RESEARCH

BRIEFING NOTE

Welsh Housing Market and Supply Update

Research – Residential – November 2026

savills

Short term outlook is weak, but prices will recover to rise 21% in the next five years

We think house prices in Wales will rise by 21.0% in the next five years, higher than the UK average, as interest rates fall and affordability improves. But the short-term outlook is weaker. In the last year, demand has held steady, activity is only slightly below the pre-pandemic norm and prices have risen on an annual basis. But the conflict in Iran is likely to impact interest rates into next year and prices fell sharply in Q3. As a result, demand and activity will probably drop in 2027, before recovering from 2028 onwards.

Development remains challenging. New homes completions have risen, pushed up partly by higher affordable housebuilding. The new Government has committed to driving this higher still, but meeting the new Affordable target would require a 49% increase in delivery from current levels. Consents remain very low, amid a squeeze on scheme viability, meaning it is likely that overall completions will fall in the coming years.

0.8%
Annual house price growth to Q3 2026

1.6%
Annual rental growth to Aug 2026

5.13%
Avg. mortgage rate for 2yr fix 75% LTV (Sep-26)

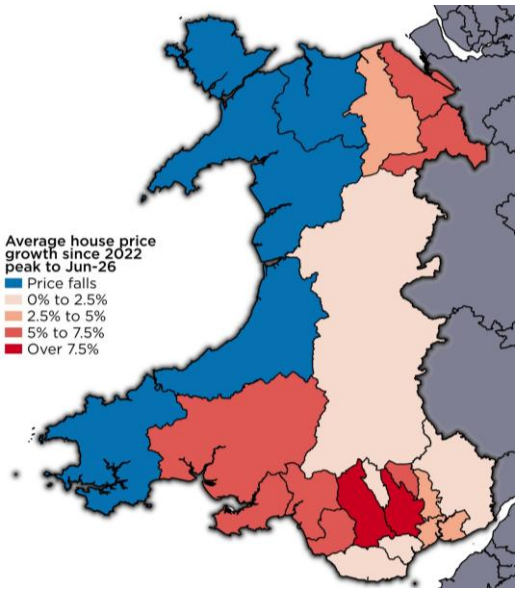
House prices in Wales rose by 0.8% in the year to Q3 2026, according to Nationwide. The RICS survey suggests demand has been robust over the summer, and transactions were just 4% below 2017-19 levels over the first 8 months of 2026, according to HMRC. This all points to a quiet but resilient market.

House price growth will be marginal in 2027, but we forecast 21% growth by the end of 2031. Mortgage rates have risen again in the autumn, to an average of 5.13% (2yr fix, 75% LTV), according to the Bank of England, as the conflict in the Middle East drags on. This looks set to stall a market recovery in 2027. Already, prices dropped by -1.4% in Q3 and transactions were well below normal in August. But price growth will accelerate from 2028 as rates fall and affordability improves.

House price growth has been much stronger in more affordable markets since 2022. Council tax surcharges and higher LTT rates for second homes have kept average prices below their 2022 peak in coastal second home hotspots such as Pembrokeshire (-2.4%) and Gwynedd (-2.0%). Conversely, affordable markets in south Wales have seen strong growth, including Caerphilly (+8.1%) and Rhondda Cynon Taf (+8.3%).

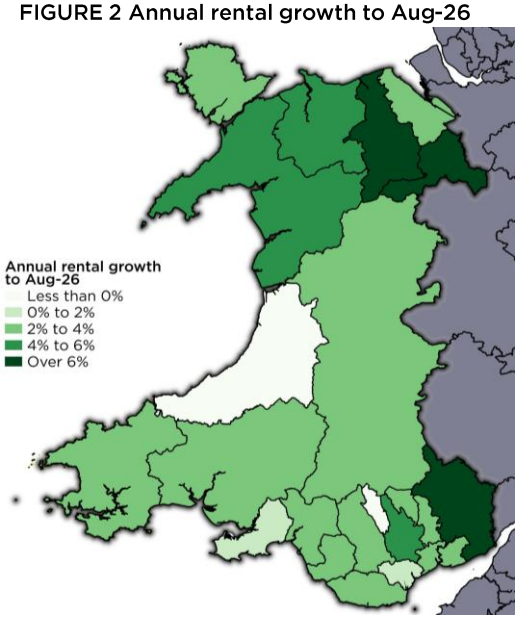
Rents grew by 1.6% in the year to August, according to Zoopla. RICS surveyors reported higher demand in 2026, but the picture is mixed. Cardiff and Swansea, which make up a quarter of Wales's private rented sector, saw annual rents grow by 0.7% in the last year. Meanwhile 18 out of 22 Welsh local authorities have seen rents grow by more than 2%.

