

MARKETBEAT
ECONOMY & HOUSING
FEBRUARY 2026

UNDER PRESSURE?

The UK economy enters 2026 on a cautiously more optimistic footing, though the foundations remain fragile. 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 earlier (and our own) expectations of 1.4%. Growth was driven in part by the public sector, particularly through increased government consumption.

As highlighted in the January edition of this publication, sentiment is more positive than it has been. The post-Budget lifting of uncertainty appears to have unlocked a measure of business confidence.

However, the politics of the Peter Mandelson scandal, and the subsequent pressure put on the Prime Minister have highlighted the fact that volatility is never far away, particularly as a result of the precarious public finances. The day that Keir Starmer was called to stand down, the 10-year gilt rose almost 10bp intraday. That move subsequently reversed as a result of the public backings given to the Prime Minister.

With plenty of political hurdles over the coming months, we will continue to see volatility.

RAZOR THIN

The Bank of England's February Monetary Policy Report projects a much sharper decline than previously anticipated, with CPI expected to fall to 2.1% by Q2 2026, 0.7 percentage points lower than the November forecast. This is largely reflecting the energy bills package announced in Budget 2025 and falling wholesale gas prices. The Ofgem price cap is expected to fall to £1,616 in April from £1,758. The BoE's medium-term projection has CPI averaging just 1.7% in 2026 (revised down from 2.2% in November), before rising to 1.8% in 2027 and 2.0% in 2028.

Despite the improved inflation trajectory, the MPC voted 5-4 to hold the Base Rate at 3.75% on 5 February. This was the closest vote split in this cycle. Governor Bailey signalled that "the risks from inflation persistence appear to have continued to reduce" and that he sees "scope for some further easing of policy". The four dissenters favoured a cut to 3.5%, placing greater weight on the risks from weaker demand. The next MPC meeting is on 19 March, but markets are not fully pricing a cut until April or June.



Daryl Perry

Head of UK Research & Insight
daryl.perry@cushwake.com

KEY TAKEAWAYS



December saw GDP increase by just 0.1%, resulting in growth of 1.3% for 2025, up on 1.1% seen in 2024.



Consumer confidence improved one point from -17 to -16. The reading marked ten years of negative consumer confidence.



PMI for January 2026 increased sharply from 51.4 to 53.7. This was the sharpest increase since April 2024.



House price growth is currently running at 1% year-on-year.



At its February 2026 meeting, the Monetary Policy Committee (MPC) voted by 5-4 to hold the base rate at 3.75%.

ECONOMIC INDICATORS

	YOY Change	Monthly Change
102.8 MONTHLY GDP	▲	▲
53.7 UK COMPOSITE PMI	▲	▲
-16 CONSUMER CONFIDENCE	▲	▲
5.1% UNEMPLOYMENT RATE	▲	▼
3.6% CPIH	▲	▲
3.7% 5 YEAR SONIA*	▼	▲
4.6% 10 YEAR GILTS*	▼	▲

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

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.

GDP per capita fell by 0.1% for the second consecutive quarter underscoring how growth is failing to keep pace with population expansion, despite expectations of a sharp reduction in net migration.

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 surged to 53.7 (revised from a flash of 53.9). This marked the sharpest expansion in private sector activity since April 2024. Services drove the improvement (54.0, from 51.4 in December), while manufacturing rose to a 17-month high of 51.8.

CPI unexpectedly increased to 3.4% in December, up from 3.2% in November. CPIH rose by 3.6%, up from 3.5% in November.

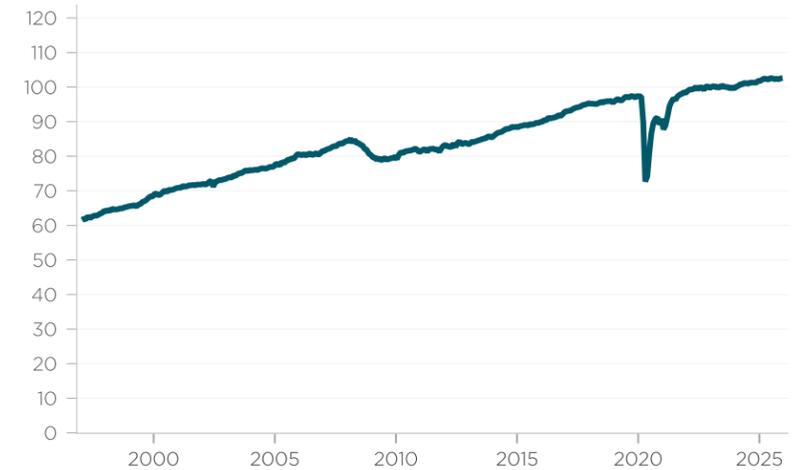
In the housing market, transactions remained relatively steady as 2025 came to an end. In December there were 100,440 residential transactions, leading in all to 2025 being 4.7% up on 2024, and 6% above the 5-year average.

