CUSHMAN & WAKEFIELD

MARKETBEAT

ECONOMY & HOUSING

OCTOBER 2026

Better never settles

MARKETBEAT

ECONOMY & HOUSING

OCTOBER 2026

CUSHMAN & WAKEFIELD

THE WEEKS AHEAD

The good news story of the month is that the economy is still proving resilient. GDP grew 0.1% in August, leaving output 2.1% higher than a year earlier, the strongest annual rate since August 2022. There is now additional evidence that AI and technology is driving this growth: five professional and digital industries, led by computer programming and consultancy, contributed more than half of the 1.8% annual growth in the three months to August. These are the first signs of the productivity gains that could deliver the growth the government has promised.

Unfortunately, this is not where the economic discourse is, or will be, over the next fortnight. On 28th October, John Healey delivers his first Budget as Chancellor, the first of the Burnham government. Public sector debt has passed £3 trillion, around 94% of GDP, September borrowing of £24.5bn came in above forecast, and debt interest of £10.9bn was the highest September on record. Estimates of the headroom against the fiscal rules vary but are expected to be in the region of £15 billion.

The pre-Budget briefing points to 'breathing space' rather than a big bang. Rises in income tax, employee National Insurance and VAT have been ruled out, as has a rise in capital gains tax, helpful for investor sentiment and deal flow. A further increase in warehouse rates has also been ruled out for now. The main revenue raiser looks set to be a bank surcharge. For real estate, what matters most is credibility. After an October in which bonds moved out significantly – the 10-year reached 5.48%, its highest since 2007 and 113 basis points above the start of the war in Iran while the 30-year broke 6% for the first time since 1998 – yields have since eased at the long end as the Bank paused sales, and the travails in France caught bond investors' attention.

Whatever the Chancellor announces, a rate rise is now close to fully priced. September CPI rose to 3.5%, above consensus, and core (2.8%) and services (3.7%) inflation both moved up. The majority of economists now expect a base rate increase this year.

Two days before the MPC meets, the US mid-terms add an additional layer of event risk. Prediction markets give the Democrats around a 93% chance of taking the House and close to 70% for a clean sweep. While there are a number of scenarios to play out, our expectation is that the results will impact bond markets further.

In the short and medium term, for now, the question still falls to the price of bonds.



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KEY TAKEAWAYS

GDP grew 0.1% in August. This took three months growth to 0.7%, leaving output 2.1% higher than a year earlier, the strongest annual rate since August 2022.

The strengthening of consumer confidence in the summer has now been hit. After hitting its highest reading since 2024 in September, the October reading saw confidence fall 11 points to -24, its biggest fall since April 2020.

Mortgage approvals fell to 54,918 in August, down 1.8% on a downwardly revised July and 16.0% below August 2025. That is the lowest monthly figure since December 2023.

The 10-year gilt yield peaked at 5.48% on 8th October, its highest since 2007, and is currently in the region of 5.38%.

The S&P Global flash UK Composite PMI rose to 53.1 from 52.0 in September, an eight-month high.

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MARKETBEAT

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OCTOBER 2026

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ECONOMIC INDICATORS

	YOY Change	Monthly Change
103.1 MONTHLY GDP	▲	▲
53.1 UK COMPOSITE PMI	▲	▲
-24 CONSUMER CONFIDENCE	▼	▼
4.9% UNEMPLOYMENT RATE	▲	▲
3.6% CPIH	▲	▲
4.8% 5 YEAR SONIA*	▲	▲
5.4% 10 YEAR GILTS*	▲	▲

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

ECONOMIC OVERVIEW

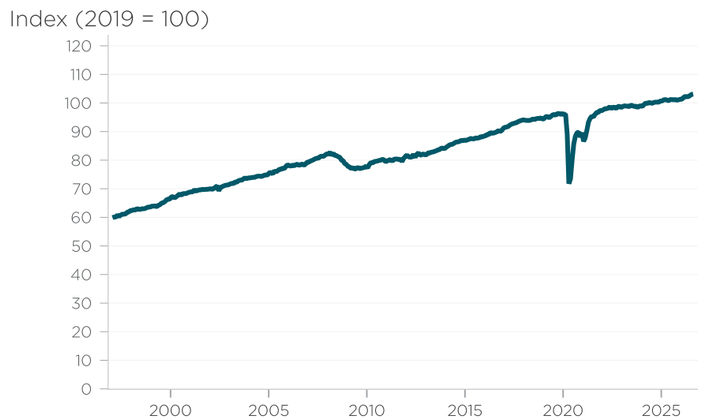
GDP grew 0.1% in August against a consensus expectation of a contraction in the economy. This took three months growth to 0.7%, leaving output 2.1% higher than a year earlier, the strongest annual rate since August 2022.

Production drove the monthly gain, up 0.8%, with manufacturing up 1.2% led by pharmaceuticals (+5.1%). Services were flat and construction fell 0.2%, its fourth consecutive monthly decline. Over three months, services grew 0.9% while production (-0.2%) and construction (-1.0%) contracted; within construction, new work fell 1.4% and private housing new work 3.2%.