FIGURE 1 Average house price growth since the 2022 peak (as of Jun-26)



Source HM Land Registry (6 month smoothed)*

FIGURE 2 Annual rental growth to Aug-26



Source Zoopla rental index – powered by Hometrack

Consents are growing, but not fast enough to sustain completions and meet housing need

Net Affordable delivery must rise by 49% to meet the new government target of 20,000 social and intermediate rent homes by March 2030. Affordable completions rose to a record of 3,865 in 2025/26, 17% above the five-year average, but below what is needed.

Provisional estimates point to another 4,000 completions in 2026/27 across all tenures. And RSLs have been active in the land market, buoyed by an additional £20m in grant funding announced in June. This has supported land values where bids from private developers have been weaker. But this still leaves a long way to go between 2028 and 2030 to meet the target.

Total new home completions hit a three year high in the year to June, buoyed by this record affordable delivery. But completions fell slightly in Q3, according to EPC data. They are still 10% higher than a year ago, but remain below housing need.

Planning consents rose by 29% in the six months to June 2026 but remain at historic lows. According to the HBF, c.5,900 homes gained full planning consent in the year to Q2 2026, almost a third below housing need. This suggests recent momentum in delivery could be difficult to sustain.

Help to Buy supported just 6% of new home completions in 2025/26, as sales increasingly hit against the price cap. Take up has been concentrated in lower value markets, where it is more viable to deliver homes under the £300,000 cap. The scheme's deadline has been extended to March 2027, with the price cap unchanged.

+10%
Annual growth in completions to Q3 2026

-32%
Consents are -32% below housing need in year to Q2 2026

Savills Outlook: Wales to outperform UK over next five years, despite headwinds

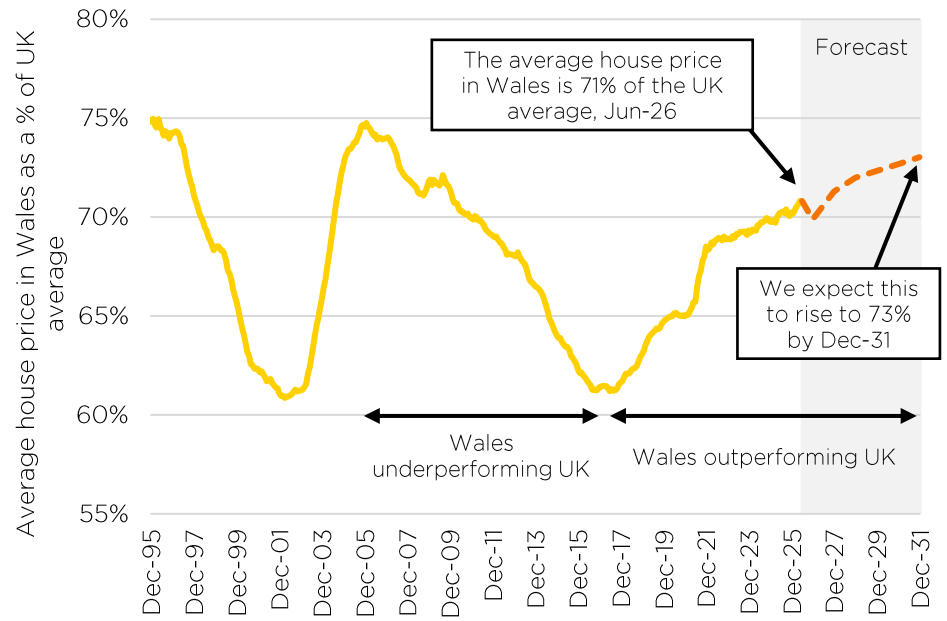
Since our last forecasts, the interest rate outlook has deteriorated significantly, with the conflict in Iran and its impact on inflation looking set to drag on into next year.

