

Residential Update and Outlook

January 2026

Market Overview

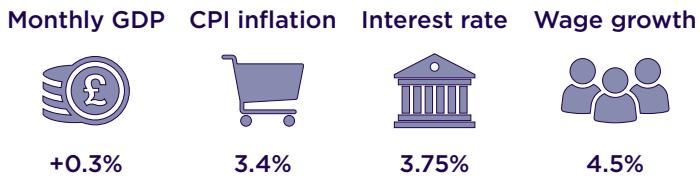
This month we find a UK economy that is still in a slightly fragile state. Despite the 0.3% rise in GDP during November, there has been an uptick in inflation to 3.4% and a four-year high in the unemployment rate at 5.1%. While modest growth has been observed in services and manufacturing, the construction sector shows a protracted and persistent slump, and firms are still hesitant to hire as they come to grips with high input prices and labour costs generally.

In the housing market, house price growth continued to decelerate in December, with Nationwide reporting an annual increase of just 0.6%. Both Halifax and Nationwide recorded monthly declines of -0.6% and -0.4%, respectively. Much of this late-2025 stagnation can be attributed to Budget uncertainty; however, with that impact now beginning to fade, the outlook for the start of 2026 should be slightly more positive. This optimism is reflected in the latest RICS survey and Rightmove Price Index, both of which record an uptick in buyer demand and a return to stable or rising supply levels.

Key Points

- Monthly GDP grew by 0.3% in November, but despite this the three-month trend shows a sluggish 0.1% growth for the economy. The gains which were shown in services and production are being heavily offset by a persistent, multi-year decline in the construction sector.
- Annual inflation rose to 3.4% in December, up from 3.2% the month before.
- Consumer confidence rose one point to -16 in January. The data indicates that consumers may feel assurance within their own personal finances but confidence in the wider economy remains deeply weak.
- During the peak holiday shopping period of December retail sales volumes rose 0.4% over November. This is a marked improvement over the declines seen during the previous two months but was not enough to bring the three-monthly figure into positive territory, at -0.3% overall.
- Latest data from the labour market suggests a mixed and cooling sector. There has been a small quarterly rise in both job vacancies and total employment, but this is being offset by a four-year high in unemployment and a long-term decline in the number of payrolled employees.
- A small improvement in client confidence bolstered both the Manufacturing and Services Purchasing Managers' Indices (PMIs) in the latest release. The Manufacturing PMI rose for a second consecutive month to 50.6, just above the expansion threshold, while the Services sector posted 51.4.
- In contrast, the Construction PMI remained firmly in contraction at 40.1, rising only slightly from November's low of 39.4. Driven by declines in house building and commercial construction, this marks the sector's 12th consecutive month of contraction and its second-lowest level since May 2020.
- Annual house price growth continued to cool, easing to 0.6% (Nationwide) and 0.3% (Halifax) in December. These figures represent the slowest rates of growth in nearly two years. While this may be signalling a downward trend in the housing market, it may also be partly due to a lag from the effect of the November Budget.
- Overall sales activity and mortgage data remained relatively resilient in the latest month of data. Total transactions breached 100,000 for only the fourth time in the last three years while mortgage approvals remained within the 65,000 range where they have been for many of the last 18 months.
- The latest RICS market survey indicates improving sentiment following the downbeat market in the leadup to the Autumn Budget. Both new listings and buyer enquiries rose on the month (December) with agreed sales also showing a small improvement.
- Rental growth in the private rented sector continues its downward trend, increasing by around 4% year on year, down from 4.4% the previous month and well below the 9% growth recorded over the same period one year ago.