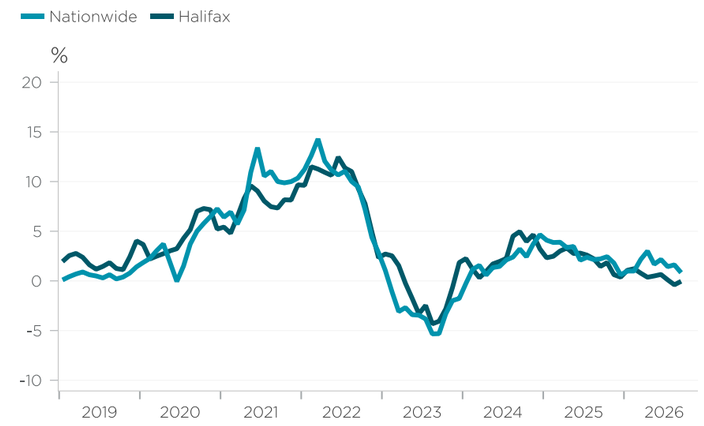
The services story remains one of technology activity. In the three months to August, professional, scientific and technical activities and information and communication each grew 2.8%, with computer programming and consultancy up 5.0%. Five professional and digital industries, led by computer programming contributed 0.93 percentage points of the 1.8% annual growth. Consumer-facing services fell 0.3% in August, with food and beverage services down 2.7%.

The near-term risk to activity continues to run through energy. Brent has climbed back to around $114 a barrel, a five-month high, after Iranian state media reported seven tankers damaged in the Strait of Hormuz overnight on 21st–22nd October. Saudi Aramco says flows through the East–West pipeline have risen from 2 million to 7 million barrels a day, but UK wholesale gas rose 25% in September and a further 12% in the week to 18th October. Gas prices are at their highest since late 2022. The government's approval of production at the Jackdaw field will do little to change pricing: at peak it could lift UK gas output by around 6% but GDP by less than 0.1%, and with prices set internationally, it will not lower bills.

MONTHLY GDP



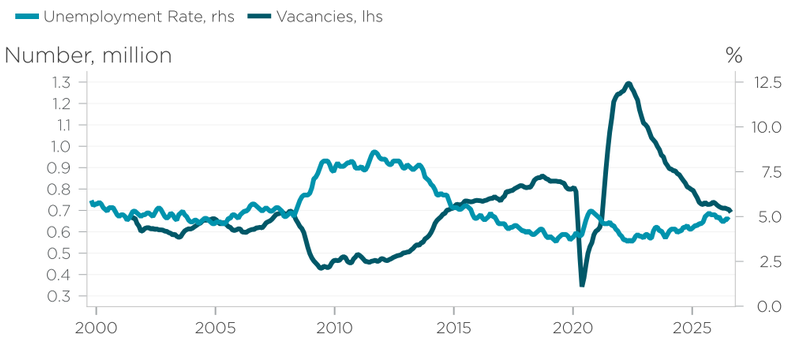
UK ANNUAL HOUSE PRICE INFLATION



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LABOUR MARKET
OCTOBER 2026

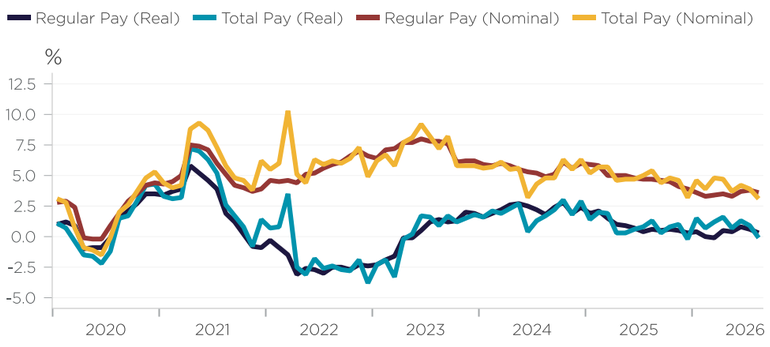
UNEMPLOYMENT & JOB VACANCIES



ILO REDUNDANCY RATE



PAY IN REAL & NOMINAL TERMS



EMPLOYMENT

Labour market data published on 20th October showed the unemployment rate falling to 4.7% in the three months to August from 4.9%, a 13-month low, below the 5.0% consensus. The surprise came from the Labour Force Survey, where employment rose 102,000 against a consensus of 5,000, and the single-month rate dropped to 4.2%, its lowest since August 2024. Unemployment stood at 1.71 million, down 26,000 over the year, while the employment rate for 16 to 64-year-olds rose 0.2 percentage points on both the quarter and the year to 75.3%, and inactivity fell to 20.9%.

