

FIGURES | LONDON LIVING MARKET | Q1 2026

London sales markets hit by uncertainty

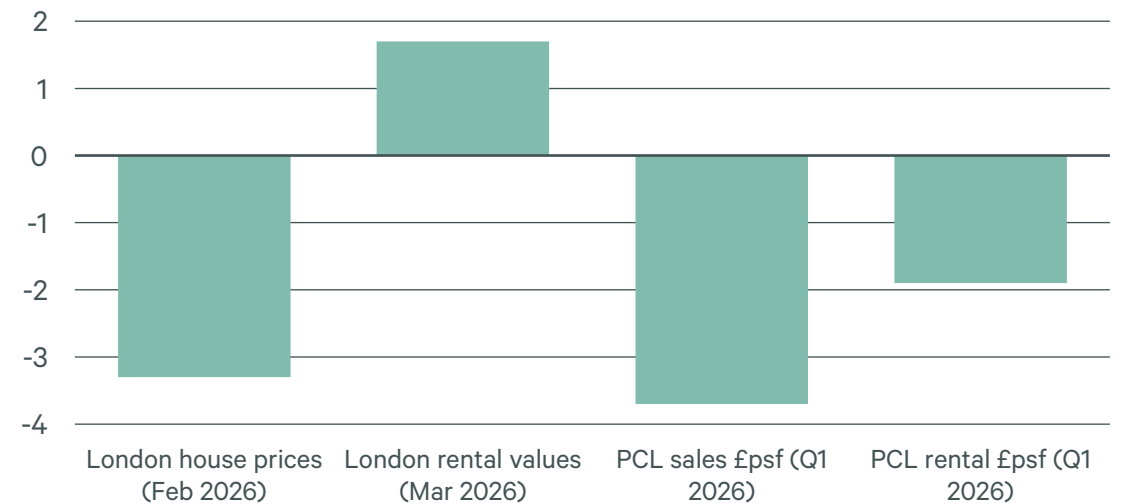


Note: Arrows indicate change from previous quarter.

Key takeaways

- The mainstream London sales market was muted in Q1 2026, with buyer demand affected by rising interest rates and geopolitical uncertainty. Average house prices have decreased by 3.3% year-on-year – the largest decline of any region – while buyer sentiment remained weak throughout the quarter
- The mainstream London rental market continues to return to a ‘normal’ market, with cooling rental growth and a more sustainable balance of demand and supply. Higher mortgage costs for first-time buyers and a continued shortage of supply as the Renters’ Rights Act comes into force could support rental growth in the near-term
- The Prime Central London (PCL) sales markets was relatively subdued in Q1. This market is more insulated against mortgage rate rises due to the greater proportion of cash buyers. However, the discretionary nature of many PCL buyers will delay decisions during periods of uncertainty. Demand in this market has also been impacted by the new High Value Council Tax Surcharge (HVCTS)
- The PCL rental market was relatively stable in Q1, with marginal increases in lettings volumes but a slight decrease in achieved values. PCL yields have increased in Q1

