Carter Jonas

Residential
Update and Outlook

September 2026

Market Overview

This month's economic data presents a mixed picture: monthly GDP expanded by 0.4%, pushing annual growth to 1.6%, its strongest rate in over a year. Retail sales volumes also rose robustly by 0.5% in August, and consumer confidence climbed to a two-year high. However, inflation ticked up, and labour market data points to continued softening as both job vacancies and payroll figures fall. Furthermore, the depressed construction PMI highlights ongoing structural stress in the housing sector, which could limit broader economic momentum moving forward.

In the residential market, the signs are pointing to a subdued but stabilising environment. Mortgage approvals have dropped as higher borrowing costs are constraining purchasing buyers. However, the latest survey from the RICS shows continued recovery from the lows earlier this year, suggesting that we may be seeing a better equilibrium to the market. National house price growth though remains modest, and the sharp regional divide continues with northern regions and nations showing robust annual growth while London and the southern regions experience price contractions. In the private rental market, after two years of slowing rental growth, the pace appears to be accelerating once again, driven by higher mortgage rates (causing people to remain in rented accommodation for longer), alongside a decline in available stock levels.

Key Points

- *The economy grew by 0.4% month on month in July, the strongest expansion since February with all three sectors recording growth on the month.*
- *Inflation rose to 3.1% in August, up from 2.9% in July. This is the highest inflation has reached in the last five months and was widely anticipated as rising fuel costs began to filter into the data.*
- *Retail sales volumes rose 0.5% in August, with non-store retailers seeing the strongest increase of 1.7%, although both non-food stores and food stores also saw volumes increase on the month.*
- *In August, the GfK Consumer Confidence Index rose three points to -14. This marks its highest level in two years, driven by widespread increases across most sub-indices, including major purchases and economic outlook.*
- *Labour market data continues to show signs of cooling with headline figures such as the unemployment rate holding steady at 4.9%. However, this masks the declining payroll and job vacancies numbers, with vacancies now at its lowest figure in over a decade.*
- *UK economic activity, as measured by the various Purchasing Managers Indices (PMIs), show mixed results in August: the manufacturing and services sector both showed expansion and a small degree of industry optimism. The construction PMI however contracted yet again driven by a sharp fall in residential building work.*
- *Nationwide and Lloyds reported a small but notable divergent house price growth trend for August. Nationwide posted an annual growth rate of 1.6% (up from 1.4% in July), whereas Lloyds reported a 0.4% decline (down from +0.1% in July). These ongoing discrepancies are likely driven by differences in the two lenders' sample sizes and mortgage buyer profiles.*
- *Bank of England data for July shows mortgage approvals fell 4% month-on-month and are down 6% year-to-date for 2026. This drop in approvals alongside relatively stable sales volumes underscores the heavy pressure rising mortgage rates since March are exerting on buyers.*
- *The latest RICS Residential Market Survey suggests that while the market remains challenging, key indicators, such as buyer enquiries, agreed sales and pricing, are all improving and are incrementally less negative than earlier this year.*
- *UK private rental growth increased to 3.8% in August, according to official ONS data, marking the highest annual rate recorded in the past eight months. While regional variations are evident, the overall trend suggests rental growth is beginning to accelerate again following more than two years of a steadily slowing pace.*

Economic indicators

Monthly GDP	CPI inflation	Interest rate	Wage growth
0.4%	3.1%	3.75%	3.5%

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

The macroeconomy

- Monthly GDP grew by 0.4% in July, following a rise of 0.3% in June and well above market expectations of no growth. The largest upward contribution came from a 0.4% rise in services but there were also increases recorded across production (0.2%) and construction (0.1%). On an annual basis GDP expanded by 1.6%, the strongest year on year rise since February 2025.
- CPI inflation rose to 3.1% in the 12 months to August, the highest in five months and up from 2.9% in July. Transport costs, particularly motor fuel, contributed the largest upward movement, increasing 23.0% over the year. Other sectors also saw price increases including housing and household services, communication and recreation and culture. Food inflation remained unchanged at 1.3%.
- The Bank of England's Monetary Policy Committee (MPC) held the Bank Rate at 3.75% for the sixth time in a row. The Committee was split 6-3 in the decision with three members opting to raise the rate to 4%.