During 2025, Northern Ireland saw the greatest house price increase at 9.7%, followed by the North West at 3.5% and Wales at 3.2%.

Annual growth to the end of January is running to 1%.

MONTHLY GDP

Index (2019 = 100)



UK ANNUAL HOUSE PRICE INFLATION

— Nationwide — Halifax



UNEMPLOYMENT & JOB VACANCIES



EMPLOYMENT

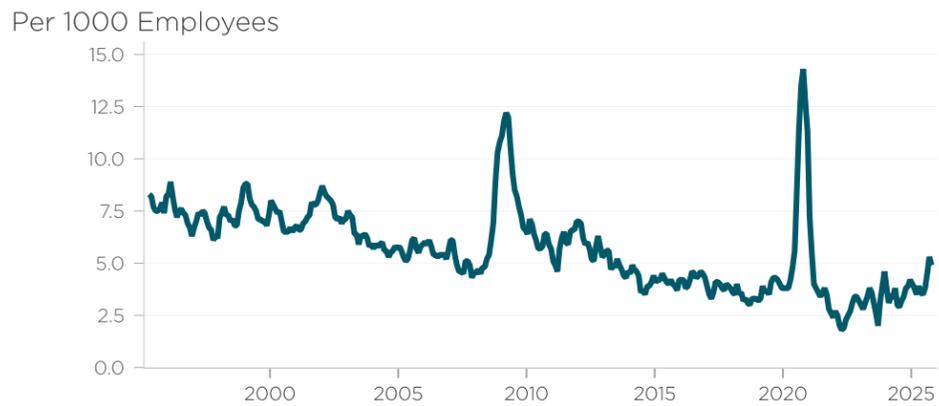
The labour market continues to loosen materially. The unemployment rate stood at 5.1% in the three months to November 2025, unchanged on the quarter but up sharply from 4.4% a year earlier. The BoE projects a further rise to 5.3% by mid-2026.

Payrolled employment fell by an estimated 155,000 in the year to November 2025, with a further provisional decline of 43,000 in December, the largest fall outside the pandemic period. 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 an otherwise positive PMI, January's survey suggested further falls in employment.

ILO REDUNDANCY RATE



EARNINGS

Wage growth is moderating but remains above the BoE's target-consistent rate. Total earnings (including bonuses) grew 4.7% in the three months to November 2025, while regular pay (excluding bonuses) was up 4.5%.

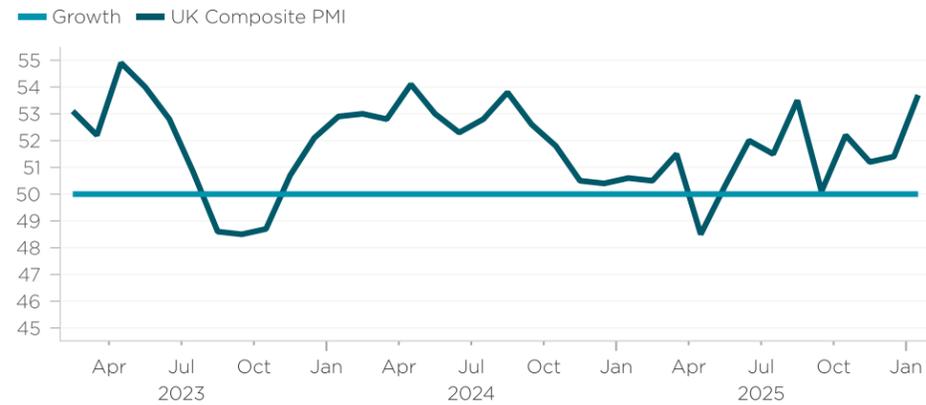
Private sector regular pay growth has slowed to 3.6%, its weakest since early 2021. The Bank's Agents' pay survey suggests basic private sector settlements will average 3.4% in 2026, broadly approaching target-consistent levels. PAYE real-time data showed median pay growth of 4.0% in December, continuing 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. The ONS are continuing efforts to improve the response.