FIGURE 1: Annual change

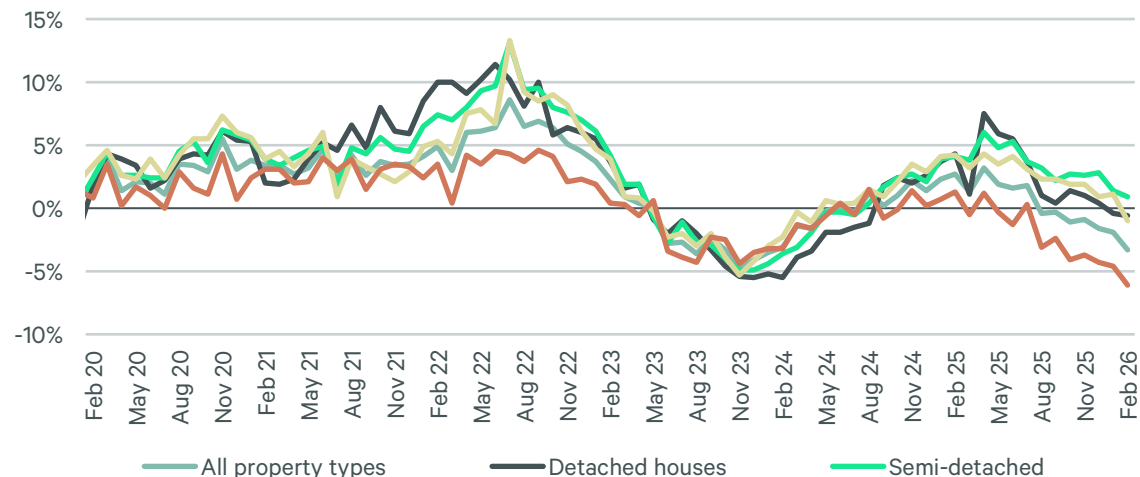


Source: ONS, LonRes

London sales market

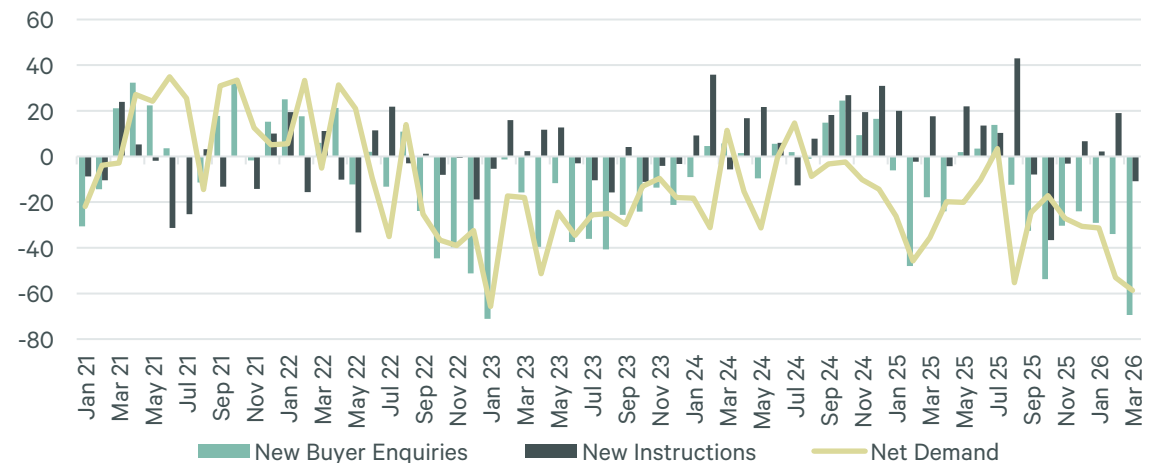
- The average house price in London was £542,000 in February 2026, which was an annual fall of 3.3%. The rate of growth was 2.7% the year before. Semi-detached properties saw price growth of 0.9% year-on-year, the only property type to increase in value in the year to February 2026
- The average net balance of new buyer enquiries in London was -44% in Q1 2026, down from -36% in Q4 2025. The average net balance of new sales instructions in London was 3% in Q1 2026, up from -11% in Q4 2025. Buyer demand has slowed due to increasing mortgage rates and geopolitical uncertainty
- There were 2,838 new home sales in Q1 in London. Two-thirds of these were sales to companies via Build-to-Rent, switching to affordable tenures or other bulk deals. The quarterly figure was marginally lower than the previous quarter but 26% above Q1 2025

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



Source: ONS

Figure 3: Buyer enquiries and new sales instructions, London



Source: RICS

Average house price
▼ £542,000
 Feb 2026

Annual house price change
▼ -3.3%
 12 months to Feb 2026

Buyer enquiries
▼ -44%
 Net balance of respondents, Q1 2026

Sales instructions
▼ 3%
 Net balance of respondents, Q1 2026

Average Mortgage Cost
▼ £2,219
 February 2026

New-build sales
▼ 2,838
 Q1 2026

Source: CBRE, RICS, ONS, UK Finance, Bank of England, Molior
 Arrow indicates movement QoQ

