

Residential Update and Outlook

March 2026

Market Overview

The conflict in Iran, now entering its second month, remains a fast-moving and globally disruptive crisis. While the long-term geopolitical and economic consequences are difficult to predict, the resulting energy price shock is expected to trigger a significant jump in the domestic energy price cap. Consequently, an inflationary spike is expected; the Bank of England recently signalled that UK inflation forecasts could rise to approximately 3.0% during Q2 2026, a sharp increase from the 2.1% forecast just last month. This shift has made the threat of a technical recession a very real possibility for the UK.

The impacts of the conflict are also being felt in the residential market, where mortgage rates have spiked after more than 18 months of gradual decline. The threat of surging inflation and potential Bank Rate hikes have pushed mortgage rates up generally, and some lenders have removed certain products entirely. While January data showed a slight dip in transactions and approvals, we anticipate more sustained declines through March and April as the broader consequences of the conflict unfold. That said, some market segments are seeing an uptick in enquiries from international buyers as the UK's status as a safe haven reasserts itself.

Key Points

- *GDP growth stalled in January, recording 0.0% 'growth'. This followed a slight expansion of 0.1% in December 2025, reflecting subdued economic activity with flat services output and a minor decline in production.*
- *The CPI inflation rate held steady at 3.0% in the 12 months to February, unchanged from January. Because this data was collected prior to the conflict in Iran, recent spikes in gas and oil prices are not yet reflected in this figure.*
- *Despite a sharp 1.8% rise in January retail sales driven by non-food and online spending, consumer confidence dipped in February as personal finance and major purchase markers weakened. Notably, this sentiment shift occurred just before the onset of the conflict in the Middle East, which may further impact future data.*
- *Labour market data still points to a cooling market, with unemployment at a three-year high and the slowest wage growth since 2020. Employment and vacancies are stable but the decline in payrolled employees over the last year and slowing private sector pay suggests softening demand.*
- *February's Purchasing Managers' Indices (PMIs) indicate moderate expansion across both manufacturing and services, despite slight declines compared to January. While both sectors saw an uptick in demand and output, they also faced persistent challenges from rising costs and both saw falling employment.*
- *The UK Construction PMI continued its deepening slump. Persistent poor weather at the start of the year had a dampening effect on residential construction. Low client demand and a fall in new orders were also evident across commercial and civil construction.*
- *Both Halifax and Nationwide recorded monthly house price growth of 0.3% in February, leading to annual price growth of 1.3% and 1.0%, respectively, largely unchanged from January's figures.*
- *January's Bank of England mortgage approvals fell to their lowest level since January 2024, and now the fourth month in a row of declining approvals. Total transaction volumes also declined, down 5% over December to their lowest level since May last year.*
- *The RICS Residential Market Survey for February revealed a market that is showing signs of slowing momentum. Although new listings remained fairly stable, most other measures declined, month on month including new buyer enquiries which fell back from a fairly buoyant -15% in January to -26% in February.*
- *The average growth in private rents remained at 3.5% annually across the UK, according to the latest ONS figures. This remains the lowest rate of growth since April 2022. Since then, rents have risen by an average 28%, or an additional £303 per calendar month.*

Economic indicators

Monthly GDP CPI inflation Interest rate Wage growth



0.0%



3.0%



3.75%



3.8%

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

The macroeconomy

- GDP growth stalled in January, remaining flat following increases of 0.1% in December and 0.2% in November. Services output saw no change during the month, while production fell by -0.1%, marking a slight improvement over December's -0.9% decline. Meanwhile, the construction sector grew by 0.2%. On a three-month basis, GDP is estimated to have risen by 0.2%.
- The annual rate of inflation rate in the UK remained unchanged at 3.0% in February, the same figure as in January. The largest upward contributions came from price rises in clothing followed by housing and utilities. Inflation slowed in transport with fuel prices declining between January and February. It is important to remember that these figures were collected prior to the Iran conflict and therefore do not reflect any oil, fuel and petrol price rises experienced more recently.
- The Bank of England's Monetary Policy Committee voted again to hold interest rates at 3.75% in their March meeting. Unlike the previous meeting, this saw a unanimous vote to keep rates steady as the conflict in the Middle East caused sharp rises in oil, energy and commodity prices. In the meeting notes, the Committee said it will continue to monitor developments in the Middle East and global markets and adjust policy, if needed, to maintain price stability.

