
POSITION AS AT 28 OCTOBER 2026



London Residential Market Intelligence

Q4 2026

Prime central London is cheaper than a year ago, and sellers accept 12.6% below their first asking price on average. Whether prices are still falling is now disputed. Borrowing costs more, not less. Conditions favour some buyers more than others. We explain which.

01

Executive view

Prime central London is cheaper than a year ago on every measure, but the indices no longer agree that it is still falling. Homes sold in the third quarter achieved 6.5% less per square foot than a year earlier, sellers accepted an average of 12.6% below their first asking price, and just over half of the homes for sale had already been reduced (LonRes). Yet Knight Frank recorded a small quarterly rise, the first in four years, while Savills, as reported, recorded a further fall. In April we wrote that London "has repriced". Six months on, the honest answer is that the repricing is well advanced at the centre and not yet clearly over.

Borrowing has become more expensive without the Bank of England moving. Bank Rate is still 3.75%, but three of the nine members of the Monetary Policy Committee voted in September to raise it, and the average five year fixed mortgage rate reached 6% in early October (Moneyfacts). At the average buy to let fixed rate of 5.79%, the interest on a 75% loan would be about equal to, or more than, the whole gross rent on a prime central London flat, before a single cost is paid, and on a typical rental cover test a lender would advance well under 75% at that rate. Even at the cheapest five year fix, 4.64% with a 3% fee, interest would take between two thirds and nearly nine tenths of the rent, depending on the yield.

The rental market points the other way, but less strongly than a headline suggests. Homes to rent are scarce and the average London rent reached £2,338 a month in September, 3.5% higher than a year before (Office for National Statistics, ONS). That is about the rate of inflation, and rents on new lettings are rising more slowly. Scarcity supports the income of owners who already hold. It does not make a leveraged purchase in prime central London add up. Why both are true is the centre of this edition.

The Budget of 28 October settled what had been speculation. Stamp duty is unchanged, the council tax surcharge on homes worth £2 million or more goes ahead from April 2028, and the tax rates on rental income due from April 2027 rise to 24%, 44% and 49%, two points above those already legislated. For the owner and the investor the structure is now known, and it is heavier than a year ago.

There is a case for buying, but it is a narrow one. It rests on a buyer's own capital, a holding period of years, a price supported by completed sales and a clear view of the cost of getting in, stamp duty first of all. For an investor in prime central London who needs borrowing to make the income work, the figures do not currently add up, and we say so.

12.6%

Average discount to first asking price, prime central London

LonRes, Q3 2026

52.1%

Prime central London homes for sale already reduced

LonRes, Q3 2026

£2,338

Average London rent per month, up 3.5% in a year

ONS, September 2026

6%

Average five year fixed mortgage rate

Moneyfacts, 5 October 2026

Position as at 28 October 2026, including the Budget delivered that day. Section 10 lists what we are watching next.

Sources: LonRes, prime central London sales, July to September 2026, and Prime London Market Update, 25 October 2026; Knight Frank, 2 October 2026; Savills, third quarter 2026 prime index as reported 8 October 2026; Bank of England, Monetary Policy Summary, September 2026; Moneyfacts, 5 October 2026; Which?, 7 October 2026; ONS, private rents, September 2026; HM Treasury, Budget 2026, 28 October 2026.

02

Marking our own work: what has changed since Q2

Six months on, this is how our Q2 2026 edition has held up. We separate a fact that was wrong when we published it from a statement the market has since overtaken, a forecast that has not come about and a reading we now frame differently. Only the first is a correction. Where the evidence is still open, we say so.

