

UK Residential Market Review

Summer 2026

Strutt
& Parker

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Real average weekly earnings* rose in Jun-26

*(total pay, seasonally adjusted) Source: ONS

The **global economy** remains negatively impacted by the US-Israeli conflict with Iran, and the resulting energy supply shock. China has unexpectedly cut its oil imports over 40% since February which has helped to keep oil prices below worst-case scenarios and dampened the global impact. However, there remains significant uncertainty around the potential duration of the war.

Domestically, the UK now has its sixth Prime Minister in the ten years since David Cameron. This brings a new range of political uncertainties and speculation; we await the October budget for further policy clarity. Over the past four months, against expectation, UK inflation has not risen. There remains an upward pressure on goods and services from the energy shock with second-round effects that are 'likely to be stronger [...] and more long-lasting' according to the Monetary Policy Committee (MPC).

After the **Bank of England (BoE)** cut the base rate in December it was widely expected to continue its cutting cycle through 2026. The BoE is now balancing the UK's 'weakness in economic activity and demand for labour' with the realities of the global supply shock. Since the start of the conflict the MPC has held rates four times, regularly referencing 'the conflict in the Middle East'. A growing contingent of members – three at the latest meeting – voted for a rate hike as a 'risk management' approach to further inflationary pressures.

Indicator	Value	Date	Comment	Forecasts (HM Treasury as of Jul-26)	
				for 2026	for 2027
Inflation Rate (CPI)	2.6%	Year to June 2026	Inflation has remained above the 2% target since October 2024, however we are unexpectedly seeing CPI fall. There is evidence that the 'second round effects' expected by the BoE are not as strong as forecast.	3.4%	2.3%
GDP	QoQ: 0.6%	Q1 2026	GDP has been broadly flat since Q2 2025. Monthly GDP was -0.1% in April and 0.1% in May 2026.	1.0%	1.0%
Bank Rate	3.75%	July 2026	The bank rate was held at 3.75% in July 2026, for the fourth consecutive time. The next meeting is 17 th September 2026.	3.75%	3.5%
Mortgage Rates 2-yr /5-yr [60% LTV]	4.32% / 4.23%	Jul-26	Mortgage rates are slowly tracking downwards post the spike in March. The Bank of England's cautiousness around raising the base rate is giving confidence to the market that a hike will only happen if it is a necessity.	-	-
Unemployment Rate	4.9%	March – May 2026	The unemployment rate has declined by 0.3 percentage points since its peak in November – January 2026 but forecast to rise slightly over the remainder of the year.	5.3%	5.2%
Exchange Rate (GBP to Euro)	1.17	End of July 2026	Over the past year, sterling has fluctuated against the euro but has followed a gradual upward trend since March 2026. The pound weakened briefly in early April, this proved short-lived. By July, sterling had reached its highest level over the past year.	-	-
FTSE	QoQ: 1.1% YoY: 19.3%	[Start] Q3 2026	The FTSE has continued to grow from the previous quarter, holding value above 10,000. Its current strength, when compared to other economic indicators, is fuelling discussions around a K-shaped economy.	-	-

