CUSHMAN & WAKEFIELD

MARKETBEAT

ECONOMY & HOUSING

AUGUST 2026

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ECONOMY & HOUSING

AUGUST 2026

FIRST MONTH

A month into the new administration, there have been a number of policy changes.

The announcement of John Healy as Chancellor was the first change – an appointment which reassured the bond markets. The early measures have been deliberately tangible and comparatively cheap: a £2 cap on single bus fares in England, the removal of VAT from household electricity bills for six months from 1st October, and a pledge to end rough sleeping. On housing, the ambition is larger - the biggest council housebuilding programme since the Second World War, with the £39 billion Social and Affordable Homes Programme reportedly to be steered towards local authorities and unused public land unlocked for social and council homes.

On devolution, the English Devolution and Community Empowerment Act 2026 is already on the statute book, with regional leaders expected to receive a share of some national taxes, including potentially income tax from 2028, allowing mayors to borrow against those income streams.

For property taxation, the near-term picture is one of continuity. Burnham has ruled out scrapping council tax or stamp duty, or merging them into a single property tax, at this stage, and stamp duty will not be reformed at this year's Budget, though he continues to argue for 'fairer' taxation and has pointedly highlighted the regional inequity of the current council tax bands.

While economic growth has been positive, fiscal constraints have not eased. Government debt sits near 100% of output, borrowing costs are above most advanced economies, and the tax burden is heading for record levels. With growth this year projected at around 1%, the gap between the ten-year ambition and the fiscal envelope is the thing to watch, and any spending increase without a matching tax package would still push bonds out.

Furthermore, the risk to inflation has re-emerged as a result of the increased hostilities between the US and Iran, with little visibility of a resolution. The MPC's June expectation was for CPI to be running at ~3% in Q3 on the basis of lower energy prices. The renewed hostilities mean that Q3 and Q4 inflation could run higher and push back the return to target until mid-2027.

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KEY TAKEAWAYS

- GDP grew 0.3% in June, the strongest month of the quarter. This contributed to GDP growth of 0.4% for Q2.
- Retail sales volumes rose 1.0% in June driven by the hot weather and the World Cup. Consumer sentiment jumped six points to −17 in July as a result of what has been dubbed the *Burnham bounce.*
- The S&P Global UK Composite PMI rose to 52.1 from June's 49.3, ending two consecutive months of contraction.
- The gilt market has stayed under pressure as the ceasefire unwound. The 10-year yield stood at approximately 5.08% on 18th August, near its Iran highs.
- The BoE held Bank Rate at 3.75% but the vote split widened to 6-3 towards the hawks.

MARKETBEAT
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ECONOMIC INDICATORS

	YOY Change	Monthly Change
103.4 MONTHLY GDP	▲	▲
52.1 UK COMPOSITE PMI	▲	▲
-17 CONSUMER CONFIDENCE	▲	▲
4.9% UNEMPLOYMENT RATE	▲	▬
3.1% CPIH	▲	▲
4.4% 5 YEAR SONIA*	▲	▬
5.1% 10 YEAR GILTS*	▲	▲

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

ECONOMIC OVERVIEW

The economy proved more resilient through the conflict-affected second quarter than the surveys had implied. The ONS's first estimate showed GDP growing 0.4% in Q2 2026, easing from 0.6% in Q1 but well ahead of the flat outturn confidence surveys has implied. Services rose 0.5%, construction 0.3% and production was flat over the quarter. Output was 1.2% higher than a year earlier, with GDP per head up 0.4% on the quarter.

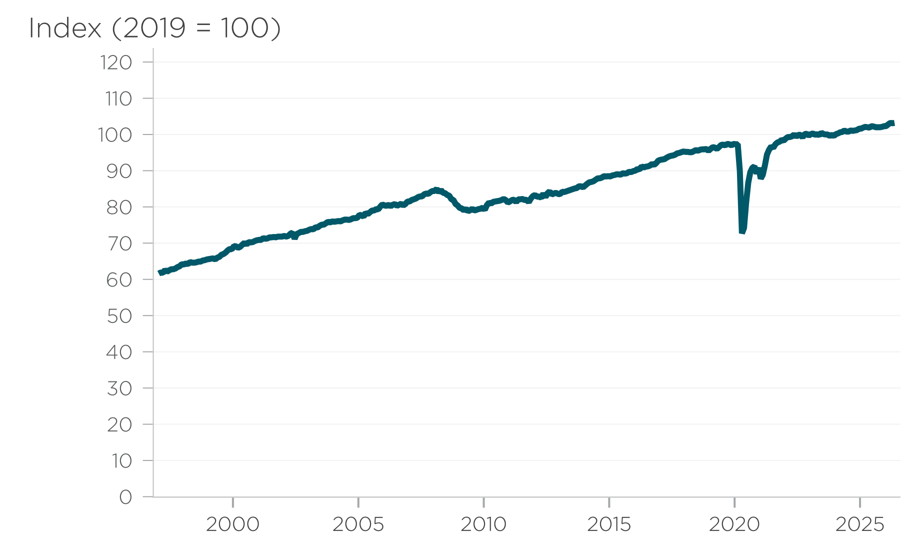
GDP grew 0.3% in June, the strongest month of the quarter, driven by a 0.4% rise in services while being partially offset by falls of 0.2% in production and 0.1% in construction. May was revised down to no growth (from 0.1%). This brought GDP to 0.4% growth on a rolling three-month basis.

For now, a number of forward-looking indicators have turned positive. The S&P Global UK Composite PMI rebounded to 52.1 in July from 49.3 in June, ending two consecutive months of contraction and pointing to a faster pace of growth at the start of Q3. Services returned to expansion at 52.1 (from 48.8) while manufacturing accelerated to 52.8 buoyed by export orders, data-centre supply chains and defence spending. Hospitality demand was lifted by the heatwave and the World Cup.

