The new ‘normal’ – prospects for 2026 and 2027

Rob Thomas, Principal Researcher,
Intermediary Mortgage Lenders Association (IMLA)

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Executive summary

- **The housing market is set to remain one of the bright spots of the economy in 2026 and 2027 with prices up 3.0% and 3.1% respectively and turnover rising to 1,250,000 and 1,320,000**. A further decline in both short and longer-term interest rates is the main driver coupled with the impact of the recent relaxation on mortgage regulations.

- **We estimate that gross mortgage lending rose to £288 billion in 2025, up 19% on the previous year.** Lending for house purchase was 18% higher at £184 billion, accounting for 61% of the increase in overall lending. Remortgaging rose 20% to £93 billion and other lending rose 29% to £11 billion.

- **The recovery in the buy-to-let market continued with estimated gross lending of £39 billion, up 15% on 2024.** Buy-to-let house purchase lending increased by a slightly slower 10% to an estimated £11 billion and remortgages by 16% to £26.5 billion.

- **We expect gross mortgage lending to reach £320 billion in 2026 (up 11%), rising a further 9% in 2027 to £350 billion,** with house purchase lending of £205 billion and £225 billion respectively and remortgaging of £103 billion and £110 billion. A further decline in mortgage rates is set to be the most significant factor driving lending volumes higher.

- **We expect buy-to-let lending to rise 13% to £44 billion in 2026 and £48 billion in 2027**, with house purchase lending up 9% and 17% to £12 billion and £14 billion in 2026 and 2027 respectively. The newly enacted Renters' Rights Act could stimulate lending for house purchase by increasing the rate of churn, as more amateur landlords leave the market, being replaced by more professional operators responding to improved rental yields as rents continue to rise.

- **Mortgage arrears are projected to continue to fall in 2026 and 2027.** We estimate that 0.85% of mortgage accounts were in arrears in Q4 2025 and expect this to fall to 0.80% and 0.74% by the end of 2026 and 2027 respectively as the upward repricing of the 'back book' of outstanding mortgages is almost complete.

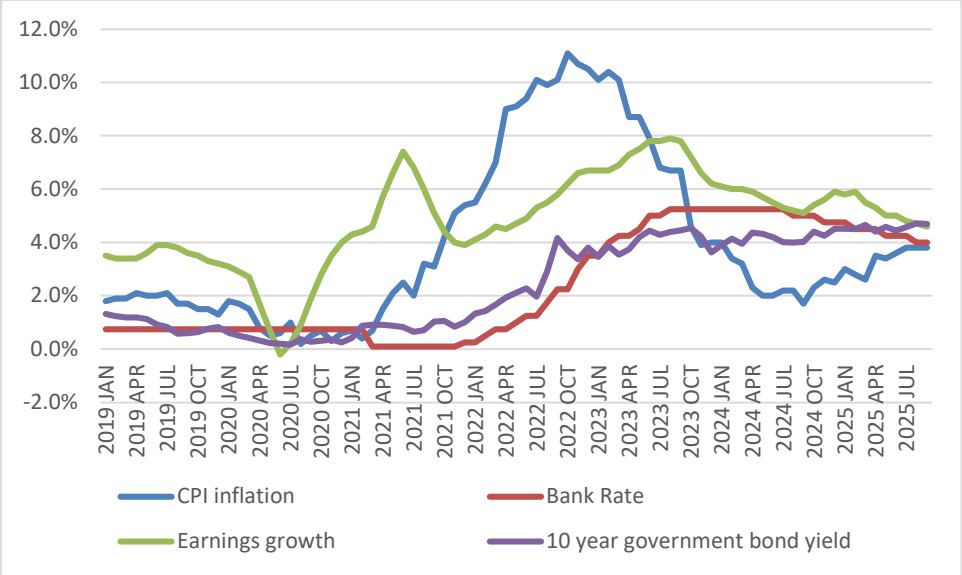
- **Product transfer volumes are heading for a record £250 billion this year.** Product transfers surged in Q3, and we expect the year-on-year increase to exceed that of remortgages. However, in 2026 we see remortgages growing faster as improved affordability opens up more possibilities for customers.

1. The market in 2025

1.1 Stability returns but growth still disappoints

After the major economic shocks of recent years, with Brexit and the Covid pandemic in 2020, the Russian invasion of Ukraine and the financial market disruption following the mini-budget in 2022, the economy has settled into a more stable pattern, as can be seen from Chart 1. But this new normal is marked by higher inflation and interest rates, making it a less benign backdrop for business and, as a result, growth has continued to disappoint. GDP increased by only 0.3% in 2023 and 1.1% in 2024. 2025 is expected to be a little better with forecasters on average expecting 1.4%.

Chart 1 – Inflation, interest rates and earnings growth



Source: ONS, Bank of England

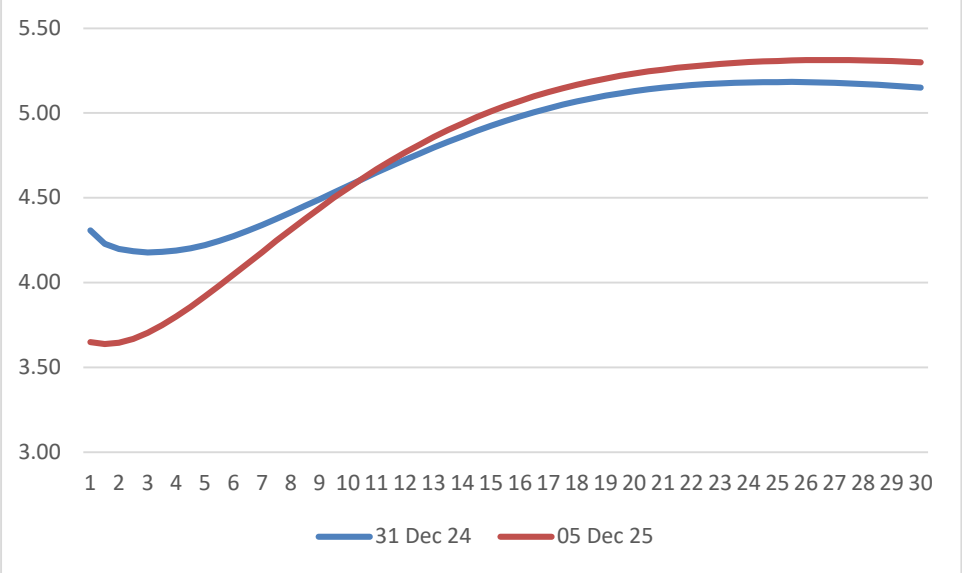
The greatest challenges for the economy over the past two years have been the persistence of inflation, which has prolonged the cost of living crisis for many consumers and required interest rates to remain elevated relative to previous years, heightened concerns about our fiscal position and increased protectionism, led by the US, which is dampening growth in the UK and elsewhere.

