

Intelligent Investment

Q4 2026

UK Residential Forecasts

REPORT

CBRE RESEARCH



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Report Summary

	Q1 2026 Forecast	Q3 2026 Update	Forecast
Rents	Rents on all tenancies across the UK are forecast to increase by 1.3% in 2026 and 10.8% between 2026–2030. Rents on new tenancies across the UK are forecast to increase by 2.0% in 2026 and 12.5% between 2026–2030.	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. Increased mortgage costs will act as a barrier to home ownership to many renting households with low deposits. This will support rental demand in the short- to medium-term. Rental supply will remain constrained. Small 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.	Rents on all tenancies across the UK are forecast to increase by 3.3% in 2026 and 16.8% between 2026–2030. Rents on new tenancies across the UK are forecast to increase by 3.8% in 2026 and 19.0% between 2026–2030. Our rental growth forecasts have been upgraded due to a higher inflationary outlook and affordability pressures in the sales market. We forecast an average annual delivery of just 12,800 new BTR beds over the next five years across the UK, which is a much lower average than previously seen.
House prices	House prices across the UK are forecast to increase by 1.6% in 2026 and 23.1% between 2026–2030. House prices in London are forecast to increase by 0.5% in 2026 and 19.1% between 2026–2030. 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.	Sales volumes are tracking in line with their long-term average for the first seven months of the year. Mortgage approvals, however, suggest a significant drop-off in sales volumes can be expected in the remainder of 2026. In 2026 so far, higher-value regions have again seen the lowest price growth due to a squeeze on affordability as higher mortgage rates have reduced buyer purchasing power. Low sales rates has increased the ratio of stock for sale per surveyor to its highest level since 2015.	House prices across the UK are forecast to increase by 0.3% in 2026 and 15.8% between 2026–2030. House prices in London are forecast to increase by 0.1% in 2026 and 14.2% between 2026–2030. Our house price forecasts have been downgraded due to increases to the cost of borrowing which will reduce buyer demand and therefore sales activity. 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.

02

Rents

London rents rebound fastest

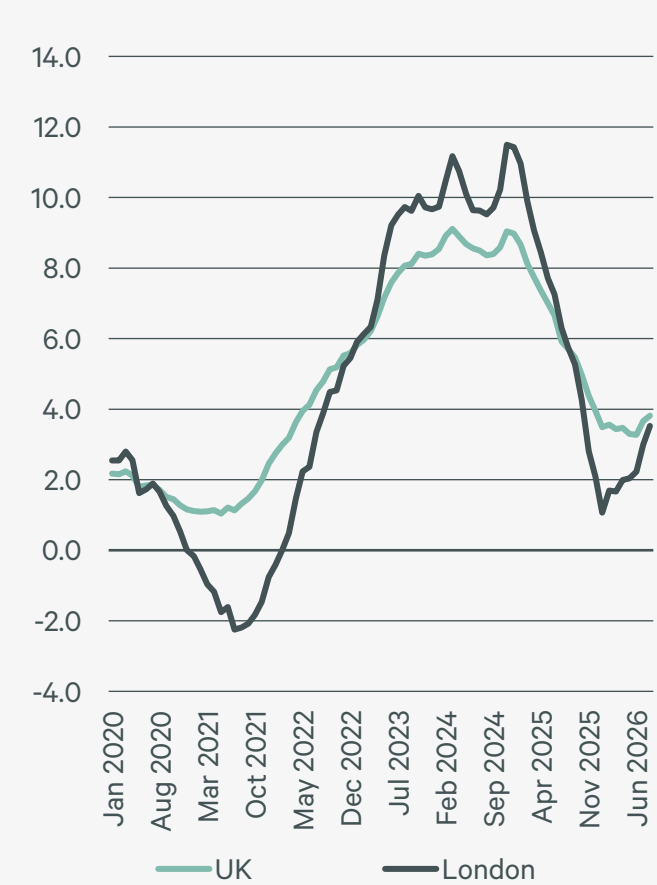
The rate of annual rental growth continued to decelerate in the first half of 2026, according to the [ONS Price Index of Private Rents](#). This series tracks rental growth across both new tenancies and renewals. However, in July and August, the rate of growth picked up again, particularly in London, where the rate of growth increased from 2.2% to 3.5% and is now just marginally below the UK.

The annual rental growth on new tenancies has been higher in London compared to the UK, according to [Homelet's rental index](#). In the first eight months of the year, rents on new tenancies have grown by 5.1% in London and 4.9% across the UK.

Rental growth is being driven by three factors:

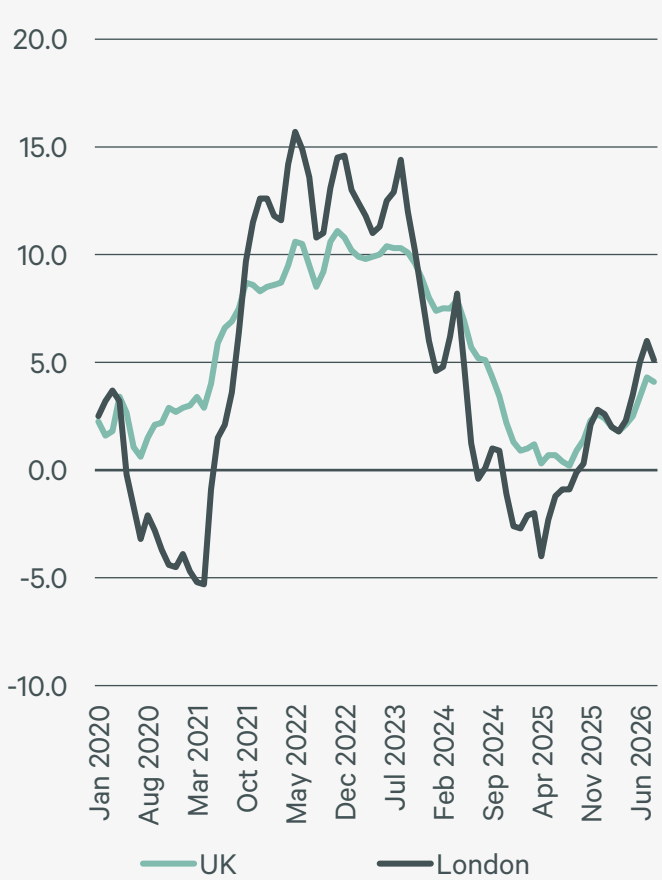
- 1) A period of rental growth below earnings growth has meant that the market has undergone a recalibration of rents and incomes after tenants had reached their affordability ceilings.
- 2) Following the introduction of the Renters' Rights Act in May, landlords have adjusted by increasing their asking rents to account for greater risk of void periods and bidding by tenants being restricted.
- 3) Increased mortgage rates have made home ownership less affordable, forcing more households to stay in the rental market for longer. This has supported demand for rental housing in recent months. This is explored in more detail on the next page.

FIGURE 1: Annual rental growth, all tenancies, %



Source: ONS

FIGURE 2: Annual rental growth, new tenancies, %



Source: HomeLet

Higher mortgage costs will support rental inflation

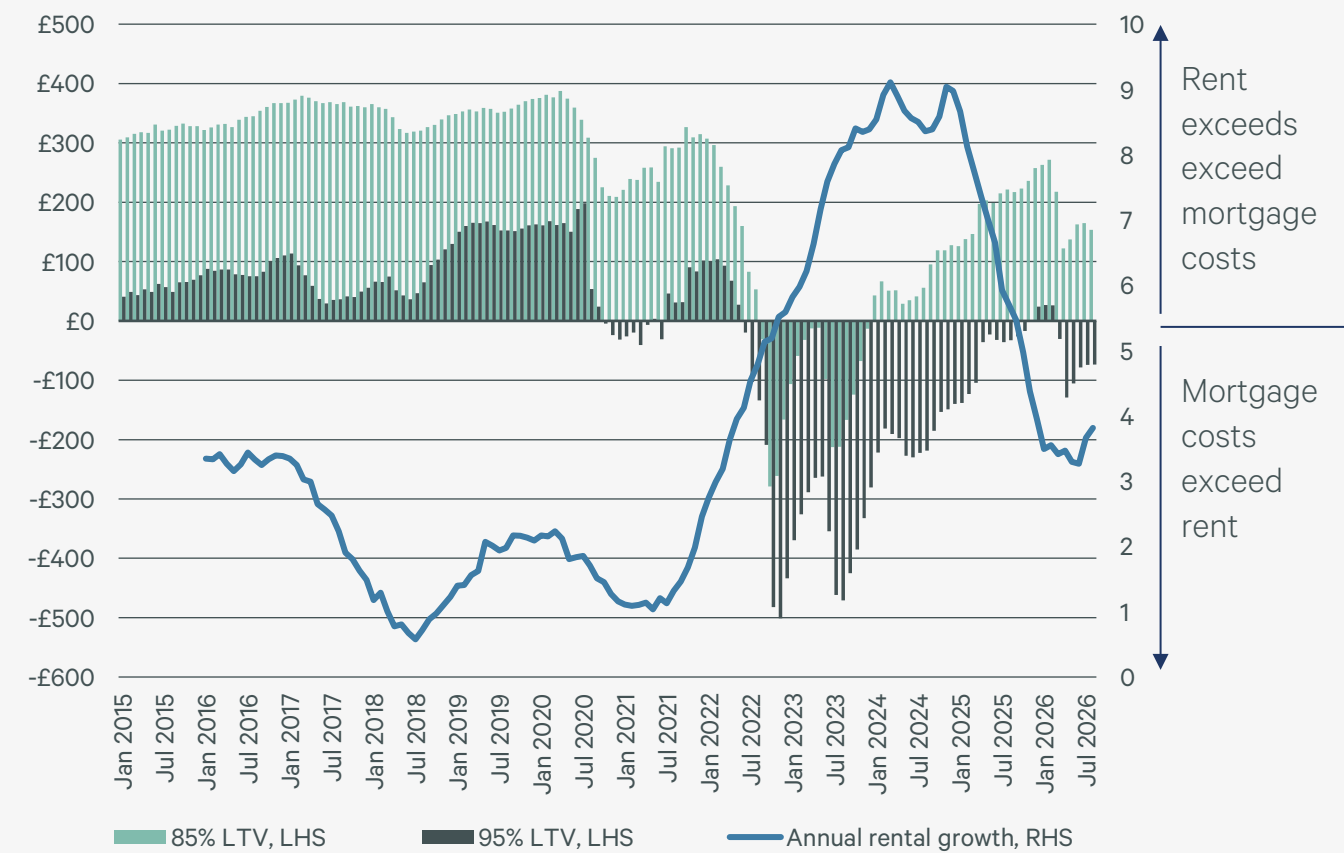
Following the recent surge in interest rates, the relationship between the sales and rental markets have reversed. At the end of February 2026, the average UK rent exceeded the average mortgage payment at all loan-to-values (LTVs) on a two-year fixed product. This meant that renting households, in theory, could afford the mortgage payments associated with owning a home. Therefore, there was appetite to buy a home, as the monthly costs of owning were lower than renting.

