

# Residential Update and Outlook

February 2026

## Market Overview

*The UK economy is showing some signs of resilience, characterised by marginal 0.1% GDP growth and a notable cooling of CPI inflation to 3.0%. While the services sector remains the primary driver of activity, this is tempered by a 13-month contraction in construction and a softening labour market where unemployment has climbed to 5.2%. The Bank of England's narrow 5-4 vote to hold interest rates at 3.75% signals a growing shift toward further potential monetary easing; however, persistent job losses across Purchasing Managers Index surveys suggest that significant structural headwinds remain despite these improved inflationary signals.*

*Falling mortgage rates and overall affordability (supported by strong wage growth over the past three years) appear to have helped lift housing market activity over the last 12 months. Total transaction volumes rose to 1.21 million in 2025, an 11% increase on 2024. House prices also returned to modest growth, with both Nationwide and Halifax reporting a 1.0% annual rise. In the lettings market, rental growth continued to cool, easing to 3.5% from last year's double digit highs, reflecting a gradual improvement in the supply demand balance.*

## Key Points

- December's monthly GDP figure showed just 0.1% output growth, and the three-month figure also remains at 0.1%. Once again, the strong declines seen in the construction sector are weighing heavily on overall GDP.
- UK inflation slowed to 3.0% in the 12 months January, down from 3.4% in December and well below the recent peak of 3.8% last September.
- Retail sales saw a stronger-than-expected rise in January, with volumes up 1.8% on December. This represents the largest monthly increase in 19 months and follows a 0.4% uplift in December, marking the first back to back monthly growth in six months.
- The cooling trend in the labour market continued this month, with another decline in payrolled employees and little movement in overall job vacancies. The unemployment rate also rose, reaching its highest level in nearly five years.
- January's Purchasing Managers Indices (PMIs) indicated some signs of economic recovery, as both the Manufacturing and Services PMI moved into expansion territory, driven by stronger demand and rising new orders. The Construction PMI however remains in a persistent 13-month contraction despite hitting a seven-month high in January. All three sectors showed a worrying trend of falling employment.
- House price growth rallied in January, with Nationwide and Halifax recording monthly gains of 0.3% and 0.7%, respectively. These figures mark a return to positive territory following declines in December. On an annual basis, both indices recorded a 1.0% rise.
- Despite the cautiousness surrounding the housing market during the latter months of 2025, total transaction volumes still ended the year 11% above the 2024 total. HMRC data further revealed that December was the second consecutive month in which sales figures surpassed the 100,000 mark.
- The January RICS residential market survey continues to show a market that is slowly gaining momentum. Buyer demand has reached its strongest net balance figure since mid-2025, and while it is still too early to confirm a sustained recovery, long term sentiment remains notably positive.
- The rate of rental growth in the private rented sector slowed again in the 12 months to January, moving to 3.5% from 4.0% the month before. This marks the slowest annual rate of growth in almost four years.

## Economic indicators

### Monthly GDP   CPI inflation   Interest rate   Wage growth



0.1%



3.0%



3.75%



4.2%

Sources: Bank of England, ONS (wage growth regular pay, excl bonuses)

### The macroeconomy

- Monthly GDP is estimated to have grown by 0.1% in December, following (downwardly revised) growth of 0.2% in November. Disaggregated, services output added the only upward growth at 0.3%, while production output fell -0.9% and construction also declined by -0.5%. In the three months to December GDP grew by 0.1% with services recording no growth and production growing by 1.2%. Decline in construction output of -2.1% in the three months to December is the lowest three-monthly reading since September 2021.
- Inflation eased to 3.0% in the 12 months to January, down from 3.4% in December and in line with market expectations. This marks the slowest rate of inflation since March 2025. Lower price growth in transport and food exerted the greatest downward pressure, while prices in restaurants and hotels rose more quickly over the same period.
- The Bank of England's Monetary Policy Committee voted to hold interest rates at 3.75% in their February meeting. The vote was narrower than expected at 5-4 with four members voting for a 25 basis point cut. Although inflation remains above the MPC 2% target, it is expected to fall back to this level from April. The Committee noted that with all being well there may be more cuts to the rate later this year.