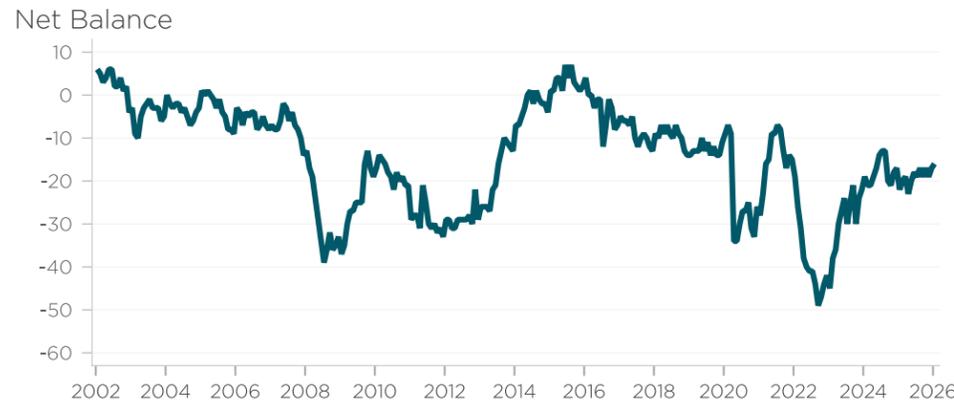
PAY IN REAL & NOMINAL TERMS



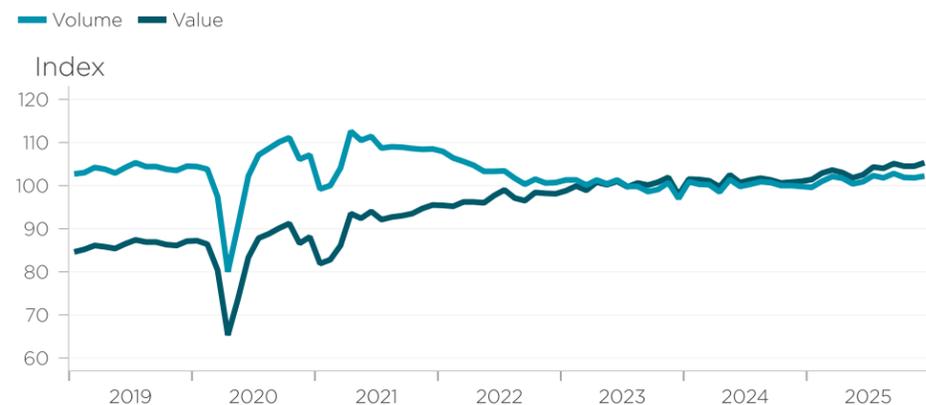
UK COMPOSITE PMI



CONSUMER CONFIDENCE



RETAIL SALES AND VOLUME INDICES



BUSINESS DEMAND

The S&P Global Composite PMI surged to 53.7 (revised from a flash of 53.9), marking the sharpest expansion in private sector activity since April 2024. Services drove the improvement (54.0, from 51.4 in December), while manufacturing rose to a 17-month high of 51.8.

While it is widely considered that the Survey is overstating momentum in the economy, nevertheless, the survey strongly suggests an improvement driven by the reduction of some temporary drags, and a moderation of cost pressures.

BUSINESS FAILURES

The number of registered company insolvencies in England and Wales was 1,671 in December 2025, 10% lower than in November 2025 (1,850) and 13% lower than the same month in the previous year (1,919 in December 2024).

The total number for 2025 reached 23,938, just 58 more than those seen in 2024, and 5% lower than 2023, which had seen a 30-year high annual number of insolvencies.

Throughout 2025, CVLs accounted for 77% of insolvencies, while compulsory liquidations accounted for 16%, with administrations at 6% and CVAs were just 1%.