We expect house prices to grow by 0.5% in 2027. Mortgage rates will probably stay high all year, with one more increase to the base rate looking likely. But demand in Wales has held up surprisingly well this year, so we think stability is more likely than price falls.

Growth will accelerate from 2028. Oxford Economics expect the base rate to fall from early 2028, which will gradually bring down mortgage rates. This leaves room for higher price growth of 5.5% in 2029 and 2030, as affordability pressures ease. After this, price growth will fall in line with income growth.

Wales will outperform the UK average, growing by 21% over the next five years. Relative affordability means buyers in Wales are better able to cope under higher interest rates. This means prices in Wales will increase to 73% of the UK average by 2031, up from 71% today and 61% in 2017.

FIGURE 3 House prices in Wales follow a cyclical pattern vs the UK average. Since 2016, they have been rising more quickly, causing them to move closer to the UK average.



Source HM Land Registry, Savills

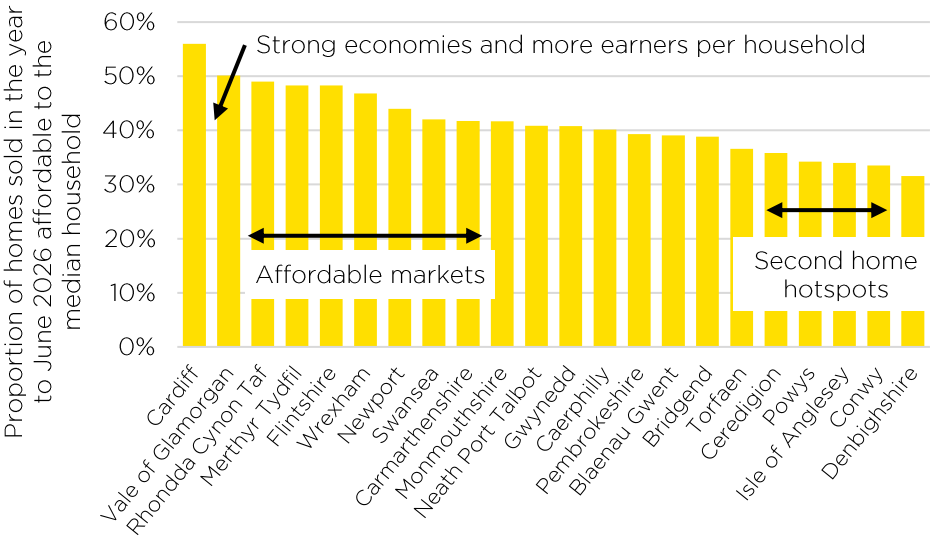
House price growth will not be equal everywhere in Wales. We think regional growth will be driven by three key factors.

Affordability is the main one. We think demand will hold up better in areas where homes are more accessible to locals. As figure 4 shows, in markets where prices are lower, the median household can afford a larger share of homes, particularly while interest rates are high.

But a strong economy is also a key driver of affordability and of price growth. Household incomes are highest in Cardiff and the economy is forecast to grow most quickly, supporting affordability despite higher prices. But those higher prices mean households on lower incomes in Cardiff might struggle more than elsewhere in Wales.

Policy will also continue to impact demand. Price growth has been slowest in coastal markets, where changes to council tax and LTT on second homes mean demand has dropped. These markets are often also least affordable to local households.

FIGURE 4 Home-buying affordability is strongest in Wales's major employment centres and weakest in the second home markets



