RESEARCH

BRIEFING NOTE

UK Housing Market Update

Research – Residential – August 2026

savills

Mortgage rates weaken levels of activity

House prices rose by 0.1% in July, according to Nationwide. This meant annual growth reached 1.8% in July, down from 2.2% in June. This is in line with our forecast, which anticipated that higher mortgage rates as a result of the Iran war would cause house prices to fall slightly during 2026.

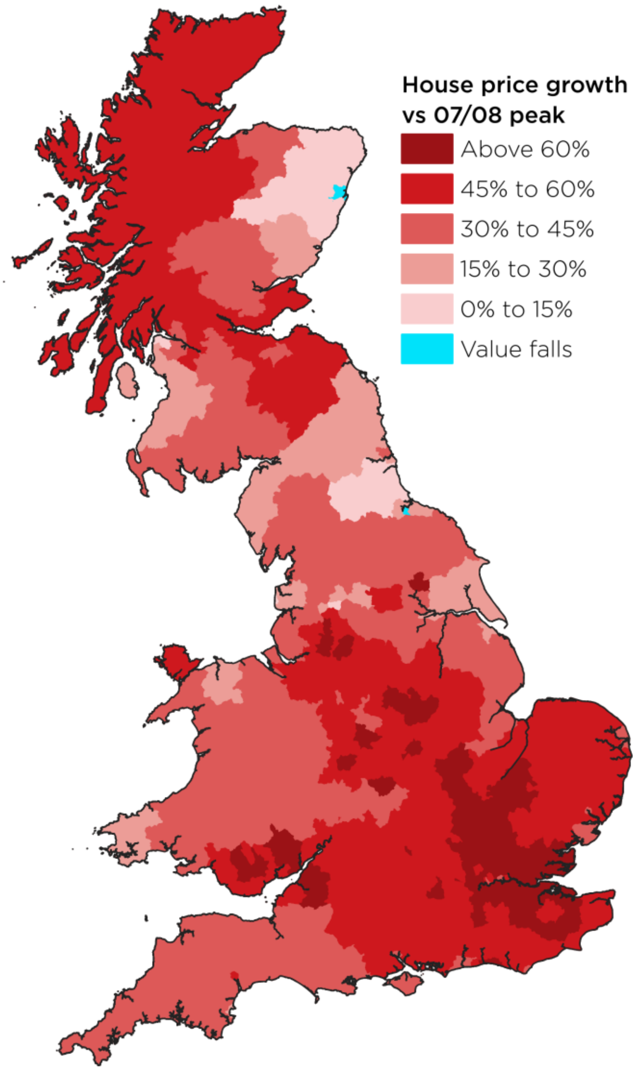
Higher mortgage rates are affecting market activity and price growth, with volatility in rate pricing creating added uncertainty. Financial markets are continuing to price in two base rate rises over the coming months and this is likely to remain the case until a lasting resolution to the Iran conflict is found. Mortgage rates are therefore unlikely to fall back to a level that unlocks price growth in the short term.

Economic forecasts are less pessimistic, expecting the Bank of England to hold rates steady until rate cuts can resume in 2027. Oxford economics expects that the Bank of England will keep the bank rate unchanged at 3.75% well into 2027. This is driven by the Bank balancing near-term inflationary shocks caused by the Iran war against longer-term fragility in the UK labour market. Inflation is forecast to fall back towards the target level of 2% in 2027, again assuming a lasting and permanent resolution to the ongoing war. If this is right, the market is likely to remain subdued but with the prospect of a stronger market next year.

The challenging mortgage market is feeding into lower levels of activity. Mortgage approvals for house purchases ticked up slightly in June, but remain -12% below the 2017-19 average. Completed transactions, which typically lag mortgage approvals by 1-2 months, were also -6% below the 2017-19 average in June. 20CI reported that sales agreed (net of fall throughs) were 3% above the 2017-19 average for July after being -15% below it the previous month. Although, a return to the 2017-19 average in July, which is typically a slower month, does not yet represent a recovery in the sales market. Levels of supply remain high and sales are slow, with Zoopla reporting in June that three fifths of homes placed on the market since the start of the year were yet to sell.

