

UK Housing Market Update

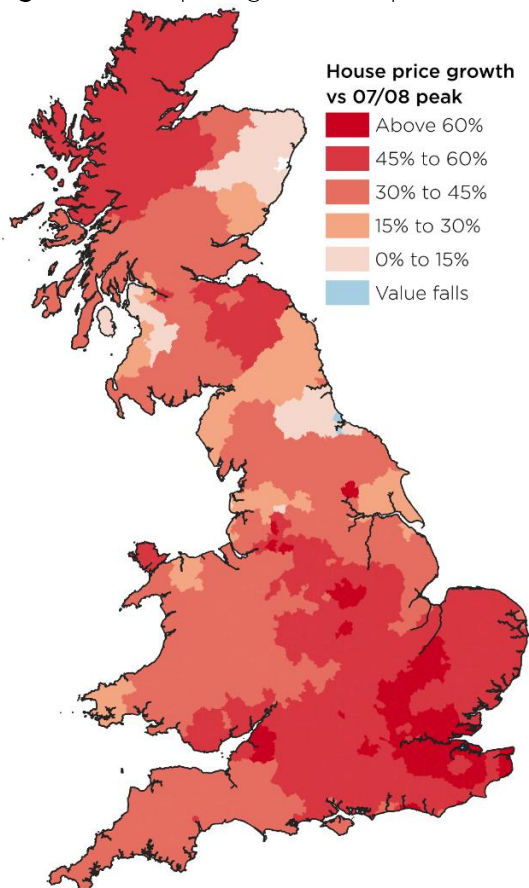
Softer house price growth is encouraging buyers to the market

House prices rose by 0.6% in July (seasonally adjusted) according to Nationwide. House price growth over the last three months was 0.2%, the first positive recording, albeit marginal, since the Stamp Duty Land Tax (SDLT) changes on 1st April. This boosted annual house price growth in July to 2.4%, up from 2.2% last month.

To maintain buyer interest, sellers are having to price competitively. Rightmove recently noted that buyers have the most choice in stock in over a decade, so to achieve a sale, sellers are adjusting prices. According to TwentyCI, price adjustments in the three months to July 2025 occurred 21% more than in the three months to July 2024. This is sustaining activity; Zoopla reported an 8% increase in agreed sales compared to last year, defying the usual summer slowdown. First Time Buyers are driving this recovery, taking advantage of lowering rates and their chain-free status to secure sales. With high levels of stock, it is likely to be some time before increased activity translates into substantial price growth.

Following a more cautious H1 2025 than anticipated, we have revised our forecasted UK house price growth down to 1% in 2025. Greater geopolitical uncertainty, in the form of tariffs and trade wars, have knocked consumer confidence, while the SDLT changes on 1st April took much of the momentum out of the market in a subsequent quarter. As a result, we have revised our mainstream forecasts down from 4% in 2025 to 1%. Over the next five years, however we are expecting improved affordability and a strengthening economy from 2027 to boost growth through 2027 to 2029.

