RESEARCH

BRIEFING NOTE

UK Housing Market Update

Research – Residential – September 2026

Higher rates reduce mortgage approvals

House prices rose by 0.2% in August, according to Nationwide. This meant annual growth reached 1.6% in August, up from 1.4% (revised down from 1.8%) in July. House price growth remains hampered by high mortgage rates and this is likely to remain the case over the next few months.

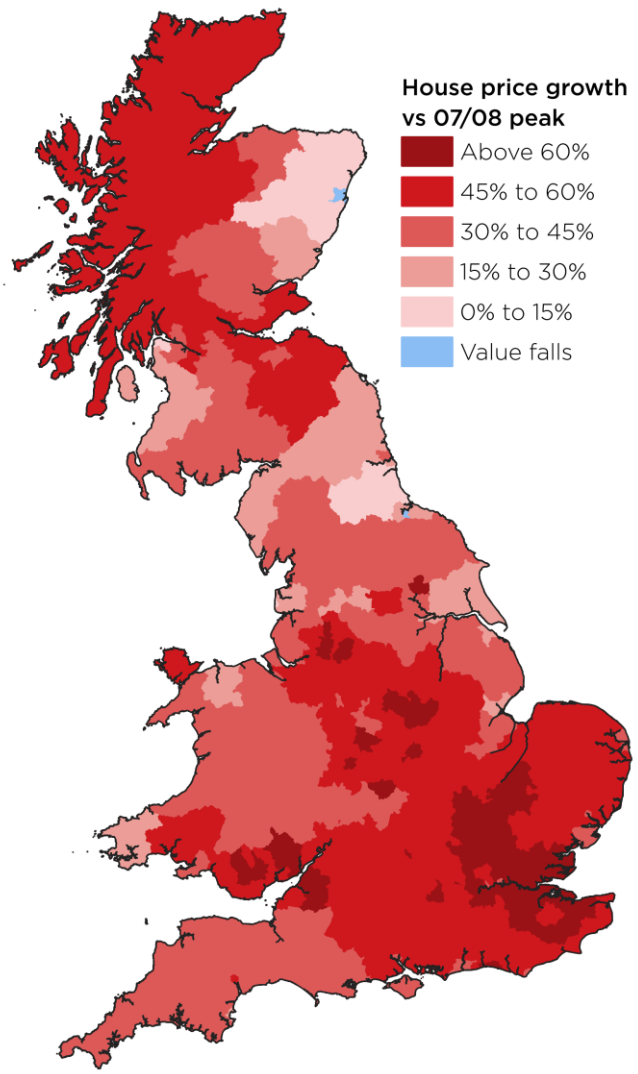
Activity levels have fallen and this will feed through into lower numbers of completed transactions over the next few months. Mortgage approvals in July fell to their lowest level since December 2023 (-16% below the 2017-19 average), according to the Bank of England. And sales agreed (net of fall throughs) were down -6% in August versus the 2017-19 average, according to TwentyCI. Completed transaction numbers were 2% above the 2017-19 average for July, but this reflects the stronger market earlier in the year. Low mortgage approvals and sales agreed will feed through into these numbers over the next few months.

Buyers remain engaged and lower mortgage rates would unlock activity. The reduction in sales agreed alongside a consistent level of fall-throughs suggests that the market has now adjusted to the current mortgage rate environment. Although buyers are committing to purchases in lower numbers, Zoopla reported that buyer searches were up 7% in August, so when mortgage rates do fall, there is likely to be a degree of pent-up demand in the market. This is unlikely to translate into significant house price growth, however, as the RICS survey continues to report high number of homes available for sale.

Mortgage rates are likely to remain high and volatile for the next few months and continue to act as a brake on the market. The energy price outlook remains uncertain, as the US-Iran war continues to disrupt supply. This presents an increased risk that inflation will remain high into early 2027, rather than peaking in Q4 as previously expected. The Bank of England is therefore unlikely to reduce the base rate anytime soon, with Oxford Economics forecasting only one cut in 2027.