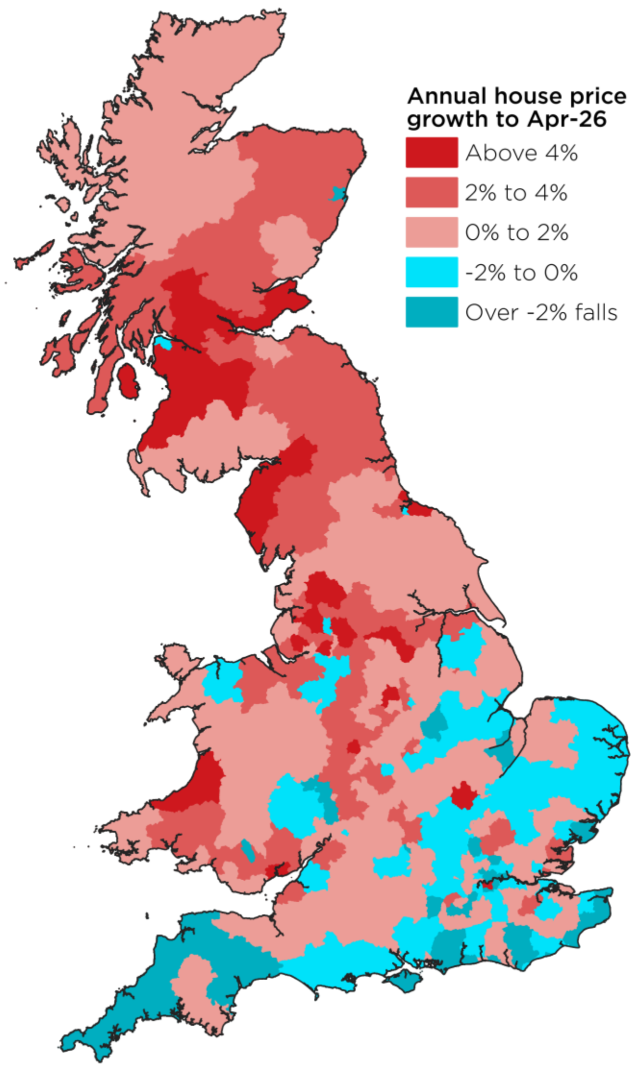
More localised house price data from April shows that Scotland and the North West had the greatest price growth, particularly East Ayrshire (12.6%), East Dunbartonshire (10.6%) and East Renfrewshire (9.0%). The weakest growth was in Kensington and Chelsea (-8.3%), Hastings (-7.4%) and Newham (-6.9%).

FIGURE 1 House price growth to Apr-26 since 07/08 peak



Source Savills using HM Land Registry and Registers of Scotland (6 month smoothed)*