The Labour government, which came to office in July 2024, has trumpeted the need for growth but has quickly discovered that engineering it is far from straightforward. Labour inherited a weak fiscal position with net public debt standing at 95% of GDP, close to the highest level since the early 1960s. So, with its commitment not to return to austerity, it has faced the need to raise taxes and, as the increase in employers' national insurance in the Autumn 2024 budget demonstrated, this can undermine the growth agenda.

1.2 Gilt investors remain nervous

Perhaps the greatest challenge facing the government is reconciling its desire to protect public services and welfare support with the need to reassure UK government bond (gilt) investors about its commitment to maintaining fiscal discipline. Investors still seem unsure that the government will prioritise fiscal responsibility. As a consequence, the UK has faced a premium for borrowing relative to other developed nations since Kwasi Kwarteng's mini-budget of 2022. And investor nervousness was evident during the sharp sell-off in the gilt in market in January, in July when it reacted to footage of Rachel Reeves in distress in the House of Commons and, most recently, in the run-up to the budget after she signaled that income tax would not be raised. However, the tax rises in the November budget helped to calm these concerns, at least for now.

Chart 2 – Sterling yield curve (interest rate on gilts by maturity in years)

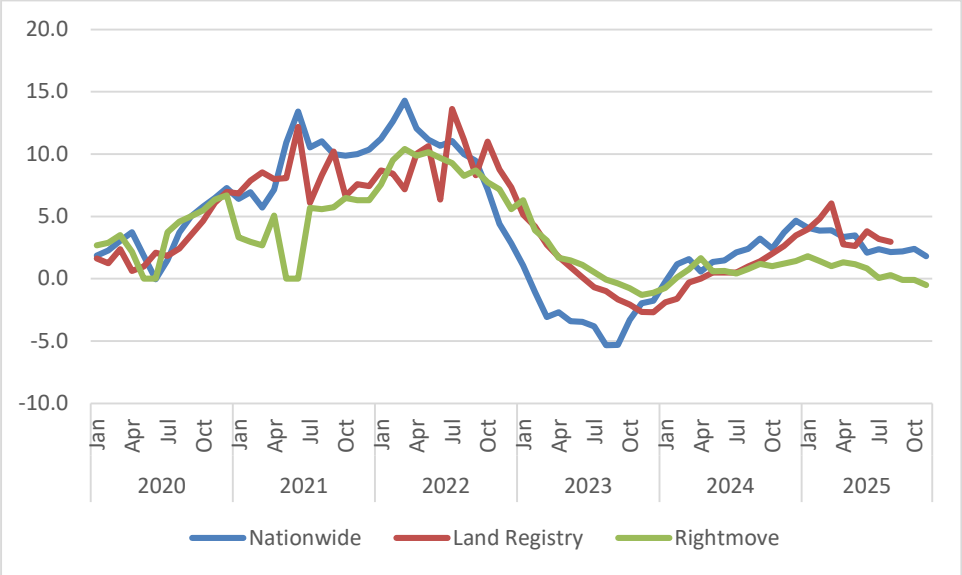


Source: Bank of England

1.3 Housing and mortgage markets remain a bright spot

As the surge in house prices in 2021 and 2022 that can be seen from Chart 3 shows, the housing market was one of the main beneficiaries of the liquidity introduced to offset the effects of Covid, with quantitative easing of £450 billion and between £310-410 billion of additional government spending. But as the government started to unwind this liquidity and interest rates rose sharply from 2022, it might have been expected to hit the housing market quite hard. Indeed, some commentators had worried that a return to more normal interest rates might cause a crisis in the market.

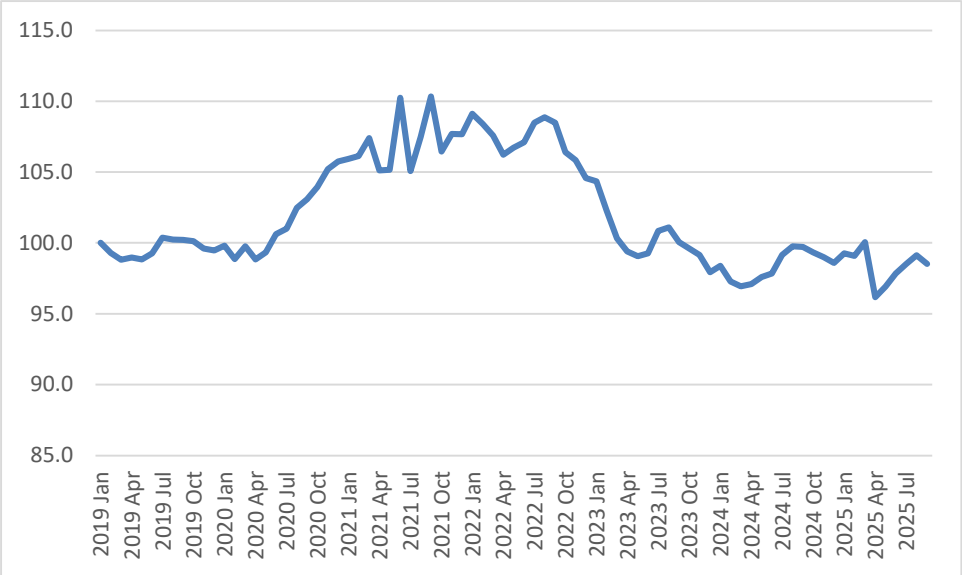
Chart 3 – UK house prices (12 month % increase)



Source: Nationwide Building Society, Rightmove and Land Registry

The housing market defied these pessimistic predictions. There are a number of reasons for this. One is that real (inflation adjusted) house prices fell via higher inflation, protecting the market from large nominal price falls. This can be seen from Chart 4, which shows that house prices in real terms are lower now than at the start of the Covid pandemic thanks to cumulative CPI inflation of 29% since January 2020.

Chart 4 – Real UK house prices (adjusted for CPI inflation, Jan 2019 =100)