Labour and employment

- For the fourth consecutive period, the UK unemployment rate was unchanged at 4.9% in the three months to July. The number of unemployed people rose by 11,000 over the previous quarter, driven by a rise in those unemployed for more than six months. The employment rate also remained unchanged at 75.1% as the total number of employed people increased by 66,000 over the previous three-monthly period.
- The estimated number of job vacancies in the UK between June to August, decreased by 8,000 to 702,000, compared with March to May. This is the lowest number of job vacancies since August to October 2014 (outside of the pandemic period). The number of payrolled employees meanwhile fell by 101,000 over the year to July, and decreased 19,000 monthly. The early estimates for August's payroll figures suggest another monthly fall of 26,000. This figure should be treated with caution as it is provisional and will likely be revised.
- The annual growth in employees' average regular earnings (excluding bonuses) was 3.5% in the May to July period, marking no change over the previous three-monthly period. This figure has also been relatively stable now for each of the last five consecutive three-month periods where it has hovered around either 3.4% or 3.5%

Market indicators

- The S&P Global UK Manufacturing PMI dipped to 51.7 in August, down very slightly from 51.9 the month before. Output rose for the fifth month, and new orders also grew both domestically and internationally. All of this led to employment in the sector expanding at its fastest rate in two years/ Optimism about the year ahead also rose to a six-month high.
- The Services PMI rose to 52.5 in August, from 52.1 in July, marking its highest reading in four months. New orders increased modestly, although export sales fell for the sixth consecutive month as demand from Europe weakened. Employment growth slowed to its weakest pace in ten months, while input cost inflation edged higher. As in the construction sector, optimism within the services industry strengthened for the third consecutive month.
- Meanwhile, the Construction PMI eased to 44.3 in August, from 44.7 the month before. The fall was led by a sharp weakening in residential building work which saw its index fall to 37.6. The commercial and civil engineering indices also fell, but not as sharply as residential. Respondents noted a fall in new order intakes and low client confidence while anecdotally, risk aversion seems to have risen with the Middle East conflict dragging on. Having said that, input price inflation eased to its lowest since February and supply chain performance was stable.

Consumer demand and sentiment

- Retail sales are estimated to have risen by 0.5% in August (by volume), following a 0.5% decline in July. Non-store retailers saw sales increase by 1.7%, while non-food store sales rose by 0.6%. Food store volumes also increased, supported by higher spending in supermarkets. On a three-month basis, retail volumes grew by 0.9%, driven by higher alcohol and beverage sales linked to promotions, warmer weather, and the World Cup.
- Consumer confidence, as measured by the GfK Consumer Confidence Index, rose by three points to -14 in August. This represents the highest reading in two years and is well above the -25 recorded just four months earlier in April. Four of the five sub-indices increased, including the Major Purchase

Index, which rose by five points to -7, and the forward-looking General Economic Situation Index, which also increased by five points to -23. This marks its strongest reading since August 2024, albeit still firmly negative.

Residential market

Monthly mortgage approvals	Balance of new buyer enquiries	UK annual house price growth	UK annual rental growth
56,053	-19%	1.6%	3.8%

Sources: Bank of England, RICS, Nationwide, ONS

Residential sales

Mortgages and transactions

- The latest Bank of England data for July shows a continued slowdown in mortgage approvals. Monthly approvals dropped to just over 56,000, marking a 4% decrease from June and a 14% drop compared to July of last year. Although 2026 began with strong monthly approval numbers, total figures for the year to date are now down 6% compared to the same period in 2025.
- In July, total sales transactions dipped slightly by 2% compared to June, totalling 96,710 and mostly in line with the same time last year. This gap between mortgage approvals and actual sales volumes highlights how heavily consumers are feeling the impact of rising mortgage rates since March.
- Rising inflation concerns have led financial markets to price in the possibility of further Bank Rate increases, pushing swap rates sharply higher. As a result, average mortgage rates have risen from 5.01% four weeks ago to 5.19% today for a two-year fixed-rate mortgage at 85% loan-to-value (LTV).

