WINTER 2026

MARKET INSIGHT

SALES
The road ahead

FOCUS
Mansion tax

LETTINGS
Rental rebalance

OUTMIGRATION
Staying in the orbit

Hamptons

THE HOME EXPERTS

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SALES

THE ROAD AHEAD

House prices across Great Britain are expected to rise modestly in 2026, ending the year about 2.5% higher, supported by easing inflation and interest rate cuts. Transactions should hold steady at around 1.15 million, with improving affordability offsetting wider economic and taxation concerns.

Yet caution will dominate. The Budget offered no buyer incentives, and political uncertainty looms for 2027 and beyond. While lower mortgage rates will help in the short term, prime property faces headwinds: confidence is fragile, and the run-up to the next general election could cast a long shadow.

London, once the engine of recovery, remains constrained by affordability pressures and tax reforms. Owners are increasingly locked in, while aspiring buyers struggle to climb aboard.

The new council tax surcharge, due in 2028, will likely hit prime country owners hardest - adding to the uncertainty that weighs on the upper end of the market. This marks a sharp departure from the traditional hierarchy, with the East Midlands set to overtake London as the strongest-performing region since 2010.

2026 OUTLOOK

Inflation is likely to fall faster than many expect, enabling the Bank of England to order two or three more base rate cuts. We expect the base rate to end the year at around 3.25%, with typical mortgage rates stabilising near 4%. This should mean more loan deals below 4%, even for borrowers with smaller deposits - supporting prices and activity in most regions. London and prime markets will be the exception, however.

Earnings growth is running above inflation, boosting affordability. But, while some borrowers coming to the end of shorter-term fixed-rate loan deals are securing cheaper offers, some are still adjusting to more expensive repayments. In 2026 and 2027, some 600,000 borrowers will roll off sub-3% deals.

In light of these conditions, we forecast modest growth of 2.5% across Great Britain in Q4 2026, with London and the South broadly flat, while the Midlands and the North surge ahead.

The number of home sales in 2026 will remain broadly unchanged at 1.15million, driven mainly by needs-based moves as households seek extra space or relocate.

Normally, at this stage in the cycle, we would expect London to regain momentum. But confidence and affordability remain constrained, and the capital has consistently

Annual house price growth forecast

	Q4 2024	Q4 2025 (f)	Q4 2026 (f)	Q4 2027 (f)	Q4 2028 (f)	4 yr Total (2024-28)
London	1.5%	-0.5%	0.0%	1.0%	0.0%	0.5%
East of England	1.2%	2.0%	0.5%	1.0%	0.5%	4.1%
South East	1.6%	1.0%	0.5%	1.0%	0.5%	3.0%
South West	1.0%	1.5%	1.5%	1.0%	1.0%	5.1%
East Midlands	2.3%	3.0%	3.0%	2.0%	2.0%	10.4%
West Midlands	2.9%	3.0%	3.5%	2.5%	2.5%	12.0%
North East	3.9%	3.5%	4.5%	4.0%	3.5%	16.4%
North West	3.9%	3.5%	3.0%	2.5%	1.5%	10.9%
Yorkshire & Humber	3.8%	3.0%	4.0%	2.5%	2.5%	12.5%
Wales	2.1%	2.0%	3.5%	2.5%	2.0%	10.4%
Scotland	3.1%	5.0%	3.0%	3.0%	2.0%	13.6%
Great Britain	**2.4%**	**2.0%**	**2.5%**	**2.0%**	**1.5%**	**8.2%**

Source: Hamptons & ONS

underperformed other regions since 2016. We expect this pattern to continue – a reversal of our previous assessment.

It is our view that prices will remain unchanged across Greater London in 2026.

Tax changes over the past decade—including the end of the stamp duty concession, tougher non-dom rules, the mansion tax, and higher second-home SDLT—have weighed heavily. Speculation about further reforms to CGT and inheritance tax proved unfounded, but the council tax surcharge on £2m-plus homes could lead to small declines at the very top end. However, these are likely to be offset by rising prices in the mainstream market, where improving affordability and lower mortgage rates should begin to support buyer confidence.

Stagnant prime prices present a challenge: more owners are selling at a loss. In 2025, 14% of London sellers were forced to do so, against 6% in 2016. This discourages mobility, especially when they face a steep stamp duty bill on their next purchase. As a consequence, first-time buyers are becoming a major force in the London market, accounting for around half of London transactions this year.