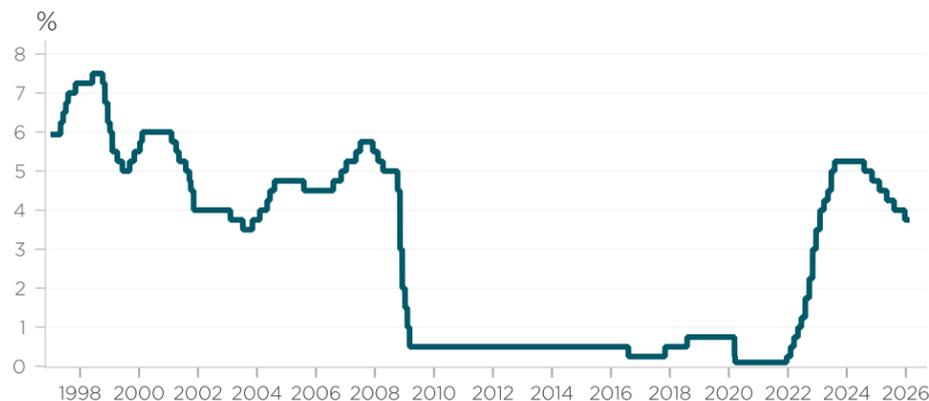
CONSUMER DEMAND

Consumer confidence inched up to -16 in January (from -17 in December), the highest reading since August 2024. GfK's Neil Bellamy characterised this as "resilience, not optimism," noting that consumers are focusing on what they can control while the broader economy "resembles an untethered boat drifting slowly out to sea". Personal finance expectations improved to +6, but the economic outlook deteriorated to -31.

Retail sales volumes rose 0.4% in December, recovering from two months of decline. However, the all-important Q4 "golden quarter" was another disappointment, the seventh successive quarterly decline in the golden quarter measure, with volumes falling 0.3% q/q. For 2025 as a whole, retail volumes rose 1.3%, the second consecutive annual rise, but remain 1.5% below pre-pandemic levels. Online spending values surged 11.1% y/y in December, pushing online penetration to 28.3%, the highest since January 2022.

The household saving ratio, at 9.7% in Q3 2025, remains elevated relative to pre-pandemic levels. The BoE notes this partly reflects the ongoing pass-through of higher effective mortgage rates on the stock of mortgages, as well as potentially more cautious behaviour following recent shocks. Whether consumers begin to spend more freely will be a key variable for 2026 growth.

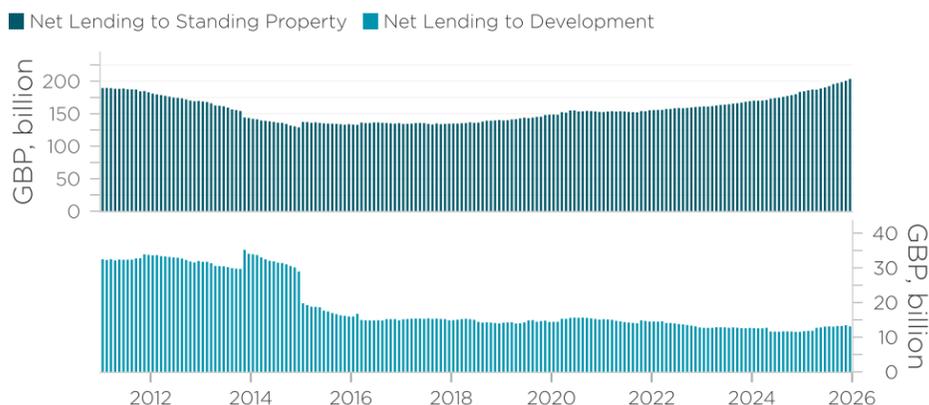
INTEREST RATES



5 YEAR SONIA & 10 YEAR GILTS



LENDING TO COMMERCIAL PROPERTY



INFLATION

CPI unexpectedly increased to 3.4% in December, up from 3.2% in November. CPIH rose by 3.6%, up from 3.5% in November. This was the first increase in inflation since July

Core CPI (excluding energy, food, alcohol, and tobacco) increased by 3.2% in the 12 months to December, the same rate as a month previous.

Alcohol and tobacco, and transport both led the upward contributions to inflation during the month, while housing and household services, and recreation and culture drove negative contributions.

The Bank of England's February Monetary Policy Report projects a sharper decline than previously anticipated, with CPI expected to fall to 2.1% by Q2 2026, 0.7 percentage points lower than the November forecast. This is largely reflecting the energy bills package announced in Budget 2025 and falling wholesale gas prices.

MONETARY POLICY

Despite the improved inflation trajectory, the MPC voted 5-4 to hold the Base Rate at 3.75% on 5 February. This was the closest vote split in this cycle, and the markets had expected a 7-2 vote. Governor Bailey signalled that "the risks from inflation persistence appear to have continued to reduce" and that he sees "scope for some further easing of policy". The four dissenters favoured a cut to 3.5%, placing greater weight on the risks from weaker demand. In the immediate aftermath, the probability of a 25 bps cut, rose to almost 50%, according to levels implied by swaps markets, having been at 20% prior.

Political instability around the prospect of a challenge to Keir Starmer's leadership saw intra-day volatility across the Gilt market. Gilts are now in the region of ~4.5%.