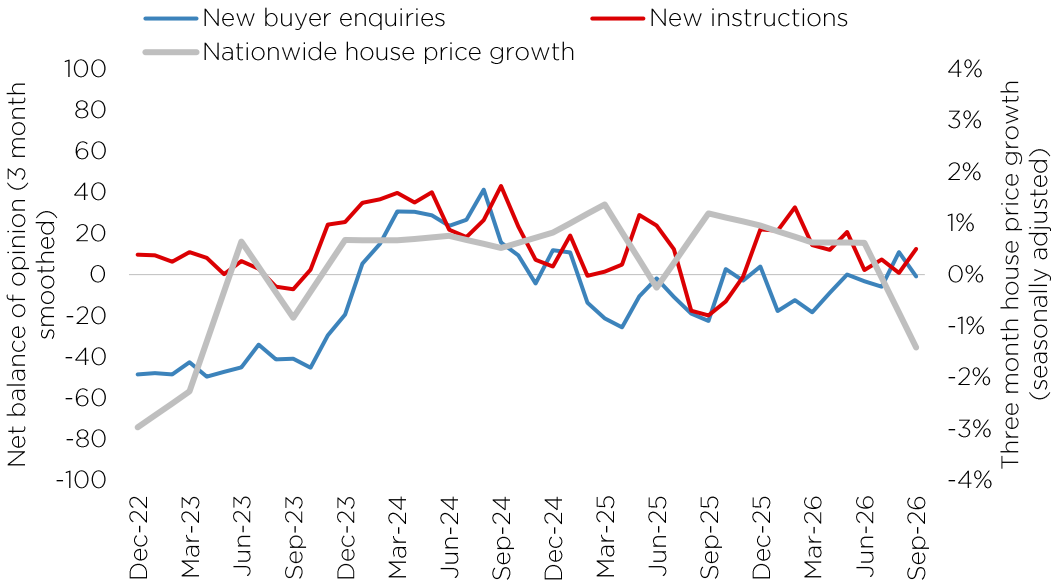
Source HM Land Registry, Experian

Plaid Cymru's first 6 months: progress on housing commitments

- **Adopted target of 20,000 social homes by 31st March 2030 –** Unlike the previous government's target this covers four rather than five years and includes only social and intermediate rent, not Shared Ownership. Any sales of social homes out of the sector will be subtracted from the total figures.
- **Extended Help to Buy to 31st March 2027 –** Applications were due to close in September 2026 but will now remain open for another six months. The value cap has been kept at £300,000.
- **Launched consultation on new National Development Framework (NDF) –** The revised NDF will replace Future Wales: The National Plan 2040 and simplify strategic planning by providing clearer national priorities and improving coordination between national, regional and local plans. Final publication is expected in Winter 2029/30.
- **Broader planning reforms, rental protections and Unnos still to come**... The Programme for Government recommits to establishing a new national housing development agency (Unnos) and strengthening renters' rights. However, timelines have not been established. Other planning-related manifesto commitments, including firmer decision-making timescales and extending permitted development rights, have also not yet been announced.
- **Rejection of supplementary budget points to challenges with policy implementation –** The government will rely on cross-party co-operation to pass new legislation, which may temper or delay ambitions if support is hard to come by.

Plaid Cymru
Party of Wales

FIGURE 5 Demand remains fairly robust, but house prices fell in Q3

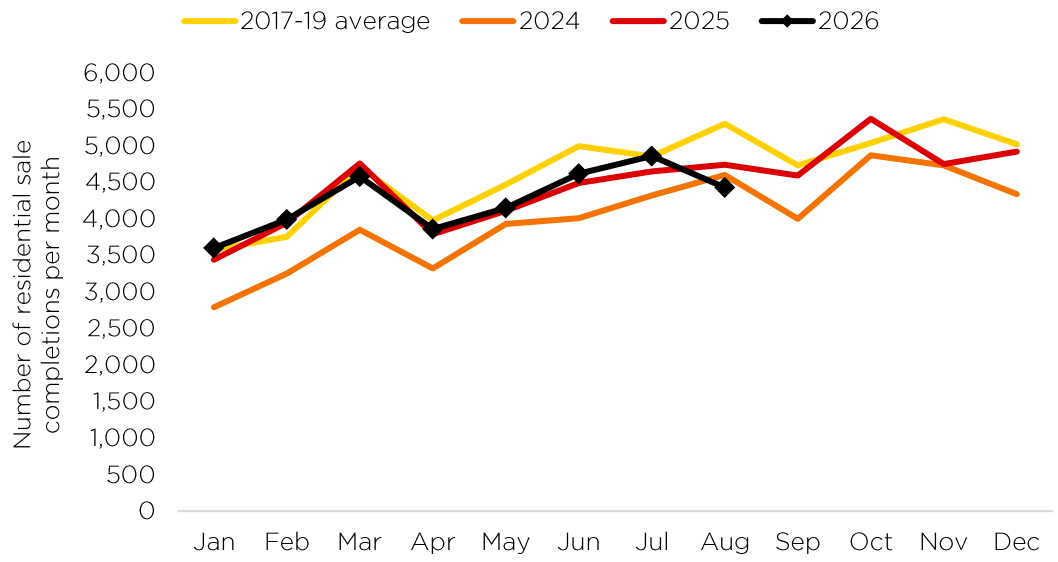


Source RICS (seasonally adjusted), Nationwide (seasonally adjusted)

