

# UK Residential Market Review

## Summer 2025



Real average weekly earnings\* rose in May-25

\*(total pay, seasonally adjusted) Source: ONS

### Outlook

The **global economic** outlook expects a slowdown in growth as international downside risks intensify. Factors such as rising trade frictions, geopolitical uncertainty, and persistent inflation are causing developed markets to lose momentum, while emerging markets are showing a varied ability to respond.

**Domestically**, the UK is being challenged as the Labour administration look to drive growth whilst being heavily limited by the country's 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, however, business confidence is showing an unexpected levels of resilience.

The **Bank of England** expects inflation to peak at 3.7% this year, as it almost has done this month, 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 uncertainty.

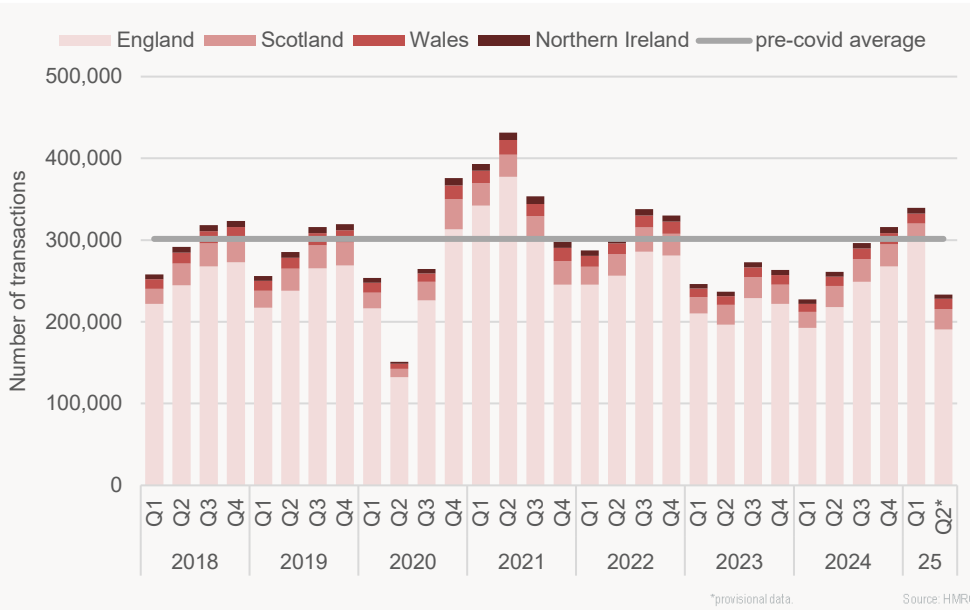
Indicator	Value	Date	Comment	Forecasts <small>(HM Treasury as of 18<sup>th</sup> Jun-25)</small>	
				for 2025	for 2026
Inflation Rate (CPI)	3.6%	Year to June-25	Inflation has remained above the 2% target since October 2024. Housing costs – which include energy costs – are currently the largest upward influence on CPI.	3.1%	2.3%
GDP	-0.4%	April & May-25	Falls in services and production output have been the largest contributors to GDP falls in April and May. The BoE forecast GDP growth to be 0.25% in Q2, which currently looks improbable.	1.1%	1.0%
Bank Rate	4.25%	Jul-25	The bank rate was cut from 4.5% in May 2025. It has fallen by 0.5 pp since January 2025.	3.75%	3.50%
Mortgage Rates 2-yr /5-yr [75% LTV]	3.92% 3.97%	Jul-25	Best available mortgage rates for both two-and-five-year terms are below the base rate as high street banks price in a least one further cut expected to come this year.	-	-
Unemployment Rate	4.7%	March to May-25	Up 0.3 pp compared to Dec-24 to Feb-25; at its highest level since 2021. This is still low compared to historic levels, however combined growing long-term sickness figures, this is impacting national productivity levels	4.8%	4.8%
Exchange Rate (GBP to Euro)	1.16	[Mid] Jul-25	The exchange rate started Q2 at 1.20 and fell to 1.17 by the end of the quarter.	-	-
FTSE	QoQ:1.7% YoY :7.6%	[Start] Q3 2025	The FTSE experienced a sharp drop at the beginning of April following an escalation of the US trade conflict. Since then, it has recovered strongly, experiencing slow and steady growth across the remainder of the quarter and hitting a record 9,000 point in July.	-	-

## National residential sales transactions

House price growth was 3.9% in the 12 months to May this year, according to the ONS, as transaction volumes stalled after a strong first quarter. Q1 this year reached 340,000 transactions nationally as buyers pushed to transact before changes to stamp duty that came into place on 1<sup>st</sup> April. As is typically the case after increase to SDLT, volumes in April and May saw a drop-off. However, transactions in June picked up 38% against April and May, and over the first half of this year volumes are up 17% against 2024.

