Carter Jonas

Residential
Update and Outlook

July 2026

Market Overview

The economic data this month points to remarkable resilience, though some underlying structural indicators continue to temper broader growth. As the country welcomes Andy Burnham as Prime Minister, the new administration inherits an economy showing modest momentum, marked by six consecutive quarters of three-monthly GDP growth, relative labour market stability, and inflation cooling to a 15-month low of 2.6% in June. However, key growth drivers face ongoing pressure, with the construction sector in particular undergoing a severe contraction. These deep, sector-level weaknesses present an urgent challenge and will form a demanding backdrop for the incoming administration's policy priorities.

In the residential sales market, there are now finally signs of the slowdown that had previously failed to materialise in the data. Amid rising mortgage rates, macroeconomic headwinds and unseasonably high summer temperatures, there has been a suppression of overall activity. Mortgage approvals data was especially stark with May approvals down 15%, and transactions falling for the second month in a row. House prices are therefore coming under pressure with very modest growth over the year. In the rental market, both the latest Rightmove report and the RICS survey suggest there is a relatively stable balance of supply and demand with little change in rental growth as a result.

Key Points

- *GDP grew by 0.1% in May, up from a fall of 0.1% in April and in line with market expectations. Services though was the only sector which showed growth on the month as both production and construction output fell.*
- *The CPI inflation figure again defied consensus forecasts as it fell to 2.6% in June, down from 2.8% the previous month. Downward pressure from fuel as well as food prices helped slow the annual rate.*
- *There was little change in the labour market data this month, following similarly stable conditions reported last month. The unemployment rate remained unchanged at 4.9%, while total payroll employee figures indicate a decline of 4,000 in June, following a rise in May.*
- *Despite some modest growth in the manufacturing Purchasing Managers Index (PMI), the overall message from all three PMIs is slowing economic growth in June. This is weighed down by further contraction in the services sector and severe, cost-driven stagnation in construction.*
- *House prices rose by an average of 2.2% over the year, according to the latest Nationwide index. The Lloyds index (formerly Halifax) recorded annual growth of just 0.6%. In both cases this was a rise over the previous month.*
- *Mortgage approvals fell sharply in May, down 15% from April to 56,200, as the impact of the war in Iran and rising mortgage rates have started to impact buyers. Transactions also declined, albeit only slightly, down 2% over the month.*
- *Both buyer demand and agreed sales remained downbeat in the latest RICS Residential Market Survey, though they are both marginally less negative than the previous month. However, the supply of new stock coming to the market declined further, suggesting the weak level of new listings could help offset future downward pressure on pricing.*
- *Rightmove's Q2 rental market report indicates that supply and demand within the private rental market are currently relatively well balanced, with rents growing by an average of 2.3%, in line with long-run averages.*

Economic indicators

Monthly GDP	CPI inflation	Interest rate	Wage growth
0.1%	2.6%	3.75%	3.4%

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

The macroeconomy

- GDP grew by 0.1% month on month in May, following a 0.1% fall in April. On a three-monthly basis, GDP grew by 0.7% marking the sixth consecutive three-monthly growth. May's growth though was driven only by a 0.3% rise in services output, supported by a strong scientific research and development sector. The services rise was offset by a 0.5% fall in production and a sharp 0.8% decline in construction output.
- Inflation fell to 2.6% in June, down from 2.8% over the previous two months and slowing more than consensus forecasts. This is now the lowest reading in 15 months as transport inflation slowed, with the largest downward pressure coming from motor fuels. Food inflation also fell to its lowest rate in nearly two years. Looking ahead though, we expect some upward correction in inflation, as food prices and energy bill inflation will start to feed through.

Labour and employment

- The UK unemployment rate remained unchanged at 4.9% in the three months to May, again defying consensus forecasts that it would rise to 5.0%. The number of unemployed people fell by 17,000. The employment rate increased to 75.1% as the total number of people employed rose by 148,000, marking the largest rise since July last year.
- The number of job vacancies decreased again in the latest quarter, falling by 7,000 to 712,000. On the month, however, vacancies were found to have increased by 2,000 between May and June. The vacancies-to-unemployment ratio has remained stable since last September. Early estimates for June's payrolled employee data shows the figure decreased by 4,000 on the month and 71,000 over the year.
- For the third month in a row annual growth in average earnings held steady at 3.4% (excluding bonuses), in the latest data to May. Private sector pay rose by an average of 2.9% compared with 5.5% in the public sector.

