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SANDHÜTEL · REAL ESTATE WEEKLY

Week ending Friday 14 August 2026 · sandhutel.com

Lenders Are Undercutting The Averages... London Still Is Not Buying It!

THIS WEEK AT A GLANCE

- Lenders keep sharpening pricing at the edges while the averages barely move.
- London sellers face a market that prices conviction before it prices postcode.
- Regulators are quietly tightening how construction and lending data get checked before anyone trusts them.

The property finance story this week is not about direction. It is about dispersion.

Average mortgage pricing barely moved. The best rates on offer kept drifting lower anyway, and the gap between what a well positioned borrower can secure and what the average buyer sees on a comparison site is widening. That gap is where the real competition for business is happening now.

London tells a different story. The city is not short of demand or short of capital. It is short of buyers who can finance today's asking prices, and nine straight months of annual falls says the adjustment has further to run before that changes.

Growth data added a third thread this week, though it matters less for property than it sounds. UK GDP grew 0.4% in the second quarter, while new construction orders dropped 11.8% over the same period. A stronger growth print does not change what a lender will offer or what a London seller can achieve, and that is where we start.

Rates And Lending

The Bank of England held Bank Rate at 3.75% on 30 July, and the vote split six to three, with three members still pushing for an immediate rise to 4.00%. The next decision falls on 17 September, and until then the committee is offering borrowers no direction at all, only a range of opinion.

That has left lenders to compete on their own terms. Rightmove and Podium put the average two year fixed rate at 5.10% and the average five year at 5.13%, but the lowest advertised rates sit meaningfully below that, at 4.46% and 4.48%. Moneyfacts, cited by the Financial Times and The Sun, puts the average two year fixed around 5.63% and the average five year nearer 5.66%. Three sources, three averages, and the gap between them is the real story: the best priced borrower is paying more than a full percentage point less than the borrower reading only the Moneyfacts average.

Underneath the pricing, the lending itself is holding up. Net mortgage approvals reached 58,200 in June and remortgage approvals came in at 34,200, with net mortgage borrowing of £7.7bn. The effective rate on newly drawn secured lending was 4.35%, comfortably below most advertised fixed rates, a reminder that the deals actually completing are rarely the ones on the rate table.

Borrowers who shop the full market are paying more than a point less than borrowers who do not.

Demand And Transaction Activity

Transaction volumes are holding closer to normal than sentiment suggests. HMRC recorded 98,700 seasonally adjusted residential transactions in June, up 2% on the year, and Chris Watkin's weekly tracking shows 760,000 homes on the market with 475,000 sitting in agents' pipelines, a sell through rate of 13.8% and a fall through rate of 24.3%.

RICS members remain more downbeat than the transaction data suggests, with June's survey recording minus 29% for new buyer enquiries and minus 33% for house price expectations. The Guardian reported this week that July's survey continues to describe conditions as subdued, though the full July figures were not yet available to verify.

Pricing behaviour is where the caution actually shows. Rightmove's national asking price fell 1.0% on the month to £372,359, and the gap between average new listing prices and the prices homes actually go under offer at now runs to 11.3%. Homes needing a price reduction take 127 days to sell against 36 days for those priced correctly from the outset, a 91 day gap sellers pay for in patience rather than cash.

Correctly priced stock is still selling in a third of the time reduced stock takes.

London

London recorded its ninth consecutive month of annual price falls on the ONS measure, down 3.7% in May with Inner London down 5.9% and Outer London essentially flat at minus 0.3%. Lloyds puts annual growth for Greater London at minus 1.3% in July, with the South East down 2.0%, the only major regions still recording annual falls on either measure.

Rightmove's asking price data agrees on direction, down 1.6% on the month to £676,248, with the average time to secure a buyer stretching to 70 days. Knight Frank's prime central London index fell 3.6% annually in June, the second straight month of decline, with transactions down 14%. Prime outer London told a different story: prices down only 0.4% annually, yet offers rose 5% even as transactions fell 7%.