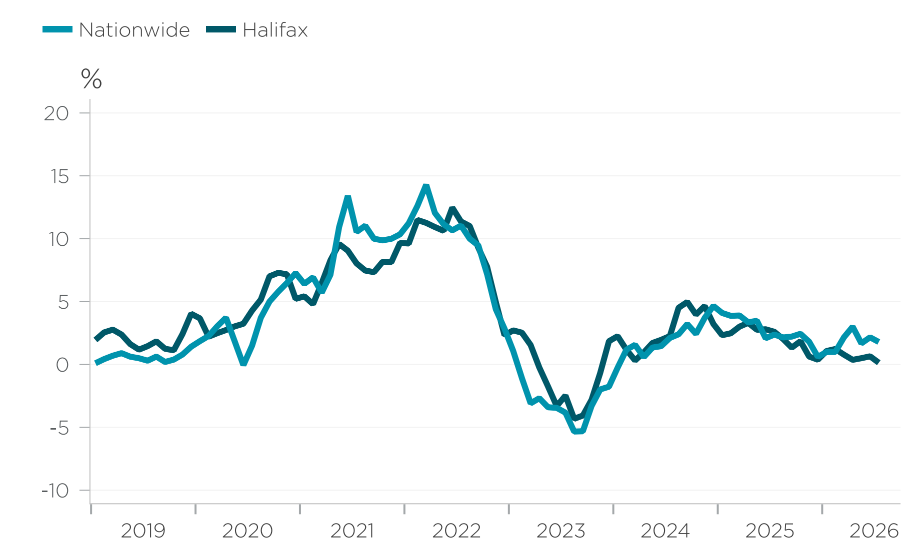
The near-term risk to activity now continues to run through energy: the expiry of the US–Iran framework in mid-August without a deal, and continued leaves the outlook for the second half hostage to the oil price once again.

The continued global geopolitical volatility in addition to the changes in domestic government has meant both swap rates remain elevated and home buyer sentiment is weak.

MONTHLY GDP



UK ANNUAL HOUSE PRICE INFLATION



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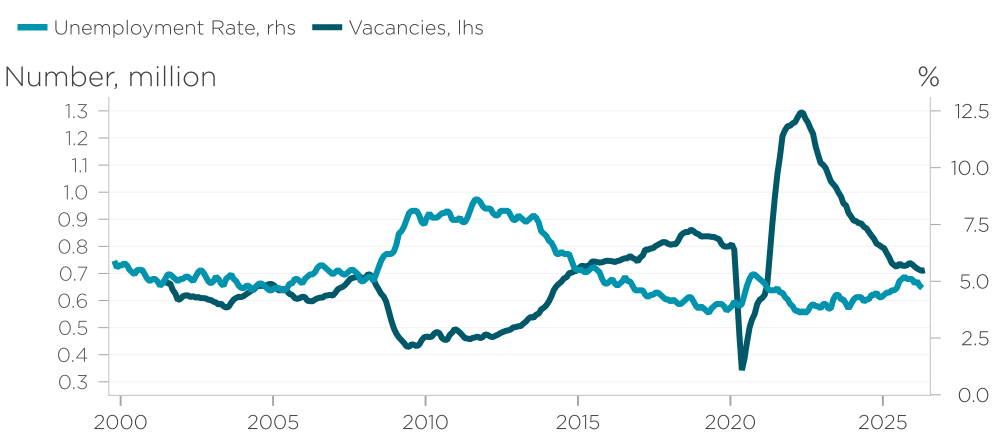
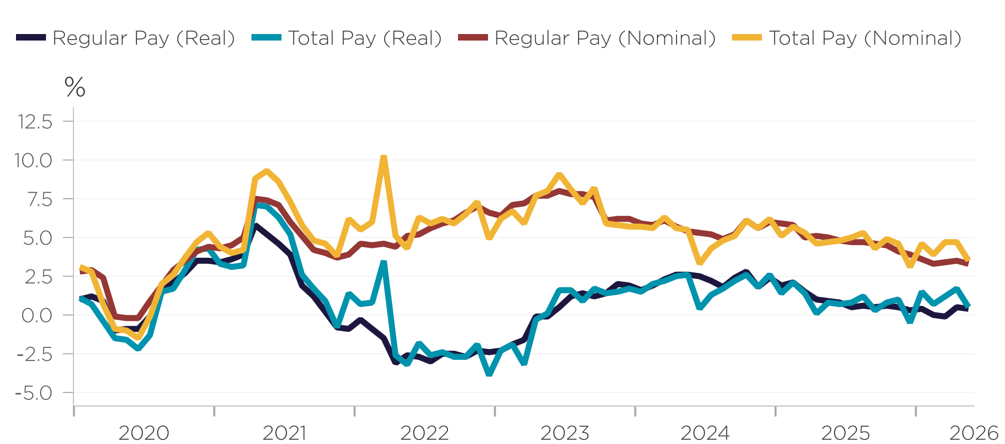
UNEMPLOYMENT & JOB VACANCIES



ILO REDUNDANCY RATE

PAY IN REAL & NOMINAL TERMS



EMPLOYMENT

Labour data published on 18th August showed the unemployment rate unchanged at 4.9% in the three months to June, marginally above the 4.8% consensus forecast and up from 4.7% a year earlier. Unemployment stood at 1.76 million, up 81,000 over the year, while the employment rate for 16 to 64-year-olds was 75.1%, slightly down on a year earlier.

Payrolled employees fell by 78,000 (0.3%) in the year to June but were broadly flat on the month, down just 13,000 between May and June. This is a marked stabilisation after the heavy falls seen earlier in the year. The early estimates for July suggest once again that numbers remain unchanged month on month.

The Claimant Count fell to 1.665 million in July from 1.689 million in June, redundancies fell to their lowest since July 2025, and the quits rate rose. All of these data points are a tentative indicator of stabilising conditions.

Vacancies fell by 6,000 (0.8%) to 707,000 in May–July and have been broadly flat since the start of the year, down only 11,000 since January–March. Vacancy Survey feedback suggests some small firms are not recruiting because of increased labour costs, the ongoing effect of the April 2025 employer National Insurance rise, which July's PMI continued to echo.

EARNINGS

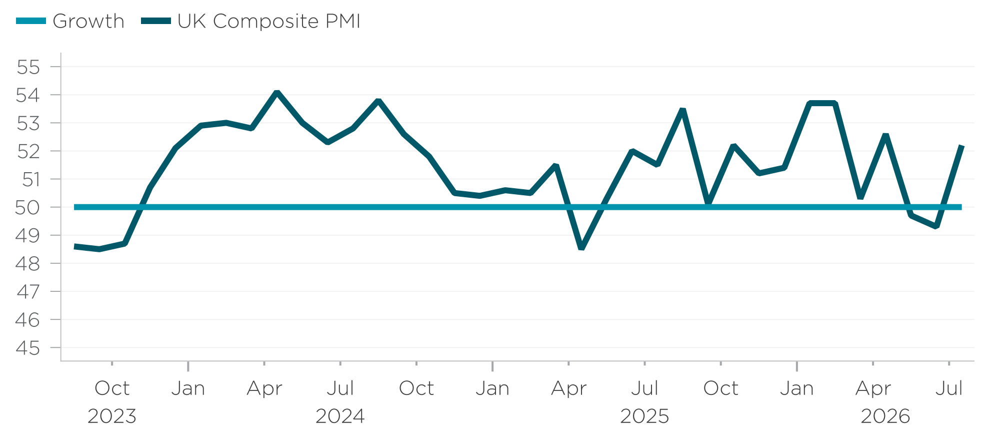
Wage growth remains on a gently moderating path. Regular pay (excluding bonuses) grew 3.5% in the three months to June, marginally ahead of expectations, while growth including bonuses was at 4.1%. In real terms, pay growth was 0.5% excluding bonuses and 1.1% including them in the three months to June.