The payroll data seems to have stabilised. Payrolled employees rose by 13,000 in September to 30.3 million on the early estimate, and August now shows a 1,000 rise rather than the 26,000 fall first reported. Payrolls remain 66,000 (0.2%) lower than a year earlier and 42,000 below their pre-conflict level. These signs suggest that the labour market may be recovering slightly, but that hiring remains weak, and that the market is weaker in lower-paying parts of the economy.

Vacancies fell by 21,000 (2.9%) to 691,000 in July–September, the largest three month fall since January–March and 37,000 (5.1%) lower than a year earlier. Outside the pandemic, this is the lowest level since July–September 2014. Vacancy Survey feedback continues to attribute caution among smaller firms to higher labour costs, with Budget tax fears likely adding to it, and there are around 2.5 unemployed people for every vacancy.

EARNINGS

Total pay growth continues to drift slowly lower, while regular pay growth remains broadly stable. Regular pay (excluding bonuses) grew 3.7% in the three months to August. Total pay including bonuses slowed to 3.7% from 3.9%; total pay growth was last lower in August–October 2020. In real terms, regular pay grew 0.8% and total pay 0.9% on the CPI measure.

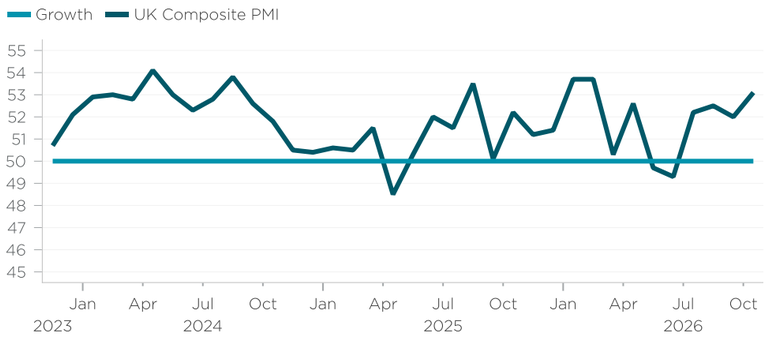
Private sector regular pay growth edged up to 3.0%, broadly in line with the rate the MPC considers consistent with 2% inflation. On Capital Economics' timelier six-month annualised measure, it fell from 2.7% to 1.9%, the lowest since the pandemic. Public sector regular pay held at 6.3%, still distorted by the timing of pay awards. The HMRC median PAYE measure held at 4.1% in September on the early estimate.

How these data points are read will shape the MPC's decision. While the Governor has described second-round effects as 'quite subdued', with firms focused on cost-cutting and struggling to pass on higher energy prices, Megan Greene argues that slack in the labour market may have peaked, strengthening the case for pre-emptive tightening. October's flash PMI, which showed private sector employment rising for the first time since September 2024, lends that view some support.

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

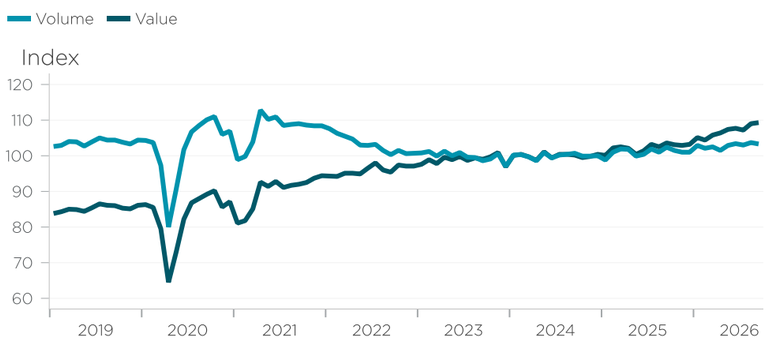
UK COMPOSITE PMI



CONSUMER CONFIDENCE



RETAIL SALES AND VOLUME INDICES



BUSINESS DEMAND

Business activity picked up momentum in October. The S&P Global flash UK Composite PMI rose to 53.1 from 52.0 in September, an eight-month high and comfortably above the 51.7 consensus. Services activity rose to 53.1 from 52.1, also an eight-month high, while manufacturing output reached 53.1, its strongest for 25 months, lifting the headline Manufacturing PMI to a five-month high of 52.8. New work rose at the sharpest pace since September 2024 across both domestic and export markets, with firms citing AI investment spending, rising demand for technology services and receding risk aversion. However, subdued demand from construction and real estate clients was commonly reported, alongside paused spending ahead of the Budget and weak consumer confidence.

Private sector employment rose for the first time since September 2024, ending a two-year run of job cuts that began with the 2024 Autumn Budget, driven by renewed hiring in services. Price pressures remain. Input cost inflation was the sharpest since June, led by higher energy, raw material and transport costs in manufacturing, and supplier delivery times lengthened.