UK bonds are the highest of all the countries within the G7, partly as a result of the shifts in Pension provision and the country ranks second only to Japan within the G7 for bonds increases since the beginning of last year. The quantum of quantitative tightening has been tapered, and the Bank of England continues to manage the pace and distribution of gilt sales to minimise market disruption. The 5-year SONIA is down to ~3.6%.

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. The strength of net lending came despite a reduction on the balance for development which was at its weakest since 2019, albeit development lending is notably volatile at present. Standing investments in turn saw a large increase of £2.8 billion during the month.

This was against a backdrop of robust dealmaking in the final months of the year, and good availability of debt, which has led to rising LTVs and falling margins.

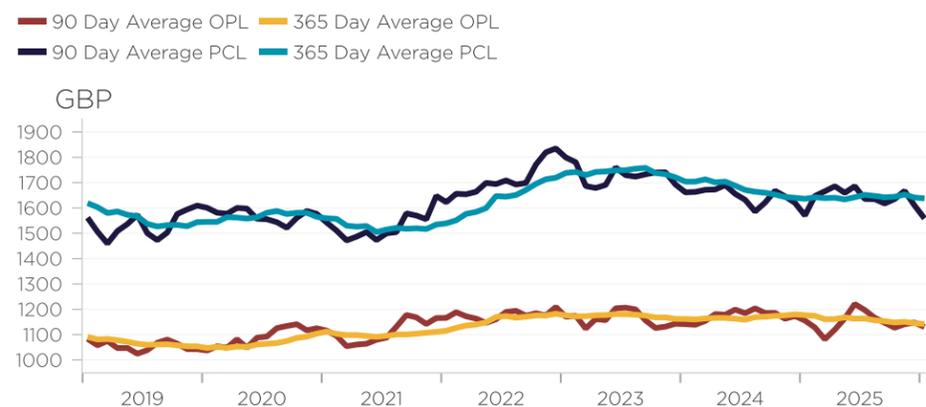
UK MONTHLY MORTGAGE APPROVAL & LENDING



UK MONTHLY TRANSACTION VOLUMES



CENTRAL LONDON CAPITAL VALUES



MORTGAGES

Mortgage approvals, an important gauge of housing market demand, saw a slight dip at the end of 2025, likely to have been impacted by Budget uncertainty. In December there were 61,013 mortgages approved, 8.4% below the same time last year and 4.8% below last month. However, they remained 4% above the 5-year average.

Mortgage rates have continued to improve and are now at their lowest level since summer 2022. Average quoted mortgage rates on a 90% LTV in January were at 4.37%, below 4.42% the previous month. Taking a lower LTV of 75%, there has also been modest improvement with average rates of 3.91% in January in comparison to 3.97% in December.

SALES & PRICING

Transactions remained relatively steady as 2025 came to an end. In December there were 100,440 residential transactions, an annual increase of 4.7% and a modest monthly decrease of -0.1%. They remain 6% above the 5-year average.

In January, UK house prices experienced a 0.3% monthly increase bringing annual growth to 1.0%. In Q4 house price growth varied by regions, Northern Ireland (9.7%) experienced the greatest annual growth, followed by the North West (3.5%) and Wales (3.2%). The South West (0.5%), the Outer South East (0.1%) and East Anglia (-0.8%) experienced the lowest annual growth.

Looking ahead, we forecast house price growth to remain at sustainable steady levels reflecting softer labour market conditions and the impact of tax freezes on disposable incomes. However, inflation is forecast to return to target and modest rate cuts are anticipated, which should place some upward pressure on 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.

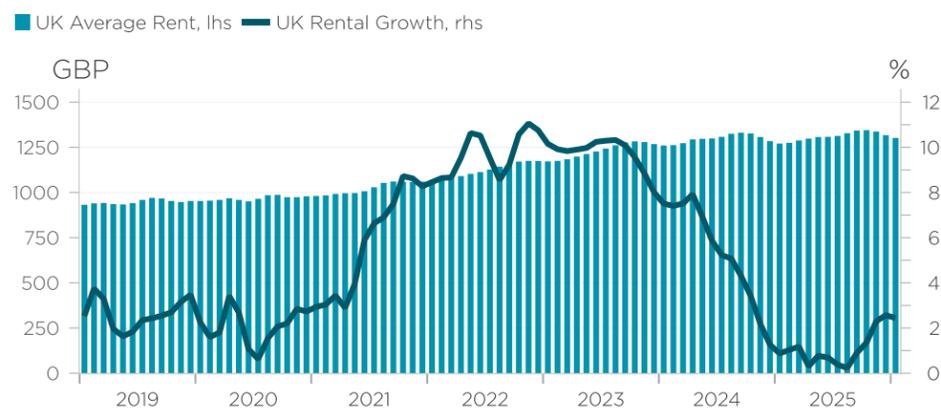
PCL - As of January 2026, 365 day average values in PCL were £1,638 psf, 0.2% below last month but 0.1% above last year. 90 day average values in PCL for January 2026 were £1,559 psf, 3.2% below December 2025. Achieved discounts to asking prices (365 day average) in PCL remained at -4.8%.