Labour and employment

- Unemployment was unchanged in the three months to January, holding at 5.2%, remaining at the highest rate since February 2021. The employment rate meanwhile edged up slightly to 75.1%, from 75.0% in the previous quarter.
- Preliminary February estimates for the number of payrolled employees shows a fall of 49,000 over the 12 months to February 2026 although on a monthly basis there was an increase of 20,000.
- The estimated number of job vacancies has again remained relatively flat over recent months. Early data for the three months to February 2026 shows a small decline of around 6,000 to reach 721,000 vacancies in

the UK. This remains within the range it has been over the last ten months.

- Annual average earnings (excluding bonuses) rose 3.8% in the three months to January 2026, down from 4.2% in the previous three-monthly period. This is now the slowest rate of growth since November 2020. Private sector wages grew 3.5%, its weakest since early 2021 while public sector growth reached 5.9%, down from 7% previously.

Market indicators

- The S&P Global UK Manufacturing PMI dipped slightly to 51.7 in February from 51.8 the month before. The figure points to continued expansion though, with output reaching its highest level in 17 months. New orders, output and supplier delivery times all improved on the month. The rate of input cost inflation however accelerated, supply chains remained stretched and employment levels fell.
- The Services PMI also declined slightly from January's five-month high of 54.0 to 53.9 in February. The sector saw improved client confidence overall but the leisure, hospitality and construction sub-sectors remain challenging. Rising domestic demand helped increase new business but employment fell for the 17th straight month amid continued cost pressures. Input prices also rose, largely due to higher wages and supplier costs.
- Lastly, the deepening contraction within the UK construction industry continues as the UK Construction PMI fell to 44.5 in February, down from 46.4 in January. Survey participants reported falling levels of new orders, low demand from clients generally and the poor weather all impacting the sector recently. Residential building saw the fastest decline followed by civil engineering output and then commercial construction, which also showed sharp declines.

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.
- Consumer confidence dipped three points to -19 according to the latest reading from GfK's long running series, reversing the improvements over the previous two months. Of the sub-measures, the Personal Financial markers both fell four points with the backward-looking index moving to -7 while the forward measure moved to +2, still the only measure

in positive territory. The Major Purchase Index also fell four points to -14. It is worth noting that the Index for February was collected prior to the start of the Middle East conflict.

Residential market

Monthly mortgage approvals



59,999

Balance of new buyer enquiries



-26%

UK annual house price growth



1.0%

UK annual rental growth



3.5%

Sources: Bank of England, RICS, Nationwide, ONS

Residential sales

Mortgages and transactions

- Bank of England mortgage approvals data shows applications dropped for the fourth month in a row in January, to just under 60,000. This is 2% below December's figure, 10% less than January 2025 and the lowest figure for two years. This decline may still be a long lag from the uncertainty surrounding the November Budget but also a general feeling of cautiousness during a period of low GDP growth and the higher-than-expected inflation in the preceding period.
- HMRC's transaction volumes data also showed a decline in January, with those figures down by 5% compared with December. On a year-on-year basis though with just under 95,000 recorded sales this is just about on-par with the same month one year ago.
- The recent uncertainty in the geopolitical climate caused by the conflict in Iran has made financial markets volatile and unpredictable at the moment. As a result, mortgage rates have risen sharply this month across all products, even though the Bank Rate itself hasn't yet changed. The average rate of interest on an 85% LTV two-year mortgage product is now 4.85% (Rightmove, Podium), well up from 4.16% one month ago.

Supply and Demand

- The latest Residential Market Survey by the RICS suggests that momentum from the start of the year may be fading. On the demand side, new buyer enquiries fell to -26% in February, down from -15% the previous month. Similarly, agreed sales dipped slightly from -9% to -12%. Supply remains steady, however, with the new listings measure holding at a neutral 2%,

indicating a 'broadly stable flow' of properties entering the market.

- The number of homes for sale, according to Rightmove's latest report, is at an eleven-year high. The number of new listings is just 3% behind the same time last year (which was impacted by the stamp duty reversions so there would have been a higher than usual number of listings), but it is 7% above the 2024 figure. Buyer demand on the other hand is lower than last year (again, impacted by the Stamp Duty changes) although the report goes on to say that at time of publishing, there was no perceptible change in figures before and after the Iran conflict.