Figure 1 House price growth to Apr-25 since 07/08 peak



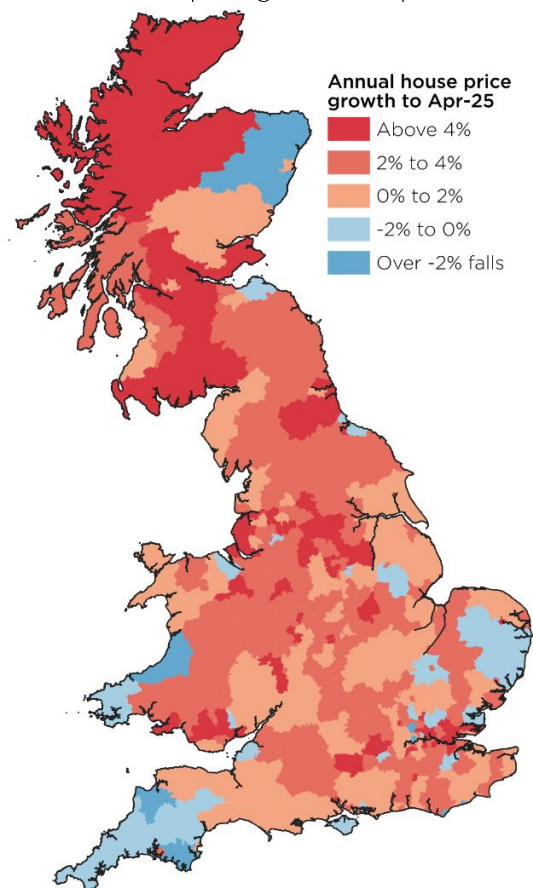
Source Savills using HM Land Registry and Registers of Scotland (6 month smoothed)*

Mixed economic signals create challenges for the Monetary Policy Committee ahead of their next meeting on 7th August. These will be forefront of the decision on whether to hold the base rate at 4.25% or cut it. On the one hand, concerns about inflation linger, with CPI rising by 3.6% in the year to June 2025, driven by higher transport costs. Holding the rate, however, could limit the UK's growth; in May, the economy shrank by -0.1%. Most economists expect a cut of 0.25% in August, followed by one more cut in 2025.

Q1 2025 saw strong activity in the UK Buy-to-Let (BTL) sector, according to UK Finance. The number of BTL mortgages advanced in Q1 2025 was 39% higher than in Q1 2024, with a 47% uplift in value advanced. This was partly fuelled by the SDLT changes coming into effect on 1st April, with landlords making the most of higher thresholds. It is, nonetheless, an encouraging sign of investment ahead of the Renters Rights Bill due to come in at the end of the year, boosting a rental market that has faced chronic stock shortages.

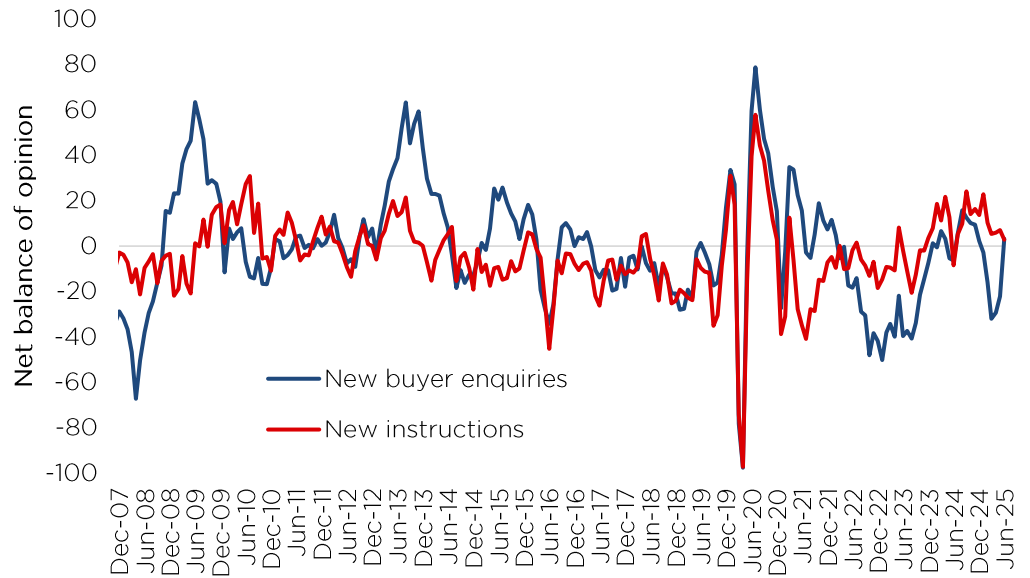
House price data from April shows that the local authorities with the greatest value growth are in Scotland and the North, chiefly North Lanarkshire and Clackmannanshire, which grew by 8.9% and 8.8%, respectively. Regions seeing house price falls are primarily coastal areas, like Aberdeenshire (-4.1%) and Torridge (-3.0%) which have become less popular since the pandemic, or the most expensive areas of London, including Kensington and Chelsea (-3.0%) and Westminster (-2.8%), which have the greatest concentration of buyers that could be spooked by talk of a wealth tax in the Autumn budget.

