

Intelligent Investment

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UK Residential Forecasts

REPORT

CBRE RESEARCH
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Report Summary

	2025 Summary	Outlook	Forecast
Rents	<p>Rents on all tenancies increased by 4.0% across the UK and by 2.1% in London in 2025. We forecasted 3.9% across the UK and 2.1% in London.</p> <p>Rents on new tenancies increased by 2.6% across the UK and by 2.8% in London in 2025. We forecasted 4.7% across the UK and 1% in London.</p>	<p>Rents and incomes have shown some element of recalibration following double-digit rental growth. This provides capacity for rental growth in line with CPI and will also be supported by the ongoing supply shortage.</p> <p>Rental supply will remain constrained. Landlords will continue to sell their rental homes, albeit at a slower rate than previously. Viability challenges around multifamily housing (MFH) development has also caused a shrinking pipeline of institutional rental homes.</p>	<p>Rents on all tenancies across the UK are forecast to increase by 1.3% in 2026 and 10.8% between 2026–2030. In London, they are forecast to increase by 2.4% in 2026 and 12.7% between 2026–2030.</p> <p>Rents on new tenancies across the UK are forecast to increase by 2.0% in 2026 and 12.5% between 2026–2030. In London, they are forecast to increase by 2.7% in 2026 and 17.8% between 2026–2030.</p>
Sales volumes	<p>There were 1.22m transactions in 2025, 11% more than 2024. This was supported by over 390,000 first-time buyers (FTBs), the second-highest annual figure after 2021, which was fuelled by the stamp duty holiday. We forecasted 1.2m sales across the UK.</p> <p>London new build sales, excluding Build-to-Rent (BTR) sales, fell to 6,300 in 2025. This was the lowest figure since 2009. We forecasted 7,300 new build sales in London.</p>	<p>A release of pent-up demand from before last year's Autumn Budget, further potential regulatory changes to mortgage lending, and landlords continuing to sell their properties, will all support sales volumes in 2026.</p> <p>The increasing level of unsold stock of new homes in London will put pressure on developers to sell homes, but a lack of significant demand-side stimulus will inhibit a significant recovery in sales volumes.</p>	<p>Sales volumes are expected to decline slightly in 2026, to c. 1.15m, a 6% year-on-year fall, but still 5% above 2024 levels.</p> <p>London new build sales volumes are expected to recover marginally in 2026 to 7,200.</p>
House prices	<p>UK house prices increased by 2.4% in 2025. In London, they decreased by 1.0%, making it the only region to have an annual fall in values. We forecasted 1.8% across the UK and 0.8% in London. Recent ONS growth rates for the UK have been revised down by an average of 160bps over the last 12 months. In London, they have been revised up by an average of 90bps.</p>	<p>Despite the expectation for another strong year of sales volumes, house price growth will be constrained by the amount of stock for sale. The market remains price-sensitive and will continue to be shaped by affordability pressures in 2026.</p>	<p>House prices across the UK are forecast to increase by 1.6% in 2026 and 23.1% between 2026–2030.</p> <p>House prices in London are forecast to increase by 0.5% in 2026 and 19.1% between 2026–2030.</p> <p>London will underperform in the short-term due to affordability pressures, but greater supply shortages will allow for stronger price growth towards the end of our forecast period.</p>

02

Rents

A return to sustainable rental growth

We have analysed the UK rental market through the lens of two indices. The ONS Price Index of Private Rents, which covers all tenancies, and the HomeLet Rental Index, which covers new tenancies only. They show a rental market at different stages of the cycle, but both suggest the market is returning to a more sustainable level of growth.

The ONS index shows a continued deceleration in rental growth that began at the end of 2024. The annual rate of growth slowed in each month in 2025, from 10.1% to 4.1% at the end of the year.

The HomeLet index shows a market that has corrected and rebounded. This index reported a faster fall in the growth rate to a low of 0.2% in August 2025, but it recovered quickly from September onwards, finishing the year at 2.6%.

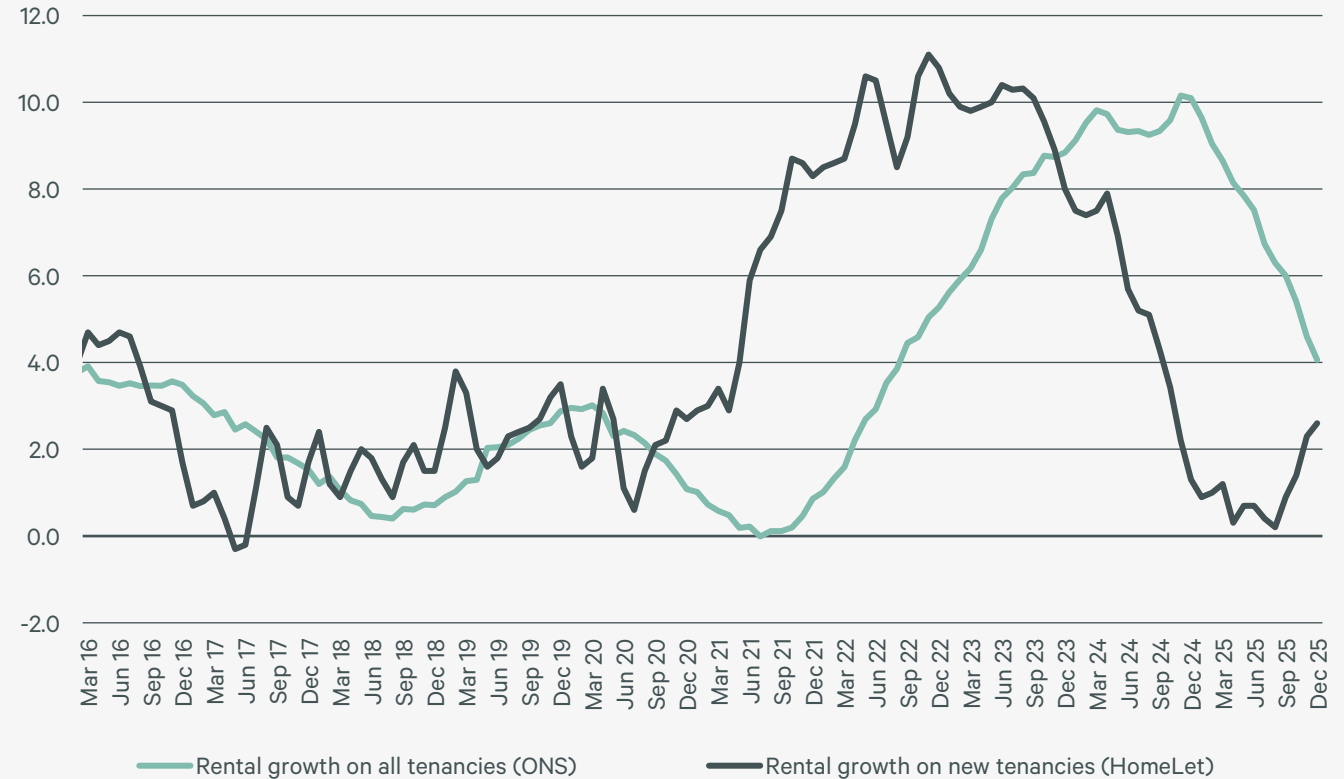
Both show signs of a return to a ‘normal’ rental market after double-digit rental growth between 2023–2024. This is being driven by easing demand pressures including:

A natural rebalance of incomes and rents: During the surge in rental growth in 2021/22, income growth failed to initially keep up. Tenants reached their affordability ceiling, spending up to 40% of their income (in London) on rent at the start of 2024. That has now eased to 37.8% at the end of 2025. Rental growth has had to slow in order to recalibrate the balance between incomes and rents.

More FTB activity: Improving sales market conditions for FTBs has allowed just under 400,000 of them to purchase their first home. This is the second-highest figure in the last decade, behind only 2021 during which activity was fuelled by stamp duty holidays. Many of these households would have previously been in the private rented sector, alleviating some rental demand pressure.

Lower migration levels: Net migration levels in the year to June 2025 fell to 204,000, down from a peak of 944,000 in March 2023. This has also lowered the demand for rental housing.

FIGURE 1: Annual rental growth, %



Source: ONS, HomeLet

Affordability has nearly recalibrated

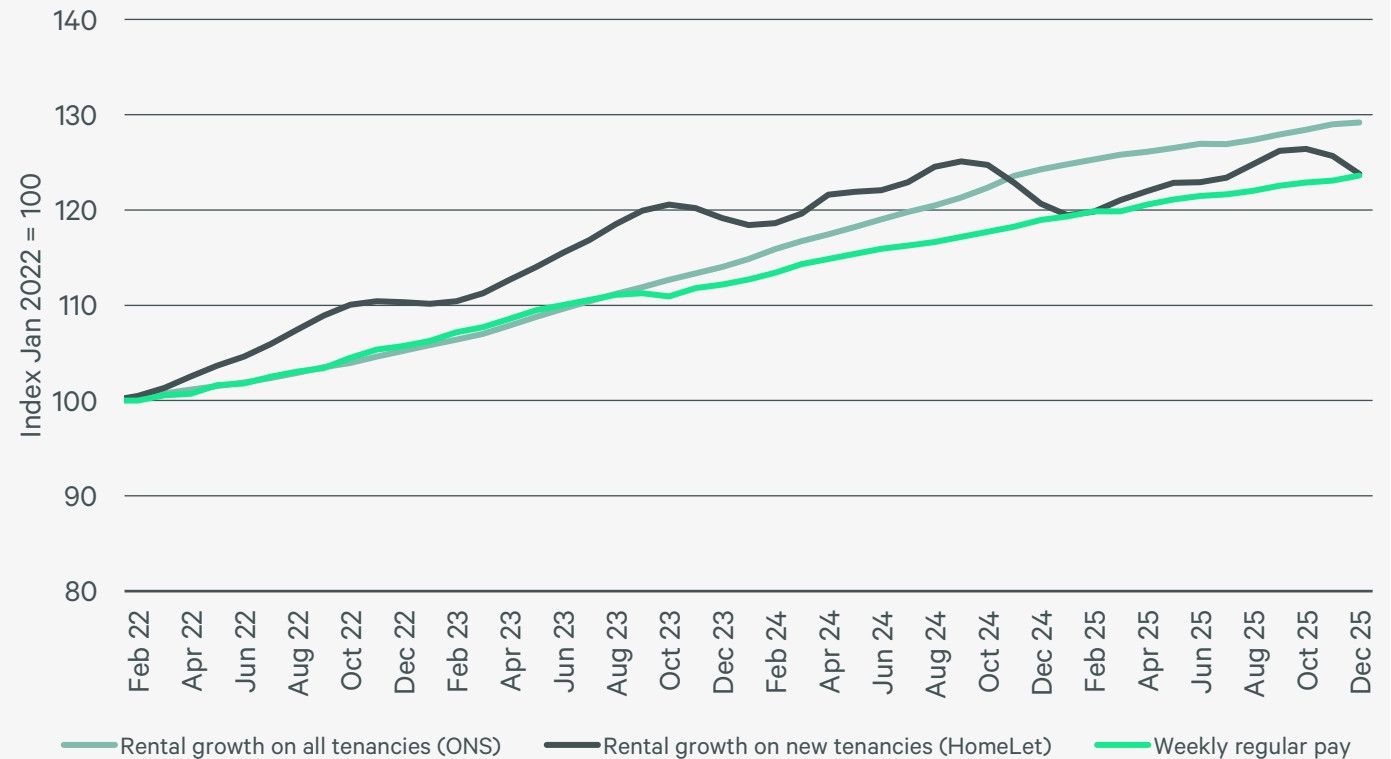
The rate of rental growth is largely tied to tenant affordability and, consequently, income growth. Since the start of 2022, tenant affordability has been stretched due to significant increases in rents relative to incomes. However, over the last year, there have been signs that the market has begun to rebalance.