Market indicators

- The S&P Global UK manufacturing PMI moved to 52.5 in June, down from May's four-year high of 53.9. There were rises in factory production as both domestic sales and some international exports increased, but new order inflows slowed. Employment rose for the third month in a row but only modestly as higher input costs slowed or halted headcount at many firms.
- The services PMI also declined in June, moving to 48.8 from May's reading of 49.3. This is the second month in a row where the sector has contracted with this being the steepest rate of decline in over three years. Total new work orders fell for the fourth month in a row while survey participants cited weakening demand, 'lacklustre' domestic economic data and rising inflation pressures linked to the Middle East conflict.
- Lastly, the UK construction PMI rose to 38.4 in June, an almost negligible rise from 38.2 in May. Despite the drop in energy prices on the month, the input price balance remained highly elevated suggesting that price pressures remain very intense for the viability of projects. Disaggregated, the civil engineering balance fell at its fastest rate since 2020 with a reading of just 22.1 amid reports of delayed infrastructure projects. The housing activity index moved down to 35.9 and the commercial index rose to 41.5.

Residential market

Monthly mortgage approvals	Balance of new buyer enquiries	UK annual house price growth	UK annual rental growth
56,205	-29%	2.2%	3.3%

Sources: Bank of England, RICS, Nationwide, ONS

Residential sales

Mortgages and transactions

- Rising mortgage rates and weakening confidence exacerbated by the Iran war (at the time) finally impacted the mortgage market in May. Bank of England mortgage approvals data shows May saw the lowest level since December 2023 with just over 56,200 approvals in the month. This is down nearly 15% over April's figure and 12% below the long-term average.
- Total transaction volumes fell for the second consecutive month in May, down 2% over April's figure to reach just 98,450 over the month. Again, wider macroeconomic issues and mortgage rate movements are driving the moderating sales figures.
- The average mortgage rate is now around 4.95% (85% LTV, two-year fixed), slightly below the same time one month ago (Rightmove / Podium).

Supply and Demand

- The latest June RICS Residential Market Survey returned a new buyer enquiries net balance of -29%, a slight improvement from -34% recorded in each of the previous two months. Nevertheless, the demand figure is still relatively downbeat, and the report goes on to say that every region returned a negative balance. The agreed sales metric also improved, albeit at -32% it is still firmly in negative territory and suggests the market remains subdued. On the supply side, the new listings measure fell sharply to -23% from -8% the month before and is the lowest reading in almost three years.
- The three recent heatwaves the UK experienced in May, June and July have impacted buyer demand, according to Rightmove's latest House Price Index report (July). Their analysis shows buyer demand was down by between 4% and 8% during each of the hot weather spells which has contributed to lower activity levels. On the supply side, they found available homes for sale is down 1% over the same time last year but in-line with the 12-year average.

UK prices and price growth

- Nationwide continues to show more upbeat house price figures with annual growth reaching 2.2% in June, up from 1.7% in May. On a monthly basis there was no growth recorded. The average UK property price therefore sits at £278,784.
- The Lloyds House Price Index (formerly Halifax House Price Index) shows that house price growth remained largely in line with what they have been recording over recent months, at 0.6%. This is up only very slightly from 0.5% in June and marks the fourth month in a row where prices have not moved beyond 1% annually. This also marks eleven consecutive months where annual growth has not moved beyond 2.0%.
- The average asking price for newly listed properties has fallen by 1.0% month-on-month, a larger drop than is normal for the time of year, according to Rightmove. On an annual basis prices were found to have declined by 0.4% to an average of £372,359. The recent heatwaves, the FIFA World Cup, and wider geopolitical issues appear to be distracting buyers, and sellers are trying to tempt them back by lowering asking prices.
- Official house price growth from the ONS House Price Index shows annual UK growth of 2.7% in May, down from 3.9% in April. This reflects monthly growth of 0.3% leading to an average property price of £271,295.
- The June RICS survey returned a pricing balance of -33%, relatively unchanged from the last two months. While it is still indicating that downward pressure on prices continues, at least it is stabilising rather than worsening. They go on to say that again the South East and South West of the country are more negative than the overall average.

