

UK Housing Market Update

Research – Residential – October 2026

savills

Transactions fall as high rates persist

House prices fell by -0.2% in September, according to Nationwide. This meant annual growth halved to 0.8% in September. This was down from 1.6% in August, with growth set to end the year stronger than we expected in our June forecasts. The quarterly release of regional data has been in line with expectations. House price growth has been higher in more affordable markets in the north of the country, and it has been lower in London and the South which are less affordable markets that are more sensitive to mortgage rates.

Mortgage approvals remain low, as interest rates rise. The average 2- and 5-year fixed mortgage rates rose to 6%, the highest level since the end of 2023, according to Moneyfacts. These higher mortgage rates are suppressing mortgage approvals. August was the fourth consecutive month when they were -15% below the 2017-19 average. This low level of activity is now showing up in the completed transaction numbers. These fell sharply to -16% below the 2017-19 average in August. Activity levels are unlikely to improve while mortgage rates remain at current levels.

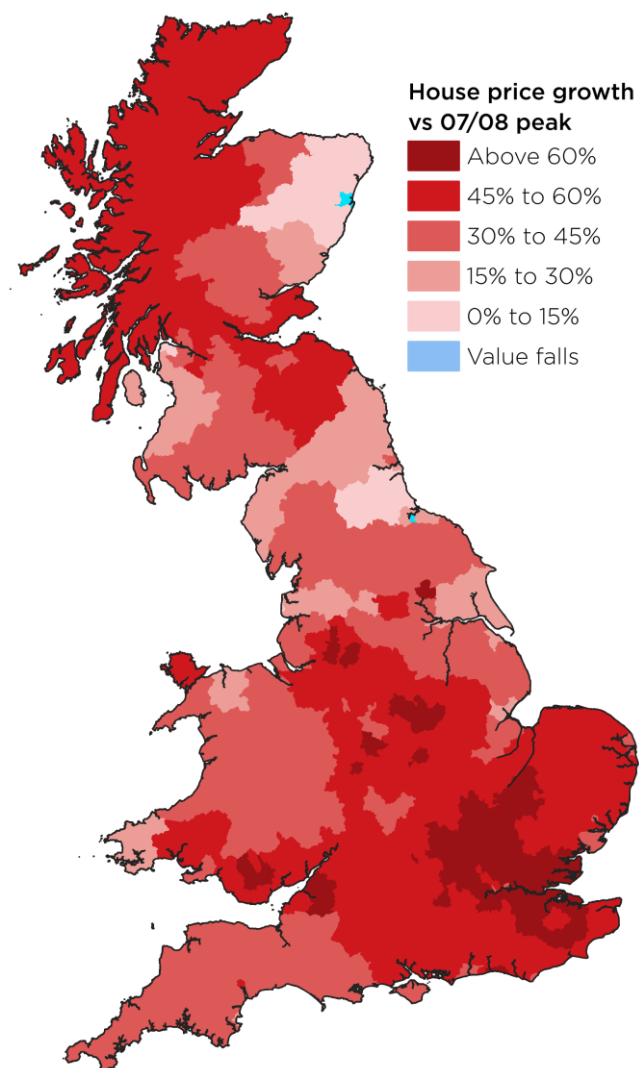
Supply is increasing and there is a high level of homes on the market. TwentyCI reported that new instructions were 11% above

the 2017-19 average in September. This comes at a time when sales numbers are low. High supply and low demand means there is little impetus for price growth over the next few months.

Higher mortgage rates are here to stay so the market is likely to remain tough. The Bank of England Monetary Policy Committee (MPC) is forecast to increase the base rate to 4.25% by early 2027, according to Oxford Economics. Rises are expected at the next MPC meeting in November and at the February meeting. This means mortgage rates are unlikely to fall much before the second half of 2027. So, demand is likely to remain low for the next few months. Five million households who agreed low mortgage rates in 2022 will come off these by the end of 2027. Some will face much higher costs and may need support from their lender.

