STRUTT & PARKER
BNP PARIBAS GROUP

RESEARCH

UK Residential Market Review

Spring 2025

Real average weekly earnings* rose in Feb-25

*(total pay, seasonally adjusted) Source: ONS

Outlook

Global economic uncertainty has spiked after the first 100 days of the new US administration. The application and pausing of tariffs and other activities is undermining confidence in the American treasury bonds and world's reserve currency.

Domestically, the UK is being challenged as the Labour administration look to drive growth whilst limited by its finances. According to the Office for Budget Responsibility (OBR) economic and fiscal outlook report, the outlook has become more challenging since the end of 2024, leading to business and consumer confidence lowering.

The **Bank of England** is expecting inflation to peak at 3.7% this year, before falling again by the end of the year. Interest rate cuts are expected to help the economy against forecasts for a global economic cold, as market analysts predict negative impacts from America's tariff policies.

Indicator	Value	Date	Comment	Forecasts (HM Treasury as of 16th Apr-25)	
				for 2025	for 2026
Inflation Rate (CPI)	2.6%	Year to Mar-25	Inflation has fallen this month after rising slightly in Q1, climbing back above the 2% target. The largest downward contribution was from recreation and culture and motor fuels.	3.1%	2.3%
GDP	QoQ: 0.1%	Q1 2025	Monthly real GDP is estimated to have had 0% growth over January 2025 and 0.5% growth in February 2025. Both the MH Treasury and the OBR have forecast a low growth rate over 2025 and 2026.	0.8%	1.0%
Bank Rate	4.25%	May-25	So far 25pb cuts happened in both February and May; 5-year swap markets, and BNP Paribas are forecasting further cuts this year bringing the base rate below the 4% mark. The lack of economic growth is the central reason for the expected cuts.	3.75%	3.5%
Mortgage Rates 2-yr /5-yr [75% LTV]	3.86% 3.96%	May-25	Mortgage rates for both two-and-five-year terms are below the base rate as high street banks price in the further cuts that are expected to come later this year.	-	-
Unemployment Rate	4.4%	Dec-24 to Feb-25	Unemployment has been at or below 5% since 2015 (apart from just over 5% at the end of 2020). This is low on historic standards, but it has risen since the end of 2023 where it fell under 4%.	4.7%	4.8%
Exchange Rate (GBP to Euro)	1.17	[Mid] Apr-25	The exchange rate started Q2 at 1.20, on par with the rate since mid-2024, but saw a recent fall to 1.17 in mid-April 2025.	-	-
FTSE	QoQ: 4.5% YoY: 8.8%	[Start] Q2 2025	The FTSE started Q2 strong in both QoQ and annual metrics. A 10% drop, over the first two weeks of April 2025, was generally associated to the uncertainty caused by America's tariff policies. In mid-April 2025, it was at March 2024 levels.	-	-

