

UK Housing Market Update



Early indicators show improving market conditions in May, with high numbers of sales

House prices rose by 0.5% in April, according to Nationwide. Annual house price growth sat at 3.5%, a slight increase from 3.4% in April. The monthly increase may indicate that the market is stabilising after the sizable monthly falls in April that followed changes to the Stamp Duty Land Tax (SDLT) thresholds.

The number of completed sales dropped by 66% in April, following the change to SDLT thresholds. This is a larger fall than we have seen following previous changes to Stamp Duty. In April 2016 transaction numbers fell -57%, while numbers fell -48% and -61% following the ends of SDLT holidays in 2021. This larger dip may have been a consequence of short-term buyer caution given the economic backdrop, with both lower mortgage approvals (down 5% according to the Bank of England) and fewer buyer enquiries (RICS) in April.

Early data for May shows a more positive outlook. Both Zoopla and Rightmove reported the busiest May for sales agreed in four years, and data from TwentyCI suggests that sales agreed (net of fall throughs) were 13% above the 2017-19 average.

There is a mixed picture across the country for both sales activity and price growth. The highest levels of sales activity and price growth were in more affordable parts of the country, according to Zoopla, and this is in line with our forecasts. They also note high levels of stock in less affordable markets that are also seeing limited price growth.

Our index shows that house price growth was highest in Scotland in the year to February 2025. West Dunbartonshire, East Renfrewshire,

and North Lanarkshire had the highest growth of 8.9%, 8.9%, and 8.5%, respectively. In England, the highest growth was in the North West, with many places seeing house price growth above 4%. Coastal regions continue to see waning demand and therefore the greatest price falls, especially in Torridge (-4.6%) and Anglesey (-4.0%).

Increased activity and price growth is being supported by improving affordability. The monthly payment for a 2-year fixed mortgage on an average priced home at 75% loan-to-value has fallen by £95 since December. This comes as wage growth continues to outpace house prices. Changes to mortgage lending rules will also provide additional capacity for buyers, in some cases enabling them to borrow an additional £39,000. It remains to be seen, whether this additional capacity will feed into more activity or more price growth. Given the slow pace of new homes delivery, we think it could lead to 5% to 7.5% house price growth over the next five years on top of our initial forecasts.

Some risks to consumer confidence and buyer affordability remain, however. UK inflation was 3.4% in April 2025, a sharp jump from 2.6% in March. Inflation was forecast to increase through mid-2025, but this jump has come earlier than many anticipated. The Monetary Policy Committee is still signalling intentions to cut the base rate and Oxford Economics predicts two further cuts this year, but higher inflation could limit the pace lenders can cut their rates. Big changes to fiscal policy expected in the Spending Review (11th June) and autumn budget may also affect the trajectory of the economy and housing market.