What we wrote in April	What the evidence shows now	Verdict
"London has repriced."	Prime London values were already 10.3% below their 2014 peak at the end of 2025 (Coutts). Over the past twelve months every measure is lower. Since April the indices disagree: Savills (as reported) records a further fall in prime central London, Knight Frank a quarterly rise there in the third quarter and Coutts one across prime London in the second.	Market moved: lower over the year, direction since April disputed
"The strongest entry point in a decade."	A timing judgment, not a measurement. Since April prices have been mixed and borrowing has become dearer.	Refined: we no longer make timing calls
Prime central London "closed 2025 down 2.3%", and 45% of "central London listings" had been reduced.	Both Coutts figures cover prime London as a whole, not central London alone.	Corrected: the figures were for prime London
Markets were pricing two rate rises, to 4.25% by the end of the year.	Bank Rate is unchanged at 3.75%. Mortgage rates rose anyway: the average five year fix is at its highest in about three years.	Forecast not realised so far; the point about not waiting for cheaper money held
A "4.5%+ net yield" as the test for income property, and "day one income is the only metric that matters".	Gross yields are about 4.0% for prime central London flats (Savills) and 5.19% across prime London as a whole (LonRes, third quarter): the first is below that test before costs, the second only just above it, and both are below the average buy to let rate.	Refined: income still matters, but it cannot be the only test
The Renters' Rights Act is accelerating the exit of amateur landlords.	Nationally landlord selling slowed in June as purchases overtook sales (Hamptons). In London about one in five homes for sale in June had recently been let, against 9.2% nationally.	Market moved: slower nationally, still high in London
An EPC rating of C by "2030 to 2035".	The government had announced a single date in January 2026: 1 October 2030. It remains announced policy and needs legislation.	Corrected

One statement from April has held up in the mainstream market: the lettings market is driven by scarcity of supply rather than by rent levels alone. Two others are not yet tested: that the Renters' Rights Act is workable for landlords who keep their paperwork in order, and that homes priced to the evidence sell faster. One figure needs a note: the average discount of 8% to 9% that we quoted in April was already dated, since the Coutts edition we cited showed 10.3%.

Sources: REX Market Intelligence Q2 2026; Coutts (data for Q4 2025 and Q2 2026); LonRes; Knight Frank; Savills; Hamptons; Department for Energy Security and Net Zero, 21 January 2026. Full references are on the last page.

03

London sales: lower prices, direction now disputed

WHAT THE DATA SAYS

In prime central London, homes sold between July and September achieved an average of £1,505 per square foot, 6.5% less than a year earlier. There were 10.2% fewer sales. Sellers accepted on average 12.6% below their first asking price, and 52.1% of the homes on the market had already been reduced. The number of homes for sale was 6.7% lower than a year earlier (LonRes).

The indices agree that prices are lower than a year ago and disagree about what has happened since the spring. Knight Frank's valuation index records prime central London 2% lower over the year to September, with a rise of 0.3% in the latest quarter, the first in four years. Savills, as reported on 8 October, records a fall of 4.8% over the year and of 1.5% in the quarter. The LonRes sales index, published on 25 October, puts prime central London 2.3% lower over the year and 10.6% lower than a decade ago; the 6.5% figure above is the average price per square foot of the homes that sold, so it also depends on which homes sold. Coutts, which follows prime London more widely, recorded a quarterly rise of 4.3% in the second quarter. Two quarterly rises and one fall are a disagreement, not a floor.

Outside the centre the evidence is mixed. Knight Frank records prime outer London 0.6% lower over the year, and the LonRes index puts prime London as a whole 4.0% lower. Across the whole of London the official index was 2.2% lower in August than a year before, while the UK average rose 0.9% (ONS); Nationwide's measure for London was 0.4% higher in the third quarter than a year earlier. Activity has not recovered: third quarter sales were 10.2% lower than a year earlier in prime central London and 9.3% lower in the rest of prime London (LonRes).

Time on the market tracks the gap between asking price and sale price. Across prime London this year, homes that sold within three months did so 3.9% below their first asking price. Those that took more than a year sold 19.3% below it. Quick sales are the exception: in prime central London 14.4% of the homes sold in the third quarter had sold within three months (LonRes).

WHAT IT MEANS

Buyers have the stronger hand on average, and it can be measured. But the measured discount is counted from the first asking price and only for homes that sold: it includes reductions already published before any offer was made, so it is not the margin available on today's asking price. A reduction of 15% on an overpriced flat is not a bargain. Buyers are also choosing from less, and condition is priced: Savills finds that immaculate homes command a premium of 30% over those in need of upgrading.