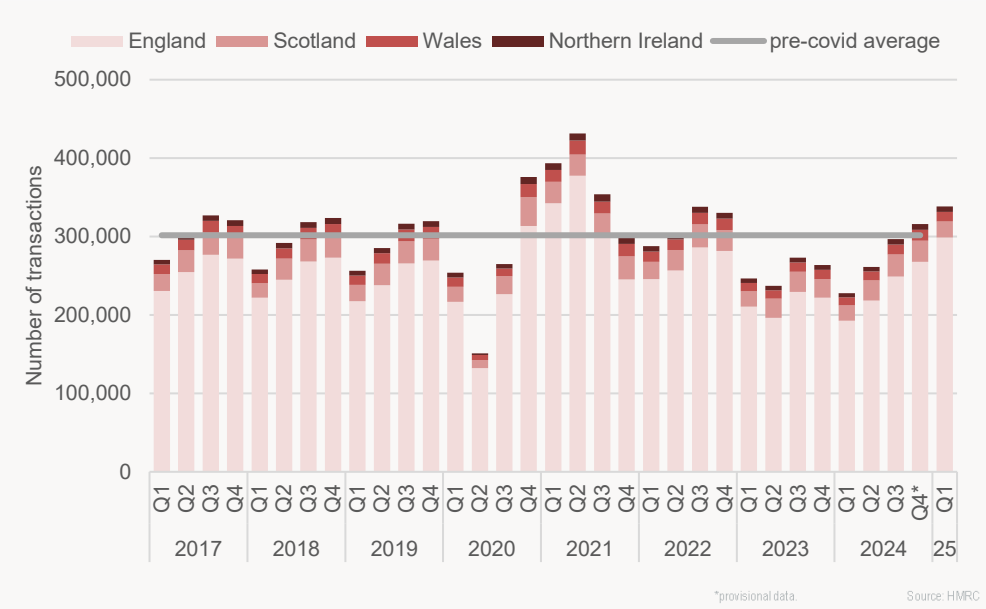
AT A GLANCE Q1 2025

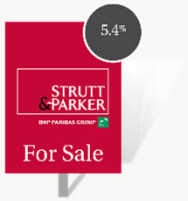
National residential sales transactions

House price growth was 5.4% in the 12 months to February this year, according to the ONS as transactions volumes continued their quarterly rise. Q1 this year reached 340,000 transactions nationally, a 49% increase on Q1 volumes last year. The surge of Q1 2025 transactions were partly driven by the April rise in stamp duty, encouraging households to transact in Q1.

Nationwide have released their house price index for April, which shows a drop off from Q1 figures boosted by pre-SDLT sales, with house prices falling by -0.6% over April. This still give annual house price growth of 3.4%; it is worth noting that Nationwide house price growth figures have recently been more reserved than the ONS figures, which haven't yet been released for April.

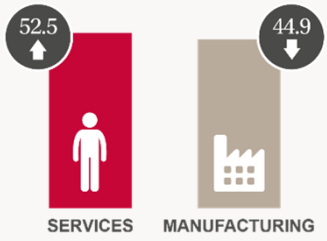
Number of recorded properties sold across the UK for 2017 through 2025





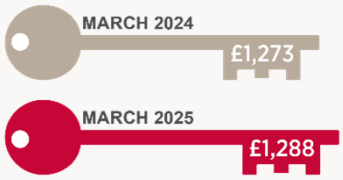
UK property prices grew by 5.4% in the 12 months to Feb-25

Source: ONS HPI



UK services grew to Mar-25 whilst manufacturing shrunk

Source: IHS Markit/CIPS



UK average rent increased 1.3% in the year to Q1 2025

Source: HomeLet

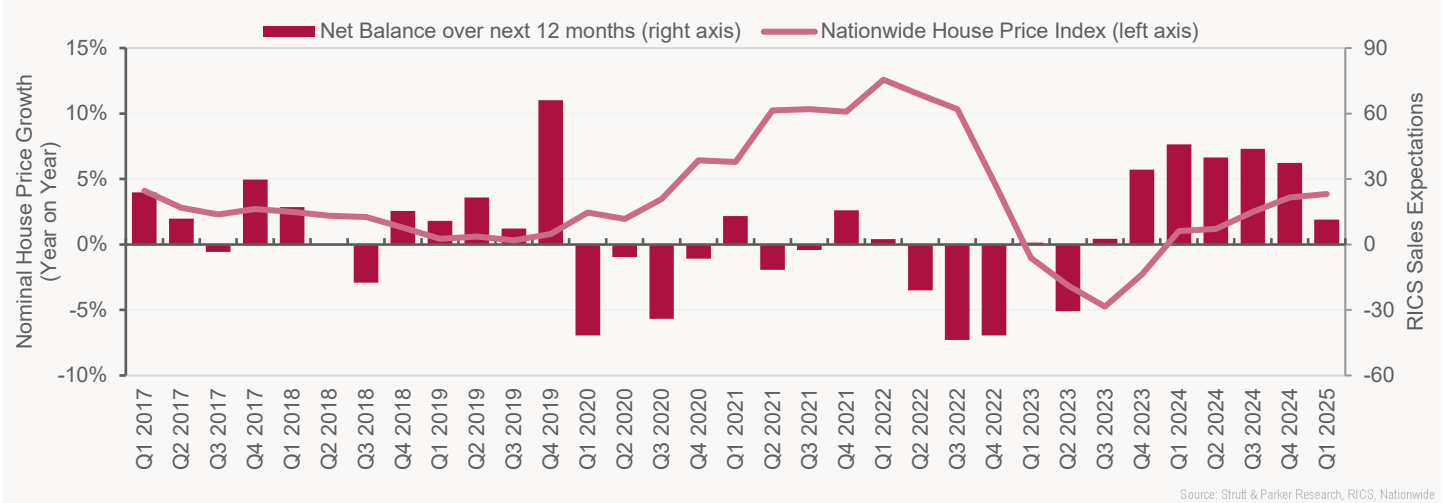
The RICS survey has fallen once more on its outlook for transactions over the next 12 months, however it is still positive at 11; this equates to 56% of respondents expecting a positive outlook for the year ahead, against the remaining 44% with a negative outlook.