Since January 2022, earnings (measured as weekly pay) have grown by 22.1%. During that period, rents have grown by 23.8% on new tenancies and by 29.2% across all tenancies. While this still shows rental growth outperforming earnings growth, the gap is significantly closer now than at the peak of this cycle.

In October 2023, the gap in new tenancy rental growth and earnings growth was 970bps. That has now come down to just 20bps. The ONS measure of rental growth on all tenancies still shows a large gap between rental and earnings growth, but the more timely HomeLet series suggests this is shrinking. It will take some time for this to be reflected in the ONS series.

These affordability improvements will open up capacity for rental values to increase in line with future CPI movements.

FIGURE 2: Earnings and rental growth



Source: ONS, HomeLet

Supply shortage will maintain rental growth

Cooling demand is still outweighed by a shortage of rental supply. Surveyors responding to the [RICS Residential Market survey](#) have reported a decrease in landlord instructions in every month since July 2022. Therefore, while the balance between demand and supply has tightened, it remains firmly tilted towards a surplus of demand.

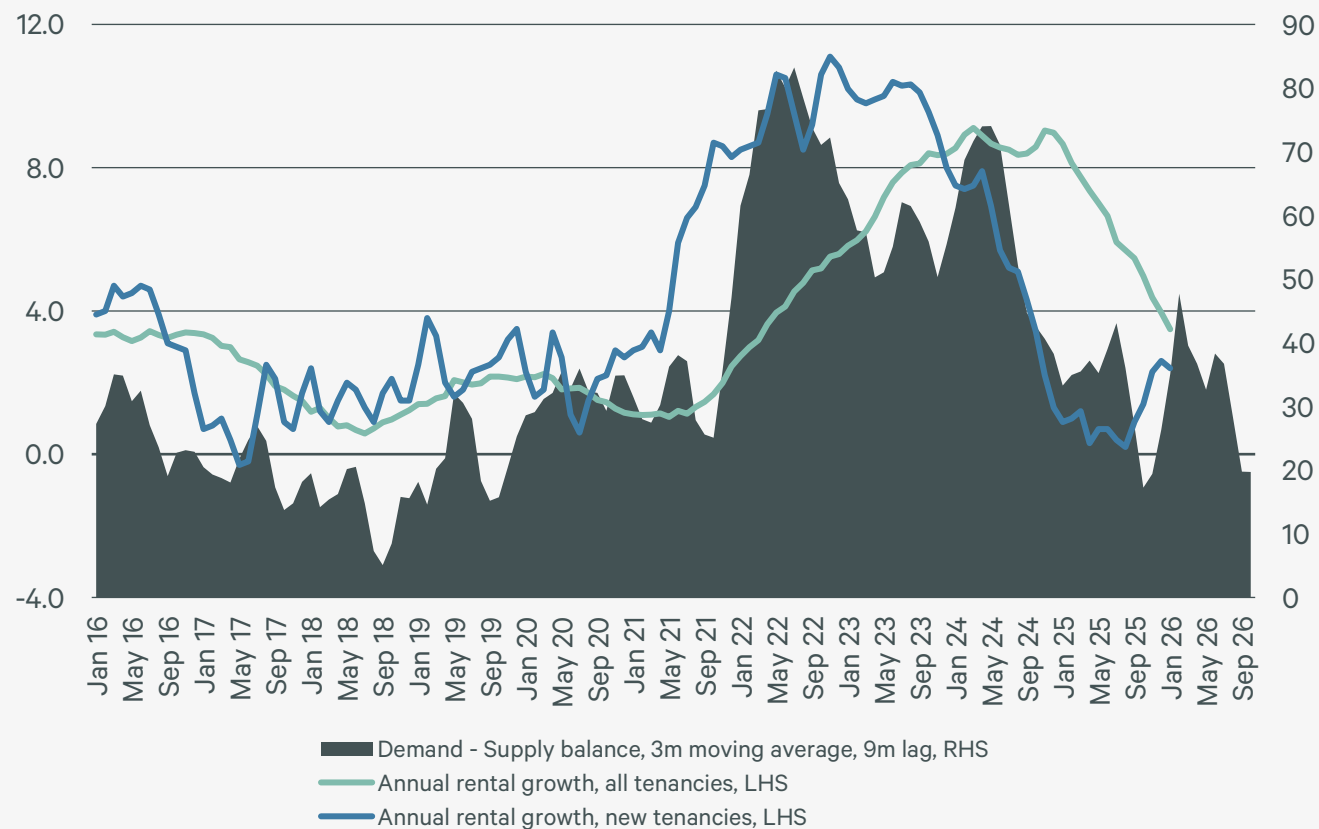
Private Buy-to-Let (BTL) landlords will continue to sell at least some of their rental homes. A greater proportion of rentals in London have been put up for sale compared with the rest of the country. 46% of UK landlords intend to sell some of their rental homes in the next 12 months, though this is fewer than the high of 53% in Q3 2024, according to the NRLA. The Renters' Rights Act is ranked as the top factor driving landlord sentiment, indicating how rental stock will continue to be sold as the legislation becomes active, albeit at a slower rate than before.

