

# UK Housing Market Update

savills

## Budget provides some much needed certainty amidst weaker market confidence

**House prices grew by 0.3% in November, according to Nationwide.** That put price growth at 1.1% over the last three months. On an annual basis house price growth continued to slow, from 2.4% in October to 1.8% in November. We expect house price growth to continue to slow into the new year while confidence remains subdued.

**Despite a prolonged warm-up, we expect the Budget to have a limited effect on the mainstream housing market.** The greatest change is the introduction of a council tax surcharge for properties worth over £2 million, effective from April 2028. Charges will range from £2,500 per annum on properties worth £2 million to £7,500 per annum for those at £5 million plus. The impact of this is likely to be felt most in higher value second home markets which are already dealing with an increased stamp duty surcharge and the doubling of council tax in most cases. The impact on the rest of the prime market is set to be modest, with anecdotal evidence from our agents already indicating a pick-up in activity.

**Market sentiment was weaker in the run up to the Budget.** The RICS reported a fall in both buyer and seller activity, which was corroborated by the Bank of England reporting a 5% annual fall in mortgage approvals in October (seasonally adjusted). This pause may translate into renewed activity at the very end of 2025 with buyers and

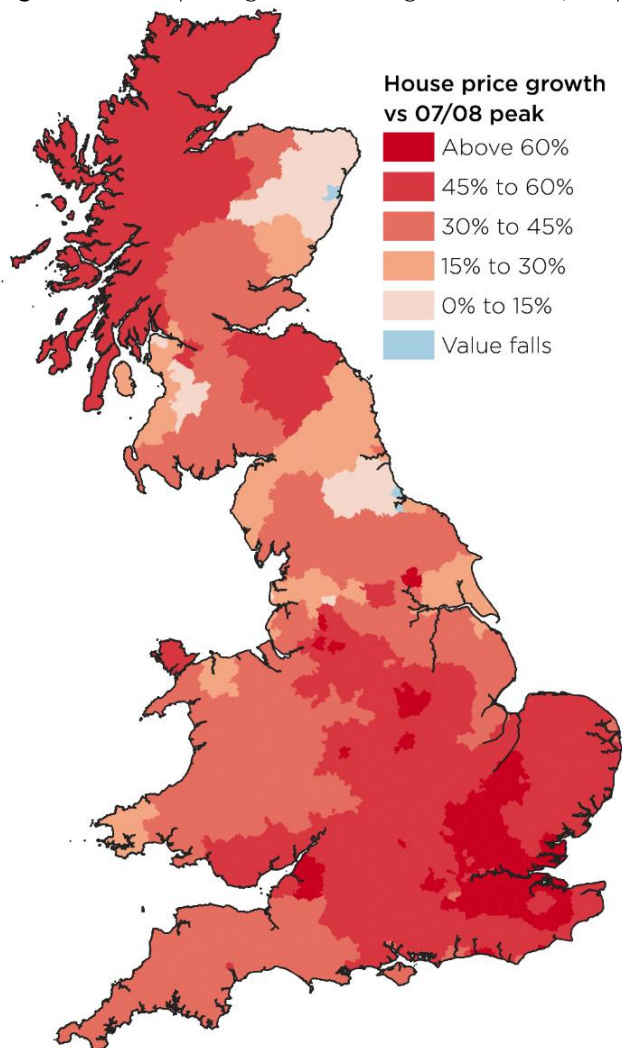
sellers now feeling able to make informed decisions.

**Mortgage affordability has continued to improve, which should support house price growth.** Several lenders have reduced mortgage interest rates, pricing in an increased likelihood that the Bank of England will implement a further base rate cut on 18<sup>th</sup> December as inflationary pressures ease. Average wage growth, a key inflation driver, slowed to a 3-year low of 4.6% in the three months to September compared with a year earlier, according to the ONS. CPI also fell from a high of 3.8% during Q3 to 3.6% in October.