Economic indicators



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

The macroeconomy

- Monthly GDP grew by an estimated +0.3% in November, following an unrevised -0.1% decline in October and +0.1% in September (revised from -0.1%). By sector, services expanded by 0.3%, production rose by 1.1%, while construction contracted by -1.3%. Over the three months to November, GDP increased by 0.1%, with construction exerting the greatest downward pressure, falling by -1.1%. This sector has been slowing since May 2025 and is now recording its weakest three-month performance since March 2023.
- UK inflation rose to 3.4% in December 2025, up from 3.2% in November and the first month over month increase since June 2025. The largest upward contributions came from alcohol and tobacco as well as transportation, with additional rising cost pressure from food and non-alcoholic beverages.
- There is no meeting of the Bank of England's Monetary Policy Committee during January, therefore Bank Rate remains at 3.75%. The next meeting is scheduled for 5 February 2026.

Labour and employment

- The UK unemployment rate was 5.1% in the three months to November, unchanged from the previous period and the highest rate in almost four years. The rate of employment was estimated at 75.1%, up from 74.9% in the three months to October. Total employment increased by 82,000 with higher employee figures and part-time self-employment increasing.
- The early estimate of payrolled employees for December 2025 shows a decline of 184,000 over the year and 43,000 on the month. This figure however is likely to be revised when more data become available next month.
- Between October and December 2025, job vacancies rose by 10,000 compared to the previous quarter. However, they remain 69,000 lower than during the same period the previous year.

- Total average weekly earnings in the UK (excluding bonuses) rose by 4.5% in the three months to November 2025 (year on year). This is down from 4.6% over the previous period and marks the slowest rate of growth since April 2022. Earnings growth for the public sector averaged 7.9% (although this is affected by some public sector pay rises being paid earlier in 2025 than in 2024) while the private sector saw an average of 3.6%.

Market indicators

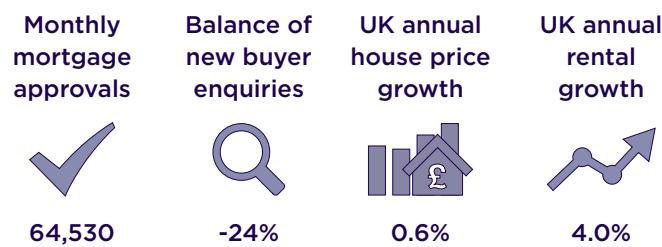
- The December S&P Global Manufacturing PMI rose slightly to 50.6, up from 50.2 the month before. This is now the second month of expansion in this sector, after a full year of contraction. Output rose for the third month in a row supported by new work orders which expanded for the first time in 15 months. Nevertheless, employment continued to decrease for the 14th consecutive month with respondents citing high and rising labour costs.
- The services sector PMI also rose in December, albeit very slightly, to 51.4 from 51.3 in November. This marks the eighth month in a row of expansion in this sector although the pace of growth is only marginal. New work orders however grew at a modest rate above the overall 2025 average with survey participants noting signs of client confidence following the pre-Budget lull. Employment levels though continued to fall for the 15th month in a row although the rate of decline is moderating. Input cost prices rose to a seven-month high and business expectations for the year ahead rose to their highest level since October 2024.
- The Construction PMI also rose in December, up to 40.1 from the five-year low of 39.4 in November. This still reflects a full year of contraction in the sector and the sharpest decline since the Covid pandemic period. Respondents cited a lack of confidence from clients resulting in a sharp reduction in new orders and clients delaying investment decisions prior to the November Budget. Disaggregated, civil engineering was the only sub-sector which rose in December as both housing activity and commercial construction continued to fall by the most since May 2020.

Consumer demand and sentiment

- December's retail sales volumes rose 0.4% over November, following a fall of -0.1% that month and -0.8% in October. Growth was driven primarily by non-store retailers including online jewellers where strong demand for precious metals was reported. Supermarkets and auto fuel recorded gains while department stores, clothing retailers, households and other outlets showed declines on the month. Online shopping performed well, increasing 1.8% month on month.