However, this dynamic has now flipped for households with small deposits (5% or less). As of August, the average mortgage cost is £74pcm more expensive than the cost of rent across the UK. This means home ownership is less affordable than renting, which will keep more households in the private rental sector.

This effect will be most notable in regions with higher capital values, which are most sensitive to increases in the mortgage rate. For example, in London, monthly mortgage costs on a 95% LTV product are currently c. £641pcm more expensive than renting.

As shown on Figure 3, during periods where mortgage costs exceed rent, the rate of annual rental growth is higher. Since rents have begun to exceed mortgage costs for high-LTV products, this has coincided with the recent uptick in the rate of rental growth once again.

FIGURE 3: Average monthly rent minus average monthly mortgage cost



Source: ONS, Bank of England, CBRE

Supply shortage will maintain rental growth

Tenant demand has remained positive throughout 2026 so far, according to the RICS Monthly Residential Survey. The average net balance of opinion* on tenant demand has been 11% for the first eight months of 2026, which is relatively muted against historical levels.

The supply shortages in the rental market continue to persist. The net balance of opinion on landlord instructions has been negative in every month of 2026. Not since August 2022 has there been a positive reading. Since the start of 2017, there have been just three months of positive balance of opinion on landlord instructions.

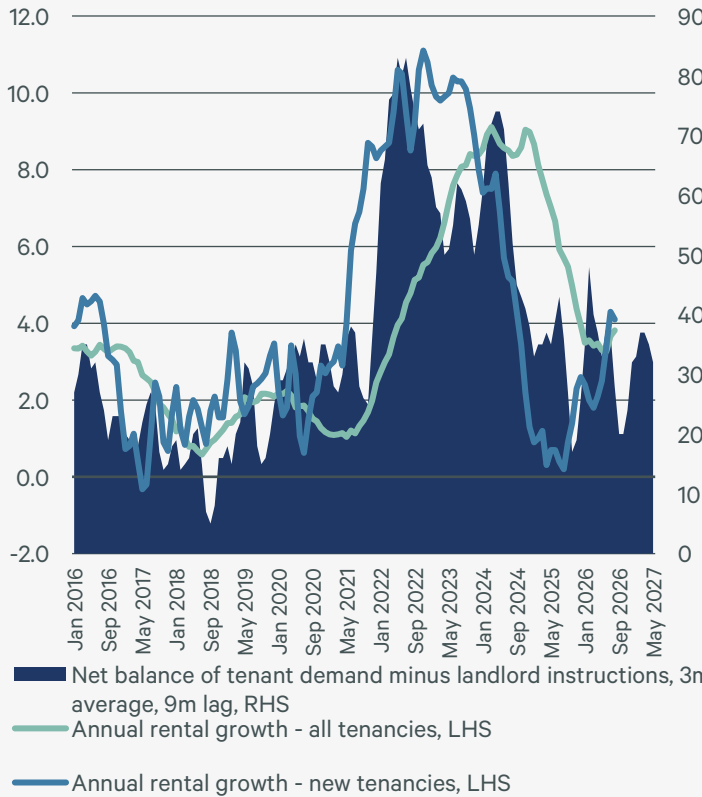
The NRLA Landlord Confidence Index showed that at Q2 2026, 42% of landlords intend to sell (at least) one of their rental properties in the next 12 months. Despite this proportion decreasing from 46% at the end of Q4 2025, it remains a warning that rental supply will continue to shrink over the next year.

Since the start of 2016, the number of Buy-to-Let landlords that have redeemed their mortgage has now reached 675,000. This highlights the scale of the supply shortage in the market that, despite recently cooling, demand still vastly exceeds supply. This will continue to support rental growth.

The development pipeline of new multifamily (MFH) homes is not filling the gap in supply fast enough. Across the major cities, the delivery of MFH homes is expected to decline over 2023-27 against the preceding four-year period. The BTR development pipeline has contracted due to challenges around viability caused by a mix of higher debt costs, build cost inflation and new fire safety regulations.