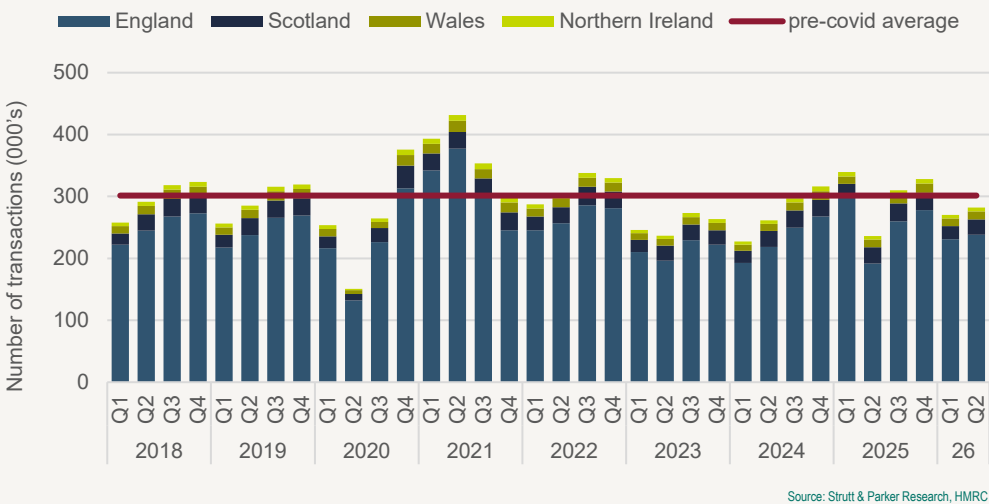
National residential sales transactions

Nationwide has reported growth of 2.2% in the 12 months to June 2026, this is closely aligned with the ONS reporting of 2.7% growth to May-26. This growth continues to be driven by the typically more affordable, northerly regions. North East, North West and the Yorkshire & the Humber have all seen average house prices growth over 4% in the 12 months to May, according to the ONS.

London and the South East, the two regions with the highest house-price-to-earnings ratio, have seen the lowest growth over this period. More expensive, less affordable areas are disproportionately impacted by high debt costs.

Transaction levels over the second quarter reached 282,000. Although this is 20% above the same quarter last year, Q2 2025 was artificially low after changes to SDLT in April 2025. The first six months of this year against H1 2025 show that volumes have come down by 4%. Although the mainstream market has been fairly resilient to higher mortgage costs, the increased cost of debt has stopped some from transacting.

Number of recorded properties sold across the UK for 2018 to 2026



Sales expectations from the RICS survey have remained flat over the first half of this year. This represents an almost fifty-fifty split between respondents expecting a negative and a positive outlook over the next year.

Higher mortgage rates and inflation weigh on household ability to spend; this, in turn has impacted expected house price growth and transaction forecasts.

In the most recent MPC report, it stated that “underlying price and wage pressures have continued to ease. But that has been offset by higher global energy prices as a result of the conflict in the Middle East”. An estimated five-

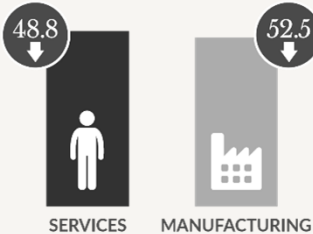
million plus borrowers are expected to have to face higher rates by the end of 2028, directly due to the conflict.

This is not helped by a further change of government, and we will have to wait to see the impact on housing market. The Autumn Budget at the end of October will provide a level of clarity. Speculation around wealth taxes is creating some uncertainty, however a reform to SDLT has been ruled out in 2026. Andy Burnham has pledged the largest council and social housebuilding programme, aiming to tackle the UK housing crisis. Clarity is required on how this will be funded and executed.



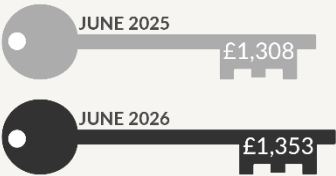
UK property prices grew by 2.7% in the 12 months to May-26