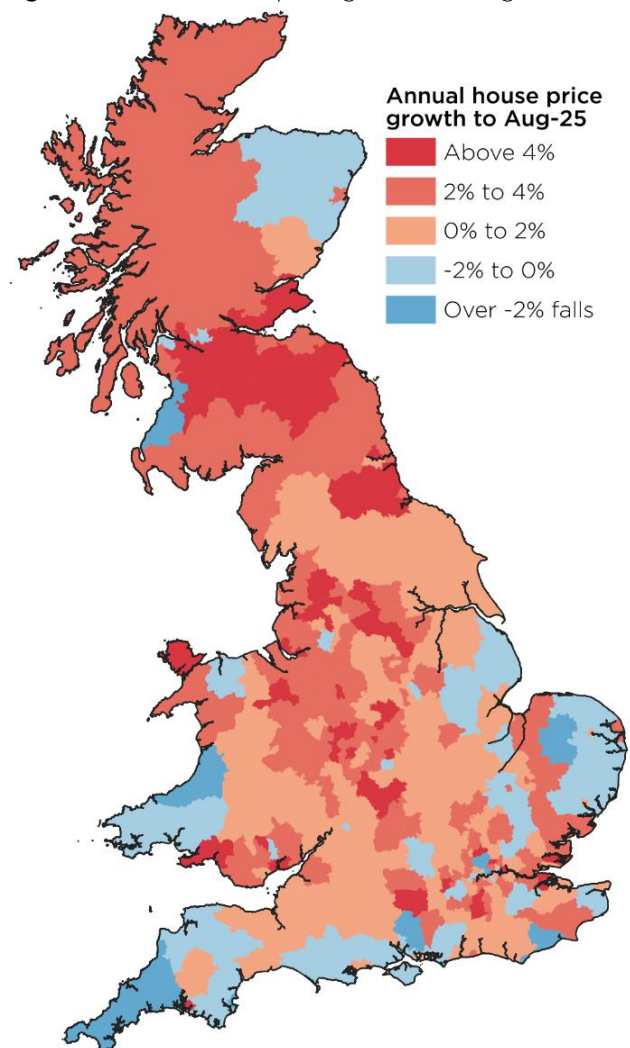
**We expect a lack of confidence in the wider economy to hold back house price growth in the short term.** The outlook for the UK economy in 2026 is for lower GDP growth and higher unemployment, with conditions forecast to improve from 2027, according to Oxford Economics. Our mainstream forecasts expect price growth to strengthen from 2027 onwards following continued slower growth in 2026.

**More localised house price data from August shows that areas with the greatest value growth were in Scotland and the North,** although Sandwell in the West Midlands led the way with annual price growth of 7.9%. Ceredigion saw the most significant price falls of -8.9%, followed by Eastbourne with falls of -4.5%.

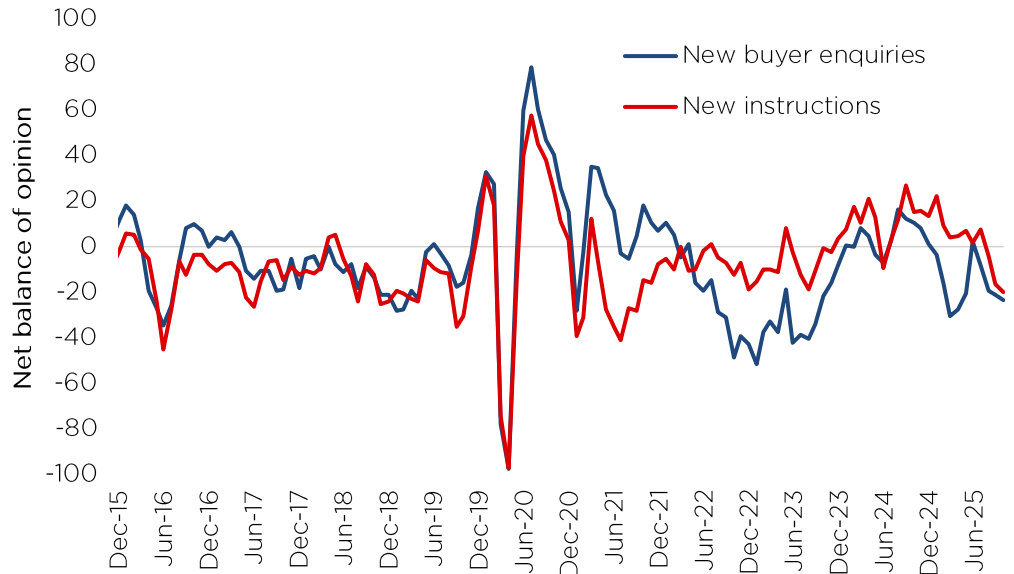
**Figure 1** House price growth to Aug-25 since 07/08 peak



