REAL ESTATE WEEKLY
Week ending Friday 10 July 2026 · sandhutel.com

THE COST OF CAPITAL IS SETTING THIS MARKET

Lenders will keep pricing risk ahead of any rate cut, not behind it
Prime London will keep pulling away from the mainstream market
Development viability will keep testing sponsors before it tests buyers

THIS WEEK AT A GLANCE

This is not a market waiting on the Bank of England. Bank Rate holds again this month. What actually moved was the bond market, where gilt yields climbed and dragged the cost of funding a mortgage, a development or a bank balance sheet with them.

Capital remains expensive, funding markets remain jumpy, and the Bank of England has said as much in the plainest terms it uses all year. Every section below comes back to the same constraint: the price of money, not the price of property, is what is actually moving.

RATES AND LENDING

Bank Rate has sat at 3.75% since 18 June, and the next MPC decision, due 30 July, is not where mortgage pricing is being decided this week.

Average two year and five year fixed rates both sit at 5.48%, with the average across all residential mortgage types at 5.43%, per Moneyfacts data cited by Forbes Advisor on 10 July. When two year and five year money cost the same, lenders are pricing uncertainty across the whole curve, not a near term cut.

The ten year gilt closed at 4.8855% on 10 July, up from 4.7917% on 3 July. Net mortgage approvals held at 56,205 in May. Lending volumes are steady. The price of that lending is being set in the bond market, not the base rate.

DEMAND AND TRANSACTIONS

Prices are calmer than transactions, and that gap is the real signal this month. Lloyds recorded UK prices up 0.2% month on month in June, taking the average to £299,330 and annual growth to 0.6%. Nationwide put the average at £277,484, up 2.2% annually.

The RICS June survey shows a market that has not turned. Buyer enquiries carried a net balance of negative 29%, agreed sales negative 32%, new instructions negative 23% and the price balance negative 33%. Surveyors are not calling a recovery. They are calling a market that has stopped worsening at the same pace.

Tenant demand carried a positive 18% balance against landlord instructions at negative 18%. Chris Watkin's tracking shows new listings at 38.9 thousand against a ten year average of 30.9 thousand, with more of that stock finding buyers even as 13.1% of homes carry a price reduction.

LONDON

London is not one market this month, and treating it as one is the fastest way to misprice a deal.

Lloyds recorded London annual price growth at negative 1.1% in June, with the South East at negative 2.0%. ONS showed London annual price change at negative 2.1%, and Savills forecasts negative 4.0% for London mainstream prices across 2026. Average London rent held at £2,294 a month, up 2.0% annually.

Prime London is behaving differently. Knight Frank's Prime Central London sales index stood at 4,991.4 in June and Prime Outer London at 274.8. London rental income is still growing faster than capital values, and underwriting London as one line item this year is a mistake three separate datasets now confirm.

DEVELOPMENT

Development viability is being squeezed from the cost side as much as the funding side, and this week's construction data confirms it.

The Construction PMI improved marginally to 38.4 in June from 38.2 in May, but both readings sit well below the neutral 50.0 level and below the 40.0 the market expected. Builders are working through a genuine downturn, not a soft patch.

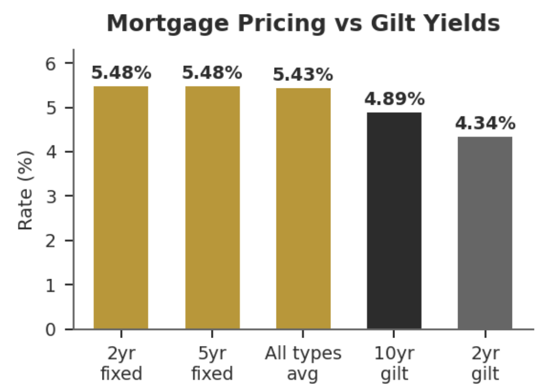
Knight Frank forecasts 3.3% tender price inflation across London and the wider UK this year, and BCIS projects a 14% rise in building costs and a 15% rise in tender prices over the five years to 2031. Savills' latest completions forecast for England points to further falls in delivery. Price land and appraisals against rising build cost, not against last cycle's numbers.

REGULATION AND POLICY

The Bank of England used its clearest language of the year this week. The July Financial Stability Report, published 7 July, said vulnerabilities in sovereign debt, risky credit and private credit markets have remained in place, with some more pronounced since December 2025.

UK Finance publishes its Buy to Let dashboard on 15 July, the next MPC decision lands 30 July, and the PRA's Basel 3.1 implementation date of 1 January 2027 stays on lenders' capital planning horizons. Combined with the Renters' Rights Act commencement carried through the market since 1 May, the regulatory calendar over the next two quarters is dense, and none of it points toward looser lending conditions.