Source: ONS HPI



UK services & manufacturing both fell over Jun-26

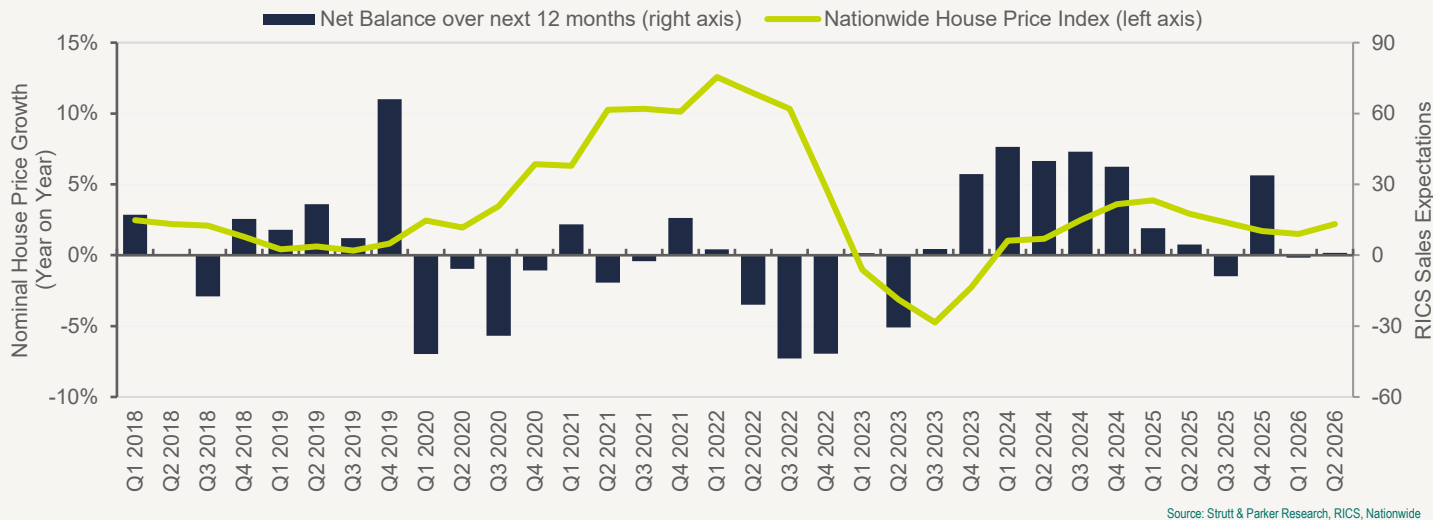
Source: IHS Markit/CIPS



UK average rent increased 1.0% in the year to Jun-25

Source: HomeLet

Nationwide House Price Index & RICS Price Expectations



Prime Central London Residential sales

Prime Central London (PCL) completions this quarter are 40% up against last quarter and 27% up against Q2 last year; however, these figures are misleading.

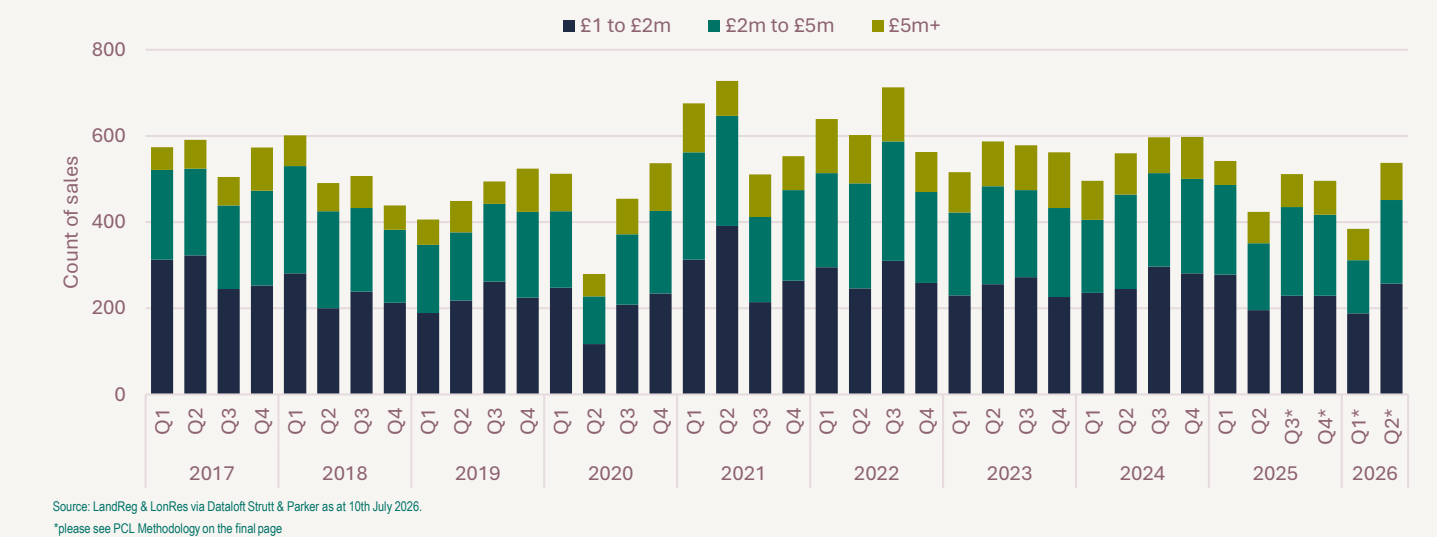
Q1 was heavily disrupted by cyber-attacks to the councils of the Royal Borough of Kensington and Chelsea (RBKC) and the City of Westminster which pushed back completions from Q1 into Q2. Conversely changes to stamp duty on 1st April 2025 led to a surge of transactions in Q1 2025 from which followed a lull in Q2.