Rental performance is moving in the opposite direction, and that divergence remains the real London story. Average rent reached £2,302 a month in June, up 2.2% on the year, with Kensington and Chelsea averaging £3,596. Savills recorded prime central London rental growth of 1.5% annually and prime outer London growth of 2.5%. Owners are watching capital values fall while rental income keeps climbing. Supply will not close that gap either: London Assembly figures show only 14,335 affordable starts against a revised target of 17,800 to 19,000.

Nine months of falling prices and rising rents is not a demand problem. It is a financing problem.

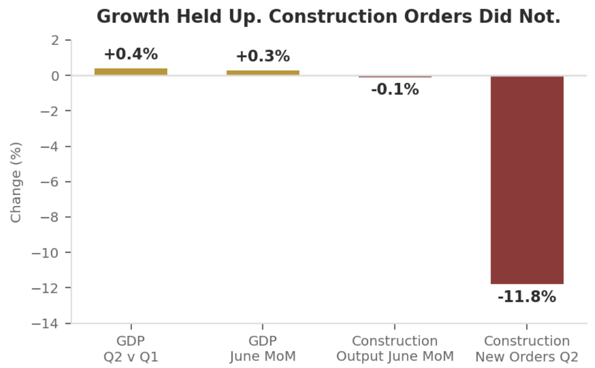
Regulatory And Policy Developments

The ONS published a correction notice this week confirming that public housing new work data has been affected by an error running from January 2022 onwards, revising the level of construction output by approximately 1.2% over that period. The ONS was clear that the correction does not change quarterly GDP growth to one decimal place, but it is a useful reminder that even official construction figures carry more uncertainty than the headline suggests.

The slower moving stories continue in the background. Basel 3.1 still takes effect in the UK on 1 January 2027, raising the capital banks must hold against property lending, and the FCA's widened scrutiny of roughly 900 Annex 1 firms after the collapse of specialist lender Market Financial Solutions has not gone away either. The Draft London Plan consultation remains open until 15 October.

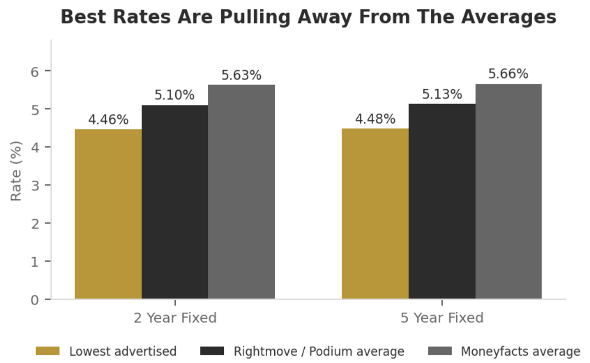
None of this week's policy stories changed direction. They confirmed one.

MARKET DATA · WEEK ENDING 14 AUGUST 2026



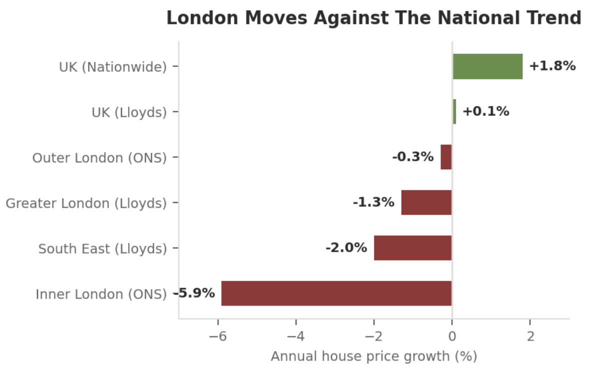
GDP grew 0.4% in Q2, but new construction orders fell sharply over the same quarter.

