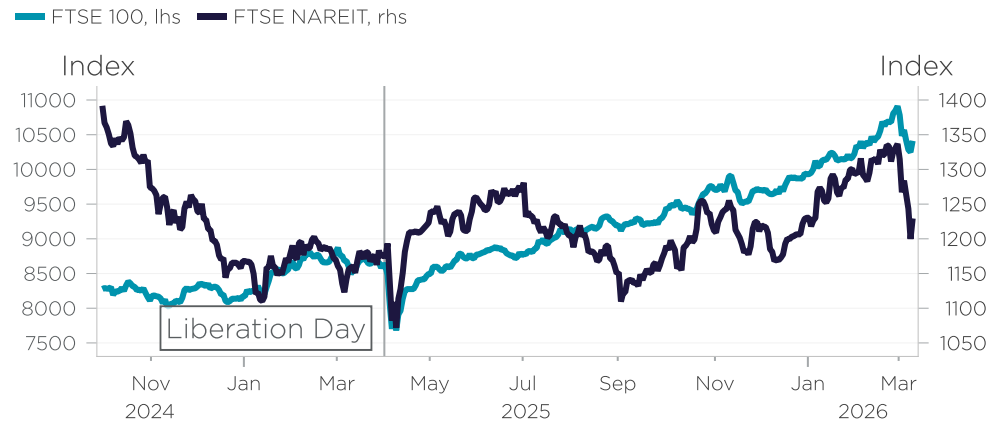
365 day average rental values in February 2026 show rents in PCL are 0.2% above the previous month and 4.0% above last year. Median monthly rental values are more volatile. One bed flats in February 2026 let for £694 pw, 2.3% below last month and 4.1% below the same time last year. Two bed flats let for £995 pw, 9.5% below the previous month and 7.8% above the previous year.

365 day average rental values in February 2026 show OPL rents are 0.6% below last month but remain 0.9% above last year. In OPL median weekly rents for one bed flats let for £525 pw, 8.9% below last month and 4.2% below last year. Two bed flats let for £744 pw, 7.3% above last month but 8.4% below last year.