OPL - As of January 2026, 365 day average values in OPL are £1,142 psf, 0.3% below last month and 3.0% below last year. 90 day average values in OPL for January 2026 were £1,130 psf, 1.5% below December 2025. In OPL, discounts grew to -3.4% from -3.3% in December 2025.

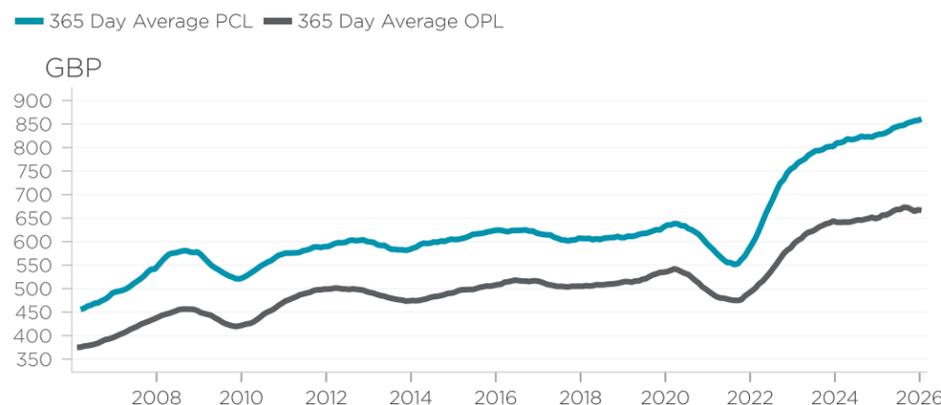
UK LANDLORD INSTRUCTIONS VS TENANT DEMAND



UK ANNUAL RENTS



UK LONDON RENTS



SUPPLY & DEMAND

In 2025, the pace of rental growth continued to slow as demand cooled. This was driven by a decline in net migration, an increase in first-time buyers, and affordability pressures that led to more young adults living with parents. The latter deferring underlying demand rather than satisfying it. Nonetheless the UK continues to face a shortage of rental homes, with the RICS residential survey showing landlord instructions in negative territory throughout 2025. Positive wage growth saw income continuing to outstrip rental growth, improving affordability, albeit still above recommended levels for many renters.

Despite a cooling in demand, 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) 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.

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.

RENTAL VALUES

In January, the average UK rent was £1,302, 1.1% below last month, bringing annual rental growth to 2.4%. Weaker tenant demand and a seasonal slowdown have placed some downward pressure on rental growth.

In January 2026 annual rental growth varied across the UK, with the greatest increase in the North East (6.8%), followed by Northern Ireland (5.5%) and Scotland (4.9%). The East of England (0.8%), North West (0.5%) and South East (-0.2%) experienced the lowest levels of annual rental growth.

PRIME LONDON RENTAL VALUES

Prime London experienced sustainable rental growth in 2025. The combination of the new ‘Mansion Tax’, weaker house price growth, previous introductions of non-dom changes and overseas buyer SDLT surcharges, is likely to make renting in Prime London more attractive. In addition, the rise in tax on rental income is likely to impact Buy-to-Let landlords, further reducing rental supply and placing some upward pressure on rents. However, the roll out of the Renters Right Act and softer labour market will place some downward pressure.

365 day average rental values in January 2026 show rents in PCL are 0.3% above the previous month and 3.9% above last year. Median monthly rental values are more volatile. One bed flats in December 2025 let for £710 pw, 0.7% below last month and 4.4% below the same time last year. Two bed flats let for £1,100 pw, 10.0% above the previous month and 9.6% above the previous year.

365 day average rental values in January 2026 show OPL rents are 0.2% below last month but were 2.3% above last year. In OPL median weekly rents for one bed flats let for £576 pw, 4.0% above last month and 4.2% above last year. Two bed flats let for £694 pw, 7.5% below last month and 7.5% below last year.