Nationwide's house price index for June shows -0.8% change in house prices over the month. This may be driven by sellers, that are looking to transact quickly, having to accommodate a proportion of the increased tax burden in a market where buyers' affordability is stretched.

### Number of recorded properties sold across the UK for 2018 through 2025



UK property prices grew by 3.9% in the 12 months to May-25

Source: ONS HPI

UK services & manufacturing both grew over Jun-25

Source: IHS Markit/CIPS

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 just over half, 52%, of respondents expecting a positive outlook for the year ahead, the remainder with a negative outlook.

After the boost that the stamp duty changes gave Q1 this year the let up in Q2 may be influencing the respondents of the survey. In the mainstream markets sentiment closely follows the base rate; with cuts already this year, and further forecast, we would expect the RICS survey to trend more positively.

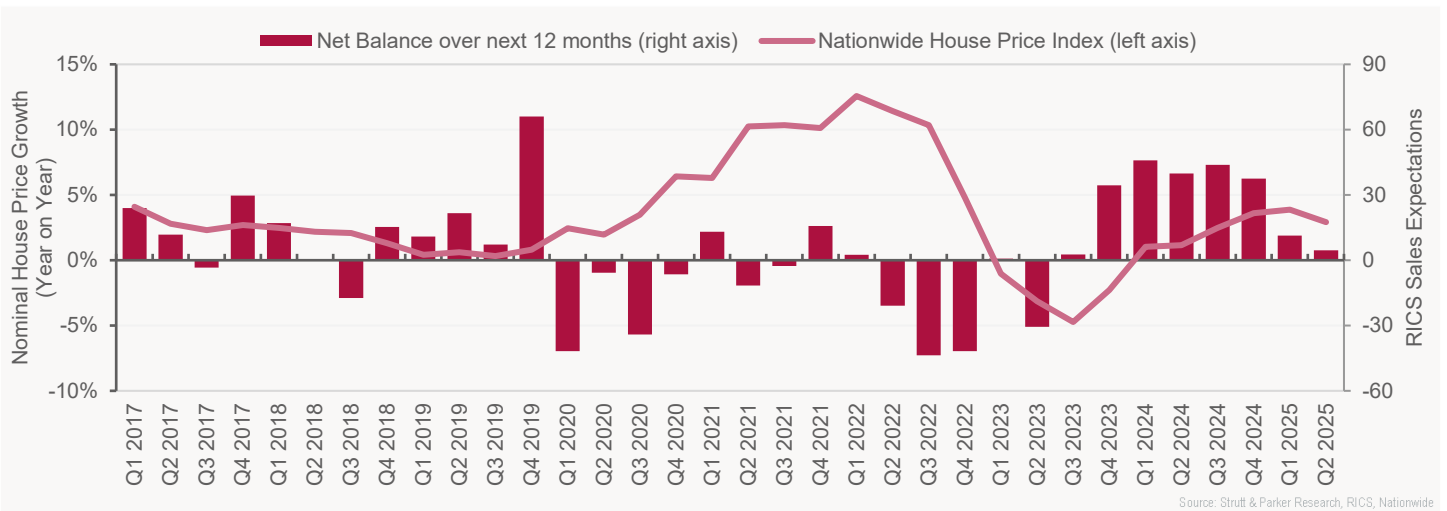
However, at high price points buyers are uncertain about where to place their funds due to the global turbulence, largely stirred up by the US administration, and the knock-on effects this is having in financial markets.

Sentiment within these higher value markets may be influencing those agents who have a negative outlook for the next 12 months. We believe that the security of UK bricks and mortar will grow in attractiveness as a secure, relatively risk-free asset class in the increasingly unstable global environment.

