

# Residential Update and Outlook

May 2026

## Market Overview

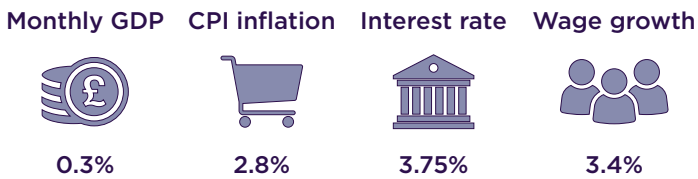
*This month, mounting geopolitical headwinds continue to exert pressure on the economy. While GDP growth in the three months to March reached its strongest rate since Q1 2025 (primarily driven by the services sector) and inflation dropped to a one-year low, this dip was almost exclusively due to the reduction in the energy price cap. There are still underlying structural issues emerging: spiking input costs and fuel prices are dampening business optimism, while the latest labour market data reflects the impact of the Iran war and increased labour costs recently, with the number of payrolled employees falling sharply and job vacancies hitting a five-year low.*

*The residential sales market meanwhile is showing some remarkable resilience, despite the pressure of rising mortgage rates and wider geopolitical issues. Both mortgage approvals and transaction volumes rose in March, with the latter 8% above the five-year average. Rightmove's latest report also showed that although agreed sales are down slightly over last year, they are still above the same period in 2024. This transactional strength contrasts with the downbeat RICS sentiment survey which suggests that underlying buyer demand is softening. Further divergence is seen in the latest house price indices with Halifax reporting minimal annual growth of 0.4% and Nationwide recording a robust 3.0% rise.*

## Key Points

- The UK economy expanded by 0.3% in March and 0.6% during the first quarter of the year. On an annual basis, GDP grew by 1.1% over the 12 months, higher than the market expectations of 0.8%.
- CPI inflation slowed to 2.8% in the 12 months to April, reaching its lowest rate in over a year. This drop was almost entirely driven by the reduction in the energy price cap. Broken down by component, motor fuel prices rose by 23%, an inflationary pressure that will likely feed through to the headline data in the coming months.
- Retail sales volumes fell by 1.3% in April with the largest drop coming from a fall in motor fuel sales after consumers 'stockpiled' in March. Excluding fuel, volumes declined by 0.4% over the month.
- The Consumer Confidence Index rose two points in May to -23, rebounding from April's lowest reading in over two years. The results suggest households are slightly less pessimistic than expected, outperforming market forecasts that predicted a much lower figure for the month.
- This month's labour market data is beginning to show some effects of the Iran war. Early estimates of payrolled employee numbers show the biggest monthly decline since the peak of the COVID pandemic in May 2020 while job vacancies are at their lowest level since April 2021.
- The latest Purchasing Managers' Indices (PMIs) reflect resilience across the manufacturing and services sectors, with both seeing monthly growth and a four-year high in manufacturing new orders. However, significant headwinds remain as persistent supply chain disruptions and sharp input cost inflation continue to be fuelled by the Middle East conflict.
- In contrast, the Construction PMI fell nearly six points on the month as respondents report the geopolitical climate delaying clients committing to projects.
- Halifax and Nationwide again reported differing house price trends in April. While Halifax saw annual growth slow to 0.4%, Nationwide recorded an acceleration from 2.2% to 3.0%.
- March data from the Bank of England for mortgage approvals and residential transactions from HMRC showed another month-on-month increase, with figures up 1.3% each. Both sets of data are slightly above their long-run monthly averages.
- Despite higher mortgage rates recently, the April RICS Residential Market Survey indicates that overall market activity appears to be stabilising; new buyer enquiries, new listing volumes and agreed sales all show little movement compared with the previous month.
- Annual private rental growth edged up to 3.5% in the 12 months to April, compared to 3.4% in March. This marginal increase suggests that the recent deceleration in rental growth has effectively stalled, with rates remaining within this range over the last five months.