The demand for homes has improved in 2026, but remained very slightly negative in the three months to September, according to the RICS survey. Meanwhile, supply was high in early 2026, but has weakened in the last six months.

This data is quite robust and reflects a resilient housing market still seeing annual house price growth (of 0.8%), according to Nationwide. But the recent resurgence in inflation has raised the prospect of interest rate hikes, increasing mortgage rates and pushing prices down by -1.4% in Q3. Price growth will likely be subdued over the remainder of 2026.

FIGURE 6 Transactions in line with 2025 levels but rising mortgage rates could weigh on activity



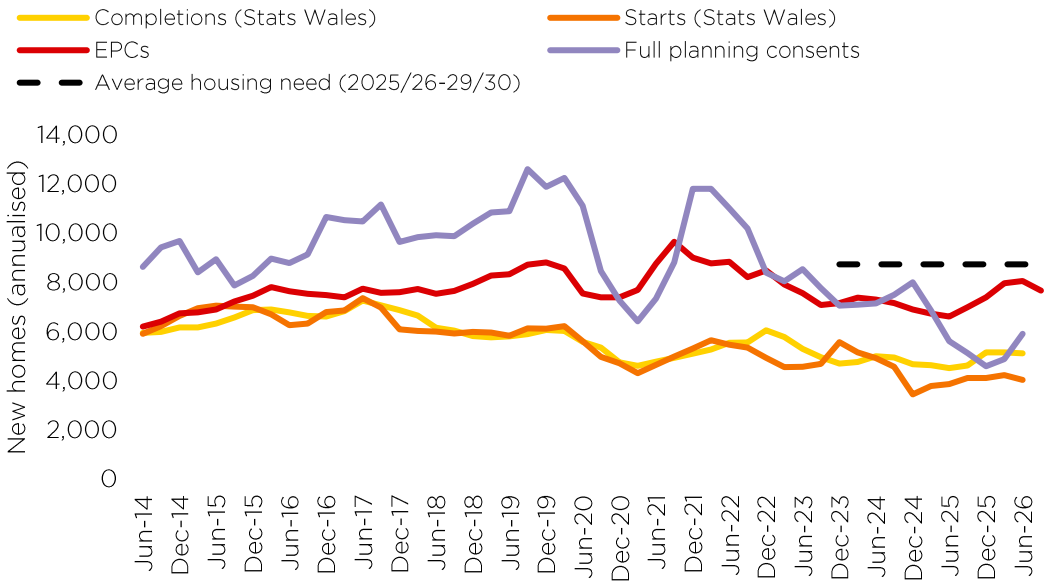
Source Welsh Revenue Authority, HMRC

Transactions were strong in the first four months of 2026, broadly in line with the 2017/19 average. However, activity has weakened slightly since April, likely because of a combination of higher interest rates and uncertainty around the May election.

As of August, year-to-date transactions were -4% below the 2017-19 average but remained marginally above 2025 levels, again reflecting a broadly resilient market.

But the month of August saw a particularly low number of transactions (-17% below the 2017-19 average). This suggests that the renewed rise in mortgage rates will probably lead to weakening transactions in the coming months.

FIGURE 7 Completions drop slightly; consents rise but remain a long way below housing need



Source Stats Wales, MHCLG Table NB1, HBF and Glenigan

New home completions have dropped for the last three quarters, with 1,635 new homes built in Q3, according to EPC data. But they remain higher than their 2023-25 level on an annual basis, having grown by 10% in the year to Q3. Completions now sit -12% below the annual housing need of 8,740 homes.