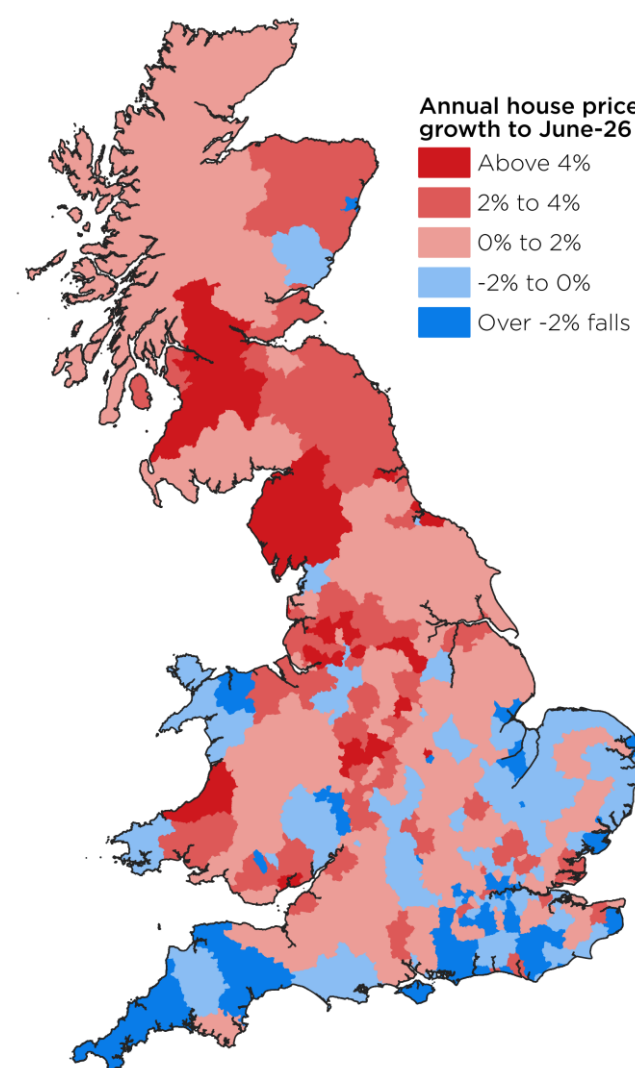
Scotland and the North West had the most house price growth, according to more localised data from June. South Ayrshire (11.6%), East Dunbartonshire (10.3%) and East Ayrshire (9.3%) saw the highest annual growth. The weakest annual growth was in Kensington and Chelsea (-9.2%), Westminster (-7.4%) and Aberdeen City (-6.9%).

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



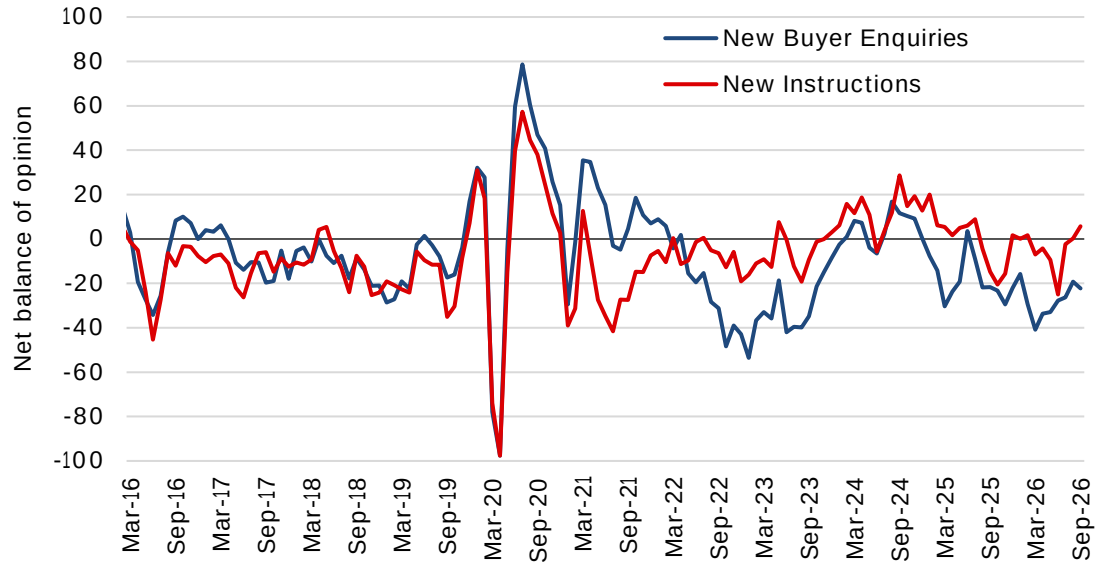
Source Savills using HM Land Registry and Registers of Scotland (6 month smoothed)*