For sellers the figures are uncomfortable. They measure how far each sale fell below the seller's own first asking price, not how good the price was, and quick sales may simply be the best homes, so they do not prove that a lower asking price produces a better sale. They do show that most homes now take longer than three months to sell, and that those which take more than a year sell far below where they started.

WHAT TO CONSIDER

For buyers, the useful comparison is with completed sales of similar homes rather than with asking prices, and it is worth asking how long a property has been listed and how often it has been reduced. For sellers, the first asking price is the decision with the longest consequences. Owners with no need to sell have lower values on paper, but nothing in this market obliges a sale.

Sources: LonRes, 6 October 2026, August 2026 dashboard and Prime London Market Update, 25 October 2026; Knight Frank, 2 October 2026; Savills, Prime Central London 2026 and third quarter 2026 prime index as reported 8 October 2026; Coutts London Prime Property Index, Q2 2026; ONS and HM Land Registry, UK House Price Index, August 2026; Nationwide House Price Index, third quarter 2026.

04

London lettings: scarce supply, slower rents

WHAT THE DATA SAYS

The average private rent in London was £2,338 a month in September, 3.5% higher than a year earlier and up from £2,273 in February, the figure in our last edition (ONS, all tenancies, so it includes renewals). With inflation at 3.5% in September, that is flat in real terms. Rents on new lettings are rising more slowly: asking rents averaged a record £2,791 in the second quarter, 2.9% higher than a year earlier (Rightmove), and achieved rents on new lets in Greater London were 1.2% higher in August than a year earlier (Hamptons).

Supply is tight on the portals: Zoopla counts 6% fewer homes to rent in London than a year ago and 13% fewer in inner London. The prime market is different. LonRes counted 7.6% more homes to rent in prime central London in the third quarter than a year earlier, and Knight Frank reports that more discretionary owners there have chosen to let.

Demand is steady rather than surging. Rightmove counted 8 enquiries for each London home to rent in the second quarter, against 10 nationally, and Knight Frank found tenancies agreed in London 8% lower in the three months to August than a year earlier. In prime central London Knight Frank counted 5.6 prospective tenants for each new listing in the three months to September, the highest in four years, but that ratio also rises when listings fall. Rent growth there is put at 1.3% over the year by Knight Frank and at 5.8% in the third quarter by the LonRes rental index, which also records 4.0% across prime London, its fastest in over a year.

Landlord selling slowed nationally in June, but London is not the national picture. In June about one in five London homes for sale had been let within the previous five years, against 9.2% nationally (Hamptons). In a Savills survey of more than 230 landlords of prime property, 11% had disposed of a property and 62% said they were significantly less likely to buy another.

Rent increases are being tested, though it is early. The tribunal has decided 493 market rent cases in England since 1 May, 446 of them on notices served before the Act. Of the 45 cases that reached a determination under the new rules, 47% confirmed the landlord's figure and 53% set a lower rent, with a median cut of 4.0% where the rent was reduced. London cases took a median of 142 days from application to decision (LonRes).

WHAT IT MEANS

Rents are supported by scarcity more than by rising demand, and in real terms they are barely rising. In prime central London the return on buying a rental home today with borrowed money is poor (section 05). Both statements are true, and they are connected: fewer homes are coming to the mainstream rental market, which supports the income of owners who stay. It does not rescue the purchase economics of an investor who starts now with a mortgage, and at the prime end unsold homes are adding to rental supply.

Leaving is also harder than it looks. A landlord who serves notice on the sale ground cannot let the property again, or advertise it to let, from the day the notice is served until twelve months after the earliest date for court proceedings stated in it: at least sixteen months in all, whether or not the tenant has left and with only narrow exceptions. The ground needs four months' notice and cannot be used in the first year of a tenancy. A sale that falls through can therefore mean an empty property.

WHAT TO CONSIDER

For landlords, each rent increase now needs evidence: achieved rents on comparable homes. A tribunal cannot set a rent above the figure in the landlord's notice, and the new rent is not backdated, so a challenge can delay the increase. Possession through the courts took a median of 27.1 weeks from claim to repossession in the spring, and London accounts for a third of landlord claims in England and Wales (Ministry of Justice). Tenants have more security than a year ago and can leave on two months' notice. Anyone thinking of becoming a landlord may want to read section 05 before a rental forecast.