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

Residential market



Sources: Bank of England, RICS, Nationwide, ONS

Residential sales

Mortgages and transactions

- Mortgage approvals stayed buoyant in November, reaching just over 64,500 on the month. Although this is down slightly from October (-0.7%) it is still within a healthy range of between 63,000 and 65,000 where it has remained virtually all year. Mortgage approvals year to date are now 7% more than the same period last year at just under 740,000.
- Sales transactions increased slightly in November according to HMRC's first estimates. Sales rose by 1.3% over October's figure and breached the 100,000 mark for only the fourth time in the last three years. This brings total transaction volumes to 1.1 million year to date, 12% more than the same time last year.
- The interest rate on an average 85% LTV, two-year mortgage product is around 4.18%, down from 4.23% the month before. This now marks the lowest rate since August 2022 (Rightmove / Podium).

Supply and Demand

- The latest December RICS Residential Market Survey indicates that the market remains subdued but is showing signs of improvement. New buyer enquiries are still negative at -24%, though this is an improvement from -32% in the previous month. On the supply side, new listings have improved significantly,

reaching a neutral balance compared to -19% in November. Similarly, the agreed sales measure rose slightly to -19%, up from -23% the month before.

- According to Rightmove's January House Price Index, the number of homes for sale has reached its highest level for this time of year since 2014. Activity surged in the two weeks following Christmas, with buyer demand rising by 57% and new listings increasing by 81% compared to the previous fortnight. Although demand in the most recent week has levelled off to match 2024 levels, the post-Budget uncertainty appears to have dissipated, resulting in a clear improvement in both buyer and seller sentiment.

UK prices and price growth

- The average UK house price fell by -0.4% in December (month on month), according to Nationwide's latest price index report. This is down from +0.3% in November and brings the annual rate of growth to 0.6%. This is now the slowest rate of growth for the last 21 months with the average UK house price now £271,068.
- Annual house price growth also slowed according to Halifax's latest index report, easing to just 0.3% in the 12 months to December. This marks the slowest rate of growth since March 2024. On a monthly basis prices were found to have fallen by -0.6% following a decline of -0.1% in November.
- The average price of a home coming to the market for sale jumped a sharp 2.8% in January (month on month), according to the latest Rightmove House Price Index. This is the largest price increase ever seen in the month of January and the strongest rise of any month since 2015, according to the web portal. Furthermore, on an annual basis prices were found to have increased 0.5%, the first positive growth for this figure in five months.
- The annual rate of UK house price growth reached 2.5% in November according to the Official House Price Index from the ONS. This is up from 1.9% in October and reflects a monthly increase of 0.3%.
- Results from the December 2025 RICS survey (released January 2026), also indicate some downward pressure on house prices with a net balance of -14% from respondents. This figure though is unchanged over November and suggests that the decline may be stabilising. Looking ahead, a net balance of +35% of participants feel that house prices will grow over the year, up from +24% in November.



Regional prices and price growth

- Nationwide's quarterly regional data (Q4 2025, December release) indicated that most regions of the UK saw modest annual house price growth over the last 12 months. Northern Ireland recorded the strongest rate of growth at nearly 10% while the next strongest region recorded 3.5% (the North West). Just East Anglia saw average price declines of -0.8% while London saw a small rise of 0.7% over the year.
- According to the ONS, regional house price growth continues to reflect a stark north-south divide. The North East, Northern Ireland, Scotland, the North West, and Yorkshire and The Humber lead the country with inflation rates ranging from 3.7% to 6.8%. In contrast, southern regions, including the South West, East of England, South East, and London, show much more sluggish growth, ranging from 1.9% to a low of -1.2% in London.
- House price growth across Carter Jonas locations shows a more nuanced picture over the 12 months to November. The Vale of White Horse in the south leads with nearly 10% year-on-year growth, followed by West Berkshire at 6% and Leeds at 4%. At the other end of the spectrum, several southern areas recorded declines, including Cambridge (-3%), Winchester (-2.9%), and Cornwall (-1.5%). In the north, York saw a modest fall of -0.9%, while North Yorkshire managed a slight increase of 1.4%.