The mansion tax debate has focused on London, but prime country markets often face higher council tax bills. While most owners will absorb the extra cost, we expect values of £2m-plus properties in these areas to fall by about 5% over the next year—a one-off adjustment as markets absorb the new regime. Even so, UK property taxes will remain less onerous than those in Europe or the US.

"While lower mortgage rates will help in the short term, prime property faces headwinds."

THE OUTLOOK FOR 2027-2028

We expect the rate-cut cycle to end in 2026, with inflation set to stay above the 2% target longer-term. Indeed, mortgage rates could edge higher in 2027 as markets begin to price in future base rate hikes. Against this backdrop, house price growth could slow to around 2.0% in Q4 2027 across Great Britain and 1.5% in Q4 2028.

Political uncertainty ahead of the 2029 general election will weigh on sentiment, particularly in prime markets. Taxation policy will serve as a levelling-up mechanism, suppressing recovery in the upper tiers of the market in London and the South. In light of this, we forecast London prices to rise by 1.0% in 2027, before stalling again in 2028 as uncertainty about the future economic and tax regime creeps in.

The other causes of this slowdown will be stretched affordability and a lack of earnings growth for some workers, particularly impacting first-time buyers and renters. The headline numbers may indicate that wages are going up for all workers, but the figures will be inflated by a drop in entry-level jobs. These conditions mean that in real terms - adjusted for inflation - house prices will continue to underperform.

2028

By 2028, the North East will lead the growth league, with prices expected to be 16.4% higher than today, followed by Scotland (13.6%) and Yorkshire & The Humber (12.5%). This will represent a catch-up phase for these regions that have lagged behind since 2010.

But this outcome also marks a significant change in the property market hierarchy, with the capital losing its traditional position as a sure bet for long-term appreciation. Since the fourth quarter of 2010, the average property value in London has leapt by 84%, outpacing every other region. Average growth across the country over that period has been 74%.

However, the rankings will start to alter. By the end of 2028, the East Midlands will have moved to the front, soaring by 94% since 2010, followed by the West Midlands (90%) and the North West (88%). Affordability and economic resilience will boost these regions. London will be relegated to fifth place, being the only region where prices remain below their 2022 level.

TRANSACTIONS

Sales will edge up to 1.2 million in 2027, before dipping back to 1.15 million in 2028, as election uncertainty bites.

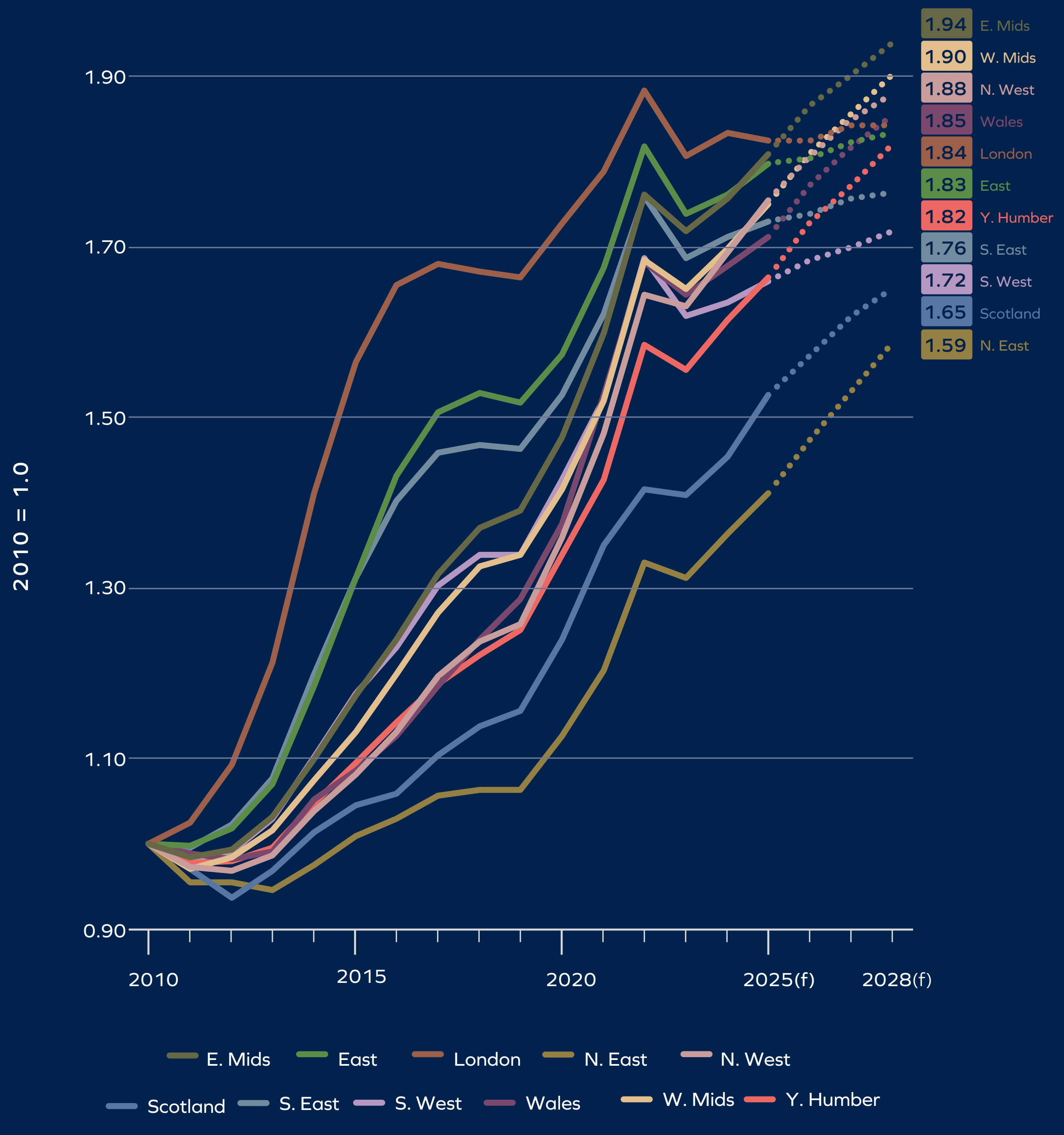
Households are relocating less, opting for fewer, more 'future-proofed' moves. The number of owner-occupied households is 10% higher than at the onset of the global financial crisis in 2008, but transactions remain 19% below pre-crisis averages.