Sources: ONS, 21 October 2026; Rightmove, Q2 2026; Hamptons; Zoopla, September 2026; LonRes, including Prime London Market Update, 25 October 2026; Knight Frank; Savills; Ministry of Justice, April to June 2026; Housing Act 1988 as amended. Full references are on the last page.

05

Money: rates, yields and three kinds of buyer

WHAT THE DATA SAYS

Bank Rate is 3.75%, unchanged since our last edition. The Monetary Policy Committee held it in September by six votes to three, the three dissenters voting to raise it to 4%. Inflation was 3.5% in September, up from 3.1% in August, and the Bank of England expects it to reach about 3.75% by the end of the year and slightly above 4% in early 2027.

Lenders have not waited for the Bank of England. On 5 October the average five year fixed mortgage rate reached 6% and the two year rate 5.98%, against 5.75% and 5.84% in our April edition. The number of fixed deals priced below 5% fell from nearly 1,500 at the start of September to nine (Moneyfacts). The average fixed rate on a buy to let mortgage was 5.79% at the start of October, and the cheapest five year fix at 75% of the price was 4.64% with a fee of 3% of the loan (Which?). The ten year gilt yield was about 5.3% in the week before the Budget, from about 5.5% on 8 October.

Gross rental yields across prime London rose to 5.19% in the third quarter, from 4.82% in the second, as achieved prices fell and rents rose (LonRes). Savills puts prime central London flats at 4.0% and houses at 3.3%. Sterling has strengthened: one pound bought €1.18 on 9 October against €1.15 in the middle of April (Bank of England), a rise of about 2.7%.

WHAT IT MEANS

The buyer with a mortgage. Start with what a lender will advance. Buy to let lenders test whether the rent covers the interest by a margin: one large lender's published test is 125% to 160% depending on the borrower, at the loan's rate or higher. On our arithmetic, a lender applying that test at 5.79% to a gross yield of 4.0%, the Savills figure for prime central London flats, would advance between about 43% and 55% of the price; at 5.19%, the prime London average, between about 56% and 72%. Not 75% in either case. Where 75% is available, interest at 5.79% takes about 4.3% of the price each year, against gross rent of 4.0% to 5.2%; at the cheapest five year fix it takes about 3.5%, plus the fee. Service charge, management, insurance, repairs and empty periods all come after that. So does tax: an individual cannot deduct mortgage interest from rent and receives a basic rate credit instead, and from April 2027 property income is taxed at 24%, 44% and 49% (section 07). In prime central London a leveraged purchase for income does not add up at today's prices and rates. Across prime London more widely the gross yield has risen because prices fell, and at 5.19% it is still below the average buy to let rate before a single cost; the answer there depends on the property.

The buyer without a mortgage. The case is different in kind, and it is not an income case. A ten year gilt pays about 5.3%; a prime central London flat pays about 4.0% before costs, and the prime London average is 5.19%. The two figures are not equivalent, and we use the gilt only to show what capital currently earns elsewhere. A flat carries running costs, transaction costs, the risk of a slow sale and the risk of a lower value. It can also bring rental growth and a change in capital value, up or down, as a real asset with a different risk profile. What a cash buyer is taking is a view that a well located home, bought at a price supported by completed sales and with no refinancing to worry about, will be worth holding over many years. That is a judgment about capital values, and capital values can keep falling. The cost of entry has to be earned back first: stamp duty at the rates in section 07, which for a buyer of an additional home who is not UK resident reach 19% on the highest slice.

The buyer in euros. Sterling is about 2.7% higher against the euro than in mid April. For a buyer converting from euros that makes a London home about 2.7% dearer than in April for that reason alone, cancelling part of any fall in sterling prices. The exchange rate is a risk in both directions.

WHAT TO CONSIDER

Any purchase can be compared with what the same money currently earns in government bonds, as a measure of opportunity cost and not as a like for like yield. A purchase that relies on borrowing is worth testing at a higher refinancing rate, not at the same one, and against what a lender will actually advance. Rental income supports a long hold; on its own it is not a reason to buy.

