SAVILLS RESEARCH

Welsh Housing Market and Supply Update

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Price growth and activity robust in 2025, but development outlook very weak

House prices have grown and sales activity has improved in Wales in 2025. Mortgage rates have fallen gradually, improving affordability and allowing prices to grow. Indicators of demand have generally been quite weak, but this does not appear to have limited sales activity, which has been at its strongest in several years. We expect a quiet 2026, before stronger price growth from 2027 onwards.

Despite this positive backdrop, new homes completions are at their lowest in a decade. Planning consents have dropped sharply this year, meaning the outlook for development is very weak.

3.1% Annual house price growth to Sep 2025	**12.4%** Transactions exceeding 2024 levels by 12.4%
27.6% Forecast house price growth in Wales 2026-30	**-26%** Drop in planning consents, year to June 2025

Sales market should improve over next five years

We expect house prices in Wales to outperform the UK average over the next five years at 27.6%. Growth in 2026 will be muted, but will improve from 2027 onwards, supported by an improving economy and further cuts to interest rates, although higher inflation means those cuts may be slower than previously expected. Wales is likely to outperform because of its relative affordability, as is typical in the latter stages of a housing market cycle.

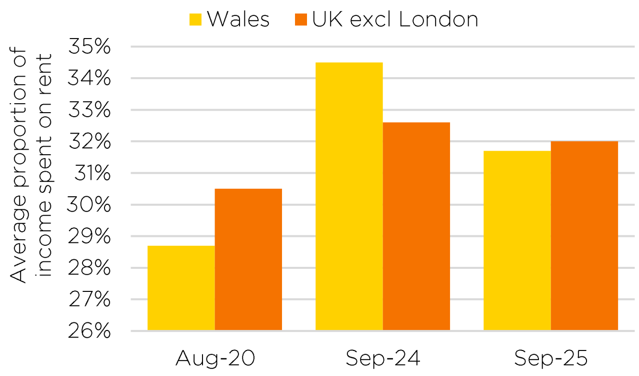
House prices in Wales rose by 3.1% in the year to September, according to Nationwide, and have now fully recovered from their dip in 2022 and 2023. Market activity has also been relatively strong in 2025, with transactions 12% higher than last year and just -5% down on the 2017-19 average across the first eight months.

But the RICS indicators of demand and price growth are negative. Demand has sat below supply all year, according to the RICS, likely because of uncertainty around the tax environment and economy. Surveyors' views on prices have turned negative in the last couple of months, which could indicate a slower market in the rest of 2025, with political uncertainty weighing on sentiment. We are forecasting price growth of 3% in Wales in 2026, then stronger growth in the following years, when buyers should have greater confidence to take advantage of lower mortgage rates and an improved economy.

Annual price growth is positive in almost every local authority (LA) in the year to June 2025, and exceeds 5% in Blaenau Gwent, Swansea, Newport and Caerphilly, according to the lagged Land Registry price index. The only local authority that saw an annual price fall was Ceredigion, a second home hotspot, which introduced a 150% council tax premium on second homes from April 2025.

Rents for new lets in Wales grew by 3.3% in the year to August 2025, ranging from 1.4% in Swansea to 8.4% in Denbighshire. Growth has now remained broadly flat since May at a national level. Supply has been steadily recovering since late 2022 but remains constrained, with available rental listings per branch -17% below the 2018-19 average in September, according to Savills analysis of portal data.

Falling rental growth has allowed rental affordability to improve in Wales. Tenants now spend an average of 31.7% of their income on rent in September, down from 34.5% a year ago (which was far in excess of the UK average at the time). Affordability is still more stretched than five years ago, so there may be limited capacity for further rental growth, despite weak supply. We therefore expect future rental growth to be closely linked to income growth.



***Source** Homelet*

Completions and consents at record lows

Annualised new homes completions fell to their lowest for more than ten years in June 2025, down -9% year on year according to EPC data. Completions have been falling on an annualised basis for four years now, and have dropped by -31% since their peak.