BUSINESS FAILURES

Registered company insolvencies in England and Wales were 1,882 in September, 4% below August's revised 1,953 and 5% below September 2025 (1,973), with every month this year below the average of the preceding three years. Creditors' voluntary liquidations (1,420) were similar to August and lower on the year, but compulsory liquidations (341) rose on both the month and the year as creditors continue to pursue debts. Administrations fell 44% on the month and 20% on the year to 102. Over the 12 months to September, one in 200 companies entered insolvency (49.9 per 10,000), down from 52.8 a year earlier. Construction remains the most exposed sector with 3,873 insolvencies, 17% of the total, followed by wholesale and retail (3,364) and accommodation and food services (3,208) – though all of the larger sectors saw fewer cases than a year earlier, ranging from a 10% fall in wholesale and retail to 2% in construction.

CONSUMER DEMAND

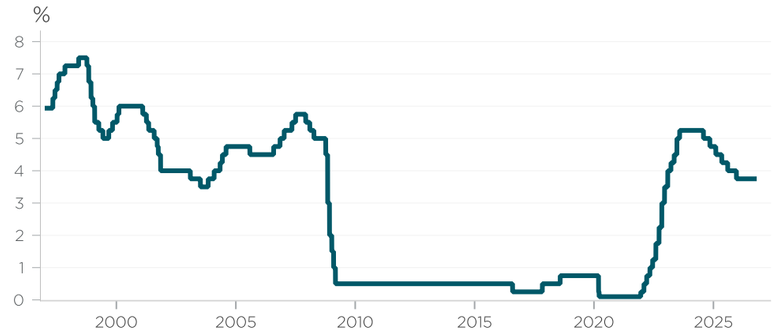
There have been sharp movements in consumer confidence. September saw the GfK consumer confidence hit -13, its highest reading since 2024 – attributed to the Burnham bounce. However, the October reading saw confidence fall 11 points to -24, its biggest fall since April 2020. Expectations for the economy over the next twelve months fell 14 points to -36 and the Major Purchase Index fell 14 points to -22; only the savings index rose, by one point to +28. As the GfK put it themselves 'The summer's buoyant mood has evaporated.' This may be a negative sign for Black Friday and Christmas spending.

Retail sales volumes fell 0.4% in September, leaving volumes 0.8% higher than a year earlier. The decline was broad-based across food, non-food and non-store retailers. Clothing stores fell 0.9%, as an unseasonably warm September hit autumn/winter ranges, and soft clothing sales also dragged supermarkets down 0.4%. Fuel sales bucked the trend, up 2.2% as households topped up before further price rises.

The energy squeeze is now here. The Ofgem cap rose to £1,723 for a typical dual-fuel household from 1st October, and with September's wholesale rises already locked, the expectation is that the January cap rises 16-20%. Ofgem announces the January cap in late November.

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

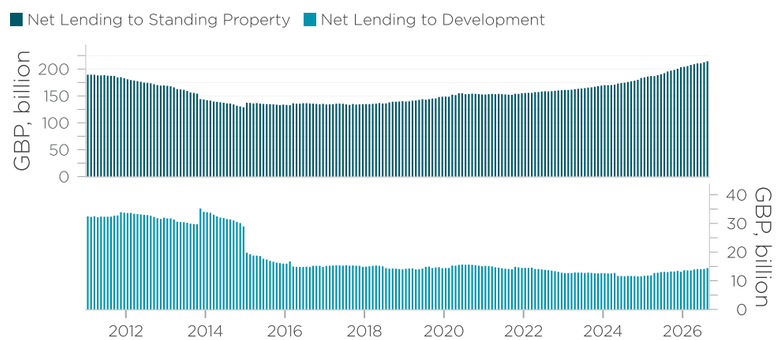
INTEREST RATES



5 YEAR SONIA & 10 YEAR GILTS



LENDING TO COMMERCIAL PROPERTY



INFLATION

CPI rose to 3.5% in the 12 months to September, up from 3.1% in August, above the consensus and the highest since October 2025. CPIH rose to 3.6% from 3.3%. On a monthly basis CPI rose 0.4%, against little change a year earlier. Fuel was the main driver. Annual motor fuel inflation rose to 29.8% from 23.0%, its highest since August 2022, with petrol up 8.2p to 169.5p a litre and diesel up 10.7p to 192.5p. Transport inflation rose to 6.6% from 4.6%. Goods inflation rose to 3.2%, its highest since September 2023.

Unlike August, there are early signs of broadening. Core CPI rose to 2.8% from 2.6% and services CPI to 3.7% from 3.4%, although part of the services move reflects airfares. Elsewhere pressures remain contained: restaurants and hotels eased to 3.8% from 4.1%, and food inflation held stable.

MONETARY POLICY

The next MPC meeting, alongside the November Monetary Policy Report, is on 5th November. In September, the Committee voted 6–3 to hold Bank Rate at 3.75%, with Greene, Mann and Pill voting for a rise to 4%, while Governor Bailey and Deputy Governors Breeden, Lombardelli and Ramsden signalled they could back a rise if the conflict persists. The Bank also paused active gilt sales for six months and began a longer-term overhaul of quantitative tightening.

