Sales values fall as rents continue to rise

▼ £545,000
London house price

▲ £576pw
London rent

▼ £2.0m
Prime Central London house price

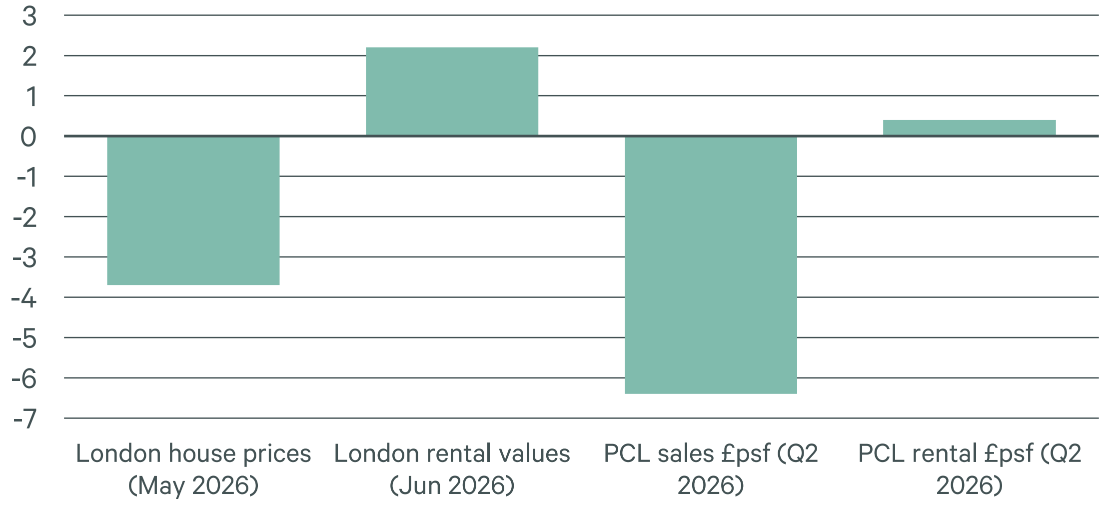
▲ £1,376pw
Prime Central London rent

Note: Arrows indicate movement YoY

Key takeaways

- The mainstream London sales market was muted in Q2 2026, with buyer demand affected by rising mortgage interest rates and geopolitical uncertainty. Average house prices have decreased by 3.7% year-on-year, the largest decline of any region, while buyer sentiment remained weak throughout the quarter.
- The mainstream London rental market is exhibiting more moderate levels of rental growth than previous years, although higher mortgage costs for first-time buyers are likely to put upward pressure on rental demand and rental growth in the near term.
- Despite the highest number of sales in a single quarter since 2024, achieved sales £psf values in Prime Central London fell by 6.4% year-on-year. Homes are taking significantly longer to sell than a year ago, illustrating buyer caution in a discretionary market amid geopolitical uncertainty.
- The PCL rental market was relatively stable in Q2, with a marginal increase in achieved £psf values. Stable rents together with falls in sales values led to an increase in the average PCL rental yield this quarter.

Figure 1: Annual change



Source: ONS, LonRes

London sales market

- The average house price in London was £545,000 in May 2026, an annual fall of 3.7%, against a 2.2% increase the year before. Semi-detached properties saw growth of 0.4% year-on-year, the only property type to increase in value in the year to May 2026.
- The average net balance of new buyer enquiries in London was -39% in Q2 2026, up from -45% in Q1 2026. Demand remains negative due to rising mortgage rates, geopolitics and domestic political uncertainty. The net balance of new sales instructions was -9%, down from 4% in Q1 2026.
- There were 2,792 new home sales in London in Q2. Of these, 1,919 were bulk sales to companies for build-to-rent, affordable tenures or other deals. Just 31% of new homes were bought by individuals, down from 43% over the preceding year.