FIGURE 2 Annual house price growth to Apr-26

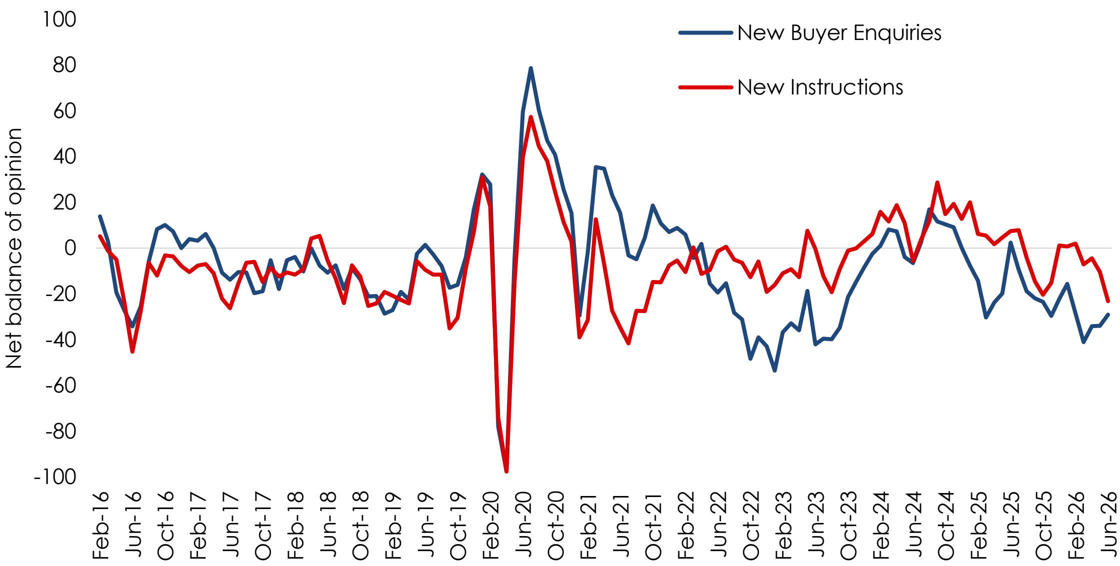


Source Savills using HM Land Registry and Registers of Scotland (6 month smoothed)*

A fall in new instructions for the second consecutive month has seen the gap with new buyer enquiries narrow sharply. This indicates that the pipeline of new stock coming to the market is thinning out.

Despite this, surveyors continue to report high levels of unsold stock and cite realistic pricing as a key factor in achieving a sale. Vendors who are not under immediate pressure to sell will be less likely to bring their property to market until there is an improvement in buyer demand.

FIGURE 3 The gap between supply and demand has narrowed as new instructions fell

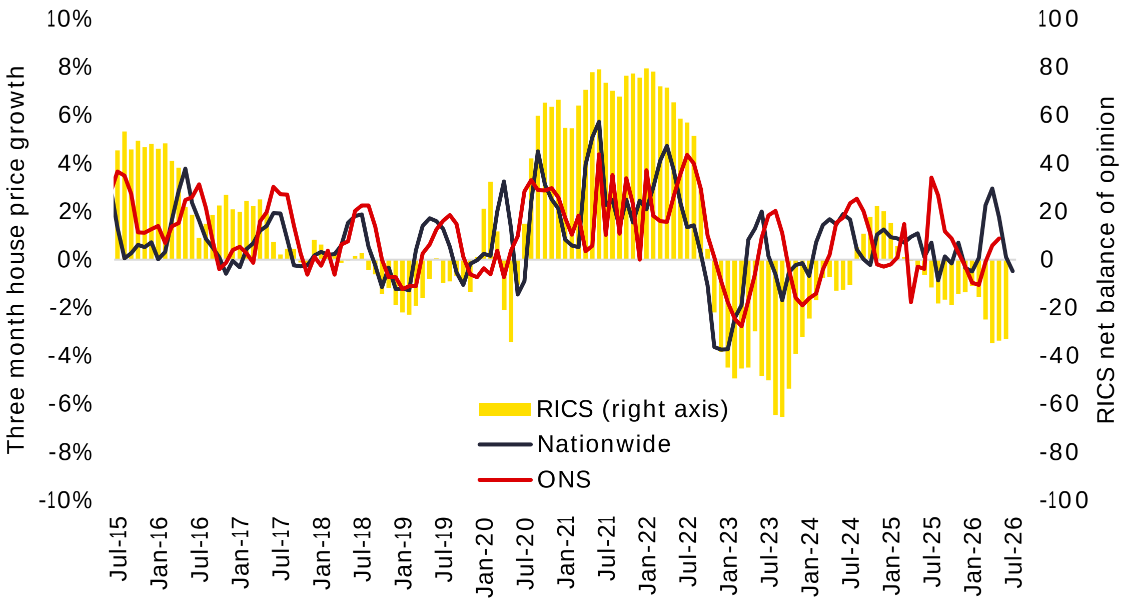


Source RICS (seasonally adjusted)

The RICS survey, which can be a good early indicator of house price movement, reported price expectation sentiment of -33. The past 3 months represent the weakest sentiment for anticipated price growth seen since December 2023.

Nationwide reported 3-month price fall of -0.5% in July, a slowdown driven by weak demand, from the previous month's figure of 0.1%. The more lagged ONS index, which tracks completed rather than agreed sales, reported 3-month price growth of 0.9% in May.