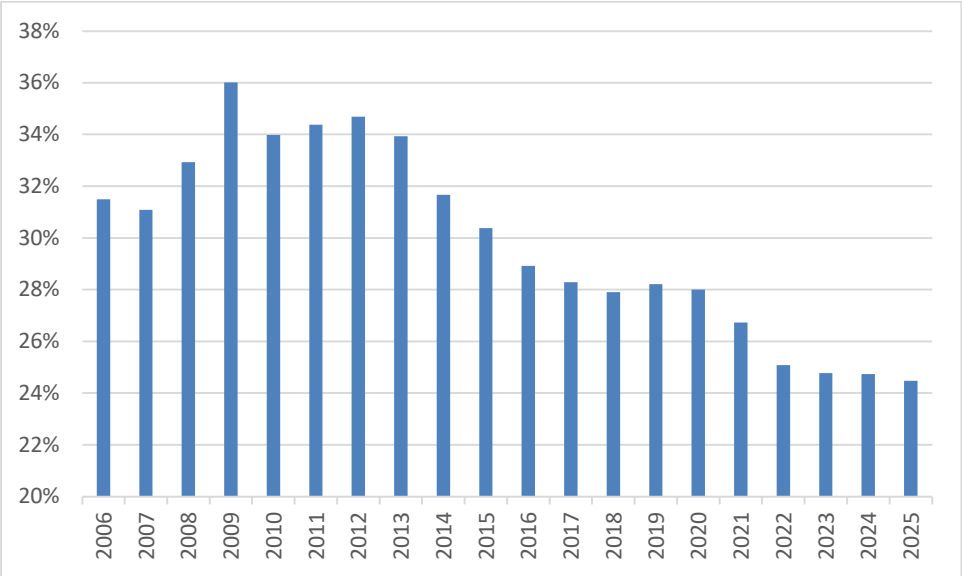


Source: Land registry, Office for National Statistics

Another factor is the shortage of housing, made more acute by record levels of net immigration, which totaled 2.6 million between 2021 and 2024. Another is the conservative nature of mortgage lending since the financial crisis, which has seen more stringent affordability checks and higher deposit requirements, which in turn has ensured that those who have entered the market are better able to withstand higher mortgage costs.

One measure of just how conservative the market has been is the level of housing equity injection. While equity withdrawal was common prior to the financial crisis, since then homeowners have collectively injected a cumulative £677 billion of equity into their homes. As a result, as Chart 5 shows, the estimated average loan-to-value (LTV) of the UK's private housing stock reached a new modern low of 24% in 2025.

Chart 5 – Estimated aggregate LTV of UK housing market

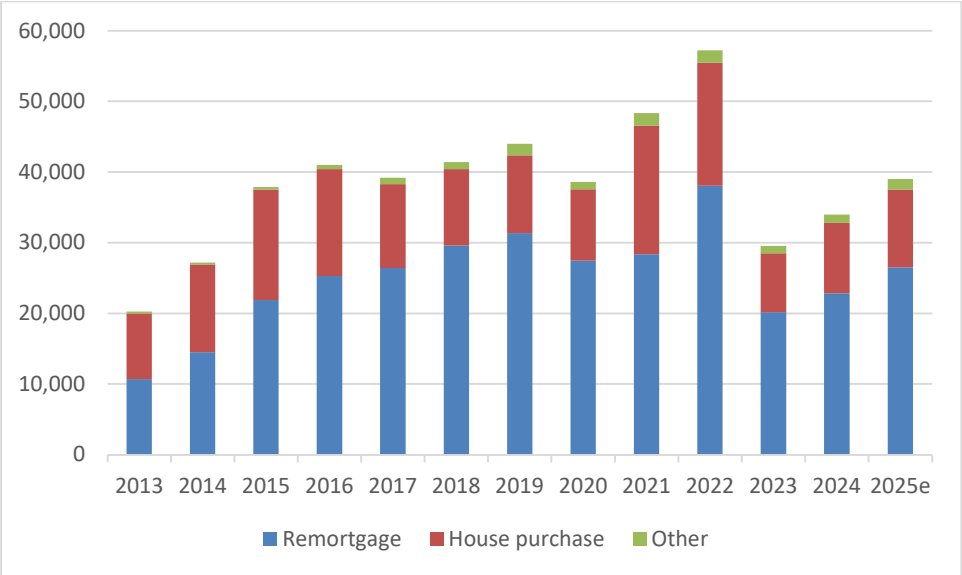


Source: Ministry of Housing, Communities and Local Government, Bank of England, Land Registry

1.4 Buy-to-let recovery continues

As Chart 6 shows, buy-to-let lending reached an estimated £39 billion in 2025, 15% above 2024's total (see Section 4 for a more detailed discussion of the new act). House purchase lending rose by 10% to an estimated £11 billion and remortgages by 16% to £26.5 billion.

Chart 6 – Buy-to-let lending (£ million)



Source: UK Finance

The rental market has benefited from higher demand, in part as a result of the high rates of net immigration mentioned above. This has suppressed voids and driven up rental yields, which Paragon Mortgages estimate were 7.0% at the end of Q3, close to the highest level of the last decade. Anecdotal evidence suggests that smaller landlords are exiting the market with more professional ones selectively increasing their portfolios. This churn is helping to stimulate buy-to-let house purchase lending.

2. The mortgage market outlook for 2026 and 2027

2.1 Broader economic environment in 2026 and 2027

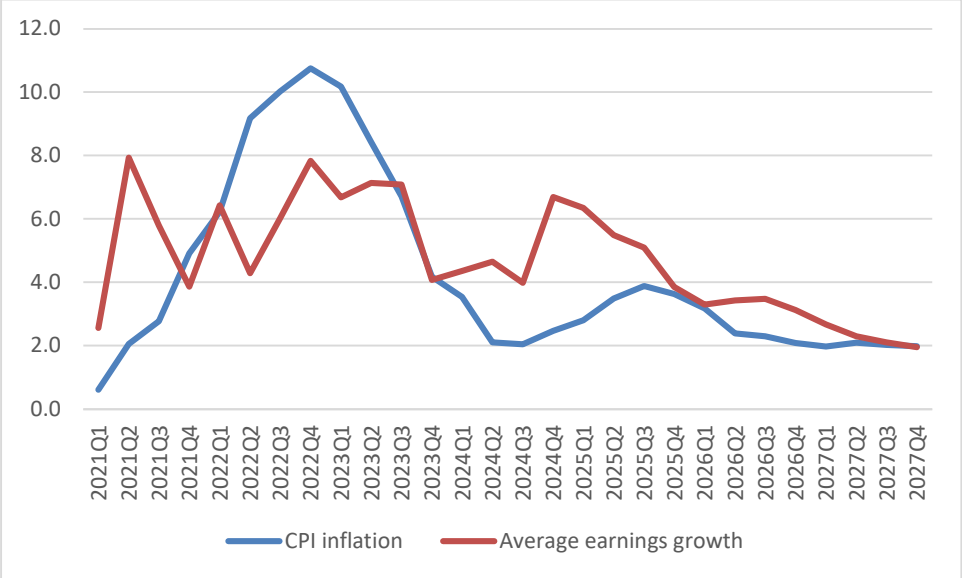
Table 1 – key forecast assumptions

	Past values		Forecast values				
	2024	2025e	2026f	2027f	2025/24f	2026/25f	2027/26f
Real GDP (£bn)	2,783	2,820	2,860	2,910	1.3%	1.4%	1.7%
Unemployment rate (Q4)	4.4%	5.2%	5.6%	5.7%	18.2%	7.7%	1.8%
CPI inflation rate (Q4)	2.5%	3.5%	2.7%	2.4%	40.0%	-22.9%	-11.1%
Earnings growth (Q4)	5.9%	4.3%	3.2%	3.0%	-27.1%	-25.6%	-6.3%
Current account (£bn)	-63	-90	-80	-70	42.9%	-11.1%	-12.5%
House prices (average for year)	260,586	269,329	277,298	286,000	3.4%	3.0%	3.1%
Housing transactions (UK, thousands)	1,100	1,180	1,250	1,320	7.3%	5.9%	5.6%
10-year government bond yield (Q4)	4.4%	4.6%	4.2%	3.8%	4.5%	-8.7%	-9.5%
Bank Rate (Q4)	4.75%	3.75%	3.50%	3.50%	-21.1%	-6.7%	0.0%

Source: IMLA, ONS, Land Registry, HMRC, Bank of England

Table 1 shows our forecast for key macroeconomic variables, as well as our house price and turnover projections, which inform our mortgage market predictions. We expect growth to pick up slightly in 2026 and 2027 while lower inflation should allow real household incomes to rise and lower interest rates should support investment and consumption.