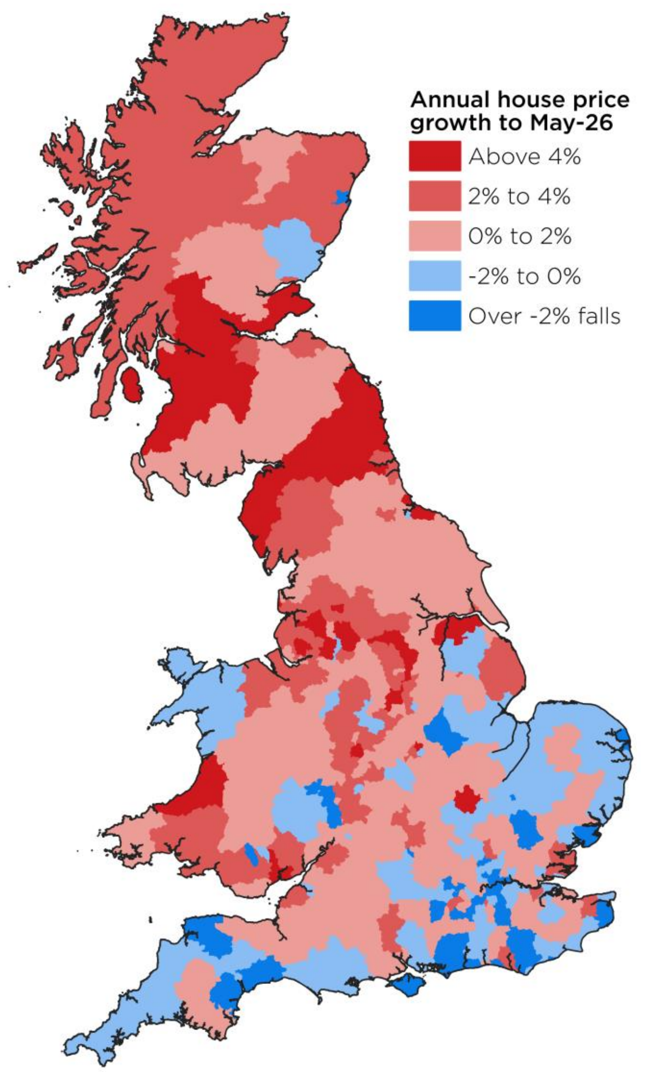
More localised house price data from May shows that Scotland and the North West had the greatest price growth, particularly East Dunbartonshire (10.9%), East Ayrshire (10.6%) and South Ayrshire (8.6%). The weakest growth was in Kensington and Chelsea (-9.1%), Westminster (-7.8%) and Worthing (-7.0%).

FIGURE 1 House price growth to May-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 May-26

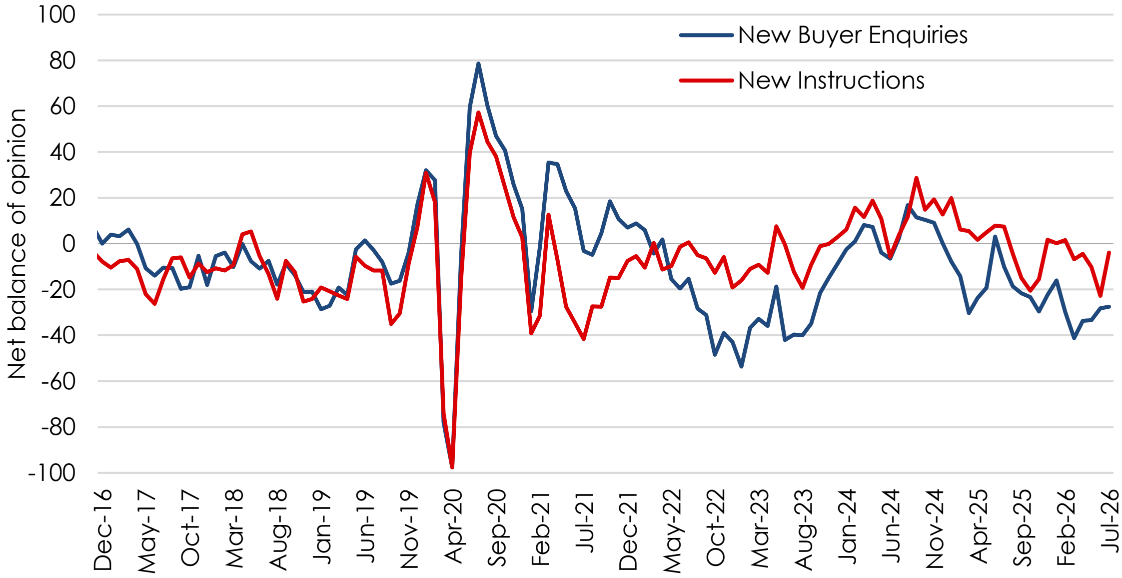


Source Savills using HM Land Registry and Registers of Scotland (6 month smoothed)*

New buyer enquiries continue to languish in negative territory and reflect ongoing weakness in the sales market, with many buyers continuing to wait for lower mortgage rates before acting.

