

# UK Housing Market Update



## Tax rumours and inflation concerns risk putting the brakes on buyer activity

**House prices fell by -0.1% in August according to Nationwide.** House price growth over the last three months was -0.4%, which has seen annual house price growth slow to 2.3%, down from 2.4% last month. This continues the pattern of decelerating house price growth which has persisted since the SDLT changes in April. We are forecasting this to continue, with just 1% house price growth in 2025.

**How the market fares in the last four months of the year will be affected by speculation over new taxes on housing.** Amidst a range of suggestions and rumours, reforms of SDLT and Capital Gains Tax (CGT) have been discussed as options to help the Chancellor balance her Autumn Budget on 26th November. The first of these is to replace SDLT with an annual land tax on properties over £500,000 (around a quarter of the market). We can expect this to cause short term uncertainty as buyers and sellers try to make sense of what it means for them without any guarantee of the outcome. That alone is likely to mean a dip in tax revenues in the run up to the budget, unless much more clarity is given. Secondly, there is a speculated CGT on main residences worth over £1.5 million. While this would impact only a small number of homes, heavily concentrated in London and the South East, uncertainty could weigh on buyer interest in these markets, while sellers may want to realise their gains before the new tax is implemented. [For our more detailed take, plus the longer-term implications of potential changes, see our webinar.](#)

**With uncertainty likely to last until the Budget, sensible pricing will be key to securing a sale.** The average time to sell a price-reduced property is 99 days, compared to 32 days for those without a reduction, according to Rightmove. The property market does not typically react well to uncertainty, and maintaining trust between buyers and sellers will be important.

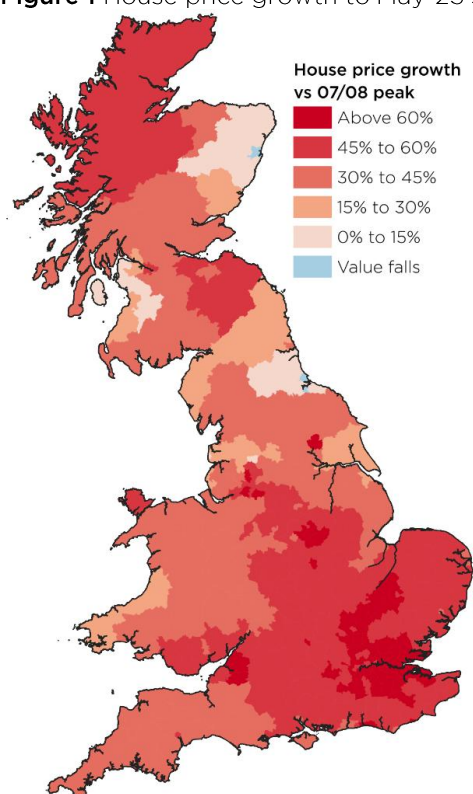
## Affordability continues to improve against this backdrop of uncertainty.

The Bank of England Monetary Policy Committee voted to cut the base rate to 4%, its lowest rate since March 2023. In line with base rate cuts, mortgage rates have been gradually trending down, with the average 5-year fixed rate dipping below 5% for the first time since May 2023 in mid-August, according to Moneyfacts. Rates, however, remain sensitive to economic confidence. A recent spike in gilt yields to a 27-year high has sparked concerns that a knock-on effect could see mortgage rates rise again, which could knock both gains in affordability and buyer confidence.