London rental market

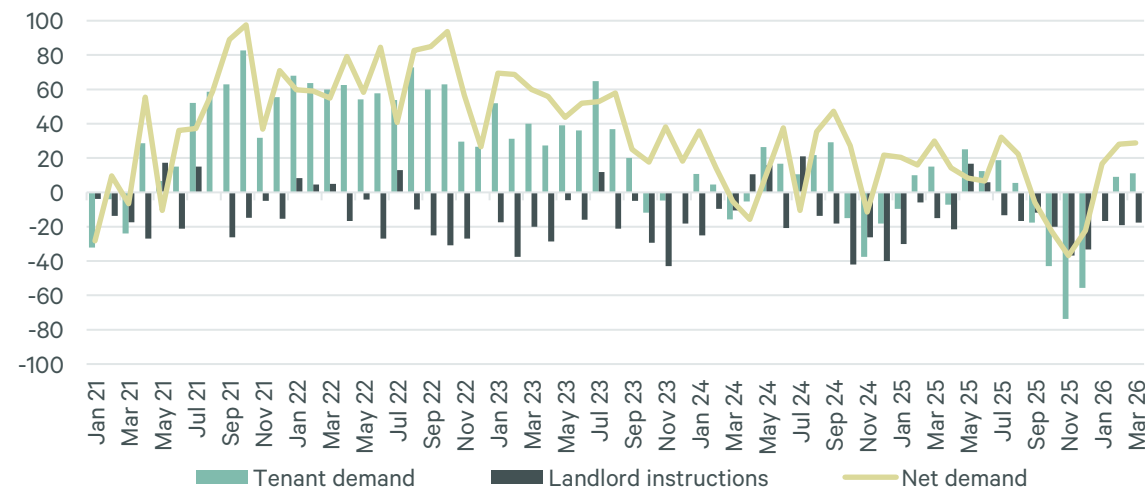
- Average rental growth in London was 1.7% in the year to March 2026, a slowdown from 9.6% a year ago. The average rental price is now £2,280pcm.
- The net balance of tenant demand averaged 7% in Q1 2026, an improvement from -57% in the previous quarter. The net balance of landlord instructions averaged -18% in Q1 2026, up from -30% in Q4 2025 and indicating that supply continues to decrease
- Rental payments made up 38.3% of income in London in March 2026 compared with 32.5% for the UK. This is a slight decrease from the peak of 40% in January 2024 but remains above long-term historic levels
- The moderation in rental growth has been driven by lower tenant demand, constrained affordability, and lower headline inflation. While this is helping to ease pressure on renters, supply and affordability remains stretched

Figure 4: Annual rental growth, London



Source: ONS, Homelet

Figure 5: Tenant demand and landlord instructions, London



Source: RICS

▲ Average rental value
£2,280
March 2026

▼ Annual rental value change
1.7%
12 months to March 2026

▲ Tenant demand
7%
Net balance of respondents, Q1 2026

▲ Landlord instructions
-18%
Net balance of respondents, Q1 2026

▲ Rent as proportion of income
38%
March 2026

▲ Annual rental change, new tenancies
1.8%
12 months to March 2026

Source: CBRE, RICS, ONS, Homelet
Arrow indicates movement QoQ

Prime Central London sales market

- There were 388 sales in PCL in Q1 2026, 25% fewer than both the previous quarter and Q1 2025. The low sales volumes follows the introduction of the HVCTS and the wider current geopolitical uncertainty
- The average achieved £psf continued to decline, reaching £1,332psf in Q1 – down 4.4% on the previous quarter and 3.7% lower than Q1 2025. Knightsbridge and Belgravia (9.4%) and Mayfair and St James’s (4.9%) were the only two regions that saw year-on-year growth in achieved £psf values
- It took an average of 294 days for a property to sell in Q1 – six days fewer than Q4 2025, but eight longer than Q1 2025. Sellers also offered greater discounts to asking prices compared with the same period last year.
- The number of homes available for sale was 7% higher than at this point last year.

