RESEARCH

BRIEFING NOTE

UK Housing Market Update

Research – Residential – July 2026

Activity slows due to strong headwinds

House prices remained flat at -0.0% in June, according to Nationwide. This meant annual growth to June was 2.2%, up from 1.7% in May. Continued uncertainty over the long-term resolution of the US-Iran conflict has resulted in fragile buyer confidence. Meaningful price growth over the short to medium term therefore remains unlikely.

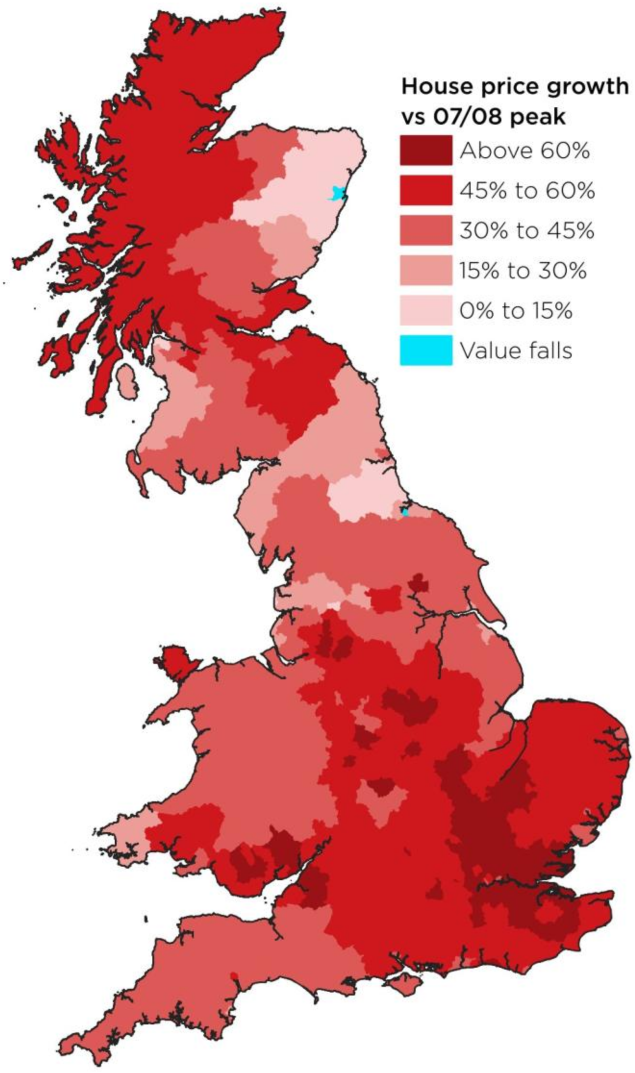
Mortgage approvals for new house purchases in May reached their lowest level since November 2023. Higher mortgage rates have fed through into a reduction in the number of mortgage approvals for house purchases (-15%) and remortgaging (-35%) in May. Completed transactions, which typically lag mortgage approvals by 1-2 months, will likely see a drop off over the coming months.

Sales agreed net of fall throughs were -13% below the 2017-19 average for June, according to Twenty CI. Lower levels of buyer demand over recent months have seen higher levels of unsold stock. Additionally, Twenty CI reported that price changes for listed stock were up 28% compared with the 2017/19 average, as vendors try to align with buyers' expectations. Zoopla reported that withdrawals of homes previously listed for sale were 10% above the 2017-19 average. These indicators point to an imbalance in which a large number of sellers are competing for a limited pool of buyers, limiting the potential for price growth over the summer.

Mortgage rates have fallen from a recent peak in April but remain higher than where they were at the start of 2026. After rising sharply through March and April to 5% for a two-year fix (according to Nationwide), mortgage rates have fallen back to 4.6% as of 1st July, although rates remain higher than they were at the start of 2026. This fall has been driven by lower-than-expected inflation and falling oil prices. However, uncertainty remains and already cautious lenders could raise rates again in response to further escalation in the conflict. It remains to be seen what the long-term outlook will be, but a more lasting ceasefire will give the market greater certainty which will enable a more significant reduction in rates.