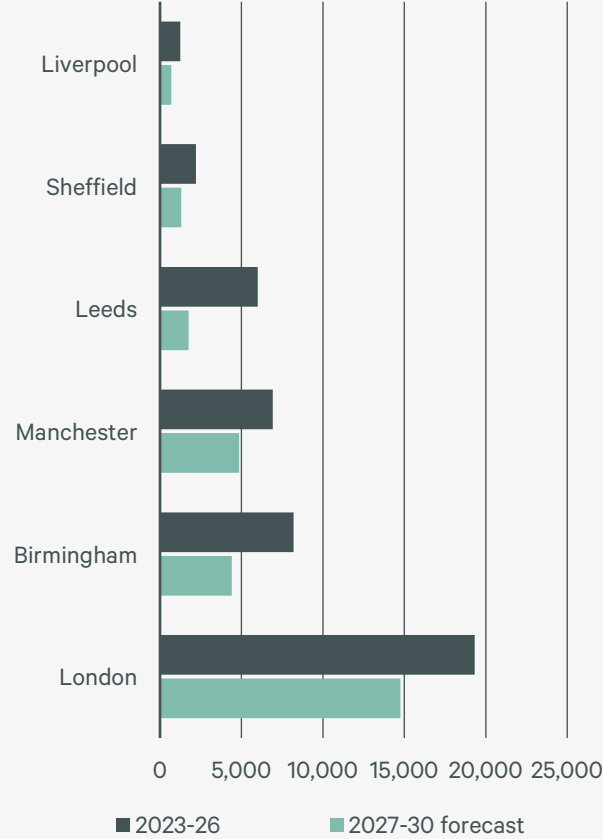
*Net balance = Proportion of respondents reporting a rise in prices minus those reporting a fall (if 30% reported a rise and 5% reported a fall, the net balance will be 25%). A positive net balance implies that more respondents are seeing increases than decreases.

FIGURE 4: Rental supply and demand and rental growth



Source: ONS, HomeLet, RICS

FIGURE 5: Multifamily housing completions



Source: CBRE

Rental growth 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**) which are based on [Homelet's](#) rental index.

For the remainder of 2026, a positive balance of demand over supply and affordability pressures in the home-ownership market will support further rental growth.

In 2026, we expect rents to increase by 3.3% across the UK, down from the 3.9% increase in 2025. Over the next five years, we forecast a compound growth rate of 16.8% and an annual average of 3.2%.

Beyond 2026, employment markets, earnings, and a sustained supply shortage will support continue rental growth.

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 would be below the 5.9% in the preceding five years, but above the average of 1.9% between 2016–2020. This is due to the more pronounced supply shortages currently in the market.

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 1.7% rental growth in the six months to Q1 2026. During the same period, the HomeLet Rental index on new tenancies showed a decline of 2.4%.

FIGURE 6: 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	2.6 3.3	3.2 3.1	3.4 3.3	3.7 3.6	3.7 3.6	3.3 3.4	17.7 18.1
London	2.1 2.8	3.3 3.6	3.0 3.4	3.3 3.7	3.2 3.7	2.9 3.4	3.1 3.6	16.6 19.2
East of England	5.3 2.3	2.9 3.6	3.0 2.9	3.2 3.1	3.4 3.3	3.4 3.3	3.2 3.2	16.9 17.3
South West	5.1 3.9	2.9 3.0	3.6 3.7	3.9 4.0	4.2 4.2	4.2 4.3	3.8 3.8	20.3 20.7
West Midlands	5.2 2.7	3.2 4.4	2.3 3.0	2.5 3.1	2.7 3.3	2.7 3.3	2.7 3.4	14.2 18.3
East Midlands	5.3 4.9	3.8 4.1	2.7 2.7	2.9 2.9	3.1 3.1	3.1 3.1	3.2 3.2	16.8 17.0
Yorkshire and The Humber	4.4 1.7	4.5 5.7	2.6 3.3	2.8 3.5	3.0 3.7	3.0 3.7	3.2 4.0	17.0 21.4
North West	6.1 -0.2	4.5 4.5	2.9 3.4	3.1 3.6	3.3 3.8	3.3 3.9	3.4 3.8	18.3 20.8
North East	7.9 6.6	4.3 4.1	2.4 2.2	2.6 2.4	2.8 2.5	2.8 2.6	3 2.8	15.8 14.5
Wales	5.7 2.9	4.4 4.7	2.8 3.1	3.0 3.3	3.2 3.5	3.2 3.5	3.3 3.6	17.6 19.5
Scotland	2.8 4.0	1.4 2.8	3.4 4.5	3.6 4.8	3.9 5.0	3.9 5.0	3.2 4.4	17.2 24.1
UK (nominal)	3.9 2.6	3.3 3.8	2.9 3.2	3.1 3.4	3.3 3.6	3.3 3.6	3.2 3.5	16.8 19.0

Source: CBRE Research

03

House prices

Mortgage rate hikes slow transactions

There have been 696,000 residential transactions in the first seven months of 2026. This is 1% fewer than the 10-year average for this stage of the year. This reflects a relatively robust level of transactions, particularly given the increase in average two-year mortgage rates from between 3.78%–4.82% in March to 4.79%–5.52% in August.