Private sector regular pay eased further to 2.8% (from 2.9%), the weakest rate since the August–October 2020 period. Public sector regular pay rose to 6.1% (from 5.5%), still distorted by the timing of the 2025 and 2026 NHS pay uplifts both falling inside the twelve-month comparison.

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.

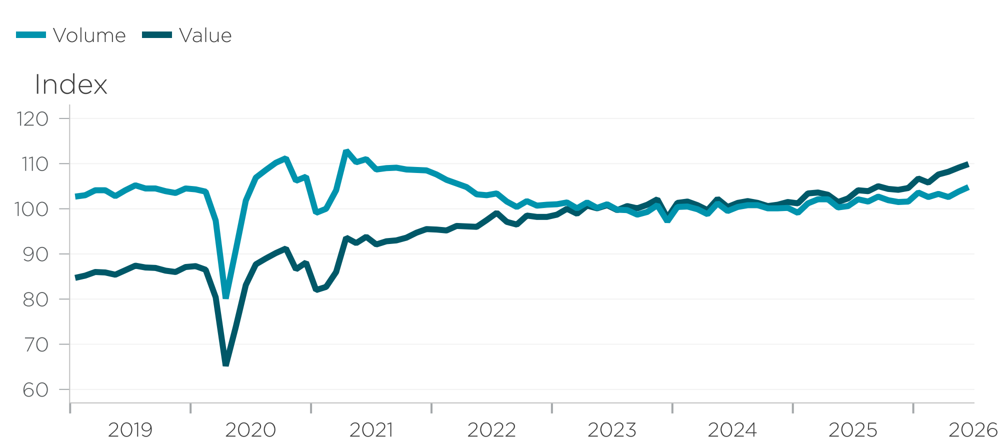
Source: ONS, Macrobond, Cushman & Wakefield

UK COMPOSITE PMI



CONSUMER CONFIDENCE

RETAIL SALES AND VOLUME INDICES



BUSINESS DEMAND

Business activity rebounded sharply in July. The S&P Global UK Composite PMI rose to 52.1 from June's 49.3, ending two consecutive months of contraction. The final Services reading of 52.1 was revised up from a flash of 51.8 and marked a recovery from June's 48.8, with new work rising for the first time since February on stronger consumer spending and solid demand for technology services. Manufacturing accelerated to 52.8 from 52.5, unusually now outpacing services supported by export orders from the US and Europe, AI and data-centre supply chains, and defence spending.

Geopolitical uncertainty remained the most-cited headwind and overseas services demand fell for a fifth month, but input-cost inflation eased for a third consecutive month to its lowest since February. This was helped by temporarily lower fuel and gas costs earlier in the month, and business confidence rose to a five-month high. Construction remains the laggard, with its PMI at 44.7 in July, still firmly in contraction.

BUSINESS FAILURES

The total number of registered company insolvencies in England and Wales was 1,931 in July, 5% higher than June's 1,847 but 5% lower than July 2025 (2,031), continuing the year-on-year improvement. The monthly rise was driven by creditors' voluntary liquidations which recorded their second-highest monthly number this year, alongside a small increase in compulsory liquidations. The 12-month rolling insolvency rate to end-June fell to 50.5 per 10,000 companies (one in 198), from 52.4 a year earlier and well below the mid-2024 peak of around 57.

Construction remains the most exposed sector, with 343 insolvencies in July, up 3% on both the month and the year. Individual insolvencies remained elevated at 11,926 in July, 14% higher than a year earlier, with IVAs up 27% year-on-year at 7,442, the highest monthly number since November 2022, excluding a distorted December - alongside 3,820 debt relief orders.

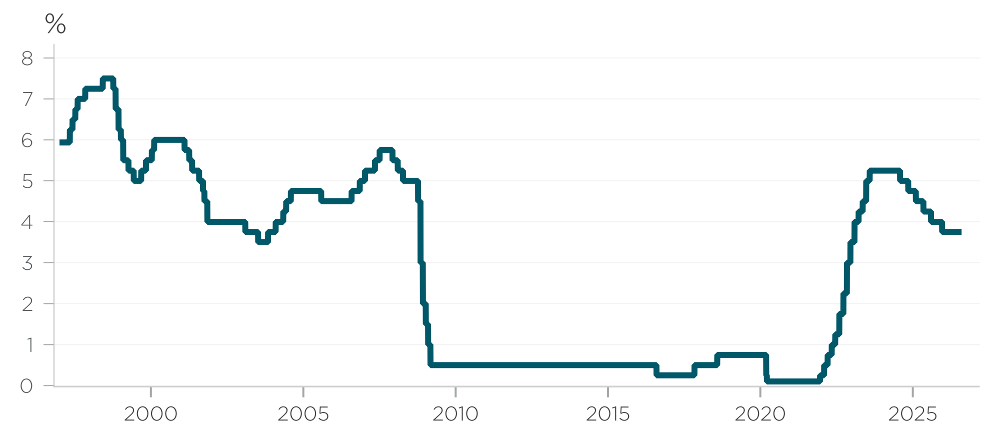
CONSUMER DEMAND

Consumer sentiment has staged its sharpest recovery in almost three years. GfK consumer confidence jumped six points to −17 in July, the largest monthly increase since November 2023, promptly dubbed the *Burnham bounce* - with all five sub-measures improving. Views on the economy over the past year rose ten points to −39, expectations for the next twelve months rose eight points to −28, and the Major Purchase Index gained eight points to −12, three points higher than a year ago. Personal finance measures also improved, with the forward-looking reading turning positive at +1.