Sources: Bank of England, Monetary Policy Summary and Minutes, September 2026, and exchange rate series; ONS, Consumer Price Inflation, September 2026; Moneyfacts, 5 October 2026; Which?, 7 October 2026; published lending criteria of The Mortgage Works; LonRes, Prime London Market Update, 25 October 2026; Savills, Prime Central London 2026; market gilt yield data, 26 October 2026. The interest and lending calculations are our own.

06

Regulation watch: five months into the Renters' Rights Act

In April we described the Act before it started. It has now been in force in England for five months. The table separates what is law today from what has a date and what is still only proposed.

Measure	Status	Date
Renters' Rights Act: end of section 21, periodic tenancies, one rent increase a year by section 13 notice, no more than one month's rent in advance, ban on rental bidding	In force (assured tenancies, England)	1 May 2026
Tenants can leave on two months' notice at any time; landlords cannot refuse tenants because they have children or receive benefits; tenants can ask to keep a pet	In force	1 May 2026
Landlord and property registration ("Register your rental property"), with an announced fee of £65 a year per property	Draft regulations of 9 September 2026, awaiting approval	From 15 December 2026 by region. London: 15 July to 14 October 2027
Initial decisions on rent challenges to pass from the tribunal to the Valuation Office	Announced 9 September 2026	No start date
Private landlord ombudsman	Enacted; membership duty not yet in force	Membership expected 2028
EPC rating of C for rented homes, with a £10,000 cost cap	Announced policy; needs new legislation	1 October 2030
Decent Homes Standard in the private rented sector	Announced policy	2035
Awaab's Law for private renting	Consultation	Closes 18 December 2026
Leasehold: removal of marriage value and new valuation rates	Enacted, not in force; needs a further Bill first	Consultation closed 21 October 2026
Ground rent cap of £250 (draft Commonhold and Leasehold Reform Bill)	Draft bill, not introduced	Could come into force in late 2028 (government)

WHAT IT MEANS

For landlords the regime is operating, and five months is too short to judge how possession, arrears and rent challenges will work in practice: the court statistics published so far cover only two months of the new rules. What is already clear is that mistakes are expensive. Councils can impose penalties of up to £7,000, or up to £40,000 where an offence is committed, and tenants can reclaim up to two years' rent. From July 2027, if Parliament approves the draft regulations, London homes let on assured tenancies will have to be registered, each with a correspondence address in England or Wales, which matters for owners abroad.

Not every let is covered. Lets at more than £100,000 a year, lets to companies and lets that are not the tenant's main home are not assured tenancies: the first two rows do not apply to them, but safety, licensing and eviction law still does.

For buyers of leasehold flats the important point is what has not yet happened. The abolition of marriage value is not in force and cannot start until a further Bill corrects the 2024 Act; ground rents on existing leases have not been capped. One change is already law: since January 2025 a leaseholder no longer has to own for two years before extending the lease. A buyer today acquires a lease under today's law, not under a reform with no start date.

General information on the law in England as at 28 October 2026, not legal advice. Items marked announced, draft or consultation are not law and may change.

Sources: SI 2026/421; Housing Act 1988 as amended; Protection from Eviction Act 1977; draft Private Rented Sector Database regulations; government announcements of 9 September and 9 October 2026; Ministry of Justice; Department for Energy Security and Net Zero, 21 January 2026; House of Commons Library CBP-10653. Full references are on the last page.

Tax watch: what is law, what is coming, what is proposed

Our April edition had no tax section. It needs one now, because taxes on buying and holding London property can move a buyer's net position by more than a quarter's change in prices. The Budget of 28 October, the first for the new Chancellor, left stamp duty and its surcharges unchanged, kept the council tax surcharge at the £2 million threshold that had been reported as at risk, and raised the property income rates due from April 2027; its measures for first time buyers rarely reach the prime market. We set out the position and stop there: this is information, not advice.