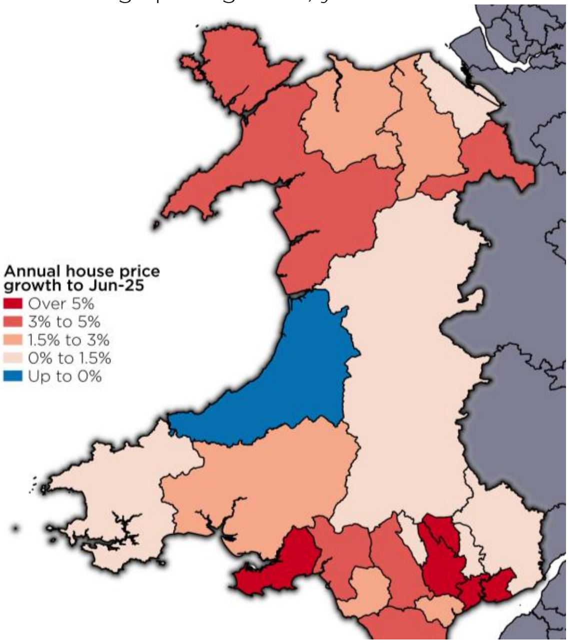
Both planning consents and new homes starts are at their lowest on record. Just 648 homes gained consent in Q2 according to the HBF, which amounts to just 28% of the 10 year quarterly average. Starts sit well below completions, following a sharp drop across 2024, according to Stats Wales. With fewer homes at each stage of the process, it seems that new homes delivery is only going to continue to fall over the next year.

The extended Help to Buy Scheme has helped increase new homes sales, but not to the extent seen historically. Use of the scheme has plateaued in the last six months at just under 9% of all new homes completions, well below the 25% at its peak in 2018.

Affordable housing delivery has increased but may miss Welsh Government targets without further support. With the election fast approaching in May next year, it looks unlikely that the Government will meet their target of delivering 20,000 affordable homes in the five year term, despite an increase in Social Housing Grant for 2025/26. Delivery in the year to March 2025 was strong, at 3,660 homes according to Stats Wales, but a gap of more than 7,000 homes remains to meet the target with just one year left to go.

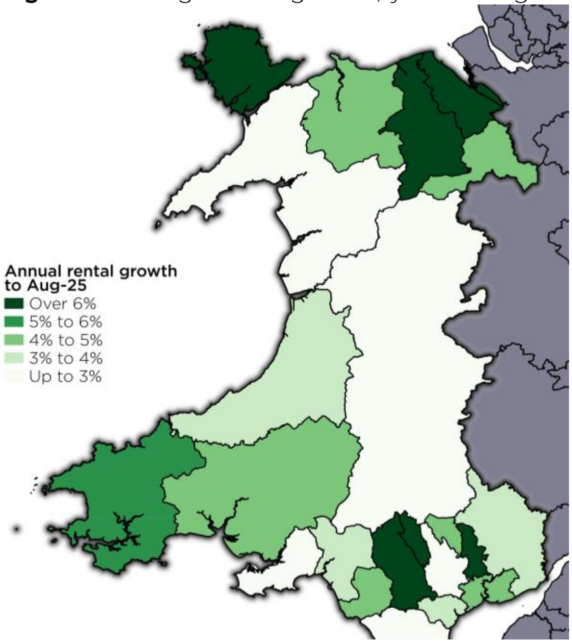
Development in parts of South Wales may be slowed by nutrient pollution issues, as a recent report by Natural Resources Wales highlights damage to several Special Areas of Conservation (SACs). The areas affected include Llanelli, Gorseinon, Ammanford, Haverfordwest and Pembroke. Using Glenigan, we have identified 6,400 homes across 33 sites which have submitted a planning application (outline or full) and have not yet been granted a full permission, as well as a further 7,200 units yet to reach outline application. The Government has established a task force which aims to limit the impact on development while reducing damage to the SACs, but a number of these homes may still face delays.