FIGURE 2 Annual house price growth to June-26



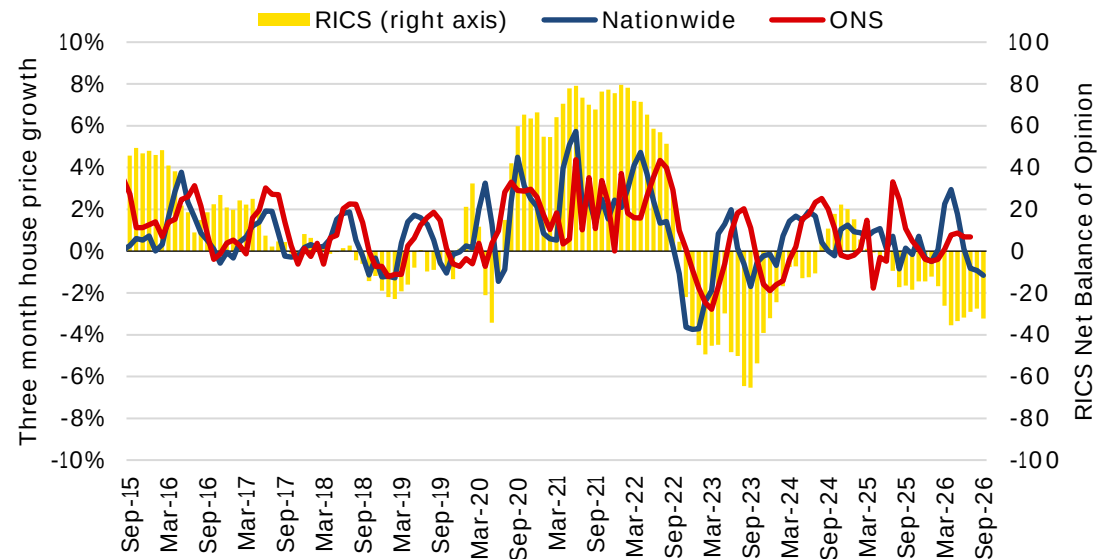
Source Savills using HM Land Registry and Registers of Scotland (6 month smoothed)*

FIGURE 3 The gap between supply and demand has widened as new instructions rose and buyer demand fell



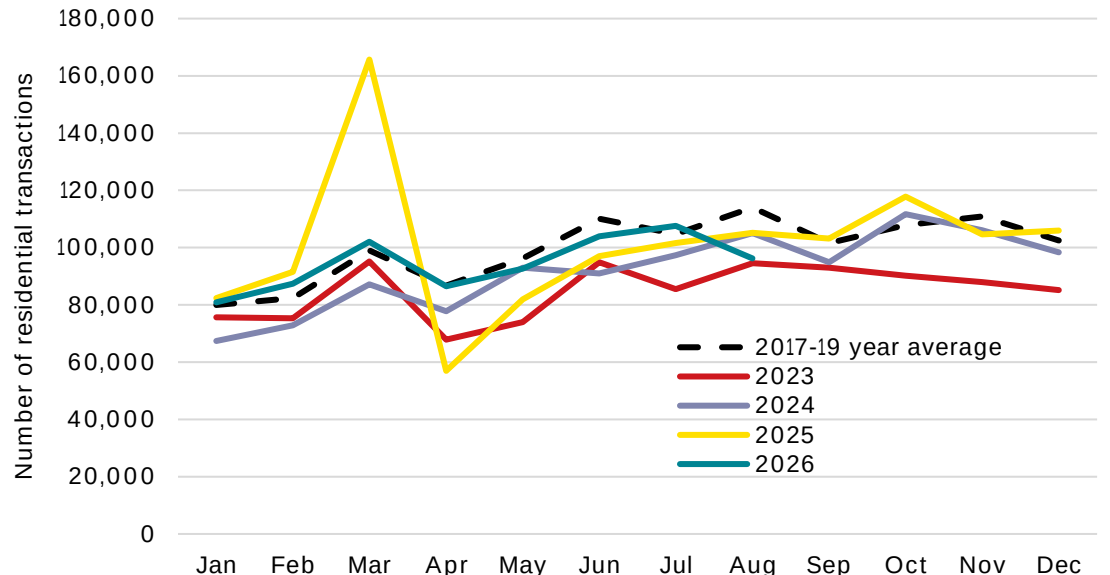
Source RICS (seasonally adjusted)

FIGURE 4 Nationwide reported a 3-month price fall of -1.2%



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

FIGURE 5 Monthly transaction numbers in August were -16% below 2017-19 levels



Source HMRC (Non-seasonally adjusted)

New buyer enquiries fell slightly and remain firmly negative. Recent mortgage rate increases are feeding into ongoing weakness in new buyer enquiries.