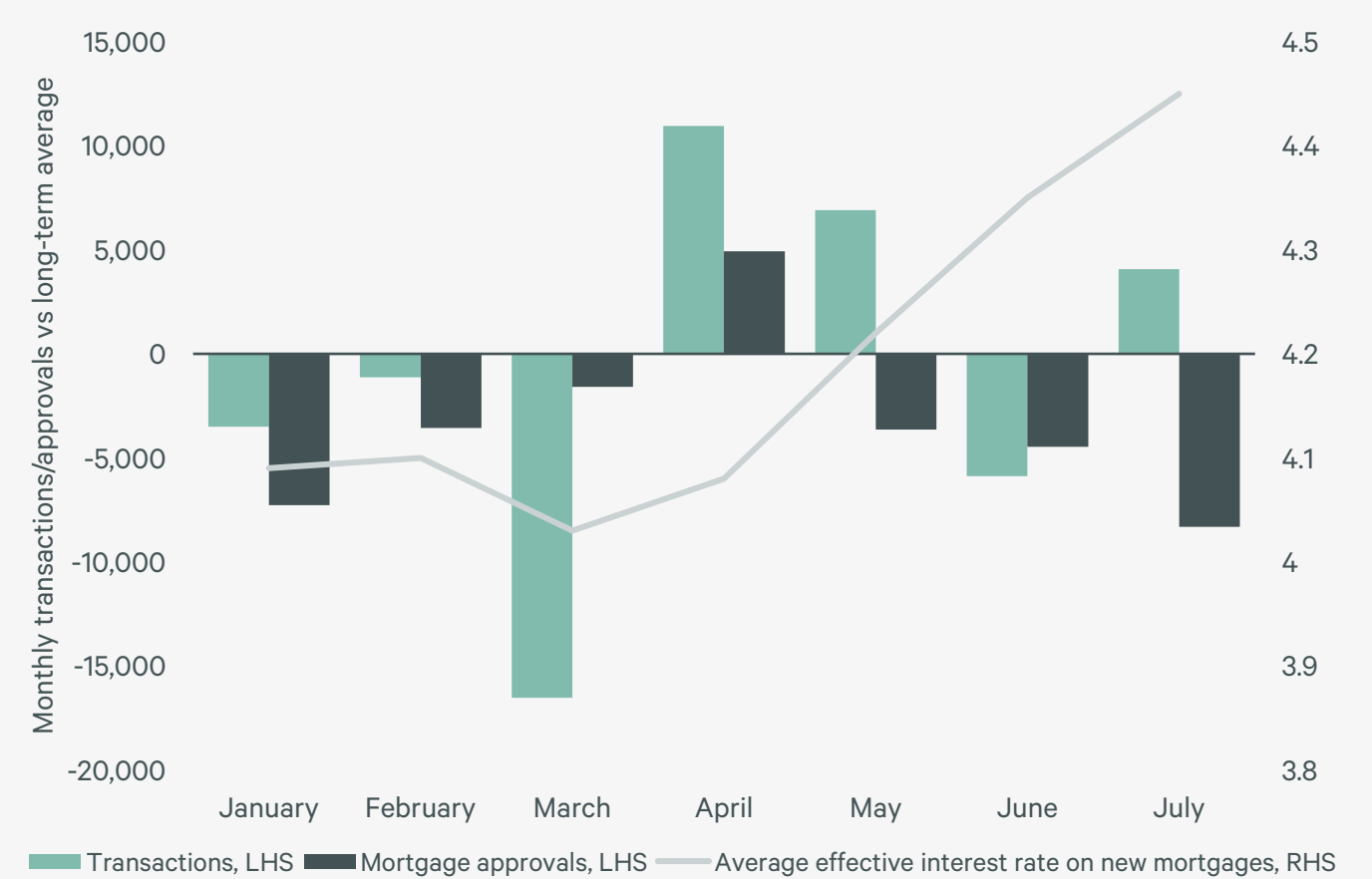
The larger variations from the average in March and April are a result of recent policy changes around stamp duty in the last ten years that have distorted average transaction volumes in these two months.

Mortgage approvals, however, have started to reflect the affordability pressures from elevated mortgage rates. Between May and July, there had been 16,400 fewer mortgages approved than would usually be expected for those three months. In comparison, during the first four months of the year, mortgage approvals were just 7,500 below the average. This will translate into significantly subdued sales numbers in the remainder of the year, particularly if interest rates continue to rise.

Traditionally, the end of summer holidays would coincide with an increase in sales activity from households aiming to move before Christmas. The post-summer surge this year, however, looks set to be much more muted as mortgage rates remain high and their future path is uncertain.

Three-month sales expectations from the [RICS Residential Survey](#) have been negative in the last seven months, pointing to a continued decline in sales.

FIGURE 7: Monthly transactions and mortgage approvals vs 10-year average



Source: HMRC, Bank of England

House price growth shaped by affordability again

In 2025, house price growth was largely dictated by uncertainty around policy which impacted higher-value regions, particularly in the second half of the year and the lead-up to the Autumn Budget. This is why house price growth was the lowest in southern regions.