Chart 7 – OBR November 2025 projections for earnings growth and inflation



Source: Office for Budget Responsibility (OBR)

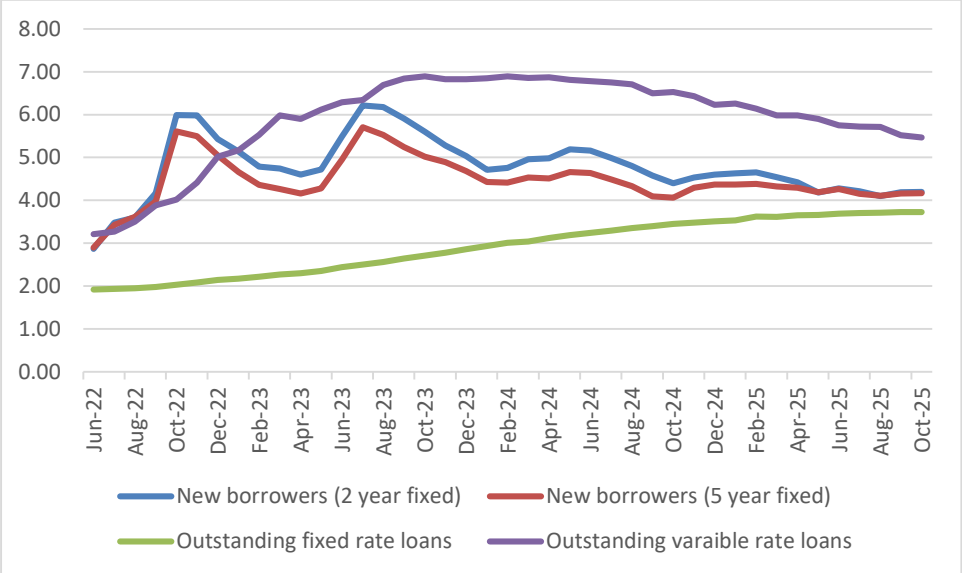
The OBR lowered its productivity growth projections in the forecast round leading up to the November budget, making it more difficult for Rachel Reeves to meet her fiscal rule of borrowing only to invest by 2029-30. This reflected disappointing productivity growth in recent years but also new issues, including the impact of higher US tariffs, contributing to a downgrading of growth projections for 2026 and 2027 from 1.9% and

1.8% to 1.4% and 1.5%. This was a major factor behind the Chancellor's decision to raise taxes by £26 billion, a little under 1% of GDP.

2.2 Outlook for the UK housing market

After managing the shift to higher interest rates in 2022 and 2023 without serious dislocation, the housing market has entered a more stable period. As Chart 8 shows, mortgage rates have been falling for both fixed and variable rate products over the past 2-3 years. The average rate paid on the existing stock of fixed-rate mortgages has gradually adjusted up as borrowers remortgage and transfer onto higher-rate products and is now almost in line with new fixed rates.

Chart 8 – % interest rate on new and existing mortgages



Source: Bank of England

With the labour market cooling and inflationary pressures expected to continue to ease, albeit not as fast as was hoped, the prospects for further modest Bank Rate cuts are good. We expect Bank Rate to be 3.5% at the end of 2026 and 2027. Fixed-rate pricing is also now being helped by a fairly positive response to the budget in the bond market, pushing the yield on 10-year government bonds down to 4.5%, close to the lowest levels of 2025, which has reduced interest rate swap prices used to price fixed-rate mortgages. We expect a further modest easing of bond yields in 2026 and 2027, but this forecast is vulnerable if current government spending is not tightly controlled.

Easing mortgage rules are also likely to support housing demand, particularly amongst households which have remained in the private rented sector because of the hurdles these rules, particularly the loan-to-income (LTI) flow limit, imposed. IMLA has estimated that over 3 million households who would have been expected to buy their first home on past trends have not done so since the financial crisis. This represents a considerable source of pent-up demand, which is likely to support the house purchase market even if the labour market continues to cool.

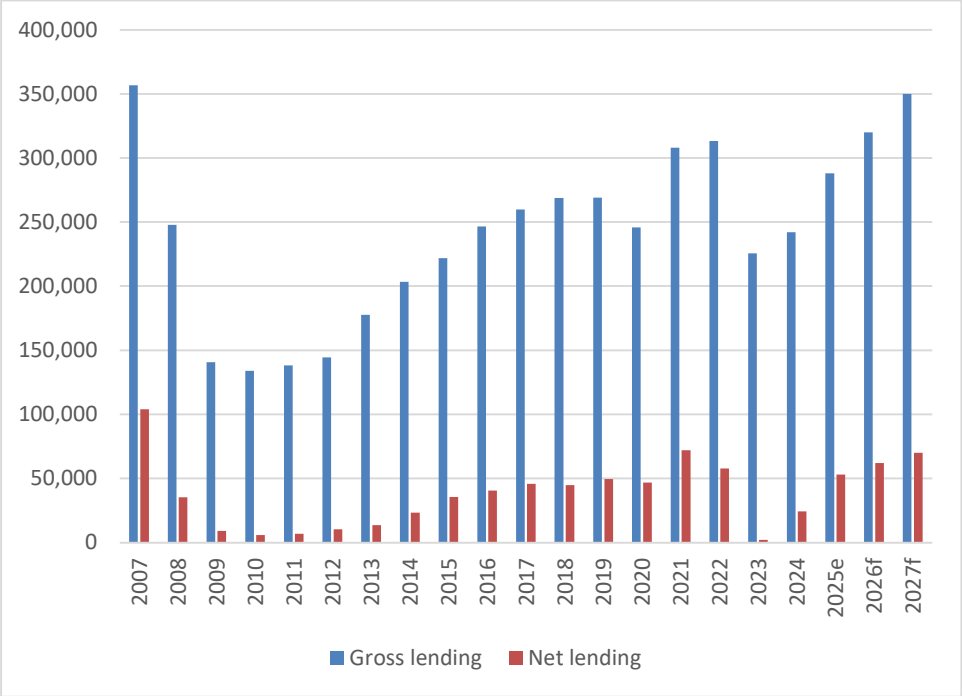
2.3 Mortgage outturn relative to previous year's forecast

In last year's report, IMLA forecast gross mortgage lending of £275 billion for 2025 including £177 billion for house purchase and remortgaging of £88 billion, with net lending of £45 billion. By way of comparison, UK Finance forecast gross lending of £260 billion (£157 billion for house purchase and £99 billion of remortgaging) and net lending of £34 billion while the October 2024 OBR report forecast net mortgage lending of £33 billion.