Figure 2 Annual house price growth to Apr-25



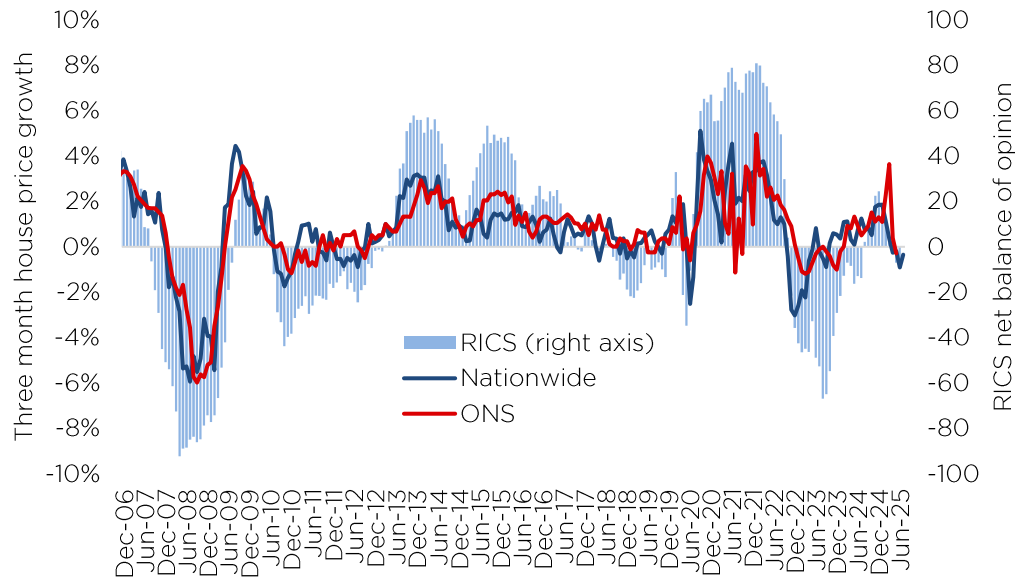
Source Savills using HM Land Registry and Registers of Scotland (6 month smoothed)*

Figure 3 Surveyors reported a recovery in new buyer enquiries in June



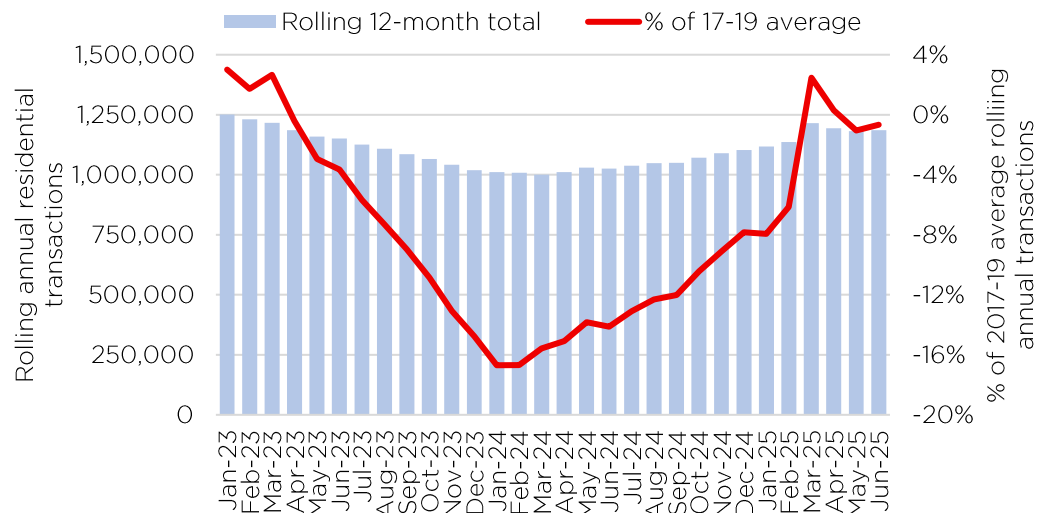
Source RICS (seasonally adjusted)