UK average rent increased 0.7% in the year to Q2 2025

Source: HomeLet

## Nationwide House Price Index & RICS Price Expectations



## Prime Central London – Residential sales market

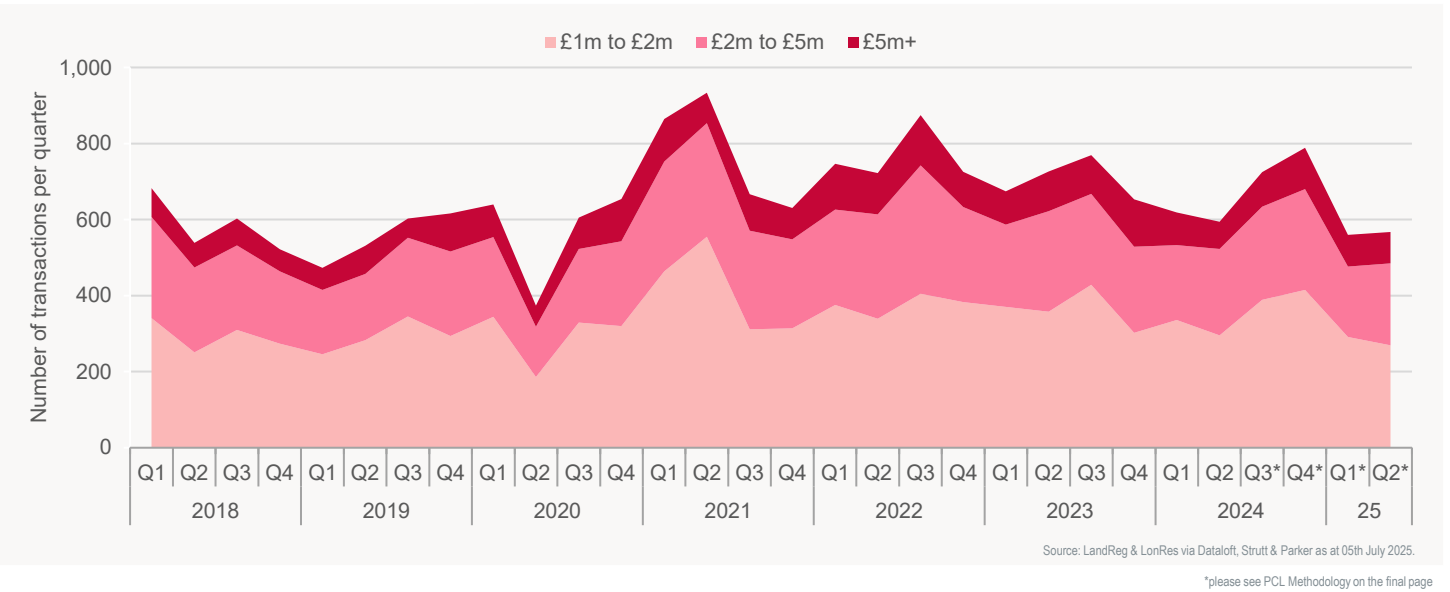
The number of transactions in the £1m+ market in Prime Central London (PCL) grew slightly against a weak Q1. However, volumes against Q2 last year are down 5%, the £1m to £5m price bracket is where this reduction in transactions occurred. At the top end of the market, £5m+, although flat against Q1, has seen 5% more sales than the first half of 2024.

PCL prices fell -1% over Q2 2025, continuing the trend of broadly stagnant sales value. With buyers being extremely price sensitive sellers

are having to price correctly to see their property transact in a timely fashion.

Lower volumes of sales over the past two quarters can be partly attributed to the ending of the non-domiciled status, as overseas investors direct their money elsewhere, largely put off by the changes to inheritance taxes. It is, and will likely continue to, dampen demand in the prime markets where current international uncertainty is already a large challenge.