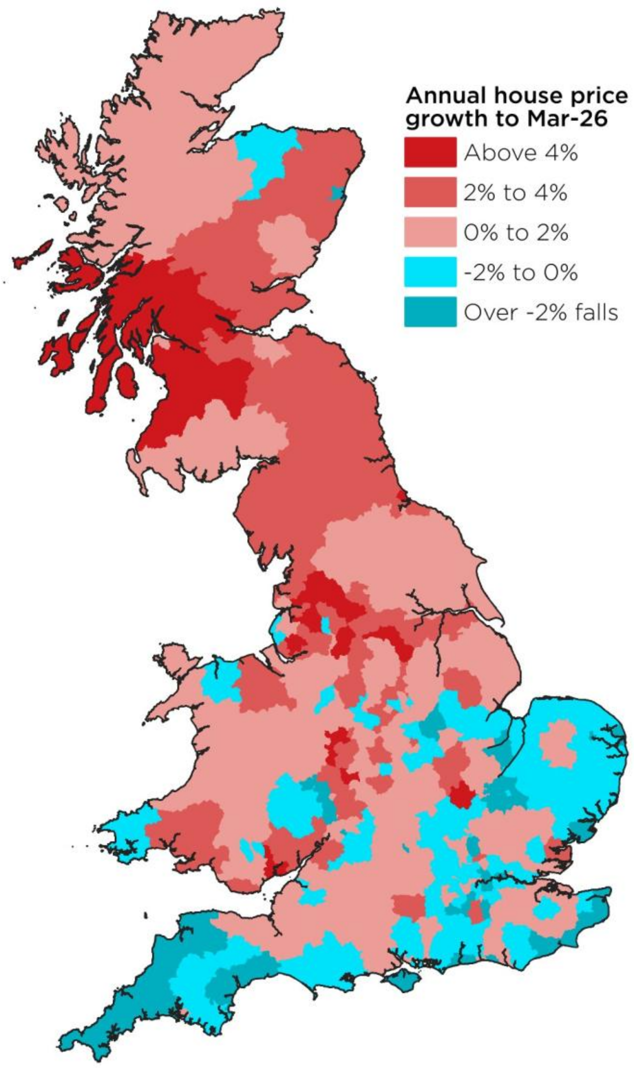
More localised house price data from March shows that Scotland and the North West had the greatest price growth, particularly East Dunbartonshire (11.6%), East Ayrshire (10.6%) and East Renfrewshire (8.6%). The weakest growth was in Torbay (-7.3%), Westminster (-6.8%) and Hastings (-6.7%).

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



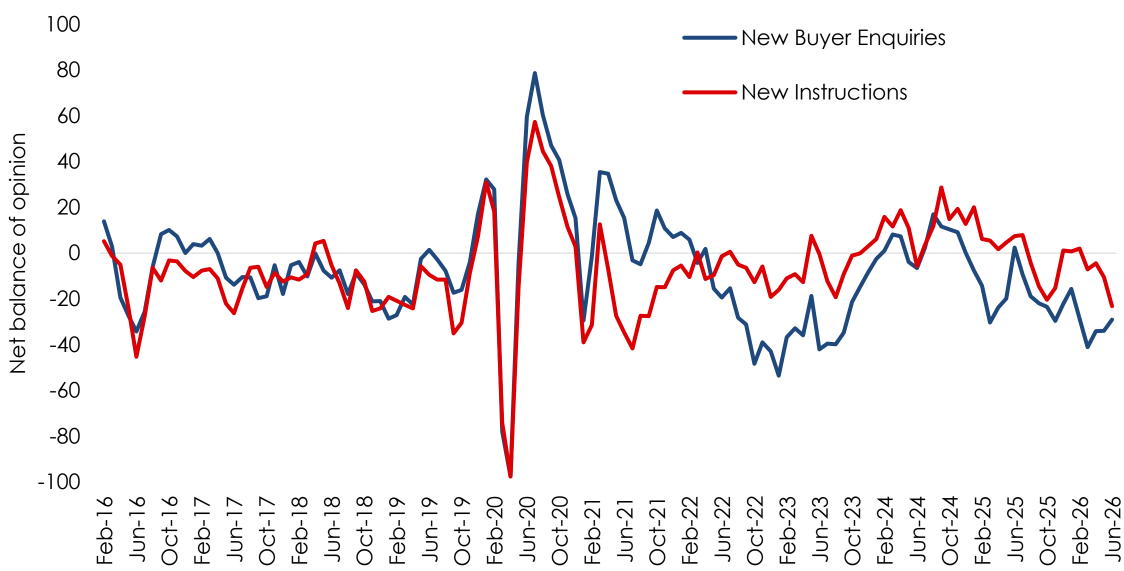
Source Savills using HM Land Registry and Registers of Scotland (6 month smoothed)*