Average house price
▼ £545,000
May 2026

Annual house price change
▼ -3.7%
12 months to May 2026

Buyer enquiries
▼ -39%
Net balance of respondents, Q2 2026

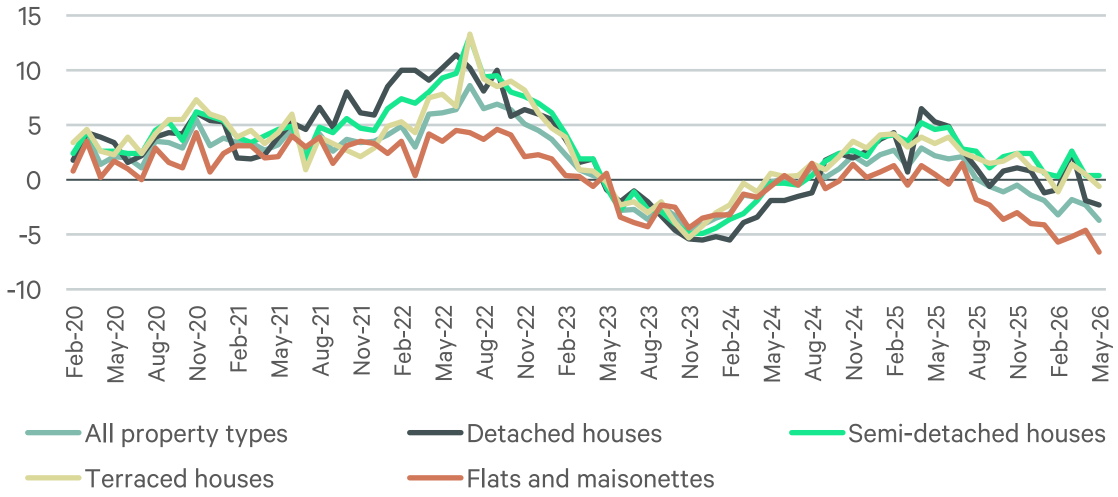
Sales instructions
▼ -9%
Net balance of respondents, Q2 2026

Average mortgage cost
▲ £2,497
May 2026

New-build sales
▼ 2,792
Q2 2026

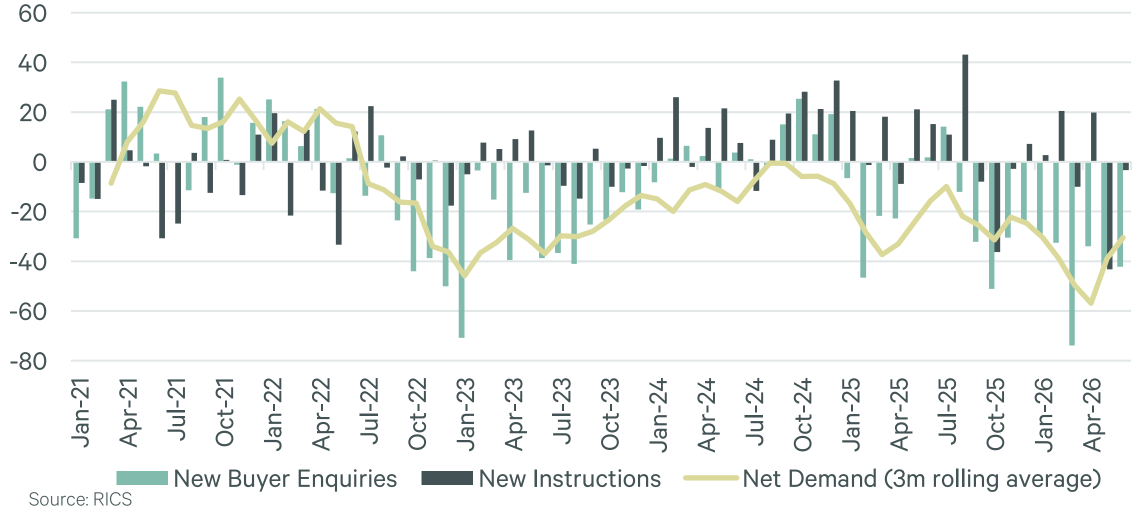
Source: CBRE, RICS, ONS, UK Finance, Bank of England, Molior
Note: Arrows indicate movement YoY

Figure 2: Annual house price growth by property type, London



Source: ONS

Figure 3: Buyer enquiries and new sales instructions, London



Source: RICS

London rental market

- Average rental growth in London was 2.2% in the year to June 2026, a slowdown from 7.3% a year ago. The average rental price is now £2,302pcm. For new tenancies, rental growth was 5.0% in London, the highest of all regions.
- The average net balance of tenant demand was 8% in Q2 2026, up slightly from 7% in the previous quarter. The net balance of landlord instructions averaged 7% in Q2 2026, up from -18% in Q1 2026, indicating that supply pressures are easing.
- Rental payments made up 38.5% of income on average in London in June 2026. This is down from the peak of 40% in January 2024 but remains above long-term historic levels.
- The uptick in rental growth has been driven by rising demand, with higher mortgage rates constraining first-time buyer activity.