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

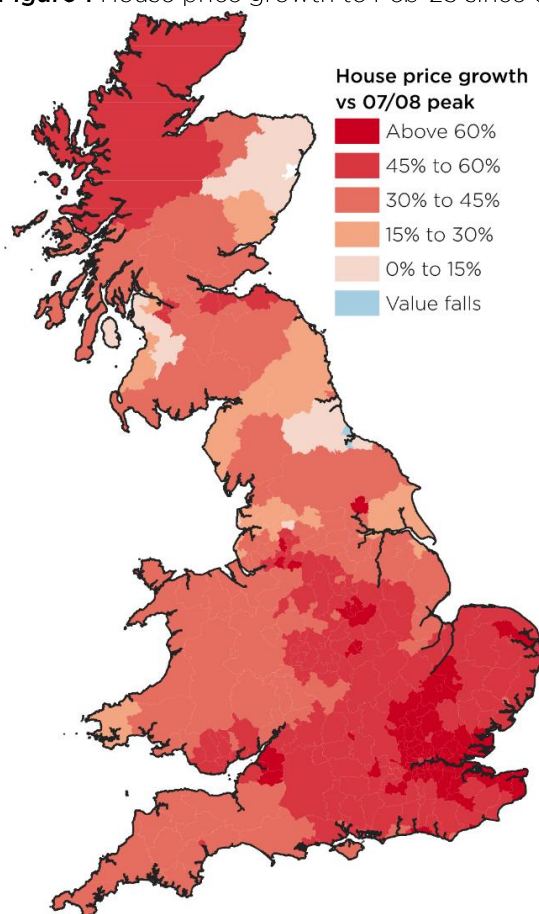


Figure 2 Annual house price growth to Feb-25

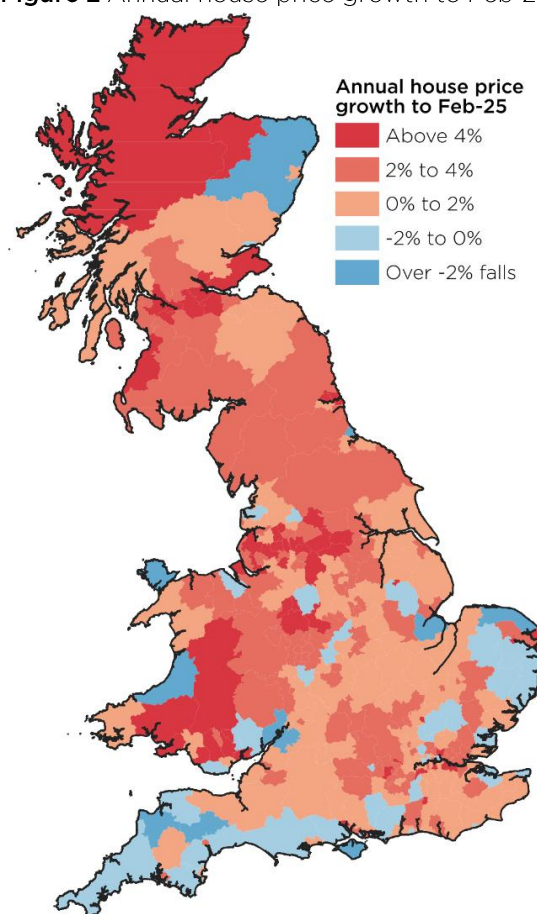
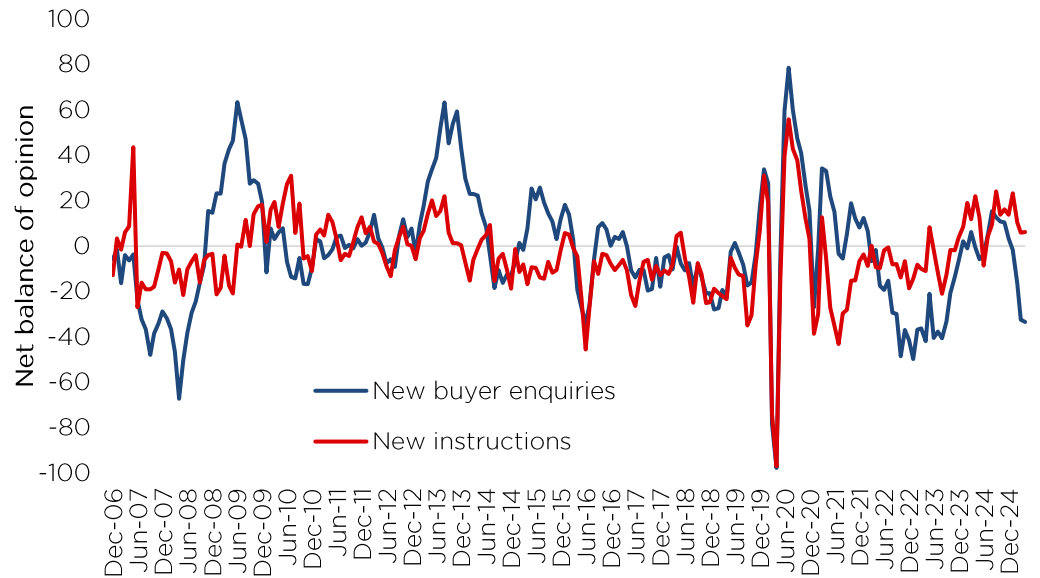


Figure 3 Buyer enquiries remain at their lowest level since 2023

Surveyors reported fewer buyer enquiries in April, following the changes to SDLT, with the number of surveyors reporting falling new buyer enquiries slightly increasing.

Supply remained at the same level between March and April, indicating a good level of stock coming to market. This has, however, widened the gap between supply and demand. This suggests price growth may be limited over coming months.