### Labour and employment

- The UK unemployment rate reached 5.2% in the three months to December, above the 5.1% in the previous three-monthly period and now the highest rate since February 2021. The rate of employment also subsequently edged down to 75.0%.
- The early estimate of payrolled employees for January 2026 shows a decline of 134,000 over the year and 11,000 over the month. This figure however is likely to be revised when more data become available next month.
- The estimated number of job vacancies has been relatively flat over recent months. In the three months to January there was a small increase of

2,000 over the previous three-monthly period. Total UK vacancies have hovered around the 725,000 / 730,000 mark for the last nine months.

- Annual growth in average earnings in the UK (excluding bonuses) was 4.2% in the three-month period to December 2025. This is down from 4.5% in November and is the slowest rate of growth since January 2022. Earnings growth for public sector workers averaged 7.2% and 3.4% for private sector. The public sector annual growth rate is affected by some public sector pay rises being paid earlier in 2025 than in 2024.

### Market indicators

- January's S&P Global UK Manufacturing PMI rose to 51.8, up from 50.6 in December and the highest expansion figure since August 2024. Output increased for the fourth month in a row with stronger export demand, largely stable domestic conditions and customer restocking measures. Notably though the upturn was mostly reported by larger manufacturers with SMEs reporting the third month of falling production. New orders continued to rise, at their fastest pace in nearly four years but employment fell again, albeit at a slowing pace.
- The UK Services PMI rose to 54.0 in January, up from 51.4 in December. New business reached a three-month high, driven by increased corporate budgets and client spending; however, sluggish household demand and weak construction activity weighed on some sub-sectors. While export orders climbed due to stronger European demand, employment figures fell for the fourth consecutive month, marking the longest period of job losses in the sector for 16 years. Meanwhile, input costs continued to climb, with firms citing rising payroll, raw material, and technology expenses.
- The UK construction PMI rose to 46.4 in January, recovering from December's five-year low of 40.1. While this marks the strongest reading since June, the index still signals contraction for the 13th consecutive month. House building remains the weakest sub-sector, though its rate of decline eased slightly. Meanwhile, civil engineering saw a sharp drop, whereas commercial construction recorded its smallest decline since May 2025. Although the slump in new orders slowed, the contraction in employment accelerated.

### Consumer demand and sentiment

- The volume of retail sales in January rose sharply, up 1.8% on the month, well above 0.4% in December and the strongest month on month rise since May 2024. Growth was marked by a strong increase

in non-food stores with a notable rise in artwork and antiques while online retailing also increased particularly in sports supplements and jewellery sales.

- GfK's Consumer Confidence Index rose one point to -16 in January. Of the five sub-measures, three showed improvements over December; notably, the forward-looking Personal Financial Situation measure rose four points to +6, and the Major Purchase Index increased by one point to -10. However, the forward-looking General Economic Situation measure dropped a sharp five points to -45, suggesting that while consumers feel confident managing their own finances, their confidence in the wider economy remains very low.

## Residential market



Sources: Bank of England, RICS, Nationwide, ONS

## Residential sales

### Mortgages and transactions

- Latest data from the Bank of England reveals that mortgage approvals slipped nearly 5% in December, falling to just over 61,000. This represents the third consecutive monthly decline and the lowest volume since April 2025. Looking ahead, we expect these figures to rebound as the uncertainty surrounding last year's Autumn Budget begins to dissipate.
- According to HMRC, December's sales volumes remained virtually unchanged from November, marking the second consecutive month with just over 100,000 transactions. On an annual basis, total sales reached 1.21 million—an 11% increase over 2024's 1.09 million and the highest yearly total recorded since 2022.
- There has been little change in the average rate of interest on an average 85% LTV, two-year mortgage product over the past month. It has hovered around 4.16% recently, well down from an average of 4.88% during the same period this time last year (Rightmove / Podium). We expect this more favourable mortgage lending environment to persist throughout 2026, supporting further improvements in buyer affordability and, in turn, a gradual increase in market activity.