Regional prices and price growth

- Nationwide's quarterly regional house price statistics again shows a divide in growth levels between the northern regions and southern locations, in their June report. Both the North and North West regions recorded 3.9% annual growth with Wales at 3.5% and the West Midlands showing 3.2% growth. On the other hand, the Outer South East, Outer Met, East Anglia and South West all recorded less than 1% growth.

- A similar trend was evident in the ONS house price growth data for May, with the northern regions recording some of the strongest rates of growth compared with southern areas. Northern Ireland led the way with annual growth of 6.8%, followed by the North East (5.9%) and the North West (5.8%). In contrast, London was the only region to record a decline in house prices, with values falling by 3.7% year-on-year. Downward pressure was strongest in the more expensive inner London boroughs, where prices fell by an average of 5.9%, compared with a modest decline of 0.3% across the outer London boroughs.
- Slightly more muted levels of house price growth were noted in the Carter Jonas tracked locations, although Cornwall (4.0%) and South Oxfordshire (4.3%) showed some moderately robust growth. Of the 19 locations three posted price declines with a further three reporting less than 1% growth.

Residential lettings

Supply and demand

- The latest RICS Residential Market Survey reported a small rise in tenant demand, moving to +18% in June from +14% over the previous two months. Of landlord instructions, this measure moved to 'less negative' territory, improving to -18% from -28% previously. Despite both measures seeming to improve there remains a wide supply demand gap in the market that is keeping pressure on rental rates.
- Rightmove's Q2 2026 report notes the number of available homes for rent is 1% below the same time last year. However, they go on to say that, overall, the balance remains fairly stable with the average home receiving 10 enquiries compared with 11 last year and an average of 22 at the peak of the market in 2022.

Rents and rental growth

- The ONS Official Price Index of Private Rents shows rents grew by an average of 3.3% in the 12 months to June, unchanged from the May figure. On a monthly basis they grew by an average of 0.3% leading to an average UK rent of £1,388 per calendar month (pcm).
- In a similar fashion to house price growth, regional rental growth also shows somewhat of a north-south divide. Topping the table is again the North East (6.3%) and North West (5.4%) while locations across the south are showing slower rates of growth including the South East at 2.3% and London with 2.2%. Bucking the trend is Scotland where different rental legislation exists. Here, rents are rising at an average pace of 1.3% annually.
- According to Rightmove's latest Q2 rental market report, rents outside of London grew by an average of 2.3% over the year, up from 1.6% last quarter leading to a UK average of £1,397 per calendar month (pcm). Inside London rents were found to have grown by 2.9% over the year to an average of £2,791 pcm.

HM Treasury Forecasts for the UK Economy, July 2026

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

	2026	2027	2028	2029	2030
Official Bank Rate (%)	3.8	3.50	3.15	3.08	3.09
House price inflation (annual, %)	1.6	2.0	2.8	4.3	4.7
CPI inflation rate (annual average, %)	3.2	2.3	1.8	2.0	2.0
Unemployment rate (%)	5.2	5.2	5.2	4.9	4.7
GDP (annual, %)	1.0	1.0	1.6	1.7	1.7
Average earnings growth (annual, %)	3.6	3.1	2.6	2.7	3.0

Select Market Indicators, latest versus previous data

Sources: ONS (unless otherwise indicated) (final six indicators retrieved 23 July 2026)

	Current	Previous	Direction of change
GDP monthly	0.1%	-0.1%	↑
Inflation rate (CPI)	2.6%	2.8%	↓
Bank Rate (base interest rate)	3.75%	3.75%	↔
Employment rate	75.1%	75.0%	↑
Unemployment rate	4.9%	4.9%	↔
Weekly earnings growth, regular pay (excl bonuses)	3.4%	3.4%	↔
S&P Global UK Manufacturing PMI	52.5	53.9	↓
S&P Global UK Services PMI	48.8	49.3	↓
S&P Global UK Construction PMI	38.4	38.2	↑
Bank of England mortgage approvals (monthly)	56,205	66,034	↓
Nationwide house price inflation (annual)	2.2%	1.7%	↑
Lloyds house price inflation (annual)	0.6%	0.5%	↑
Official UK House Price inflation (annual)	2.7%	3.9%	↓
Rightmove House Price Index (UK, annual, asking)	-0.4%	-0.5%	↑
Price Index of Private Rents (UK, annual)	3.3%	3.3%	↔
£ Sterling: $ USD	$1.34	$1.32	↑
£ Sterling: € Euro	€1.17	€1.15	↑
Brent Crude Oil (USD)	$97.47	$79.24	↑
Gold (USD per ounce)	$4,091.94	$4,198.53	↓
FTSE 100	10,693.19	10,356.13	↑
UK 5 Year Gilt Yield	4.661%	4.403%	↑