Average rental price
▲ £2,302
June 2026

Annual rental change
▼ 2.2%
12 months to June 2026

Tenant demand
▼ 8%
Net balance of respondents, Q2 2026

Landlord instructions
▲ 7%
Net balance of respondents, Q2 2026

Rent as proportion of income
▼ 38.5%
June 2026

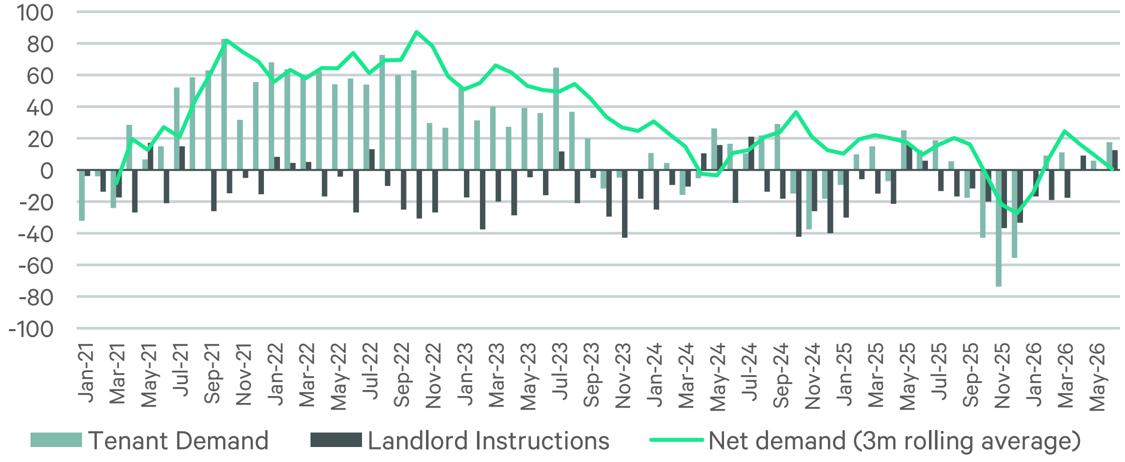
Annual rental change, new tenancies
▲ 5.0%
12 months to June 2026