Figure 1 Average price growth, year to June 2025



Source *HM Land Registry, 6 month smoothed**

Figure 2 Average rental growth, year to August 2025

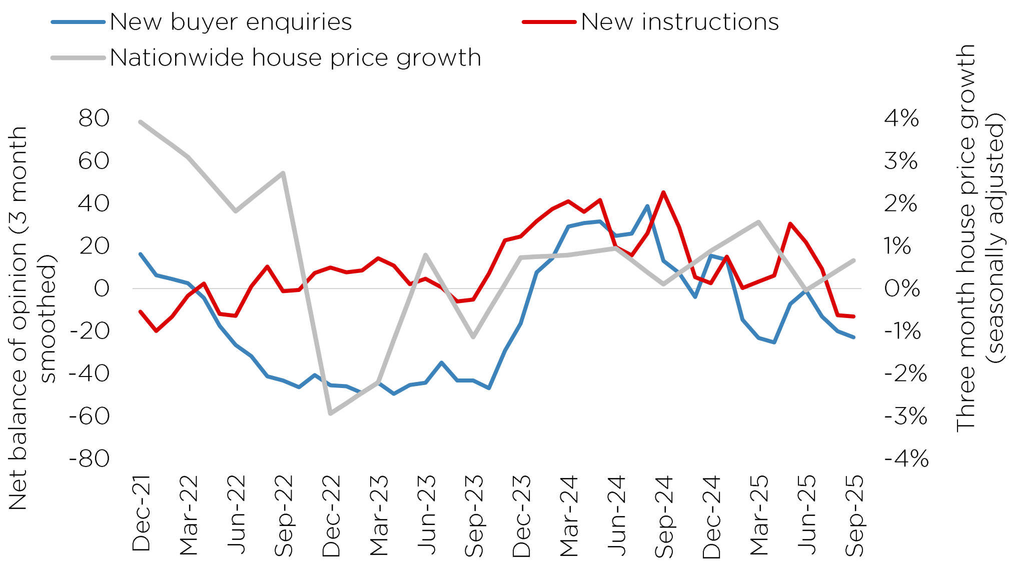


Source *Zoopla Rental Index - powered by Hometrack*

Demand and supply have both dropped in Wales in recent months. Demand has been low for the whole of 2025, according to the RICS sentiment survey. Supply began the year relatively strong, but has fallen below zero since August. This suggests a fairly weak market heading into the final quarter.

Despite this, house prices have continued to grow, according to Nationwide. As the gap between demand and supply has narrowed in Q3, three monthly growth has picked up. Prices are now 3.1% higher than a year ago. We expect price growth to continue in 2026, albeit at a moderate level.

Figure 3 Demand and supply are both relatively weak in Wales

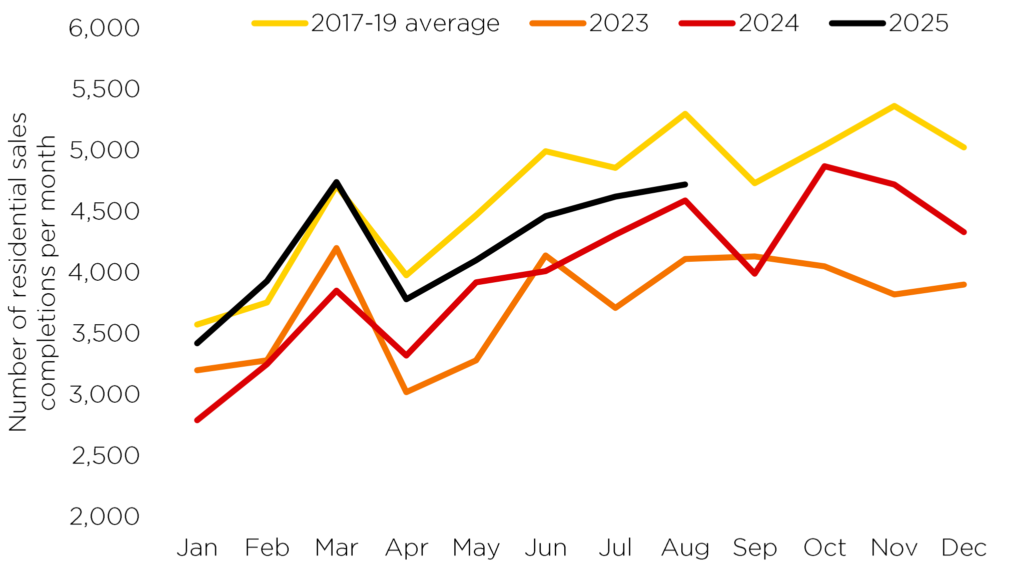


Source RICS (seasonally adjusted), Nationwide (seasonally adjusted)