▼ Average sales value
£1.9m

▼ Average sales £psf
£1,332

▼ Number of sales
388

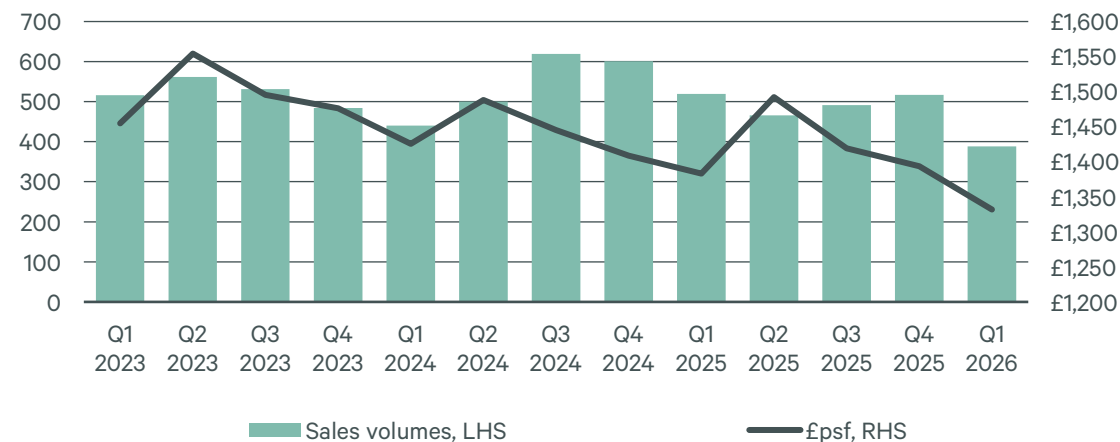
▼ Number of days on the market
294

▼ Average discount
5.0%

▲ Homes for sale
1,564

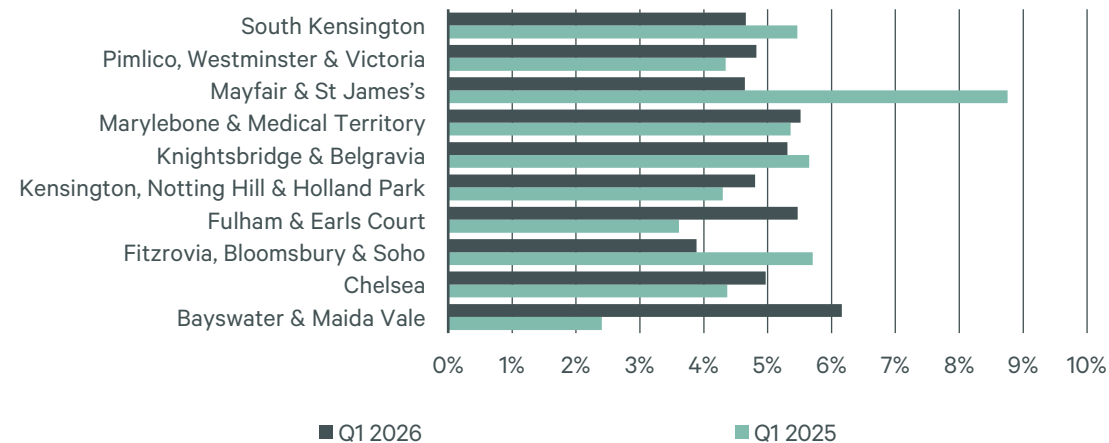
Source: LonRes, all figures for Q1 2026
Arrow indicates movement QoQ

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 714 lettings agreed in PCL in Q1 2026, a quarterly increase of 5% and annual increase of 6%.
- The average achieved £psf value was £63psf in Q4, on par with the previous quarter but 1.9% lower than Q1 2025.. The greatest year-on-year increase was in Mayfair and St James’s (17%).
- It took an average of 67 days for a property to let in Q1, which was 14 days more than the previous quarter but still 9 days fewer than Q1 of last year. The time taken to let ranged from between 48 days for studios and one-bedroom properties, to over 130 days for four and five-bedroom properties.
- The average PCL yield in Q1 was 4.34%, up from 4.28% in the previous quarter. Average yields ranged from 3.43% in Belgravia to 5.60% in Bayswater.