Figure 4 All metrics reporting three-monthly house price falls



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

Figure 5 Annual transaction volumes remain buoyed by March's strong activity



Source HMRC (non-seasonally adjusted)

The majority of surveyors reported an increase in new buyer enquiries, marking a sharp jump from April and May. New instructions fell slightly but remain positive. June typically sees a drop in new instructions, with a quieter month before activity increases through the summer.

The closing gap between demand and supply may put upwards pressure on prices, however the market remains very price sensitive with ongoing adjustments between buyer and seller expectations.

The RICS survey can be a good early indicator of house price movements which are later picked up by other indices.

The perception of price growth remained negative amongst RICS surveyors in June. More timely data from Nationwide suggests that a return to house price growth, which on a three-monthly basis improved from -1.0% in June to 0.2% in July. This could suggest RICS perceptions will begin to improve next month.

The more lagged ONS index picked up the beginning of downwards house price movement in May, with change at -0.3%

The increase in transactions ahead of the SDLT changes means that the rolling annual transactions are now close to 2017-19 levels. In the 12 months to July 2025, there were 1.19 million residential transactions, according to HMRC, just 1% below 2017-19 numbers.

Monthly transaction numbers returned to 2023 levels in June, with 95,080 transactions. This marks a 68% increase since April's drop off post-SDLT changes. Moving forwards, we are likely to see transaction volumes settle below 2017-19 levels while economic confidence is low.

Annual rental growth across the UK in June was 2.7% according to Zoopla, flat from 2.7% in May. This comes as tenant demand slows, according to RICS surveyors, as is typical at the beginning of summer.

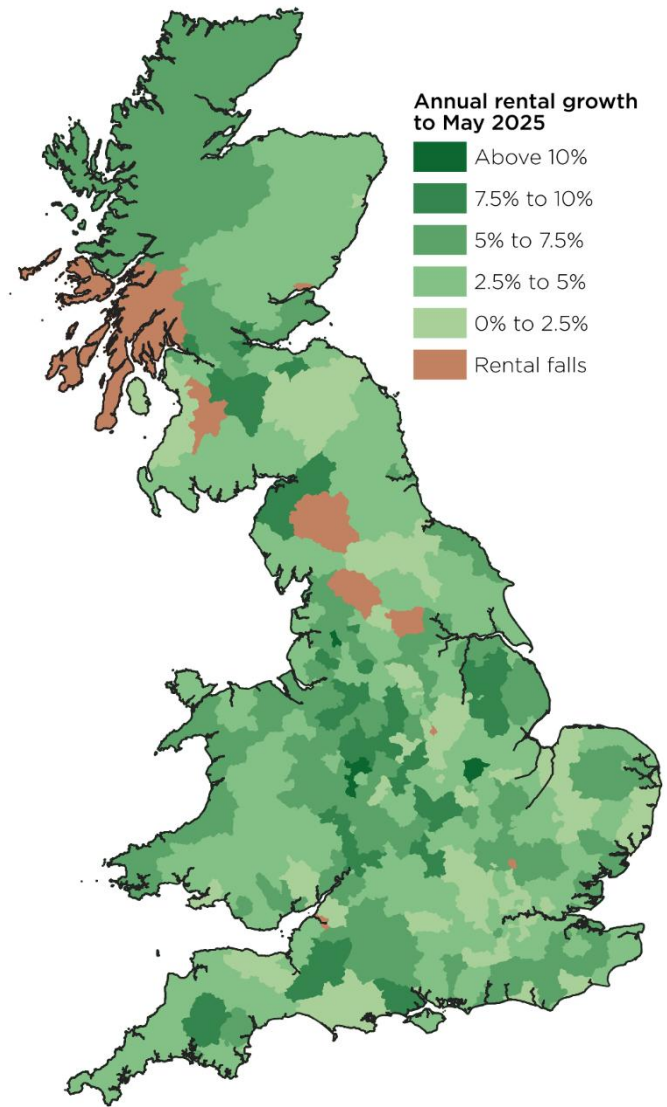
Rental growth is starting to accelerate in less affordable regions, including London and the South East and West, where rents grew by 1.9%, 3.3% and 3.2% in the year to June 2025. In these regions, rental growth slowed significantly and there is now some capacity in the market for greater growth. More affordable markets, such as the North East and Wales, are still seeing higher rental growth of 4.8% and 3.8%, respectively, but this is slowing.