Market activity has been quite strong so far in 2025. Transactions were 12% above their 2024 levels and just -5% down on the 2017-19 average in the first eight months of 2025.

Transaction volumes have been supported by gradually falling mortgage rates and high levels of supply in the early part of the year particularly. However, with the pace of interest rate cuts expected to slow, continued transaction growth into 2026 is not guaranteed.

Figure 4 Transaction activity has been well above 2024 levels this year



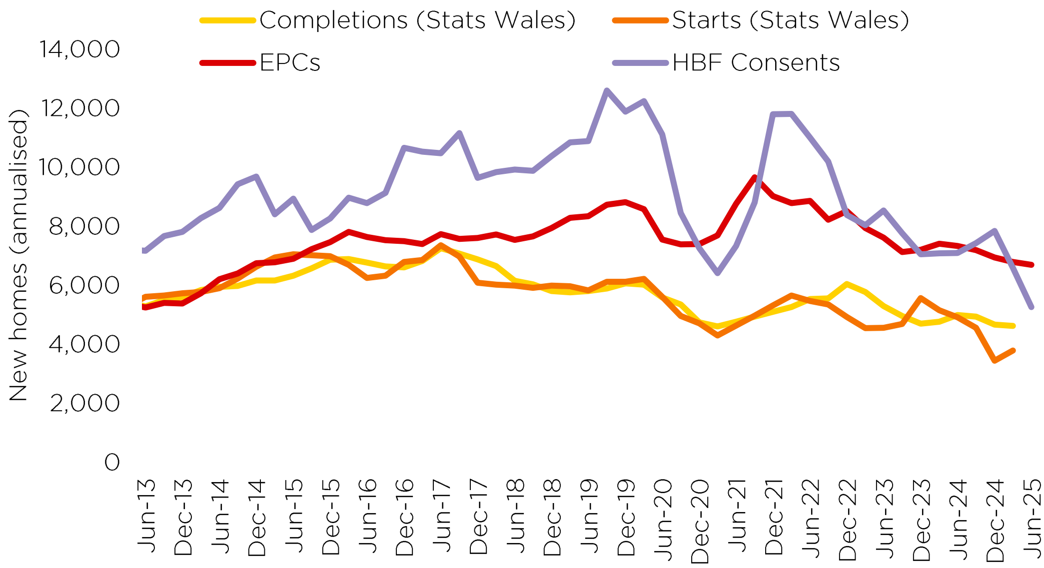
Source Welsh Revenue Authority, HMRC

New home completions, starts and consents are all at record lows in 2025.

New home completions fell by 9% in the year to June 2025, reaching their lowest annual level in more than a decade, according to EPC data. And starts have remained below completions for the year to Q1 2025, according to Stats Wales.

Planning consents in Q2 were the lowest on record, -67% below the number in Q2 2024. Annualised consents are now less than half of their post-pandemic peak. The number of new homes is only likely to continue falling based on this evidence.

