



# YOUR GUIDE TO TODAY'S AND TOMORROW'S MARKET

WINTER 2025

## LONDON SALES MARKET OUTLOOK

The London property market is being shaped by two main things from late 2025:

property taxation changes announced in last November's Autumn Budget and the Bank of England's decision to cut the Bank Base Rate to 3.75% in December. However, neither is considered significant enough to materially alter market dynamics. Instead, they provide greater certainty, supporting stable activity and low single-digit price growth.

### Key Economic and Political Factors

- Inflation stood at 3.6% in the 12 months to October 2025 and is forecast to fall to around 2.5% in 2026.
- The Bank of England Base Rate fell to 3.75% in December, with further reductions expected in February, potentially bringing it down to around 3.25% by the end of the year.
- The Autumn Budget announced a 2% increase in income tax on rental income from April 2027, and the introduction of a High-Value Council Tax Surcharge on properties valued over £2 million, with implementation starting in April 2026 and applying fully from April 2028.

Source: assets.kpmg.com | ons.gov.uk

Bank Base Rate fell

↑↓ **3.75%**



Inflation is forecast to fall to around 2.5% in 2026

### Sales Price Trends

Table 1: Change in Average Sales Prices by Bedroom and Property Type  
October 25 vs October 24 (% change)

Property Type	Prime Central London	Greater London
<b>FLATS</b>		
Studio	-3.76%	-3.69%
One-bed	-2.75%	-0.66%
Two-bed	-9.13%	-0.52%
Three+ bed	-16.07%	-7.67%
<b>HOUSES</b>		
Two-bed	-14.36%	-1.91%
Three-bed	-9.76%	-2.79%
Four+ bed	-5.81%	-1.80%

Source: Dataloft by Price Hubble | Land Registry | MHCLG

Average property prices over the past 12 months compared with the same period a year earlier.

## › Market Activity: Supply & Demand

The latest data from Zoopla shows how supply and demand were affected by rumours of increased taxes for property owners in the run-up to the Budget, particularly in London and the South.

Since the Budget and few substantial changes to property taxation provided clarity, Chestertons has seen a clear improvement in market sentiment. Buyer enquiries have increased, viewing activity has picked up, and there is greater confidence from purchasers who had previously paused decisions during the period of uncertainty.

While supply remains constrained in London, early signs suggest that this is easing, with some landlords putting rental properties on the market and temporary Government measures boosting housebuilding. Combined with lower demand and small price drops in many areas, this is giving buyers slightly more choice and bargaining power. This positive momentum is expected to continue, with January providing a natural point for buyers to re-engage.

Source: Zoopla



Chestertons has seen a clear improvement in market sentiment

## › What's Going to Happen for the Rest of 2026?

Chestertons does not expect property prices to move more than low single digits across London or the UK in 2026 but believes that improved clarity from the Autumn Budget will release some of the pent-up demand from those who didn't have the confidence to move in the second half of 2025. This should prompt increased transaction levels in the first few months of the year, which could in turn start exerting upward pressure on prices.

However, whether this positive momentum is sustained throughout the rest of the year will be dependent on whether general consumer confidence improves and the Government avoids the degree of damaging speculation ahead of the 2024 and 2025 Budgets. Lower inflation

and a Bank of England interest rate cut could help support this.

In Prime Central London (PCL), we expect modest growth as the market stabilises. This is supported by strong fundamentals, including an enduring supply-demand imbalance, global investment appeal (particularly from the Middle East, the US, and Hong Kong), a stable legal and tax framework, and historically strong long-term performance, which continue to drive the market. It is worth noting there were no further interventions in the 2025 Budget after the 'non-dom' intervention in 2024 and the 'Mansion Tax' should make little difference.

## The Chestertons View

"The London property market is currently offering great value for buyers, with mortgage rates lower than in recent years and the Base Rates expected to fall to around 3.25% this year. Now is an ideal time for well-priced sellers and for buyers who have delayed purchasing to re-engage with the market."

Matthew Thompson, Chestertons Head of Sales

↑↓ **3.25%**  
Base Rates expected to fall to around 3.25% this year

### TOP TIPS FOR SELLERS

Sellers who base their pricing on detailed local market insights in 2026 are likely to attract strong offers from motivated buyers. Given current supply and demand dynamics, sellers of houses may be able to adopt slightly more ambitious asking prices than those selling flats.

### TOP TIPS FOR BUYERS

Buyers need to balance the potential for further reductions and mortgage rates with the benefits of acting now, when they may be able to negotiate a favourable price.

Securing a property at a lower cost today could outweigh the advantage of a slightly cheaper mortgage in the future.