FIGURE 4 Nationwide reported 3-month growth of -0.5%; a slowdown from 0.1% the previous month

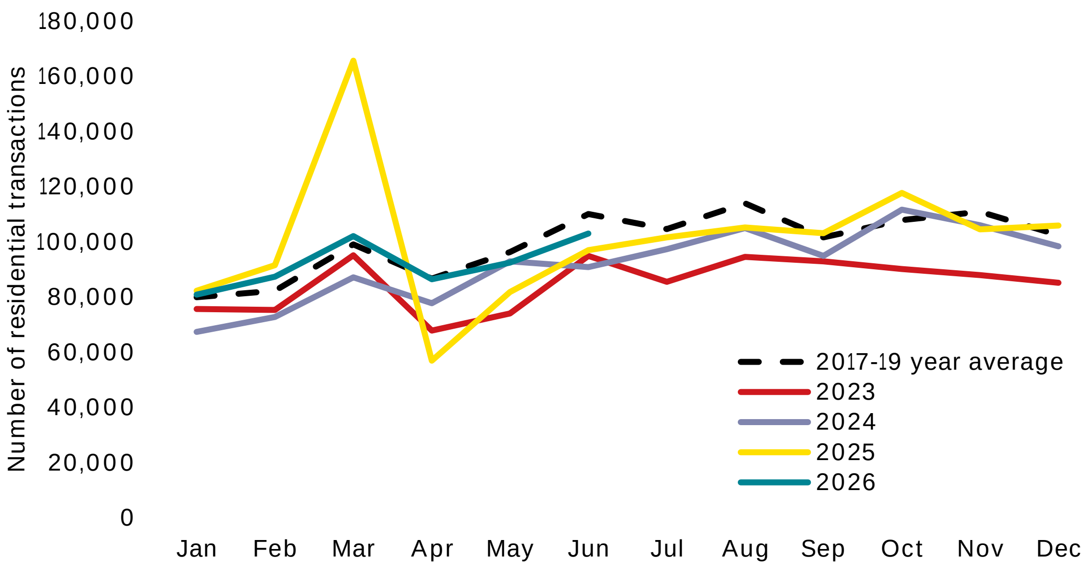


Source RICS (price expectations), Nationwide (seasonally adjusted), ONS (seasonally adjusted)

There were 103,050 completed transactions in June according to HMRC, -6% below the 2017-19 average for June. Levels of completed transactions are lagging the 2017-19 average as the effects of the conflict and resultant volatility in the mortgage markets has fed into lower transaction levels.

Mortgage approvals which are a more forward-looking indicator remain down by -12% on the 2017-19 average, which indicates that levels of completed transactions will remain weaker over the coming months.

FIGURE 5 Monthly transaction numbers in June were -6% below 2017-19 levels



Source HMRC (Non-seasonally adjusted)

Annual rental growth across the UK in June was 2.4% according to Zoopla, up from 2.1% in May. The North East and Yorkshire and the Humber continue to see the strongest annual rental growth of 4.2% and 3.7%, respectively. The West Midlands saw the weakest annual growth of 0.8%.

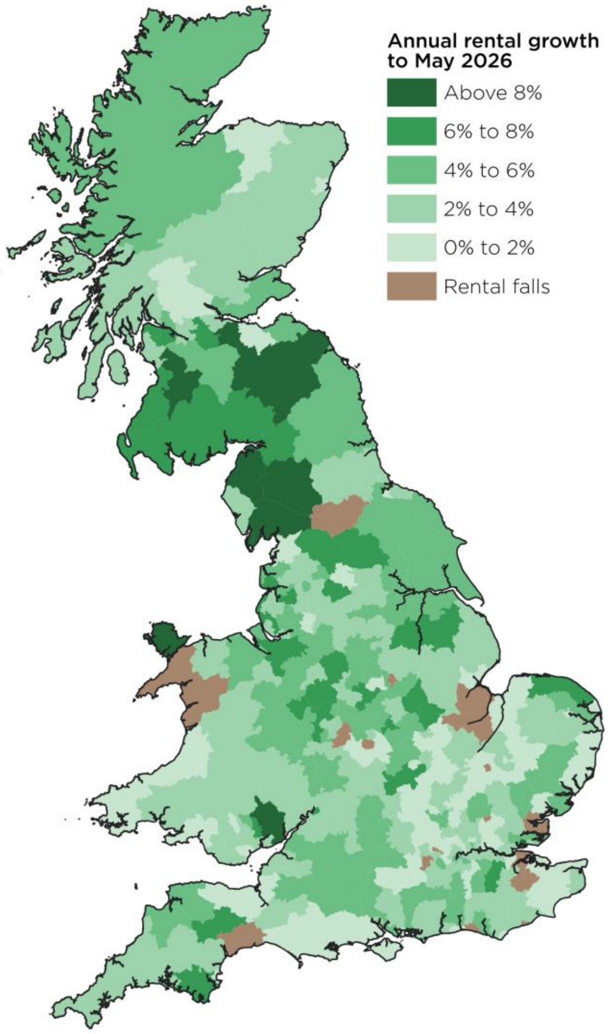
Annual rental growth is accelerating across all regions, while there is a more mixed picture at local authority level. Rental growth is being driven by contracting supply across all regions, however, at a local authority level, rental growth has been the strongest in Scottish suburban rental markets around Glasgow and Edinburgh, and areas in the North West such as Eden and Allerdale. Urban markets in the Midlands, which have seen delivery of new supply over recent years are continuing to see rental falls.