## Economic indicators



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

### The macroeconomy

- Monthly GDP grew by 0.3% in March, following growth of 0.4% in February (revised down from 0.5%). Services and construction grew by 0.3% and 1.5% respectively, while production declined by 0.2%. In the three months to March, GDP grew by 0.6%, the strongest rate since Q1 2025. However, the ONS has frequently reported strong growth in the first quarter of recent years. This trend, coupled with current drags on the economy, means we should be wary of reading too much into this robust Q1 figure.
- The annual rate of inflation slowed to 2.8% in April, down from 3.3% in March and the lowest reading since March of last year. A sharp slowdown in housing and household services inflation lead to the moderating rate, after the introduction of the latest energy price cap from 1st April. Transport costs also slowed but even so within that motor fuel prices rose by 23%, the highest annual rate since September 2022.
- The Bank of England's Monetary Policy Committee voted to hold interest rates at 3.75% in their April meeting. The Committee voted 8-1 in favour of holding rates with one voting for a rise to 4%. The Governor stressed it is a difficult situation to predict given the volatility of the war and its impact on energy prices.

### Labour and employment

- The UK unemployment rate rose to 5.0% in the three months to March, up from 4.9% in February. This is the first reading which now includes the opening month of the US-Iran war which added inflationary pressures on businesses. Despite the higher rate though, the number of unemployed people actually fell by 77,000. The employment rate remained unchanged in the three months to March at 75.0%.
- Job vacancies are now at their lowest level since April 2021 at just over 705,000. The estimated number of vacancies fell over the quarter, down by around 28,000 in the three months to April.

- The first estimate of payrolled employees data for April indicates a fall of 210,000 year on year and 100,000 over the month. This is the third month in a row of declines and follows March data when payrolled employees declined by 28,000 on the month and 104,000 annually. April's figure is the steepest decline since May 2020 as the war in the Middle East weighs on businesses hiring activities.
- Annual growth in employees' average earnings was 3.4% (excluding bonuses) in the three months to March. Average regular earnings grew by 4.8% in the public sector and 3.0% for the private sector.

### Market indicators

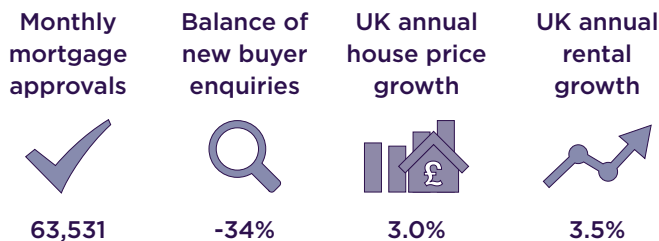
- The UK Manufacturing PMI climbed to 53.7 in April, marking its highest level since May 2022 and up from 51 in March. This represents the sixth consecutive month of expansion for the sector, following a full year of contraction. While new orders grew at their fastest pace in four years, the sector remains constrained by persistent supply chain issues and a sharp spike in input prices. The ongoing conflict in the Middle East has also dampened business optimism, falling to its lowest point in a year.
- The Services PMI saw an unexpected boost in April, rising to 52.5 from 50.5 in March and exceeding market expectations. Firms attributed this growth in business activity to technology investments and new marketing initiatives. However, this expansion was tempered by a continued decline in employment and a sharp rise in inflationary pressures. Input cost inflation hit its highest level in the survey's 30-year history, driven primarily by surging fuel prices linked to the Middle East conflict.
- The S&P Global UK Construction PMI fell sharply in April to 39.7 from 45.6 the previous month. This is well below market expectations and marks the 16th month of contraction for the sector. Respondents to the survey noted subdued demand amid geopolitical uncertainty which is delaying clients committing to projects. Employee jobs also fell on the month while higher input prices were reported across the board, rising at their fastest rate since June 2022.

### Consumer demand and sentiment

- The volume of retail sales fell in April, down 1.3% over March. Fuel volumes fell in April with some retailers saying that motorists were conserving motor fuel as prices rose after a spike in March as motorists stocked up. When excluding fuel volumes fell by 0.4% on the month. Variable weather conditions during the month may have also contributed to the decline in clothing sales which fell by 2.4%.

- The UK GfK Consumer Confidence Index rose two points to -23 in May, up from April's lowest reading since October 2023. Of the five sub-measures the Major Purchase Index fell two points to -20, its lowest in over a year. All other metrics rose over the month. The Savings Index (not included in the overall score) fell sharply by ten points which suggests that consumers are having to use these funds to pay for daily expenses.