**Figure 2** Annual house price growth to Aug-25

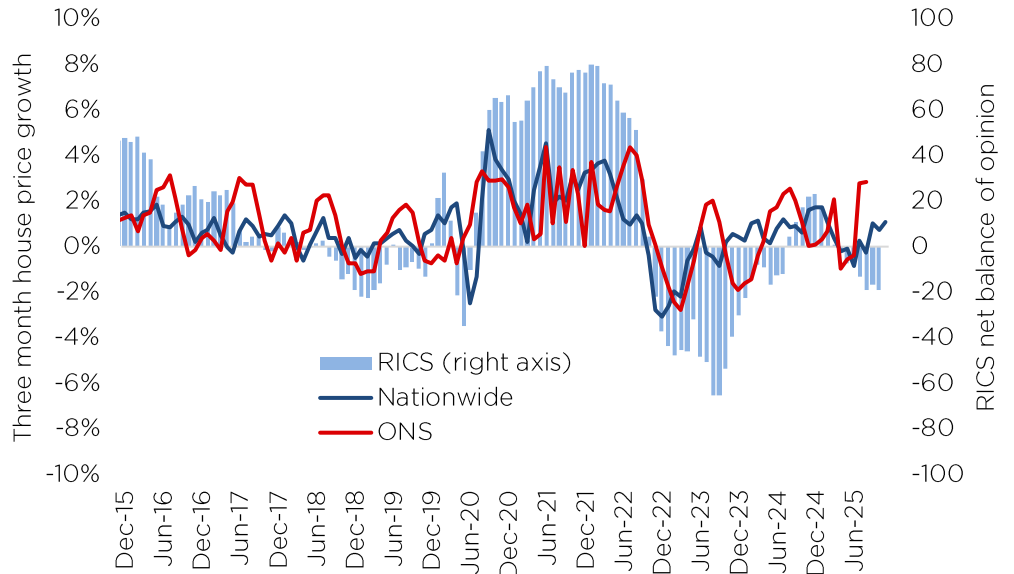


**Figure 3** Surveyors reported a further drop in new buyer enquiries in October



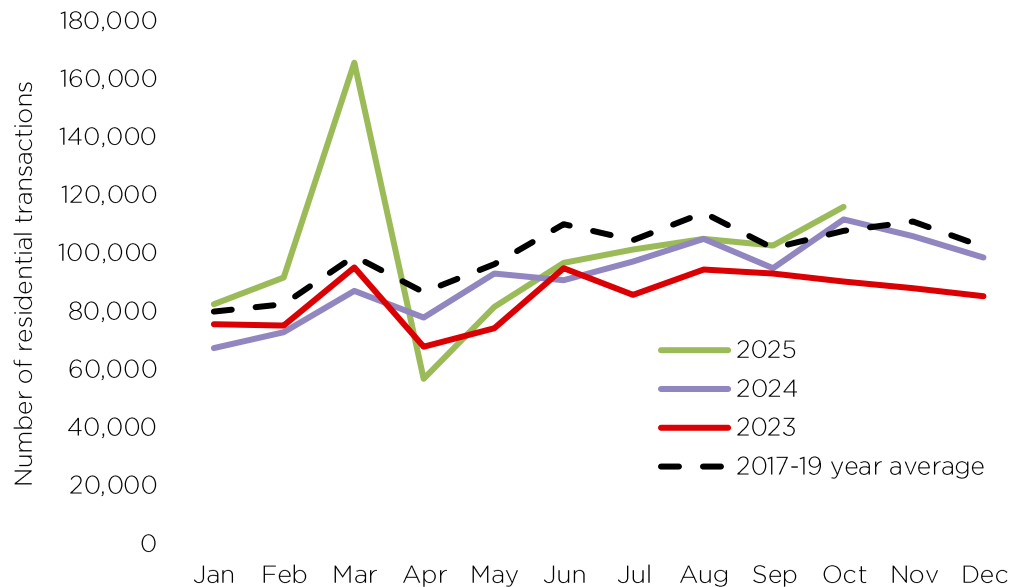
Source RICS (seasonally adjusted)