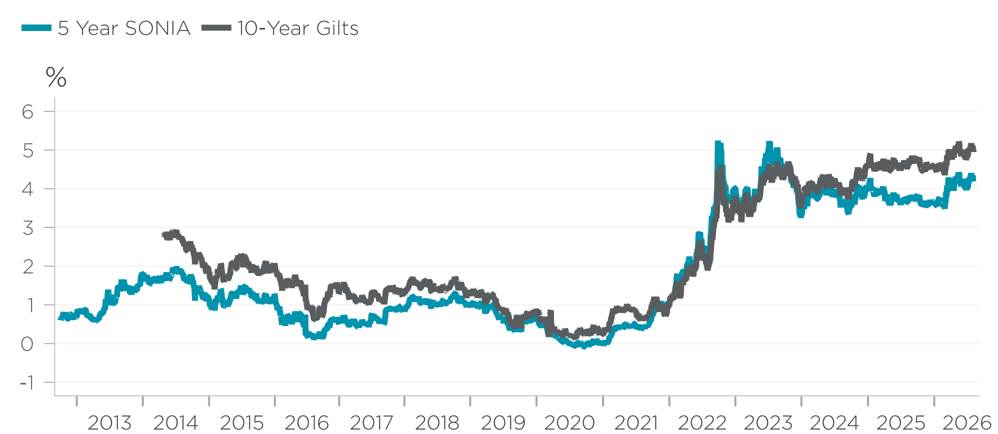
Retail sales volumes rose 1.0% in June against consensus expectations of a 0.3% fall, building on May's 1.2% gain (April was revised to a 0.7% fall), with spending on cooling appliances and clothing lifted by the hot weather and the World Cup. Annual growth stood at 1.7%. While grocery inflation has eased, the Ofgem cap stepped up 13% on 1st July has already impacted CPI, while the Autumn cap will be announced on 26th August. This will weigh on household spending.

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

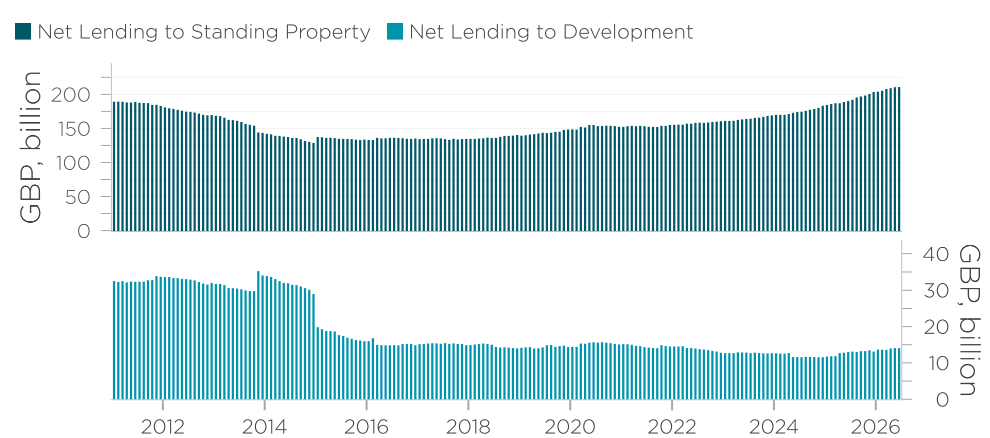
INTEREST RATES



5 YEAR SONIA & 10 YEAR GILTS



LENDING TO COMMERCIAL PROPERTY



INFLATION

CPI rose to 2.9% in the 12 months to July 2026, up from 2.6% in June, the first increase in the annual rate since March. CPIH rose to 3.1% from 2.8%. On a monthly basis, both rose 0.3%, against 0.1% (CPI) and no change (CPIH) in July 2025. The outturn was in line with consensus.

Core CPI was unchanged at 2.6%, and services CPI - the MPC's preferred domestic gauge - eased to 3.4% from 3.6%, its second consecutive fall. Instead, the rise was driven by goods, where the annual rate jumped to 2.2% from 1.7%. Food and non-alcoholic beverages inflation fell again to 1.3%, from 1.7%, a rate last lower in September 2021, contributing just 0.12 percentage points to the annual rate, its smallest since October 2021.

Energy pricing is already having an impact. Housing and household services inflation rose to 4.6% on the CPI measure (from 1.2%), with gas prices up 14.7% on the month against a 7.2% fall a year earlier - the largest monthly rise in gas prices since October 2022, leaving gas prices at their highest since March 2024. Electricity rose 3.6%, against a 3.8% fall a year ago. This reflects the Ofgem cap change on 1st July, which took the average dual-fuel direct-debit bill to £1,862, a rise of £221.

Motor fuels worked in the other direction. Transport inflation slowed to 3.6% from 5.7%, as diesel fell 8.8 pence per litre on the month to 167.6p and petrol fell 3.1p to 152.2p, taking annual motor fuel inflation down to 15.5% from 21.3%. Air fares rose 11.7% on the month, but with European routes falling 4.3% while long-haul rose 31.7%.

MONETARY POLICY

At its meeting ending 29th July, the MPC voted 6–3 to hold Bank Rate at 3.75%, a fifth consecutive hold, but with the hawkish minority growing for a third successive meeting (8–1 in April, 7–2 in June, 6–3 in July) as Megan Greene joined Catherine Mann and Huw Pill in voting for a rise to 4.00%. The MPC emphasised that policy cannot influence global energy prices but is being set to ensure the adjustment to them delivers the 2% target sustainably.

Markets now price Bank Rate on hold for the remainder of the year, with the next decision on 17th September. Alongside, quantitative tightening continued: the asset purchase facility was reduced to £492 billion on 22nd July.