Residential lettings

Supply and Demand

- According to the latest RICS Residential Market Survey, tenant demand continues to decline, falling to -27% from -22% the previous month and sharply down from -3% a year ago. This represents the weakest level since May 2020. Landlord instructions also remain negative and are falling further, now at -39%. Although this measure has been negative for most of the past eight years, it has steadily worsened since May 2024, when it stood at -3%.

- ARLA Propertymark's January 2026 Housing Insight Report shows that the average number of rental properties available per member branch rose slightly in November to nearly 11, up from 10.5 in October. This figure has been highly volatile over the last 18 months, fluctuating between a low of 9.5 and a high of 13. Regarding tenant demand, registrations per branch increased to 68 from approximately 60 in October; however, this remains one of the lowest figures recorded in the last three years.

Rents and rental growth

- Annual rental growth continued to ease, according to the latest figures from the ONS Price Index of Private Rents (PIPR). At 4.0% annually (UK), this is the lowest rate of growth since April 2022 and is down from 4.4% just the month before.
- Rental growth remains varied across both national and regional markets. While England recorded an overall growth rate of 3.9%, significant regional disparities persist. For example, the North East continues to see strong annual growth at 7.9%, though this has cooled from its mid-year peak of 9.7%. In contrast, London's growth has slowed to 2.1%, aligning more closely with long-term averages. Elsewhere, Wales reported a 5.7% increase, while Scotland remains stable at 2.8%.
- *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, January 2026

Sources: HM Treasury Consensus Forecasts (January 2026, long-term November 2025)

	2025	2026	2027	2028	2029
Official Bank Rate (%)	3.79	3.36	3.35	3.22	3.12
House price inflation (annual, %)	2.4	3.4	2.6	3.1	3.8
CPI inflation rate (annual average, %)	3.4	2.2	2.2	2.2	2.1
Unemployment rate (%)	5.1	5.0	4.9	4.8	4.7
GDP (annual, %)	1.4	1.1	1.4	1.4	1.4
Average earnings growth (annual, %)	4.5	3.2	2.9	3.0	2.9

Select Market Indicators, latest versus previous data

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

	Current	Previous	Direction of change
GDP monthly	0.3%	-0.1%	↑
Inflation rate (CPI)	3.4%	3.2%	↑
Bank Rate (base interest rate)	3.75%	3.75%	↔
Employment rate	75.1%	74.9%	↑
Unemployment rate	5.1%	5.1%	↔
Weekly earnings growth, regular pay (excl bonuses)	4.5%	4.6%	↓
S&P Global UK Manufacturing PMI	50.6	50.2	↑
S&P Global UK Services PMI	51.4	51.3	↑
S&P Global UK Construction PMI	40.1	39.4	↑
Retail sales volumes (monthly)	0.4%	-0.1%	↑
GfK Consumer Confidence Index	-16	-17	↑
Bank of England mortgage approvals (monthly)	64,530	65,010	↓
Nationwide house price inflation (annual)	0.6%	1.8%	↓
Halifax house price inflation (annual)	0.3%	0.6%	↓
Official UK House Price inflation (annual)	2.5%	1.9%	↑
Rightmove House Price Index (UK, annual, asking)	0.5%	-0.6%	↑
Price Index of Private Rents (UK, annual)	4.0%	4.4%	↓
£ Sterling: \$ USD	\$1.35	\$1.34	↑
£ Sterling: € Euro	€1.15	€1.14	↑
Brent Crude Oil (USD)	\$64.42	\$59.69	↑
Gold (USD per ounce)	\$4,911.32	\$4,328.83	↑
FTSE 100	10,159.37	9,837.34	↑
UK 5 Year Gilt Yield	3.931%	3.958%	↓