Figure 5 Consents have dropped sharply in 2025 so far



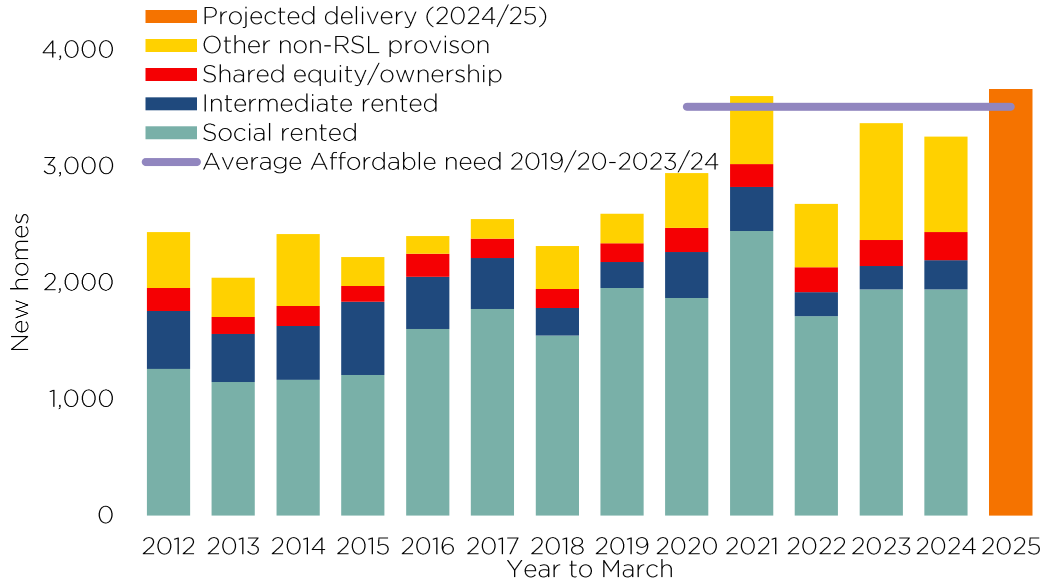
Source Stats Wales, DLUHC Table NB1 and HBF

Affordable housing delivery has risen, but must rise further to meet Welsh Government's target of delivering 20,000 affordable homes by March 2026.

A provisional 3,660 new affordable homes were built in the year to March 2025, the highest level on record and 12% up on the previous year. But with one year left, a further 7,040 homes are still needed to meet the target – more than double the five year average.

Welsh Government has allocated £437m to Social Housing Grant in its budget for 2025/26, an 18% increase on 24/25, but lower than the £580-£740m which Audit Wales suggested would be necessary to meet the target.

Figure 6 Affordable delivery will have to almost double this year to reach target



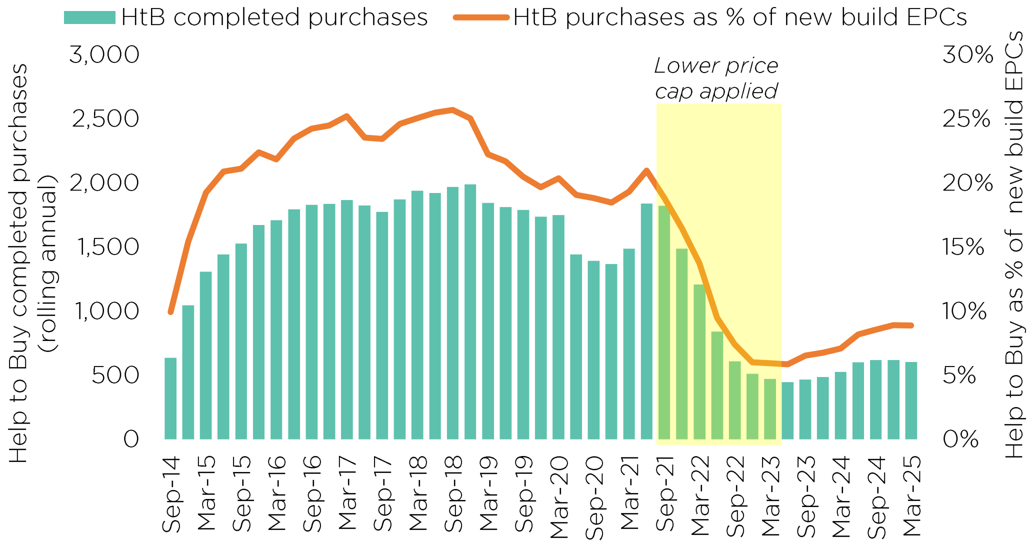
Source Stats Wales

The Help to Buy scheme has been extended, but its use remains well below peak and has begun to plateau.