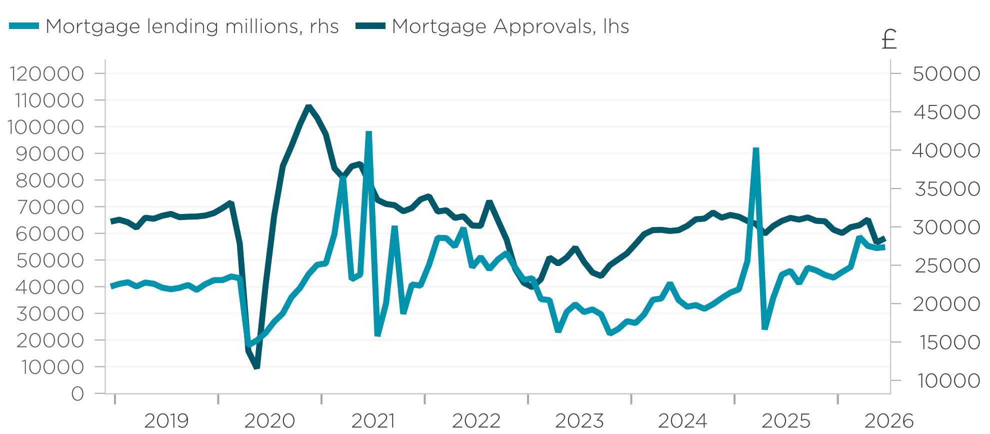
The gilt market has stayed under pressure as the ceasefire unwound. The 10-year yield stood at approximately 5.08% on 18th August, near its Iran highs, having been above 5% for much of the past month. Elevated swap rates continue to pass through to borrowers. The 5 year SONIA Swap is now at 4.4%.

LENDING

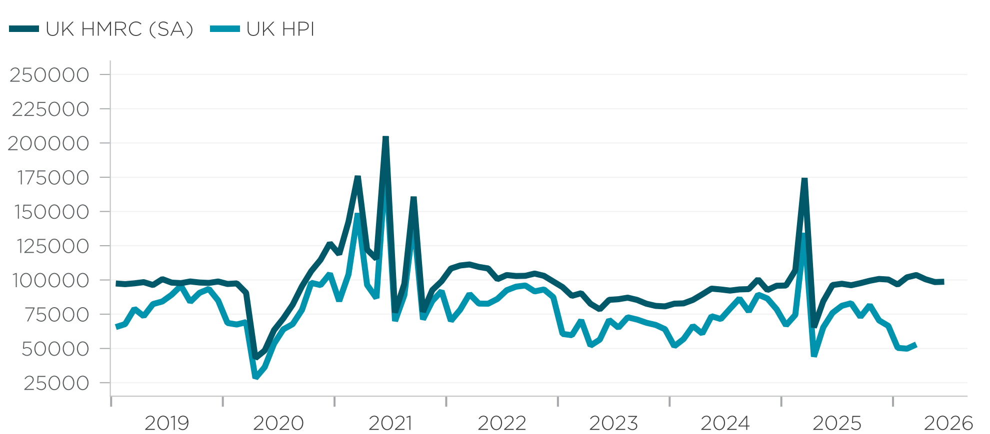
Net lending to commercial property for May totalled around £1.5 billion, in line with the previous month. This reflects a slowdown in investment transactions. Lending against standing investments accounted for most of the total, with development lending just £0.13 billion as a result of higher construction costs and viability concerns. The Q2 Credit Conditions Survey balance for CRE credit availability over the next three months was -1.0%, the first negative reading since end-2023.

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

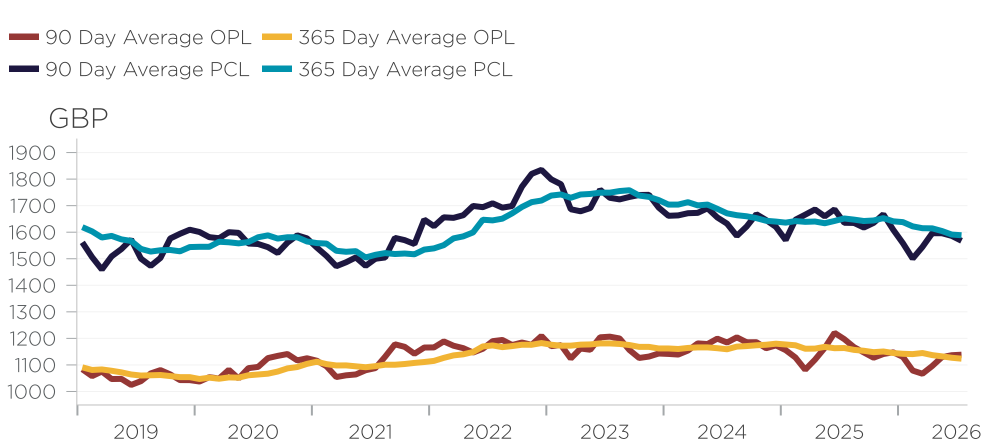
UK MONTHLY MORTGAGE APPROVAL & LENDING



UK MONTHLY TRANSACTION VOLUMES



CENTRAL LONDON CAPITAL VALUES



MORTGAGES

The continued global geopolitical volatility in addition to the changes in domestic government has meant both swap rates remain elevated and buyer sentiment is weak. The resumption in hostilities has meant the dip in money market rates was short lived. This is reflected in the mortgage market, where we've seen high street lenders begin to raise their fixed mortgage rates on the back of rising swap rates. Overnight Index Swap (OIS) market which mortgage rates are based on has risen materially, with the 2-year SONIA swap rate now at 4.33%, increasing by 30bps since the beginning of July.

Turning to demand, macroeconomic uncertainty continues to dampen buyer appetite, though the picture has stabilised somewhat. Mortgage approvals rose 3% to 58,200 in June, up from 56,565 in May, which had been the lowest level since December 2023 but remained 10% below June 2025 and beneath the six-month average of around 61,400. Approvals for remortgaging edged up to 34,200 from 33,800.

SALES & PRICING

Residential transaction volumes have steadied at a subdued level. HMRC's seasonally adjusted estimate for June was 99,000, broadly flat on May's 98,450, which itself was 2% below April. There is typically a lag of a few months before mortgage approvals feed into transactions, and with approvals still running around 10% below a year ago, we expect transactional activity to remain subdued in the short term.

House price growth has slowed sharply. UK house prices rose 2.0% in the year to June, down from a revised 3.0% in the 12 months to May, taking the average property to £272,000. On a monthly basis prices rose just 0.1% between May and June, against a 1.0% rise over the same period a year earlier. The regional spread remains wide: the North West led annual growth at 4.7% and the North East recorded the strongest monthly increase, while London prices continued to fall.

Domestic political instability has added to the volatile macro environment. Until there is a more stable outlook for both inflation and borrowing costs, activity and sentiment will remain subdued, especially in London and the South East, where affordability pressures are most severe. That said, the anaemic rate of house building continues to underpin the demand-supply imbalance, creating a floor for house prices.