New instructions returned to positive territory (+6), for the first time since December 2025. Surveyors continue to report that the level of stock on the market remains elevated, primarily due to weaker levels of buyer demand.

The RICS survey can be a good early indicator of house price movement. It reported a large majority of surveyors seeing price falls.

Nationwide reported a 3-month price fall of -1.2%, down from the previous month's revised figure of 0.9%.

The more lagged ONS index, which tracks completed sales, reported 3-month price growth of 0.7% in July, equal to the revised figure of 0.7% in June.

There were 96,250 completed transactions in August according to HMRC, -16% below the 2017-19 average for August. Transaction numbers have fallen sharply following four consecutive months of lower mortgage approvals in response to higher mortgage rates.

Mortgage approvals, which act as a forward indicator of completed transactions, indicate that completed transaction numbers are likely to remain low until at least the end of the year.

Annual rental growth across the UK in August was 2.8% according to Zoopla, up from 2.6% in July. Yorkshire and the Humber, and the North East continue to see the strongest annual rental growth of 3.8%. The West and East Midlands continue to see the weakest rental growth of 1.2% and 1.5% respectively.

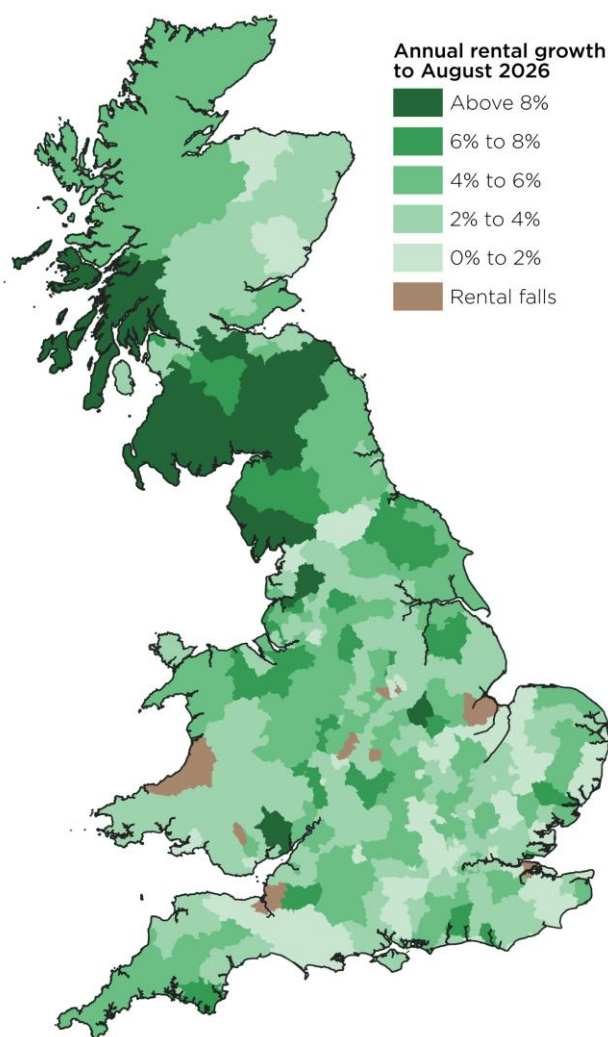
Annual rental growth to August accelerated across most regions. Demand has recovered strongly over recent months, and the amount of rented housing stock has continued to fall. The Renters' Rights Act may be having a further effect. Most regions experienced a bigger summer surge in rental growth than in previous years. This may be a result of higher asking rents, which agreed rents can no longer exceed. If so, this will be a short-term effect.

TABLE 1 Regional rental growth to August 2026

Region	m/m	q/q	y/y
UK	0.5%	1.4%	2.8%
London	0.7%	1.8%	3.3%
South East	0.3%	0.9%	2.2%
East of England	0.3%	1.2%	2.6%
South West	0.3%	1.4%	2.9%
East Midlands	0.3%	0.6%	1.5%
West Midlands	0.2%	0.7%	1.2%
North East	0.5%	0.6%	3.8%
Yorkshire and the Humber	0.4%	1.8%	3.8%
North West	0.6%	1.6%	3.4%
Wales	0.4%	0.8%	1.6%
Scotland	0.6%	1.8%	2.5%