## Residential market



Sources: Bank of England, RICS, Nationwide, ONS

## Residential sales

### Mortgages and transactions

- Mortgage approvals rose for the second consecutive month in March, climbing 1.3% from February to reach just over 63,500. This is particularly encouraging for the sector, given that average mortgage rates began to rise sharply during the same period. However, the full extent of how potential buyers will respond to these higher rates will become clearer in the coming months as more data emerges.
- Total transaction volumes also climbed in March, rising 1.3% from February to reach 104,070. Excluding the anomalous 'stamp duty holiday' peaks of 2021 and 2025, this figure is approximately 8% above the five-year March average. This too suggests there is a resilient underlying demand in the housing market, despite the broader economic and geopolitical concerns, although again this will become clearer over the coming months.
- Mortgage rates have slowed over the last few weeks. The current average rate sits at around 5.07% (85% LTV, two-year fixed), well below the peak of 5.31% six weeks ago. (Rightmove / Podium data).

### Supply and Demand

- The latest RICS Residential Market Survey indicates a continuation of the subdued conditions associated with rising mortgage rates and the broader geopolitical landscape. Having said that, the overall

results are not entirely pessimistic. On the demand side, new buyer enquiries returned a net balance of -34%, a slight improvement from last month's -39%, though still firmly downbeat. Meanwhile, the agreed sales measure dipped to -36% (from -34%), while new instructions remained nearly flat at -3%, suggesting the flow of new listings has stabilised over the month.

- Rightmove's May house price index again reports that the market is still buoyant despite recent higher mortgage rates and wider geopolitical pressures. They report that sales agreed are down by just 4% over the same period last year but are 2% higher than in 2024. Sales in the first-time buyer market, which is typically the most heavily reliant on mortgages, are only down 1% compared with 2024.

### UK prices and price growth

- Nationwide's latest index reveals that annual house price growth accelerated again in April, reaching 3.0%, up from 2.2% in March and 1.0% in February. The average UK house price now stands at £278,880, following a 0.4% monthly increase.
- In contrast, Halifax reported diverging data for the second consecutive month, with annual growth slowing to just 0.4% (down from 0.8% in March). While Nationwide has seen gains for four months straight, Halifax recorded a monthly decline of 0.1%, marking its second back-to-back monthly fall.
- Rightmove reports that annually, asking prices have fallen by around 0.3% in the 12 months to May, up from a fall of 0.9% in April. On a monthly basis, prices are up 1.2%, following a rise of 0.8% the month before, exceeding the ten-year May average increase of just around 1%. Despite wider global uncertainty market confidence appears surprisingly strong by these metrics. Disaggregated by market sector, first-time buyer asking prices are up 0.3% month on month compared with a robust 2.3% rise for top of the ladder properties and 0.9% for second-stepper homes.
- The average UK house price was £268,000 in March 2026, unchanged from one year ago and down from the (revised) 1.7% annual growth experienced in February according to the ONS Official House Price Index. On a monthly basis, prices fell by -0.4%.
- There was a further deterioration of the house price indicator from the latest RICS Residential Market Survey where it fell to -34% in April, down from -25% last month and -12% in February. Respondents in London, the South East, South West and East Anglia reported the most pronounced downward pressure on prices.



### Regional prices and price growth

- Among the UK nations, Northern Ireland continues to experience the strongest annual house price growth at 7.4%, significantly outpacing Wales (2.9%) and Scotland (1.6%), while the average property value in England fell by -0.6%. Across the English regions, annual growth was exceptionally subdued. The East Midlands recorded the highest growth at a modest 0.7%, followed by the East of England at just 0.1%. The remaining eight regions all experienced house price declines, ranging from -0.2% in Yorkshire and the Humber to -2.1% in London.
- Across the 19 tracked Carter Jonas locations, annual house price growth was similarly limited. While the Vale of White Horse recorded the highest average growth at 5.1%, the next strongest performers were York at 2.5% and Leeds at 2.3%. Conversely, nine locations saw average price declines, ranging from a minor decrease of -0.2% in Wiltshire to a more significant drop of -2.4% in Cornwall.