**Figure 4** Nationwide reported a strong November while RICS remained negative



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

**Figure 5** Monthly transaction volumes exceeded 2017-19 levels in October



Source HMRC (non-seasonally adjusted)

As rumours swirled ahead of the Budget, market activity stalled. Surveyors reported both new buyer enquiries and new instructions falling further as buyers and sellers waited for the outcome of the Budget.

Clarity over new measures impacting higher value markets and landlords may lead to a recovery in activity.

Price indicators are presenting a mixed picture. The RICS survey can be a good early indicator of house price movement, but can exaggerate negative sentiment in the market. It has been particularly low for several months, perhaps more reflective of a lack of activity than price falls.

Nationwide, reported a stronger than expected November, with house prices up by 1.1% on a three monthly-basis.

The more lagged ONS index reported 2.9% growth in August, still picking up the acceleration in the market following the SDLT changes.

In October, there were 116,230 transactions according to HMRC, 8% above the monthly average between 2017-19.

Buyers at this stage of the process were largely committed to moving, meaning few were impacted by Budget rumours.

Some may have been incentivised to bring forward completions to avoid any potential changes in the Budget that may have affected them.

What happens to this metric over future months will depend how quickly delayed sales can move towards completion.

**Annual rental growth across the UK in October was 2.2%** according to Zoopla, essentially flat from 2.1% in September. This comes as RICS report lower tenant demand.

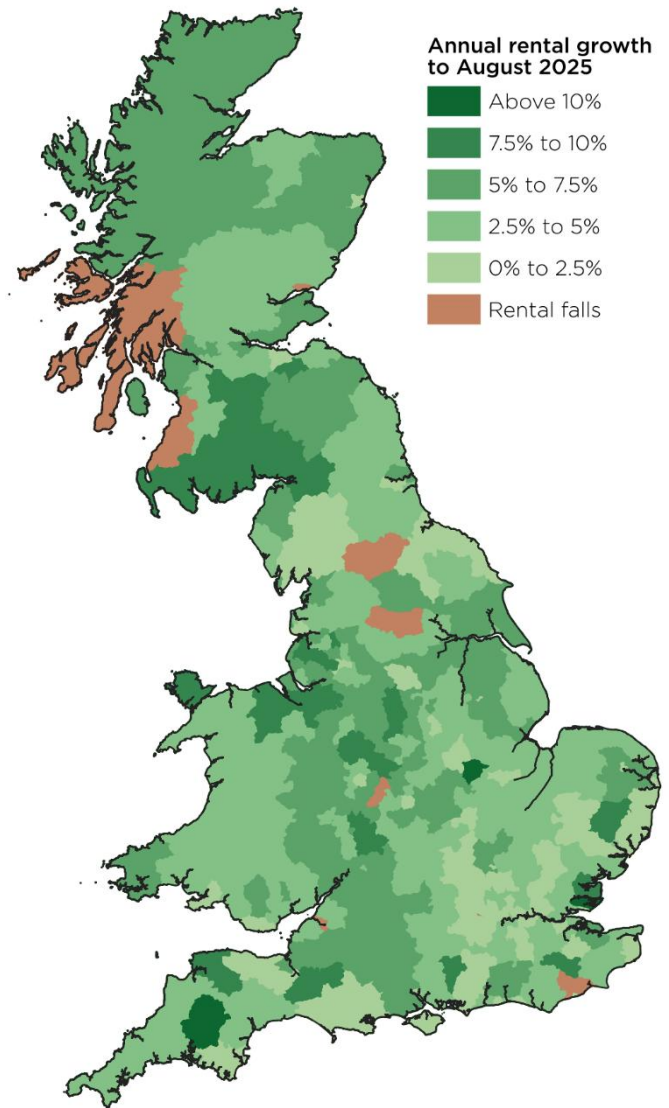
**Supply remains constrained and this is likely to continue, with the Budget further reducing the profitability of being a landlord.** The 2% increase to tax on property income introduced in the Budget will further erode the returns of buy to let investors, which is likely to lead to fewer homes being available to rent. Timings have also been confirmed for the abolition of Section 21 notice, coming into effect on 1<sup>st</sup> May 2026. How well this transition works for landlords will be a further determinant of future rental supply.