Table 1 Regional rental growth to June 2025

	m/m	q/q	y/y
UK	0.4%	1.0%	2.7%
London	0.3%	0.8%	1.9%
South East	0.5%	1.3%	3.3%
East of England	0.3%	1.1%	3.4%
South West	0.5%	1.5%	3.2%
East Midlands	0.2%	0.7%	2.1%
West Midlands	0.2%	0.4%	2.9%
North East	0.2%	0.1%	4.8%
Yorkshire and the Humber	0.8%	0.9%	1.3%
North West	0.8%	1.5%	4.2%
Wales	0.4%	0.3%	3.8%
Scotland	0.4%	1.0%	2.7%

Source Zoopla Rental Index powered by Hometrack

Figure 6 Annual rental growth to May 2025



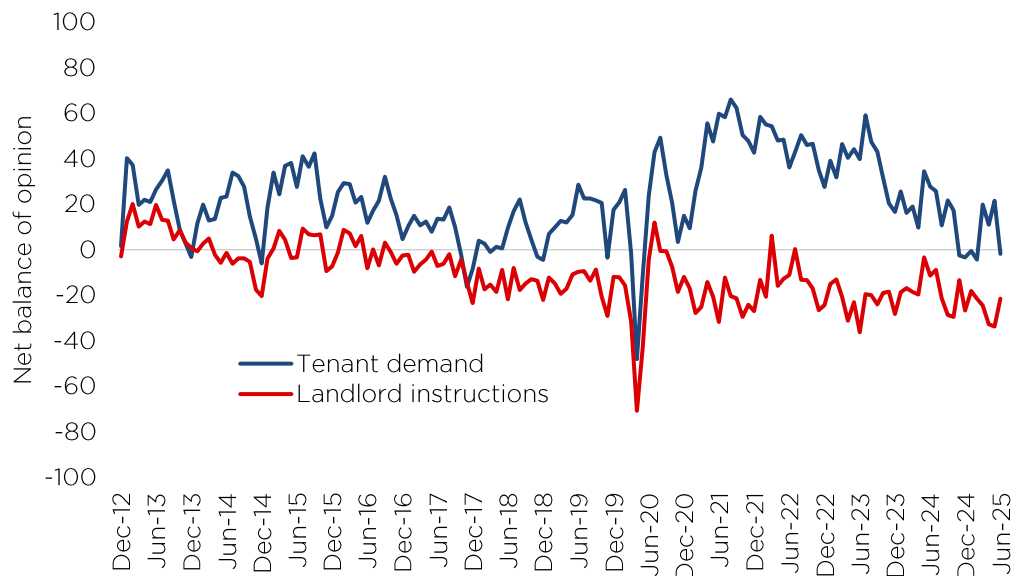
Source Zoopla Rental Index powered by Hometrack

The RICS survey showed a dip in tenant demand as a result of seasonality in the market.

