RESEARCH

MARKET IN MINUTES

Mainstream Residential Forecasts 2027-2031

Residential – UK – November 2026

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Recovery, but not as you have known it

Mortgage rates hold the key to an improvement in housing market conditions.

Although the economic backdrop has changed since last year, the main driver in the sales market has stayed consistent. As has been the case since late 2022, for many buyers the question is the same – how much is my mortgage going to cost me?

The rock-bottom rates of the 2010s are a distant memory, and the base rate is forecast to stay higher in the long term than previously expected. Oxford Economics have pencilled in two interest rate rises in the short term. They now expect the Bank base rate to bottom out at 3.0% over the medium term.

As a result, we expect further price falls in 2027 while average mortgage rates stay over 5%.

From 2028, there is more potential for house prices to increase. Mortgage rates should ease, and GDP growth is expected to rebound. At this point, affordability will be much improved, as income growth will have outpaced house price growth consistently over the preceding six years.

In total, we expect house prices to rise by 15.8% over the next five years, higher than CPI inflation (9.8%) and income growth (14.4%).

We think markets in the North West will perform most strongly, benefiting from lower house price to income ratios, and a regional economy that is expected to outperform the UK average. In contrast, growth in London and the South East will continue to be limited by lower affordability and high deposit requirements.

First-time buyer numbers have remained robust, and as mortgage rates ease over the next five years we expect pent-up demand will be released from mortgaged home movers. However, investment into the private rental sector from individual landlords is expected to remain well below the long-term average.

The lack of supply in the private rental sector will drive continued rental growth, although not at the rate seen in 2022-24. We expect average UK rents to grow by 15.1% over the next five years.



KEY TAKEAWAYS

01

Mainstream house prices

- Ongoing geopolitical instability and higher mortgage rates are expected to lead to average price falls of -1.5% in 2027.
- As the economic outlook improves from 2028, demand for homes will increase, leading to forecast price growth of 15.8% in total over the next five years.
- The North of England is likely to see the highest price growth, driven by strong economic growth and a more affordable housing market.

02

Transactions

- Relaxed mortgage regulation has helped to sustain transaction activity, even as rates have climbed.
- From 2029, we expect that first-time buyers will be the biggest buyer group, with an additional boost in England coming from the government's "Your First Home" scheme.

03

Rents

- Rental demand has moderated, aligning with long-term norms. But supply has been restricted in the wake of the Renters' Rights Act, which will drive rental growth of 2.5% in 2027.
- From 2028, rental growth is expected to be broadly in line with income growth. But this could accelerate if we see more landlords leaving the sector.

UK MAINSTREAM FORECASTS 2027-2031

	2027	2028	2029	2030	2031	5 years to 2031
UK house price growth	-1.50%	3.50%	5.00%	5.00%	3.00%	**15.8%**
UK rental growth	2.50%	2.75%	3.00%	3.00%	3.00%	**15.1%**

Assumptions	2027	2028	2029	2030	2031	5 years to 2031
CPI inflation	2.4%	1.4%	1.9%	1.9%	1.9%	**9.8%**
Bank of England base rate (at year end)	4.25%	3.25%	3.00%	3.00%	3.00%	**-**
Real GDP growth	0.7%	1.8%	1.7%	1.7%	1.6%	**7.8%**
Nominal income growth	2.2%	2.8%	2.9%	2.9%	2.8%	**14.4%**

Source: Savills Research, Oxford Economics

UK TRANSACTION FORECASTS 2027-2031

	2027	2028	2029	2030	2031
First-Time Buyers	335,000	380,000	410,000	420,000	415,000
Home Movers	255,000	270,000	300,000	335,000	345,000
Buy-to-Let	45,000	50,000	55,000	60,000	60,000
Cash	400,000	390,000	395,000	395,000	390,000
Total	**1,035,000**	**1,095,000**	**1,160,000**	**1,210,000**	**1,210,000**

Source: Savills Research

REGIONAL HOUSE PRICE FORECASTS 2027-2031

	2027	2028	2029	2030	2031	5 years to 2031
London	-3.5%	2.0%	3.5%	3.5%	2.5%	**8.1%**
South East	-3.5%	2.0%	4.0%	4.0%	2.5%	**9.1%**
East of England	-3.5%	2.0%	4.5%	4.5%	3.0%	**10.7%**
South West	-3.0%	3.0%	5.0%	5.0%	3.0%	**13.5%**
East Midlands	-2.0%	4.0%	5.0%	5.0%	3.0%	**15.7%**
West Midlands	-1.5%	4.0%	5.0%	5.0%	3.0%	**16.3%**
Yorkshire and The Humber	0.5%	4.5%	5.5%	5.5%	3.5%	**21.0%**
Wales	0.5%	4.5%	5.5%	5.5%	3.5%	**21.0%**
Scotland	1.0%	4.5%	5.5%	5.5%	3.5%	**21.6%**
North East	1.0%	5.0%	5.5%	5.5%	3.5%	**22.2%**
North West	1.0%	5.0%	6.0%	6.0%	3.5%	**23.3%**

Source: Savills Research
Important Note: These forecasts apply to the mainstream second-hand market. New build values may not move in the same way.

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