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Official House Price data, HM Land Registry, May 2026

Sources: HM Land Registry

CJ Regional Location	Average Price	Monthly Change (%)	Annual Change (%)
South Oxfordshire	£470,720	-0.2%	4.3%
Cornwall	£279,722	-0.1%	4.0%
Leeds	£246,699	-0.4%	3.7%
Vale of White Horse	£407,966	-0.5%	3.6%
York	£308,786	0.5%	3.3%
Winchester	£476,639	1.5%	3.1%
Somerset	£280,768	0.7%	3.0%
North Yorkshire	£270,320	-0.1%	2.6%
Oxford	£473,467	-0.9%	2.2%
Cambridgeshire	£334,500	-0.4%	2.1%
Suffolk	£282,134	-0.4%	1.8%
Wiltshire	£327,384	0.4%	1.6%
Dorset	£326,381	0.0%	1.4%
Bath and North East Somerset	£406,169	1.1%	0.9%
South Cambridgeshire	£422,363	-2.4%	0.4%
West Berkshire	£400,698	-0.3%	0.2%
Devon	£304,674	-1.0%	-1.3%
Cambridge	£467,028	0.5%	-1.6%
West Oxfordshire	£417,246	-0.4%	-2.4%

UK Region	Average Price	Monthly Change (%)	Annual Change (%)
Northern Ireland	£198,015	0.0%	6.8%
North East	£163,933	0.6%	5.9%
North West	£219,506	1.4%	5.8%
Scotland	£195,543	1.5%	4.4%
Yorkshire and The Humber	£208,549	0.1%	4.3%
Wales	£215,252	1.3%	4.2%
East Midlands	£240,758	-0.4%	3.2%
United Kingdom	**£271,295**	**0.3%**	**2.7%**
West Midlands region	£247,764	-0.9%	2.7%
England	£292,095	0.1%	2.3%
East of England	£338,224	0.3%	2.3%
South West	£302,559	-0.3%	1.7%
South East	£381,311	0.8%	1.2%
London	£544,814	-1.2%	-3.7%

London	Average Price	Monthly Change (%)	Annual Change (%)
London	£544,814	-1.2%	-3.7%
Prime Central London	£1,045,949	-0.9%	-16.7%
South West London	£725,942	-0.7%	-6.5%

Official House Price data, HM Land Registry, May 2026

Sources: HM Land Registry

London Borough	Average Price	Monthly Change (%)	Annual Change (%)
Waltham Forest	£524,337	-0.2%	3.1%
Havering	£452,798	0.9%	2.8%
Redbridge	£495,947	-1.8%	2.4%
Haringey	£633,853	-0.1%	2.4%
Lewisham	£496,774	1.4%	2.3%
Bexley	£408,585	-0.1%	2.2%
Southwark	£578,683	0.8%	0.9%
Sutton	£445,451	-1.6%	0.9%
Harrow	£530,021	0.1%	0.4%
Bromley	£524,638	0.1%	0.2%
Hackney	£608,470	-0.4%	0.1%
Greenwich	£463,436	1.1%	0.1%
Kingston upon Thames	£582,403	1.2%	0.0%
Barking and Dagenham	£360,889	1.0%	-0.2%
Croydon	£396,760	0.1%	-0.4%
Hillingdon	£467,887	-0.1%	-0.7%
Enfield	£469,164	0.9%	-0.7%
Merton	£597,138	-0.7%	-1.3%
Newham	£405,002	2.5%	-1.4%
Hounslow	£501,326	0.5%	-2.4%
Richmond upon Thames	£788,872	-0.7%	-2.5%
Ealing	£568,887	0.8%	-2.5%
Lambeth	£545,315	-0.7%	-2.9%
Brent	£548,895	-0.4%	-3.3%
London	**£544,814**	**-1.2%**	**-3.7%**
Barnet	£590,583	0.7%	-4.3%
Wandsworth	£659,547	-0.6%	-6.1%
Camden	£805,837	3.4%	-6.2%
Islington	£669,879	0.1%	-6.4%
Kensington And Chelsea	£1,255,567	-2.4%	-10.7%
Hammersmith and Fulham	£729,407	-0.9%	-10.9%
Tower Hamlets	£444,332	-2.0%	-14.5%
City of Westminster	£836,331	1.6%	-22.8%
Outer London	£504,459	0.1%	-0.3%
Inner London	£621,706	0.1%	-5.9%