9% of new homes were purchased under the scheme in the year to March, a level that has remained broadly consistent for the last few quarters. This is a long way below the scheme's peak use in 2018, where 25% of all new homes were bought with HtB.

The scheme was extended at the beginning of this year and will now run until September 2026. There is more information on the new scheme in our blog from early this year, linked here.

Figure 7 Help to Buy scheme accounts for c.9% of new homes completions

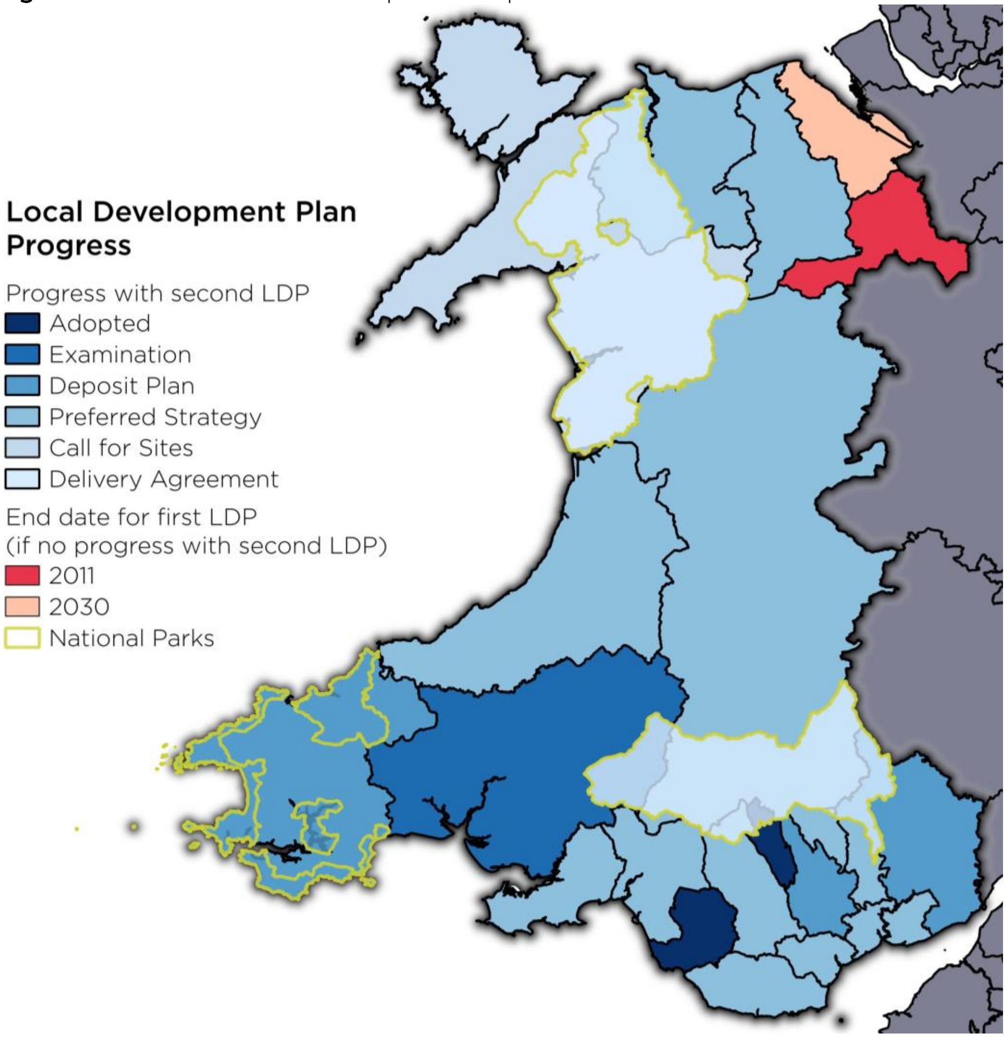


Source Stats Wales, MHCLG Table NB1

Progress is being made on replacement LDPs across Wales. Consultations on deposit plans are anticipated to take place across a number of LPAs in the coming months, including Newport and the Vale of Glamorgan whilst Monmouthshire has become the latest authority to submit a plan for examination over the summer.