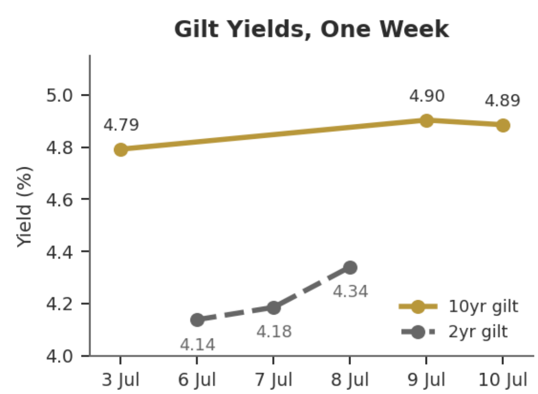
THE WEEK IN CHARTS



Source: Moneyfacts via Forbes Advisor, Investing.com, 10 July 2026

Mortgage Pricing vs Gilt Yields

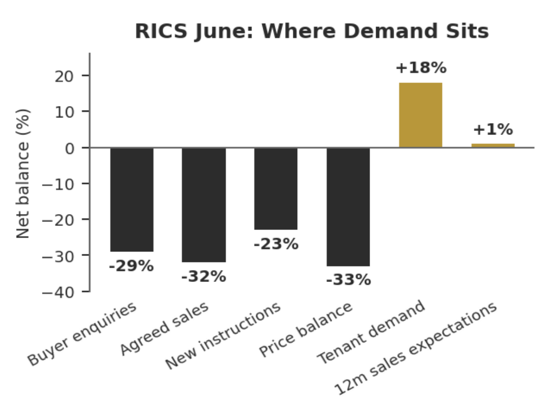
Two year and five year fixed rates sit at the identical 5.48%, a flat curve that tells you lenders see no near term cut worth pricing for. The ten year gilt at 4.8855% shows why. Wholesale funding, not Bank Rate, is setting the floor under mortgage pricing this quarter.



Source: Investing.com UK, 3 to 10 July 2026

Gilt Yields, One Week

The ten year gilt climbed from 4.7917% on 3 July to 4.8855% by 10 July, while the two year gilt moved from 4.1376% to 4.3396%. Bank Rate did not move. The instrument that actually prices a fixed rate mortgage did.



Source: RICS UK Residential Market Survey, June 2026

RICS June: Where Demand Sits

Buyer enquiries, agreed sales and new instructions all sit in deeply negative territory, and the price balance is the weakest of the four. Tenant demand is the exception, running at positive 18% against falling landlord instructions. Sales are not recovering. Renting is where the pressure is building.

KEY DATA THIS WEEK

- ↑ 10 year gilt yield: 4.7917% on 3 July to 4.8855% on 10 July
- ↓ RICS agreed sales net balance: negative 32% in June
- ↑ Construction PMI: 38.2 to 38.4, still deep below the neutral 50.0 level

MARKET COMMENTARY

Put the mortgage market and the bond market side by side this week and the picture sharpens. Average two year and five year fixed rates sitting at the same level tells you lenders are not pricing a near term cut. Gilt yields climbing through the same week tells you why: the wholesale cost of funding a mortgage book rose while Bank Rate stood still. Those two movements are the same story told from two different desks, and together they explain more about where mortgage pricing goes next than the Bank of England's actual decision will.

The Financial Stability Report adds the institutional confirmation. When the Bank of England says risky credit and private credit vulnerabilities have become more pronounced since December, it is describing the same funding conditions that are keeping mortgage pricing sticky and keeping the Construction PMI locked below 40 for a second straight month. Rates, credit conditions and build cost inflation are not three separate stories this year. They are one story about the price of capital, told in three markets.

This is not a market for panic, and the price data backs that read. It is not a recovery either, whatever a single month of positive Lloyds growth might suggest against a RICS survey still reporting double digit negative balances on enquiries and sales. What this is, plainly, is a market for discipline: understand the true cost of funding before quoting a return, price developments against a construction sector still contracting rather than one that has turned a corner, and treat London as the two tier market the prime and mainstream indices both confirm it to be.

That is the discipline I have built Sandhütel and the wider portfolio around, and it is the same discipline behind every acquisition and refinancing decision I bring to the table this year. Underwrite the cost of capital first, and let the property decision follow it.

"The mortgage market did not move this week. The bond market did, and that is the number that actually prices your next deal."

THE WEEK AHEAD

The data calendar tightens midweek. UK Finance publishes its Buy to Let dashboard on 15 July, giving the first proper read on landlord lending conditions since the RICS survey's negative 18% instructions balance. The following day, 16 July, brings a cluster of ONS releases together: the monthly GDP estimate for May, construction output for May, the Index of Services, the Index of Production and UK trade data.

None of these are property specific releases, but together they set the growth backdrop against which the 30 July MPC decision gets made. A weak GDP or construction print on 16 July hardens the case for a later cut. A stronger one supports the Bank's current holding pattern. Either way, this is the data that moves the rate debate before the rate decision itself, inside the next seven days.

David R. Sandhu

Founder and Principal at Sandhütel, a London-based firm focused on strategic property investment, management and design.