### Supply and Demand

- This month's survey of the residential market from the RICS suggests activity is continuing to improve, albeit slowly. On the demand side, the balance of new buyer enquiries remains relative subdued at -15% but this is a marked improvement from -32% recorded in November and is the 'least negative' since June 2025. Of supply, new instructions shows little movement with a net balance of 1%, virtually unchanged from December's figure although still well above the 26-month low of -20% recorded last October.
- As highlighted in Rightmove's latest index report, year on year comparisons of sales activity are challenging due to the distortions caused by the April 2025 stamp duty changes. The report notes that new listings are currently around 1% lower than in 2025 but sit 11% higher than two years ago. A similar pattern is seen in agreed sales, which are 5% below last year's level but 9% above 2024.

### UK prices and price growth

- The start of the year saw some modest growth in house prices, according to Nationwide's January House Price Index report. Annual growth rose to 1.0% from 0.6% in December and month on month prices moved into positive territory, increasing 0.3% (seasonally adjusted) in January, up from a fall of -0.4% the month prior.
- Rising house price growth was also recorded by Halifax in January, with monthly prices up 0.7% following a fall of -0.5% in December. On an annual basis, prices rose by 1.0% compared with the same period a year ago. The average UK property price has now exceeded £300,000 for the first time, reaching £300,077.
- Rightmove's February House Price Index report finds the average price of a newly listed home for sale saw virtually no change over the same period one year ago. This is down from the 0.5% growth recorded in January. Disaggregated by 'market sector' the web portal goes on to note that 'second-stepper' homes have seen the largest annual rise at 0.8% compared with price declines in first-time buyer homes (-0.4%) and top of the ladder homes (-0.2%).
- UK house prices rose by an average of 2.4% in 2025, according to the latest Official House Price Index figures from the ONS. This brings the average house price to £270,259 following a monthly fall of -0.7%.
- The RICS January 2026 Residential Market Survey indicates lingering but moderating weakness in sales prices. The net balance improved to -10%, up from -14% last month and a low of -19% in October. While this suggests prices may have reached their nadir,



the report emphasises that further upward trends over the coming months are needed to confirm a sustained recovery. On the longer-term horizon, a net balance of +43% of respondents expect prices to rise over the year.

### Regional prices and price growth

- Regional house price growth continues to reflect a pronounced north-south divide, largely driven by affordability. Higher priced areas such as London, where the average home exceeds £551,000, saw prices fall by around 1.0% last year. The South East, with an average price of £378,800, recorded no annual growth. In contrast, more affordable regions outperformed: Wales saw average annual growth of 5% with prices around £215,000, while the North West recorded 4.5% growth with average prices near £217,000.
- Across our 19 Carter Jonas tracked locations, house price growth in 2025 was mixed, according to the latest ONS figures. The Vale of White Horse once again recorded the strongest rise at 6.2%, followed by West Oxfordshire (4.9%) and Wiltshire (3.4%). In contrast, four locations (South Oxfordshire, Winchester, Cambridge and Cornwall) saw price falls, while seven areas posted growth of less than 1%.

## Residential lettings

### Supply and Demand

- The latest RICS Residential Market Survey showed that tenant demand moved higher in the three months to January, with a net balance of +13%. This marks the highest reading of this measure since June last year after a sustained decline over the previous six months. On the supply side there is little change in the overall picture of restricted supply. Although the net balance figure moved to -24% from -39% the month before, this is still strongly negative.

- Rightmove's latest Rental Trends Tracker (Q4 2025) shows that the number of available rental properties is 9% higher than at the same time last year, indicating a continued improvement in the supply-demand balance in the sector. However, conditions vary significantly by location. In London, there were an average of seven enquiries per rental property in 2025, compared with around 16 in both the North West and Scotland.