The abolition of stamp duty would raise the annual total to 1.4 million, which would be close to the post-pandemic peak in 2021.

> "Taxation policy will serve as a levelling up mechanism, suppressing recovery in the upper tiers of the market in London and the South."

CUMULATIVE HOUSE PRICE GROWTH ACROSS THE REGIONS SINCE 2010

Source: Hamptons & ONS



FOCUS

MANSION TAX

The introduction of a 'mansion tax' in the Budget will not break the property market, but it could reshape it.

The tax — whose official name is the High Value Council Tax Surcharge — will be collected through a council tax surcharge on homes worth £2 million or more. It will have a relatively narrow scope, affecting the owners of just 133,000 properties. The additional cost to most buyers is unlikely to derail purchasing decisions.

Yet the arrival of this levy marks a significant shift in property taxation. This means that we foresee some thorny implementation challenges, and the emergence of longer-term uncertainties that could alter buyers' behaviour at the margins.

VALUATION PUZZLES

The largest obstacle to implementation is valuation. Stamp duty is based on the amount for which a property has been sold, a figure that is documented. By contrast, the council tax surcharge will rely on assigning a fixed value to a property.

About 30% of homes in England have not changed hands since the Land Registry price records were established in 1995, meaning that comparable properties will be hard to find.

The Valuation Office Agency (VOA) is likely to depend on decades of data on sales prices, but many homes will still require physical inspection by a surveyor.

Also, since the tax becomes payable at certain thresholds, disputes are inevitable. A home valued at £2.05 million will be subject to the surcharge, whereas a £1.95 million home will be exempt. This 'cliff-edge' system is set to trigger appeals, potentially resulting in delays.

There is more. Once a property is designated as liable to the tax, this information will remain on the VOA database, even if the home sells for under £2 million shortly after. On the flip side, given there are plans to revalue the housing stock every five years, more properties could be dragged into the tax net should prices increase.

This disconnect between market reality and tax liability could stir up tensions, particularly during a slowdown.

30%

of homes in England have not changed hands since the Land Registry price records began in 1995

A TAX ON WEALTH NOT INCOME

The surcharge will be modest, compared to the amounts that could have been payable under the more radical reforms to property taxation rumoured in the run-up to the Budget.

Nevertheless, the introduction of the tax sets a precedent: the Treasury will be taxing wealth rather than income. Future governments may regard this as an opportunity to either lower the thresholds or increase the rates.