Official House Price data, HM Land Registry, November 2025

Sources: HM Land Registry

CJ Regional Location	Average Price	Monthly Change (%)	Annual Change (%)
Vale of White Horse	£415,172	0.2%	9.2%
West Berkshire	£406,529	-1.1%	6.0%
Leeds	£247,217	0.9%	4.0%
Cambridgeshire	£343,734	0.2%	3.3%
South Oxfordshire	£480,141	0.4%	3.3%
South Cambridgeshire	£438,971	-0.6%	2.6%
West Oxfordshire	£422,746	-0.5%	2.5%
Bath and North East Somerset	£420,801	0.2%	2.3%
Suffolk	£289,197	-0.1%	2.2%
Somerset	£279,275	-0.4%	1.9%
Wiltshire	£328,071	-0.2%	1.4%
North Yorkshire	£272,167	-0.5%	1.4%
Devon	£311,354	0.3%	0.5%
Dorset	£331,911	-1.4%	-0.1%
Oxford	£490,633	-2.7%	-0.7%
York	£302,931	-0.4%	-0.9%
Cornwall	£281,461	-0.7%	-1.5%
Winchester	£465,404	-0.6%	-2.9%
Cambridge	£489,565	-1.5%	-3.0%

UK Region	Average Price	Monthly Change (%)	Annual Change (%)
North East	£166,568	1.8%	6.8%
Northern Ireland	£193,247	0.0%	6.0%
Scotland	£193,114	0.3%	4.5%
North West	£216,741	0.9%	4.1%
Yorkshire and The Humber	£209,236	1.2%	3.7%
East Midlands	£242,180	-0.2%	2.7%
United Kingdom	£271,188	0.3%	2.5%
England	£293,131	0.4%	2.2%
West Midlands region	£248,653	0.3%	2.1%
South West	£306,045	0.8%	1.9%
East of England	£338,286	-0.7%	1.8%
South East	£381,369	-0.8%	1.0%
Wales	£208,935	-0.6%	0.7%
London	£553,258	1.3%	-1.2%

London	Average Price	Monthly Change (%)	Annual Change (%)
London	£553,258	1.3%	-1.2%
Prime Central London	£1,025,491	-1.5%	-15.9%
South West London	£731,708	-1.0%	-5.2%

Official House Price data, HM Land Registry, November 2025

Sources: HM Land Registry

London Borough	Average Price	Monthly Change (%)	Annual Change (%)
Bromley	£534,443	1.4%	6.0%
Havering	£449,433	-0.2%	5.2%
Waltham Forest	£527,902	-1.4%	4.0%
Lewisham	£495,338	-1.7%	2.5%
Southwark	£596,674	-0.2%	2.2%
Barking and Dagenham	£357,257	0.6%	2.2%
Hackney	£625,292	0.5%	2.0%
Bexley	£410,560	0.8%	1.0%
Enfield	£476,864	-1.0%	0.7%
Croydon	£408,013	2.2%	0.5%
Merton	£608,575	-0.4%	0.3%
Sutton	£449,159	-0.4%	0.2%
Hillingdon	£472,983	-0.9%	0.1%
Kingston upon Thames	£582,206	3.5%	0.1%
Harrow	£527,884	-1.9%	-0.1%
Hounslow	£528,405	-1.5%	-0.2%
Ealing	£568,166	-0.8%	-0.4%
Islington	£685,840	-0.6%	-0.6%
London	£553,258	1.3%	-1.2%
Greenwich	£474,543	-0.4%	-1.3%
Wandsworth	£688,570	-1.3%	-2.2%
Lambeth	£547,962	-1.3%	-3.6%
Redbridge	£472,936	-0.6%	-3.8%
Barnet	£603,111	-0.7%	-4.0%
Haringey	£613,428	-4.0%	-4.0%
Newham	£403,436	-0.6%	-5.2%
Richmond upon Thames	£767,961	-2.5%	-6.4%
Hammersmith and Fulham	£738,593	0.9%	-7.1%
Camden	£800,930	-2.5%	-7.8%
Brent	£542,514	-1.9%	-7.8%
Tower Hamlets	£472,909	0.4%	-10.6%
City of Westminster	£866,170	-3.0%	-15.5%
Kensington And Chelsea	£1,184,811	-0.4%	-16.3%
Outer London	£507,843	-0.2%	0.1%
Inner London	£631,062	-1.0%	-4.6%