### Number of homes sold in PCL, timeseries

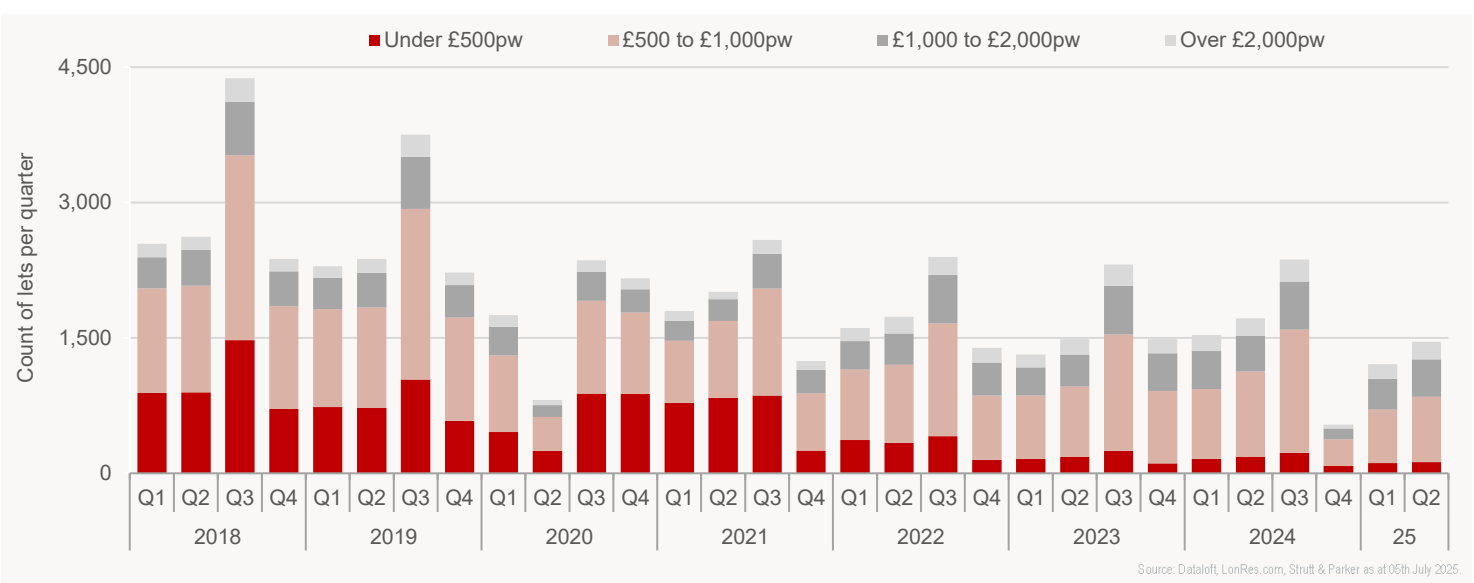


## Prime Central London – Lettings market

Rents in PCL have stayed flat over this quarter, despite the speculation that landlords are leaving the market – due to the Renters’ Rights Bill – which would drive up values. Yet, there is upward pressure in the rental market, the number of new lets under £500 per week has fallen to its lowest ever proportion of the market and over the first half of this year rents are up 0.3%.

New let numbers for the second quarter look strong compared to two weak previous quarters, however Q2 2025 was 15% down on Q2 2024 in terms of volume let. This lack of volume came from the lower price points, new lets above £1,000pw are up 4%. The market in PCL remains dominated by flats making up 92% of new lets, with turnkey family homes the most under supplied. Houses now let for a greater pound-per-square-foot value than flats, uncharacteristic of greater square footage property.

### New rental tenancies in PCL by price band



## New Homes – England & Wales (excl. London)

Housing start numbers have started to recover after the steep fall away in 2024. Over the last three quarters starts have picked up 33% from Q2 2024; yet are still 31% down on the average volume of starts over 2022 and 2023.

The proportion of planning applications approved within the statutory time is falling quarter on quarter, now below 20% for major applications. With the time taken to achieve an approval through the planning system growing, housing delivery costs, and risk, increase for developers, lowering the number of viable sites and therefore starts.