FIGURE 2 Annual house price growth to Mar-26



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

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

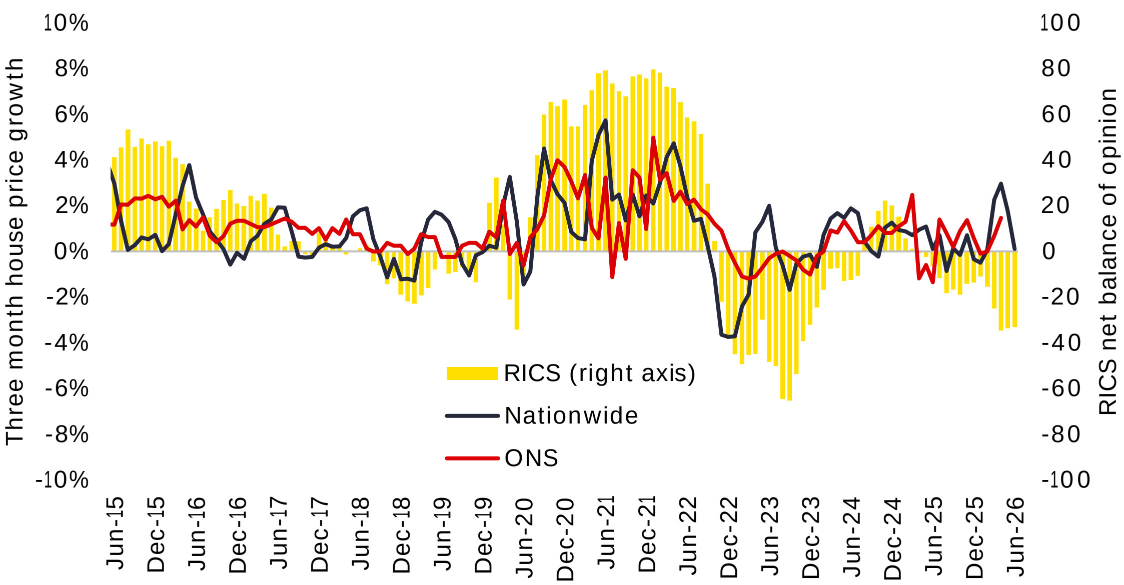


Source RICS (seasonally adjusted)

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 4 Nationwide reported 3-month growth of 0.1%; a slowdown from 1.8% the previous month