### Rents and rental growth

- The annual rate of rental growth slowed again in the latest 12 months to January, to 3.5% on average, across the UK according to the latest ONS Price Index of Private Rents. This is down from 4.0% last month and 8.7% one year ago.
- Some areas of the country are still experiencing strong rates of rental growth, including Bath and North East Somerset where 9% annual growth has been recorded, and the wider North East region where 8% growth has been seen over the last 12 months. Nevertheless, most areas are beginning to see these rates ease and will continue to do so over the coming months.
- According to Rightmove's Q4 2025 Rental Trends Tracker, rents in the UK (outside of London) rose by an average of 2.2% in 2025 (advertised rents). Across Greater London rents were found to have increased by just 0.8% over the year. On a quarterly basis rents fell by around -1.1% outside of London (Q4 2025) and -0.7% inside London.
- *A reminder on rental growth rate differences between the official PIPR and other private sector measures such as Zoopla and Rightmove:- PIPR measures all stock of rents and compares achieved rents in the current month with the same month one year prior. Private sector measures only count asking rents for new let properties. The PIPR measure covers a much greater number of properties and will always lag by around 6 months or more as the new let rental prices take time to filter into the whole rental market stock.*

## HM Treasury Forecasts for the UK Economy, February 2026

Sources: HM Treasury Consensus Forecasts (February 2026)

	2025	2026	2027	2028	2029
Official Bank Rate (%)	3.32	3.30	3.35	3.27	3.28
House price inflation (annual, %)	1.9	2.5	3.1	3.4	3.6
CPI inflation rate (annual average, %)	2.2	2.2	2.2	2.1	2.0
Unemployment rate (%)	5.2	5.0	5.0	4.9	4.9
GDP (annual, %)	1.1	1.4	1.3	1.4	1.5
Average earnings growth (annual, %)	3.2	3.1	3.1	2.9	2.9

## Select Market Indicators, latest versus previous data

Sources: ONS (unless otherwise indicated) (final six indicators retrieved 20 February 2026)

	Current	Previous	Direction of change
GDP monthly	0.1%	0.2%	↓
Inflation rate (CPI)	3.0%	3.4%	↓
Bank Rate (base interest rate)	3.75%	3.75%	↔
Employment rate	75.0%	75.1%	↓
Unemployment rate	5.2%	5.1%	↑
Weekly earnings growth, regular pay (excl bonuses)	4.2%	4.5%	↓
S&P Global UK Manufacturing PMI	51.8	50.6	↑
S&P Global UK Services PMI	54.0	51.4	↑
S&P Global UK Construction PMI	46.4	40.1	↑
Retail sales volumes (monthly)	1.8%	0.4%	↑
GfK Consumer Confidence Index	61,013	64,530	↓
Bank of England mortgage approvals (monthly)	1.0%	0.6%	↑
Nationwide house price inflation (annual)	1.0%	0.4%	↑
Halifax house price inflation (annual)	2.4%	2.8%	↓
Official UK House Price inflation (annual)	0.0%	0.5%	↓
Rightmove House Price Index (UK, annual, asking)	3.5%	4.0%	↓
Price Index of Private Rents (UK, annual)	\$1.35	\$1.35	↔
£ Sterling: \$ USD	€1.14	€1.15	↓
£ Sterling: € Euro	\$71.35	\$64.42	↑
Brent Crude Oil (USD)	\$5,035.77	\$4,911.32	↑
Gold (USD per ounce)	10,680.10	10,159.37	↑
FTSE 100	3.792%	3.931%	↓
UK 5 Year Gilt Yield	3.931%	3.958%	↓