A resurgence in new instructions in July saw the gap between supply and demand widen once again, although this metric remains in negative territory. Many surveyors continue to report oversupply and unrealistic pricing of homes as two key issues which are hampering sales activity.

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

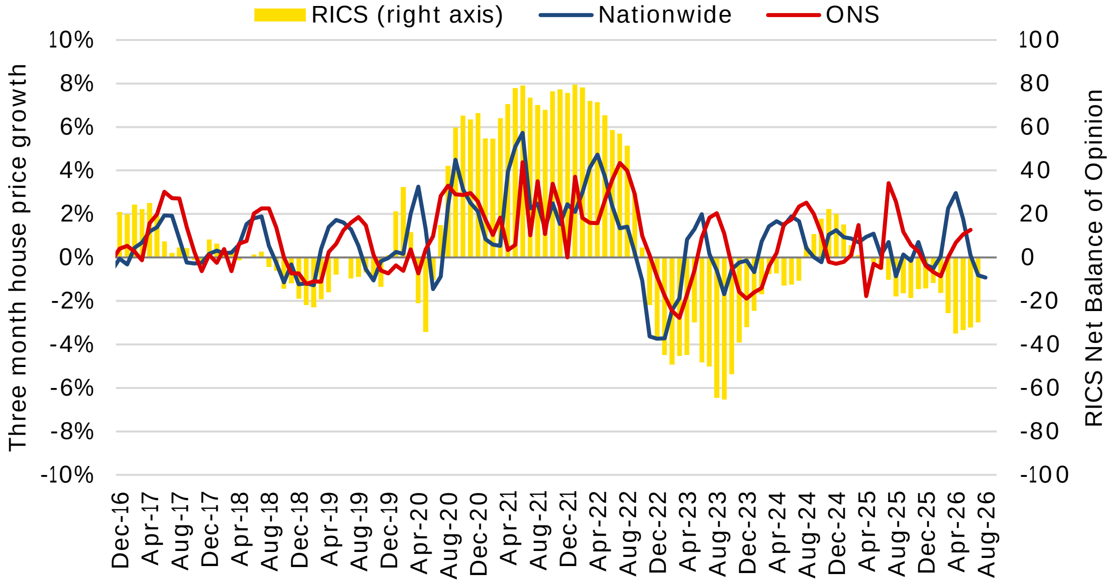


Source RICS (seasonally adjusted)

The RICS survey, which can be a good early indicator of house price movement, reported price expectation sentiment of -30. While this continues the trend of a gradual improvement in price expectations over the past 4 months, sentiment remains at its lowest level since December 2023.

Nationwide reported a 3-month price fall of -0.9%, down from the previous month's revised figure of -0.8%. The more lagged ONS index, which tracks completed sales reported 3-month price growth of 1.3% in June, up from 1.1% the previous month.

FIGURE 4 Nationwide reported 3-month growth of -0.9%; a slowdown from -0.8% the previous month

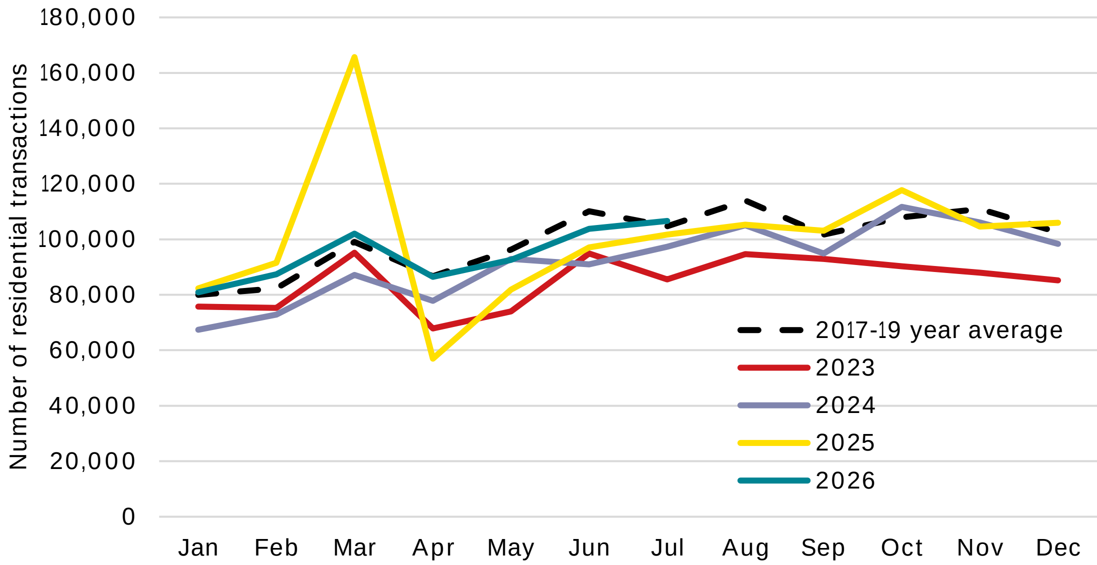


Source RICS (price expectations), Nationwide (seasonally adjusted), ONS (seasonally adjusted)