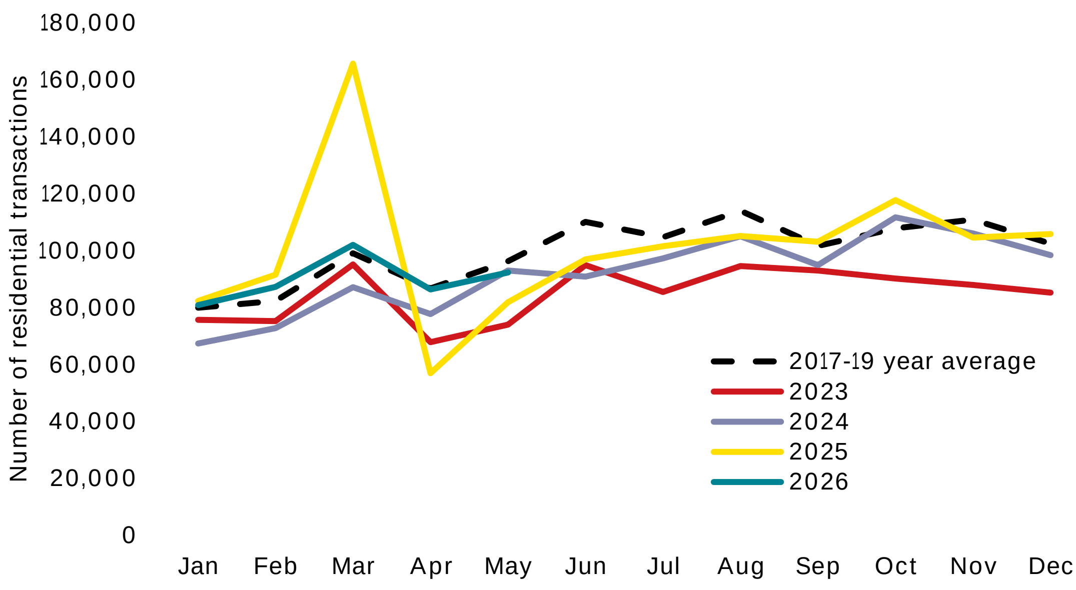


Source RICS (price expectations), Nationwide (seasonally adjusted), ONS (seasonally adjusted)

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 growth of 0.1% in June, a slowdown driven by weak demand, from the previous month's figure of 1.8%. The more lagged ONS index, which tracks completed rather than agreed sales, reported 3-month price growth of 1.5% in April.

FIGURE 5 Monthly transaction numbers in May were -4% below 2017-19 levels



Source HMRC (Non-seasonally adjusted)

There were 92,390 completed transactions in May according to HMRC, -4% below the 2017-19 average for May. Transaction numbers have remained robust, although some of this reflects sales agreed in the period before the mortgage rate increases in March and April.

The more forward-looking activity indicators of mortgage approvals and sales agreed (net of fall throughs) suggest that levels of completed transactions are likely to see further falls over the coming months.

Annual rental growth across the UK in May was 2.1% according to Zoopla, the same as the previous month. The North East and Yorkshire and the Humber continue to see the strongest annual rental growth of 3.9% and 3.5%, respectively. The West Midlands saw the weakest annual growth of 0.5%.

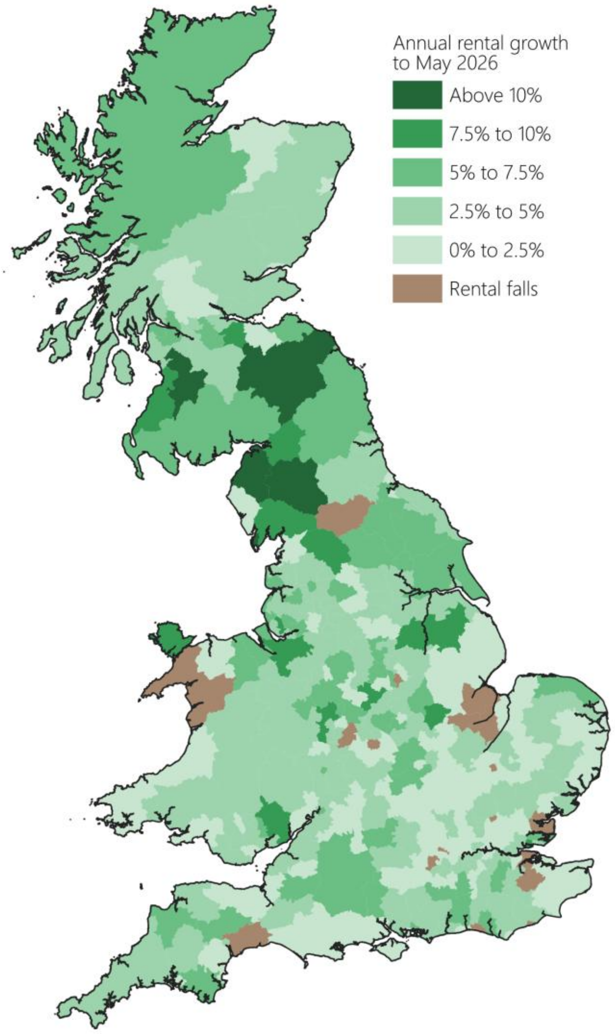
Annual rental growth is accelerating across all regions, while there is a more mixed picture at local authority level. Rental growth is being driven by contracting supply across all regions, however, at a local authority level, rental growth has been the strongest in Scottish suburban rental markets 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 May 2026