In force today

Stamp duty land tax on a residential purchase in England is charged at 0% up to £125,000, 2% to £250,000, 5% to £925,000, 10% to £1.5 million and 12% above. A buyer of an additional dwelling pays 5 percentage points more on every band, and a buyer who is not UK resident a further 2 points, so the highest slice can carry 19%. A company buying a dwelling for more than £500,000 pays 17% on the whole price, or 19% if it is not UK resident, unless a relief applies (for example a genuine rental business), and may also owe the annual tax on enveloped dwellings. None of these rates changed in 2026, and the Budget left them alone.

On rental income, an individual cannot deduct mortgage interest: it gives a tax credit at the basic rate. Since 6 April 2026 landlords with qualifying income above £50,000, counted before expenses, must keep digital records and report quarterly under Making Tax Digital. Rent paid to a landlord who lives abroad has basic rate tax deducted by the letting agent unless HMRC has approved payment without deduction. A non resident who sells a UK home must report the sale to HMRC within 60 days of completion, even when no tax is due, and a UK home remains within UK inheritance tax even when it is held through an overseas company.

Legislated or confirmed, not yet in effect

From 6 April 2027 individuals will pay 24%, 44% and 49% on property income, four points above today's income tax rates: two points were set by Finance Act 2026 and a further two were announced in the Budget of 28 October, to be legislated in Finance Bill 2026-27. Savings income will carry the same rates. Finance Act 2026 set the credit for mortgage interest at the property basic rate; the Budget documents do not say whether it rises with the new rate. Companies pay corporation tax and are not affected. The Making Tax Digital threshold falls to £30,000 in April 2027 and £20,000 in April 2028, and the annual tax on enveloped dwellings rises by 3.5% from April 2027.

The High Value Council Tax Surcharge was confirmed at the Budget and will be legislated in the same Bill. From April 2028 the owner of a home in England worth £2 million or more at April 2026 values pays, on top of ordinary council tax, £2,500 a year up to £2.5 million, £3,500 up to £3.5 million, £5,000 up to £5 million and £7,500 above, rising with inflation from 2029. There will be a deferral scheme for eligible owners, exemptions and discounts, and a 100% premium on homes left unfurnished and unoccupied for twelve months or more. A draft list of the homes in scope is due in autumn 2027 and the first bills in March 2028. The consultation had asked whether owners who are not UK resident should pay an additional premium; the Budget did not announce one.

Owners resident in Italy

IVIE applies at 1.06% and for UK property is calculated on the purchase cost, or on market value where there is no cost. The property is reported in Quadro RW. UK rental income is also declared in Italy, with a credit for tax paid in the United Kingdom.

REX PRACTICE

We do not calculate stamp duty for buyers. We ask every buyer to obtain the full figure, with all their purchase costs, from their solicitor before making an offer, because that figure decides what they can pay.

Sources: GOV.UK, stamp duty land tax rates and guidance; Finance Act 2026; HM Treasury, Budget 2026, and HMRC, Overview of tax legislation and rates, 28 October 2026; SI 2026/336; GOV.UK and HMRC guidance on Making Tax Digital, the Non Resident Landlord Scheme, capital gains tax for non residents and inheritance tax; HM Treasury, High Value Council Tax Surcharge policy paper and consultation, and House of Commons Library CBP-10869; Agenzia delle Entrate, IVIE. General information as at 28 October 2026. Rates shown are for individuals unless stated. Not tax, legal or financial advice.

08

Where buyers and sellers are meeting

In April this section was called "Where liquidity is real". We now describe three situations that the current evidence supports. Two of April's segments are not here: for the Elizabeth line we found no study from 2026, and for private sales no reliable figure exists. The descriptions are our reading of the published evidence. They are not statistics and not a record of our own transactions.

Flats priced to this year's evidence

Homes that sell within three months do so close to their first asking price, though they are a minority of sales. The published evidence is consistent with realistic pricing and condition mattering, though it does not prove it: Savills finds immaculate homes at a premium of 30% over those in need of upgrading. About half of central London buyers are now from the UK.

What works: pricing from evidence, moderate running costs, good condition, a long lease.

What does not: last cycle's price, a high service charge, a short lease, tired presentation.

Let property bought without a mortgage

A flat with a tenant in place and complete paperwork works for a buyer without a mortgage who wants the property let from the first day and intends to hold it for the long term. It does not work for a buyer who needs the rent to cover a mortgage. Income is no longer our only test, as it was in April.