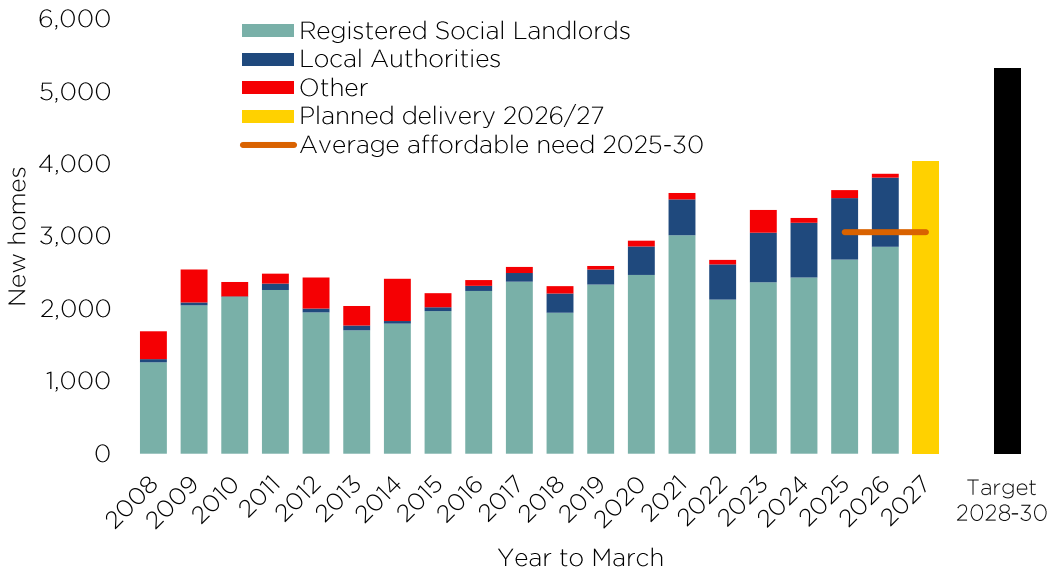
The number of homes gaining planning consent has also increased considerably, rising by 29% in the six months to June 2026. But this is still almost a third below housing need. Starts are also 21% below completions according to Stats Wales, suggesting the pipeline of new homes under construction is shrinking.

Altogether this suggests the recent increase in new homes delivery will be very difficult to sustain, and a decrease in completions looks highly likely in the near term.

The new government has set a target of delivering 20,000 social and intermediate rent homes between 2026/27 and 2029/30. Sales out of the sector will be deducted from this (227 in the last year) and the target excludes shared ownership and shared equity. This would require 5,000 homes per year on average, 49% above the net delivery of these tenures in 2025/26.

Total planned delivery of 4,034 units in 2026/27 would be a record, but is still 19% below target. That would leave at least 5,300 homes a year needed in 2027/28 to 2029/30 to meet the target. And planned delivery may prove optimistic as actual delivery in 2025/26 was 8% below forecast. With few consents coming through the system, a sustained increase in delivery looks challenging.

FIGURE 8 Affordable housing delivery is at record high but must rise further to meet new target