▲ Average weekly rent
£1,129pw

▼ Average rental £psf
£63

▲ Number of lettings agreed
724

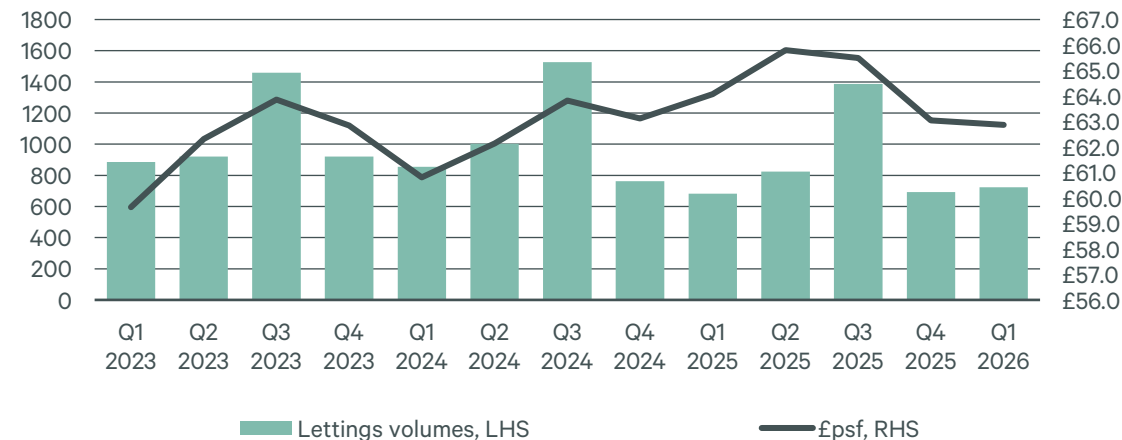
▲ Number of days on the market
67

▼ Average discount
1.5%

▲ Average yield
4.34%

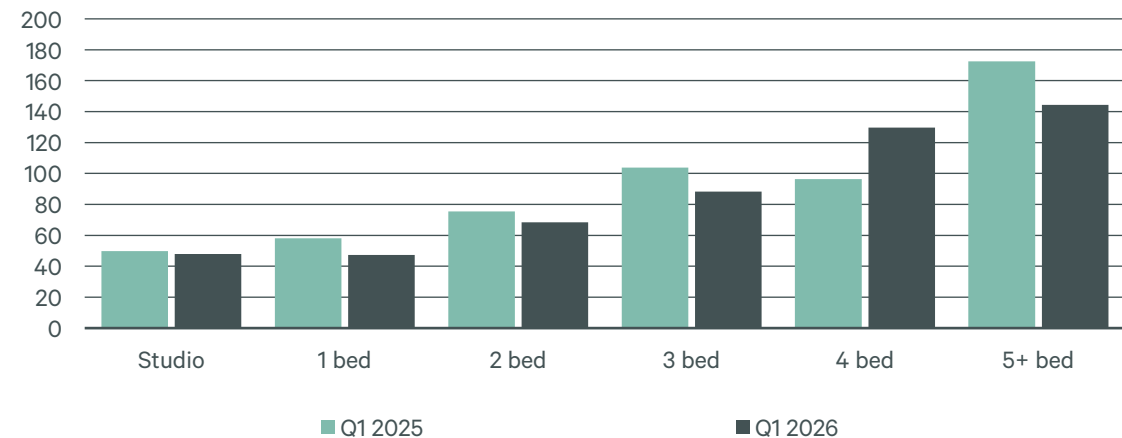
Source: LonRes, all figures for Q1 2026
Arrow indicates movement QoQ

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



Source: LonRes

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



Source: LonRes

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