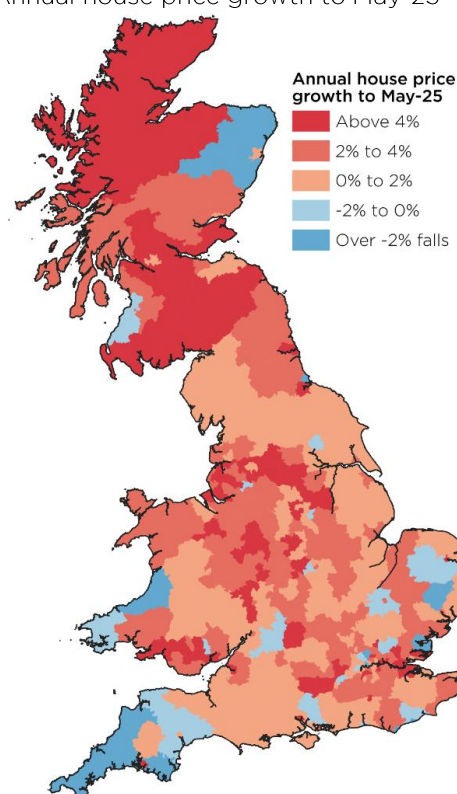
**Further improvements in affordability may take time, as the path of rate cuts during the remainder of 2025 has become less clear.** The August MPC vote was marginal, indicating concerns over medium-term inflationary pressures. CPI increased from 3.6% in June to 3.8% in July and the economy grew by a surprisingly strong 0.3% in June. Oxford Economics now consider the chance of a further rate cut in 2025 to be 50:50, given recent comments by MPC members, high food price inflation and the higher-than-expected energy price cap rise announced by Ofgem for October.

**More localised house price data from May shows that areas with the greatest value growth were in Scotland and the North,** chiefly Clackmannanshire and North Lanarkshire, with prices up 9.0% and 8.6%, respectively. It is a mixed picture in every region, with some areas seeing rises while others experience falls. London shows the most extreme differences with Haringey and Merton having some of the strongest price growth (8.1% and 7.5%), while Kensington & Chelsea and Barnet saw significant falls (-4.3% and -3.9%).

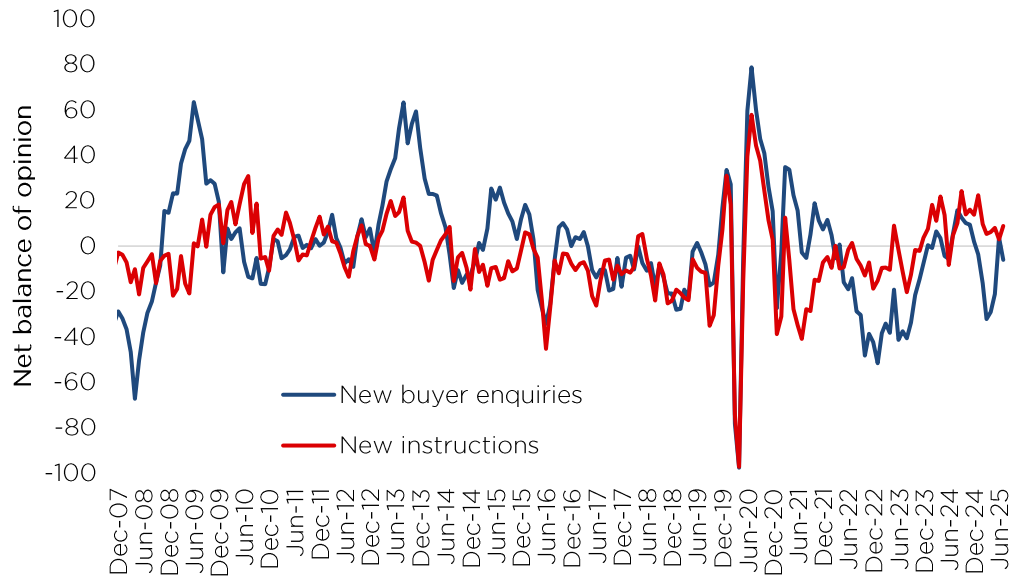
**Figure 1** House price growth to May-25 since 07/08 peak