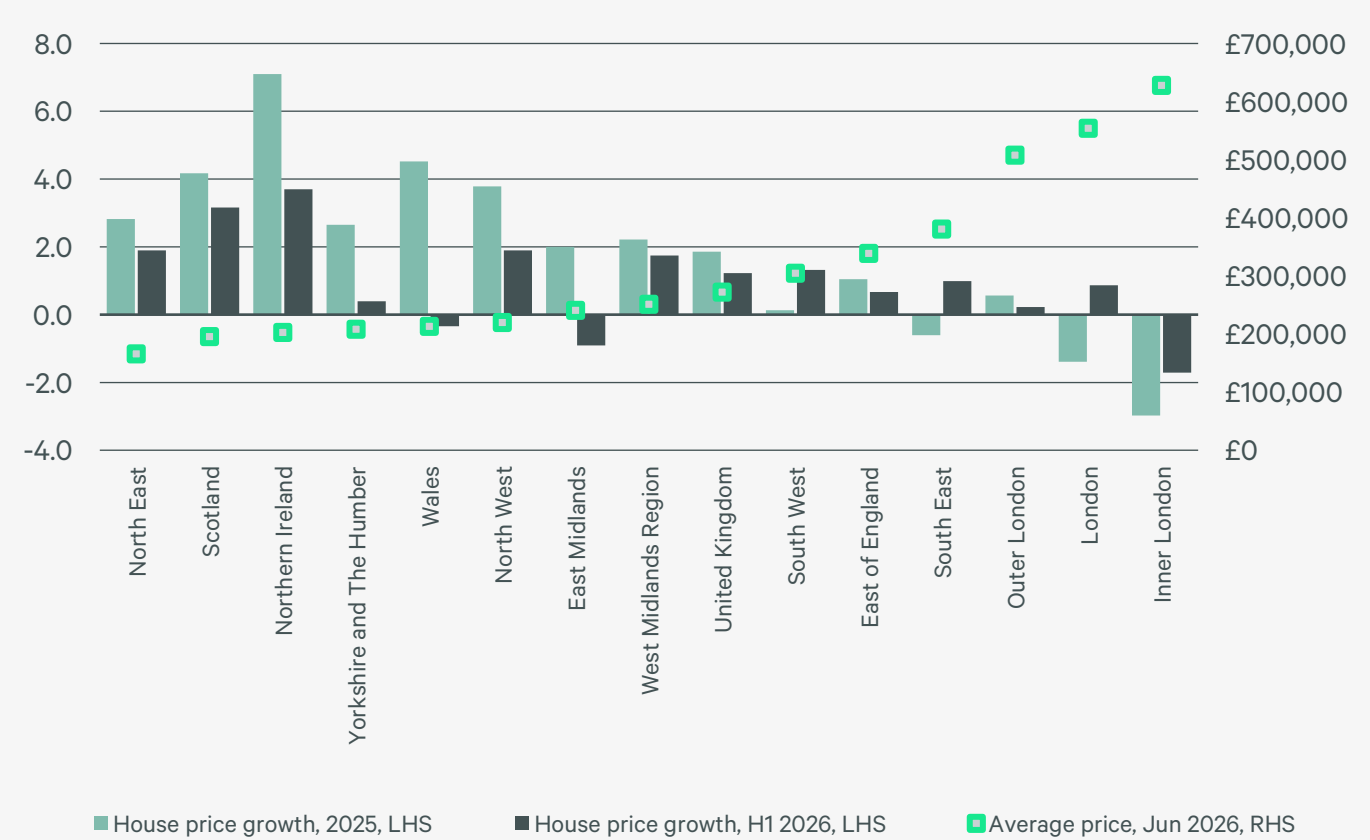
In 2026 so far, higher-value regions have again seen the lowest price growth, but this time due to a squeeze on affordability, rather than policy uncertainty, as higher mortgage rates restrict buyer purchasing power.

The increase in the average mortgage payment on a London property has been £245pcm, equating to c. 7.4% of local income. In comparison, in the North East, mortgage payments have increased by £87pcm, or 3.5% of local income.

Across the UK, house prices have increased by 1.2% in H1 2026. Areas with lower average values such as Northern Ireland (3.7%), North East (1.9%), and the North West (1.9%) have outperformed the UK average. The most expensive region, inner London, has seen prices fall by 1.7% in H1, the largest fall of any region.

Recent employment data points to a relatively stable jobs market, with the unemployment rate and real regular earnings growth unchanged at 4.9% and 0.6% respectively. While these support demand for housing and price growth, they have been outweighed by the increases to mortgage costs.

FIGURE 8: House price growth and average house price



Source: ONS

High stock levels will limit 2026 growth

House price growth for the remainder of 2026 looks set to be impacted by further uncertainty around the path for interest rates, inflation and the upcoming budget. A higher inflationary outlook than at the start of the year will mean buyers are faced with higher mortgage rates and lower purchasing power. This, combined with the amount of stock currently on the market, will likely lead to a reduction in house price growth in the second half of the year.