Some of these homes will remain in the rental market and be bought by professional landlords with larger portfolios. This is a trend that has developed over recent years. The average portfolio size of those purchasing a BTL home was 5.11 at the end of 2025, up from 4.02 at the end of 2023.

On the institutional supply side, there were 11,300 new operational BTR homes in 2025, the lowest level since before 2020. Higher construction, labour, and debt costs, combined with new Building Safety Regulations, have impacted viability, particularly for high-rise projects in London.

We currently expect the number of operational BTR homes to increase by an average of just over 10,000 each year between 2026–2030. This would be a slowdown from an average of 13,600 new BTR homes in the preceding five-year period.

FIGURE 3: Balance between rental supply and demand, and rental growth



Source: ONS, HomeLet, RICS

Rent Forecast

Our rent forecasts are based on the [Price Index of Private Rents](#) produced by the ONS. These are forecasts for the whole of the private rented sector, including renewals. We also include specific forecasts for **new lets** (in figure 6 in **bold**).

The continued supply shortage across the market will maintain positive rental growth this year, albeit at a lower rate than 2025. The level of rental growth is expected to fall back to within close range of CPI inflation.

In 2026, we expect rents to increase by 1.3% across the UK, down from the 4% increase in 2024. Over the next five years, we forecast a compound growth rate of 10.8% and an annual average of 2.1%.

Rents in London are expected to outperform the headline level in 2025, increasing by 12.7% over the five-year period. This will be driven by greater supply constraints in London, both in the BTL and BTR markets.

Overall, these forecasts point to a return to a more 'normal' and sustainable level of rental growth moving forward. The average annual change across the UK in the next five years is expected to be 2.1%, down from 5.9% in the preceding five years and more in line with the 1.9% averaged between 2016–2020.

Rental growth on new lets is expected to average 2.4% per annum over the next five years. This would represent a slight overperformance compared to its pre-COVID average due to tighter supply constraints in the current market and the rebalancing of incomes and rents.

Our rental forecasts relate to the mainstream private rental market. Rental performance in the operational BTR sector will differ based on the amenity offering, professional management, and purpose-built design. For example, our latest [Multifamily Housing Index](#) results reported 2.6% rental growth in the year to Q3 2025. During the same period, the HomeLet Rental index on new tenancies showed growth of just 0.5%.

Figure 4: CBRE rental price forecasts, annual % change, figures in bold relate to new lets

Region	2025 (actual)	2026	2027	2028	2029	2030	Average annual change	2026–2030 compound total
South East	3.8 -1.1	1.5 2.5	2.3 3.2	2.4 1.2	2.2 1.0	2.0 0.9	2.1 1.8	10.9 9.2
London	2.1 2.8	2.4 2.7	3.0 3.3	2.7 4.0	2.2 3.5	1.8 3.2	2.4 3.3	12.7 17.8
Eastern	5.3 2.3	1.8 3.0	2.7 3.9	2.8 1.2	2.6 1.0	2.4 0.8	2.5 2.0	13.0 10.1
South West	5.1 3.9	1.6 2.1	2.4 2.9	2.5 1.9	2.3 1.7	2.1 1.6	2.2 2.0	11.3 10.6
West Midlands	5.2 2.7	1.8 3.3	2.8 4.3	2.9 2.6	2.7 2.4	2.4 2.1	2.5 2.9	13.2 15.6
East Midlands	5.3 4.9	1.8 2.2	2.7 3.1	2.8 2.0	2.6 1.8	2.4 1.6	2.5 2.1	12.9 11.2
Yorkshire and Humber	4.4 1.7	1.3 2.8	1.9 3.4	2.0 2.0	1.9 1.8	1.7 1.7	1.8 2.3	9.1 12.1
North West	6.1 -0.2	2.1 2.5	3.1 3.5	3.3 3.8	3.0 3.5	2.8 3.3	2.9 3.3	15.2 17.6
North East	7.9 6.6	2.2 2.2	3.3 3.3	3.5 3.5	3.2 3.2	3.0 2.9	3.0 3.0	16.2 16.0
Wales	5.7 2.9	1.9 2.5	2.8 3.5	3.0 3.0	2.7 2.7	2.5 2.5	2.6 2.8	13.5 15.0
Scotland	2.8 4.0	1.3 2.7	1.9 3.3	2.0 2.8	1.8 2.6	1.7 2.4	1.7 2.7	9.0 14.5
Northern Ireland	5.6 9.3	1.9 1.2	2.9 2.2	3.0 4.6	2.8 4.4	2.5 4.2	2.6 3.3	13.8 17.6
UK (nominal)	4.0 2.6	1.3 2.0	2.3 3.0	2.4 2.5	2.2 2.3	2.1 2.2	2.1 2.4	10.8 12.5