**Table 1** Regional rental growth to October 2025

	m/m	q/q	y/y
<b>UK</b>	0.3%	0.8%	2.2%
<b>London</b>	0.2%	0.7%	1.6%
<b>South East</b>	0.2%	0.6%	2.1%
<b>East of England</b>	0.2%	0.4%	2.5%
<b>South West</b>	0.2%	0.6%	3.0%
<b>East Midlands</b>	0.1%	0.4%	1.9%
<b>West Midlands</b>	0.2%	0.4%	1.7%
<b>North East</b>	1.4%	2.7%	4.5%
<b>Yorkshire and the Humber</b>	0.7%	2.1%	1.8%
<b>North West</b>	0.4%	1.5%	3.2%
<b>Wales</b>	0.3%	0.7%	2.4%
<b>Scotland</b>	0.0%	0.4%	1.7%

Source Zoopla Rental Index powered by Hometrack

**Figure 6** Annual rental growth to August 2025

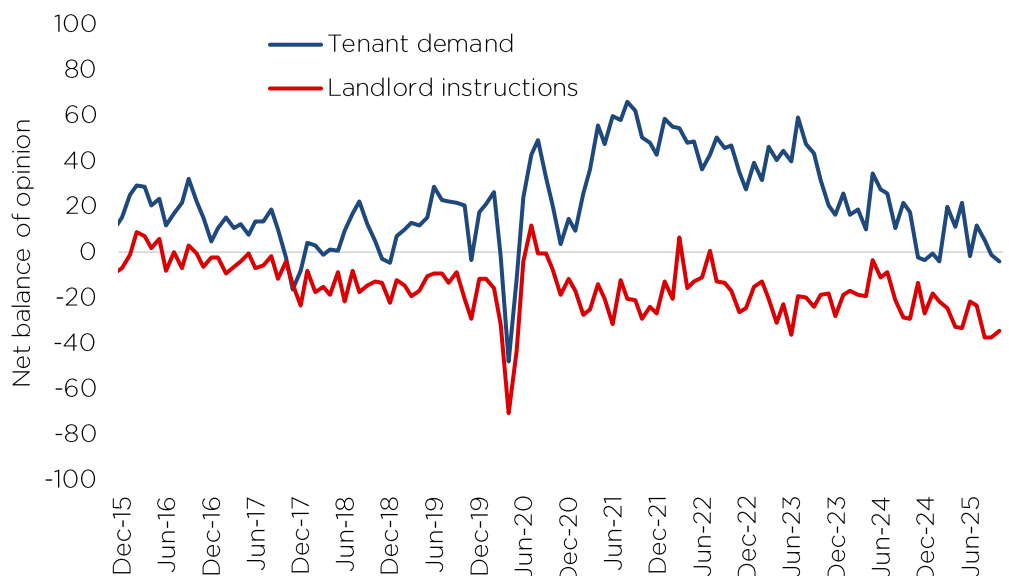


Source Zoopla Rental Index powered by Hometrack

**Figure 7** Landlord instructions continue to fall, with demand also down

The RICS survey showed that landlord instructions recovered slightly in October: a smaller but still large majority of surveyors reported lower supply. Tenant demand slipped into negative territory, with surveyors evenly split on whether demand rose or fell.