Source RICS (seasonally adjusted)

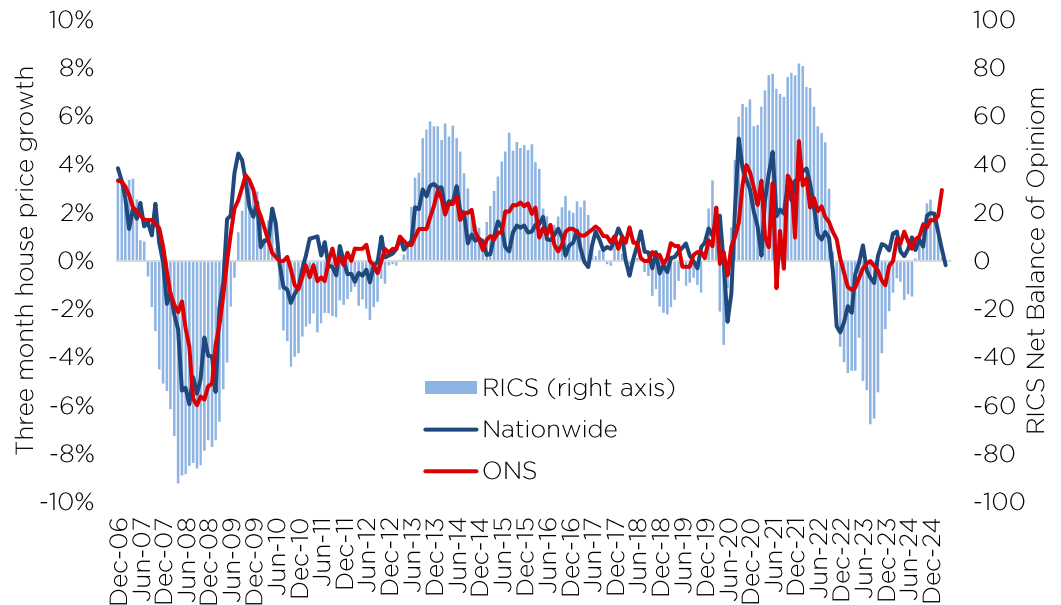
The RICS survey can be a good early indicator of house price movements which are later picked up by other indices.

RICS surveyor perceptions around price growth dipped into negative territory in April, meaning more surveyors saw price falls than price increases. This is typical following increases to SDLT obligations.

More timely data from Nationwide, however, shows that house prices fell by just -0.1% in the three months to May, indicating largely static house prices.

House price growth was stronger on the more lagged ONS index, with 2.9% growth over the three months to March, the run-up to the .SDLT change.

Figure 4 Nationwide reports small house price falls, but improving month-on-month



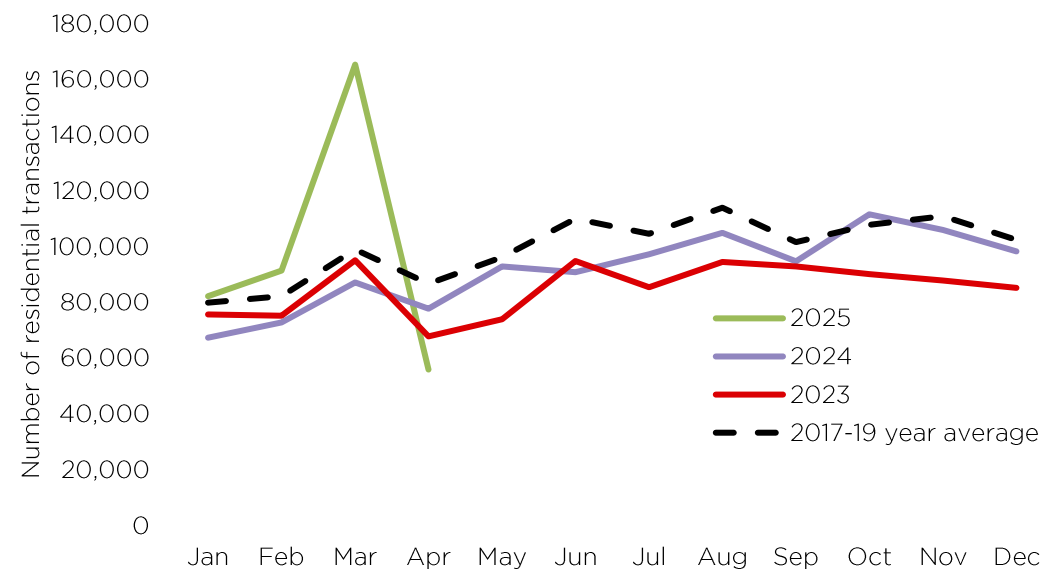
Source RICS, Nationwide (seasonally adjusted), ONS (seasonally adjusted)

55,970 transactions completed in April, according to HMRC. After the rush to complete in March ahead of the SDLT threshold changes, activity levels dropped sharply in April. This was the lowest number of monthly transactions since the early months of the pandemic in 2020.

The change between March and April 2025 of 66% was similar to drops seen following earlier SDLT changes. April 2016 saw a 57% drop in transaction volumes while the holiday ends in 2021 saw falls of 61% and 48%.