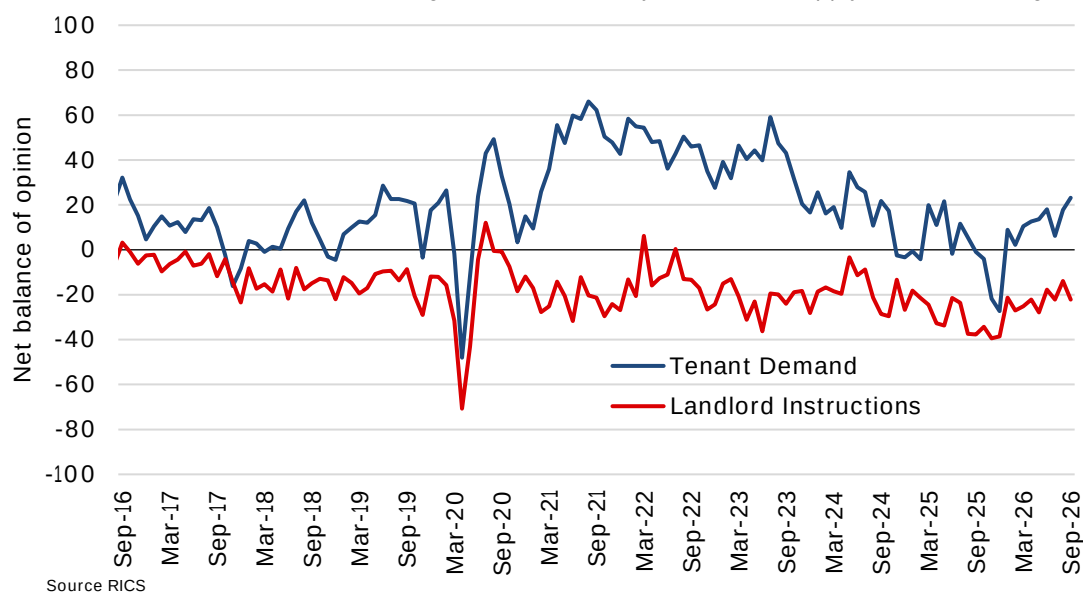
Source Zoopla Rental Index – powered by Hometrack

FIGURE 6 Annual rental growth to August 2026



Source Zoopla Rental Index – powered by Hometrack

FIGURE 7 Tenant demand rose to the highest level since July 2024, while supply continues falling



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

Tenant demand rose to +23, the highest level since July 2024. This continues the trend of rising tenant demand since the implementation of the Renters' Rights Act on 1st May.

Landlord instructions fell to -22, further widening the supply-demand imbalance in the rental market. Stronger demand and the lack of supply is the key driver of accelerating rents across almost all regions.

TABLE 3 Recent house price growth

Region	Nationwide (Regions to Q3 2026, UK to September 2026)			ONS (to July 2026)			Savills* (to June 2026)		
	m/m	q/q	y/y	m/m	q/q	y/y	m/m	q/q	y/y
UK	-0.2%	-0.4%	0.8%	-0.2%	-0.8%	1.5%	0.0%	-0.2%	0.8%
London	-	-0.9%	0.4%	-0.5%	-1.9%	-3.3%	-0.3%	-1.0%	-1.9%
South East	-	-0.8%	0.1%	-0.3%	-0.8%	0.2%	0.0%	-0.5%	-0.7%
East of England	-	-0.7%	-0.6%	-0.3%	-0.9%	0.5%	-0.1%	-0.6%	0.0%
South West	-	-1.1%	-0.6%	-1.3%	-1.7%	-0.2%	-0.2%	-0.5%	-0.2%
East Midlands	-	-1.1%	-0.4%	0.8%	-1.4%	1.9%	-0.2%	-0.5%	1.2%
West Midlands	-	-1.1%	0.7%	-0.2%	-1.7%	1.6%	0.1%	-0.1%	1.2%
North East	-	0.4%	3.3%	0.8%	1.0%	4.9%	0.1%	0.3%	2.7%
Yorkshire and the Humber	-	0.3%	1.3%	0.6%	-0.9%	3.0%	0.0%	-0.1%	1.9%
North West	-	0.5%	4.0%	0.4%	0.5%	4.4%	0.1%	0.3%	3.2%
Wales	-	-1.4%	0.8%	0.6%	-0.2%	2.7%	0.0%	0.1%	1.6%
Scotland	-	0.2%	3.4%	-0.1%	0.1%	2.3%	0.5%	0.8%	3.6%

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.



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