Sentiment closely follows the base rate and with two cuts already this year, and further forecast, we would expect the RICS survey trend more positively. However, the global economic picture and the instability of financial markets impacts sales expectations and has sown uncertainty.

Cuts to the base rate and pent-up demand over the last 2-years have created movement within the mainstream housing market with sales volumes as high as they were in mid-2022.

However, at high price points buyers who had been sceptical about entering the market before the UK Autumn Budget and US Election are now worried about the unpredictability of the US administration, and the knock-on effects this can have. It is likely the sentiment within these higher value markets are influencing those agents who have a negative outlook for the next 12 months.

Nationwide House Price Index & RICS Price Expectations



Source: Strutt & Parker Research, RICS, Nationwide

AT A GLANCE Q1 2025

Prime Central London – Residential sales market

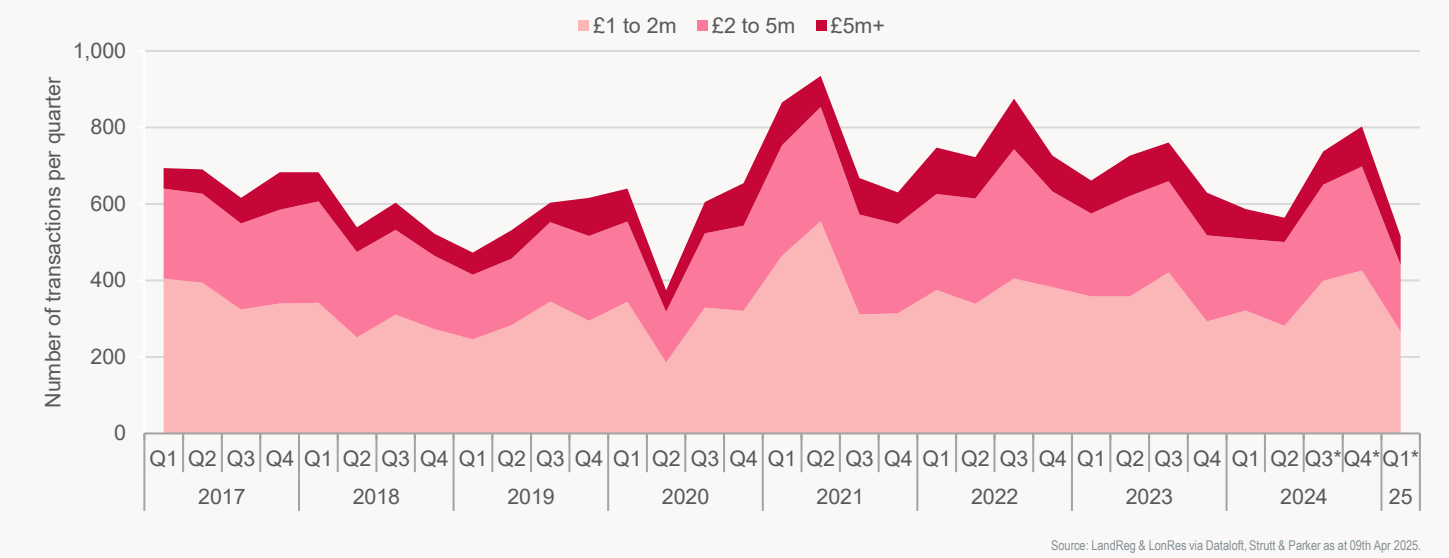
The number of transactions in the £1m+ market in Prime Central London (PCL) fell against Q4 last year by 19.6%. The sub-£1m market stayed flat with 640 transactions. Against Q1 2024 the market is 12% up, however this is again driven by the sub-£1m market.