When comparing the last four quarters to the preceding four quarters, the year to Q2 is down 11% in the £1m+ market.

The £5m+ market has held flat over this period with the fall in volumes worse in the £1m to £2m market (-14%). The PCL market continues to struggle with an expectation gap between buyers and sellers. Price reductions have become a staple of the market as sellers that need to transact have had to cut prices to heighten interest.

Negotiations extend the time to sell further; it now takes over nine months to sell a home valued over £1m after it has been put on the market. This continues to damage values which have fallen 1.8% over Q2 2026. It is worth noting that homes which didn't need a price reduction sold in a half the time, 4.6 months.

Number of homes sold in PCL



Prime Outer London Residential sales

Prime Outer London (POL) represents a similar market to Prime Central London, with distorted comparisons to last quarter and Q2 last year.

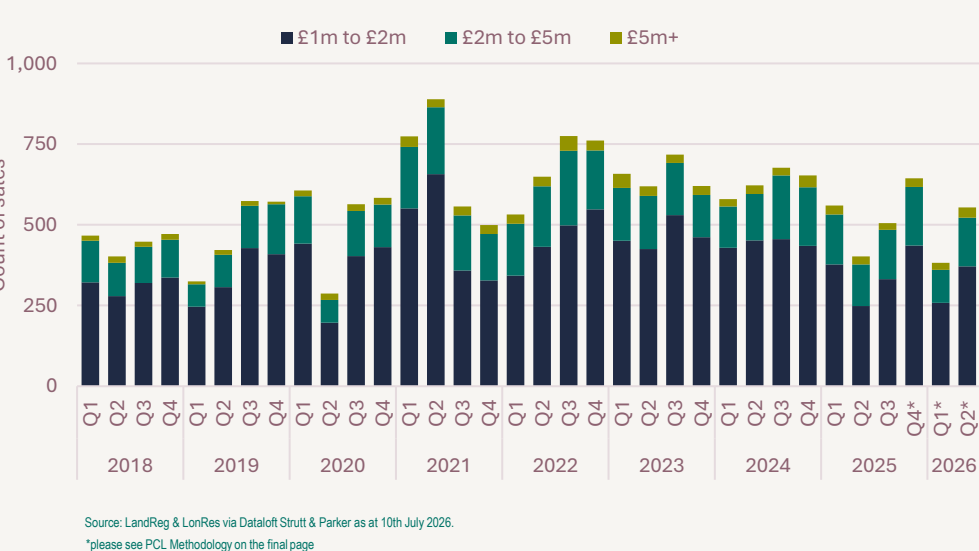
Therefore, looking at the year-on-year on comparison gives a more accurate representation of volumes transacted in the market. In this timeframe POL is 9% down against the four quarter to Q2 2025. This drop is seen the least in the £1m to £2m market, down 8%, whilst the £2m+ market is down 11%.

Similarly to the PCL market, reaching an agreement between buyer and seller expectations has been the central challenge.

Sales over £1m that completed in the first half of 2026 have taken 37 weeks from the date that they were instructed. This is 19% longer than homes took to sell in the second half of 2025.

Over the last quarter values in POL have fallen by 1% as the sluggish market requires attractive pricing to draw in buyers.

Number of homes sold in POL, timeseries



The Prime London market continues to be characterized by its significant fragmentation, operating effectively as a collection of diverse and distinct micro-markets.

While consistent stability prevails in needs-driven locales such as Fulham where residential demand remains steady, the more discretionary markets of Knightsbridge, Mayfair, and the West End are now emerging as compelling opportunities for the discerning buyer. International investors are becoming increasingly attuned to this inherent value, often leveraging the growing prevalence of receivership sales to secure prime assets.

Consequently, for the vendor, strategic and realistic pricing has become the essential catalyst for a timely transaction. Properties that require a subsequent price correction to attract buyers are experiencing a marked increase in time on market, typically doubling the duration of those priced correctly from the outset."