## Official House Price data, HM Land Registry, December 2025

Sources: HM Land Registry

CJ Regional Location	Average Price	Monthly Change (%)	Annual Change (%)
Vale of White Horse	£411,832	-0.8%	6.2%
West Oxfordshire	£422,389	-1.5%	4.9%
Wiltshire	£332,483	1.1%	3.4%
Leeds	£246,293	0.0%	3.3%
Cambridgeshire	£343,812	-0.2%	3.3%
West Berkshire	£400,144	-1.3%	3.1%
Suffolk	£284,165	-1.4%	1.4%
Somerset	£278,440	-0.7%	1.1%
Devon	£309,466	-0.8%	0.9%
Oxford	£480,531	-2.3%	0.9%
Bath and North East Somerset	£407,049	-1.2%	0.8%
North Yorkshire	£272,111	-1.4%	0.6%
South Cambridgeshire	£433,729	-2.4%	0.6%
Dorset	£332,378	-0.3%	0.4%
York	£306,571	1.2%	0.3%
South Oxfordshire	£462,111	-2.5%	-1.7%
Winchester	£465,183	-0.1%	-2.4%
Cambridge	£485,985	0.6%	-2.5%
Cornwall	£277,318	-1.4%	-2.5%

UK Region	Average Price	Monthly Change (%)	Annual Change (%)
Northern Ireland	£195,936	0.0%	7.5%
Wales	£214,883	2.6%	5.0%
Scotland	£190,649	-1.7%	4.9%
North East	£165,257	-1.4%	4.6%
North West	£217,428	-0.4%	4.5%
Yorkshire and The Humber	£208,447	-0.5%	3.3%
East Midlands	£243,632	0.4%	2.4%
<b>United Kingdom</b>	<b>£270,259</b>	<b>-0.7%</b>	<b>2.4%</b>
West Midlands region	£246,141	-1.0%	2.0%
England	£291,865	-0.7%	1.7%
East of England	£338,002	-0.4%	1.5%
South West	£301,226	-1.7%	0.3%
South East	£378,800	-0.7%	0.0%
London	£551,294	-0.8%	-1.0%

London	Average Price	Monthly Change (%)	Annual Change (%)
London	£551,294	-0.8%	-1.0%
Prime Central London	£1,029,443	-3.2%	-13.2%
South West London	£726,741	-1.7%	-5.0%

## Official House Price data, HM Land Registry, December 2025

Sources: HM Land Registry

London Borough	Average Price	Monthly Change (%)	Annual Change (%)
Bromley	£535,306	0.0%	6.8%
Havering	£452,231	0.2%	5.4%
Lewisham	£493,356	-0.5%	3.7%
Waltham Forest	£525,738	-0.9%	3.3%
Redbridge	£495,269	3.4%	2.0%
Sutton	£453,058	0.1%	1.8%
Ealing	£575,503	1.0%	1.6%
Southwark	£589,636	-0.8%	1.6%
Bexley	£410,346	-0.5%	1.3%
Hillingdon	£477,979	1.0%	1.3%
Harrow	£530,409	0.2%	1.0%
Hackney	£614,552	-2.3%	0.8%
Enfield	£471,381	-0.5%	0.8%
Islington	£699,726	1.9%	0.7%
Greenwich	£474,935	0.0%	0.6%
Kingston upon Thames	£573,027	-2.6%	0.3%
Haringey	£626,807	-0.2%	-0.2%
Croydon	£402,126	-0.4%	-0.4%
Barking and Dagenham	£353,512	-0.7%	-0.5%
<b>London</b>	<b>£551,294</b>	<b>-0.8%</b>	<b>-1.0%</b>
Hounslow	£519,639	-1.9%	-1.1%
Brent	£568,171	2.8%	-1.4%
Merton	£601,814	-1.9%	-2.1%
Wandsworth	£689,285	-0.3%	-2.3%
Richmond upon Thames	£777,164	-0.8%	-3.1%
Barnet	£594,093	-1.5%	-4.5%
Newham	£405,619	-0.8%	-5.3%
Lambeth	£538,500	-1.8%	-5.9%
Hammersmith and Fulham	£713,773	-4.0%	-9.5%
Tower Hamlets	£463,527	-2.6%	-10.9%
Camden	£783,812	-1.1%	-11.1%
Kensington And Chelsea	£1,178,497	-2.9%	-11.5%
City of Westminster	£880,389	-3.7%	-14.8%
Outer London	£508,640	-0.2%	0.9%
Inner London	£628,142	-1.3%	-4.6%

