

Butterfield Mortgages Limited's Spring Breakfast

Lucky Cat, 22 Bishopsgate, London
14 May 2026

The sun was shining over London as people gathered in *Lucky Cat*, on the 60th floor of 22 Bishopsgate, to admire panoramic views of the capital.

Just 24 hours earlier, rain, hail and cloud had been beating down on the city – a reminder that the old adage “what a difference a day makes” has never been more apt. Indeed, this was a central theme of Butterfield Mortgages Limited's Spring Breakfast: the pace of change over recent months, and the ongoing uncertainty of what change could still lie ahead in 2026.

The event began with networking, coffees and breakfast, with those in attendance representing a range of brokerages, advisory firms and agents, as well as BML's own team. With food consumed, appetites sated and some welcoming remarks delivered by Tom Blackmore, Senior Relationship Manager at BML, Lucian Cook took to the floor.

One of the leading voices on the UK property market, Lucian is Head of UK Residential Research at Savills. Returning again after presenting at last year's iteration of the breakfast event, Lucian was on hand to offer insight into the state of London's prime central market, and the wider factors that are shaping – and could soon influence – both pricing and activity at the top end of the market.

Savill's update on the prime London market

Lucian began by demonstrating just how challenging it is to make confident predictions in the property market. A couple of quick polls in the room – relating to the conflict in the Middle East and fate of Kier Starmer – highlighted divided opinions on geopolitics and macroeconomics in the weeks and months to come.

Lucian highlighted that the past three months have proven how quickly predictions can be thrown off track. Rewind to the early part of 2026, how the prime central London (PCL) market was coming to terms with some notable tax and regulatory shifts; namely, the incoming High Value Council Tax Surcharge – colloquially known as the ‘mansion tax’ – and the Renters' Rights Act, which in his opinion was “the biggest change in the private rental sector” he had seen in his 30 years in the property industry.

The year started with potential

It appeared that confidence was improving as the threat of punitive property taxation receded after November's Budget, while inflation was seemingly under control and the market had priced in a couple of base rate cuts for 2026. For PCL, after an extended period of pressure and adjustment, prime property was starting to look like good value, prices were still forecast to fall another 2% and the five-year prediction for growth was 8.1%. (Source: Savills Research)

“But then everything changed dramatically in March, and we saw a huge new wave of geopolitical uncertainty,” Lucian went on to explain.

How the picture changed in March

The start of the conflict in the Middle East resulted in a rapid increase in gilt yields and “the prospect of a reasonably sharp rise in inflation”, Lucian said, “but certainly not to the degree that we saw in the wake of Ukraine or the failed experiment that was Trussonomics”. Nevertheless, the property market felt the shockwaves almost immediately as expectations for rate cuts were pushed back significantly, the cost of fixed-rate mortgage debt suddenly increased, and renewed caution swept across the market.

The data paints a modest picture when it comes to the performance of the PCL market in Q1 2026, with a 0.7% contraction (Source: Savills Prime indices, Q1 2026). Yet Lucian went on to say: "I suspect it will be in the second quarter that we start to see a slightly more marked impact. As we sit here today, the economists are anticipating that inflation could rise to something in the order of 4.5% by the year end (Source: Oxford Economics). However, Oxford Economics, a sensible forecaster are now saying that the first base rate cut will not take place until the second half of 2027."

Affordability may be less stretched

Lucian was also keen to point out that the market is well placed to cope. The prime property market is still only just entering a phase of recovery, with assets not being over-valued.

Further, he stated that many people who might have been dealing with an increased interest rate environment continue to be on fixed rate mortgages, which eases the pain in the short term. Importantly, many borrowers were also stress tested on their affordability assessment when they took out those mortgages, which may have provided an affordability cushion. This could mean that if repayments do go up due to increased interest rates, it is more likely to be manageable.

Finally, Lucian said, "we would expect inflation to do the job of some of the nominal house price falls. So, I think the pressure on house prices is likely to be contained."

Sales fall in April, but disruption may not be on a level with the Budget

How has this disruption and uncertainty translated into market activity?

Lucian explained that there had been a fall in agreed sales in April – both in £1 million to £2 million bracket as well as the £2 million-plus, sales were down by around 10% year-on-year (Source: TwentyCI). But, he said, "that is nothing like the reduction in activity that we saw in the run up to the Budget. It appears that sales have held up remarkably well outside of prime London area."

Indeed, data shows that there was a 0.4% uptick in £1 million-plus property sales outside of the capital in April 2026 compared to the same month of 2025 (Source: TwentyCI).

Looking ahead

Looking to the future, Lucian said that the interest rate shock of the current geopolitical uncertainty is unlikely to be as pronounced as it was in 2022 or 2023. "Nevertheless, buyers are more cautious, and we are seeing a market where there is much less underbidding behind those transactions. That means the market may remain price sensitive over the course of next year.

