

Revised Prime House Price Forecasts

Residential - UK - June 2026




Changing market conditions lead to a more cautious short term outlook

A lot has changed since we last published our prime market forecasts in January. At that time, inflation and mortgage rates were expected to continue falling and the prospect of punitive property taxation had receded.

But since the start of the conflict in the Middle East, market conditions have notably shifted. Oxford Economics now forecast (in their central scenario) that inflation will rise to 3.9% by the end of 2026, with the base rate being held at current levels until late-2027.

We also face another bout of domestic political uncertainty, with the prospect of a change in prime minister and corresponding political direction of the incumbent government.

Our latest numbers therefore reflect a more cautious short term outlook as geopolitical uncertainty, higher mortgage rates and domestic political instability dampen demand. However, the medium term recovery remains largely intact, with stronger house price growth expected from 2028 as inflation stabilises, mortgage rates ease and economic growth improves.

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 borrowing costs. 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 have also assumed that there will be no further changes to property taxation.

Prime central London

Central London is less affected by higher interest rates and so weaker sentiment, and domestic political uncertainty are likely to be more influential drivers.

These markets also continue to contend with some unique factors, most notably extensive tax and regulatory changes over the past 12 years. These have, to some extent, already been absorbed by the market, with prices now -25% below their previous peak in 2014. This, together with London's long standing status as a safe haven limits the prospect of a more severe price correction and means we are forecasting a relatively modest fall of -3.0% by the end of 2026.

Looking further ahead, the same tax and regulatory changes mean we expect a gradual recovery, as opposed to a significant bounce in values.

Outer Prime London

The performance of outer prime London is more influenced by the cost and availability of mortgage debt than central London, although less so than the wider

mainstream markets. Buyers here also tend to use lower loan-to-value (LTV) products, which haven't seen rates increase to the same extent as those with higher LTVs.

These markets continue to be supported by needs based moves and family houses, in particular, remain in high demand. These trends are expected to continue throughout this year and into next.

Total growth over the forecast period is likely to be broadly in line with our January numbers, reflecting a weaker starting point rather than a fundamental change in longer term prospects.

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**Frances McDonald, Director,
Residential Research**

REVISED PRIME HOUSE PRICE FORECASTS

Prime Regional Markets

The prime regional markets have seen the greatest revision to our forecast for this year. We previously expected growth to return to these markets, supported by falling debt costs and improved sentiment following November's Budget.











But higher mortgage rates will likely have a more significant impact, with the variation across the prime regional markets largely dictated by propensity to use debt. Despite this, recovery beyond 2026 remains broadly unchanged.

London's suburbs and commuter zone, which will also see weaker wealth flows

from London, are expected to face greater pressure in the short term, as a result of higher borrowing costs.

By contrast, the prime markets of the Midlands and North of England, Scotland and Wales are expected to outperform, with prices remaining flat this year.





PRIME LONDON FORECASTS 2026-2030

	2026	2027	2028	2029	2030	Next 5 years
Prime central London	 -3.0%	 0.0%	 +3.0%	 +3.5%	 +4.0%	+7.5%
Outer prime London	 -2.0%	 +1.0%	 +3.0%	 +4.0%	 +4.5%	+10.8%

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

PRIME REGIONAL FORECASTS 2026-2030

	2026	2027	2028	2029	2030	Next 5 years
All prime regional	 -2.0%	 +2.0%	 +4.0%	 +5.0%	 +5.0%	+14.6%
Suburbs	-3.0%	1.0%	3.0%	4.0%	4.0%	9.1%
Inner commute	-3.0%	1.0%	3.5%	4.5%	4.5%	10.7%
Outer commute	-2.5%	2.0%	3.5%	4.5%	4.5%	12.4%
Wider South	-2.0%	2.5%	4.0%	5.0%	5.0%	15.2%
Midlands/ North	0.0%	3.0%	5.0%	6.0%	6.0%	21.5%
Scotland	0.0%	3.0%	5.5%	6.5%	6.5%	23.3%
Wales	0.0%	2.5%	5.0%	6.0%	6.0%	20.9%

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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