Fears of an extension of the tax's scope could weigh on liquidity in prime markets, as buyers factor in the risk of a more punitive future regime.

For the moment, the independent Office for Budget Responsibility (OBR) expects the tax to raise less than the Treasury's estimates, partly because sellers will adjust asking prices to swerve the charge. Homes priced just below the starting threshold could become more desirable, while sellers of those caught by the tax may adjust their asking prices to help minimise their buyers' tax bills.

BEHAVIOUR SHIFTS

In the short term, we expect some changes in buyers' behaviour. While most buyers will be willing to swallow the additional cost, some families seeking larger 'forever homes' may look beyond traditional prime London neighbourhoods to avoid the surcharge, favouring areas like Leytonstone or Teddington over Richmond or Hackney. It may also boost the appeal of dooer-uppers.

Rental markets could also be affected. Landlords, not tenants, will be liable for the new tax. However, tenants in expensive properties may face rent rises as landlords pass on the cost of the surcharge.

There are quirks too. Not all properties are subject to council tax - about 78,000 holiday homes are instead assessed for business rates. Unless the rules change, these properties may entirely escape the surcharge, creating an incentive for holiday homeowners to explore alternative classifications.

AT A GLANCE

High-Value Council Tax Surcharge

Starts	April 2028
Applies to	Homes valued at £2m+ during 2026 in England
Who Pays	The owner via council tax bill. Exemptions under consultation.
Revaluation	Every 5 years – more homes could fall into scope.
Annual Uprating	Charges will rise in line with CPI inflation from 2029 onwards.

Property Value	Annual Charge
£2.0m – £2.5m	£2,500
£2.5m – £3.5m	£3,500
£3.5m – £5.0m	£5,000
£5m+	£7,500

A MANAGEABLE PILL

Despite these issues, the tax's financial impact will be relatively modest for most of those affected. Buyers of prime homes, in particular, tend to have pretty solid finances to be able to purchase in the first place.

If older asset-rich cash-poor owners defer payment, inflation could erode the sums owing over time. If the surcharge on a £5 million home is deferred for 10 years, the amount due at the end of this period would be about 2% of the property's value.

The owner's heirs could factor this bill into their planning for any future inheritance tax on the estate.

In summary, the tax may add complexity, and it also sets a precedent. But it is unlikely to trigger mass departures or revaluations from prime markets.

The real problems lie in the execution of the policy. Clear guidance and robust valuation processes will be essential to avoid disputes and ensure fairness.

In the longer term, the question is not whether buyers will be able to swallow the pill - they can - but whether future governments will not only make the pill stronger, but also oblige more owners to take this medicine.

"The tax may add complexity, and it also sets a precedent. But it is unlikely to trigger mass departures or revaluations from prime markets."

MARKET METRICS: HOUSE PRICE GROWTH

Over the last 12 months, house prices have been relatively weak in London and much of the South, reflecting a trend that has endured for more than a decade. Structural factors such as elevated stamp duty, higher borrowing costs, and tax burdens have hit the capital the hardest, while more affordable regions have had greater room for growth.

Northern areas, which recovered more slowly following the 2008 financial crisis, are now catching up after the surge in London between 2010 and 2015. The North West has seen up to 90% price growth over the last decade.

Currently, the pattern in house prices mirrors that of 2007–08: house prices in Prime Central London have dropped, whilst other regions catch up. This is typical of the housing cycle, where the most expensive markets peak and stagnate first, followed by a period of regional convergence before the next upswing.

↑ TOP 10 PRICE GROWTH BY LOCAL AUTHORITY

REGION	LOCAL AUTHORITY	2025	2024	YOY
East of England	Maldon	£391,890	£356,310	10.0%
North West	Liverpool	£184,030	£167,540	9.8%
North East	Sunderland	£143,770	£131,400	9.4%
East Midlands	Melton	£286,310	£262,100	9.2%
East Midlands	North East Derbyshire	£246,370	£225,640	9.2%
North East	Hartlepool	£130,780	£119,810	9.2%
East of England	East Cambridgeshire	£345,010	£317,590	8.6%
South East	Vale of White Horse	£409,110	£378,200	8.2%
North West	Oldham	£208,050	£192,480	8.1%
East Midlands	South Derbyshire	£262,490	£243,520	7.8%