Since the last meeting, stronger-than-expected GDP, a fall in unemployment and above-consensus CPI growth all suggest a hike. The majority of economists now expect a 25 basis point increased in November, with a further 25 basis points increase a possibility in late 2026/early 2027. The UK will be following its peers: the Fed raised rates to 3.75–4.00% on 16th September and the ECB lifted its deposit rate to 2.50% in September, its second hike since June.

The 10-year gilt yield peaked at 5.48% on 8th October, its highest since 2007, and is currently in the region of 5.38%, more than 80bps above a year ago. The 5-year SONIA swap is approximately 4.8%, close to its 52-week high.

LENDING

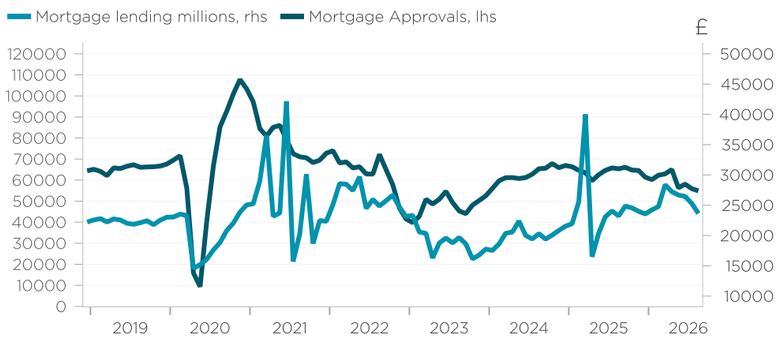
Net lending to UK commercial property strengthened again in August, reaching £2.05bn, up from £1.53bn in July and the highest monthly figure since March. The rolling three-month total remained relatively low, however, at £3.62bn, weighed down by an extremely weak June.

Lending to standing investments climbed to £1.77bn from £1.47bn, also the highest since March and the main driver of the improvement. Lending to development rebounded strongly to £285 million from £59 million in July, well above the H1 monthly average of £164 million. While development lending has not matched the strength of H2 2025, on a six-month rolling basis it has been reasonably steady, holding in a tight band between £500 million and £900 million between January and August.

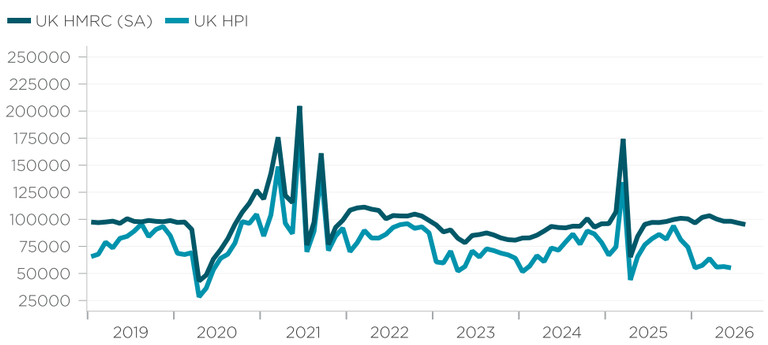
Source: Bank of England, FTSE Russell, Macrobond, Cushman & Wakefield

HOUSING - SALES
OCTOBER 2026

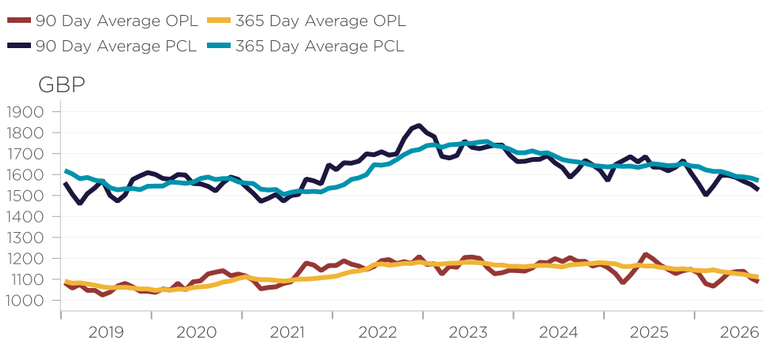
UK MONTHLY MORTGAGE APPROVAL & LENDING



UK MONTHLY TRANSACTION VOLUMES



CENTRAL LONDON CAPITAL VALUES



MORTGAGES

Long-term borrowing costs have risen further. The ten-year gilt averaged 5.41% in September, the highest monthly level since June 2007, and stood at 5.38% on 22nd October, 84 basis points above a year ago. The two-year SONIA swap rate reached 4.69% in mid-October, up 75 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 5.13% in September from 4.92%, and the five-year equivalent to 4.98% from 4.78%, its highest since October 2023.

Demand has weakened again. Mortgage approvals fell to 54,918 in August, down 1.8% on a downwardly revised July and 16.0% below August 2025. That is the lowest monthly figure since December 2023 and well beneath the six-month average of around 58,900. Gross mortgage lending fell for a fifth consecutive month, to £23.6bn, its lowest since December 2025.