PCL prices fell -0.7% over Q1 2025, continuing the trend of broadly stagnant sales values which peaked a decade ago in 2014. Over the last year values have come in by -2.7%.

The £5m+ market fell the least of the £1m+ markets. Much of these falls can be attributed to the ending of the non-domiciled status which have impacted sales over the last year since the Conservatives first announced that changes would be made.

It is, and will likely continue to, dampen demand in the prime markets where current international uncertainty is already a large challenge. Agents are hopeful that the rate cuts will drive further market activity in the mainstream market that will start to influence higher price points.

Number of homes sold in PCL, timeseries



Source: LandReg & LonRes via Dataloft, Strutt & Parker as at 09th Apr 2025.

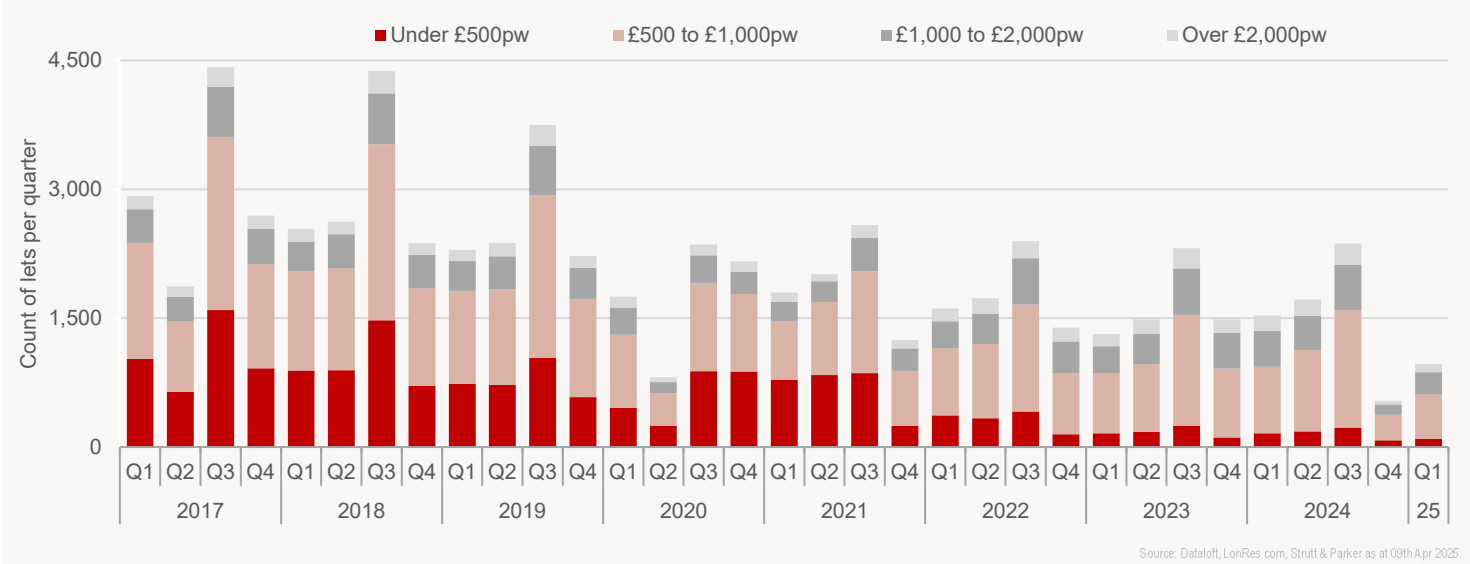
*please see PCL Methodology on the final page

Prime Central London – Lettings market

Rents in Prime Central London grew by 0.7% in Q1 2025. This is a return of PCL rental values as over the last year rents have only increased 0.6%, after the second half of 2024 saw rents come in by -0.5%.