Source: CBRE Research

03

Sales Volumes and House Prices

House price growth slowed in the second half of 2025

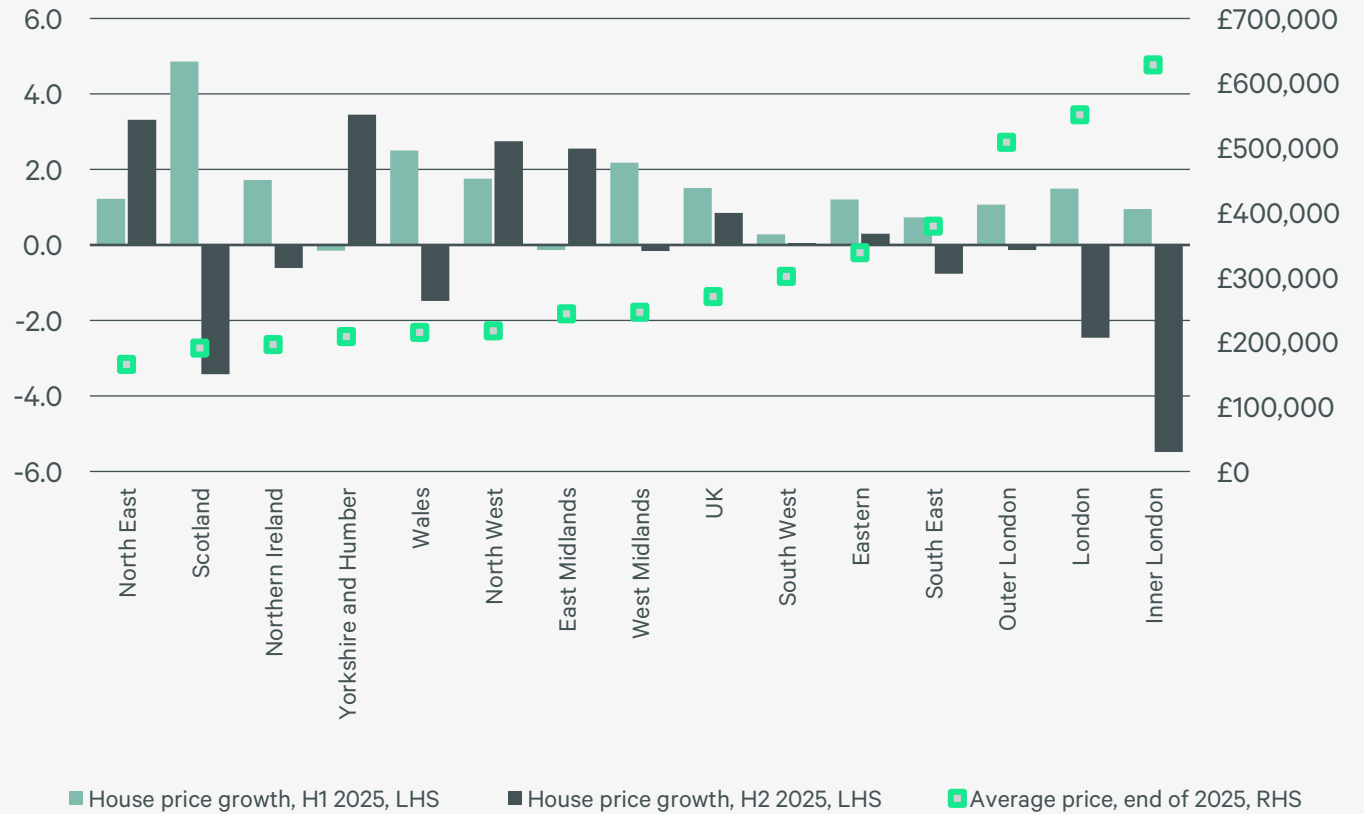
The average house price increased by 2.4% across the UK in 2025. However, this was not evenly split across the year, or across the country. Values increased by 1.5% in the first half of the year and by 0.8% in the second. Generally, this pattern of slower growth in the second half of the year was most prominent in more expensive regions in the South. In contrast, in the North, house price growth accelerated in the last six months of the year. There were three key drivers of this:

Stamp duty changes in April: The temporary increase to the stamp duty thresholds, introduced in September 2022, came to an end on 31 March. This change boosted demand in more expensive regions as greater savings were on offer. In London, the average FTB would've saved £11,250, or 2% of property value, by completing before this deadline. Based on the average property value in the North East, there was no saving to be made. This supported demand in London and the South at the start of last year.

Budget uncertainty in the leadup to November: Rumours around the introduction of property tax impacted buyer confidence, predominantly in the higher-value markets at which the taxes were rumoured to target. This slowed sales activity and demand in the south of the country in the months preceding the Autumn Budget. It was eventually announced that a High Value Council Tax Surcharge for homes worth over £2m would take affect in April 2028.

Landlord economics in London: BTL landlords continued to sell their properties, and tighter BTL economics in London have led to a disproportionate increase in stock of homes for sale in the capital. In November last year, nearly a third of homes for sale in London were former rentals, compared to just 12% across the rest of the country, according to Zoopla. The greater stock of homes for sale in London has limited house price growth.

FIGURE 5: House price growth and average house price



Source: ONS

First-time buyers fuelled sales activity in 2025

There were 1.22m transactions in 2025, in line with our forecast. Despite changes to stamp duty and announcements of new taxes disrupting buying activity, there was enough underlying demand to return sales volumes to its long-term average. FTBs made up 32% of sales in 2025, the largest proportion for this buyer group since recording began in 2015. Market conditions improved for FTBs last year due to:

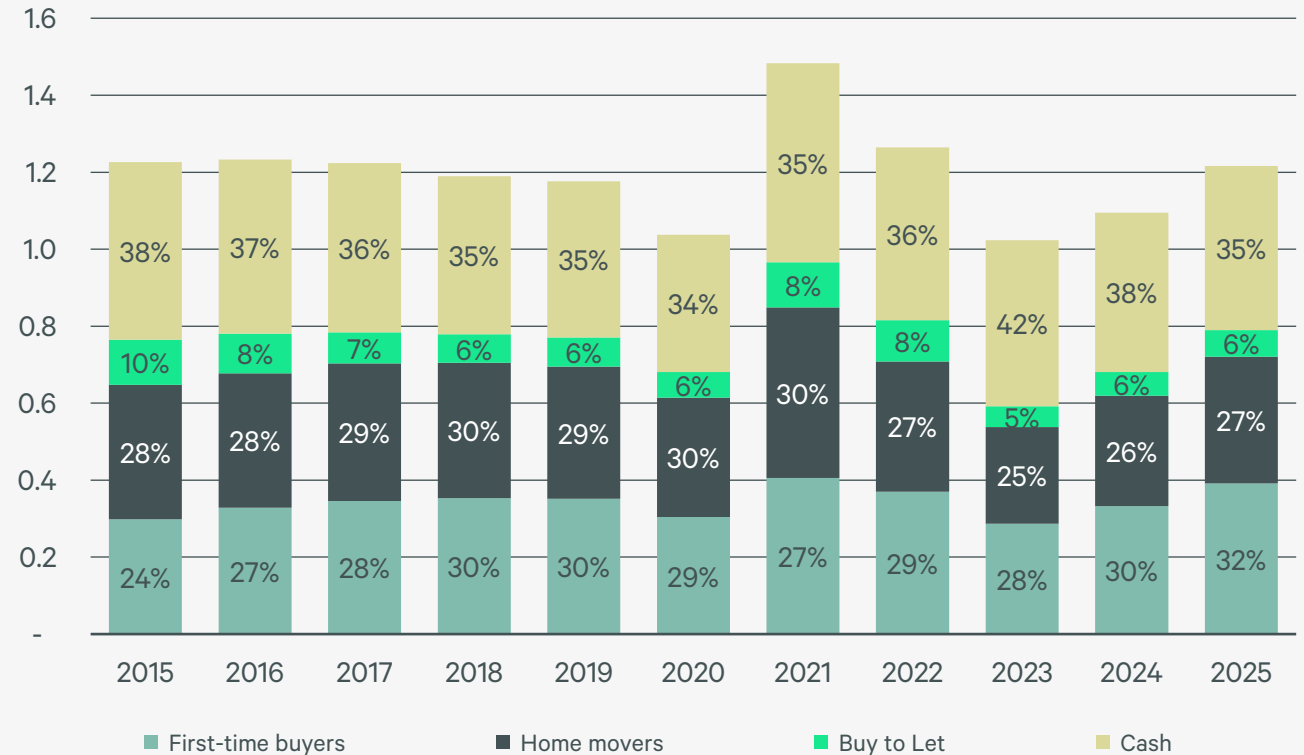
Improved mortgage market conditions: The average mortgage rate on two-year fixed products fell from between 4.47%–5.7% in December 2024 to 3.78%–4.83% in December 2025. Relaxed affordability testing rules introduced in March 2025 supported purchasing power as well, which led to robust demand from mortgaged buyers.

Insulation against budget uncertainty: Given that the tax changes rumoured in the leadup to the Budget were largely targeted at higher-value markets and homeowners, FTB activity was mostly unaffected. The number of sales to FTBs in Q4 was 13% above the long-run average for that quarter. All three of the remaining buyer groups were less active than their long-run average in Q4.

Greater stock of homes for sale: Prior to August 2025, there had been 13 consecutive months of increases in new sales instructions, according to the RICS Residential Market survey. The number of homes for sale per surveyor averaged 44.7 in 2025, up from 43 in 2024, and the highest since 2016. The higher volume of stock for sale provided FTBs with greater choice in the market.

We are expecting a marginal fall in 2026 sales volumes, to 1.15m, which would be 6% below 2025 levels. Volatility over mortgage rates in the first half of the year and the drop-off in demand at the end of last year caused by the Budget will slow sales rates in the first half of 2026. Beyond this, if interest rates settle, a release of pent-up demand will support a recovery in transactions.

FIGURE 6: Number of transactions, millions



Source: HMRC, UK Finance

High stock levels will limit 2026 growth

The net balance of sales expectations from the RICS survey in December was its highest reading since October 2024. A positive reading followed in January after five consecutive negative months. However, the measure was negative once again in February, indicating a mixed start to the year.

Those who received mortgage offers towards the end of 2025 will be incentivised to complete to secure their interest rate. This should support sales volumes at the start of 2026.

We expect a degree of pent-up demand to be released from those who delayed moving until after the Autumn Budget, but this may not be reflected in sales volumes until the second half of 2026. The [FCA](#) have announced further proposed regulatory changes to assist mortgaged buyers in 2026 which could also support an increase in sales volumes.