"It does mean that for committed buyers, it may be possible to buy in a much less competitive environment, and have an opportunity to purchase a property that offers value. By evaluating these short-term factors over a seven to ten year holding period, you may likely look back and realise the timing was quite good."

When will the market turn?

As evidenced by the past three months, making predictions has seldom been more challenging than it is right now. Lucian pointed to the potential change in Prime Minister which could significantly alter how wealth is taxed. Depending on the incoming leader's policies, this could have major effects for the PCL market.

Lucian’s closing remark was that if there is further change to the regulatory and fiscal environment in line with any shift in attitude around how wealth should be created or taxed, “then current properties in the market could look like a good investment”.

Butterfield’s insight into geopolitics and interest rates

Next it was Nigel Garrard’s turn to pick up the mic. Nigel is the Channel Islands’ Head of Asset Management for Butterfield Bank, and he spoke in greater depth about how the Iran war and global uncertainty are shaping monetary policy in the UK.

Setting the scene, Nigel began by outlining the three converging trends that have led to geopolitical instability over the past year; conflict in the Middle East, trade and US tariffs, and broader trends around defence spending and government borrowing.

Converging factors creating monetary policy challenges

From shortages of oil, jet fuel and liquefied natural gas due to the closure of the Straits of Hormuz through to harsher US trade tariffs and tensions between the US and Europe over defence spending and military backing, these global pressures are forcing the hands of central banks.

Nigel explained: “Central banks are really good at dealing with demand-side issues. Raising interest rates during period of rapid economic growth. Conversely, during economic downturns, they adopt measures by lowering interest rates to encourage borrowing and investment.

“But my opinion is that they are less good at dealing with supply-side issues as we have now. Changing interest rates cannot make more oil or other commodities flow. When governments are stuck with their fiscal policy, it comes down to central banks to act. Effectively, in these difficult situations, they have to choose a side: they could cut interest rates and boost the economy, or they could hike interest rates to battle rising inflation.

“In the current scenario, I feel the likely outcome is that, in the UK, the Bank of England (BoE) will hike the base rate. Moreover, after the lessons of 2022, the sage move would be to increase rates earlier in the hope that it can bring inflation back under control, rather than allowing prices to run higher and require sterner intervention further down the line.”

Three scenarios

The BoE itself has opted against fixing on a prediction, instead outlining three potential scenarios which Nigel translated, which would each translate into different outcomes for interest rates.

	Action	Inflationary impact	Interest rate outcome
Scenario 1 Deal Struck	The US and Iran agree a deal on nuclear sanctions and the Straits of Hormuz reopen fully within weeks.	Oil prices fall back from current levels and energy inflation fades through Q3.	Eases pressure on Central Banks to hike – inflation seen as transitory.

Scenario 2 Fragile Ceasefire	A ceasefire is agreed or, at least, there is a prolonged statement. Hormuz partially open with US Navy escorts	Oil prices continue to trade at a premium. Inflation remains elevated, but manageable	Central Banks remain vigilant, but hikes likely to be in line with current market consensus.
Scenario 3 Escalation	Ceasefire talks collapse or a deal is renegeged upon; Iran reimplements full Hormuz restrictions and the US blockade of Iranian ports intensifies.	Oil prices rise further and inflation rises higher and for longer.	Energy inflation becomes entrenched in expectations, causing Central Banks to administer tighter policy than currently anticipated by markets.

(Source: Authors own views)

The BoE is planning for three potential outcomes, with base rate hikes possibly ranging from 0.25% to 1.5% or higher, underscoring how unpredictable global events and economics are at present.

Outlook for interest rates

Nigel ended his presentation by reiterating that the Bank of England has a delicate balancing act given the growth downgrades and inflation upgrades of recent months. The central bank is preparing for a potential near-term hike, with incoming data from various economic releases about the UK economy determining whether and when it will act.

On a more cautiously optimistic note, Nigel concluded various economists have mentioned they expect the BoE to hike interest rates just once this summer, before cutting rates again next year. But as the past three months have taught us once again, the economic outlook could shift rapidly, making bold forecasts highly unpredictable.

Final thoughts: guidance and support are more important than ever

Both of the timely, insightful talks painted a picture of uncertainty and unpredictability. In doing so, they demonstrated the need for honest, open conversations across the mortgage and property markets, ensuring appropriate guidance, advice and support is available through suitable channels so different stakeholders can act with clear information and, in turn, greater confidence.

Wendy Scott, Senior Business Development Manager at BML, put this message at the heart of her closing remarks. Lenders, brokers and borrowers alike are waiting – and hoping – for simpler, stabler times to come. But while we wait, it is more important than ever that we invest in relationships that enable us to navigate turbulent political and economic landscapes.

At BML, our relationships with new and existing clients and our professional network remains our core focus. We hope that The Spring Breakfast provided some valuable insights to those in attendance and gave everyone a good opportunity to connect with colleagues across the industry.

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