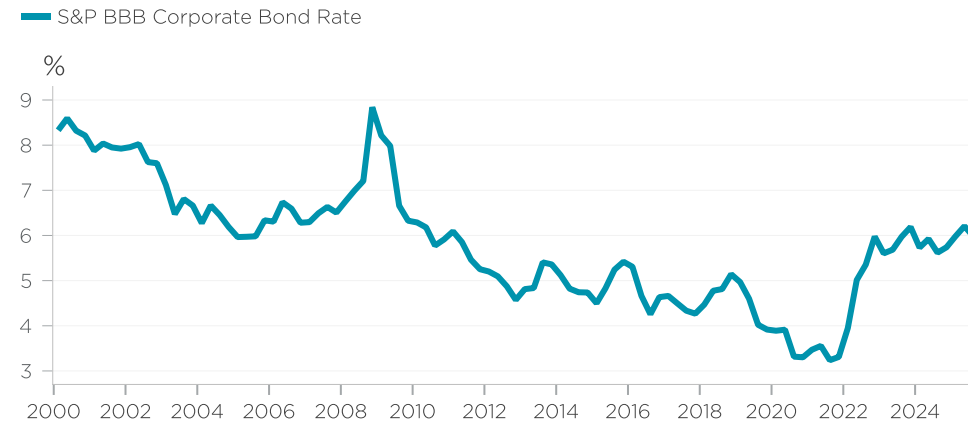
ADDITIONAL KEY CHARTS

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

FTSE 100, FTSE NAREIT



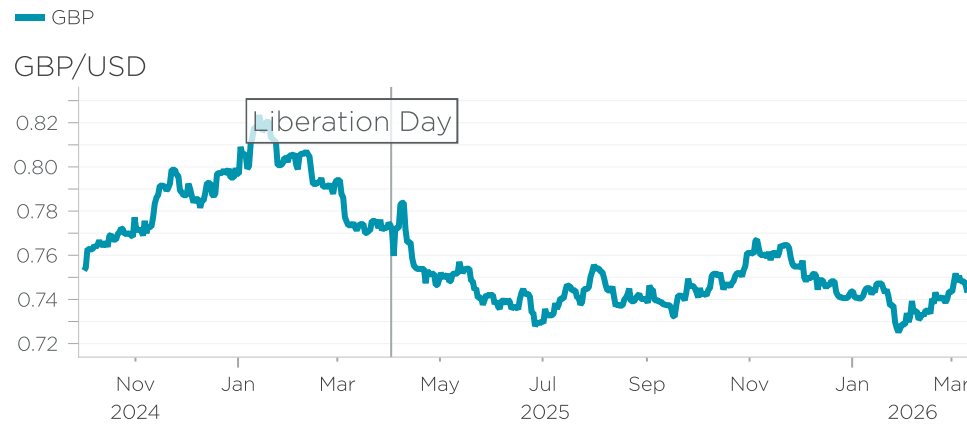
CORPORATE BBB BONDS



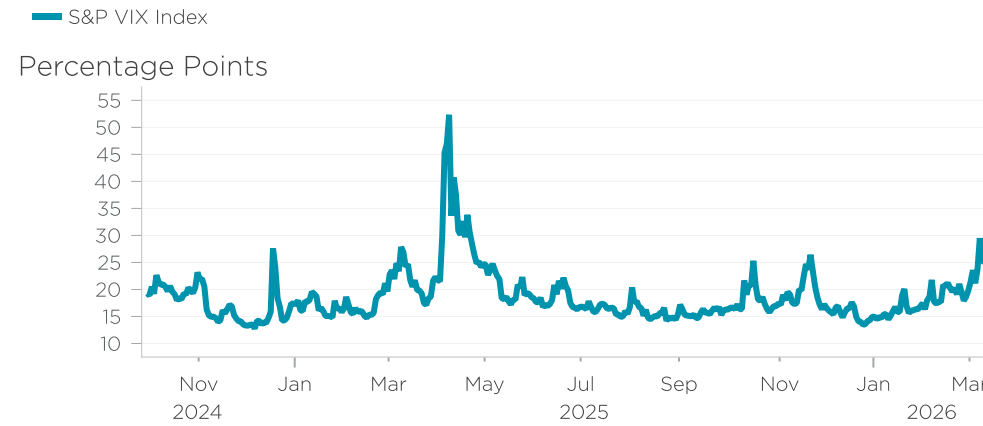
UK EARNINGS GROWTH



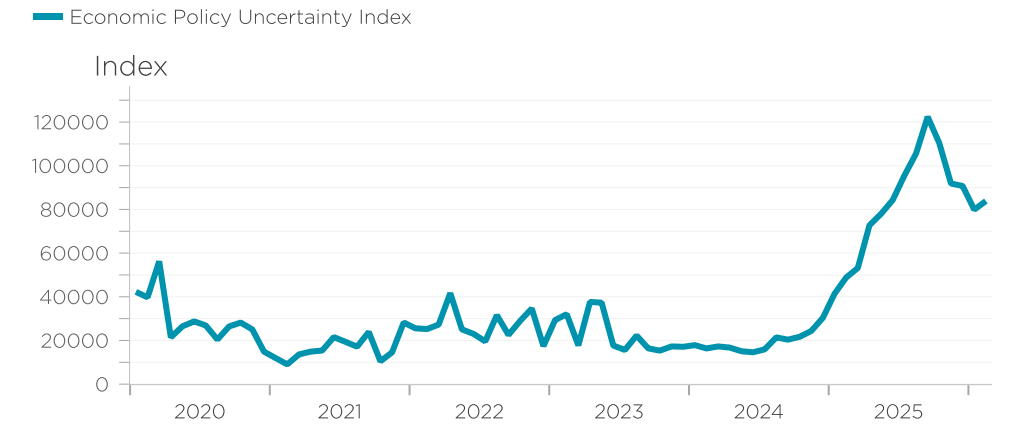
GBP USD SPOT RATES



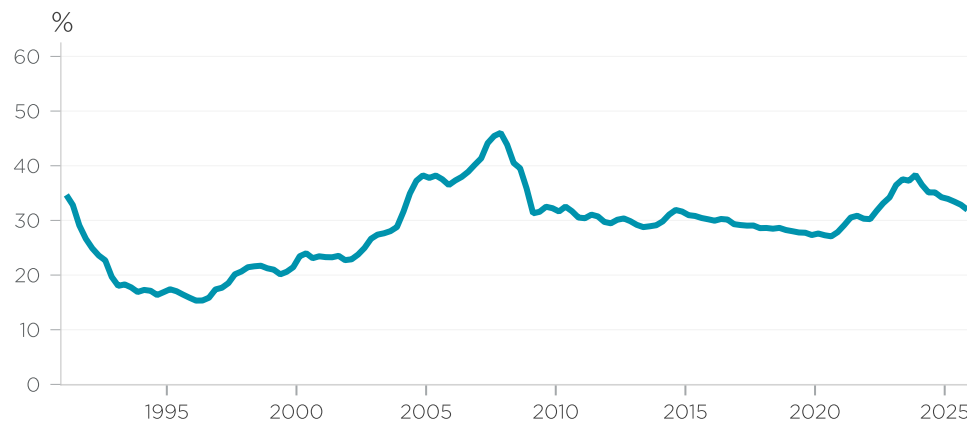