The estimated outturns for 2025 were gross lending of £288 billion, of which house purchase was £184 billion and remortgaging of £93 billion, with net lending of £53 billion. Last year, IMLA and UK Finance forecast buy-to-let lending of £38 billion and £32 billion respectively for 2025. The outturn was an estimated £39 billion.

2.4 Mortgage market forecast for 2026 and 2027

Chart 9 - Forecasts for gross and net lending (£m)



Source: Bank of England and IMLA

As Chart 9 shows, we expect total gross mortgage lending to rise to £320 billion in 2026, increasing further to £350 billion in 2027, underpinned by improving affordability resulting from lower mortgage rates and wage growth slightly outpacing house prices, coupled with the impact of mortgage policy relaxation, particularly with regard to the LTI flow limit. We expect net mortgage lending to rise to £62 billion in 2026 and £70 billion in 2027, with the stock of mortgage debt rising by a little under 4% a year.

We expect house purchase lending to account for two thirds of the growth in lending in 2026, reaching £205 billion. In 2027, we expect this figure to rise to £225 billion,

again accounting for the majority of the growth in lending. We forecast remortgage lending of £103 billion in 2026 and £110 billion in 2027, slowed slightly by the ongoing shift to product transfers.

The share of lending conducted through intermediaries has stabilised over the last couple of years at around 87%. As a result, our forecast projects that the share will remain broadly flat at this level in 2026 and 2027.

Table 2 – Mortgage market forecast

Gross mortgage lending (£m)

	2024	2025e	2026f	2027f	2025/24e	2026/25f	2027/26f
House purchase	155,933	184,000	205,000	225,000	18.0%	11.4%	9.8%
Remortgage	77,582	93,000	103,000	110,000	19.9%	10.8%	6.8%
Other	8,501	11,000	12,000	15,000	29.4%	9.1%	25.0%
Total	242,016	288,000	320,000	350,000	19.0%	11.1%	9.4%
of which:							
Buy-to-let lending	33,962	39,000	44,000	48,000	14.8%	12.8%	9.1%
of which for house purchase	10,004	11,000	12,000	14,000	10.0%	9.1%	16.7%
Buy-to-let share of total	14.0%	13.5%	13.8%	13.7%	-3.5%	1.5%	-0.3%
Lending via intermediaries*	178,329	204,531	225,000	240,000	14.7%	10.0%	6.7%
Share of total*	86.8%	86.5%	86.9%	87.0%	-0.4%	0.5%	0.1%
Net lending	24,327	53,000	62,000	70,000	117.9%	17.0%	12.9%
Product transfers	217,435	250,000	260,000	280,000	15.0%	4.0%	7.7%
2.5%+ arrears (thousands Q4)	104,770	90,000	84,000	78,000	-14.1%	-6.7%	-7.1%
Possessions (thousands)	6,440	9,000	10,000	9,000	39.8%	11.1%	-10.0%

* Regulated loans only

Source: IMLA, Bank of England, UK Finance

Mortgage arrears have been on a steady downward trend since early 2024 and we predict a further decline in 2026 and 2027. We expect arrears of more than 2.5% of loan balances to fall from a projected 0.85% of accounts at the end of 2025 to 0.80% by the end of 2026, with a further fall to 0.74% in 2027. In contrast, the trend in repossessions has been up, rising from 6,400 in 2024 to an estimated 9,000 in 2025, as long term mortgage arrears were on the rise, but these have now stabilised and we therefore expect possessions to also stabilise, with 10,000 in 2026 and 9,000 in 2027.

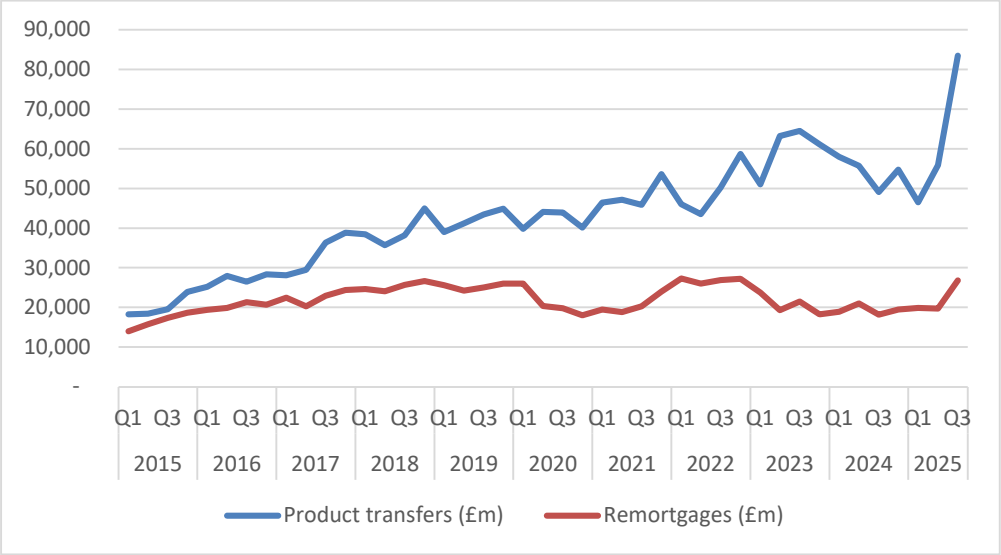
2.4 Product transfers and remortgages

Product transfer volumes reached a record high in the first three quarters of 2025, with a particularly strong figure of £83 billion in Q3 alone (see Chart 10). As a result, product transfers are growing slightly faster than remortgages but we expect this trend to reverse in 2026 with a 11% rise in remortgages compared to only 4% for product transfers.

The biggest shift to product transfers occurred in 2023 as higher interest rates stretched affordability, making it harder for some customers to find remortgage options that met affordability criteria. But lower interest rates are increasing the range

of customers who can access remortgage deals, which could spur a relative resurgence in the remortgage market in 2026.