Source: ONS GDP and Construction Output, 13 August 2026



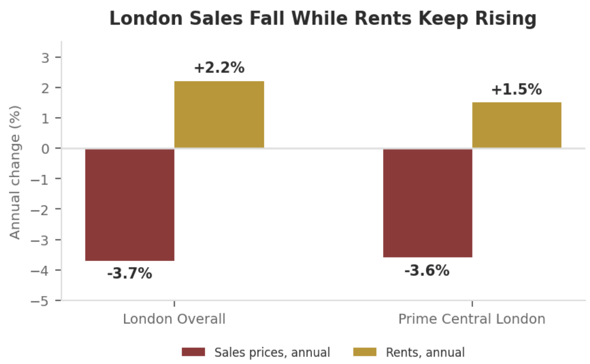
The best advertised rates sit more than a full point below the averages reported elsewhere.

Source: Rightmove / Podium, 7 August 2026; Moneyfacts via FT / The Sun, 14 August 2026



Greater London and the South East remain the only major regions still recording annual price falls.

Source: Lloyds House Price Index / ONS UK HPI, 7 and 22 July 2026



London sales prices and London rents keep moving in opposite directions.

Source: ONS Private Rent and House Prices / Knight Frank / Savills, 22 July, 6 July and Q2 2026

KEY DATA POINTS

BANK RATE	UK GDP, Q2	LONDON, ANNUAL	AVG 2 YEAR FIXED
3.75%	**+0.4%**	**-1.3%**	**5.10%**
Unchanged, next MPC 17 Sept	*Confirmed 13 August*	*Lloyds, Greater London, July*	*Rightmove / Podium, 7 August*

Sources: Bank of England, ONS, Rightmove / Podium, Moneyfacts, Lloyds House Price Index, Nationwide, HMRC, RICS, Chris Watkin / Property Industry Eye, Knight Frank, Savills, London Assembly, Financial Times, The Guardian. Data as at week ending 14 August 2026.

MARKET COMMENTARY

The averages held still. Everything interesting happened around them.

This week did not move in one direction. Average mortgage pricing barely shifted, GDP posted a positive quarter, and London kept falling for a ninth straight month. None of those are the same story, and treating them as one is how forecasts go wrong.

Look at rates and London together and the picture sharpens. Lenders are not waiting for Bank Rate to move before they compete; the gap between average and lowest advertised pricing proves that. But London buyers are not being held back by a lack of available finance either. Rightmove and Podium's best rates sit more than a percentage point below the averages Moneyfacts reports, and none of that gap has been enough to stop nine straight months of annual price falls in London. The constraint in London was never the availability of a mortgage. It is what that mortgage, at any of these rates, can actually be sized against today's asking prices.

My view is that this is a market rewarding precision, not optimism. Rental growth in the same London postcodes that are falling on price tells you demand has not gone anywhere. What has gone is the willingness of financed buyers to pay yesterday's price for it, and no amount of lender competition at the margin closes that gap on its own.

At Sandhütel, that is exactly the distinction we underwrite to. A borrower who has shopped the full market, not just the average rate, negotiates from a different position entirely, and a London seller who prices to today's financeable demand sells faster than one waiting for the average to catch up with their expectation. Neither depends on the Bank of England changing its mind first.

THE WEEK AHEAD

The coming week brings three scheduled releases worth watching closely. Wednesday 19 August delivers July's consumer price inflation figures at 7am, followed at 9.30am by the ONS's private rent and house price data for August and HM Land Registry's UK House Price Index for June, the most complete official read on where prices actually transacted rather than where they were asked. Thursday 20 August adds producer price inflation for July and the ONS's business insights and impact release.

None of the week's confirmed releases include a Bank of England decision, a Nationwide or Lloyds index update, or a fresh RICS survey, so the coming seven days are about digesting July's inflation print more than generating new house price data. Wednesday's CPI number is the one to watch first. It will shape how much patience the market extends to the Bank Rate hold before 17 September.

David R. Sandhu

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