Wrexham have not adopted their LDP after a legal battle between the Government and Wrexham councillors. The development plan for Wrexham now consists of the Unitary Development Plan 1996-2011 and Future Wales, the national plan 2040.

Figure 8: Second round LDP adoption complete in two Local Authorities



Source LDPs

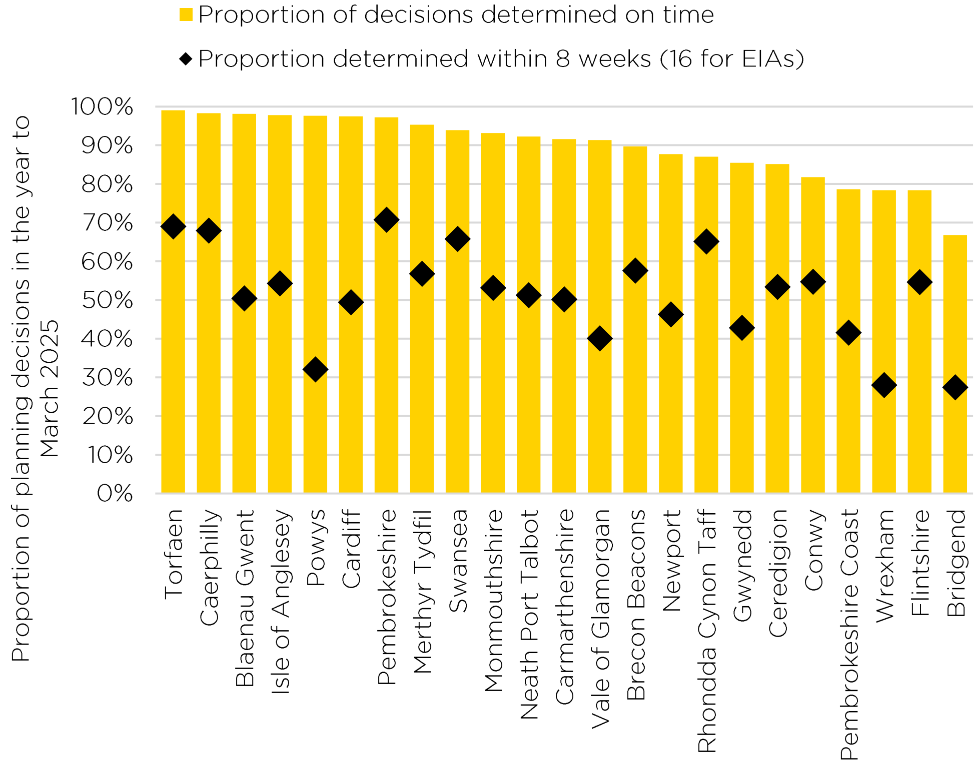
While plan-making is very important, LPAs also need the resources to bring applications through the planning process.

Bridgend adopted a new local plan in March 2024, and is therefore seeing a large volume of planning applications submitted. But the LPA is struggling to progress all these applications, with one third of decisions in the year to March 2025 not made on time and just 27% made within eight weeks (or 16 for EIAs).

Most other LPAs meet their statutory obligations almost all the time, with 13 LPAs (of 23 where data is available) determining more than 90% of applications on time. Across Wales as a whole, 51% of applications were determined within eight weeks.

This suggests that while Local Development Plans play a key role in the delivery of new homes in Wales, more support is needed to ensure Local Planning Authorities have the capacity to determine applications within a reasonable timeframe.