Chart 10 – Value of product transfers/remortgages (quarterly £billion)



Source: UK Finance

2.5 Buy-to-let mortgage market forecast

Table 3 – Buy-to-let and wider mortgage market forecasts compared

	2024	2025e	2026f	2027f	2025/24e	2026/25f	2027/26f
Whole market							
Outstanding debt (£bn)	1,645	1,698	1,760	1,830	3.2%	3.7%	4.0%
House purchase lending (£m)	155,933	184,000	205,000	225,000	18.0%	11.4%	9.8%
House purchase % churn	9.5%	11.0%	11.9%	12.5%	15.3%	7.7%	5.7%
Remortgage	77,582	93,000	103,000	110,000	19.9%	10.8%	6.8%
Remortgage % churn	4.8%	5.6%	6.0%	6.1%	17.1%	7.1%	2.9%
Total % churn	14.8%	17.2%	18.5%	19.5%	16.3%	7.4%	5.4%
Buy-to-let market							
Outstanding debt (£bn)	299	312	325	338	4.3%	4.2%	4.0%
House purchase lending (£m)	10,004	11,000	12,000	14,000	10.0%	9.1%	16.7%
House purchase % churn	3.3%	3.6%	3.8%	4.2%	8.0%	4.6%	12.1%
Remortgage	22,821	26,500	28,000	29,000	16.1%	5.7%	3.6%
Remortgage % churn	7.6%	8.7%	8.8%	8.7%	14.1%	1.3%	-0.5%
Total % churn	11.3%	12.8%	13.8%	14.5%	12.8%	8.2%	4.8%
Buy-to-let % of total market							
Outstanding debt	18.2%	18.4%	18.5%	18.5%	1.1%	0.5%	0.0%
House purchase lending	6.4%	6.0%	5.9%	6.2%	-6.8%	-2.1%	6.3%
Remortgage	29.4%	28.5%	27.2%	26.4%	-3.1%	-4.6%	-3.0%
Total lending	14.0%	13.5%	13.8%	13.7%	-3.5%	1.5%	-0.3%

Source: Bank of England, UK Finance and IMLA

We expect the recovery in buy-to-let lending to continue with gross lending reaching £44 billion in 2026 and £48 billion in 2027. Within this total, we forecast that

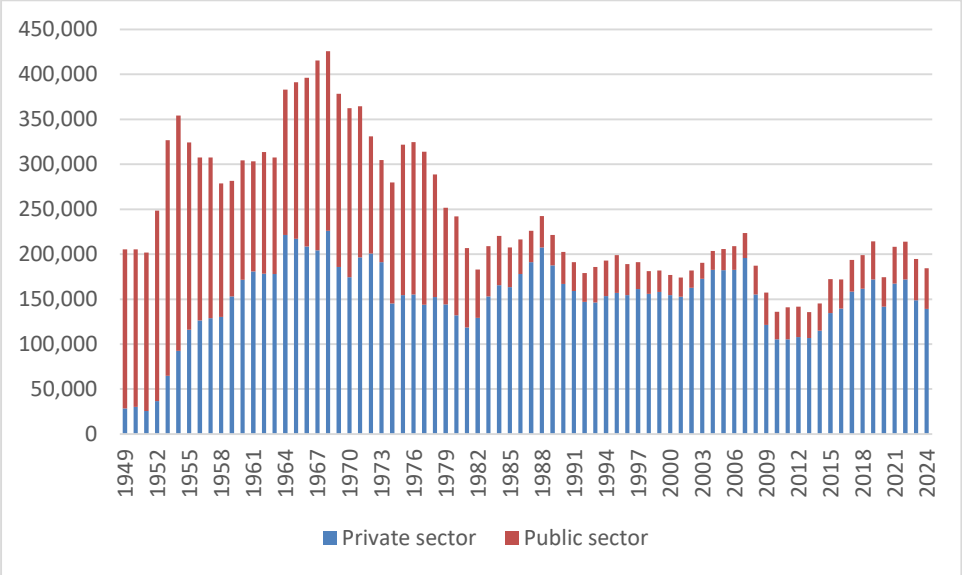
remortgage volumes will be £30 billion and £31.5 billion and house purchase lending £12 billion and £14 billion respectively in 2026 and 2027. Section 3 examines the implications of the Renters' Rights Act in more detail. One result could be higher house purchase lending, as the Act is likely to increase the level of churn as amateur landlords exit the market, often to be replaced with more professional operators.

3. Can the government meet its housebuilding target?

3.1 The scale of the challenge

The Labour government has placed great emphasis on its target to build 1.5 million new homes during the current Parliament. It sees stimulating housebuilding as essential both to address the housing shortfall and to bolster growth in the economy. Chart 11 reveals just how ambitious such a target of 300,000 a year is. The last year which saw this level of housebuilding was 1977, but this was in a period when local authorities were still building on a large scale, boosting overall output.

Chart 11 – Annual housing completions



Source: Office for National Statistics

Since WWII, the private sector has never completed more than 230,000 homes a year, the peak being 226,000 in 1968, but the average since 2010 has been only 140,000. The government has allocated funds to increase social housing production but this is only likely to add some 26,000 units, so it remains reliant on private sector housebuilders to meet its ambitious building targets.

But private sector housebuilders are operating under a range of constraints which have contributed to a fall in completions of around 30% since 2022. Builders have cited the combined impact of: the increased cost of construction materials, a slow and understaffed planning system, skill shortages, the burden of increased regulation to meet carbon reduction targets, requirements for improved safety in apartment blocks (since the Grenfell Tower tragedy) and requirements to include affordable housing units, which weigh on the viability of new housing projects.

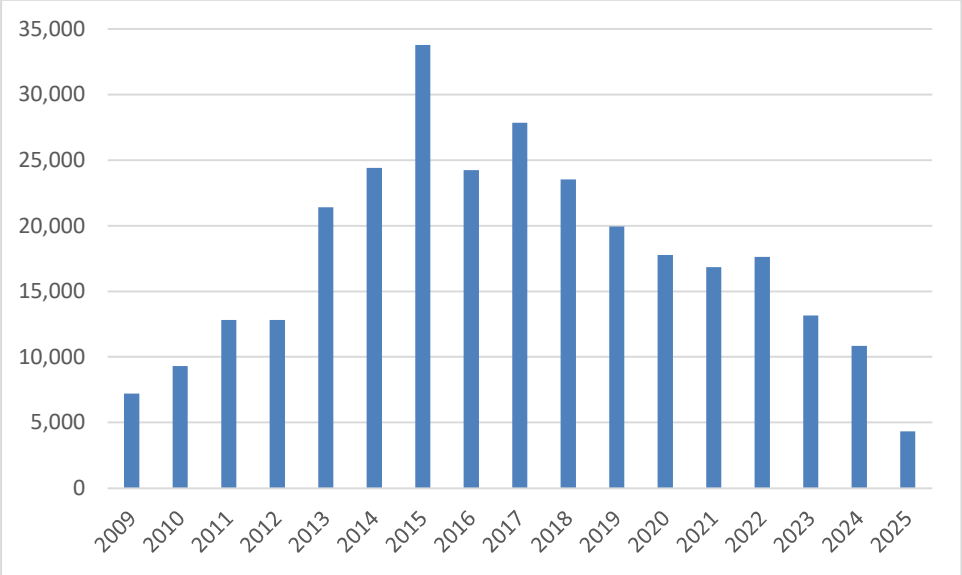
The government is trying to address the problems with the planning system through the Planning and Infrastructure Bill and with funds to increase the number of planning officers. But it has shown no serious inclination to address the burden of building

regulation which is adding to the cost of new homes and undermining the viability of new projects. This is a particular problem in London, which we turn to next.