## LONDON RENTAL MARKET OUTLOOK

**London rental inflation rose in November 2025 after stabilising at around 3.5% over the summer.** Prime Central London rents increased 4.5% year-on-year, while Greater London rents rose 4%. The Renters' Rights Act, effective 1 May 2026, is set to reshape the market by moving most tenancies onto a periodic basis, reducing the use of long-term fixed terms. While this may limit longer-term rent certainty for some tenants, rental growth is expected to stabilise in 2026.

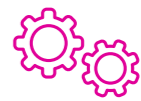
### › Key Economic and Political Factors

- According to the Government's Office for National Statistics (ONS), average regular earnings growth slowed to 4.6% in the three months from July to September 2025. Wages tend to influence rents most, and the ONS also reported that rents in England rose by 5% in the 12 months to October 2025, with London seeing a slightly lower increase of 4.3%.
- After a lengthy and complex process, the implementation of the Renters' Rights Act has now been finalised. The changes will be introduced in two phases: from 1 May 2026, new periodic tenancies will be automatically introduced, including limits on rent increases, and Section 21 evictions will be banned. Other measures, such as the PRS database and the Ombudsman, are expected to follow at a later stage.

Source: ons.gov.uk | ons.gov.uk/economy | gov.uk



Average earnings growth slowed to 4.6% from July to September



The Renters' Rights Act has now been finalised

### › Rental Prices Trends

Rental inflation rose in November, pushing Prime Central London rents above £3,000 per month for the first time. Rents across the rest of London also increased more sharply year-on-year. This higher inflation appears to reflect fewer rental properties coming to market, suggesting supply is tightening ahead of the Renters' Rights Act changes due in May 2026.

Average rental prices over the past 12 months compared with the same period a year earlier.



Table 3: Change in Average Rents by Bedroom and Property Type November 25 vs November 24 (% change)

Property Type	Prime Central London	Greater London
<b>FLATS</b>		
Studio	4.52%	4.59%
One-bed	4.05%	4.50%
Two-bed	4.42%	4.43%
Three+ bed	3.16%	2.82%
<b>HOUSES</b>		
Three-bed	4.62%	4.14%
Four+ bed	4.47%	3.96%
Three+ bed	3.71%	3.34%

Source: Dataloft by Price Hubble

### › Market Activity: Supply & Demand

Zoopla's latest Rental Market Report highlights that, while UK rental conditions are the softest for five years, London continues to perform relatively steadily, supported by limited investment and a higher proportion of landlords selling properties. With the Renters' Rights Act coming into effect from 1 May 2026 – introducing periodic tenancies, limits on rent increases, and the Section 21 ban – rental growth in the capital is expected to stabilise rather than accelerate sharply.

Source: zoopla.co.uk

**2.4%**

Zoopla reports UK rents rising by 2.4% year-on-year

## › What's Going to Happen for the Rest of 2026?

If the sales market improves as anticipated, some landlords may be able to sell rental properties they had previously held back, potentially reducing rental supply. Combined with the ongoing strong tenant demand, this could cause rents to resume their upward trajectory, underpinning the modest growth we expect across Greater London and Prime Central.

At the same time, measures aimed at supporting tenants' disposable incomes, along with the limited financial impact of rental taxes and surcharges on landlords, should help prevent extreme rent increases. The Renter's Rights Act, which comes into force on

1st May 2026, will restrict most landlords from accepting offers above asking price and asking prices may increase slightly as a result of this.

In Prime Central London, the recent increase in buy-to-let mortgage applications indicates that the area remains an attractive proposition for investors. Well-located properties in areas of low supply will be in high demand amongst tenants, pushing rents up faster – up to 3% – than in other areas of London.

Overall, we anticipate a balanced and stable rental market in 2026, giving landlords confidence to continue letting while offering tenants greater security and choice.

## The Chestertons View

“More aspiring first-time buyers are taking the necessary steps towards homeownership, which is further boosted by the current choice of mortgage deals. This has somewhat dampened demand for rental properties in some parts of the country and could result in rent levels remaining fairly balanced in 2026.”

Adam Jennings, Chestertons Head of Lettings



### TOP TIPS FOR RENTERS

In 2026, tenants will start to see how the Renters' Rights Act changes affect the rental market. While Section 21 evictions will be banned, some tenants who rely on upfront payments may face additional challenges securing a property. Long-term tenancies will be structured differently, meaning tenants and landlords will need to adapt to new arrangements.

### TOP TIPS FOR LANDLORDS

Lettings compliance in 2026 will be as important to landlords as capital growth, rental yields, and property tax. Landlords managing properties themselves will need to understand the implications of the Renters' Rights Act and stay up to date with its implementation. For many, partnering with a qualified agent with a strong compliance team may be worthwhile during this transition.

## CONTACT

For all media enquiries, contact [press@chestertons.co.uk](mailto:press@chestertons.co.uk)

For general property enquiries or to discuss your requirements, [please get in touch with our team here](#)

If you are interested in more information about the Renters' Rights Act, [sign up for updates here](#)

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