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

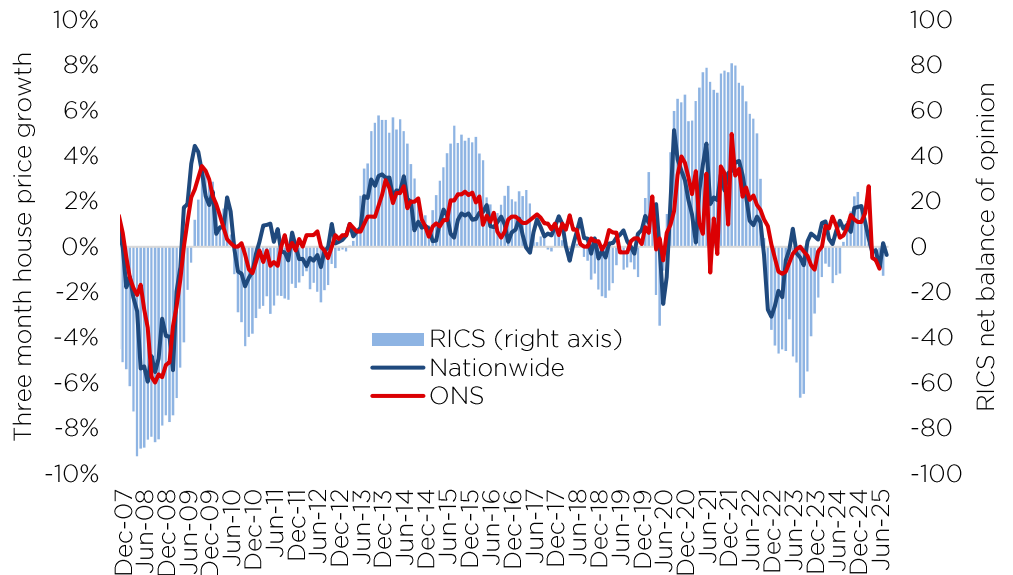


**Figure 3** Surveyors reported a drop in new buyer enquiries in July



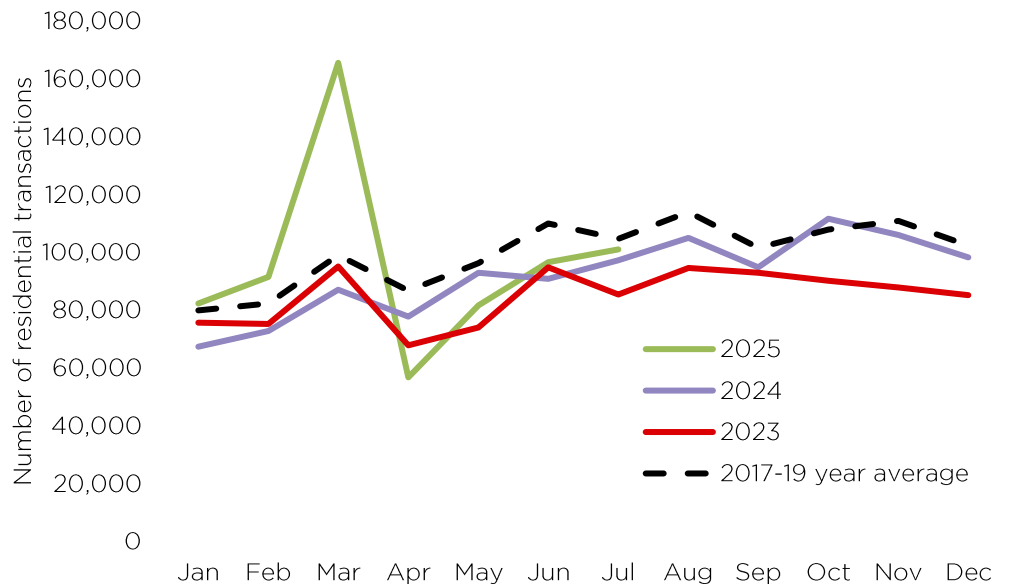
Source RICS (seasonally adjusted)

**Figure 4** All metrics reporting sustained three-monthly house price falls



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

**Figure 5** Monthly transaction volumes are just 3% below the 2017-19 average



Source HMRC (non-seasonally adjusted)

The majority of surveyors reported a renewed fall in new buyer enquiries after the recovery in June. Activity is typically strong in the summer, so this is an unseasonal downturn.