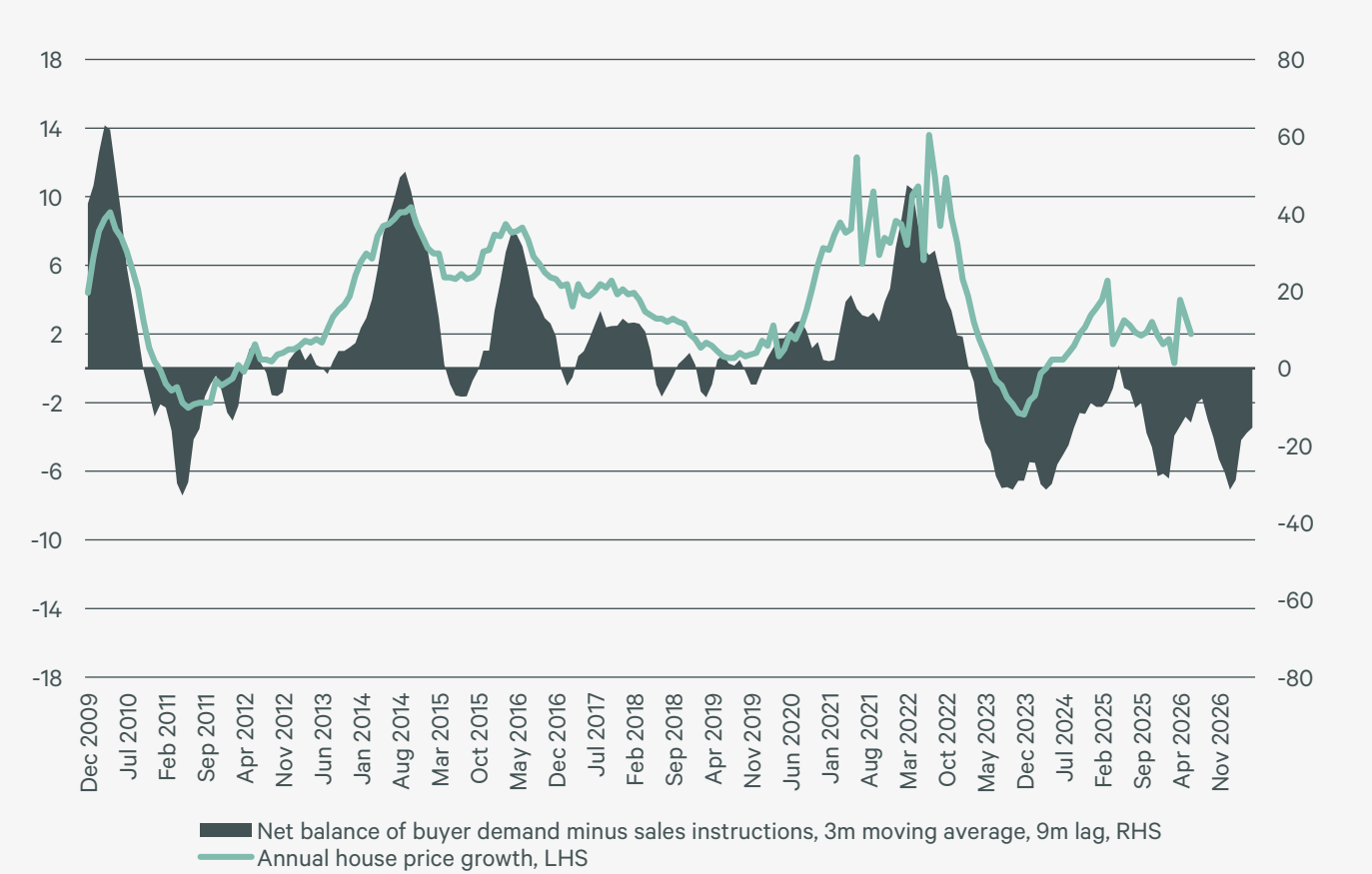
The difference between the net balance* of buyer demand and seller instructions is often a reliable forward-looking indicator of short-term house price movement. The three-month rolling average of this balance has been almost entirely negative since June 2022, indicating there have been fewer buyers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

Applying a nine-month lag to this series suggests that there is limited scope for significant house price growth in the remainder of 2026 given the surplus of homes available for sale.

As a result of the current low sales rates, the average number of homes for sale per surveyor has increased to 48.9 in August. This is the highest figure since June 2015. These elevated stock levels will put downward pressure on house prices.

*Net balance = Proportion of respondents reporting a rise in prices minus those reporting a fall (if 30% reported a rise and 5% reported a fall, the net balance will be 25%). A positive net balance implies that more respondents are seeing increases than decreases.

FIGURE 9: 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 0.4% in 2026, a downward revision from the 1.6% predicted in Q1. This would represent a reduction in house prices in the second half of 2026, having grown by 0.9% in the first half. The elevated stock levels, higher mortgage rates and uncertain path for inflation will all weigh down on consumer confidence and purchasing power.

House prices are then expected to recover notably from 2028 onwards, in line with our forecast for the wider economic recovery, reduction in unemployment rate and general decrease in borrowing costs.

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 August 2026 was the lowest in London (18%) out of all regions, according to the RICS Residential Market Survey. This was just under half that of the UK average (33%).

House price growth in London is expected to outpace the UK average by the end of the five-year period as the greater drop-off in the residential pipeline feeds though into a shortage of new housing supply. The annual number of permissions granted for new homes in London in 2025/26 decreased by 29% year-on-year. This was the largest fall of any region and a significantly bigger decline than the national average of 8%.

FIGURE 10: CBRE house price forecasts, annual % change

Region	2025 (actual)	2026	2027	2028	2029	2030	Average annual change	2026– 2030 compound total
South East	-0.6	0.3	1.3	4.2	4.4	4.8	3.0	15.8
London	-1.4	0.2	0.9	2.7	3.6	5.5	2.6	13.5
Inner London	-3.0	0.3	0.9	2.9	3.8	5.4	2.7	14.0
Outer London	0.6	0.2	0.9	2.6	3.3	5.3	2.5	12.8
Eastern	1.0	0.3	1.4	4.1	4.0	4.3	2.8	14.8
South West	0.1	0.3	1.4	4.7	4.8	4.2	3.1	16.2
West Midlands	2.2	0.3	1.5	3.5	3.4	4.6	2.7	14.0
East Midlands	2.0	0.4	1.6	4.0	3.7	4.2	2.8	14.5
Yorkshire and Humber	2.7	0.4	1.7	4.0	3.6	4.0	2.7	14.5
North West	3.8	0.4	1.7	4.2	3.8	4.0	2.8	14.9
North East	2.8	0.4	1.8	3.9	3.2	3.1	2.5	13.2
Wales	4.5	0.4	1.7	4.1	2.9	4.7	2.8	14.5
Scotland	4.2	0.4	1.9	4.9	3.4	3.8	2.9	15.2
Northern Ireland	7.1	0.3	2.0	6.0	4.1	4.6	3.4	18.0
UK (nominal)	1.9	0.4	1.6	4.1	4.0	4.5	2.9	15.4

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 accounted for c. 60% of total development activity since 2020.