New let figures for this quarter look strong compared to a very weak Q4 last year, yet Q1 2025 was 37% down on Q1 2024 in terms of volume with all prices points falling equally. The market in PCL remains dominated by flats making up 92% of new lets, with turnkey family homes the most under supplied . Agents have reported that the upcoming Renters' Right Bill has made the market unviable for a growing number of landlords who have been taking this opportunity to enter a more active sales market worsening an already problematic supply-demand imbalance.

New rental tenancies in PCL by price band



Source: Dataloft, LonRes.com, Strutt & Parker as at 09th Apr 2025.

AT A GLANCE Q1 2025

New Homes – England & Wales (excl. London)

Housing starts have recovered slightly from Q2 2024 however we are still in a period of record low start numbers.

With the time taken to achieve an approval through the planning system getting longer, housing delivery costs remaining high – due to land values, labour expenses and material costs – many potential sites become unviable. These pressures have limited the number of sites that start building out.

Outside of London the number of homes completed peaked in Q4 2022, at 157,300, and have been falling consistently since. The tumbling start numbers will only add to the downward pressure on completions over the coming years.

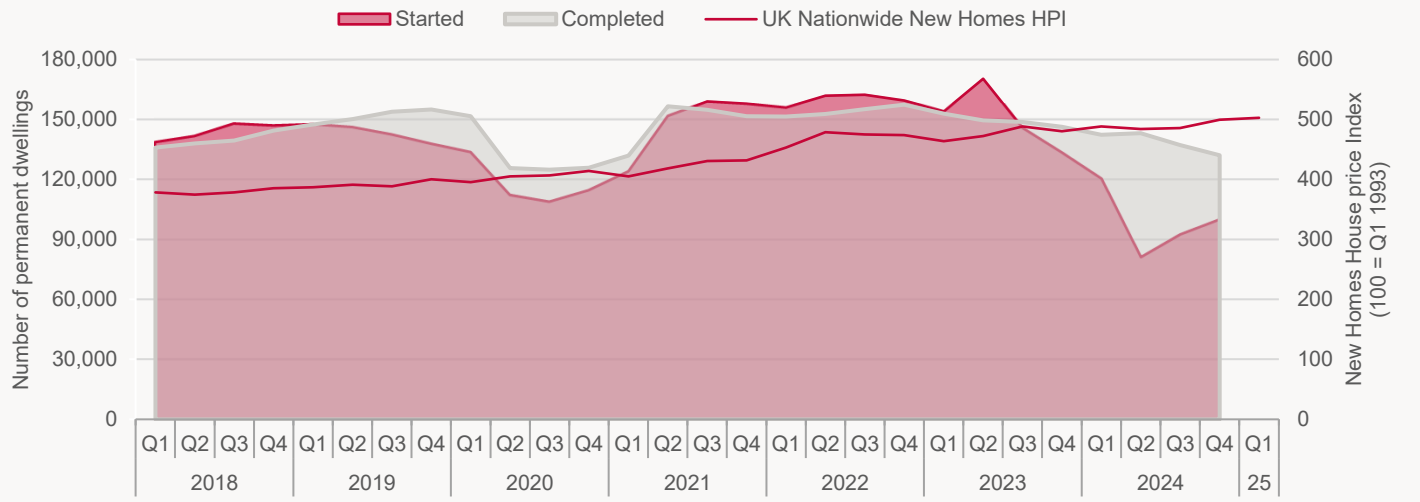
The limited supply is helping keep new build values firm. According to Nationwide the average new home is valued at £310,000, an increase of 3% over the last year reaching a new highest value of new builds.

