

# Revised Mainstream House Price Forecasts

Research – Residential – June 2026



## House prices likely to fall in 2026 as higher mortgage rates reduce demand

The conflict in Iran and the resultant rise in mortgage rates have fundamentally changed the outlook for UK housing over the next 12 months.

Consequently, we have revised our UK house price forecast for 2026. We think prices will fall by -2% this year, with the most significant falls in London and the South East. By contrast, our five-year forecast has seen less change. There remains capacity for growth in the medium term, as economic growth prospects improve and the market becomes less constrained by affordability.

TABLE 1 Our forecasts at a glance

	2026	2027	2028	2029	2030	5 years to 2030
UK house price growth	-2.0%	2.5%	5.0%	6.0%	6.0%	18.5%
CPI inflation	3.9%	1.9%	1.9%	2.0%	2.0%	12.2%
Bank of England base rate (at year end)	3.75%	3.50%	3.00%	2.75%	2.50%	-
Assumed average mortgage rate (at year end)	4.78%	4.34%	3.98%	3.71%	3.50%	-
Real GDP growth	0.7%	0.7%	1.8%	1.7%	1.4%	6.5%

Source Savills Research using Oxford Economics and Bank of England

Both price growth and activity were relatively robust in the early part of 2026. House prices rose by 2.0% in the first four months, according to Nationwide.

But in light of recent geopolitical events, economic forecasts have been downgraded in a higher inflationary environment. Oxford Economics now forecast that inflation will rise to 3.9% by year end, with the base rate being held at current levels until late 2027.

Markets have responded quickly. Households are facing higher mortgage costs and less availability of debt. Although this phenomenon has not been as dramatic as late 2022, consumer sentiment has weakened, resulting in a thinner seam of house buyer demand. The RICS survey specifically indicates increasingly weak new buyer enquiries (a net balance of -37 across March and April, compared to an average of -24 in the preceding six months).

To date, this has been mitigated by continued activity from those able to lock into mortgage offers issued prior to recent events. And so, in April agreed sales were only down by -4% according to TwentyCI.

Still, levels of stock on the market are elevated, partly due to landlords bringing homes to the market in the face of greater rental regulation. Furthermore, the recent bout of domestic political uncertainty has the potential to weigh further on buyer sentiment.

This will place downwards pressure on prices. The extent of that pressure depends on how long it takes for the Middle East conflict to resolve. The central outlook from Oxford Economics (upon which we base our forecasts) suggests that energy markets will remain constrained until the end of June.

And there are other factors which provide insulation against these headwinds. The slow recovery and lack of sustained price growth in the run up to recent events, means affordability is less stretched than in 2022. Meanwhile the strict application of mortgage regulation and the extensive use of fixed rate mortgages means the risk of forced sales remains low.

Collectively these point to a modest nominal price adjustment, with underlying inflation causing a bigger adjustment in real terms. The most significant pressure on prices is likely to come over the summer, when rates are likely to be highest.

We expect 2027 will begin slowly, before an improved economic outlook allows prices to grow more quickly over the remainder of our forecast period.

The main risk to our outlook is a protracted conflict in the Middle East that would lead to a more significant increase in inflation and higher costs of borrowing. That would give our forecasts more of a V-shape with greater short-term pressure on house prices set against a more pronounced recovery, as and when interest rates fall.

We continue to expect the North of England, Scotland and Wales to be most resilient in the short term and show the strongest levels of price growth over the forecast period. Further south, we expect houses to outperform flats, where concerns around leaseholds and building safety issues are prompting caution from buyers.



>1%

Increase in mortgage rates since end of Feb 2026



-37%

Net balance of surveyors' opinion on demand in March and April



2.0%

Inflation expected to be back at target by the end of 2027

TABLE 2 Changes to the underlying economic assumptions

		2026	2027	2028	2029	2030	5 years to 2030
CPI inflation	May 2026	3.9%	1.9%	1.9%	2.0%	2.0%	12.2%
	November 2025	2.6%	2.3%	2.1%	2.1%	2.0%	11.6%
Bank of England base rate (at year end)	May 2026	3.75%	3.50%	3.00%	2.75%	2.50%	-
	November 2025	3.50%	3.00%	2.75%	2.50%	2.50%	-
Assumed average mortgage rate (at year end)	May 2026	4.78%	4.34%	3.98%	3.71%	3.50%	-
	November 2025	4.15%	3.72%	3.46%	3.32%	3.31%	-
Real GDP growth	May 2026	0.7%	0.7%	1.8%	1.7%	1.4%	6.5%
	November 2025	1.0%	1.5%	1.8%	1.6%	1.6%	7.4%
Unemployment rate (at year end)	May 2026	5.7%	5.5%	4.8%	4.6%	4.5%	-
	November 2025	5.0%	4.7%	4.3%	4.1%	4.0%	-

Source Savills Research using Oxford Economics and Bank of England

TABLE 3 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.



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