Supply and Demand

- The August RICS Residential Market Survey shows a challenging sales market but one that is less negative than it had been in the second quarter of the year. The new buyer enquiries measure moved to -19%. While still firmly in negative territory, this is much improved from the low of -39% in March and has been slowly improving for five months. On the supply side, the new instructions balance was zero in the latest reading, up from -4% in July and well above the nine-month low of -23% in June. As for agreed sales, this too has improved, moving to -17% and its highest reading since February.
- The latest house price index report from Rightmove notes that buying activity may be showing a small ‘bounce’ from August to September but demand (measured as the number of buyer enquiries) is still 9% below the same period last year. On the supply side, the total number of homes available to purchase is at a 12-year high, albeit newly listed properties are down around 3% over the same period last year and sales agreed is 9% lower.

UK prices and price growth

- Annual house price growth remained subdued in August, reaching just 1.6% according to Nationwide’s latest House Price Index report. This has changed only very little from last month’s (revised) 1.4% and reflects 0.2% growth month on month. This brings the national average house price to £275,465, an increase of almost £10,000 over the last two years.
- The Lloyds House Price Index showed UK house prices fell by 0.4% annually in August, down from a 0.1% rise in July. This marks the first annual decline in nearly three years and reflects a monthly decline of 0.2%. Regionally, Northern Ireland recorded the strongest growth at 6.9% followed by Scotland at 3.5%, while the South East and London both posted declines of 1.6% and 1.5%, respectively.
- The average asking price for newly listed properties was found to have fallen 0.8% over the year, according to Rightmove’s latest House Price Index report (September). On a monthly basis prices rose 0.7% but this follows the rather steep 2.0% decline recorded in August.
- House price growth moved to 1.4% in the 12 months to July according to the Official House Price Index from the ONS. This is down slightly from (a downwardly revised) 1.5% in July and reflects monthly growth of 0.7%. The average property price in the UK is now £272,611.
- The August RICS residential market survey report returned a pricing measure of -29%, suggesting that there is still downward pressure on pricing but it has been incrementally less negative in each of the last four months. Regionally, London again shows the steepest rate of decline although less negative than July. Northern Ireland, Scotland, Wales and the North West were the only regions that returned figures suggesting some soft price rises.

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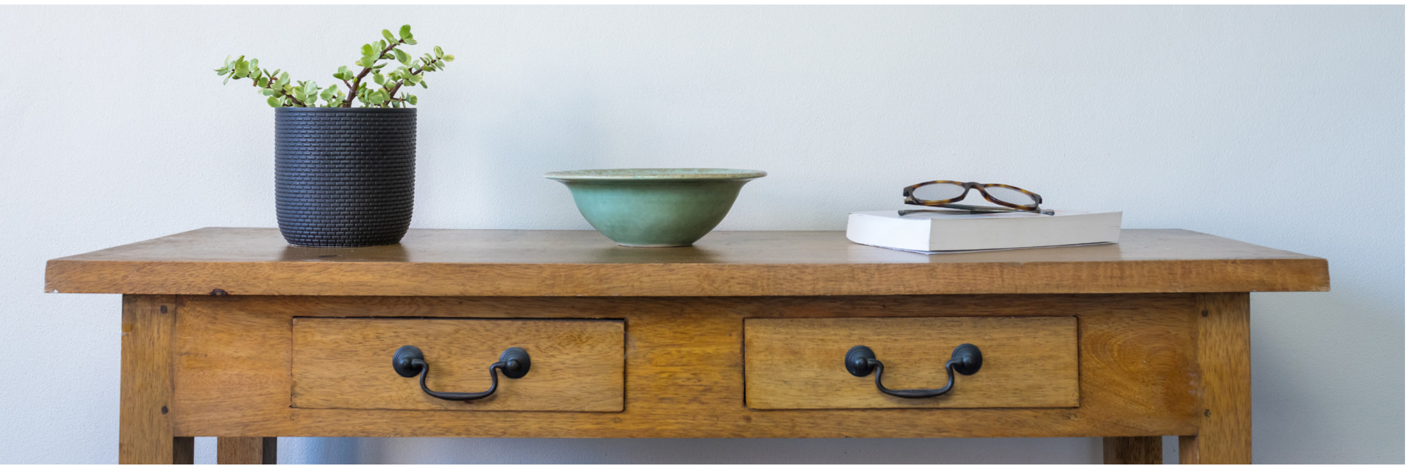