Claire Reynolds
National Head of Sales

Prime London Residential lettings market

Q2 continued with the traditional seasonality of the prime London lettings market up against Q1. Further to this the market has improved against last year, up 18% versus Q2 2025, with 34% more lets over the last year, compared to the previous year.

Growth has come at all price points but the top, over £2,000 per week, and the lower end, under £1,000 per week, have outgrown the middle of the market.

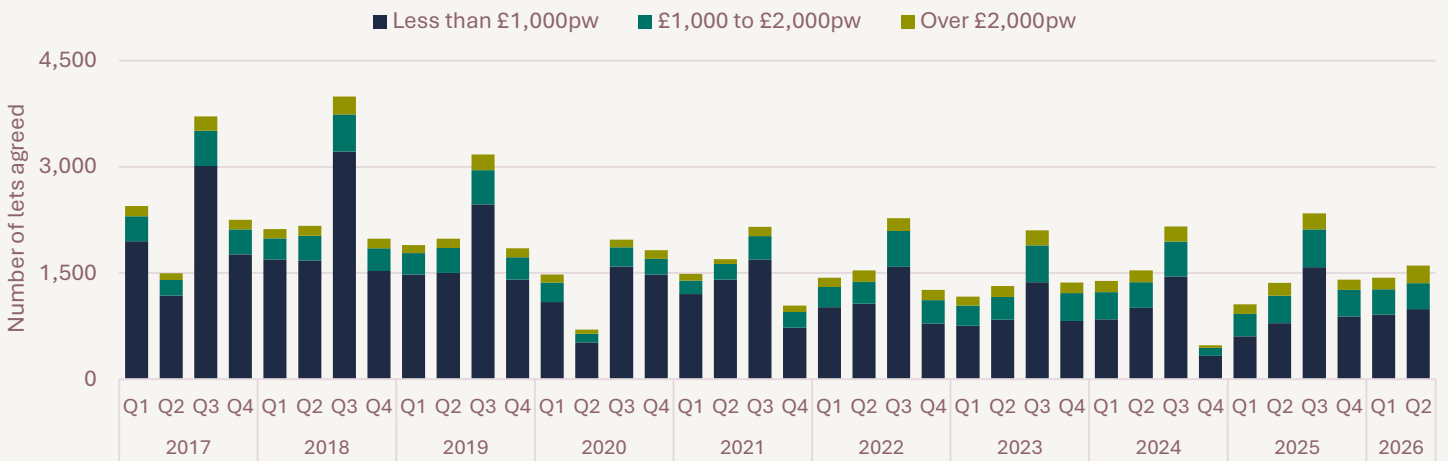
All of this is a positive sign that the Renters’ Rights Act has not heavily disrupted the market as some had speculated. The Act has brought a shift to how lets are conducted. There was a concern it

could lead to landlords leaving the market, worsening the current supply demand imbalance.

One of the most talked about parts of the Act is the ending of landlords’ ability to accepted rental offers over the initial asking rent. However, our analysis shows that at these price points the average accepted rent is below the initial asking rent suggesting that this will not create wide scale disruption to the market.

What may be more of a cause for concern with landlords is the ability of the tenant to contest rents if they believe them to be over market rent.

New rental tenancies in prime London, timeseries



Source: LonRes via DataLoft, , Strutt & Parker as at 10th July 2026.

Prime Regional Lettings market

The volume of regional new lets over £500pw has grown considerably over the last five years. The first six months of 2026 saw 121% more lets than the same months in 2021, when a post-lockdown rebound created supply shortages causing strong rental growth.

This is not an exact measure of market activity as the rental inflation over this period, of 36%, has brought new lets into this price band that were below £500pw in 2021. This market also has a strong seasonality with the volume of new lets

falling throughout the year before picking up in Q4.

The Renters’ Rights Act does not look to have disrupted this. Landlords that are keeping well-maintained, good quality properties and with a strong tenant relationship do not seem impacted by the changes implemented in the Act.

Due to this, and the challenging sales environment, we have not seen large numbers of landlords leave the market, and here is some evidence of some landlords returning to the market.