Labour have reiterated their pledge of building 1.5 million homes their first term. This breaks down to 300,000 homes a year of which only half this target was achieved over 2024.

Homes were completed in England over 2024

Source: MHCLG

Number of new homes built UK (excl. London) & new homes house price index



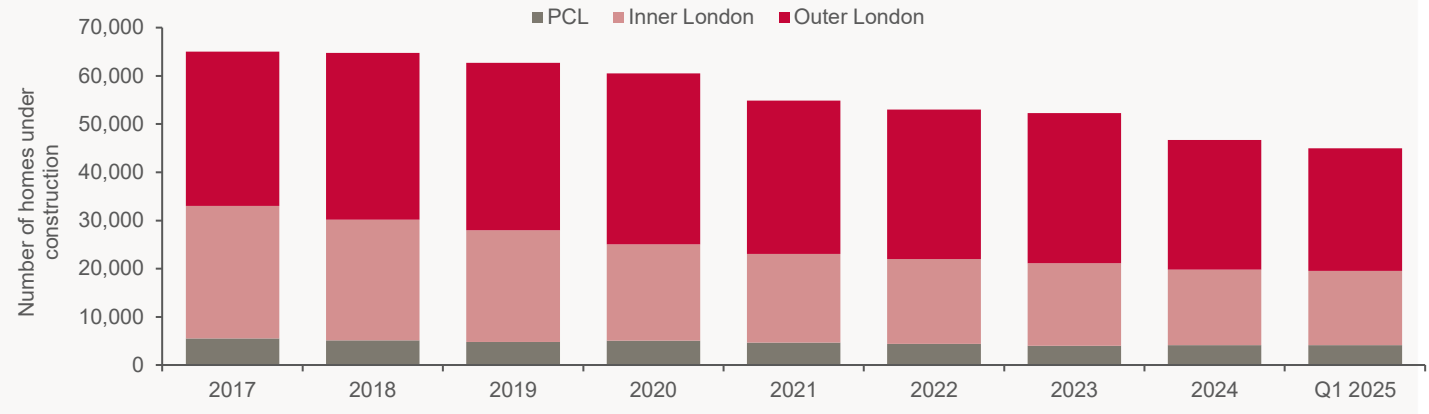
Source: Strutt & Parker Research, Nationwide, MHCLG

New Homes – Greater London

Across Greater London the number of units under construction has been lower year-on-year since 2017. At the end of Q1 2025 a total of 45,000 homes were being built in Great London; volumes are 4% lower than at the end of 2024 and almost one-third lower than the peak in 2017. Within Inner London & PCL, where land is most constrained – and therefore more expensive to purchase and build on – construction volumes have fallen the greatest, by 41% since 2017.

Build to rent (BTR) development has been a constant supply of between 3,500 to 5,300 homes each year, yet there are signs that this is dropping away. BTR units under construction have fallen from 17,000 in 2023 to 7,700 at the end of Q1 this year.

Number of private sale units under construction in schemes of 20+ private units in Greater London



Source: Molior, Strutt & Parker as of 09th Apr 2025;PCL defined as Local Authorities of Hammersmith & Fulham, Kensington & Chelsea and Westminster; Inner London defined as Local Authorities of Camden, City of London, Hackney, Islington, Lambeth, Southwark, Tower Hamlets, Wandsworth; Outer London defined as remaining22 Greater London boroughs.

AT A GLANCE Q1 2025

Forecasts

The UK housing market has seen a positive start to the year with a continuing recovery in national transactions figures and strong annual house price growth. This was buoyed by the rush of many exchanging in Q1 to catch the end of the higher zero rate thresholds which has now returned to £125,000 (after being at £250,000 for 2-and-a-half years). Agents have a more optimistic outlook for this year than last, expecting this positive sentiment to drive more transactions and higher prices. There are 25% more homes on the market than this time last year with further interest rate cuts expected, which will boost sentiment further. Due to this we are forecasting 2% to 5% growth over 2025 with up to 20% over the 5-years to 2029.