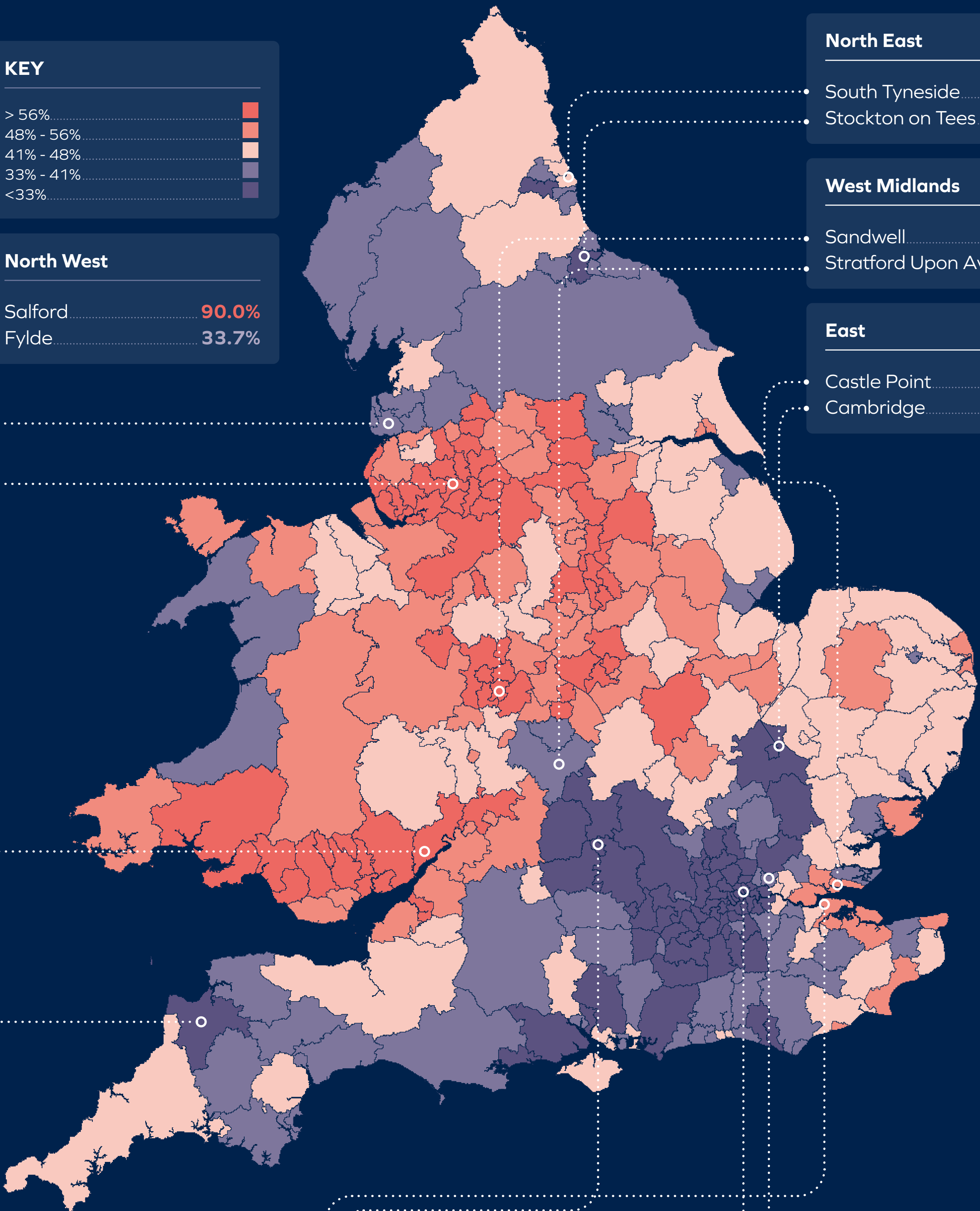
↓ BOTTOM 10 PRICE GROWTH BY LOCAL AUTHORITY

REGION	LOCAL AUTHORITY	2025	2024	YOY
London	City of Westminster	£932,700	£1,054,320	-11.5%
London	City of London	£715,510	£785,850	-9.0%
South East	Eastbourne	£250,020	£267,310	-6.5%
London	Tower Hamlets	£488,150	£521,730	-6.4%
London	Hammersmith and Fulham	£771,710	£822,090	-6.1%
London	Kensington and Chelsea	£1,323,030	£1,387,540	-4.6%
London	Wandsworth	£702,220	£734,200	-4.4%
London	Brent	£547,120	£569,180	-3.9%
South East	Rother	£333,470	£346,620	-3.8%
Wales	Merthyr Tydfil	£142,130	£147,680	-3.8%