New instructions increased this month. Falling demand amidst increasing stock will put downwards pressure on prices, increasing the price sensitivity of the market. Committed sellers must remain competitive with realistic pricing.

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 fell further amongst surveyors in July. This was reflected in the Nationwide data for August, which shows house prices falling by -0.4% on a three-monthly basis.

The more lagged ONS index picked up the price falls earlier in the summer, with change at -1.0% in June.

Since the drop in activity immediately following the SDLT changes, the number of transactions has improved, with July seeing 101,070 transactions completed, according to HMRC. July followed June in outpacing 2023 and 2024 transaction numbers, and now sits just 3% below the 2017-19 average.

This increase is significant because activity is coming from buyers not expecting to complete before the SDLT changes. The subsequent price adjustments and mortgage rate reductions have encouraged buyer activity.

**Annual rental growth across the UK in July was 2.4%** according to Zoopla, a slight deceleration from 2.7% in June. This comes despite RICS surveyors reporting an uptick in tenant demand.

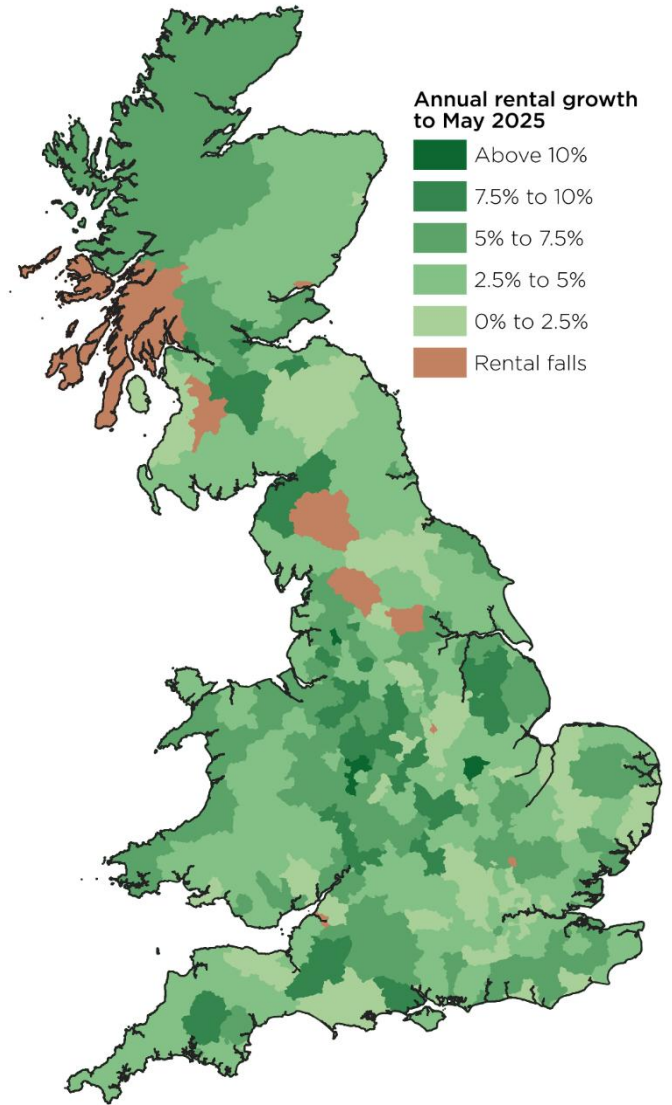
**Landlords' most pressing concern in Q2 2025 was energy efficiency and meeting Minimum Energy Efficiency Standards, according to the National Residential Landlord Association.** Currently, all rental properties much achieve EPC C or above from 2030, but there are worries over potential costs (and recouping these), available support, and timelines to achieve this. This, as well as the incoming Renter's Right Bill and suggestions of levying National Insurance on profits, has renewed concerns about stock leaving the market.