PRIME LONDON CAPITAL VALUES

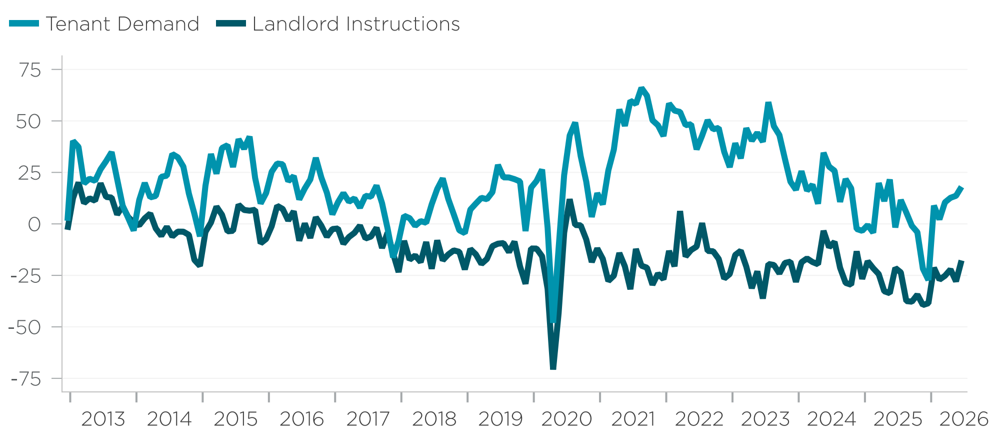
Prime London has experienced muted growth in capital values due to broader economic and geopolitical uncertainties. Tax policies on non-doms, second homes, and the new ‘mansion tax’ signal a tighter environment for wealth management and property ownership.

PCL - As of July 2026, 365 day average values in PCL were £1,589 psf, 0.2% below last month and 3.8% below last year. 90 day average values in PCL for July 2026 were £1,568 psf, 1.2% below June. Achieved discounts to asking prices (365 day average) in PCL remained at –4.9%.

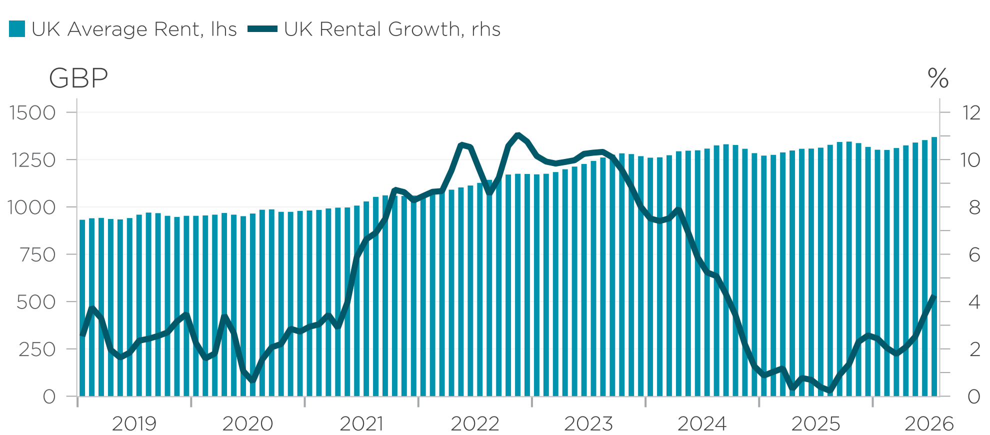
OPL - As of July 2026, 365 day average values in OPL are £1,124 psf, 0.3% below last month and 3.5% below last year. 90 day average values in OPL for July 2026 were £1,139 psf, 0.2% above June. In OPL, discount to asking price remained at -3.7%.

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

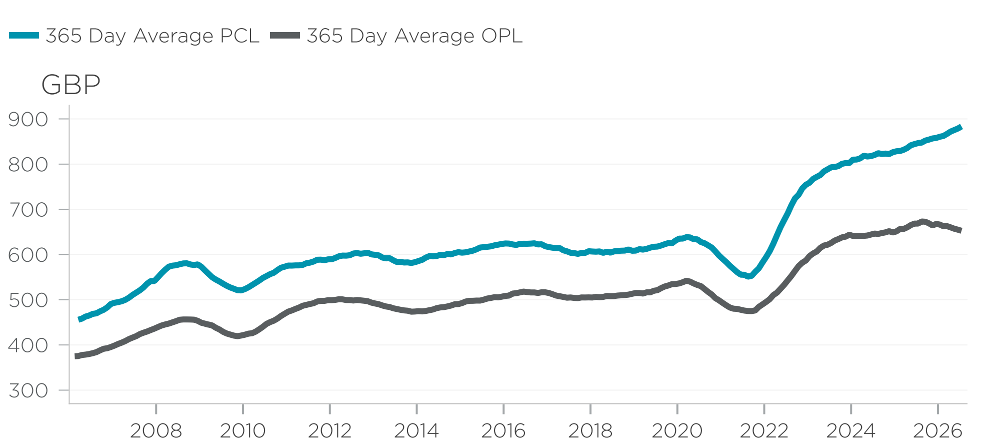
UK LANDLORD INSTRUCTIONS VS TENANT DEMAND



UK ANNUAL RENTS



UK LONDON RENTS



SUPPLY & DEMAND

The RICS residential survey for June 2026 showed demand edging upwards to 18%, the fourth consecutive month of improving tenant demand and the highest level since May 2025. On the other hand, landlord instructions remained in decline with a net balance of -18%, broadly unchanged from the previous month, highlighting continuing constrained supply in the rental market.

The imbalance between supply and demand remains and is unlikely to improve in the short to medium term. The 2% increase in income tax on rental income from April 2027 announced in last November's Budget and the implementation of the Renters' Rights Act from 1st May will only further contribute to a continuation of this downward trend over the next few **years.** This will create more space for institutional investors to step in and provide future supply in the maturing Build to Rent (BTR) segment, although the supply response has been hampered by viability issues. The recently launched National Housing Bank backed by the government aims to accelerate house building, via debt, equity and grants to developers and investors.

RENTAL VALUES

In July the average UK rent was £1,369, 1.2% above the previous month, bringing annual rental growth to 4.3%, up from 2.5% in May and the strongest rate this year. Excluding Greater London, the UK average was £1,170, 1.1% above June and 3.4% higher than a year earlier. Eleven of the twelve regions recorded month-on-month growth, with Northern Ireland the only region to see a fall, slipping 0.5%.