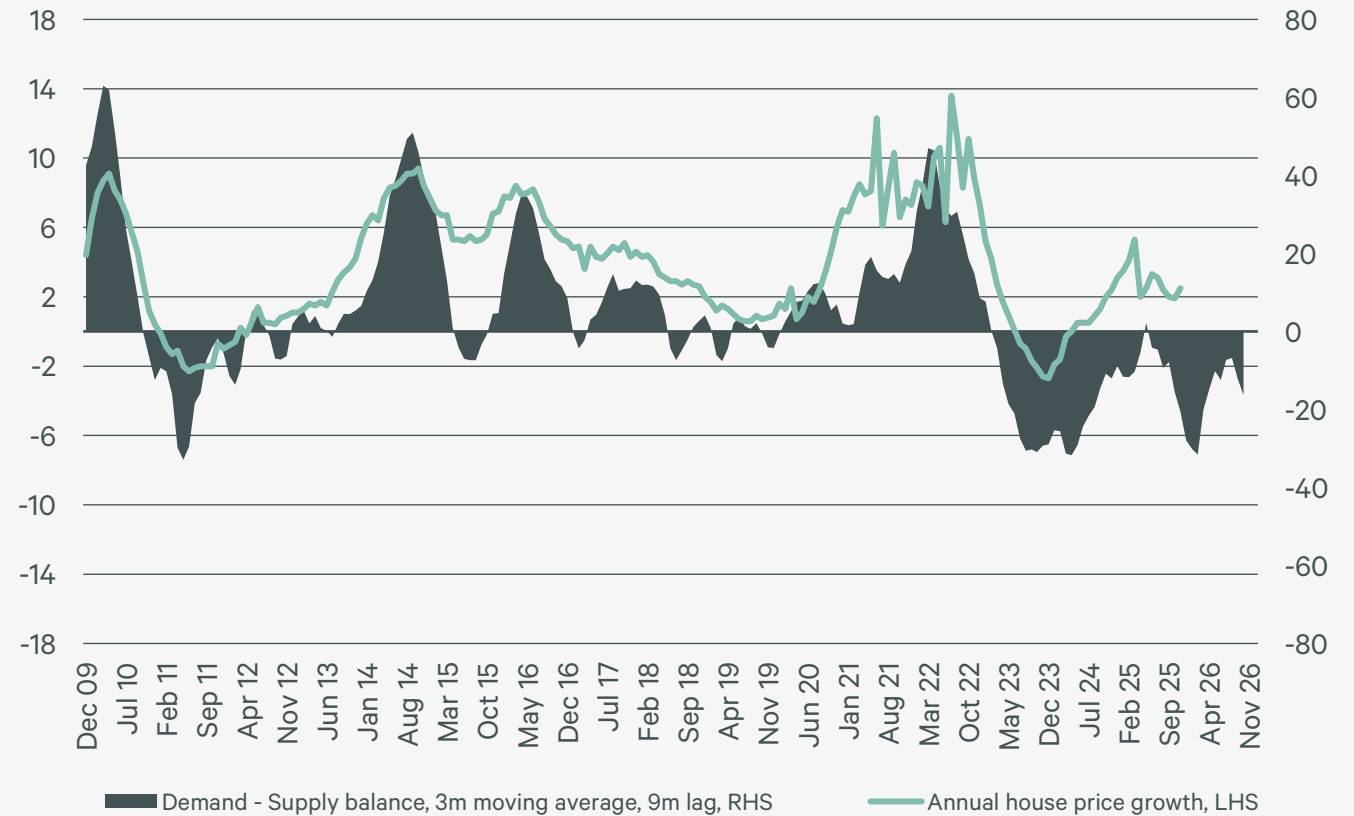
We are expecting a marginal fall in 2026 sales volumes, to 1.15m, which would be 6% below 2025 levels. Mortgage rate volatility and the drop-off in demand at the end of last year, caused by the Budget, will slow sales rates in the first half of 2026. Beyond this, if interest rates settle, a release of pent-up demand will support sales volumes.

The supply and demand balance will limit price growth

The balance between buyer demand and seller instructions is often a reliable forward-looking indicator of short-term house price movement. The three-month rolling average of this balance has been almost entirely negative since June 2022, indicating there have been fewer buyers in the market than sellers since then. This has coincided with the rate of house price growth falling since July 2022.

Applying a nine-month lag to this series suggests that there is limited scope for significant house price growth in 2026 given the surplus of homes available for sale. Greater choice of homes for sale for buyers means prices must remain competitive.

FIGURE 7: Balance between sales demand and supply, and annual house price growth



Source: ONS, RICS

House price forecasts

House price growth to peak in 2026

We forecast UK house prices to increase by 1.6% in 2026, a fall from the 2.4% of 2025. House price growth will be tempered by volatility around mortgage rates in the first half of the year which will tighten buyer affordability and slow sales rates. Heightened stock levels will also limit price growth.

There will be further capacity for price growth in the later years of our forecasting period, as the wider economic recovery takes place and interest rates settle. Low levels of future housing delivery will provide further upward pressure on prices. Over the next five years, we forecast house price growth of 23.1% across the UK.

London to see strong growth at the end of forecasting period

The supply and demand dynamics in London point to lower short-term house price growth in the capital. The ratio of sales to stock on surveyors' books at the end of 2025 was the lowest in London (17) out of all regions, according to the RICS Residential Market Survey. This was approximately half that of the UK average (35) and the lowest since April 2019.

With a greater proportion of landlords in London (compared to the UK average) selling their rental homes, stock levels will remain elevated, restricting house price growth. Greater affordability pressures in London will continue to limit house price growth in the short-term.

From 2029 onwards, the chronic shortage of upcoming supply in London will provide upward pressure on house prices and provide capacity to outperform the UK average in later years.

Figure 8: CBRE house price forecasts, annual % change

Region	2025 (actual)	2026	2027	2028	2029	2030	Average annual change	2026– 2030 compound total
South East	0.0	1.1	2.9	4.1	5.0	6.0	3.8	20.5
London	-1.0	0.5	1.9	3.4	5.0	7.0	3.6	19.1
Inner London	-4.6	0.3	1.5	2.9	4.8	7.1	3.3	17.6
Outer London	0.9	0.6	2.2	3.7	5.2	7.0	3.8	20.1
Eastern	1.5	1.3	3.3	4.5	5.1	5.8	4.0	21.5
South West	0.3	1.4	3.3	4.3	5.0	5.7	3.9	21.2
West Midlands	2.0	1.7	3.9	5.1	5.1	5.2	4.2	22.9
East Midlands	2.4	1.7	4.0	5.1	4.8	4.5	4.0	21.7
Yorkshire and Humber	3.3	1.9	4.2	5.1	4.9	4.7	4.2	22.7
North West	4.5	1.9	4.3	5.3	5.2	5.0	4.3	23.6
North East	4.6	2.2	4.4	4.9	4.4	4.0	4.0	21.4
Wales	5.0	1.9	4.2	5.2	5.4	5.9	4.5	24.6
Scotland	4.9	2.1	4.4	5.0	4.6	5.1	4.2	23.1
Northern Ireland	7.5	2.0	4.5	5.5	5.6	6.2	4.8	26.2
UK (nominal)	2.4	1.6	3.8	4.9	5.2	5.7	4.3	23.1

Source: CBRE Research

04

London New Home Sales

London New Home Sales

Our London new home sales forecasts are based on Molior’s new home data. Molior tracks development activity on all schemes with more than 20 private homes in London. These have which has accounted for c. 60% of total development activity since 2020.