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

|                                 | m/m  | q/q  | y/y  |
|---------------------------------|------|------|------|
| <b>UK</b>                       | 0.4% | 1.1% | 2.4% |
| <b>London</b>                   | 0.4% | 1.0% | 1.7% |
| <b>South East</b>               | 0.2% | 0.9% | 2.8% |
| <b>East of England</b>          | 0.3% | 1.0% | 3.1% |
| <b>South West</b>               | 0.5% | 1.6% | 2.9% |
| <b>East Midlands</b>            | 0.4% | 0.8% | 2.1% |
| <b>West Midlands</b>            | 0.4% | 0.6% | 2.4% |
| <b>North East</b>               | 0.5% | 0.9% | 4.6% |
| <b>Yorkshire and the Humber</b> | 0.6% | 1.5% | 1.0% |
| <b>North West</b>               | 0.8% | 1.9% | 3.8% |
| <b>Wales</b>                    | 0.3% | 0.6% | 3.2% |
| <b>Scotland</b>                 | 0.1% | 0.8% | 1.5% |

Source Zoopla Rental Index powered by Hometrack

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

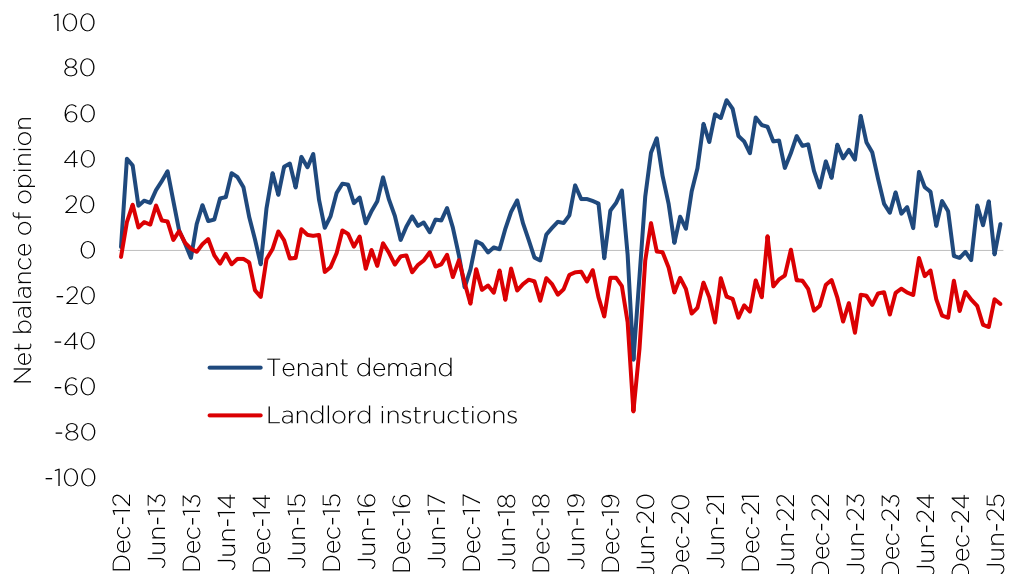


Source Zoopla Rental Index powered by Hometrack

**The RICS survey showed an increase in tenant demand as a result of seasonality in the market.** Historically, July is a strong rental month, with families looking to move before the new school year, and students and graduates preparing for September start dates.

Landlord instructions have dropped slightly, leading to a widening gap between demand and instructions. This could lead to accelerating rental growth, although with renters spending an increasing proportion on rent, according to HomeLet, this may quickly be capped by affordability constraints.

**Figure 7** Landlord instructions remain low amid an expected uptick in tenant demand



Source RICS

**Table 2** Rental forecasts (published November 2024)

| Region        | 2025 | 2026 | 2027 | 2028 | 2029 | 5 years to 2029 |
|---------------|------|------|------|------|------|-----------------|
| <b>UK</b>     | 4.0% | 3.5% | 3.0% | 3.0% | 3.0% | 17.6%           |
| <b>London</b> | 2.5% | 2.5% | 2.5% | 3.0% | 3.0% | 14.2%           |