VIX INDEX



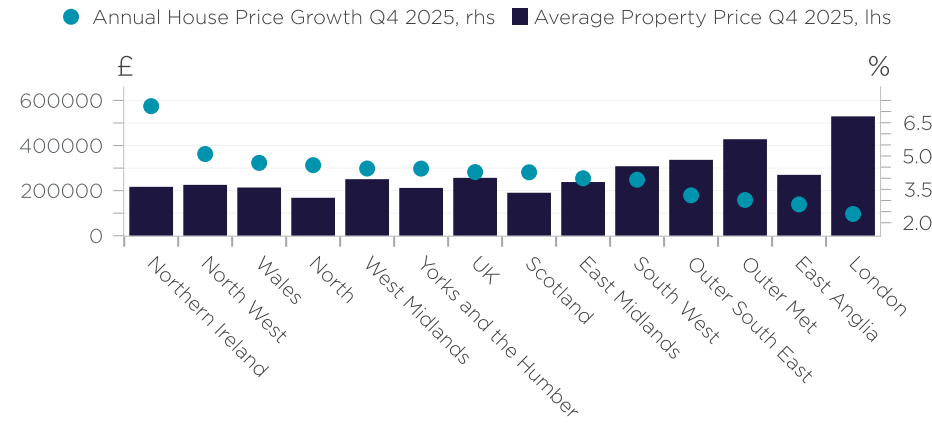
GLOBAL ECONOMIC POLICY UNCERTAINTY INDEX



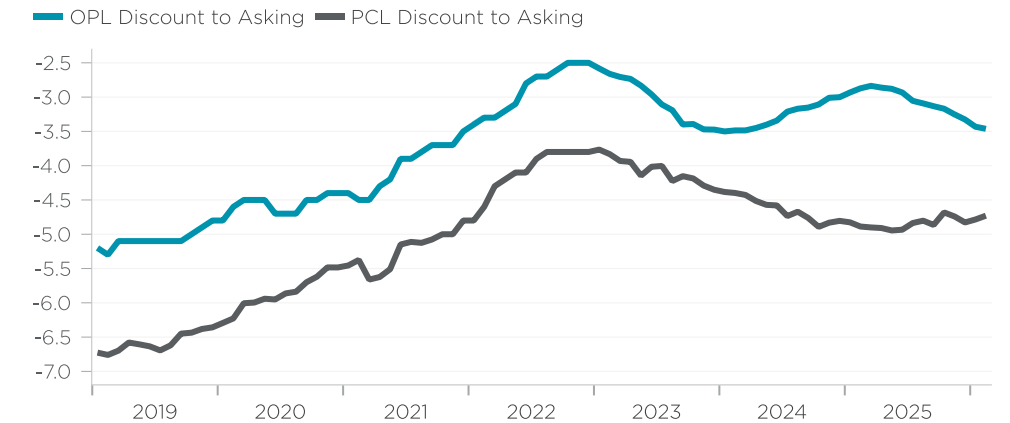
FTB MORTGAGE AS % OF TAKE HOME PAY



REGIONAL HOUSE PRICE GROWTH



CENTRAL LONDON RESI CAPITAL VALUE DISCOUNTS TO ASKING





MARKETBEAT

ECONOMY & HOUSING

MARCH 2026

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Better never settles