Regional prices and price growth

- As has been the case for more than two years, regional house price growth in the 12 months to July, based on official ONS data, continues to highlight a clear north-south divide. The North East and Northern Ireland recorded the strongest annual growth, both at 4.9%, followed by the North West at 4.4% and Yorkshire and the Humber at 3.0%.
- In contrast, the weakest performance was concentrated in southern regions, where average house prices are generally higher. Both the South West (-0.2%) and London (-3.3%) recorded annual price falls, while the South East and East of England saw little growth, at just 0.2% and 0.5% respectively.
- Across our 19 tracked Carter Jonas locations, house price growth remains subdued, with Vale of White Horse (5.7%) and Leeds (3.8%) recording the strongest annual increases. However, six locations registered price declines, including Oxford and West Oxfordshire, as well as all of our tracked South West markets: Dorset, Devon, Cornwall, and Bath and North East Somerset.

Residential lettings

Supply and demand

- Data from the latest RICS Residential Market Survey points again to rising tenant demand, with this measure moving to +18% in the August report, up from -1% the previous month. The landlord instructions measure continues its negative streak, pointing to constrained supply. Although at -14% this is marginally les negative than -37% in August 2025.
- Zoopla's latest research into the private rental market indicates that the supply of rental homes has begun to decline again, following an improvement over the previous three years. The number of homes available to rent was 3% lower than during the same period last year. Meanwhile, demand has continued to strengthen, with the number of enquiries per listing rising for the third consecutive quarter. The average now stands at 5.3 enquiries per listing, up from 5.1 a year ago, although still well below the level of 7.6 recorded two years earlier.

Rents and rental growth

- Annual rental growth increased to 3.8% in August, up from 3.7% in July and the highest rate recorded since last November, according to the ONS Official Price Index of Private Rents. On a monthly basis, rents rose by 0.4%, unchanged from July's increase. The average UK rent now stands at £1,400 per calendar month, representing an increase of more than £200 per month in less than three years.
- Regionally, northern areas continue to exert the greatest upward pressure on the national average. The North East and North West both recorded annual rental growth of 5.8%, while the West Midlands and Yorkshire and the Humber saw increases of close to 5%. In contrast, rental growth in London, the South East and the East of England remained more subdued, with annual increases of between 3.0% and 3.5%.
- Zoopla's latest research shows that average rents across the UK are now 2.6% higher than a year ago, taking the average monthly rent to £1,343. The report highlights significant regional variation, with areas facing the greatest supply constraints continuing to record the strongest rental growth. For example, the number of homes available to rent has fallen by 6% in London and 12% in Yorkshire & Humber, contributing to average rental growth of 2.9% and 4.0%, respectively.

HM Treasury Forecasts for the UK Economy, September 2026

Sources: HM Treasury Consensus Forecasts (September 2026, long-term: August 2026)

	2026	2027	2028	2029	2030
Official Bank Rate (%)	3.81	3.53	3.36	3.24	3.30
House price inflation (annual, %)	2.1	2.2	2.8	3.2	3.3
CPI inflation rate (annual average, %)	3.4	2.3	2.2	2.1	2.0
Unemployment rate (%)	5.1	5.0	5.1	5.0	4.9
GDP (annual, %)	1.2	1.2	1.4	1.4	1.5
Average earnings growth (annual, %)	3.6	3.3	3.2	3.1	3.2

Select Market Indicators, latest versus previous data

Sources: ONS (unless otherwise indicated) (final six indicators retrieved 21 September 2026)

	Current	Previous	Direction of change
GDP monthly	0.4%	0.3%	↑
Inflation rate (CPI)	3.1%	2.9%	↑
Bank Rate (base interest rate)	3.75%	3.75%	↔
Employment rate	75.1%	75.1%	↔
Unemployment rate	4.9%	4.9%	↔
Weekly earnings growth, regular pay (excl bonuses)	3.5%	3.5%	↔
S&P Global UK Manufacturing PMI	51.7	51.9	↓
S&P Global UK Services PMI	52.5	52.1	↑
S&P Global UK Construction PMI	44.3	44.7	↓
Retail sales volumes (monthly)	0.5%	-0.5%	↑
GfK Consumer Confidence (monthly)	-14	-17	↑
Bank of England mortgage approvals (monthly)	56,053	58,215	↓
Nationwide house price inflation (annual)	1.6%	1.4%	↑
Lloyds house price inflation (annual)	-0.4	0.1%	↓
Official UK House Price inflation (annual)	1.4%	1.5%	↓
Rightmove House Price Index (UK, annual, asking)	-0.8%	-1.0%	↑
Price Index of Private Rents (UK, annual)	3.8%	3.7%	↑
£ Sterling: $ USD	$1.34	$1.37	↓
£ Sterling: € Euro	€1.17	€1.17	↔
Brent Crude Oil (USD)	$101.67	$87.27	↑
Gold (USD per ounce$)	$4,350.50	$4,658.10	↓
FTSE 100	10,710.18	10,886.16	↓
UK 5 Year Gilt Yield	4.8655%	4.5917%	↑