3.2 The London housebuilding crisis

While housebuilding volumes have slipped nationally since Labour came to power, a far more serious situation has developed in London. According to the research firm Molior, during the first 9 months of 2025 only 3,248 units were started, an annual rate of just 4,331, compared to an average of 20,000 a year since 2013. Some experts have described the situation as a perfect storm and, ironically for a government with ambitious housebuilding target, government policy is largely responsible.

Chart 12 – Annual housing starts in London



Source: Molior

Because of the high cost of land in the capital, most sites require high densities to be economically viable and this means blocks of flats and, increasingly, high-rise flats. But high-rise developments have to be built at once, committing builders to large capital outlays, unlike housing developments, where production can be drip-fed.

To compensate for this, builders have traditionally relied heavily on off-plan sales, where buyers commit to purchasing and pay a deposit before work even starts. These were popular with oversea investors, particularly in East Asia, but changes to the tax regime have made UK residential property a less attractive option. Build-to-rent has also reduced, in part because of investor concerns about the potential impact of the Renters' Rights Act.

The Building Safety Act, introduced as a result of the Grenfell Tower tragedy, applies to any development over 18 meters or six storeys, and imposes significant new costs including the requirement that each block must have a second stairwell. It also created the Building Safety Regulator to oversee development, and this has slowed the development process.

The requirement to provide affordable housing and delays in the planning system are also frequently cited as factors slowing development. In recognition of this the Mayor of London, Sadiq Kahn, agreed in October to cut the affordable homes ratio from 35% to 20%. This may not be sufficient on its own to overcome the other factors holding back new projects.

The London market is different from that of other regions but the problems that government policy has imposed are not unique to the capital. It seems the government has a lot more to do, particularly in re-engineering regulations, if it stands any chance of coming close to its building targets.

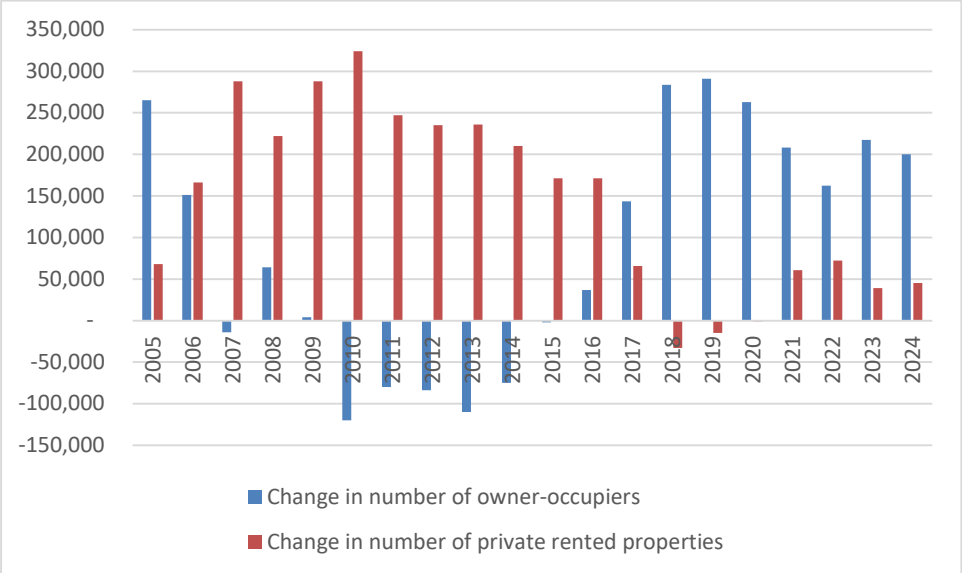
4. Assessing the impact of the Righters' Rights Act

4.1 Impact of existing tax and regulatory changes

The Renters' Rights Act received Royal Assent on 27 October 2025. It introduces the most far-reaching changes to the private rented sector since the 1988 Housing Act, which established Assured Shorthold Tenancies (ASTs), but which are now to be abolished. But the new Act follows an established pattern of increasing regulation seen since the 2004 Housing Act, which gave local authorities the power to introduce Houses in Multiple Occupation (HMO) licensing.

It also follows a series of tax changes, initiated by George Osborne in 2015, which have targeted the private rented sector. These included the removal of the mortgage interest tax deduction and a stamp duty surcharge, which was raised to 5% in last year's budget. The impact, particularly of the tax changes, is evident from Chart 13. Between the start of 2005 and the end of 2017, an additional 2.7 million properties entered the private rented sector but, between 2018 and 2024, the total was only 170,000 despite a rapidly-growing population. The result has been a cumulative increase in the under-supply of rented homes.

Chart 13 – Annual change in number of owner-occupiers and PRS properties



Source: MHCLG

4.2 Summary of the Renters' Rights Act

The new Act includes a wide range of measures designed to favour tenants. These include:

- **Abolishing Assured Shorthold Tenancies (AST)** and replacing them with periodic tenancies under which landlords can only give notice for one of a series of defined reasons, to be effective across all tenancies at once.

- **Providing tenants with the right to appeal rent increases.** An independent tribunal will determine whether any new rent is in line with market prices and therefore lawful.

- **Increasing the amount of rent arrears required before eviction proceedings can be commenced** and increasing notice periods for possession for other grounds.

- **Introducing a Landlord Ombudsman** to assess tenants' complaints about their landlord.

- **Requiring landlords to register on a national database.**

- **Allowing tenants to request a pet**, which the landlord must consider and cannot unreasonably refuse.

- **Applying the Decent Homes Standard to private landlords.**

- **Applying 'Awaab's Law' to the sector**, setting clear legal expectations about the timeframes within which landlords must take action to make homes safe where they contain serious hazards.

- **Making it illegal for landlords and agents to discriminate against prospective tenants in receipt of benefits or with children.**

- **Making it illegal for landlords and agents to accept offers above the advertised rent.**

- **Strengthening local authority enforcement** by expanding civil penalties, introducing a package of investigatory powers and bringing in a new requirement for local authorities to report on enforcement activity.

- **Increasing rent repayment orders** by doubling the maximum penalty and ensuring repeat offenders have to repay the maximum amount.

The main provisions will be introduced on 1 May 2026. Unsurprisingly, landlord representative bodies and letting agents have expressed concern about the scale of additional burdens the Act imposes on landlords and the extent to which they favour tenants. There is also concern about the government's plan to require all private rented homes to have a minimum C rating Energy Performance Certificate by 2030.