PRIME LONDON RENTAL VALUES

Regulatory and tax changes in the sales market such as the new 'Mansion tax', previous introductions of non-dom changes and overseas buyer SDLT surcharges, will likely increase tenant demand for prime London stock. In addition, the rise in tax on rental income, increased mortgage rates and the Renters' Rights Act, are likely to impact Buy-to-Let landlords, reducing rental supply. This is reflected in the fifth consecutive month of positive rental growth in the segment.

365 day average rental values in July 2026 show rents in PCL are 0.5% above the previous month and 4.4% above last year. Median monthly rental values are more volatile and recorded larger increases. One bed flats in July let for £726 pw, 1.6% below last month but 3.7% above the same time last year. Two bed flats let for £1,063 pw, 7.7% above the previous month and 8.6% above the previous year.

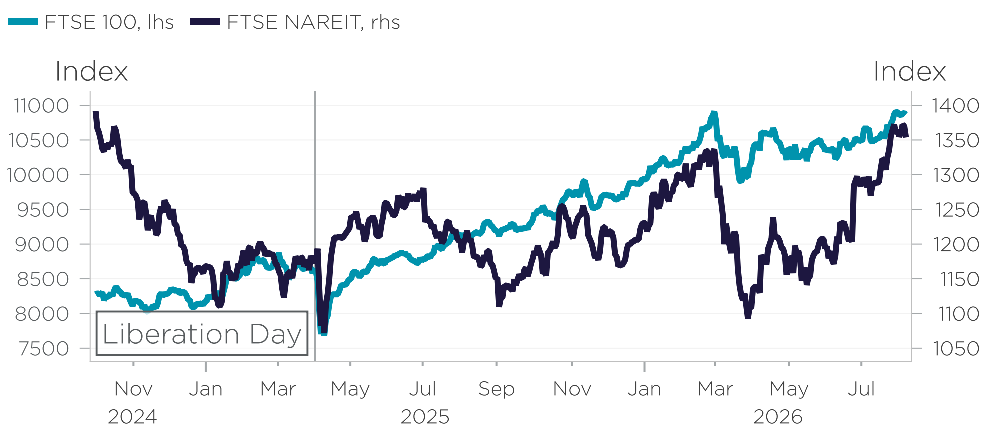
365 day average rental values in July 2026 show OPL rents fell 0.4% since the previous month and are 2.4% below last year. In OPL median weekly rents for one bed flats let for £554 pw in line with last month and 4.0% below last year. Two bed flats let for £726 pw, 3.3% below last month and 4.8% below last year.