## Residential lettings

### Supply and demand

- The April RICS survey showed a further increase in tenant demand, with a net balance of +14% of respondents reporting a rise. This is up from +10% in March and represents a ten-month high for the metric. Conversely, landlord instructions remained in negative territory at -17%; however, this reflects the 'least negative' reading for the indicator in 18 months.
- Rightmove's latest report on the private rental market finds that there were no signs ahead of the Renters' Rights Act of a change in 'market dynamics' (the report covers Q1 2026, the Act came into effect 1st May). In fact, they note that the supply and demand

balance continues to improve. The total number of available homes to rent is up 3% year on year and the highest level since 2021, while the average rental property is receiving 8 enquiries, down from 11 last year and 29 during the peak of the market in 2022.

### Rents and rental growth

- UK rental growth rose slightly in the 12 months to April, to 3.5% up from 3.4% in March, according to the ONS Official Price Index of Private Rents. Rental growth has now hovered around this 3.4%-3.6% range for the last five months. The average UK rental price is now £1,381 per calendar month (pcm).
- Rental growth appears to have stabilised across many Carter Jonas-tracked locations, showing little change from last month's figures. Bath and North East Somerset recorded 8.1% growth (down slightly from 8.2% last month), while growth in both Wiltshire and Oxford held steady at 6.9% and 6.8% respectively. At the bottom of the table, South Oxfordshire and West Oxfordshire both saw average rental declines of 0.3% and 1.2%.
- Rightmove's Q1 2026 Rental Trends Tracker indicates that annual rental growth (excluding Greater London) slowed to 1.6%, down from 2.2% in the previous quarter. This leaves the average UK advertised rent unchanged for the quarter at £1,370 per calendar month (pcm). Meanwhile, advertised rents in London rose by 1.4% year-on-year, bringing the capital's average to £2,736 pcm.
- *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, May 2026

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

	2026	2027	2028	2029	2030
Official Bank Rate (%)	3.8	3.44	3.15	3.08	3.09
House price inflation (annual, %)	1.7	1.6	2.8	4.3	4.7
CPI inflation rate (annual average, %)	3.6	2.1	1.8	2.0	2.0
Unemployment rate (%)	5.4	5.2	5.2	4.9	4.7
GDP (annual, %)	0.9	1.1	1.6	1.7	1.7
Average earnings growth (annual, %)	3.2	2.9	2.6	2.7	3.0

## Select Market Indicators, latest versus previous data

Sources: ONS (unless otherwise indicated) (final six indicators retrieved 22 May 2026)

	Current	Previous	Direction of change
GDP monthly	0.3%	0.4%	↓
Inflation rate (CPI)	2.8%	3.3%	↓
Bank Rate (base interest rate)	3.75%	3.75%	↔
Employment rate	75.0%	75.0%	↑
Unemployment rate	5.0%	4.9%	↑
Weekly earnings growth, regular pay (excl bonuses)	3.4%	3.6%	↓
S&P Global UK Manufacturing PMI	53.7	51.0	↑
S&P Global UK Services PMI	52.0	50.5	↑
S&P Global UK Construction PMI	39.7	45.6	↓
Retail sales volumes (monthly)	-1.3%	0.6%	↓
GfK Consumer Confidence (monthly)	-23	-25	↑
Bank of England mortgage approvals (monthly)	63,531	62,708	↑
Nationwide house price inflation (annual)	3.0%	2.2%	↑
Halifax house price inflation (annual)	0.4%	0.8%	↓
Official UK House Price inflation (annual)	0.0%	1.7%	↓
Rightmove House Price Index (UK, annual, asking)	-0.3%	-0.9%	↑
Price Index of Private Rents (UK, annual)	3.5%	3.4%	↑
£ Sterling: \$ USD	\$1.34	\$1.35	↓
£ Sterling: € Euro	€1.16	€1.15	↑
Brent Crude Oil (USD)	\$102.08	\$105.21	↓
Gold (USD per ounce)	\$4,520.48	\$4,688.06	↓
FTSE 100	10,486.89	10,413.69	↑
UK 5 Year Gilt Yield	4.474%	4.493%	↓