Region	m/m	q/q	y/y
UK	0.5%	1.0%	2.1%
London	0.6%	1.2%	2.2%
South East	0.3%	0.5%	1.6%
East of England	0.6%	1.3%	1.9%
South West	0.7%	1.5%	2.5%
East Midlands	0.5%	0.8%	1.2%
West Midlands	0.4%	0.6%	0.5%
North East	0.2%	-0.5%	3.9%
Yorkshire and the Humber	0.8%	1.3%	3.5%
North West	0.3%	0.9%	3.2%
Wales	0.2%	0.7%	1.7%
Scotland	0.5%	1.3%	1.5%

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

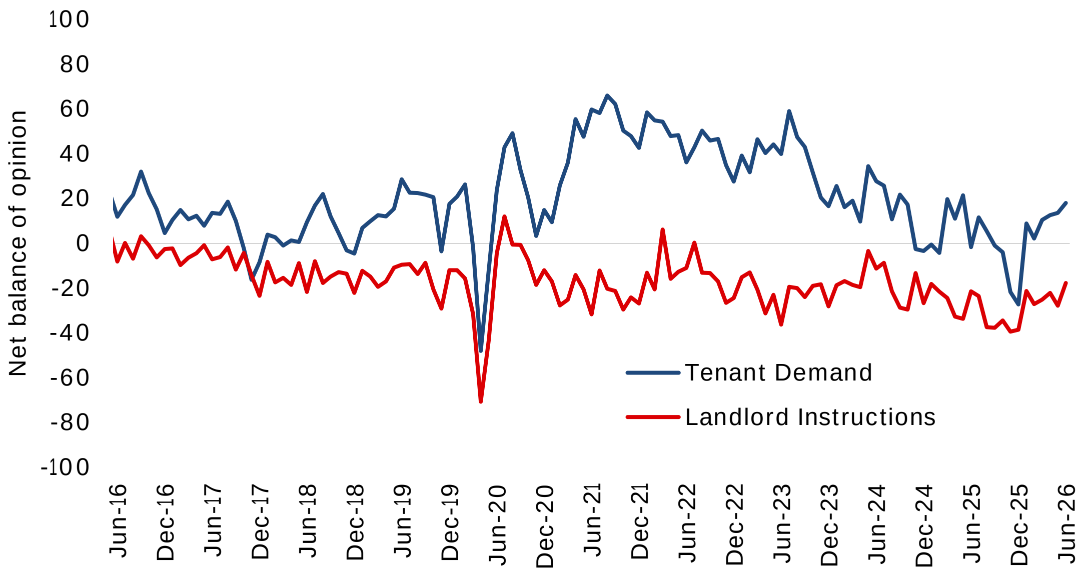


TABLE 2 Rental forecasts (published November 2025)

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 June 2026)			ONS (to April 2026)			Savills* (to March 2026)		
	m/m	q/q	y/y	m/m	q/q	y/y	m/m	q/q	y/y
UK	0.0%	-0.7%	1.6%	0.6%	1.5%	3.7%	-0.2%	-0.6%	0.7%
London	-	0.5%	0.1%	1.6%	1.0%	-1.9%	-0.8%	-2.1%	-1.5%
South East	-	0.0%	0.4%	-0.1%	0.5%	0.4%	-0.4%	-0.9%	-0.7%
East of England	-	0.4%	0.8%	0.3%	1.1%	3.9%	-0.2%	-0.5%	-0.2%
South West	-	1.1%	1.8%	0.2%	2.0%	3.6%	-0.4%	-1.0%	-0.9%
East Midlands	-	1.3%	3.3%	0.5%	1.6%	5.7%	-0.1%	-0.2%	1.2%
West Midlands	-	1.5%	3.9%	2.5%	2.6%	5.8%	-0.2%	-0.3%	1.2%
North East	-	0.3%	3.0%	0.8%	3.3%	9.9%	-0.1%	-0.2%	2.4%
Yorkshire and the Humber	-	0.6%	4.0%	0.6%	1.4%	7.3%	0.0%	0.0%	1.7%
North West	-	0.9%	3.5%	1.1%	1.7%	7.3%	0.1%	0.0%	2.7%
Wales	-	1.1%	3.5%	0.3%	1.5%	3.5%	0.0%	-0.2%	1.8%
Scotland	-	-0.7%	1.6%	0.6%	1.5%	3.7%	0.0%	0.2%	4.1%

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

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