Official House Price data, HM Land Registry, July 2026

Sources: HM Land Registry

CJ Regional Location	Average Price	Monthly Change (%)	Annual Change (%)
Vale of White Horse	£413,773	-0.3%	5.7%
Leeds	£247,695	-0.1%	3.8%
Somerset	£282,062	0.2%	3.1%
South Oxfordshire	£476,026	0.5%	3.0%
Cambridgeshire	£339,095	1.1%	2.7%
Wiltshire	£328,746	-0.3%	2.6%
North Yorkshire	£270,463	-0.4%	2.5%
South Cambridgeshire	£439,573	1.3%	2.2%
Winchester	£463,025	-1.0%	2.1%
York	£310,781	0.6%	1.8%
Suffolk	£280,742	-0.2%	0.5%
West Berkshire	£403,682	0.6%	0.4%
Cambridge	£475,151	1.1%	0.0%
Dorset	£325,154	0.1%	-0.1%
Bath and North East Somerset	£409,045	1.0%	-0.7%
Cornwall	£275,642	-0.7%	-0.7%
Devon	£303,491	-0.2%	-0.8%
West Oxfordshire	£418,586	0.9%	-1.6%
Oxford	£471,667	0.8%	-2.3%

UK Region	Average Price	Monthly Change (%)	Annual Change (%)
North East	£166,943	1.1%	4.9%
Northern Ireland	£202,487	0.0%	4.9%
North West	£221,445	1.0%	4.4%
Yorkshire and The Humber	£209,116	1.3%	3.0%
Wales	£215,037	1.0%	2.6%
Scotland	£196,349	1.2%	2.3%
East Midlands	£242,274	1.7%	1.9%
West Midlands region	**£250,880**	**0.5%**	**1.5%**
United Kingdom	£272,611	0.7%	1.4%
England	£293,479	0.7%	1.1%
East of England	£337,518	0.5%	0.5%
South East	£380,878	0.5%	0.2%
South West	£302,298	-0.2%	-0.2%
London	£550,037	-0.1%	-3.3%

London	Average Price	Monthly Change (%)	Annual Change (%)
London	£550,037	-0.1%	-3.3%
Prime Central London	£1,054,714	-1.2%	-17.4%
South West London	£742,458	0.3%	-5.1%

Official House Price data, HM Land Registry, July 2026

Sources: HM Land Registry

London Borough	Average Price	Monthly Change (%)	Annual Change (%)
Barking and Dagenham	£375,604	1.5%	5.3%
Kingston upon Thames	£591,555	-0.6%	3.3%
Waltham Forest	£529,102	1.2%	2.8%
Havering	£448,648	-0.9%	2.1%
Bexley	£413,343	1.7%	2.0%
Hounslow	£525,435	1.9%	1.7%
Haringey	£638,690	0.5%	1.0%
Ealing	£585,216	2.0%	0.8%
Lewisham	£488,658	-0.3%	0.7%
Sutton	£452,654	1.1%	0.6%
Enfield	£470,988	-0.8%	0.6%
Southwark	£572,478	-1.6%	0.1%
Richmond upon Thames	£803,249	-1.2%	-0.8%
Merton	£615,890	0.1%	-0.9%
Hillingdon	£470,875	-0.5%	-1.3%
Greenwich	£462,589	0.1%	-1.4%
Brent	£546,135	1.2%	-2.6%
Hackney	£605,729	0.4%	-2.6%
Redbridge	£481,297	-2.0%	-2.7%
Harrow	£526,493	0.6%	-2.8%
Bromley	£511,670	-0.6%	-3.1%
London	£550,037	-0.1%	-3.3%
Croydon	£390,041	-0.9%	-3.4%
Islington	£674,592	-1.6%	-4.9%
Barnet	**£600,560**	**1.1%**	**-4.9%**
Newham	£390,349	-1.8%	-5.0%
Wandsworth	£686,076	0.8%	-5.5%
Lambeth	£536,623	-2.4%	-6.3%
Hammersmith and Fulham	£738,048	1.4%	-9.0%
Camden	£815,159	-2.3%	-10.1%
Kensington And Chelsea	£1,232,640	-2.7%	-14.1%
Tower Hamlets	£447,796	-1.5%	-14.4%
City of Westminster	£876,788	1.1%	-20.7%
Outer London	£507,169	0.2%	-0.6%
Inner London	£624,529	-0.7%	-6.8%