## Official House Price data, HM Land Registry, March 2026

Sources: HM Land Registry

CJ Regional Location	Average Price	Monthly Change (%)	Annual Change (%)
Vale of White Horse	£413,205	0.8%	5.1%
York	£311,177	0.5%	2.5%
Leeds	£244,430	0.1%	2.3%
North Yorkshire	£270,845	-0.2%	1.8%
Cambridgeshire	£337,590	0.3%	1.2%
Suffolk	£283,306	0.7%	0.9%
Winchester	£471,136	2.0%	0.8%
Somerset	£278,634	0.1%	0.7%
West Berkshire	£403,498	-0.7%	0.7%
South Oxfordshire	£473,716	0.6%	0.4%
Wiltshire	£324,123	-1.1%	-0.2%
South Cambridgeshire	£430,145	-0.3%	-0.5%
Oxford	£473,994	0.1%	-0.8%
Dorset	£328,417	0.2%	-1.2%
Bath and North East Somerset	£405,568	0.4%	-1.2%
Devon	£304,999	-0.3%	-2.0%
West Oxfordshire	£422,096	-0.1%	-2.0%
Cambridge	£471,532	-1.3%	-2.2%
Cornwall	£275,395	0.3%	-2.4%

UK Region	Average Price	Monthly Change (%)	Annual Change (%)
Northern Ireland	£198,015	0.0%	7.4%
Wales	£213,240	0.6%	2.9%
Scotland	£186,582	-0.2%	1.6%
East Midlands	£241,747	0.3%	0.7%
East of England	£337,182	-0.4%	0.1%
<b>United Kingdom</b>	<b>£268,132</b>	<b>-0.4%</b>	<b>0.0%</b>
Yorkshire and The Humber	£207,750	-0.9%	-0.2%
West Midlands region	£245,797	-1.6%	-0.3%
England	£289,946	-0.5%	-0.6%
South East	£378,515	0.0%	-0.8%
South West	£300,849	-0.1%	-0.8%
North West	£214,678	-0.9%	-0.8%
North East	£161,629	-0.9%	-1.2%
London	£542,065	-0.3%	-2.1%

London	Average Price	Monthly Change (%)	Annual Change (%)
London	£542,065	-0.3%	-2.1%
Prime Central London	£1,050,388	-1.7%	-9.4%
South West London	£729,547	-0.2%	-4.7%

## Official House Price data, HM Land Registry, March 2026

Sources: HM Land Registry

London Borough	Average Price	Monthly Change (%)	Annual Change (%)
Waltham Forest	£528,353	0.5%	3.2%
Bexley	£410,445	1.2%	1.7%
Islington	£679,463	0.4%	0.9%
Sutton	£450,859	-1.0%	0.5%
Haringey	£646,557	0.8%	0.3%
Redbridge	£500,969	-1.6%	0.2%
Greenwich	£465,960	-1.8%	0.2%
Bromley	£518,311	0.5%	0.2%
Havering	£441,241	-1.2%	-0.1%
Kingston upon Thames	£572,759	0.3%	-0.3%
Hillingdon	£470,887	-0.5%	-0.5%
Lewisham	£489,602	-0.7%	-0.8%
Barking and Dagenham	£360,679	-0.9%	-0.8%
Ealing	£566,930	-1.1%	-1.0%
Lambeth	£554,128	0.3%	-1.1%
Hackney	£611,039	2.3%	-1.2%
<b>London</b>	<b>£542,065</b>	<b>-0.3%</b>	<b>-2.1%</b>
Enfield	£464,044	-1.8%	-2.1%
Harrow	£530,414	-1.1%	-2.5%
Merton	£601,401	-0.5%	-2.6%
Richmond upon Thames	£785,897	-1.1%	-2.9%
Croydon	£388,821	0.2%	-3.1%
Southwark	£564,359	-0.3%	-3.3%
Barnet	£588,293	0.1%	-3.5%
Hounslow	£509,325	0.6%	-3.6%
Brent	£538,452	0.2%	-4.1%
Wandsworth	£672,069	-0.7%	-4.6%
Newham	£384,258	0.3%	-6.5%
Hammersmith and Fulham	£730,674	1.2%	-6.6%
Camden	£772,336	0.6%	-7.4%
Kensington And Chelsea	£1,256,680	-0.3%	-7.5%
Tower Hamlets	£458,392	-0.7%	-10.9%
City of Westminster	£844,095	-3.7%	-11.3%
Outer London	£502,664	-0.4%	-1.0%
Inner London	£621,952	-0.2%	-4.6%