UK prices and price growth

- There was no change in the rate of annual house price growth to February 2026, remaining at 1.0% according to Nationwide's latest index. Prices increased 0.3% on a monthly basis and brings the average UK house price to £273,176.
- According to Halifax's House Price Index, house price growth reached 1.3% in February, up from 1.1% in January and the highest annual rate of growth in four months. On a monthly basis prices also rose, increasing 0.3% following 0.8% growth in January. The average house price has now increased by around £3,000 since the start of the year, to reach a current rate of £301,151, according to the Bank.
- Following no measurable growth in the average asking price of newly listed homes in February, March saw prices rise by 0.8%, month-on-month according to Rightmove's latest House Price Index. They note that this is a 'typical seasonal increase' although on an annual basis prices were found to have fallen by 0.2%. Disaggregated by type, they report that second-stepper homes saw an average annual increase of 0.6% while first time buyer homes saw a decrease of around 0.4% year on year.
- House prices rose by an average of 1.3% in the 12 months to January, according to the Official House Price Index. This is down slightly from 1.9% the month before and brings the average UK house price to £268,421 according to the ONS. On a monthly basis prices fell by 0.3%.
- The RICS Residential Market Survey reported a net house price balance of -12%, indicating that price movements across the UK remain neutral to slightly negative. While this is a marginal softening from the previous -10%, it remains well above the low of -19% recorded last October. Looking ahead, a net balance of +33% of respondents expects prices to rise over the next 12 months, though this level of optimism has eased from the +43% reported last month.



Regional prices and price growth

- Regional house price growth continues to reflect the North-South divide prevalent throughout much of the last year, though the growth gap is narrowing. Northern Ireland leads with 6.3% annual growth, followed by the North West at 3.1% and Yorkshire and the Humber at 3%. Conversely, London prices fell by 1.7% over the year, with the South East and South West also seeing slight declines of 0.5% and 0.1%, respectively.
- A similar trend is observed across our 19 Carter Jonas tracked office locations, where the house price growth gap is narrowing. House prices continue to rise the strongest in the Vale of White Horse although this has eased to 4.9%, followed by Leeds at 4.1% and Wiltshire (3.6%). There are six locations which posted house price falls, including Cambridge (-2.5%), Cornwall (-2.1%) and Winchester (-1.3%). (All ONS, Official House Price data to January 2026).

Residential lettings

Supply and Demand

- The RICS market survey indicates that tenant demand remained largely stable in the three months to February, with a net balance of +2%. While this is a significant recovery from the -27% seen in December, it represents a cooling from the +13% reported last month. On the supply side, landlord instructions remain firmly negative at -27%, pointing to a persistently constrained flow of rental listings entering the market.
- In Zoopla's Rental Market Report for March, they note that the market is becoming more balanced.

Rental demand has dropped by 14% year-on-year, reaching its lowest point in six years. Furthermore, the supply of available rental homes has increased by 11% over the last twelve months, however it remains nearly 25% below pre-pandemic levels.

Rents and rental growth

- Rental growth remained unchanged in the 12 months to February, at 3.5% (UK), according to the ONS Price Index of Private Rents. On a monthly basis they rose by 0.5% to reach a UK average rental price of £1,374 per calendar month (pcm).
- There is a wide spread of rental growth across the country again this month. Rents in Bath and North East Somerset continue to rise sharply at 8.2%, and Wiltshire at 6.8%, both reflecting a structural lack of available stock. Elsewhere, rents in West Oxfordshire have fallen by around 1.2% while South Oxfordshire has seen rents remain largely unchanged over the year. In London, rents grew by an average of 1.7%, up from a four-year low of 1.1% in January.
- Zoopla's March rental report finds that annual rental growth across the UK has slowed to 1.9%, down from nearly 3% a year ago. However, these figures vary significantly by city: while Liverpool, Glasgow, and Newcastle maintain growth rates between 3% and 4.6%, other locations have slowed to approximately 1%. Some areas, including Bournemouth, Nottingham, and Birmingham, are even recording rental declines.
- *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, March 2026

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

	2026	2027	2028	2029	2030
Official Bank Rate (%)	3.4	3.25	3.35	3.27	3.28
House price inflation (annual, %)	2.7	2.5	3.1	3.4	3.6
CPI inflation rate (annual average, %)	2.6	2.1	2.2	2.1	2.0
Unemployment rate (%)	5.3	5.1	5.0	4.9	4.9
GDP (annual, %)	0.9	1.3	1.3	1.4	1.5
Average earnings growth (annual, %)	3.2	3.0	3.1	2.9	2.9

Select Market Indicators, latest versus previous data

Sources: ONS (unless otherwise indicated) (final six indicators retrieved 25 March 2026)

