

**Subject:** Your residential research update: February

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## RESEARCH

# Residential Research Update: February



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A month into 2026, signs of a post-Budget bounce remain limited. Even so, conditions for buyers and sellers are improving, supported by greater clarity on the property tax landscape, and expectations of a steady easing in mortgage costs.

**The Nationwide index** showed very little change, with house prices rising just 1.0% in the year leading up to January. That sits against a rise in inflation in December, with the consumer price index increasing by 3.4% year on year, meaning house prices continue to ease back on an inflation adjusted basis. Combined with some modest easing in mortgage rates, that means affordability continues to improve.

But data from TwentyCi suggest buyers are, for now at least, cautious about taking advantage of that. Figures show that while new instructions were +3.0% above last year in January, agreed sales were still -5.0% lower than the same month in 2025.

In the market over £1m, those agreed sales were down by a similar -4.6%, but this marks an improvement on the final quarter of last year – then, they were down by -10.9%, reflecting the effect of Budget uncertainty.

As our analysis shows, over the past three years, the number of homes worth £1m and more has eased back. Indeed, over 30% of the gains from the post-pandemic mini housing market boom eroded thanks to the



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downward pressure on prices since 2022.

While numbers across Scotland, the Midlands and the North have held up relatively well, elsewhere there has been something of a concertina effect as London's commuter zone, which expanded during the race for space, has contracted back. You can [read more about this here](#).

At the same time, we have [recently released our forecasts](#) for prices across the top end of the housing market, which - as Frances McDonald explains - we expect to lag behind mainstream.

After delving into patterns of past performance, assessing future drivers of demand and supply, and a little gazing into our crystal ball, our best estimates are that prices will ease back by a further -2.0% in central London over the course of 2026, remaining broadly flat elsewhere across the capital and rising modestly by +1.5% on average elsewhere.

From there, we expect a recovery to gradually gather momentum, as mortgage costs ease and the economy picks up.

You can read more on the recent performance of the [prime sales markets here](#).

And finally, with the Renters' Rights Act coming into force across England from 1 May this year, with the government confirming plans to require most rental properties to be brought up to [EPC C by 1 October 2030](#).

Jess Tomlinson, has a look at:

- [What's going on in the rental market for prime properties](#)
- [How annual rental growth has returned to low single digit territory](#)
- [and why we expect that to continue](#)