We expect activity to stabilise over the next few months.

Figure 5 After March's boom, transaction volumes in April dropped sharply



Source HMRC (non-seasonally adjusted)

Annual rental growth across the UK in April was 2.8% according to Zoopla, flat from March (2.8%). This comes despite tenant demand picking up in the UK and available stock remaining low, according to RICS surveyors.

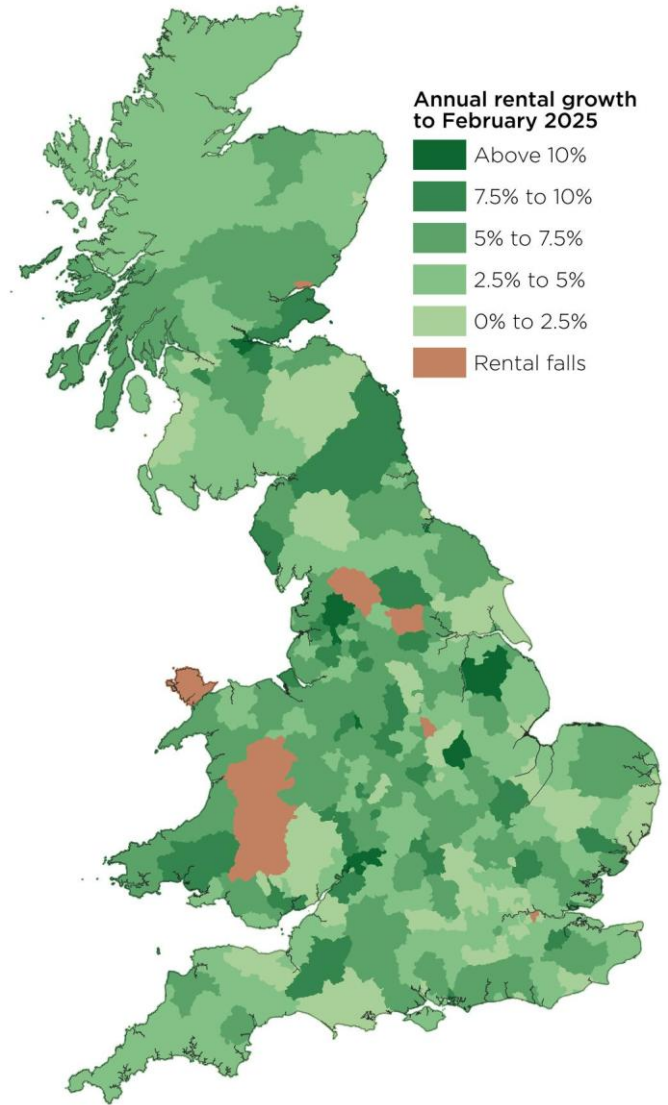
Rental growth continues to be mixed across the country. The North East, Yorkshire and the Humber, and Wales saw month-on-month rental falls, although these were quite limited. The North West continues to see the highest annual rental growth of 5.2% but this is slowing, while Yorkshire and the Humber saw the lowest rental growth (1.1%) but this is beginning to accelerate again. London rental growth is firmly accelerating, suggesting we have passed the bottom of the market.

Table 1 Regional rental growth to April 2025

	m/m	q/q	y/y
UK	0.3%	0.6%	2.8%
London	0.3%	0.4%	1.5%
South East	0.5%	0.8%	3.4%
East of England	0.7%	1.1%	3.8%
South West	0.6%	1.4%	3.2%
East Midlands	0.6%	1.1%	2.6%
West Midlands	0.2%	0.5%	3.3%
North East	-0.1%	0.5%	5.2%
Yorkshire and the Humber	-0.2%	-0.8%	1.1%
North West	0.5%	0.6%	4.6%
Wales	-0.1%	0.9%	4.3%
Scotland	0.5%	0.9%	2.4%