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

Source: Office for National Statistics

CJ Regional Location	Average Rent (£ pcm)	Monthly Change	Annual Change
Bath and North East Somerset	£1,877	0.05%	8.1%
Wiltshire	£1,059	0.33%	6.9%
Oxford	£1,956	0.21%	6.8%
York	£1,178	0.34%	4.9%
South Cambridgeshire	£1,402	0.20%	4.1%
Winchester	£1,501	0.25%	3.9%
West Berkshire	£1,283	0.73%	3.0%
Cambridge	£1,800	0.30%	2.0%
North Yorkshire	£832	0.15%	1.7%
Vale of White Horse	£1,332	-0.01%	1.0%
South Oxfordshire	£1,380	0.21%	-0.3%
West Oxfordshire	£1,273	0.20%	-1.2%

UK Country / Region	Average Rent (£ pcm)	Monthly Change (%)	Annual Change (%)
North East	£776	0.49%	6.5%
North West	£951	0.37%	5.8%
South West	£1,231	0.29%	5.1%
Wales	£834	0.42%	4.9%
Yorkshire and The Humber	£855	0.34%	4.7%
West Midlands	£964	0.05%	4.5%
East of England	£1,278	0.27%	4.0%
East Midlands	£911	0.05%	3.8%
England	£1,438	0.33%	3.5%
South East	£1,414	0.20%	3.0%
Scotland	£1,019	-0.23%	2.0%
London	£2,290	0.46%	2.0%

London	Average Rent (£ pcm)	Monthly Change (%)	Annual Change (%)
London	£2,290	0.5%	2.0%
Prime Central London	£3,373	0.4%	-2.7%
South West London	£2,554	0.5%	3.3%

## Official Price Index of Private Rents, ONS, April 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 (%)
Newham	£1,918	0.27%	7.1%
Bexley	£1,525	-0.35%	6.8%
Lambeth	£2,529	0.15%	6.5%
Barking and Dagenham	£1,688	0.09%	6.1%
Richmond upon Thames	£2,307	0.20%	5.6%
Havering	£1,565	-0.08%	4.8%
Greenwich	£1,949	0.29%	4.3%
Barnet	£1,931	0.16%	4.2%
Wandsworth	£2,599	0.22%	4.1%
Enfield	£1,775	0.24%	4.0%
Islington	£2,811	1.70%	4.0%
Croydon	£1,565	0.34%	3.8%
Bromley	£1,673	0.21%	3.4%
Redbridge	£1,724	0.20%	3.3%
Hackney	£2,615	0.68%	3.0%
Harrow	£1,755	0.11%	2.9%
Kingston upon Thames	£1,799	0.18%	2.8%
Lewisham	£1,816	0.33%	2.8%
Hounslow	£1,922	0.77%	2.7%
Sutton	£1,547	0.13%	2.5%
Haringey	£2,214	0.23%	2.4%
Merton	£2,097	0.67%	2.2%
Tower Hamlets	£2,410	0.59%	2.2%
<b>London</b>	<b>£2,290</b>	<b>0.46%</b>	<b>2.0%</b>
Hillingdon	£1,553	0.24%	1.8%
Waltham Forest	£1,758	0.27%	1.5%
Southwark	£2,395	0.28%	1.3%
Ealing	£2,057	0.27%	1.1%
Hammersmith and Fulham	£2,755	1.13%	0.2%
Kensington And Chelsea	£3,597	-0.07%	-1.8%
Westminster	£3,149	0.87%	-3.6%
Brent	£1,990	1.07%	-3.7%
Camden	£2,724	2.62%	-4.0%



## About Carter Jonas

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