London recorded its lowest level of new home sales in 2025 since 2009, with just 6,300 homes sold (excluding BTR sales), a 17% year-on-year fall and 71% below the peak of the market.

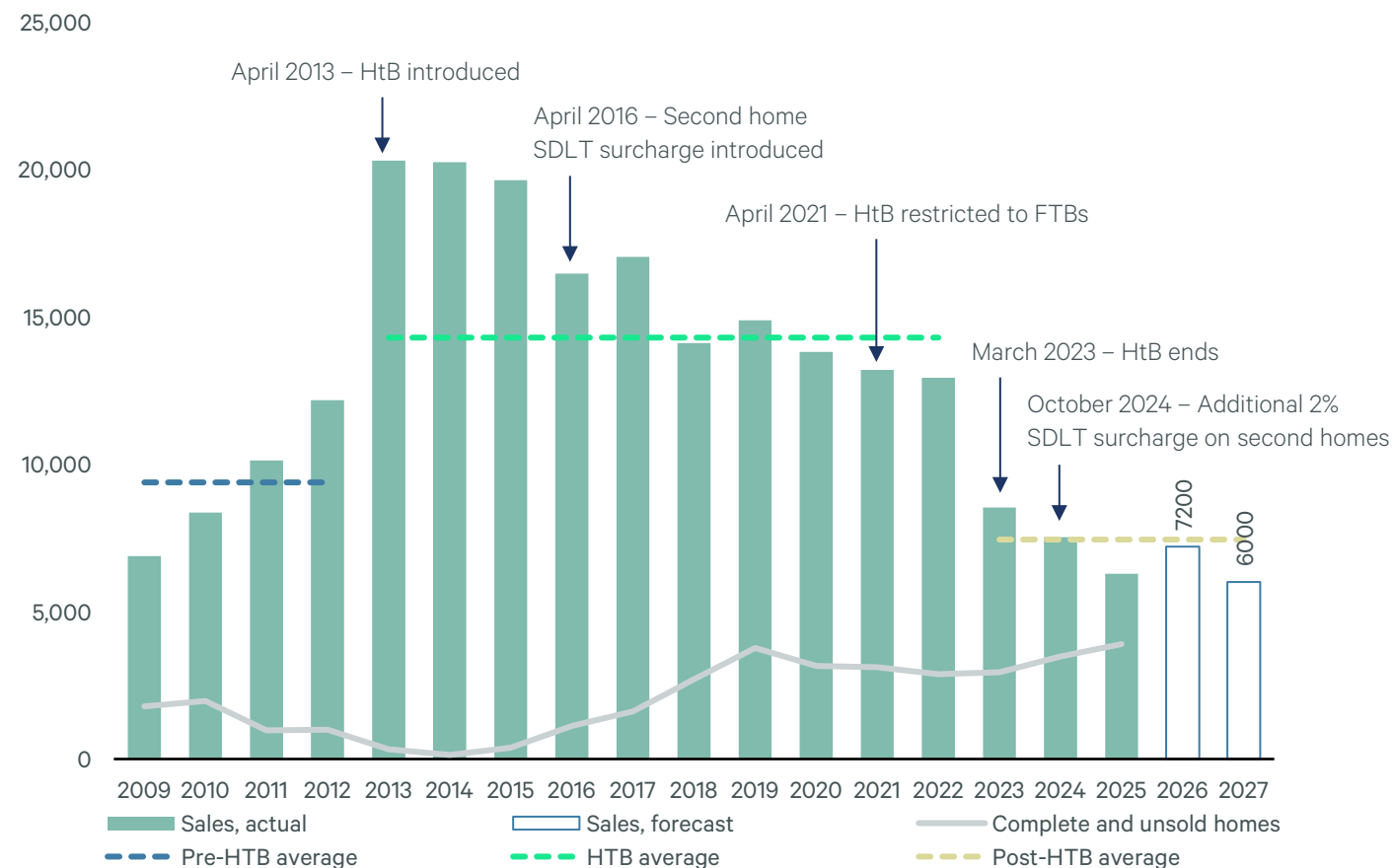
In the last three years, since Help to Buy (HtB) was removed, annual sales have averaged just 7,400. This is nearly half the average during HtB, and 20% below the average prior to the scheme. Sales demand has also been hit by increased interest rates and an additional 2% stamp duty surcharge for overseas buyers introduced in 2024.

Slow sales rates have increased the number of complete and unsold homes to 3,897 at the end of 2025, the second-highest figure recorded. The absence of off-plan investors in the market has been a key driver behind this. The number of complete and unsold homes at the end of the year was 70% of the annual sales rate, the highest proportion ever and well above the long-run average of 12%. This may apply pressure to developers to sell these units either through discounting, bulk deals, or switches in tenure. This could provide a short-term stimulant to sales numbers in 2026.

Construction completions are expected to increase in 2026, according to Molior. This will add further pressures to the volume of unsold stock and provide potential buyers with more choice.

As a result, we expect sales volumes to increase by 15% in 2026, to 7,200. This would still be below the post-HtB average. Slight improvements to buyer affordability as mortgage rates trend down, as well as the prevalence of unsold stock on developer books will support this recovery, but the lack of demand-side stimulus in the market will be a limiting factor.

Figure 9: London new home sales volumes, historic and forecast, excludes BTR sales



Source: Molior, CBRE Research

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