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Official Price Index of Private Rents, ONS, August 2026

Source: Office for National Statistics

CJ Regional Location	Average Rent (£ pcm)	Monthly Change	Annual Change
Bath and North East Somerset	£1,885	0.21%	7.4%
York	£1,199	0.54%	6.5%
Wiltshire	£1,082	0.91%	6.0%
West Berkshire	£1,338	1.85%	5.0%
Winchester	£1,508	0.18%	4.1%
Oxford	£1,963	-0.16%	3.5%
South Oxfordshire	£1,402	0.77%	3.5%
South Cambridgeshire	£1,408	-0.20%	3.4%
Vale of White Horse	£1,352	0.65%	2.9%
North Yorkshire	£849	0.65%	2.4%
West Oxfordshire	£1,305	0.94%	1.8%
Cambridge	£1,805	-0.08%	1.8%

UK Country / Region	Average Rent (£ pcm)	Monthly Change (%)	Annual Change (%)
North East	£788	0.64%	5.8%
North West	£969	0.49%	5.8%
West Midlands	£982	0.79%	4.9%
Yorkshire and The Humber	£865	0.18%	4.9%
South West	£1,245	0.66%	4.4%
Wales	£846	0.28%	4.3%
England	£1,459	0.56%	4.0%
East Midlands	**£922**	**0.52%**	**3.7%**
London	£2,332	0.64%	3.5%
East of England	£1,289	0.31%	3.5%
South East	£1,426	0.50%	3.0%
Scotland	£1,013	-0.32%	1.1%

London	Average Rent (£ pcm)	Monthly Change (%)	Annual Change (%)
London	£2,332	0.6%	3.5%
Prime Central London	£3,443	1.1%	0.8%
South West London	£2,597	0.7%	4.0%

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Official Price Index of Private Rents, ONS, August 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 (%)
Islington	£2,868	0.50%	6.2%
Greenwich	£1,995	0.74%	6.1%
Southwark	£2,474	1.80%	5.4%
Merton	£2,172	0.88%	5.4%
Enfield	£1,827	0.32%	5.1%
Richmond upon Thames	£2,333	0.63%	4.4%
Wandsworth	£2,632	0.46%	4.2%
Lambeth	£2,525	0.22%	3.7%
Hackney	£2,658	0.53%	3.6%
London	**£2,332**	**0.64%**	**3.5%**
Tower Hamlets	£2,453	0.57%	3.5%
Brent	£2,014	0.09%	3.4%
Barnet	£1,949	0.23%	3.3%
Hammersmith and Fulham	£2,825	1.03%	3.3%
Hounslow	£1,952	0.36%	3.2%
Croydon	£1,582	0.08%	3.2%
Ealing	£2,109	1.14%	3.0%
Harrow	£1,778	0.26%	2.9%
Newham	£1,928	0.04%	2.9%
Bromley	£1,684	0.19%	2.7%
Barking and Dagenham	£1,698	0.14%	2.6%
Hillingdon	£1,570	0.32%	2.5%
Sutton	£1,556	0.20%	2.1%
Kensington And Chelsea	£3,690	1.68%	2.1%
Lewisham	£1,829	0.05%	2.0%
Redbridge	£1,726	0.15%	2.0%
Bexley	£1,537	0.17%	1.6%
Havering	£1,565	0.06%	1.5%
Waltham Forest	£1,763	-0.13%	1.5%
Haringey	£2,219	0.26%	1.4%
Camden	£2,819	0.68%	1.0%
Westminster	£3,196	0.54%	-0.6%
Kingston upon Thames	£1,811	0.24%	-1.2%