There have been 2,960 sales of new homes in London (excluding BTR) in the first half of 2026. This is 12% below the same period of 2025 and the lowest H1 on record.

In the last three years, since Help to Buy (HtB) was removed, annual sales have averaged just 7,500. This is 54% below 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.

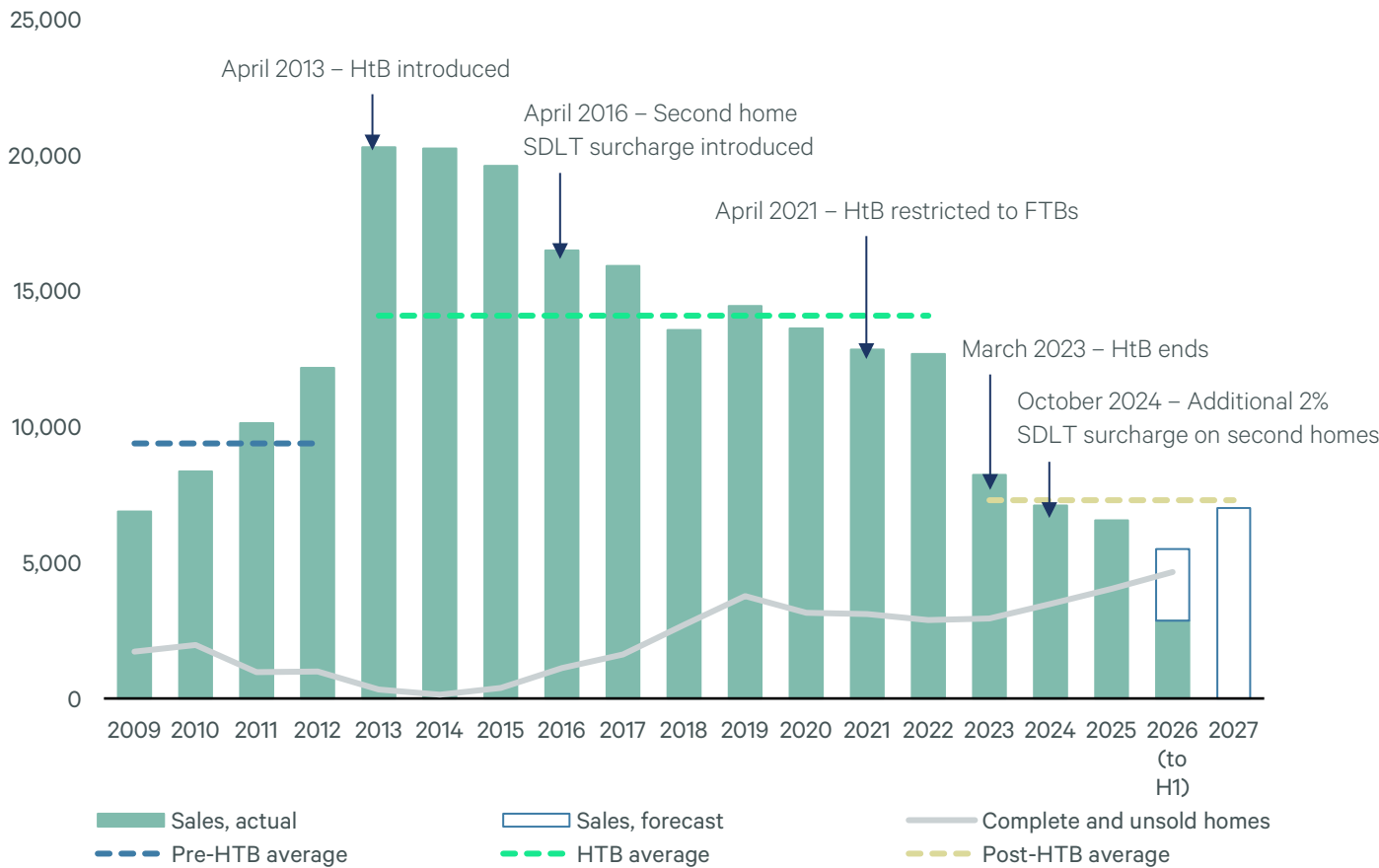
Slow sales rates have increased the number of complete and unsold homes to 4,629 at the end of Q2 2026, the highest figure ever recorded. The absence of off-plan investors in the market has been a key driver behind this. The number of complete and unsold homes at the end of the year was 75% of the annual 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, which could provide a short-term stimulant to sales numbers in coming months.

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.

The newly announced [Your First Home](#) scheme has the potential to support new home sales volumes, particularly in regions where affordability pressures are greatest. However, its full impact will depend on the details of the scheme that have not yet been announced, such as how income and price caps will be applied.

However, increased mortgage rates and an uncertain inflationary outlook is likely to dampen new home sales in H2 2026. We therefore expect a marginal decline in new home sales volumes in the second half of the year. In 2027, the volume of unsold stock will act as a stimulant for new home sales volumes, recovering slightly from 2026.

FIGURE 11: London new home sales volumes, historic and forecast, excludes BTR sales



Source: Molior, CBRE Research

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