Source: CBRE, RICS, ONS, Homelet
Note: Arrows indicate movement YoY

Figure 4: Annual rental growth, London

Source: ONS

Figure 5: Tenant demand and landlord instructions, London



Source: RICS

Prime Central London sales market

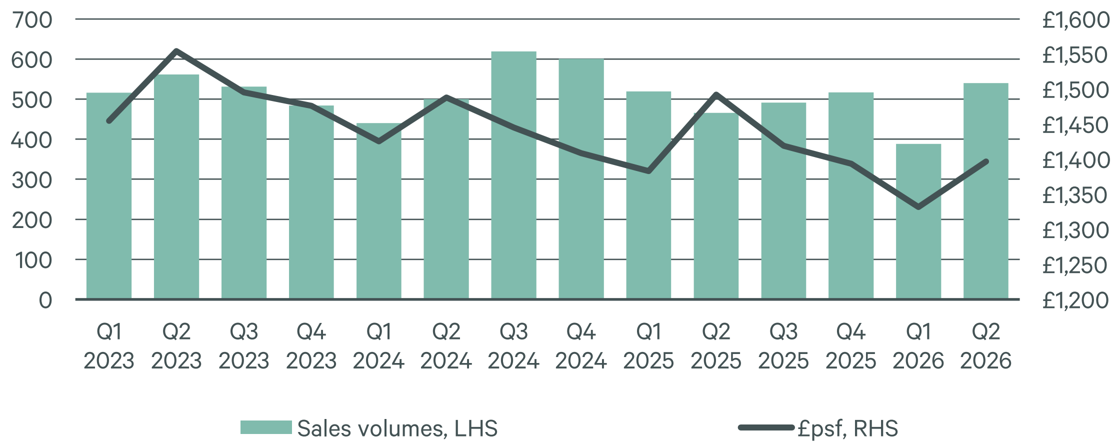
- There were 540 sales in PCL in Q2 2026, 16% more than Q2 2025 and 39% more than the previous quarter. The uplift in Q2 largely reflects the completion of a stronger early-Q1 pipeline, with properties placed under offer at the start of the year subsequently progressing to exchange. More recently, market momentum has eased as geopolitical uncertainty weighed on enquiries and agent sentiment.
- The average achieved £psf value fell by 6.4% in Q2 2026 compared to Q2 2025, averaging £1,397psf. This continued the longer-term downward trend in achieved £psf values, with current achieved values now 10.1% lower than three years ago.
- Average discounts of 5.4% from final asking price were accepted in Q2, up from 4.7% last year and 5.0% in the previous quarter. Discounts ranged from 5.2% in Fitzrovia, Bloomsbury & Soho to 9.1% in Knightsbridge & Belgravia.
- The announcement of the High Value Council Tax Surcharge, to be introduced in 2028, has not had an impact on transaction activity so far. There has been no significant deviation in the proportion of sales above £2m, the threshold for properties to pay the surcharge.

▼ Average sales value £2.0m	▼ Average sales £psf £1,397
▲ Number of sales 540	▲ Number of days on the market 287
▲ Average discount 5.4%	▼ Homes for sale 1,650

Source: LonRes, all figures for Q2 2026

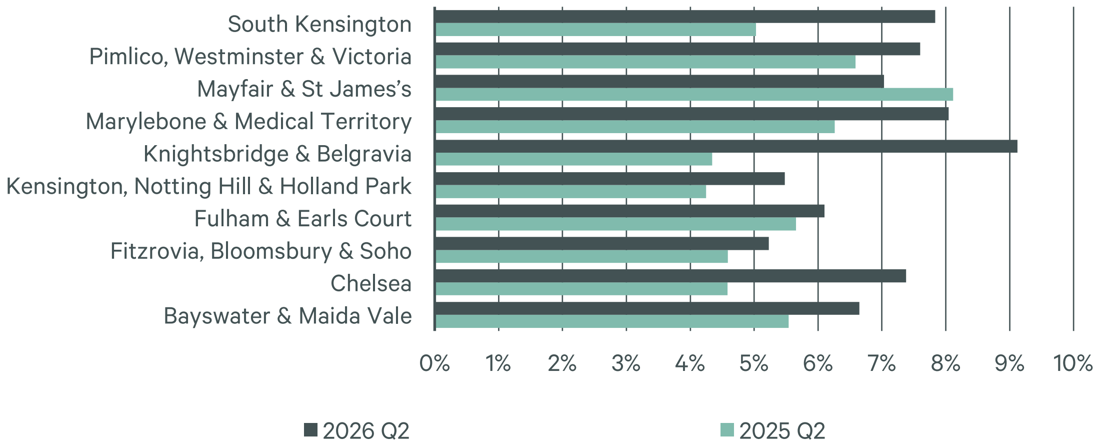
Note: Arrows indicate movement YoY

Figure 6: Sales volumes and achieved £psf, Prime Central London



Source: LonRes

Figure 7: Average discount between final asking and achieved price, Prime Central London



Source: LonRes

Prime Central London rental market

- There were 773 lettings agreed in PCL in Q2 2026, a slight year-on-year decrease of 6%.
- The average achieved £psf value was £66psf in Q2, marginally above Q2 2025 and a 5.1% increase from the previous quarter.
- It took an average of 58 days for a property to let in Q2, which was the second-fastest time of any quarter since the start of 2024, and two days faster than Q2 2025. One-bedroom properties let the fastest, at an average of 40 days, followed by studios with 46 days.
- The average PCL yield in Q2 was 4.40%, up from 4.30% in the previous quarter and 3.97% at the same time last year. This has been supported by rental growth and falling capital values over the last year. Average yields ranged from 3.71% in Mayfair & St James's to 5.82% in Westminster & Victoria.