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

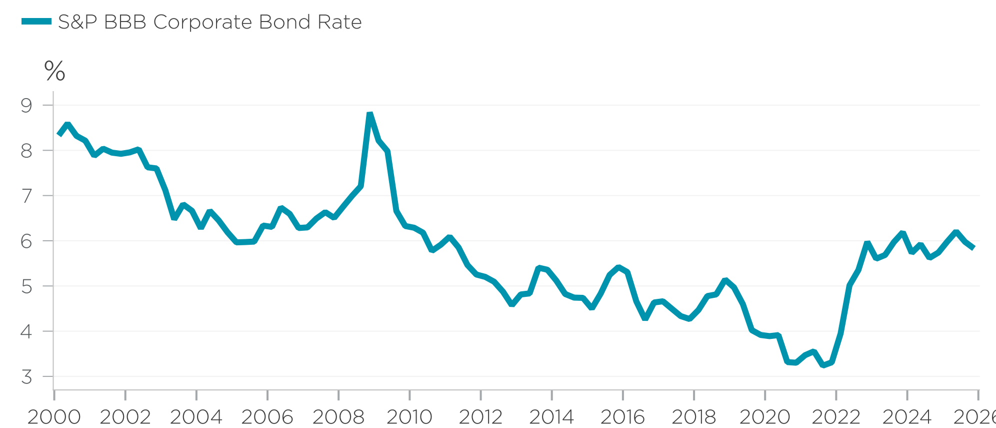
ADDITIONAL KEY CHARTS

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

FTSE 100, FTSE NAREIT

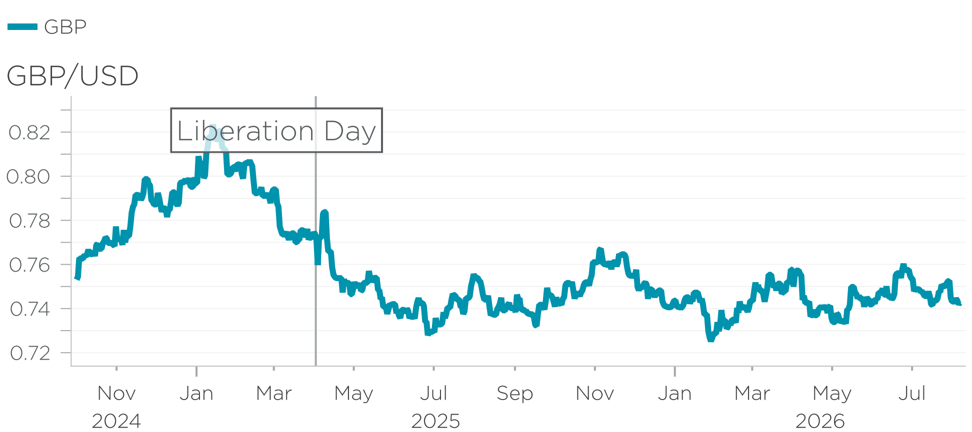


CORPORATE BBB BONDS

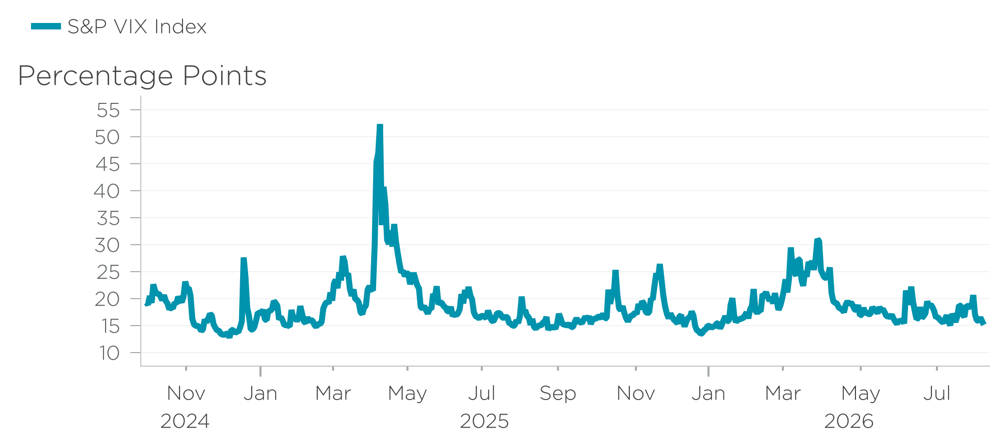


UK EARNINGS GROWTH

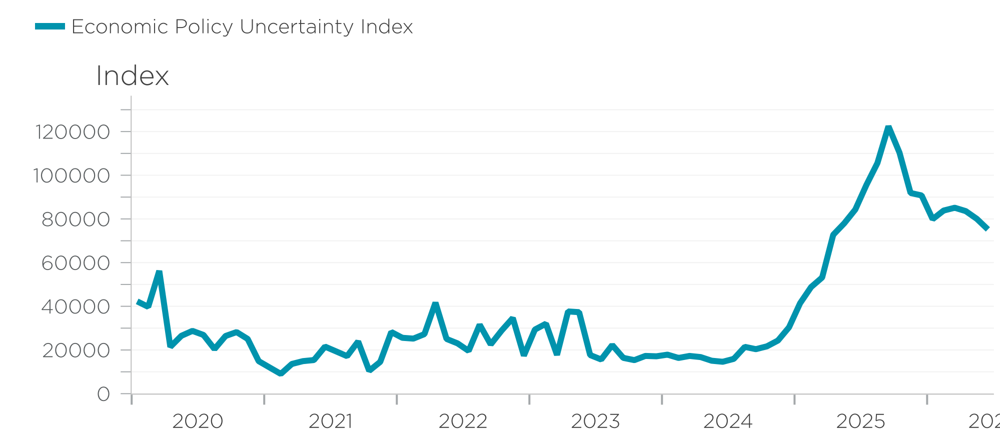
GBP USD SPOT RATES



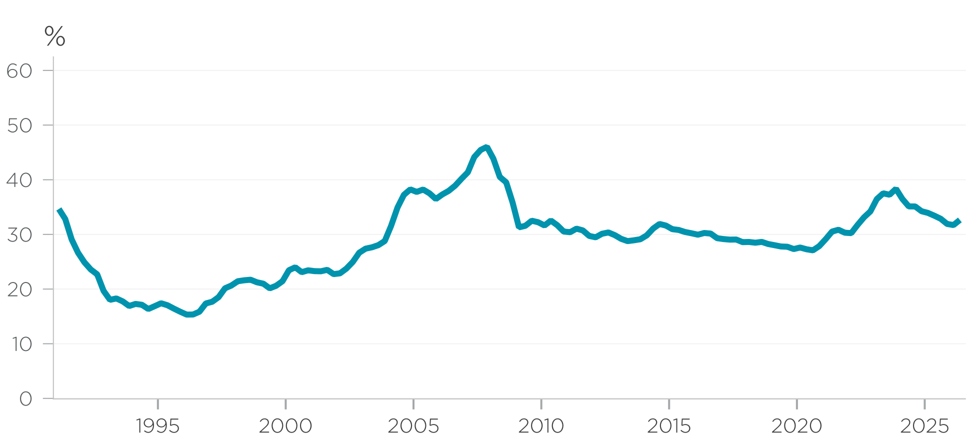
VIX INDEX



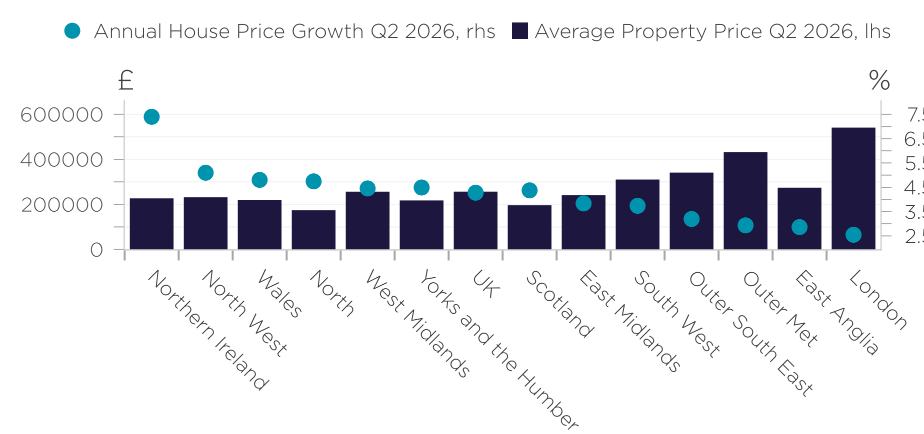
GLOBAL ECONOMIC POLICY UNCERTAINTY INDEX



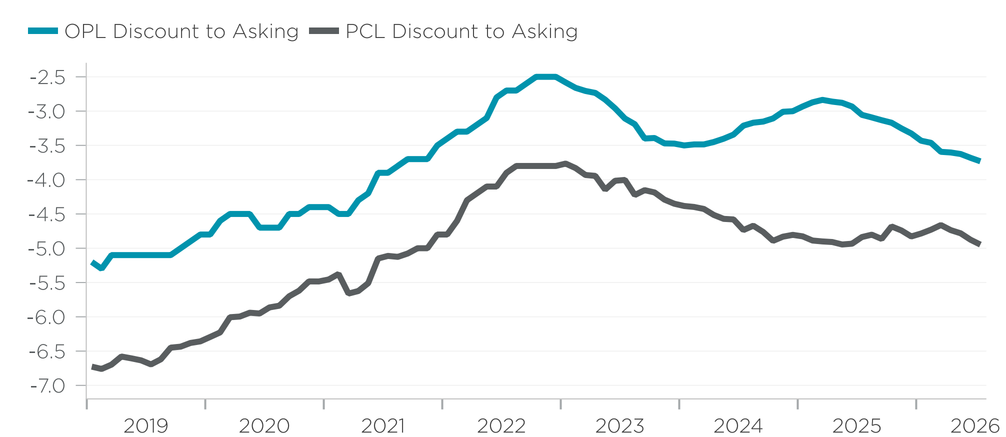
FTB MORTGAGE AS % OF TAKE HOME PAY



REGIONAL HOUSE PRICE GROWTH



CENTRAL LONDON RESI CAPITAL VALUE DISCOUNTS TO ASKING



MARKETBEAT
ECONOMY & HOUSING
AUGUST 2026

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