Source: Hamptons & ONS. Average Prices (3-month rolling averages Jul- Sep)

10 YEAR HOUSE PRICE GROWTH

Source: Hamptons



KEY

- > 56%
- 48% - 56%
- 41% - 48%
- 33% - 41%
- <33%

North East

South Tyneside	44.3%
Stockton on Tees	33.0%

West Midlands

Sandwell	82.1%
Stratford Upon Avon	31.4%

East

Castle Point	55.1%
Cambridge	17.3%

North West

Salford	90.0%
Fylde	33.7%

South West

Forest of Dean	66.2%
Torridge	33.0%

South East

Medway	55.6%
Oxford	20.7%

London Regions

Havering	47.7%
Kensington & Chelsea	8.2%

LETTINGS

RENTAL REBALANCE

"Lower interest rates have enabled more first-time buyers to secure mortgages."

Rental growth stalled in 2025, with valued dropping by 0.4%. The slowdown started in Central London, where the average fell by 2.5%. The trend spread outwards, with falls in London, the South East, Wales and the East Midlands. However, there West Midlands was an outlier, recording an annual rise of 2.0%.

Tenant demand, as measured by new property searches, declined by 11% over the year, and is now 28% below its pre-pandemic level.

THE REASONS FOR THE SLOWDOWN

Demand has weakened thanks to a range of factors. Lower interest rates have enabled more first-time buyers to secure mortgages. They accounted for one-third of home purchases in 2025 across Great Britain, and as many as 50% in London.

The decrease in the cost of borrowing has also benefited landlords who can now secure cheaper remortgaging deals. This has reduced the need to try to pass on higher repayments to tenants.

At the same time, the labour market has continued to weaken, limiting both how much rent tenants can afford as well as the number of first-time renters.

Also, net migration has declined sharply as a result of tougher caps on dependent and student visas. About 90% of people arriving in the UK initially seek accommo-dation in the private rented sector.

THE OUTLOOK FOR 2026

It would be wrong to assume that rental growth will not return. There is a shortage of rental homes, and the implementation of the Renters' Rights Act in May 2026 is likely to further constrain supply over the years ahead.

Landlords costs are also set to rise. The amount of bureaucracy is increasing, and 'no-fault' evictions will be more expensive, take longer and be more difficult to secure.

Rising construction costs and the higher cost of finance led to cut backs in build-to-rent development in 2025. This will lead to fewer such homes becoming available this year and future output in the sector could be jeopardised by declining rents in London.

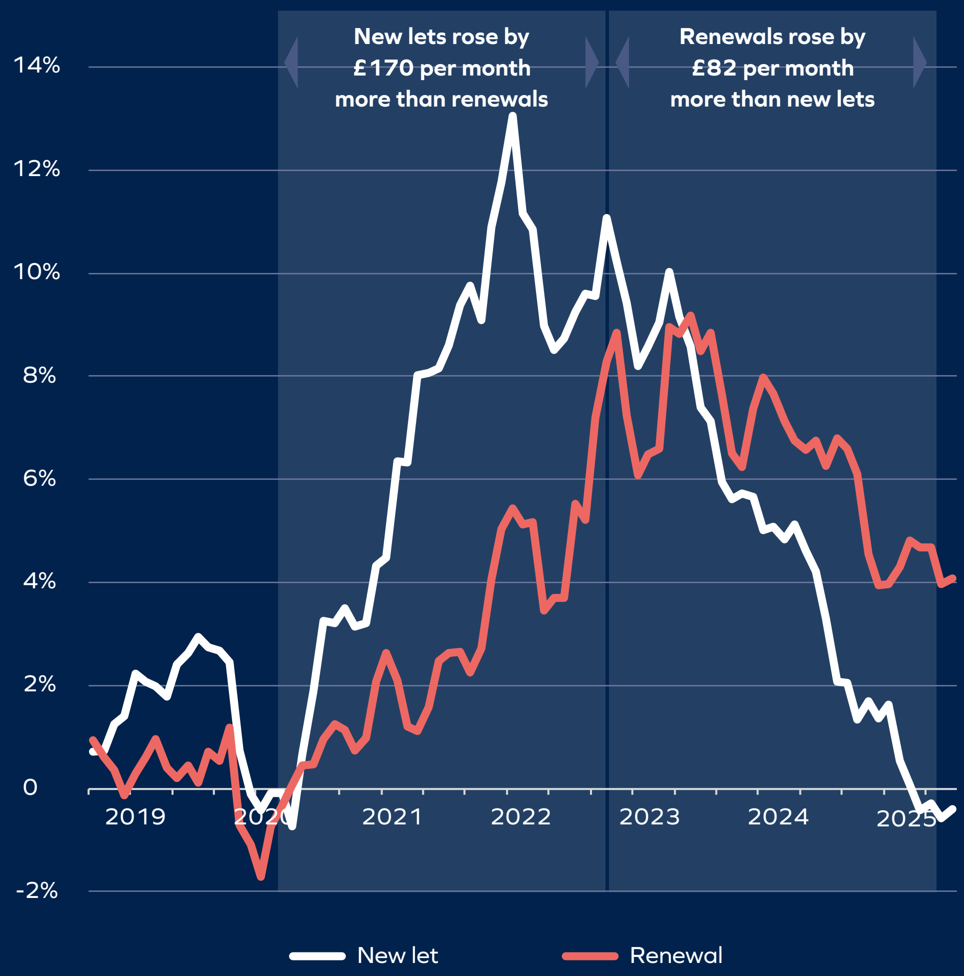
It's important to note, however, that rents on renewed tenancies are continuing to go up by 4% or more. Landlords are seeking to narrow the gap between what sitting tenants pay and the rent that a property could achieve as a newly-let home.
This differential is at its lowest since the summer of 2021.