What works: verified rent, compliant documents, a tenancy already on the new periodic terms.

What does not: projected rents, missing certificates, a purchase that depends on borrowing.

Long listed homes

More than half of prime central London stock has been reduced, and across prime London homes that take more than a year to sell do so 19.3% below their first asking price. These homes are not liquid, and a long listing can mean an unrealistic seller as easily as a motivated one. This is where negotiating power is greatest and where checks matter most: some homes are slow to sell for a reason.

What works: a clear reason for the sale, a clean lease and building, a price tested against completed sales.

What does not: assuming that the discount is the value.

Sources: LonRes, August and October 2026; Savills, Prime Central London 2026.

REX view: what to consider now

A word before the four cases

Much of what we hear this autumn is a question about politics: whether this government stays, whether the next Budget undoes this one, whether a future government, tomorrow or in some year nobody can name, repeals the taxes that now sit on London property. We do not think the market works that way, and we said so to a client this week. A tax, once it exists, is rarely abolished, in the same way that a duty on fuel is adjusted but not removed. The surcharge on additional homes, the non resident surcharge, the higher rates on rental income, the council tax surcharge from 2028, the Renters' Rights Act: this is the structure now, and the market has already priced it.

A leaseholder who buys the freehold often expects the service charge to collapse. It does not. The building has a lift to maintain, insurance to pay, a roof that still leaks, and the costs that keep it standing do not disappear because the ownership changed. The same is true of a life. When you leave home at twenty you need almost nothing: one salary, one room. Then a family arrives, and the costs that come with it are not optional and do not go back down. They stay until the circumstances change again, which is not a decision anyone takes on a given Thursday. London property has grown up in the same way. The taxes and obligations that now come with it are the costs of a mature asset, and they will be paid by whoever owns it.

That is why this report makes no forecast about rates. The Bank of England will move Bank Rate up or down in the coming months and again in the years after, and each move will be reported as news. None of them will change what we have described: the cost of buying, the cost of holding and the rules of letting are set by the structure in sections 06 and 07, not by a quarter point either way. A rate decision adjusts the surface; it does not rebuild the house. Nor do we expect the Bank, or the rest of the world, to decide one morning to return to zero. Money at zero would stimulate the market, and the rest of this report would still be there to balance the picture, but that is not the point. We arrived at today's rates for reasons that are still debated, and what is clear is that no central bank now wants to give money away for nothing, and none is trying to go back. We do not say it is impossible. We say it is not realistic in the period a buyer, a seller or a landlord is planning for. The people who do well in this market will be those who adapt to it, price for it and keep their paperwork in order, not those who are waiting for the past to come back.

If you are buying

On average you have the stronger hand, and it is strongest when it rests on evidence. The discount that matters is the one against completed sales, not against the asking price. There is also less to choose from: 6.7% fewer homes are for sale in prime central London than a year ago, and condition commands a premium. A budget that depends on a mortgage cannot count on a cut: in September no member of the Bank's committee voted to cut and three voted to raise. The data do not reward haste.

If you are selling

The first question is whether you need to sell. If you do, the first asking price is the decision with the longest consequences: across prime London this year, homes that took more than a year to sell did so 19.3% below their first asking price, against 3.9% for those that sold within three months. The figures cannot say whether price or quality made the quick sales quick, but they do show where a year on the market tends to end. If you do not need to sell, this market does not oblige you to.

If you are a landlord

The Act is in force. Five months cannot yet show how possession, arrears and rent challenges work in practice, so we would call it neither a crisis nor routine. What has changed is that compliance is now part of the return: evidence for each rent increase, correct documents, registration from July 2027 if the regulations are approved, a plan for the energy rating, which is announced policy for 2030, and, from April 2027, property income taxed at 24%, 44% and 49%. Using the sale ground to recover a property now means at least sixteen months in which it cannot be let again. Owners without heavy debt are under no pressure from this market to sell; the decision depends on individual circumstances.