	Current	Previous	Direction of change
GDP monthly	0.0%	0.1%	↓
Inflation rate (CPI)	3.0%	3.0%	↔
Bank Rate (base interest rate)	3.75%	3.75%	↔
Employment rate	75.1%	75.0%	↑
Unemployment rate	5.2%	5.2%	↔
Weekly earnings growth, regular pay (excl bonuses)	3.8%	4.2%	↓
S&P Global UK Manufacturing PMI	51.7	51.8	↓
S&P Global UK Services PMI	53.9	54.0	↓
S&P Global UK Construction PMI	44.5	46.4	↓
Retail sales volumes (monthly)	1.8%	0.4%	↑
GfK Consumer Confidence (monthly)	-19	-16	↓
Bank of England mortgage approvals (monthly)	59,999	61,013	↓
Nationwide house price inflation (annual)	1.0%	1.0%	↔
Halifax house price inflation (annual)	1.3%	1.1%	↑
Official UK House Price inflation (annual)	1.3%	1.9%	↓
Rightmove House Price Index (UK, annual, asking)	-0.2%	0.0%	↓
Price Index of Private Rents (UK, annual)	3.5%	3.5%	↔
£ Sterling: \$ USD	\$1.34	\$1.35	↓
£ Sterling: € Euro	€1.16	€1.14	↑
Brent Crude Oil (USD)	\$94.36	\$71.35	↑
Gold (USD per ounce)	\$4,561.41	\$5,035.77	↓
FTSE 100	10,061.07	10,680.10	↓
UK 5 Year Gilt Yield	4.409%	3.792%	↑

Official House Price data, HM Land Registry, January 2026

Sources: HM Land Registry

CJ Regional Location	Average Price	Monthly Change (%)	Annual Change (%)
Vale of White Horse	£415,486	0.0%	4.9%
Leeds	£246,300	0.3%	4.1%
Wiltshire	£331,847	-0.1%	3.6%
West Berkshire	£404,198	-0.3%	2.8%
West Oxfordshire	£425,533	-0.1%	2.6%
Somerset	£281,311	0.9%	2.5%
York	£311,290	1.6%	2.0%
Cambridgeshire	£339,210	-1.3%	2.0%
North Yorkshire	£272,086	0.5%	0.8%
Suffolk	£281,550	-0.8%	0.7%
Devon	£308,582	-0.3%	0.4%
Oxford	£478,013	-1.2%	0.3%
Dorset	£328,422	-0.6%	0.0%
South Oxfordshire	£468,856	0.5%	-0.5%
South Cambridgeshire	£430,371	-0.5%	-0.6%
Bath and North East Somerset	£402,282	-2.1%	-0.8%
Winchester	£461,048	-1.7%	-1.3%
Cornwall	£276,628	-0.9%	-2.1%
Cambridge	£476,755	-1.5%	-2.5%

UK Region	Average Price	Monthly Change (%)	Annual Change (%)
Northern Ireland	£195,936	0.0%	6.3%
North West	£214,443	-0.8%	3.1%
Yorkshire and The Humber	£206,470	-0.5%	3.0%
West Midlands region	£247,251	0.3%	2.4%
North East	£158,295	-2.8%	2.2%
East Midlands	£241,497	-0.4%	2.1%
Wales	£210,186	-1.7%	2.0%
United Kingdom	£268,421	-0.3%	1.3%
Scotland	£187,716	-0.3%	1.3%
East of England	£336,455	-0.2%	1.2%
England	£290,437	-0.2%	1.1%
South West	£301,518	0.0%	-0.1%
South East	£379,532	0.4%	-0.5%
London	£554,422	0.8%	-1.7%

London	Average Price	Monthly Change (%)	Annual Change (%)
London	£554,422	0.8%	-1.7%
Prime Central London	£1,055,554	2.5%	-10.8%
South West London	£735,545	0.3%	-5.0%