TABLE 1 Regional rental growth to June 2026

Region	m/m	q/q	y/y
UK	0.5%	1.3%	2.4%
London	0.5%	1.6%	2.6%
South East	0.4%	0.8%	1.9%
East of England	0.7%	1.7%	2.4%
South West	0.6%	1.6%	2.7%
East Midlands	0.3%	1.1%	1.5%
West Midlands	0.3%	0.6%	0.8%
North East	0.5%	0.4%	4.2%
Yorkshire and the Humber	0.7%	1.8%	3.7%
North West	0.6%	1.3%	3.3%
Wales	0.2%	0.6%	1.7%
Scotland	0.6%	1.7%	1.7%

Source Zoopla Rental Index – powered by Hometrack

FIGURE 6 Annual rental growth to May 2026

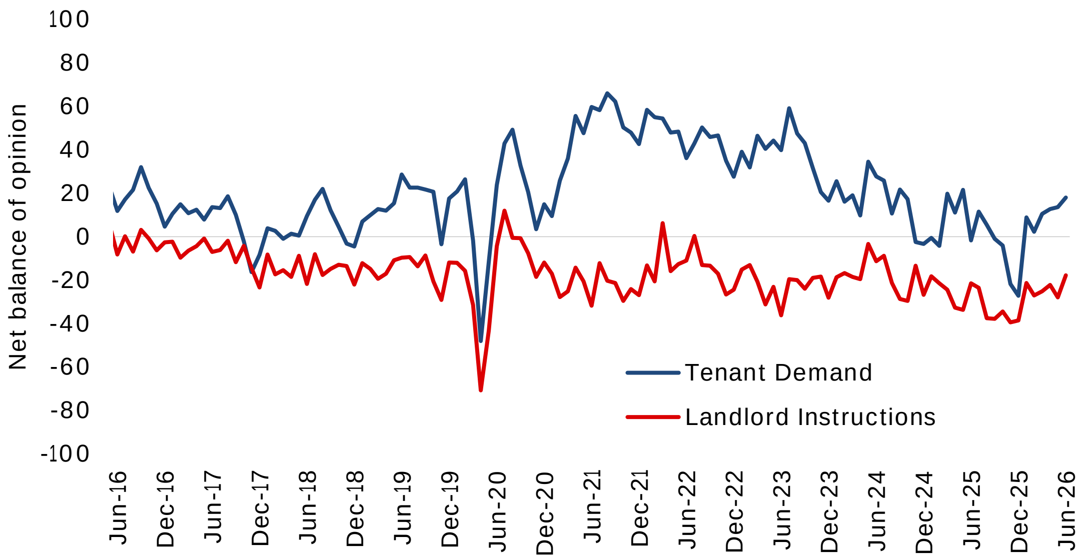


Source Zoopla Rental Index – powered by Hometrack

Tenant demand rose for the fourth consecutive month and is now at its highest level since May 2025. Landlord instructions, remain firmly negative as landlords continue to sell out of the sector following the implementation of the Renters' Rights Act (RRA).

The RICS residential survey, which is a useful forward indicator of sentiment in the rental market reported rental growth expectations of +26 in June, showing that surveyors expect rents to continue growing. The nature of this rental growth may differ due to the RRA, although the effects of this are unlikely to feed through into rental growth metrics for a few more months.