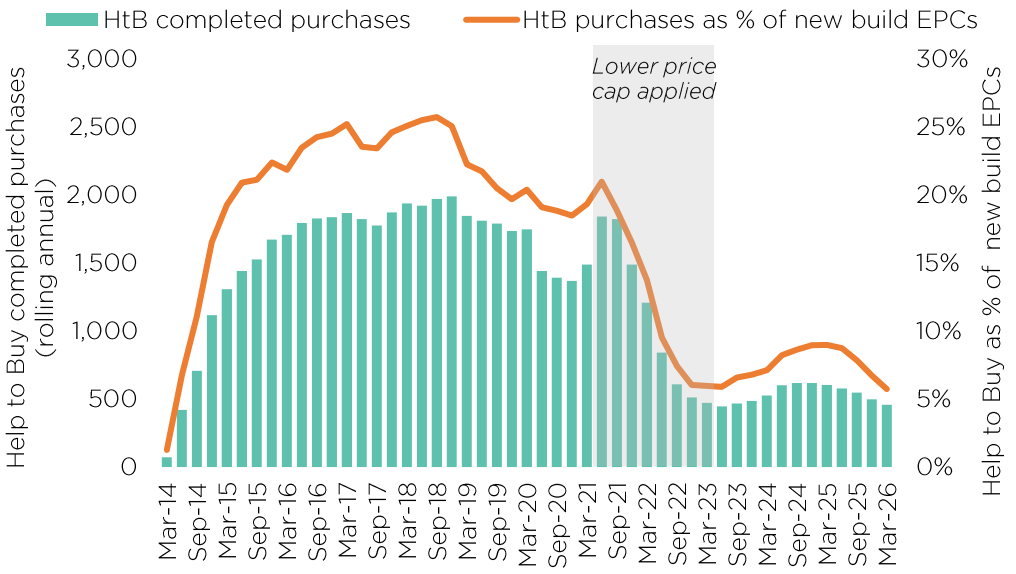
Source Stats Wales

Only 6% of new homes were purchased through Help to Buy in the year to March 2026, down from 9% in 2024 and over 25% at the scheme's peak in 2018.

Usage is concentrated towards the £300,000 price cap (the same cap as when the scheme began in 2014). In the last year of data, 66% of purchases were priced between £250,000 and £300,000, as delivering homes below this level has become increasingly unviable. Take up is therefore concentrated in lower value markets with strong new build delivery, such as Newport, Flintshire and Rhondda Cynon Taf.

The new government has extended the scheme's deadline from September 2026 to March 2027 but left the price cap unchanged, meaning its impact will probably remain muted.

FIGURE 9 Use of Help to Buy drops further as new homes increasingly hit against the price cap



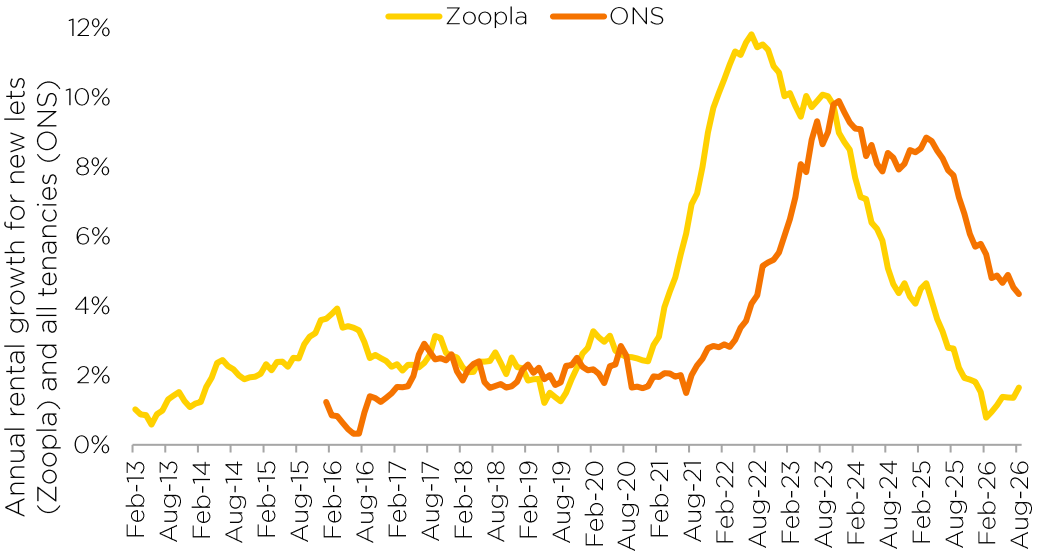
Source Stats Wales, MHCLG Table NB1

Rental growth remains low but has started to rise again after a sharp decline over 2025. After bottoming out at 0.8% in February 2026, rental growth on new lets rose to 1.6% in August, according to Zoopla.

Meanwhile, rental growth for all tenancies (including renewals and existing leases) was 4.5% over the same period, according to the ONS, but continues to cool.

The RICS sentiment survey has reported a strengthening of tenant demand and moderation in landlord instructions in Q2 and Q3, driving the renewed upward pressure on rental growth. This could be linked to rising mortgage rates keeping prospective buyers in the rental market for longer. However, affordability remains stretched and so further rental growth is likely to be closely linked to income growth.