Official Price Index of Private Rents, ONS, December 2025

Source: Office for National Statistics

CJ Regional Location	Average Rent (£ pcm)	Monthly Change	Annual Change
Bath and North East Somerset	£1,812	1.25%	9.3%
Wiltshire	£1,056	0.41%	7.9%
Oxford	£1,913	-0.13%	6.6%
South Cambridgeshire	£1,393	0.66%	4.9%
York	£1,157	1.05%	4.8%
Winchester	£1,473	1.00%	4.5%
Vale of White Horse	£1,317	0.20%	2.9%
North Yorkshire	£828	-0.43%	2.8%
West Berkshire	£1,270	-0.27%	2.6%
Cambridge	£1,793	0.54%	2.4%
South Oxfordshire	£1,358	0.45%	0.0%
West Oxfordshire	£1,261	0.10%	-0.9%

UK Country / Region	Average Rent (£ pcm)	Monthly Change (%)	Annual Change (%)
North East	£762	0.47%	7.9%
North West	£937	0.41%	6.1%
Wales	£822	0.18%	5.7%
East Midlands	£901	0.06%	5.3%
East of England	£1,266	0.41%	5.3%
West Midlands	£957	0.26%	5.2%
South West	£1,221	0.10%	5.1%
Yorkshire and The Humber	£841	0.44%	4.4%
England	£1,424	0.12%	3.9%
South East	£1,402	0.20%	3.8%
Scotland	£1,018	0.60%	2.8%
London	£2,268	-0.16%	2.1%

London	Average Rent (£ pcm)	Monthly Change (%)	Annual Change (%)
London	£2,268	-0.16%	2.1%
Prime Central London	£3,446	0.0%	0.9%
South West London	£2,513	0.1%	4.0%

Official Price Index of Private Rents, ONS, December 2025

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	£1,678	0.33%	10.9%
Lambeth	£2,515	0.68%	9.1%
Bexley	£1,530	0.56%	8.9%
Newham	£1,900	0.44%	8.7%
Havering	£1,561	0.01%	7.8%
Barnet	£1,921	0.25%	6.8%
Kingston upon Thames	£1,832	0.08%	6.5%
Wandsworth	£2,605	0.88%	6.3%
Enfield	£1,753	0.54%	5.8%
Richmond upon Thames	£2,232	0.13%	5.0%
Redbridge	£1,711	0.23%	5.0%
Haringey	£2,202	-0.24%	4.7%
Croydon	£1,547	0.37%	4.6%
Hackney	£2,578	0.27%	4.3%
Lewisham	£1,805	0.14%	3.9%
Greenwich	£1,927	1.06%	3.8%
Bromley	£1,652	0.22%	3.8%
Harrow	£1,745	0.24%	3.7%
Merton	£2,080	0.15%	3.6%
Hillingdon	£1,545	0.34%	3.0%
Sutton	£1,538	0.30%	3.0%
Waltham Forest	£1,740	0.17%	2.8%
Tower Hamlets	£2,387	0.23%	2.6%
Ealing	£2,051	0.12%	2.5%
London	£2,268	-0.16%	2.1%
Islington	£2,716	0.07%	2.0%
Southwark	£2,374	0.61%	1.9%
Kensington And Chelsea	£3,651	0.47%	1.6%
Hounslow	£1,897	0.06%	1.1%
Hammersmith and Fulham	£2,702	-0.66%	0.6%
Westminster	£3,240	-0.46%	0.2%
Camden	£2,684	-2.17%	-3.2%
Brent	£1,927	-0.05%	-8.6%



About Carter Jonas

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