There were 106,620 completed transactions in July according to HMRC, 2% above the 2017-19 average for July. The level of transactions continues to remain robust, reflecting sales which were agreed in stronger market conditions at the beginning of the year.

Completed transactions are likely to fall behind the 2017-19 level over the next few months, as more recent lower levels of sales activity feed through into these numbers.

FIGURE 5 Monthly transaction numbers in June were 2% above 2017-19 levels



Source HMRC (Non-seasonally adjusted)

Annual rental growth across the UK in July was 2.6% according to Zoopla, up from 2.4% in June. Yorkshire and the Humber, and the North East continue to see the strongest annual rental growth of 4.0% and 3.8%, respectively. The East and West Midlands saw the weakest annual growth of 1.4%.

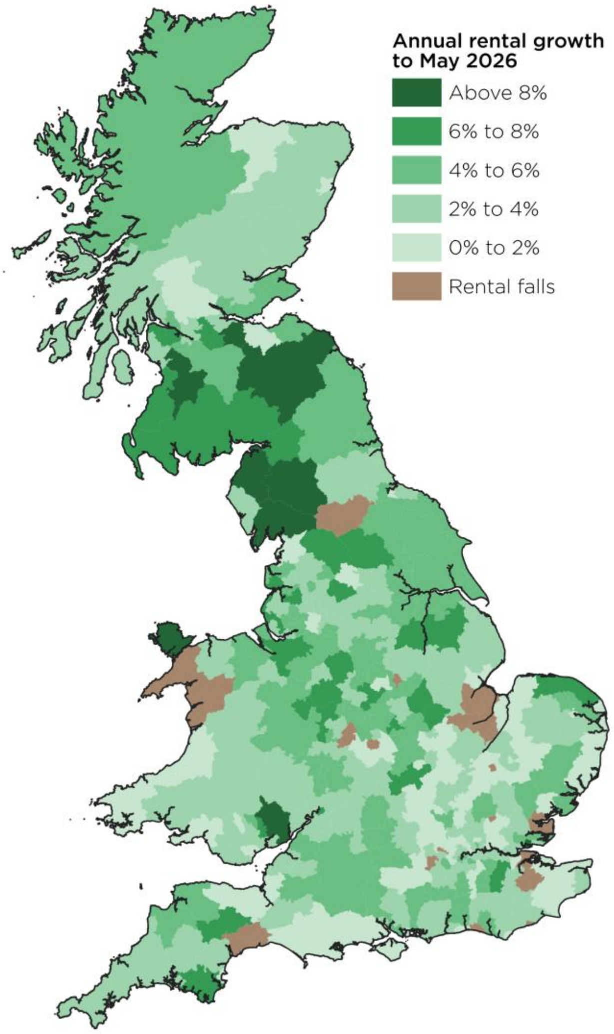
Annual rental growth is accelerating across most regions, while there is a more mixed picture at local authority level. Rental growth is being driven by contracting supply across all regions, while demand remains robust. At a local authority level, rental growth has been the strongest in Scottish suburban rental markets around Glasgow and Edinburgh. Urban markets in the Midlands, which have seen higher delivery of new Build to Rent supply over recent years, are continuing to see rental falls.

TABLE 1 Regional rental growth to July 2026

Region	m/m	q/q	y/y
UK	0.6%	1.4%	2.6%
London	0.7%	1.8%	2.9%
South East	0.4%	0.9%	2.1%
East of England	0.3%	1.4%	2.5%
South West	0.5%	1.7%	2.8%
East Midlands	0.2%	0.9%	1.4%
West Midlands	0.6%	1.0%	1.4%
North East	0.2%	0.5%	3.8%
Yorkshire and the Humber	0.8%	2.3%	4.0%
North West	0.5%	1.3%	3.4%
Wales	0.2%	0.5%	1.5%
Scotland	0.8%	1.5%	2.1%