Official House Price data, HM Land Registry, January 2026

Sources: HM Land Registry

London Borough	Average Price	Monthly Change (%)	Annual Change (%)
Redbridge	£517,463	2.6%	7.2%
Bromley	£528,759	-1.6%	5.0%
Lewisham	£498,564	0.9%	3.9%
Havering	£447,868	-0.8%	2.9%
Kingston upon Thames	£578,273	0.4%	2.4%
Greenwich	£477,909	1.8%	2.3%
Hackney	£622,207	1.0%	2.2%
Bexley	£412,226	-0.2%	2.0%
Waltham Forest	£522,883	-0.7%	1.9%
Hillingdon	£477,980	-0.5%	1.8%
Harrow	£532,088	0.8%	1.5%
Islington	£700,045	-0.2%	1.4%
Barking and Dagenham	£359,807	1.0%	1.3%
Ealing	£579,970	0.6%	1.3%
Southwark	£588,648	-1.4%	1.2%
Sutton	£450,772	-1.0%	0.2%
Merton	£613,854	1.3%	-0.2%
Haringey	£637,041	1.9%	-0.3%
Enfield	£472,725	0.5%	-0.4%
Hounslow	£513,233	-1.6%	-1.2%
London	£554,422	0.8%	-1.7%
Croydon	£395,341	-1.4%	-2.3%
Richmond upon Thames	£795,023	1.7%	-2.4%
Brent	£552,414	-0.9%	-2.7%
Wandsworth	£681,998	-0.2%	-4.1%
Barnet	£588,123	-1.1%	-4.2%
Lambeth	£546,264	1.3%	-4.8%
Newham	£401,544	0.1%	-6.1%
Hammersmith and Fulham	£729,613	-0.7%	-8.5%
Tower Hamlets	£464,488	-1.2%	-9.5%
Camden	£794,413	1.7%	-10.1%
City of Westminster	£912,812	3.3%	-10.8%
Kensington And Chelsea	£1,198,295	1.8%	-10.8%
Outer London	£508,856	-0.1%	0.9%
Inner London	£632,897	0.5%	-4.1%

Official Price Index of Private Rents, ONS, February 2026

Source: Office for National Statistics

CJ Regional Location	Average Rent (£ pcm)	Monthly Change	Annual Change
Bath and North East Somerset	£1,863	0.97%	8.2%
Wiltshire	£1,057	-0.02%	6.8%
Oxford	£1,937	0.76%	6.7%
York	£1,172	0.20%	5.5%
Winchester	£1,493	0.67%	4.8%
South Cambridgeshire	£1,397	-0.13%	4.6%
West Berkshire	£1,269	0.24%	2.3%
Vale of White Horse	£1,327	0.52%	2.1%
Cambridge	£1,793	-0.23%	1.9%
North Yorkshire	£828	0.39%	1.7%
South Oxfordshire	£1,372	0.54%	0.2%
West Oxfordshire	£1,267	0.24%	-1.2%

UK Country / Region	Average Rent (£ pcm)	Monthly Change (%)	Annual Change (%)
North East	£770	0.28%	7.6%
North West	£944	0.26%	5.7%
Wales	£828	0.30%	5.5%
South West	£1,227	0.24%	5.1%
West Midlands	£962	0.05%	4.9%
East Midlands	£909	0.27%	4.7%
Yorkshire and The Humber	£848	0.54%	4.3%
East of England	£1,269	0.05%	4.2%
England	£1,430	0.49%	3.6%
South East	£1,409	0.26%	3.4%
Scotland	£1,022	0.08%	2.4%
London	£2,273	0.92%	1.7%

London	Average Rent (£ pcm)	Monthly Change (%)	Annual Change (%)
London	£2,273	0.92%	1.7%
Prime Central London	£3,383	-0.8%	-2.5%
South West London	£2,527	0.4%	3.3%

Official Price Index of Private Rents, ONS, February 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	£1,684	0.16%	9.0%
Newham	£1,910	0.19%	8.5%
Bexley	£1,536	-0.20%	8.5%
Lambeth	£2,522	0.08%	7.2%
Havering	£1,564	0.18%	6.6%
Barnet	£1,926	0.14%	5.8%
Richmond upon Thames	£2,276	0.97%	5.7%
Wandsworth	£2,603	-0.21%	5.0%
Enfield	£1,767	0.41%	4.8%
Kingston upon Thames	£1,808	-0.70%	4.4%
Greenwich	£1,943	0.11%	4.3%
Croydon	£1,556	0.20%	4.2%
Redbridge	£1,716	0.15%	4.1%
Bromley	£1,663	0.34%	3.7%
Harrow	£1,752	0.15%	3.1%
Hackney	£2,589	0.29%	2.9%
Haringey	£2,197	0.01%	2.9%
Lewisham	£1,806	0.04%	2.8%
Sutton	£1,544	0.11%	2.7%
Waltham Forest	£1,748	0.32%	2.1%
Hillingdon	£1,548	0.00%	2.1%
Merton	£2,079	-0.05%	1.9%
Tower Hamlets	£2,391	0.08%	1.8%
London	£2,273	0.92%	1.7%
Southwark	£2,388	0.04%	1.7%
Hounslow	£1,902	0.15%	1.5%
Islington	£2,733	0.74%	1.5%
Ealing	£2,052	0.07%	1.1%
Kensington And Chelsea	£3,628	-0.33%	-0.4%
Hammersmith and Fulham	£2,701	0.54%	-0.8%
Westminster	£3,138	-1.35%	-4.6%
Camden	£2,624	0.40%	-7.5%
Brent	£1,946	0.67%	-7.6%



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