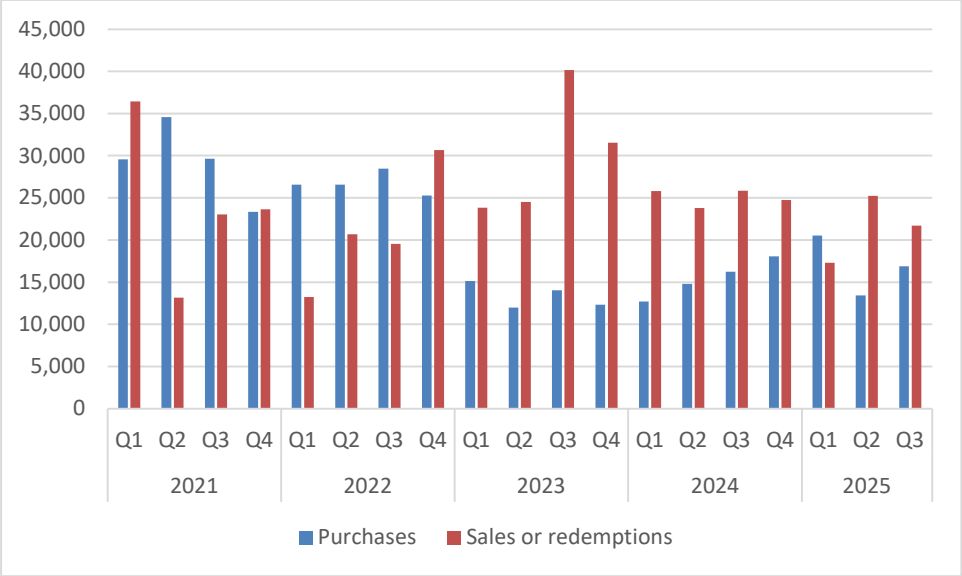
4.3 Possible impact of the Renters' Rights Act

Can we anticipate the likely consequences of the new Act? Firstly, the private rented sector plays a vital role in the housing system, accommodating some 19% of households in England. With a shortage of social rented accommodation and the difficulty many families have accessing homeownership, demand is unlikely to shrink

appreciably. This suggests that the chronic under-supply, which can be seen in the RICS Residential Market Survey, is likely to worsen.

Although there is a lack of timely data on the private rented sector as a whole, we can use buy-to-let mortgage data as a guide to trends in supply. As Chart 14 shows, since the final quarter of 2022 buy-to-let mortgage redemptions, either via sales or debt repayment, have exceeded new house purchases in every quarter bar one, and it seems likely this pattern will continue.

Chart 14 – Buy-to-let purchases and sales/redemptions



Source: UK Finance

For landlords, renting out property must deliver sufficiently appealing returns for the risk and effort relative to alternative investments. As most of the provisions of the Renters' Rights Act increase either risk or cost, it is reasonable to expect landlords to require an offsetting rise in revenues and returns. Also, for some landlords, particularly at the amateur end of the market, with 1-3 properties, the burden of keeping up with such a large additional range of measures on top of the extensive list of regulations already in place, may be a catalyst for exiting the market altogether.

There is indeed anecdotal evidence that amateur landlords are selling and being replaced by more professional operators with larger portfolios. And from this trend we can draw a second conclusion. In the *IMLA landlord survey: understanding today's private rented sector providers*, published in December 2023, we presented the findings of our landlord survey. Data from that survey shows that the median rental yield for professional landlords, defined as having a portfolio of four or more rented properties, is 5.0%, compared to 4.5% for amateurs, defined as having up to three properties.

So the shift to professional landlords, who are likely to better understand what represents a commercial return, that the Renters' Rights Act is likely to accelerate, is consistent with higher rents. This should not surprise us. In any industry, increasing the burden of regulation and risk is likely to result in higher prices for consumers.

There are also concerns about the impact on individuals who rent out their home while away on work for a year or two. With the need to go to court to get a property back, many may conclude, as they did in the era before ASTs were introduced, that it is simpler and safer to leave a property empty. Thus government policy is likely to result directly in a rise in the number of empty homes.

But one consequence of the Renters' Rights Act which might appear more surprising is a rise in the level of house purchase lending. We forecast that this will show a healthy increase in 2026 and 2027 to £12 billion and £14 billion respectively, in part because the Renters' Right Act will increase churn by accelerating the departure of amateur landlords, with many of these properties likely to be bought by professional or portfolio landlords.

5. Conclusion

2025 again revealed a pattern of resilience in the UK housing market, as we have witnessed consistently in recent years. Despite a lacklustre economic backdrop with slow growth and rising taxes, the housing market saw growth in both turnover and prices. As a consequence, 2025 was a strong year for mortgage lending, with first-time buyers being a particularly bright spot.

There are a number of reasons to believe that this positive pattern will extend into 2026 and 2027: interest rates are likely to continue to decline, albeit modestly, as inflation gradually eases back; the economy should pick up somewhat; and the imbalance of supply and demand will continue to exert modest upward pressure on house prices.

Two factors suggest that inadequate housing supply is set to remain a feature of the market in the coming years. First, despite ambitious targets from government to have 300,000 new homes built a year in this Parliament, housebuilding is scarcely half this figure and is actually in decline, particularly in London, where housing starts collapsed to less than 1,000 in Q3 2025. Although the government is attempting to improve our notoriously slow planning system, it seems to have no appetite to address building regulations that have pushed up the cost of construction and driven smaller builders out of the market.

Secondly, by increasing landlord costs and risks, the Renters' Rights Act, the main provisions of which are to be introduced in May 2026, is likely to raise rents and reduce choice for tenants. This creates a greater push factor towards home ownership, making it a relatively more attractive option for many households who are currently renting.

At the same time, the easing of mortgage regulations that have kept many younger households out of homeownership provides a pathway for many to buy their first home. This is especially true of the LTI flow limit, which constrained the number of loans at 4.5 times income and above, despite the fact that the FCA affordability assessment shows that many households can afford to borrow well above that level. It is perhaps ironic that a government that favours enhanced regulations in many areas may find the greatest benefits come from the modest deregulation it has championed in the lending markets.

Media contacts

For further information please contact:

- Rob Thomas, Director of Research, on 01825 733622
- Paula John Communications: paula.john@imla.org.uk (+44 (0)7973 435 299)

About IMLA

The Intermediary Mortgage Lenders Association (IMLA) is the trade association that represents mortgage lenders who lend to UK consumers and businesses wholly or predominantly via the broker channel. Its membership of 54 banks, building societies and specialist lenders include 18 of the 20 largest UK mortgage lenders (measured by gross lending) and account for approximately 93% of gross mortgage lending.

IMLA provides a unique, democratic forum where intermediary lenders can work together with industry, regulators and government on initiatives to support a stable and inclusive mortgage market.

Originally founded in 1988, IMLA has close working relationships with key stakeholders including the Association of Mortgage Intermediaries (AMI), Building Societies Association, UK Finance and the Financial Conduct Authority (FCA).

Visit www.imla.org.uk to view the full list of IMLA members and associate members and learn more about IMLA's work.

About the author

Rob Thomas is a Director of Research at Instinctif Partners. He previously served as an economist at the Bank of England (1989-1994), a high-profile analyst at the investment bank UBS (1994-2001) and as senior policy adviser to the Council of Mortgage Lenders (2005-12). He was also the project originator and manager at the European Mortgage Finance Agency project (2001-05) and created the blueprint for the government's NewBuy mortgage scheme and Deposit Unlock.