THE LONGER-TERM OUTLOOK

The number of homes to let at the end of 2025 was still lower than at the same time in 2019. This persistent shortage in supply, combined with mortgage rates still at a relatively high level, will support rental growth in the longer term.

ANNUAL RENTAL GROWTH

Source: Hamptons



Landlords must cope with the implementation of the Renter's Rights Act in 2026. The next challenge is the introduction of more stringent Energy Performance Certificate (EPC) requirements which are scheduled to take effect in 2028.

This legislation could necessitate costly upgrades, although it is close to certain that the launch of the new regulations will be delayed, since the calculation process for EPC ratings is being overhauled.

The era of ultra-cheap mortgage rates is unlikely to return any time soon. Attractively-priced deals will continue to be on offer in 2026, but financial markets are already pencilling in small rate hikes in 2027. This suggests a new, structurally-higher cost of borrowing for the decade ahead.

OUTMIGRATION

STAYING IN THE ORBIT

In 2025, London outmigration fell to its lowest level since 2013. There were also changes in the behaviour of those who decided to say goodbye to bright lights and seek more space outside the capital. Lower mortgage rates and the return to the office drove these shifts. Also, the hotspots for leavers were locations around the M25, not places in the heart of the countryside.

During the year, Londoners bought just 5.6% of homes outside the city - down from 5.7% last year. This was well below the pandemic peak of 8.2% in 2022. Back in 2021, Londoners bought as many as 103,310 homes outside the capital. In 2025, the total tumbled to 57,660, 44% fewer, as our analysis shows. The pre-pandemic (2015–2019) annual average was about 70,000.

Those who did leave the city did not go as far afield as in previous years. The average distance moved was 71.6 miles, 10 miles fewer than the 2024 average, which marks a return to a relocation pattern last seen in 2021.

In the pandemic, more Londoners headed to the South West, the Midlands and the North. Now they are staying closer to the city, prioritising accessibility because they have probably returned to the office for three or more days-a-week.

The South of England was the preferred destination of 68% of those who left the city in 2025, with 54% opting for a new address within 50 miles of their previous home.

The Home Counties returned to fashion, offering the desired mix of connectivity and lifestyle. This followed a period when more affordable locations topped the league. As many as 18.2% of homes that changed hands in these traditional commuter belt areas last year went to Londoners, the highest share since 2017.

The hotspots were Chigwell and Basildon in Essex, Chatham in Kent and Caterham in Surrey, underlining the pulling power of the South East, the region that drew 33% of those that quit London, 4% more than in 2024. The prime locations of Esher in Surrey and Gillingham in Kent rose up the charts, having been seen as unaffordable in previous years as mortgage rates rose.