FIGURE 10 Rental growth is low but rising as tenant demand increases



Source ONS, Zoopla Rental Index - powered by Hometrack

It's a busy period for Welsh plan-making with change occurring across all three tiers. The Welsh government has launched a consultation to revise Future Wales, the country's National Development Framework, while progress continues with regional Strategic Development Plans and replacement Local Development Plans (RLDP).

At the regional level, South East Wales completed its Call for Sites earlier this year, although progress has been slower in the other regions.

Locally, Carmarthenshire's RLDP has passed examination and is due to be adopted imminently. Cardiff and Monmouthshire have also begun formal examination with Cardiff required to address several actions arising from the initial hearings.

Further milestones are expected in the coming months. The Vale of Glamorgan plans to submit its RLDP for examination in November 2026, while Caerphilly, Swansea and Newport aim to consult on their Deposit Plans before the end of 2026.

FIGURE 11 Plan-making progresses nationally, regionally and locally

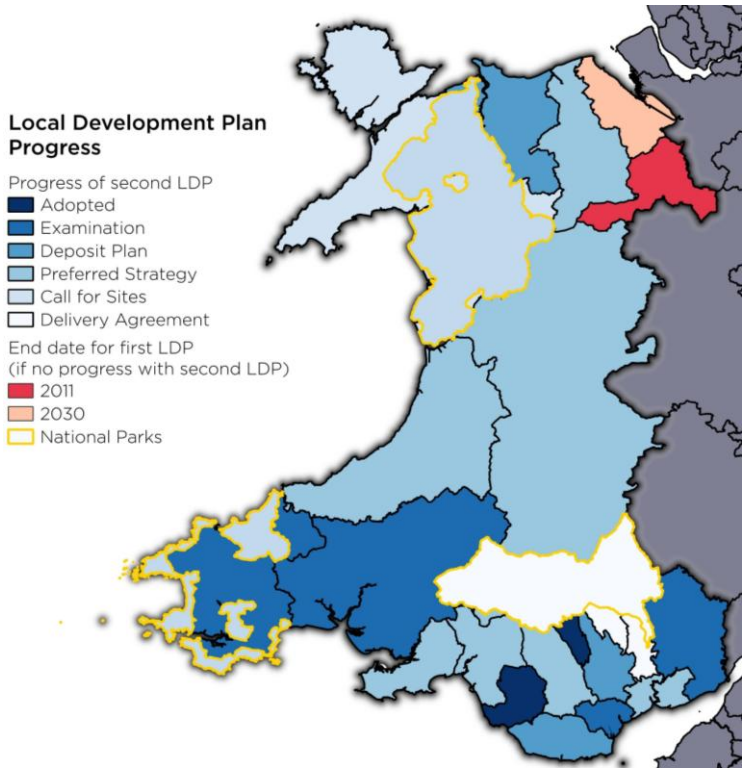


TABLE 1 Recent house price and rental growth

	Nationwide (house prices) (to Sep-26)			Savills (house prices) (to Jun-26)			Zoopla (rents) (to Aug-26)		
	m/m	q/q	y/y	m/m	q/q	y/y	m/m	q/q	y/y
UK	-0.2%	-0.2%	0.9%	0.0%	-0.2%	0.8%	0.5%	1.4%	2.8%
Wales	-	-1.4%	0.8%	0.0%	0.1%	1.6%	0.4%	0.8%	1.6%

Source Savills using HM Land Registry and Registers of Scotland (6 month smoothed)*, Nationwide quarterly data (seasonally adjusted), Zoopla Rental Index - powered by Hometrack

TABLE 2 House price forecasts – published November 2026

	2027	2028	2029	2030	2031	5yrs to 2031
UK	-1.5%	3.5%	5.0%	5.0%	3.0%	15.8%
Wales	0.5%	4.5%	5.5%	5.5%	3.5%	21.0%

Source Savills

TABLE 3 Rental growth forecasts – published November 2026

	2027	2028	2029	2030	2031	5yrs to 2031
UK	2.50%	2.75%	3.00%	3.00%	3.00%	15.1%

Source Savills

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Evie Sargeant
Analyst
07779 908231
evie.sargeant@savills.com



Dan Hill
Associate
0207 299 3065
dan.hill@savills.com



Chris Buckle
Director
07870 999 332
cbuckle@savills.com



Emily Williams
Director
07971 880 389
emily.williams@savills.com

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