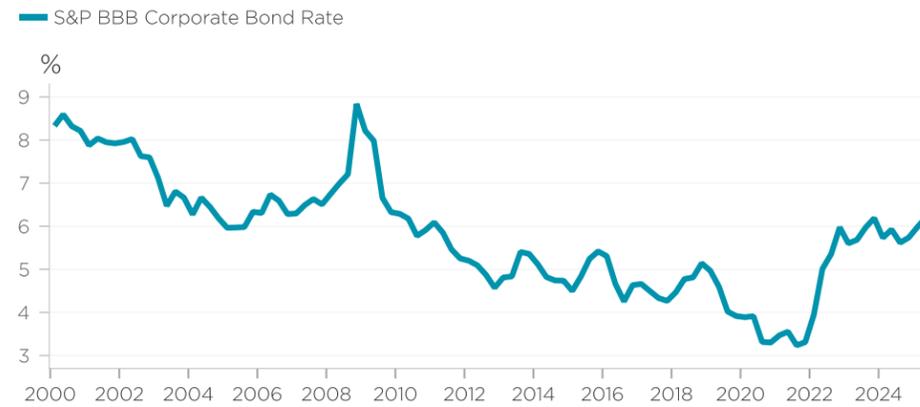
ADDITIONAL KEY CHARTS

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



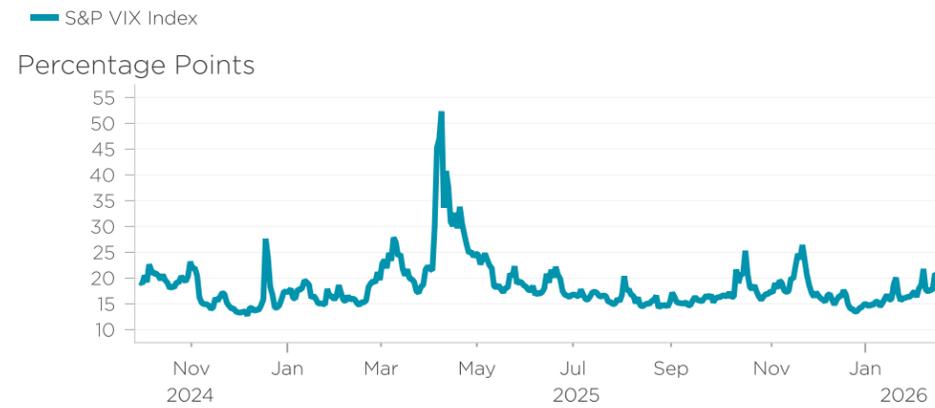
UK EARNINGS GROWTH



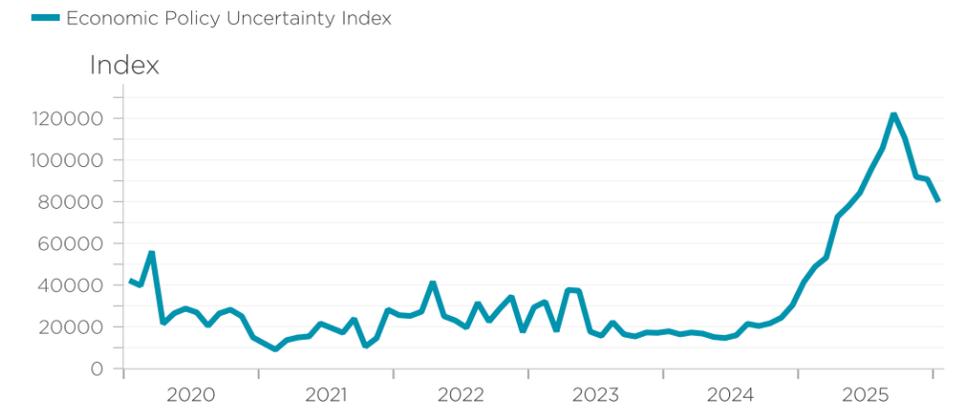
GBP USD SPOT RATES



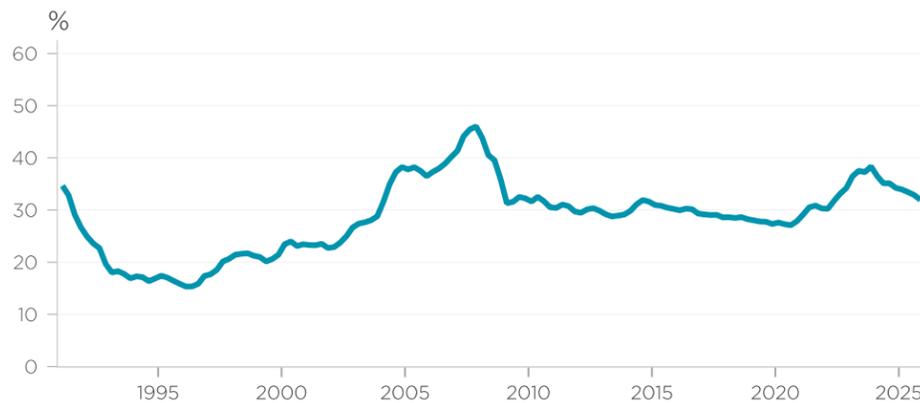
VIX INDEX



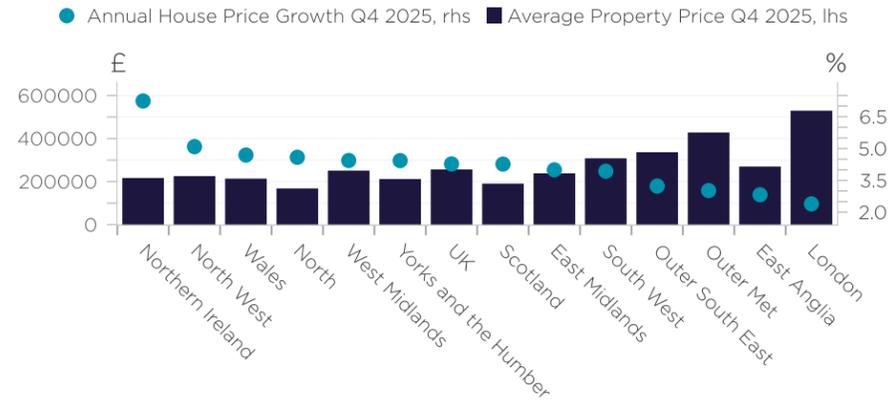
GLOBAL ECONOMIC POLICY UNCERTAINTY INDEX



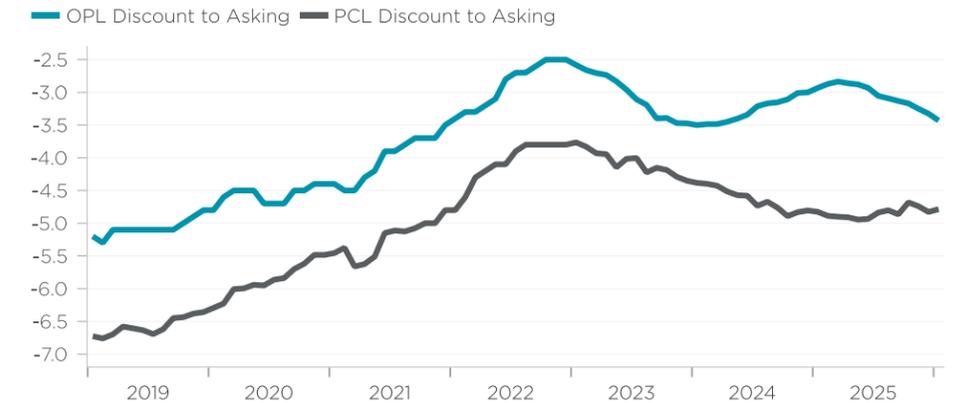
FTB MORTGAGE AS % OF TAKE HOME PAY



REGIONAL HOUSE PRICE GROWTH



CENTRAL LONDON RESI CAPITAL VALUE DISCOUNTS TO ASKING





MARKETBEAT

ECONOMY & HOUSING

FEBRUARY 2026

JASON WINFIELD

Head of UK Capital Markets
jason.winfield@cushwake.com

TOM NUTTALL

Head of UK Valuation & Advisory
tom.nuttall@cushwake.com

JONATHAN STICKELLS

Head of Specialist Markets Valuation & Advisory
jonathan.stickells@cushwake.com

DARYL PERRY

Head of UK Research & Insight
daryl.perry@cushwake.com

©2025 Cushman & Wakefield. All rights reserved. The information contained within this report is gathered from multiple sources believed to be reliable, including reports commissioned by Cushman & Wakefield (“CWK”). This report is for informational purposes only and may contain errors or omissions; the report is presented without any warranty or representations as to its accuracy.

Nothing in this report should be construed as an indicator of the future performance of CWK’s securities. You should not purchase or sell securities—of CWK or any other company—based on the views herein. CWK disclaims all liability for securities purchased or sold based on information herein, and by viewing this report, you waive all claims against CWK as well as against CWK’s affiliates, officers, directors, employees, agents, advisers and representatives arising out of the accuracy, completeness, adequacy or your use of the information herein.

Better never settles