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Official Price Index of Private Rents, ONS, June 2026

Source: Office for National Statistics

CJ Regional Location	Average Rent (£ pcm)	Monthly Change	Annual Change
Bath and North East Somerset	£1,882	0.09%	7.7%
Wiltshire	£1,069	0.50%	6.5%
Oxford	£1,961	0.20%	5.9%
York	£1,186	0.36%	5.7%
South Cambridgeshire	£1,407	0.04%	3.7%
Winchester	£1,504	-0.09%	3.6%
West Berkshire	£1,303	0.98%	2.9%
North Yorkshire	£838	0.60%	1.8%
Cambridge	£1,804	-0.06%	1.8%
Vale of White Horse	£1,336	0.28%	0.6%
South Oxfordshire	£1,384	0.21%	0.1%
West Oxfordshire	£1,284	0.60%	-0.5%

UK Country / Region	Average Rent (£ pcm)	Monthly Change (%)	Annual Change (%)
North East	£781	0.65%	6.3%
North West	£961	0.70%	5.4%
Wales	£843	0.84%	4.9%
Yorkshire and The Humber	£862	0.64%	4.8%
South West	£1,237	0.19%	4.7%
West Midlands	£971	0.53%	4.4%
East Midlands	£918	0.40%	3.7%
England	**£1,446**	**0.30%**	**3.4%**
East of England	£1,281	0.04%	3.3%
South East	£1,415	-0.16%	2.3%
London	£2,302	0.35%	2.2%
Scotland	£1,012	0.34%	1.3%

London	Average Rent (£ pcm)	Monthly Change (%)	Annual Change (%)
London	£2,302	0.4%	2.2%
Prime Central London	£3,382	0.2%	-1.5%
South West London	£2,566	0.3%	2.8%

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Official Price Index of Private Rents, ONS, June 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	£2,843	0.51%	5.4%
Lambeth	£2,523	-0.15%	5.1%
Greenwich	£1,967	0.76%	5.0%
Enfield	£1,803	0.83%	4.6%
Newham	£1,928	0.27%	4.2%
Richmond upon Thames	£2,310	0.23%	4.0%
Merton	£2,134	0.98%	3.7%
Wandsworth	£2,611	0.44%	3.7%
Barking and Dagenham	£1,693	0.16%	3.6%
Croydon	£1,579	0.45%	3.6%
Barnet	£1,939	0.23%	3.6%
Bexley	£1,531	0.21%	3.1%
Hackney	£2,635	0.51%	3.1%
Hounslow	£1,941	0.43%	2.9%
Harrow	£1,766	0.40%	2.9%
Tower Hamlets	£2,429	0.41%	2.7%
Bromley	£1,678	0.17%	2.7%
Havering	£1,563	-0.09%	2.7%
Lewisham	£1,825	0.18%	2.6%
Redbridge	£1,724	-0.05%	2.5%
London	**£2,302**	**0.35%**	**2.2%**
Southwark	£2,402	0.33%	2.1%
Sutton	£1,551	0.05%	2.0%
Hillingdon	£1,561	0.28%	1.7%
Haringey	£2,210	-0.08%	1.7%
Ealing	£2,067	0.32%	1.3%
Waltham Forest	£1,765	0.06%	0.8%
Hammersmith and Fulham	£2,778	0.30%	0.7%
Brent	£2,010	0.26%	0.6%
Kingston upon Thames	£1,807	0.23%	-0.4%
Camden	£2,791	1.16%	-0.5%
Kensington And Chelsea	£3,596	0.16%	-0.5%
Westminster	£3,168	0.15%	-2.5%

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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 33 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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