There remains a sizeable gap between tenant demand and available stock, but reduced tenant demand will mitigate competition for rental homes. Rental growth is therefore likely to remain steady.



Source RICS

**Table 2** Rental forecasts (published November 2025)

Region	2026	2027	2028	2029	2030	5 years to 2030
<b>UK</b>	2.0%	2.0%	2.5%	2.5%	2.5%	12.0%
<b>London</b>	1.5%	1.5%	2.5%	2.5%	3.0%	11.5%

Source Savills

**Table 3** Recent house price growth

	Nationwide (Regions to Q3 2025, UK to October 2025)			ONS (to September 2025)			Savills* (to August 2025)		
	m/m	q/q	y/y	m/m	q/q	y/y	m/m	q/q	y/y
<b>UK</b>	0.3%	1.1%	1.8%	-0.6%	1.1%	2.6%	0.1%	0.1%	2.3%
<b>London</b>	-	0.0%	0.6%	-1.1%	-1.1%	-1.8%	0.0%	-0.5%	1.2%
<b>South East</b>	-	-1.1%	0.3%	-1.2%	0.2%	0.9%	-0.1%	-0.3%	1.3%
<b>East of England</b>	-	0.3%	1.2%	-0.6%	0.6%	2.2%	0.1%	-0.2%	1.5%
<b>South West</b>	-	-0.4%	0.9%	-0.9%	1.1%	0.9%	0.0%	-0.4%	0.8%
<b>East Midlands</b>	-	1.1%	2.8%	-0.6%	1.9%	3.7%	0.2%	0.2%	1.6%
<b>West Midlands</b>	-	1.1%	3.1%	-0.6%	0.7%	2.5%	0.0%	0.4%	2.8%
<b>North East</b>	-	0.9%	5.2%	-1.1%	0.6%	3.6%	0.2%	0.4%	3.9%
<b>Yorks &amp; Humber</b>	-	2.0%	3.9%	0.3%	2.6%	4.5%	0.4%	0.6%	3.1%
<b>North West</b>	-	0.4%	3.2%	-0.8%	1.7%	3.4%	0.3%	0.6%	3.3%
<b>Wales</b>	-	0.7%	3.1%	-0.8%	-0.4%	2.7%	0.2%	0.4%	2.8%
<b>Scotland</b>	-	0.0%	3.1%	0.5%	1.6%	5.3%	0.5%	1.4%	3.8%

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 November 2025)

Region	2026	2027	2028	2029	2030	5 years to 2030
<b>UK</b>	2.0%	4.0%	5.0%	5.5%	4.0%	22.2%
<b>London</b>	0.0%	2.0%	3.5%	4.5%	3.0%	13.6%
<b>South East</b>	1.0%	3.0%	4.0%	4.5%	3.5%	17.0%
<b>East of England</b>	1.5%	3.5%	4.5%	5.0%	3.5%	19.3%
<b>South West</b>	2.0%	4.0%	5.0%	5.0%	3.5%	21.0%
<b>East Midlands</b>	2.5%	4.0%	5.5%	6.0%	4.0%	24.0%
<b>West Midlands</b>	2.5%	4.5%	5.5%	6.0%	4.0%	24.6%
<b>North East</b>	3.5%	5.5%	6.0%	6.0%	5.0%	28.8%
<b>Yorks &amp; Humber</b>	3.5%	5.5%	6.0%	6.0%	5.0%	28.8%
<b>North West</b>	3.0%	5.5%	6.0%	6.0%	4.5%	27.6%
<b>Wales</b>	3.0%	5.0%	6.0%	6.0%	5.0%	27.6%
<b>Scotland</b>	3.0%	5.0%	6.0%	6.0%	5.0%	27.6%

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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