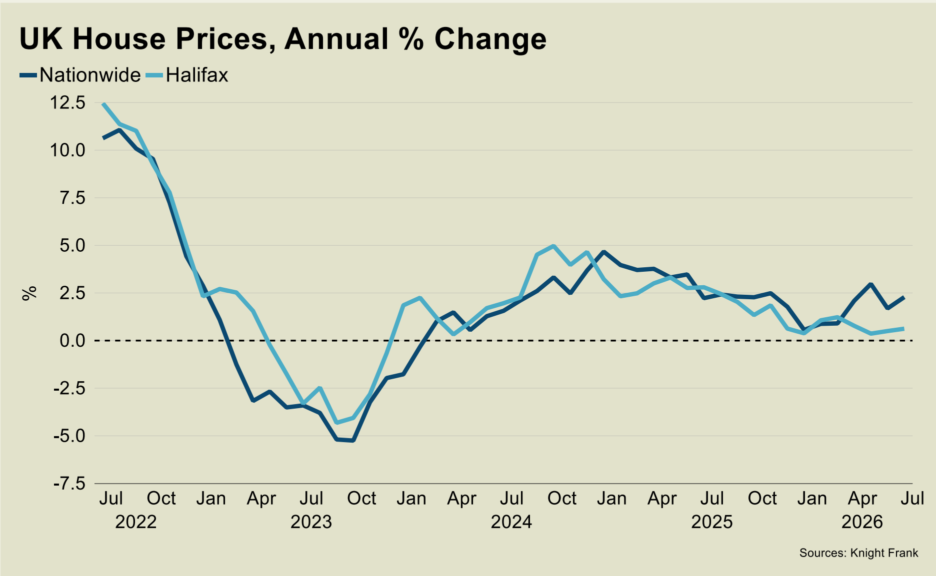
UK Residential Market Update

Q3 2026

The Middle East conflict has gradually de-escalated and mortgage costs have edged lower. Transaction volumes have fallen but prices have been more resilient. However, domestic political uncertainty has increased as Andy Burnham plans to succeed Keir Starmer and the third successive summer of property tax speculation will keep demand in check.

knightfrank.com/research

Residential Prices



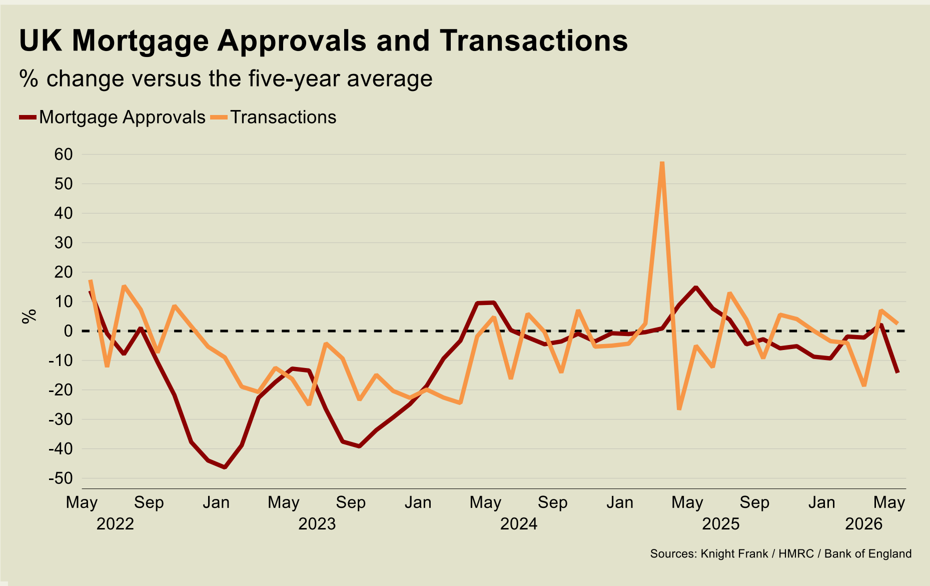
House prices have been relatively resilient through the recent period of mortgage rate turbulence sparked by the Middle East conflict.

The Nationwide reported that UK prices grew 2.2% in the year to June, while the Lloyds (Halifax) index showed a smaller increase of 0.6%.

That said, the absence of a seasonal uplift this spring shows how the market has been kept in check by the tougher borrowing landscape, with both indices down marginally in the three months to June.

We expect the Bank of England to hold rates for the foreseeable future and rising domestic political uncertainty could weaken demand this summer.

Residential Transactions



Transactions and mortgage approvals have begun to fall due to the Middle East conflict and associated rise in borrowing costs.

The number of mortgage approvals was 14% below the five-year average in May, while the number of transactions fell 2% between April and May, a time of the year when they would normally be rising.

We expect activity to remain under pressure in the second half of the year as speculation intensifies ahead of the Budget around a Land Value Tax, capital gains tax reform, changes to high-value council tax bands, and the identity of the next Chancellor.

Prime London Sales

The annual price decline in prime central London (PCL) was 3.6% in June for the second month running, but there is still downwards pressure on activity as political uncertainty intensifies.

The number of transactions in PCL in the year to June was 14% lower than the previous 12 months, Knight Frank data shows. That said, the number of offers made was only 4% lower over the same period, reflecting how keen some buyers have been to transact ahead of possible tax changes.

The more needs-driven and domestic market of prime outer London is proving more resilient. Average prices fell 0.4% in the year to June, meaning they are at the same level as they were in June 2022.

The number of transactions in POL in the year to June was 7% down on the previous 12-month period while the number of offers made was up by 5%.

Prime London Lettings

Rental values increased 3.3% in the year to June in prime outer London, which is the highest figure recorded since June 2024, a time when rents were still coming down from pandemic-era highs.

A growing number of landlords have sold up due to the Renters Rights Act, which has pushed supply lower and rents higher in many areas of London.

There was a smaller 0.9% annual increase in prime central London. Supply has been less constrained in higher-value markets as more discretionary owners let their property out due to the current weakness in the sales market.

The number of new rental listings in PCL and POL in the first six months of this year was 15% below the five-year average, Rightmove data shows.

Meanwhile, the number of new prospective tenants was 2% lower, reflecting the imbalance between lower supply and resilient demand.

Prime Country Houses

Average prices in the Country fell 5% in the year to June, which was slightly narrower than the decline of 5.5% recorded in March.

The average value of town houses fell 4.9%, while Manor Houses were down 6.8%, highlighting the relative strength of urban needs-driven markets compared to more rural locations.

Meanwhile, the number of exchanges in the first six months of this year was 10% lower than 2025, while the number of new prospective buyers registering was down by 14%.

"All the metrics point towards nervousness from buyers as to what the Burnham premiership will bring and the sooner there is clarity on his policy platform, particularly in relation to property, the better," said James Cleland, head of Country sales at Knight Frank.

3 MONTHS TO JUNE 2026

PCL	▼ Sales -0.8%	▲ Rents 0.9%
POL	▲ Sales -0.3%	▲ Rents 1.2%

3 MONTHS TO JUNE 2026

Prime Country House Index	▼ -2%

YEAR TO JUNE 2026

PCL	▼ Sales -3.6%	▲ Rents 0.9%
POL	▲ Sales -0.4%	▲ Rents 3.3%

YEAR TO JUNE 2026

Prime Country House Index	▼ -5%

Source: Knight Frank Research

Got a question? Do get in touch, and you can sign up for more analysis at knightfrank.com/research.

SIGN UP ONLINE

Tom Bill
Head of UK Residential Research
+44 20 7861 1492
tom.bill@knightfrank.com

Knight Frank