Average weekly rent
▲ £1,376pw

Average rental £psf
▲ £66

Number of lettings agreed
▼ 773

Number of days to let
▼ 58

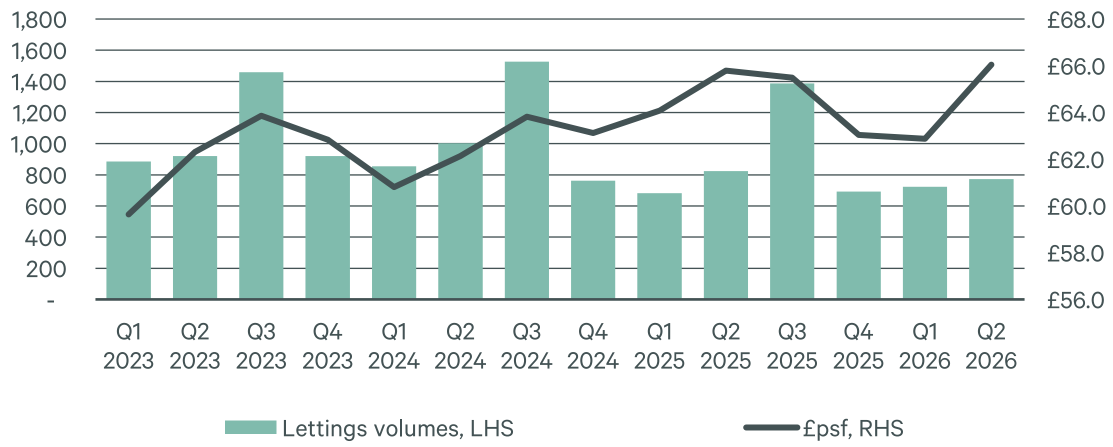
Average discount
▼ 1.2%

Average yield
▲ 4.40%

Source: LonRes, all figures for Q2 2026

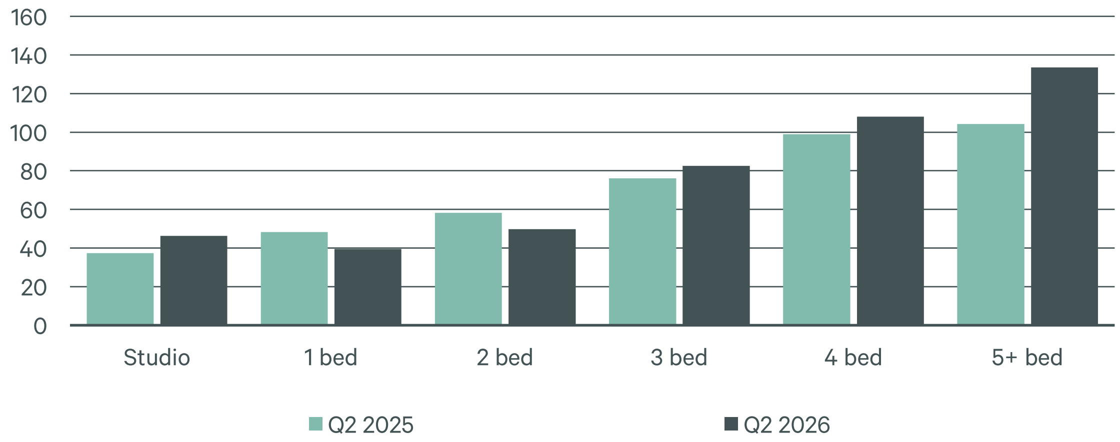
Note: Arrows indicate movement YoY

Figure 8: Lettings volumes and achieved rental £psf, Prime Central London



Source: LonRes

Figure 9: Number of days taken to let, Prime Central London



Source: LonRes

Contacts

Steven Devaney
Head of Investment Market Research, Europe
steven.devaney@cbre.com

Michael McGill
Associate Director
UK Living Research
michael.mcgill@cbre.com

Ed Franks
Senior Analyst
UK Living Research
ed.franks@cbre.com

Sharief Ibrahim
Head of Residential Agency
sharief.ibrahim@cbre.com

Daniella Waterman-Collins
Head of Prime Central London Lettings
daniella.waterman-collins@cbre.com

Samuel Aston
Head of Prime Central London
samuel.aston@cbre.com