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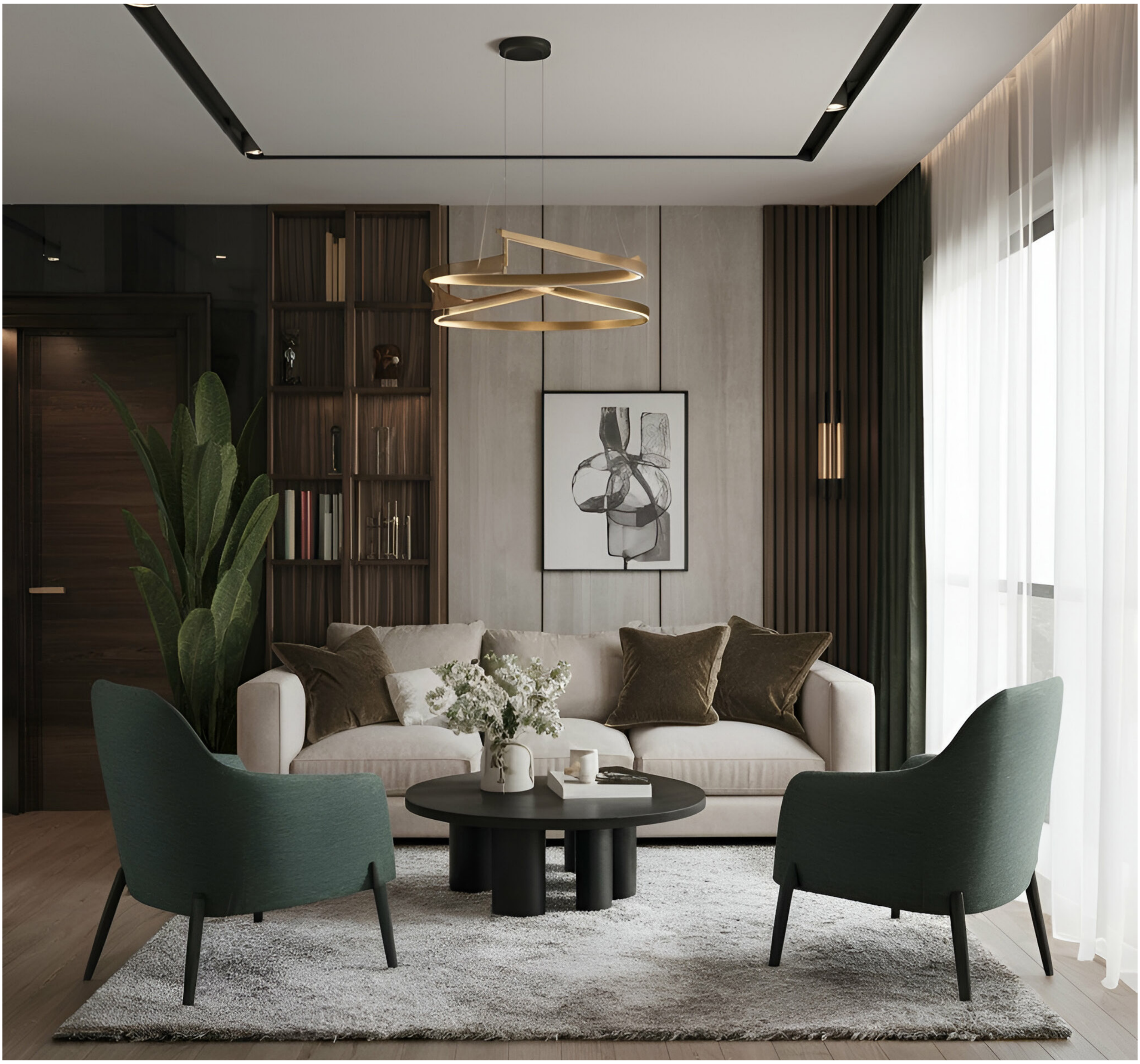

About Carter Jonas

Carter Jonas LLP is a leading UK property consultancy working across commercial property, residential sales and lettings, rural, planning, development and national infrastructure. Supported by a national network of 32 offices and over 1,000 property professionals, our divisional teams are renowned for their quality of service, expertise and the **simply better property advice** they offer their clients.

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