SALES & PRICING

Residential transaction volumes are drifting lower. HMRC's seasonally adjusted estimate for August was 95,220, 1.5% below July and 1.9% below August 2025, and the lowest since May 2025. Approvals lead transactions by roughly three months, and with approvals now 16% below a year ago, we expect activity to soften further into the winter.

Prices have started to slip. Nationwide recorded a 0.2% monthly fall in September, slowing annual growth to 0.8% from 1.6%, and the average price of £274,251 is 1.7% below its April peak. The Lloyds index (formerly Halifax) was flat on the year. The regional divide has widened. In the third quarter Northern Ireland led at 5.9% and the North West at 3.9%, while East Anglia (-0.7%), the East Midlands, the South West and the Outer London area all recorded annual falls.

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. The RICS survey points the same way: in September new buyer enquiries fell to -22 while new instructions turned positive for the first time since mid-2025. More stock meeting weaker demand points to further pressure on prices. Supply provides the floor over the longer term. Build to rent starts across the major cities are running at 45% of their five year average, 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.

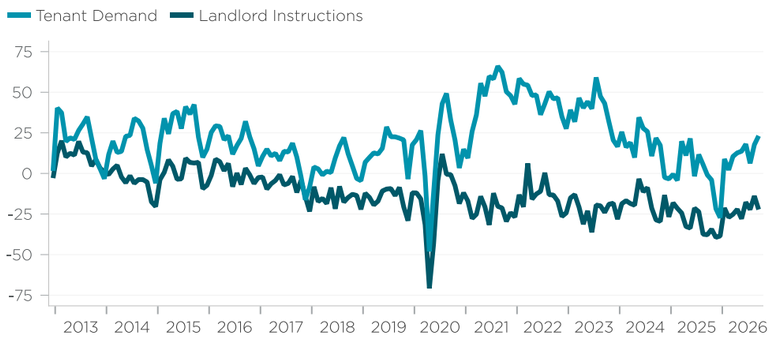
PCL - As of September 2026, 365-day average values in PCL were £1,571 psf, 0.8% below last month and 4.3% below last year. 90 day average values in PCL for September 2026 were £1,526 psf, 1.7% below August. Achieved discounts to asking prices (365-day average) in PCL remained at -5.0%.

OPL - As of September 2026, 365-day average values in OPL were £1,111 psf, 0.5% below last month and 3.7% below last year. 90 day average values in OPL for September 2026 were £1,088 psf, 1.6% below August. In OPL, discount to asking price remains -3.8%.

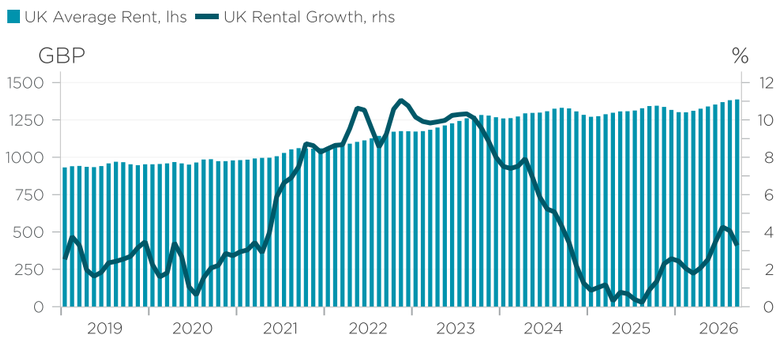
Source: HMRC, LonRes, BoE, Macrobond, Cushman & Wakefield

HOUSING - RENTAL
OCTOBER 2026

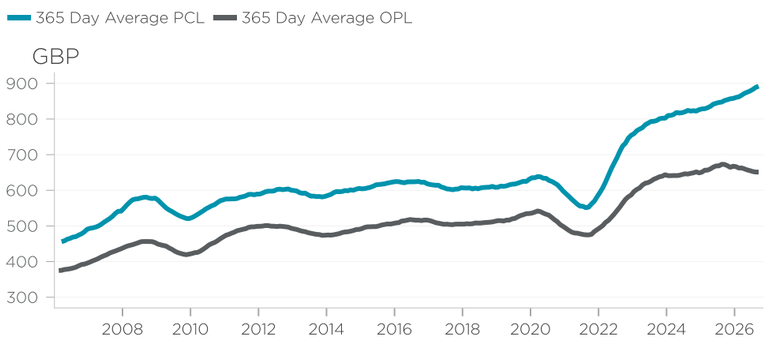
UK LANDLORD INSTRUCTIONS VS TENANT DEMAND



UK ANNUAL RENTS



LONDON RENTS



SUPPLY & DEMAND

The RICS residential survey for September 2026 showed tenant demand at a net balance of +23%, the strongest since July 2024 and positive in every month this year. Landlord instructions fell back to -22% from -14%, reversing August's improvement, so supply is still leaving the sector. Rent expectations for the next three months eased to +37% from +44% but remain well above the first half average of +27%.

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.