The prime end of the housing market is not performing as well as the mainstream. Although there is hope that the positive sentiment will shift upwards, global and economic uncertainties are weighting more heavily at higher price points. The non-dom status changes and international uncertainty have an outsized impact on PCL. This has led to our more reserved -2% to 1% forecast for 2025.

The PCL Lettings market remains subject to a supply-demand imbalance that the is only being worsened by the prospect of the Renters Rights Bill and the uncertainties around when and how it will be implemented. This has led to a return of rental growth and underpins our 2% to 5% forecast for the year.

Strutt & Parker's Residential House Price Forecast

	2025	5-years to 2029 inclusive
Sales		
Prime Central London	-2% to 1%	10% to 15%
UK	2% to 5%	15% to 20%
Lettings		
Prime Central London	2% to 5%	15% to 20%

"Uncertainty – especially at higher price points – is one of the greatest dampeners of the housing market. Stemming from American tariffs, insecurity around financial markets, pension funds and bond markets, has blown over the Atlantic and created an abundance of uncertainty. This causes many potential buyers to sit on their hands and take stock rather than look to transact. In the short term little is likely to change as everyone continues to wait on what will happen when the 90 day pause comes to an end.

Further to this there is also a rise in global conflicts, recently illustrated by the worsening situation in Kashmir. These occurrences lead to further uncertainty and decrease the risk appetite of many investors.

However, the shakiness of other markets, and geographies may make the security of prime bricks and mortar come to the fore. London has a 'safe haven' status, and the security of Prime London real estate may attract investors who are looking to move funds away from areas of global conflict and less stable environments."

MATT HENDERSON
Head of Residential Research

Outlook

The UK housing market can currently be viewed from two varied perspectives; on one hand mortgage rates are now available at sub-4% with strong signs that the Bank of England will be cutting the base rate further over the course of the year. On the other, for the roughly 625,000 households coming to the end of a 3-year, or longer, fixed term mortgage over the next 12 months there will be a sharp jump up in housing costs from the less than 2.5% mortgage they are currently on. The former perspective is driving transaction volumes of over 100,000 sales per month, and confidence has returned leading to consistent annual house price growth. However, the latter perspective will keep a check on the rate at which this growth will happen.

The UK's prime markets, and especially PCL, are far more discretionary markets that have been caught in the headwinds that have blown over from across the Atlantic. Uncertainty is one of the greatest dampeners of housing markets; insecurity around financial markets, pension funds and bond markets, in the wake of America's new trade policies, will cause many to sit on their hands and take stock rather than look to transact. The shakiness of other markets may make the security of Prime bricks and mortar come to the fore; however, this is unlikely to outweigh the initial negative impacts of these instabilities.

Rental increases across the UK and in PCL have been slowing after 18 months of steep rental growth. However, the forthcoming introduction of the Renters Rights Bills has caused landlords to become more selective over tenants (as it will be more expensive remove them from the property), increase rents in anticipation of higher costs, or leave the market. This has worsened supply issues and revamped rental growth. Within PCL the number of new lets under £500 per week has fallen to its lowest ever level of 9%.

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Methodology
As the housing market is seasonal, for the purposes of this report; data is compared year on year, i.e. looking at Q1 2025 in light of changes since Q1 2024. Data may also be compared on a rolling month on month basis. When referring to the PCL market it includes those markets which Strutt & Parker operate in (Knightsbridge, Belgravia, Kensington, Chelsea, Notting Hill & Fulham) and as such is reflective of London's most prime markets. Economic views are attributed to Strutt & Parker's retained economic advisors, Volterra. The global economy remains volatile and therefore there is risk that any market commentary provided will become out-dated within a short timescale.

PCL Methodology
PCL figures are formulated of HM Land Registry data and adjusted LonRes data – quarters denotated with an asterix. The LonRes adjustment is made to account for an undercount of sales, typically in the lower price brackets, and to correct for a variance in geographical areas. The adjustment takes the median difference, as a percentage, for each price bracket between Land Registry and LonRes sales over the past 2 to 4 years (to avoid the data lag within Land Registry). This proportion is then used to adjust the most recent quarters of LonRes data.