Source Zoopla Rental Index – powered by Hometrack

FIGURE 6 Annual rental growth to May 2026



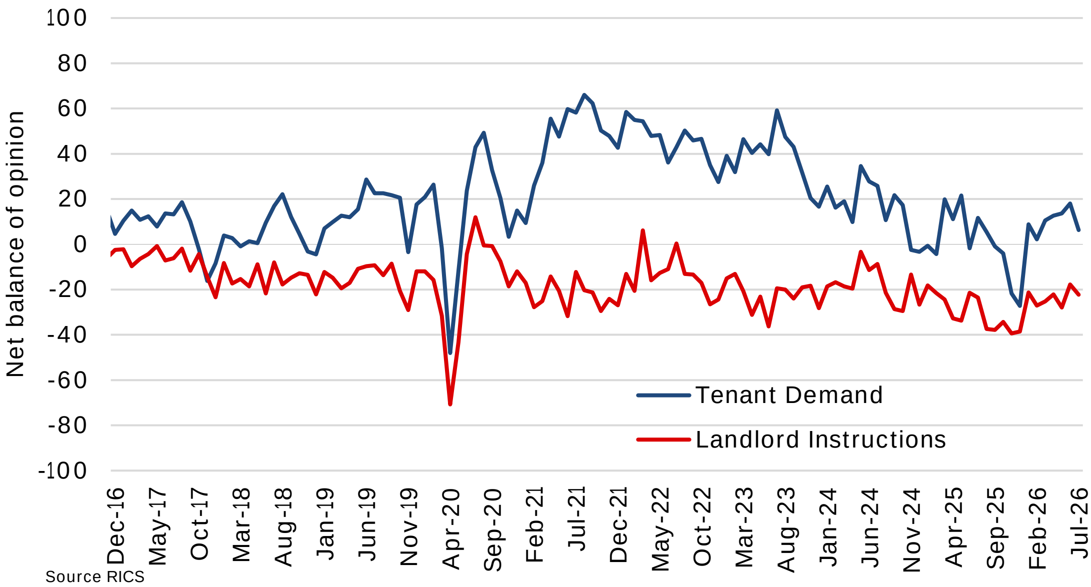
Source Zoopla Rental Index – powered by Hometrack

FIGURE 7 Tenant demand remains positive, while rental supply continues to fall

Tenant demand remains in positive territory, but increased less than over the previous four months.

Landlord instructions continue to show no sign improvement, as surveyors continue to report falling supply.

The continued gap between supply and demand means that rental growth is likely to remain steady over the coming months,



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

TABLE 3 Recent house price growth

	Nationwide (Regions to Q2 2026, UK to August 2026)			ONS (to June 2026)			Savills* (to May 2026)		
Region	m/m	q/q	y/y	m/m	q/q	y/y	m/m	q/q	y/y
UK	0.2%	0.0%	1.7%	0.0%	1.3%	2.1%	-0.1%	-0.5%	0.8%
London	-	0.5%	0.1%	1.0%	1.7%	-2.5%	-0.3%	-1.4%	-1.8%
South East	-	0.0%	0.4%	-0.3%	0.3%	0.3%	-0.1%	-0.9%	-0.7%
East of England	-	0.4%	0.8%	-0.2%	0.6%	1.0%	-0.3%	-0.7%	-0.1%
South West	-	1.1%	1.8%	0.6%	0.7%	1.9%	-0.1%	-0.7%	-0.1%
East Midlands	-	1.3%	3.3%	-0.7%	-0.8%	2.4%	-0.1%	-0.5%	1.3%
West Midlands	-	1.5%	3.9%	1.1%	1.6%	2.6%	-0.3%	-0.4%	1.1%
North East	-	0.3%	3.0%	1.0%	2.4%	4.4%	0.0%	0.1%	2.5%
Yorkshire and the Humber	-	0.6%	4.0%	-0.5%	0.6%	3.6%	0.1%	-0.1%	2.1%
North West	-	0.9%	3.5%	0.4%	2.3%	4.6%	0.2%	0.2%	3.3%
Wales	-	1.1%	3.5%	-0.9%	-0.3%	1.7%	0.2%	0.2%	1.9%
Scotland	-	-0.7%	1.6%	-0.5%	3.7%	2.3%	0.0%	0.2%	3.5%

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.

Savills Research

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Dan Doherty

Analyst
020 7123 6349
daniel.doherty@savills.com

Corranne Wheeler

Associate
020 3107 5454
corranne.wheeler@savills.com

Chris Buckle

Director
020 7016 3881
CBuckle@savills.com