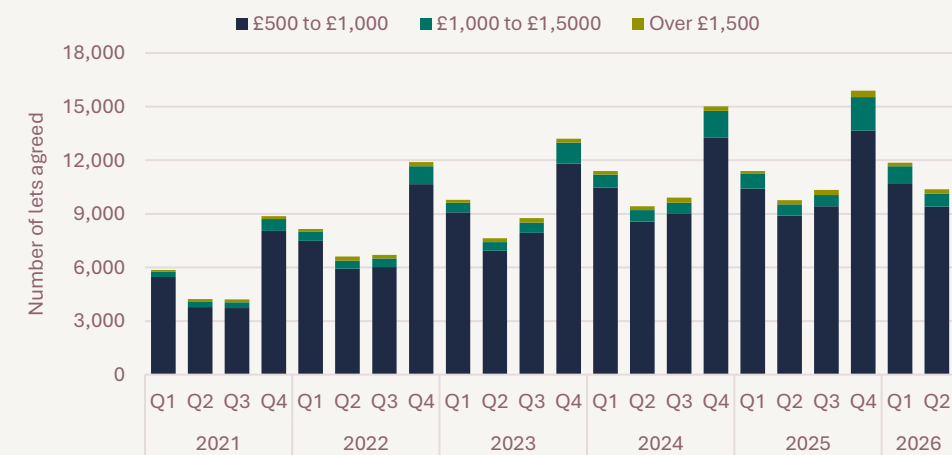
“While the broader sectors of the lettings market are feeling a more pronounced impact from the introduction of the Renters’ Rights Act, we have remained relatively insulated from these disruptions within the Prime segments of the market.

In Central London specifically, we have observed a significant strategic shift at the super-prime end, particularly for properties exceeding £5,000 per week. Where this high-end market was previously dominated by overseas professionals relocating for work, we are now seeing a wave of domestic tenants who often find the current rental landscape more flexible and accessible than the costs and complexities of the for-sale market.

This specific cohort is typically deeply rooted in their area of London through schooling, work, or community ties, and they are willing to pay a premium for a home that meets their requirements. We have encountered instances where potential tenants identify properties listed for sale and request that we approach the vendors to negotiate a bespoke rental arrangement.”

Anna Ambrose
National Head of Lettings

New rental tenancies by rent, in England & Wales excl. London



Source: Strutt & Parker research, TwCl as at 24th July 2026.

New Homes – England & Wales (excl. London)

Housing starts, up 10% year on year, in England & Wales excluding London, have continued their recovery over the last two years. However, start volumes are still 26% below where they were in 2022.

Even including starts in London, volumes are at 43% of where they need to be to reach the Labour's pledge of 1.5m homes in their first term – this also assumes that all starts are successfully delivered.

New PM Andy Burnham has spoken about his desire to deliver council homes across the country, and the reinstatement of Angela Rayner shows his commitment to this policy.

Over the last 4 quarters only 123,000 homes have been delivered. There are multiple reasons why the private sector has been delivering less than half of the Government's annualised target.

The primary reasons are inflated materials and labour costs, planning and building red tape, environmental regulations ('green tape'), weakened demand, subdued investment and higher debt costs.