Historically, June is a slightly quieter month with families waiting out the exam season and graduates waiting on their outcomes, before demand increases through July and August.

Landlord instructions have risen slightly, but the majority of surveyors reported fewer instructions. This gap between demand and instructions will sustain current rental growth before likely accelerating over the next few months

Figure 7 Landlord instructions remain low amid a drop in tenant demand



Source RICS

Table 2 Rental forecasts (published November 2024)

Region	2025	2026	2027	2028	2029	5 years to 2029
UK	4.0%	3.5%	3.0%	3.0%	3.0%	17.6%
London	2.5%	2.5%	2.5%	3.0%	3.0%	14.2%

Source Savills

Table 3 Recent house price growth

	Nationwide (Regions to Q2 2025, UK to July 2025)			ONS (to May 2025)			Savills* (to April 2025)		
	m/m	q/q	y/y	m/m	q/q	y/y	m/m	q/q	y/y
UK	0.6%	0.2%	2.4%	0.7%	-0.3%	3.8%	-0.2%	-0.2%	2.6%
London	-	-0.8%	1.4%	-0.6%	1.7%	2.3%	-0.1%	-0.1%	2.1%
South East	-	-0.3%	2.7%	0.2%	-1.1%	2.1%	-0.4%	-0.4%	2.1%
East of England	-	-1.3%	1.1%	2.0%	0.5%	4.2%	-0.3%	-0.3%	1.8%
South West	-	-0.4%	2.5%	1.5%	-0.8%	2.0%	-0.9%	-0.9%	1.1%
East Midlands	-	-0.4%	2.0%	1.8%	0.2%	5.0%	-0.1%	-0.1%	2.1%
West Midlands	-	-1.7%	2.4%	1.5%	-0.7%	3.4%	-0.3%	-0.3%	3.0%
North East	-	0.4%	5.7%	1.8%	-0.7%	6.3%	-0.1%	-0.1%	3.9%
Yorks & Humber	-	-1.2%	2.3%	2.2%	-0.8%	5.1%	-0.2%	-0.2%	3.4%
North West	-	-0.5%	4.3%	1.3%	-1.2%	3.3%	-0.3%	-0.3%	3.5%
Wales	-	-0.1%	2.5%	0.4%	1.2%	5.3%	0.0%	0.0%	3.2%
Scotland	-	0.8%	4.5%	-0.1%	1.4%	6.4%	0.4%	0.4%	3.2%

Source Savills using HM Land Registry and Registers of Scotland (6 month smoothed)*, Nationwide (seasonally adjusted), ONS (seasonally adjusted)

Table 4 Mainstream house price forecasts (published July 2025)

Region	2025	2026	2027	2028	2029	5 years to 2029
UK	1.0%	4.0%	6.0%	6.0%	5.5%	24.5%
London	0.0%	2.5%	4.5%	5.0%	3.5%	15.3%
South East	1.0%	3.5%	5.0%	5.0%	4.5%	20.4%
East of England	-1.0%	3.0%	5.5%	5.5%	5.0%	19.2%
South West	0.0%	3.0%	5.0%	5.5%	5.5%	20.4%
East Midlands	-1.0%	3.5%	5.5%	6.0%	5.0%	20.3%
West Midlands	2.5%	5.0%	6.0%	6.0%	5.5%	27.6%
North East	2.0%	4.5%	6.0%	6.0%	5.5%	26.4%
Yorks & Humber	2.0%	4.5%	6.5%	6.5%	6.0%	28.2%
North West	2.5%	5.0%	7.0%	7.0%	6.5%	31.2%
Wales	5.5%	6.0%	6.0%	6.0%	5.0%	28.2%
Scotland	2.5%	5.5%	6.5%	6.5%	5.5%	29.4%

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.

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