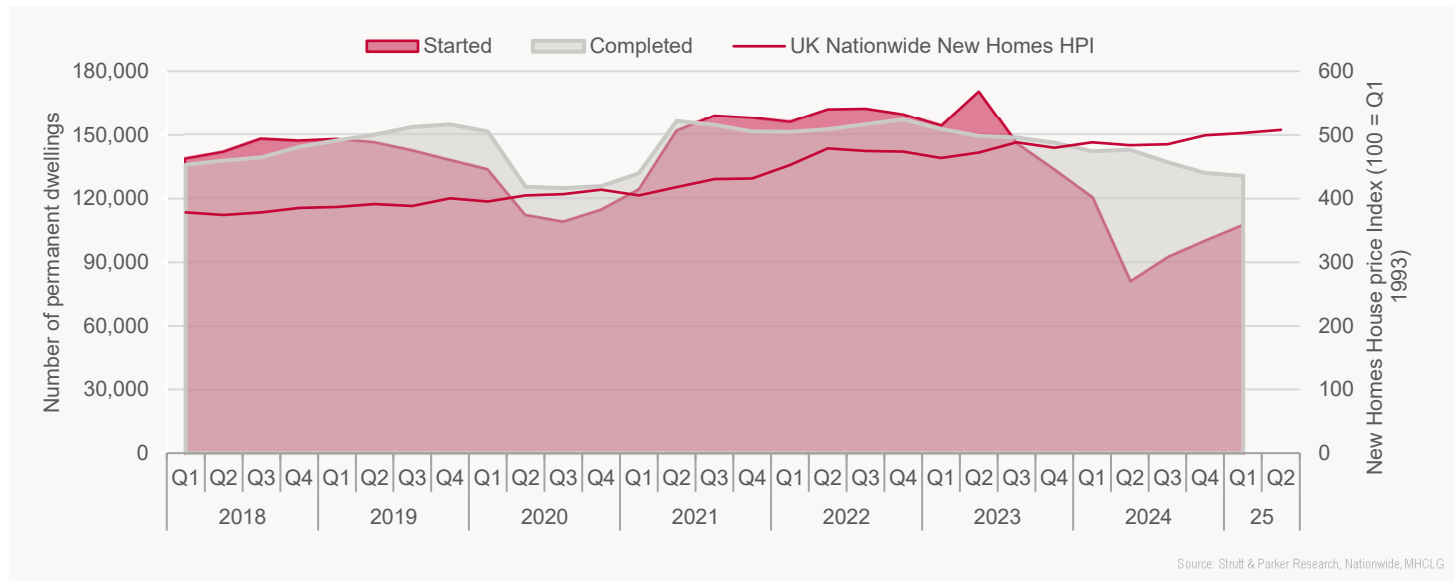
Outside of London the number of homes completed peaked in Q4 2022, and since then have fallen around 2% a quarter. Dwindling start volumes only add to the downward pressure on completions over the coming years.

The flip side is that limited supply keeps new build values high. According to Nationwide the average new home is valued at £313,000, an increase of 5% over the last year reaching a new highest value for new builds. Labour have reiterated their pledge of building 1.5 million homes their first term; 300,000 a year, of which only 37% has been achieved over the last four quarters.



Source: MHCLG

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



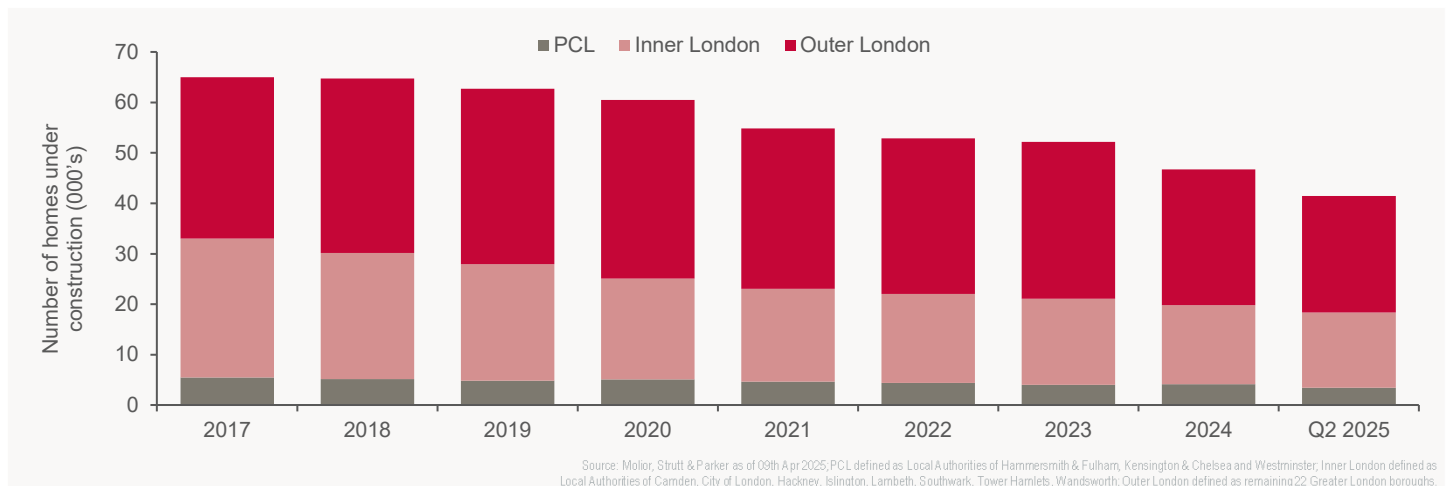
Source: Strutt & Parker Research, Nationwide, MHCLG