FIGURE 7 Tenant demand rose for the fourth consecutive month, while supply continues to fall



Source RICS

TABLE 2 Rental forecasts (published November 2025)

Region	2026	2027	2028	2029	2030	5 years to 2030
UK	2.0%	2.0%	2.5%	2.5%	2.5%	**12.0%**
London	1.5%	1.5%	2.5%	2.5%	3.0%	**11.5%**

Source Savills

TABLE 3 Recent house price growth

Region	Nationwide (Regions to Q2 2026, UK to July 2026)			ONS (to May 2026)			Savills* (to April 2026)		
	m/m	q/q	y/y	m/m	q/q	y/y	m/m	q/q	y/y
UK	0.1%	-0.5%	1.8%	0.4%	0.9%	2.8%	-0.2%	-0.6%	0.8%
London	-	0.5%	0.1%	-1.2%	0.3%	-3.7%	-0.4%	-2.0%	-0.6%
South East	-	0.0%	0.4%	0.8%	0.8%	1.2%	-0.4%	-1.2%	-0.9%
East of England	-	0.4%	0.8%	0.3%	0.1%	2.3%	-0.2%	-0.6%	-0.1%
South West	-	1.1%	1.8%	-0.3%	0.4%	1.8%	-0.2%	-1.0%	-0.4%
East Midlands	-	1.3%	3.3%	-0.4%	0.1%	3.1%	-0.2%	-0.3%	1.4%
West Midlands	-	1.5%	3.9%	-0.9%	-0.8%	2.7%	0.0%	-0.3%	1.5%
North East	-	0.3%	3.0%	0.6%	0.5%	5.9%	0.1%	0.0%	2.5%
Yorkshire and the Humber	-	0.6%	4.0%	0.1%	-0.4%	4.3%	-0.1%	-0.2%	1.9%
North West	-	0.9%	3.5%	1.4%	1.6%	5.7%	-0.1%	0.0%	3.1%
Wales	-	1.1%	3.5%	1.3%	1.5%	4.1%	0.1%	0.0%	1.8%
Scotland	-	-0.7%	1.6%	1.5%	3.8%	4.4%	0.2%	0.3%	3.8%

Source Savills using HM Land Registry and Registers of Scotland (6 month smoothed)*, Nationwide (seasonally adjusted), ONS (seasonally adjusted)

TABLE 4 Revised mainstream house price forecasts (published June 2026)

Region	2026	2027	2028	2029	2030	5 years to 2030
UK	-2.0%	2.5%	5.0%	6.0%	6.0%	**18.5%**
London	-4.0%	1.0%	3.5%	5.0%	5.0%	**10.6%**
South East	-3.5%	1.5%	4.0%	5.5%	5.5%	**13.4%**
East of England	-3.5%	2.0%	4.0%	5.5%	5.5%	**13.9%**
South West	-2.5%	2.5%	5.0%	6.0%	6.0%	**17.9%**
East Midlands	-2.5%	3.0%	5.5%	6.0%	6.0%	**19.0%**
West Midlands	-2.0%	3.0%	5.5%	6.0%	6.0%	**19.7%**
North East	0.0%	3.5%	6.0%	6.5%	6.0%	**23.9%**
Yorks & Humber	0.0%	3.5%	6.5%	6.5%	6.5%	**25.0%**
North West	0.0%	3.5%	6.5%	6.5%	6.5%	**25.0%**
Wales	-0.5%	3.0%	6.0%	6.5%	6.5%	**23.2%**
Scotland	-0.5%	3.0%	5.5%	6.5%	6.5%	**22.6%**

Source Savills Research | Note: these forecasts apply to average values in the second-hand market. New build values may not move at the same rate.

Savills Research

We're a dedicated team with an unrivalled reputation for producing well-informed and accurate analysis, research and commentary across all sectors of the UK property market. To view copies of our previous Spotlight publications, go to www.savills.co.uk/insight-and-opinion/



Dan Doherty
Analyst
020 7123 6349
daniel.doherty@savills.com

Corranne Wheeler
Associate
020 3107 5454
corranne.wheeler@savills.com

Chris Buckle
Director
020 7016 3881
CBuckle@savills.com