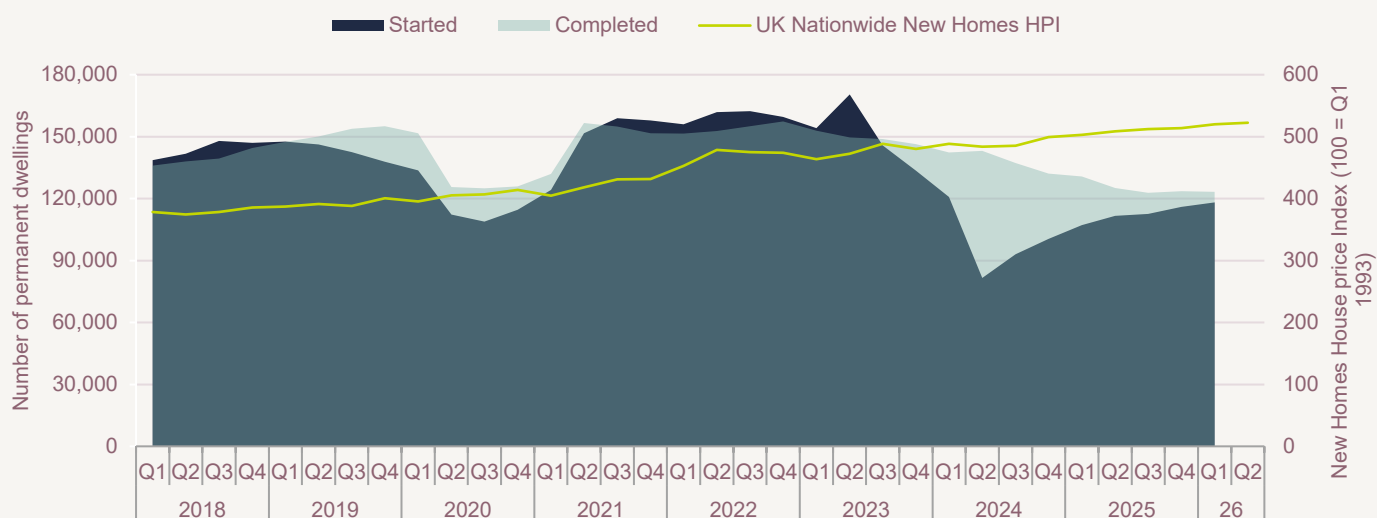
All of these are issues alongside restarting a public housebuilding program, will need to be addressed if the government wants to get Britain's housebuilding moving forward again.



Homes completed during Q1 2026, in England

Source: MHCLG

Number of new homes built UK (excl. London) & new homes house price index



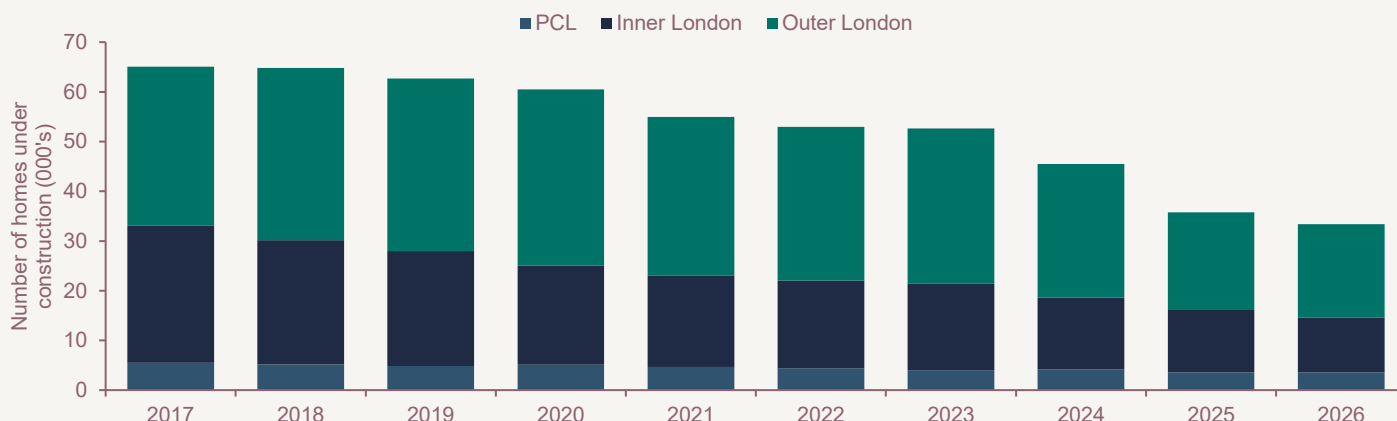
Source: Strutt & Parker Research, MHCLG

New Homes – Greater London

The number of homes under construction in Q2 2026 is down 7% on volumes against 2025 and now sits 49% below 2017's construction volumes. Over the last few years, the number of housing starts in the capital have been around two-thirds of completions. This has created an ever-shrinking number of on-going developments.

With debt costs remaining inflated, housebuilding viability continues to be stretched. Additionally, forecasts for prime London values remain negative to low in the short-medium term, meaning developers must build at below current sales prices, again damaging viability. Regardless of these pressures the first two quarters of 2026 have seen a pick-up in London starts, primarily in outer London, however this provides some hope that the development pipeline will be able to withstand these macro pressures.