RENTAL VALUES

In September the average UK rent was £1,387, 0.4% above August, with annual growth easing to 3.3% from 4.1%. Excluding Greater London the UK average was £1,176, 0.3% below August and 3.1% higher than a year earlier. Greater London rose 1.5% on the month to £2,272, but annual growth slowed to 3.3% from 5.1%. Only four of the twelve regions recorded month-on-month growth.

Rental growth has passed its peak for now. Annual growth reached 4.3% in July, up from 0.2% in August 2025, and has eased since. London has led the slowdown, halving from 6.0% in July, partly because rents there jumped 3.3% in September 2025. Rental growth is now broadly in line with regular pay growth. With demand rising and supply falling, we see a moderation rather than a turn.

Across the regions Northern Ireland and the South West lead at 5.4% on the year, ahead of Scotland at 4.9%. The South East and the West Midlands, both at 1.8%, are the weakest of those growing. Only Wales is lower than a year ago (-0.4%).

PRIME LONDON RENTAL VALUES

The two London markets have separated. Prime central London (PCL) rents have risen in every month of 2026 and are 4.7% above a year ago. Outer prime London (OPL) has fallen in seven of the nine months and is 3.2% lower. The PCL premium has widened to 37.0%, the widest in the series and up from 26.7% a year ago.

365-day average rental values in September 2026 show rents in PCL are 0.4% above the previous month and 4.7% above last year, at £892 per week. Median weekly rental values are more volatile and recorded larger increases. One-bed flats in September let for £750 pw in line with last month and 3.4% above the same time last year. Two-bed flats let for £1,038 pw, 0.6% below the previous month but 5.8% above the previous year.

365-day average rental values in September 2026 show OPL rents remained in line with 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 deepened through to August before steadying in September. In OPL median weekly rents for one-bed flats let for £577 pw, 3.8% below last month and in line with last year. Two-bed flats let for £750 pw, in line with last month and 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.

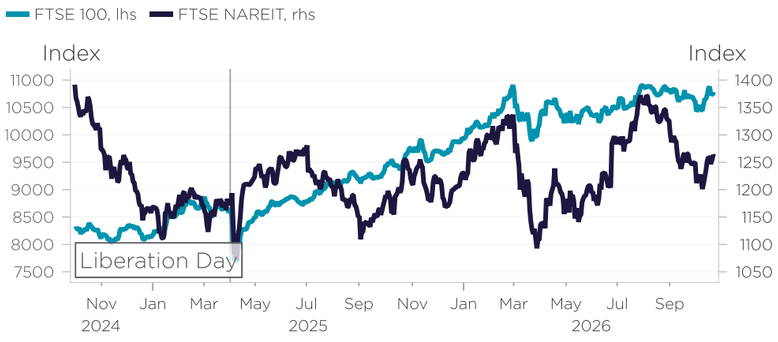
Source: RICS, Homelet, LonRes, Macrobond, Cushman & Wakefield