Source Zoopla Rental Index powered by Hometrack

Figure 6 Annual rental growth to February 2025

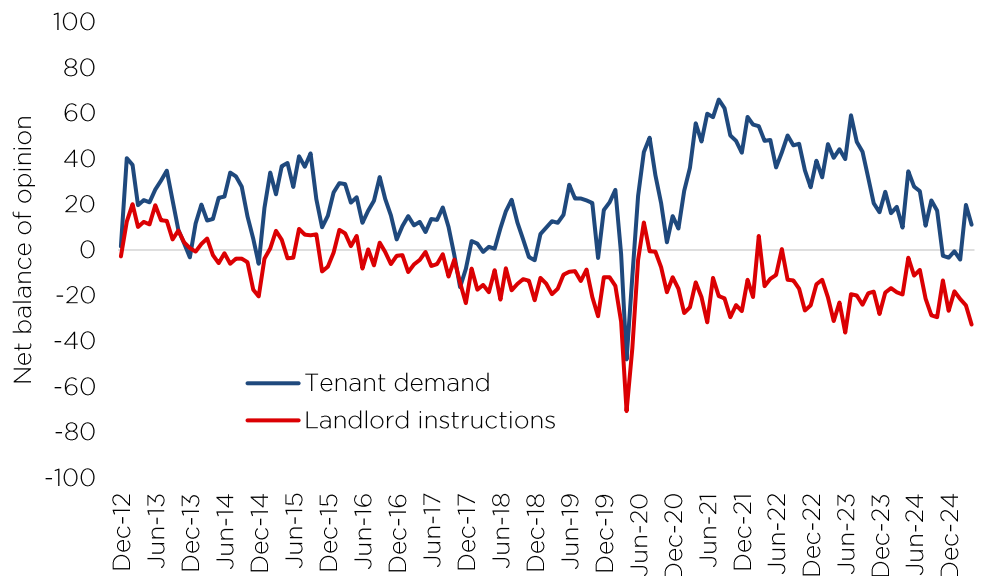


Source Zoopla Rental Index powered by Hometrack

The RICS survey showed a dip in both tenant demand and landlord instructions. Tenant demand remains positive, having surged in March. Landlord demand, however, has dropped to its lowest level since June 2023, with the majority of surveyors continuing to report falling numbers of new instructions to let.

The gap between supply and demand has widened slightly, and we are beginning to see rental growth slowly begin to accelerate again in some regions.

Figure 7 Landlord instructions drops to its lowest level since June 2023



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 Q1 2025, UK to May 2025)			ONS (to March 2025)			Savills* (to February 2025)		
	m/m	q/q	y/y	m/m	q/q	y/y	m/m	q/q	y/y
UK	0.5%	-0.1%	3.5%	1.6%	3.0%	6.4%	-0.1%	0.0%	2.0%
London	-	1.2%	1.9%	-0.2%	0.3%	0.9%	-0.4%	-0.3%	1.8%
South East	-	1.3%	2.9%	0.7%	1.6%	5.2%	-0.1%	-0.1%	1.5%
East of England	-	1.5%	2.0%	1.6%	2.7%	6.5%	0.0%	0.2%	1.1%
South West	-	0.5%	2.6%	1.1%	2.3%	5.3%	-0.2%	-0.2%	0.5%
East Midlands	-	-0.1%	2.4%	1.0%	2.4%	7.2%	0.1%	0.4%	1.8%
West Midlands	-	2.0%	5.7%	1.4%	3.2%	7.8%	0.2%	0.4%	2.3%
North East	-	0.9%	4.6%	4.5%	6.6%	14.4%	-0.1%	0.5%	3.3%
Yorks & Humber	-	1.7%	5.2%	2.5%	5.2%	10.2%	0.0%	-0.1%	2.8%
North West	-	1.7%	5.9%	2.3%	5.1%	9.4%	0.0%	0.2%	3.3%
Wales	-	1.7%	3.6%	0.3%	2.0%	3.7%	0.0%	-0.1%	2.6%
Scotland	-	0.6%	3.9%	-0.1%	1.0%	4.5%	0.0%	0.2%	3.1%

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 2024)

Region	2025	2026	2027	2028	2029	5 years to 2029
UK	4.0%	5.5%	5.0%	4.0%	3.0%	23.4%
London	3.0%	4.0%	3.5%	3.0%	2.5%	17.1%
South East	3.0%	4.0%	3.5%	3.5%	2.5%	17.6%
East of England	2.5%	5.0%	4.5%	3.5%	3.0%	19.9%
South West	2.5%	5.5%	5.0%	4.0%	3.0%	21.6%
East Midlands	4.0%	5.5%	5.5%	4.5%	3.0%	24.6%
West Midlands	4.5%	6.0%	6.0%	4.5%	3.0%	26.4%
North East	5.0%	6.5%	6.0%	4.5%	3.5%	28.2%
Yorks & Humber	5.0%	6.5%	6.0%	4.5%	3.5%	28.2%
North West	5.0%	7.0%	6.5%	4.5%	3.5%	29.4%
Wales	3.5%	5.5%	6.0%	4.5%	3.5%	25.2%
Scotland	5.0%	6.0%	5.5%	4.0%	3.0%	25.8%

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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