Number of private sale units under construction in schemes of 20+ private units in Greater London



Source: Mollor, Strutt & Parker as of 09th Apr 2025; PCL defined as Local Authorities of Hammersmith & Fulham, Kensington & Chelsea and Westminster; Inner London defined as Local Authorities of Camden, City of London, Hackney, Islington, Lambeth, Southwark, Tower Hamlets, Wandsworth; Outer London defined as remaining 22 Greater London boroughs.

Forecasts

Strutt & Parker’s Residential Forecast

	2026	2027	2028	2029	2030	5-year cumulative
Sales						
UK, mainstream	3.0%	3.0%	2.5%	2.5%	2.5%	14.2%
Prime Central London	-3.0%	-1.0%	1.0%	3.5%	4.0%	4.4%
Prime Outer London	-1.5%	0.0%	2.5%	3.5%	4.5%	9.2%
Prime Regional	-1.0%	0.0%	2.5%	3.0%	4.0%	8.7%
Lettings						
Prime London	1.0%	2.5%	2.0%	1.0%	1.5%	8.3%
Prime Regional	2.0%	2.5%	2.5%	3.0%	3.0%	13.7%

The prime sales market continues to suffer from either buyers or sellers differing market views. Sellers look at decades of house price growth with the expectation that these increases are likely to continue.

Whereas buyers look at stretched affordability alongside global and local headwinds, expecting to see a correction in values.

This has led to slow moving markets across the country where it takes an ever-increasing time to agree a price and complete a transaction.

Uncertainty around whether the new PM Andy Burnham will increase wealth taxes, such as adding to the high value council tax surcharge that was introduced at the last budget, has created a feeling of uncertainty and dampened sentiment.

Due to these factors, we are forecasting further downward pressure on values over the remainder of 2026, with these pressures softening in 2027 as interest rates are cut and we receive greater political clarity.

Meanwhile the less discretionary mainstream housing market has shown greater resilience, and we are forecasting growth of over 14% during the next 5 years with interest rate cuts and lower debt costs a considerable part of this calculation.

The lettings markets, now legislated by the Renters’ Rights Act (RRA), has performed with its cyclical consistency. Rental growth has subsidised after the spikes in 2023/ 24 and rents are now growing at a consistent rate.

In the medium term the RRA will add on to the pressures and costs of being a landlord; some will pass these to the tenants and for others they might be the reason they leave the market. Either eventuality will increase the level of market rent.

How the Act’s legislation limiting rent increases and offers over asking impact on growth is difficult to predict. This may slow short term growth as some landlords act with caution in response to the new powers afforded to their tenants, yet we expect rents in prime markets – London and regionally – to grow at around 2% a year over the next 5 years. London rents are already closer to their affordability ceiling meaning rents will grow more slowly. Additionally, there are a greater proportion of lets over £100,000 per year, outside the scope of the Act, therefore unimpacted by these changes.

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Methodology

As the housing market is seasonal, for the purposes of this report; data is compared year on year, i.e. looking at Q2 2026 in light of changes since Q2 2025. Data may also be compared on a rolling month on month basis. When referring to the PCL and POL markets these include those in which Strutt & Parker operate. PCL focuses on Knightsbridge, Belgravia, Kensington, Mayfair, Chelsea & Notting Hill and as such is reflective of London's most prime markets. When referring to POL this refers to the Fulham, and then the contiguous area of Holborn, the City of London, Clerkenwell, Islington, Camden, Hampstead, Belsize Park, St John's Wood and Maida Vale. Economic views are attributed to Strutt & Parker's retained economic advisors, Volterra. The global economy remains volatile and therefore there is risk that any market commentary provided will become out-dated within a short timescale.

PCL Methodology

PCL figures are formulated of HM Land Registry data and adjusted LonRes data – quarters denotated with an asterix. The LonRes adjustment is made to account for an undercount of sales, typically in the lower price brackets, and to correct for a variance in geographical areas. The adjustment takes the median difference, as a percentage, for each price bracket between Land Registry and LonRes sales over the past 3+ years (to avoid the data lag within Land Registry). This proportion is then used to adjust the most recent quarters of LonRes data.

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