## Official Price Index of Private Rents, ONS, January 2026

Source: Office for National Statistics

CJ Regional Location	Average Rent (£ pcm)	Monthly Change	Annual Change
Bath and North East Somerset	£1,846	1.86%	9.0%
Wiltshire	£1,057	0.05%	7.2%
Oxford	£1,923	0.53%	6.5%
York	£1,170	1.08%	5.7%
South Cambridgeshire	£1,399	0.40%	4.9%
Winchester	£1,483	0.67%	4.8%
Vale of White Horse	£1,321	0.30%	2.6%
Cambridge	£1,797	0.22%	2.2%
West Berkshire	£1,266	-0.31%	2.1%
North Yorkshire	£825	-0.38%	1.8%
South Oxfordshire	£1,365	0.51%	-0.1%
West Oxfordshire	£1,264	0.17%	-1.0%

UK Country / Region	Average Rent (£ pcm)	Monthly Change (%)	Annual Change (%)
North East	£767	0.66%	8.0%
North West	£941	0.48%	6.0%
Wales	£826	0.48%	5.8%
West Midlands	£962	0.46%	5.4%
East Midlands	£906	0.54%	5.3%
South West	£1,224	0.21%	4.9%
East of England	£1,268	0.12%	4.9%
Yorkshire and The Humber	£843	0.23%	4.2%
South East	£1,405	0.21%	3.6%
England	£1,423	-0.04%	3.5%
Scotland	£1,021	0.27%	2.6%
London	£2,253	-0.67%	1.1%

London	Average Rent (£ pcm)	Monthly Change (%)	Annual Change (%)
London	£2,253	-0.67%	1.1%
Prime Central London	£3,411	-1.1%	-1.4%
South West London	£2,517	0.2%	3.2%

## Official Price Index of Private Rents, ONS, January 2026

Source: Office for National Statistics

Notes: Average rent is across all bedrooms and property types, per calendar month (pcm)

London Borough	Average Rent (£ pcm)	Monthly Change (%)	Annual Change (%)
Barking and Dagenham	£1,681	0.19%	10.4%
Bexley	£1,539	0.61%	9.1%
Newham	£1,906	0.30%	8.6%
Lambeth	£2,520	0.22%	7.8%
Havering	£1,561	-0.01%	7.2%
Barnet	£1,923	0.12%	6.3%
Wandsworth	£2,609	0.16%	5.5%
Kingston upon Thames	£1,821	-0.59%	5.4%
Enfield	£1,760	0.37%	5.2%
Richmond upon Thames	£2,254	0.99%	5.2%
Croydon	£1,553	0.35%	4.6%
Redbridge	£1,714	0.14%	4.5%
Greenwich	£1,941	0.74%	4.2%
Bromley	£1,658	0.37%	3.7%
Haringey	£2,197	-0.24%	3.6%
Hackney	£2,582	0.13%	3.3%
Harrow	£1,750	0.26%	3.3%
Lewisham	£1,805	0.02%	3.2%
Sutton	£1,542	0.31%	2.9%
Hillingdon	£1,548	0.17%	2.5%
Merton	£2,080	0.00%	2.4%
Waltham Forest	£1,743	0.18%	2.3%
Tower Hamlets	£2,389	0.08%	2.1%
Southwark	£2,387	0.54%	1.9%
Ealing	£2,051	-0.01%	1.4%
Islington	£2,713	-0.13%	1.1%
Hounslow	£1,899	0.07%	1.1%
<b>London</b>	<b>£2,253</b>	<b>-0.67%</b>	<b>1.1%</b>
Kensington And Chelsea	£3,640	-0.31%	0.4%
Hammersmith and Fulham	£2,687	-0.56%	-1.0%
Westminster	£3,181	-1.80%	-3.1%
Camden	£2,614	-2.62%	-7.8%
Brent	£1,933	0.30%	-8.3%



## About Carter Jonas

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## Residential Research

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