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R3 MARKET INSIGHTS Q2 2026

Mixed sentiments, but signs of life emerging

A complex picture emerging

Q2 2026 presents a complex picture of mixed resilience and some signs of fragility, possibly reflecting some divergence between buyer sentiment and seller expectations.

Buyers continue to be cautious

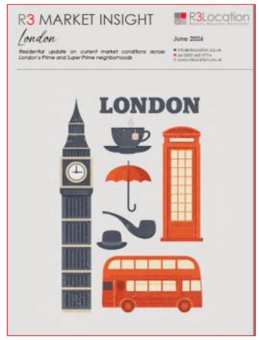
Market fundamentals are weakening, with mortgage approvals dropping sharply in May and house price forecast revised downwards as a result of elevated mortgage rates and geopolitical instability. Our index continues to show a downward trend this quarter (**FIGURE 1**).

A significant and growing risk is the widening gap between asking prices and actual market values, or price achieved (**FIGURE 3**). Newly listed properties seem to include a greater degree of hope value, and we are therefore seeing greater discounts being achieved at the point of sale. It contrasts sharply with evidence of a cautious buyers' market, with transaction pipelines progressing at a more measured pace.

Some optimism ahead

There are, however, better "signs of life" in the market with any sustained rebound dependent on genuine buyer-seller price alignment and a stabilisation in borrowing costs. It is too early to factor in potential fiscal interventions from the new Burnham government and possible effects of reforms such as a Land Value Tax, which remains highly speculative at this stage. With the Prime Minister yet to outline detailed spending cuts or tax proposals, lenders and investors should treat any assumption of major property tax changes as premature, and instead focus on near-term pricing and mortgage rates as the main drivers of market direction.

R3 RESIDENTIAL SALES DASHBOARD



R3 MARKET INSIGHT

Focus on London

In case you missed it! R3 recently published our latest Residential update on current market conditions across London's Prime and Super Prime neighborhoods focusing on Sales market fundamentals, prime neighborhoods review, and an update on the rental market. **Click on the image to access.**

FIGURE 1 - R3 Quarterly Residential Indices

Average property prices as at the end of the month of the date of this Newsletter

R3 started its own two indices for average property prices, with a base of 100 against London average as at March 24.

APPI LON
Average Property Price Index for London

APPI HC
Average Property Price Index for the Home Counties (HC)

	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26
APPI LON	100.0	102.0	103.4	100.4	100.8	102.8	100.9	98.6	97.9	97.2		
APPI HC	54.5	56.0	57.9	55.8	56.1	58.8	58.8	54.8	55.3	57.3		

FIGURE 2 - R3 Average SOLD Price per Square Foot (PSF) Quarterly Indices

Based on average property values as at the end of the month of the date of this Newsletter

R3 started its own two indices for average PSF, with a base of 100 against London average as at March 24.

ASPSF LON
Average "SOLD" **PSF** - Price Per Square Foot in London

ASPSF HC
Average "SOLD" **PSF** - Price Per Square Foot for the HC

	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26
ASPSF LON	100.0	99.8	99.2	99.2	99.3	99.6	99.4	99.1	98.8	98.2		
ASPSF HC	43.5	43.4	43.1	43.1	43.1	43.3	43.2	43.1	42.9	42.7		

FIGURE 3 – Market Key Performance Indicators

Average property values and average ask and sold PSF, including inherent market discount on sales

£'000	London	Home Counties
1-B	507	205
2-B	798	334
3-B	1,314	492
4-B	2,092	716
5-B	3,417	1,115

Average £ PSF

	SOLD	ASK	Discount
London	960	980	(3.7%)
Home Counties	448	438	1.9%

Marco Previero

Director and Research Lead at R3

"There is some tension in the market. Sellers are holding out for premium now above reality, while buyers remain cautious. Lowered price forecast looks realistic, but any recovery hinges on sellers facing facts and Burnham keeping his fiscal hands off property taxes for now.