Figure 9 Planning timelines in Wales vary by LPA



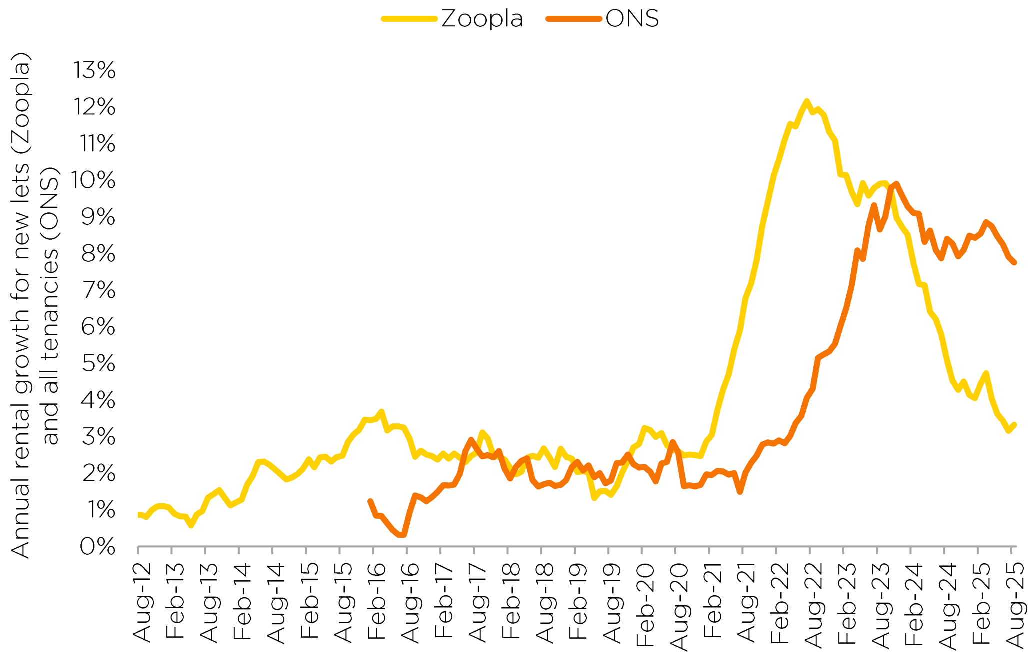
Source Welsh Government: Development Management Quarterly Surveys

Rental growth has softened in the first half of 2025, as the gap between demand and supply has narrowed. Rents on new lets grew by 3.3% in the year to August, according to Zoopla. Rental growth for all tenancies (including renewals and existing leases) was 7.8% in the year to August 2025, according to the ONS.

Supply has increased since late 2022 but remains constrained, with available rental listings per branch 17% below the 2018-19 average in September, according to Savills analysis of portal data.

Rental affordability has eased in the last year in Wales, with incomes growing quicker than rents. But affordability remains stretched and further rental growth is likely to be closely linked to income growth.

Figure 10 Rental growth slows as the demand-supply gap narrows



Source ONS, Zoopla Rental Index - powered by Hometrack

Table 1 Recent house price and rental growth

	Nationwide (house prices) (to Sep-25)			Savills (house prices) (to Jun-25)			Zoopla (rents) (to Aug-25)		
	m/m	q/q	y/y	m/m	q/q	y/y	m/m	q/q	y/y
UK	0.5%	1.1%	2.3%	0.0%	-0.3%	2.4%	0.5%	1.1%	2.5%
Wales	-	0.7%	3.1%	-0.1%	0.1%	2.9%	0.4%	1.1%	3.3%

Source Savills using HM Land Registry and Registers of Scotland, 6 month smoothed*, Nationwide quarterly data (seasonally adjusted), Zoopla Rental Index - powered by Hometrack

Table 2 House price forecasts – first published November 2025

	2026	2027	2028	2029	2030	5yrs to 2030
UK	2.0%	4.0%	5.0%	5.5%	4.0%	22.2%
Wales	3.0%	5.0%	6.0%	6.0%	5.0%	27.6%

Source Savills

Table 3 Rental growth forecasts – first published November 2025

	2026	2027	2028	2029	2030	5yrs to 2030
UK	2.0%	2.0%	2.5%	2.5%	2.5%	12.0%

Source Savills

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*Savills index is an unadjusted repeat sales index based on HM Land Registry and Registers of Scotland price paid data. Note that Savills national index (labelled UK) is for Great Britain, not including Northern Ireland.