KEY CHARTS
OCTOBER 2026

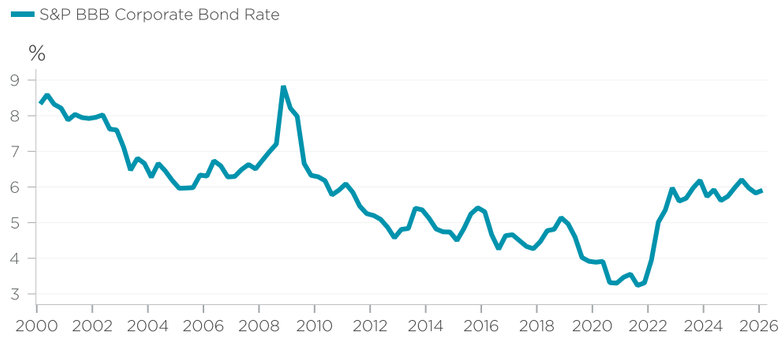
ADDITIONAL KEY CHARTS

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

FTSE 100, FTSE NAREIT



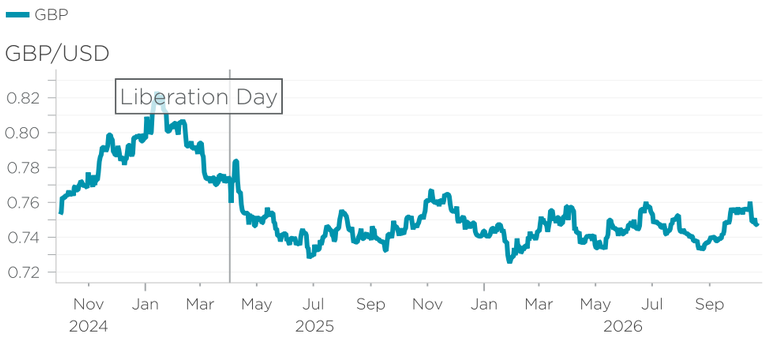
CORPORATE BBB BONDS



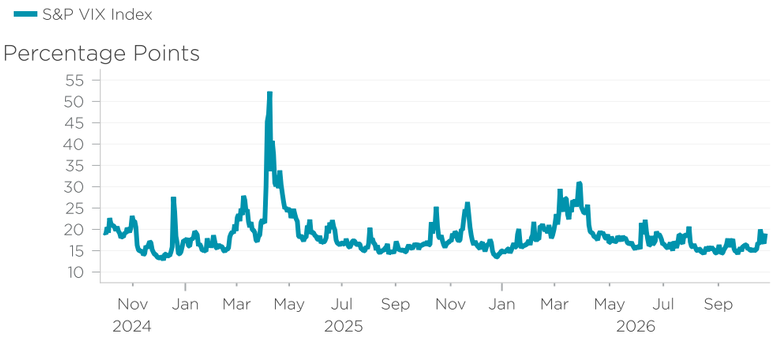
UK EARNINGS GROWTH



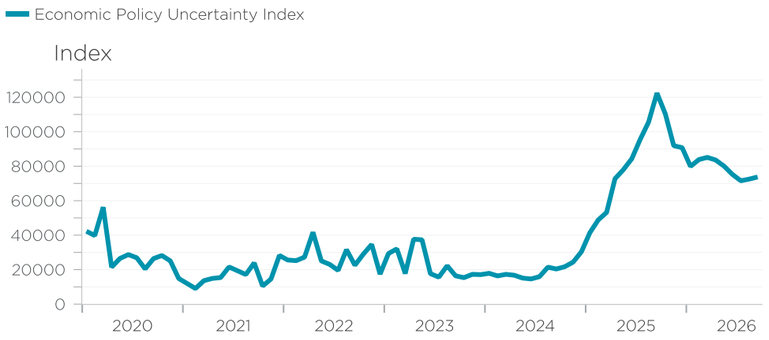
GBP USD SPOT RATES



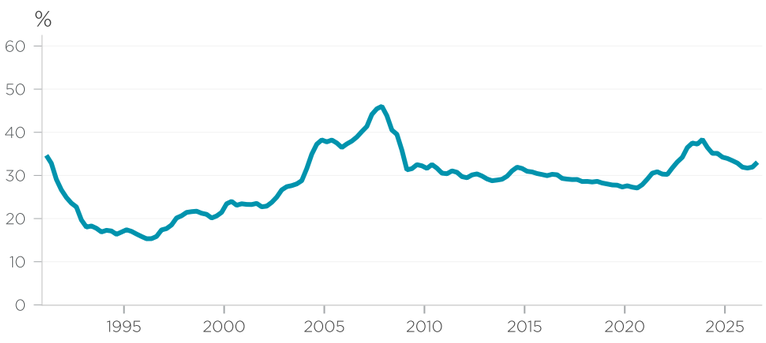
VIX INDEX



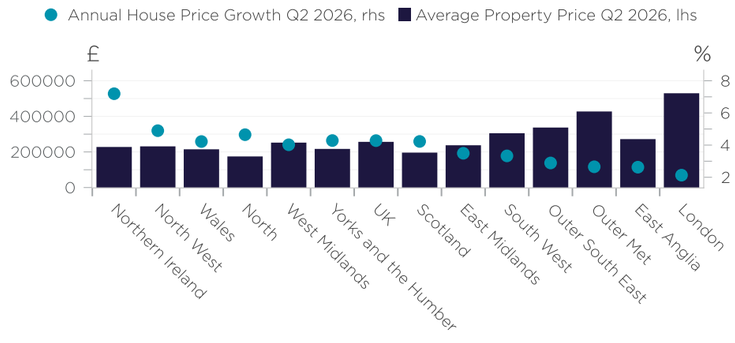
GLOBAL ECONOMIC POLICY UNCERTAINTY INDEX



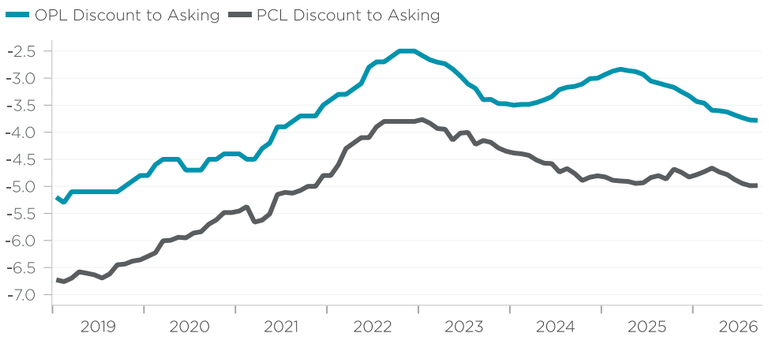
FTB MORTGAGE AS % OF TAKE HOME PAY



REGIONAL HOUSE PRICE GROWTH



CENTRAL LONDON RESI CAPITAL VALUE DISCOUNTS TO ASKING



CUSHMAN & WAKEFIELD

MARKETBEAT

ECONOMY & HOUSING

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