"The hotspots for leavers were locations around the M25, not places in the heart of the countryside"

AREAS WITH THE BIGGEST YEAR-ON-YEAR RISE IN THE SHARE OF BUYERS FROM LONDON IN 2025

Source: Hamptons

AREA	REGION	SHARE OF BUYERS FROM LONDON	YOY CHANGE
Chigwell	East of England	53%	35%
Chatham	South East	50%	28%
Caterham	South East	29%	26%
Fryerns	East of England	42%	23%
Esher	South East	27%	17%
Gillingham	South East	28%	16%
Basildon	East of England	40%	16%
Thorpe Bay	East of England	20%	11%
Luton	East of England	34%	10%

AREAS WITH THE BIGGEST YEAR-ON-YEAR FALL IN THE SHARE OF BUYERS FROM LONDON IN 2025

Source: Hamptons

AREA	REGION	SHARE OF BUYERS FROM LONDON	YOY CHANGE
Sittingbourne	South East	8%	-13%
Billericay	East of England	12%	-10%
Leighton Buzzard	East of England	5%	-9%
Gravesend	South East	22%	-9%
Southend-on-Sea	East of England	20%	-8%
Portsmouth	South East	2%	-6%
Walton Vale	North West	36%	-6%
Leeds	Yorks & Humber	4%	-6%
Derby	East Midlands	2%	-5%

But, even within the Home Counties, places a bit more distant from London were not in vogue. Examples include Billericay in Essex and Gravesend in Kent.

A decade ago, 19% of those who chose to quit the capital were first-time buyers. In 2025, they made up 31%, only slightly less than in 2024, when the proportion was 31.5%, underlining the affordability pressures facing this group. The relaxation in the tough affordability checks imposed by lenders on mortgage applicants are the reason for this dip.

First-time buyers spent £298,360 on their first place of their own outside London in 2025, £13,450 more than the year before.

Buyers saying goodbye to London to take the next step up the property ladder spent £457,480 on their new home, almost £98,000 more than in 2024. These households accounted for 42.5% of those leaving London, against 39.8% in the year before.

The tempo of the London property market may have been subdued for a while, but cheaper mortgages have helped those with equity to relocate, often to a location that would have been too expensive in 2024.

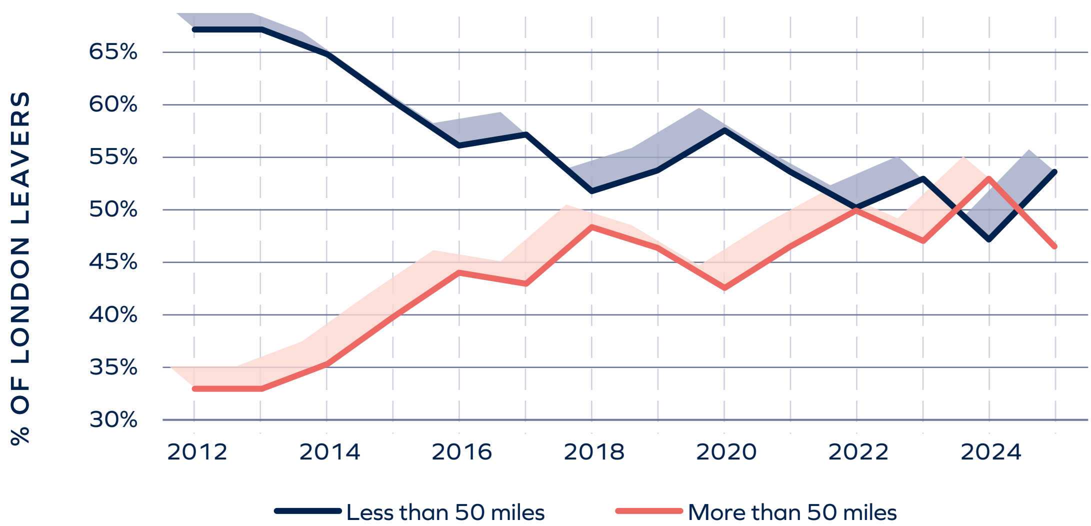
Buy-to-let investors and second-home buyers together made up 26.5% of those buying outside London. In 2024, they accounted for 28.8% of deals. This dip is a consequence of tax increases and reforms to landlord legislation.

In the near future, we argue that affordability will remain the key driver of London outmigration. If mortgage rates are cut again, more households will stay put in the city or move less far away.

However, given that house price appreciation in London seems set to be muted over the next few years, homeowners are unlikely to build up significant amounts of equity. For those yearning for a manor house in the country, the dream may have been postponed for a little longer.

> "Affordability will remain a key driver of London outmigration."

How Far London Leavers Move



Source: Hamptons

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