If you are an investor

In April we wrote that day one income was the only metric that mattered. Income still matters, and on average prime central London flats fail an income test on their own: before costs they yield less than capital currently earns in a gilt, which measures opportunity cost and is not a like for like comparison. What remains is a long term case for buyers without leverage who value a well located home at a price supported by evidence, can wait, and have counted the cost of entry. For a plan in prime central London that needs borrowing to work, today's rates, lenders' own tests and the tax rates now confirmed for April 2027 do not support the figures. Outside prime central London the arithmetic has to be done property by property.

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10

What we are watching next

Date	Event	Why it matters
5 November 2026	Bank of England decision	Three of nine members already voted to raise Bank Rate
12 November 2026	Ministry of Justice possession statistics for July to September	The first full quarter under the new rules
Coming weeks	Finance Bill 2026-27; third quarter data from Coutts and Rightmove	The legal text of the Budget measures; whether prices and rents on new lettings have turned
15 December 2026	Landlord registration due to open in the first region, if the regulations are approved	The first test of the new database
18 December 2026	Consultation on Awaab's Law for private renting closes	Proposed repair deadlines for landlords
6 April 2027	Property income tax rates of 24%, 44% and 49% for individuals; Making Tax Digital from £30,000	Lower net income for landlords
15 July 2027	Registration due to start for London landlords, deadline 14 October 2027	Let homes in London would need to be registered
Autumn 2027	Draft list of homes within the High Value Council Tax Surcharge	Owners can check their band before the first bills in March 2028
April 2028	High Value Council Tax Surcharge begins	£2,500 to £7,500 a year on homes worth £2 million or more
1 October 2030	EPC rating of C for rented homes (announced policy)	Works to plan and budget well ahead

Sources and methodology

Primary sources

Bank of England: Monetary Policy Summary and Minutes, July and September 2026; exchange rate and gilt yield series.

HM Treasury and HMRC: Budget 2026 and Overview of tax legislation and rates, 28 October 2026. Office for National Statistics (ONS): Consumer Price Inflation, September 2026; Price Index of Private Rents and UK House Price Index (with HM Land Registry), release of 21 October 2026. Ministry of Justice: mortgage and landlord possession statistics, April to June 2026.

Legislation and government: Housing Act 1988 as amended (sections 14ZB and 16E to 16M, Schedule 1); Protection from Eviction Act 1977, section 5; draft Private Rented Sector Database regulations laid 9 September 2026; leasehold valuation consultation of 15 July 2026; Renters' Rights Act 2025 and SI 2026/421; Finance Act 2026; SI 2026/336; GOV.UK and HMRC guidance; announcements and consultations of the Ministry of Housing, Communities and Local Government and the Department for Energy Security and Net Zero; HM Treasury; House of Commons and House of Lords Library briefings; Agenzia delle Entrate.

Market sources

LonRes (prime London sales, lettings and tribunal analysis, July to October 2026, and Prime London Market Update, Autumn 2026); Coutts London Prime Property Index (Q4 2025 and Q2 2026 data); Knight Frank (prime London sales and lettings, September and 2 October 2026); Savills (Prime Central London 2026, landlord survey, third quarter prime index as reported); Nationwide House Price Index, third quarter 2026; Rightmove Rental Trends Tracker, Q2 2026; Zoopla Rental Market Report, September 2026; Hamptons, June, July and August 2026; Moneyfacts, 5 October 2026; Which?, 7 October 2026; The Mortgage Works, published lending criteria.

How to read this report

Editions are named for the quarter in which they are published. This edition follows Q2 2026; there was no Q3 edition. Data are the latest available on 28 October 2026, the day of the Budget, and mostly describe the third quarter. Price indices from different firms use different samples, areas and methods and are not directly comparable: we name the source each time and say when a figure is a valuation index and when it is an average of homes sold. "Prime central London" and "prime London" are the areas defined by each source; in LonRes third quarter figures prime London excludes prime central London. Rent figures are labelled as all tenancies (ONS), asking rents (Rightmove) or achieved rents on new lets (Hamptons). Yields are gross unless stated. This edition contains no REX case studies: where we could not verify an example of our own to the standard of the published data, we left it out. The paragraph headed "REX practice" describes how we work. No proprietary dataset has been used.

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