Source Savills

**Table 3** Recent house price growth

|                           | Nationwide<br>(Regions to Q2 2025,<br>UK to August 2025) |       |      | ONS<br>(to June 2025) |       |      | Savills*<br>(to April 2025) |       |      |
|---------------------------|----------------------------------------------------------|-------|------|-----------------------|-------|------|-----------------------------|-------|------|
|                           | m/m                                                      | q/q   | y/y  | m/m                   | q/q   | y/y  | m/m                         | q/q   | y/y  |
| <b>UK</b>                 | -0.1%                                                    | -0.4% | 2.3% | 2.1%                  | 4.5%  | 5.9% | -0.2%                       | -0.2% | 2.6% |
| <b>London</b>             | -                                                        | -0.8% | 1.4% | 1.2%                  | -0.5% | 3.8% | -0.1%                       | -0.1% | 2.1% |
| <b>South East</b>         | -                                                        | -0.3% | 2.7% | 2.6%                  | -2.0% | 5.0% | -0.4%                       | -0.4% | 2.1% |
| <b>East of England</b>    | -                                                        | -1.3% | 1.1% | 0.6%                  | -0.8% | 4.3% | -0.3%                       | -0.3% | 1.8% |
| <b>South West</b>         | -                                                        | -0.4% | 2.5% | 1.3%                  | 0.0%  | 2.8% | -0.9%                       | -0.9% | 1.1% |
| <b>East Midlands</b>      | -                                                        | -0.4% | 2.0% | 0.7%                  | 1.2%  | 2.7% | -0.1%                       | -0.1% | 2.1% |
| <b>West Midlands</b>      | -                                                        | -1.7% | 2.4% | 0.4%                  | -1.8% | 1.5% | -0.3%                       | -0.3% | 3.0% |
| <b>North East</b>         | -                                                        | 0.4%  | 5.7% | 0.5%                  | 2.1%  | 0.8% | -0.1%                       | -0.1% | 3.9% |
| <b>Yorks &amp; Humber</b> | -                                                        | -1.2% | 2.3% | 1.9%                  | -0.2% | 3.5% | -0.2%                       | -0.2% | 3.4% |
| <b>North West</b>         | -                                                        | -0.5% | 4.3% | 3.3%                  | -2.3% | 7.7% | -0.3%                       | -0.3% | 3.5% |
| <b>Wales</b>              | -                                                        | -0.1% | 2.5% | 1.4%                  | -0.1% | 3.6% | 0.0%                        | 0.0%  | 3.2% |
| <b>Scotland</b>           | -                                                        | 0.8%  | 4.5% | 0.0%                  | 0.3%  | 5.5% | 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 |
|---------------------------|-------|------|------|------|------|-----------------|
| <b>UK</b>                 | 1.0%  | 4.0% | 6.0% | 6.0% | 5.5% | 24.5%           |
| <b>London</b>             | 0.0%  | 2.5% | 4.5% | 5.0% | 3.5% | 15.3%           |
| <b>South East</b>         | 1.0%  | 3.5% | 5.0% | 5.0% | 4.5% | 20.4%           |
| <b>East of England</b>    | -1.0% | 3.0% | 5.5% | 5.5% | 5.0% | 19.2%           |
| <b>South West</b>         | 0.0%  | 3.0% | 5.0% | 5.5% | 5.5% | 20.4%           |
| <b>East Midlands</b>      | -1.0% | 3.5% | 5.5% | 6.0% | 5.0% | 20.3%           |
| <b>West Midlands</b>      | 2.5%  | 5.0% | 6.0% | 6.0% | 5.5% | 27.6%           |
| <b>North East</b>         | 2.0%  | 4.5% | 6.0% | 6.0% | 5.5% | 26.4%           |
| <b>Yorks &amp; Humber</b> | 2.0%  | 4.5% | 6.5% | 6.5% | 6.0% | 28.2%           |
| <b>North West</b>         | 2.5%  | 5.0% | 7.0% | 7.0% | 6.5% | 31.2%           |
| <b>Wales</b>              | 5.5%  | 6.0% | 6.0% | 6.0% | 5.0% | 28.2%           |
| <b>Scotland</b>           | 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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