## New Homes – Greater London

Across Greater London the number of units under construction has continued its downward trajectory over the past decade. Q2 has fallen a further 8% on Q1, there are now only 41,400 units currently under construction; 36% down on the peak in 2017. Where land is most constrained and expensive – within Inner London & PCL – construction volumes have fallen 44% over the same period.

Developers in London have struggled to sell on their stock at the rate they would like. This stalls their ability to sell-up and move on to the next site, slowing down the delivery of new homes. On top of this stricter building regulations (Gateway 2) have limited buildings over 18m high, constraining viability, and pushing developers towards permitted development sites that typically result in less homes.

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



Source: Mollor, 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 remaining 22 Greater London boroughs.

**Forecasts**

There currently is a mixed picture for the UK housing market. Sales in the mainstream section of the market remain relatively resilient, but housing delivery faces significant challenges.

Planning approvals have fallen sharply, with Q1 and Q2 2025 recording the lowest levels in two decades. Local authority capacity constraints are contributing to delays, and there is widespread uncertainty that the Government’s 1.5 million homes target will be met. Support is seen as essential to aid both buyers and developers. The current undersupply in the market leads us to our forecasts of 2% to 5% growth over 2025 with 15% to 20% growth over the 5-years to 2029.

The prime market is not performing as well as the mainstream; PCL sales remained subdued throughout Q2 2025. The higher end of the market is characterised by elevated stock levels and a reduced pool of buyers. Price reductions are increasingly common, with correct pricing deemed essential to attract buyers in this price sensitive market. This has led to us bringing in our forecast to -3% to 1% for 2025.

The PCL Lettings market remains subject to a supply-demand imbalance that is only being worsened by the upcoming Renters Rights Bill. This is reducing the number of new lets but keeping steady rental growth. We have forecast rental growth of 15% to 20% forecast to 2029.

*“Prime properties have been transacting more slowly, and less regularly, than the more mainstream parts of the market. There are plenty of high-quality homes for sale but a shortage of buyers willing to pay asking prices. Homes are regularly selling only after a price reduction, with purchasers looking to get good value in what is a price sensitive buyers’ market.*

*To sell a home in a timely fashion sellers need to price at a competitive level, accepting where the market is. Attractive family homes, priced reasonably, can attract multiple buyers to compete, leading the home to achieve above the asking price.*

*However, this is a rarity in the current market and homes that don’t garner immediate attention often take time to sell, then price reductions are then needed to gain attention. There is certainly an opportunity for buyers looking to secure a good deal, particularly those looking to purchase without selling – first-time buyers or those looking to acquire an additional property – or those planning to upsize.”*

**MATT HENDERSON**  
Head of Residential Research

**Strutt & Parker’s Residential House Price Forecast**

	2025	5-years to 2029 inclusive
<b>Sales</b>		
Prime Central London	-3% to 1%	10% to 15%
UK	2% to 5%	15% to 20%
<b>Lettings</b>		
Prime Central London	2% to 5%	15% to 20%

**Outlook**

As has been the case for much of this year the UK housing market can be seen from two differing perspectives; on one hand mortgage rates remain available at less than 4% with strong signs that the Bank of England will be cutting the base rate again this 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 market has moved slower in Q2 as many sales were pushed through in Q1 to beat the changes in stamp-duty. We expect to see volumes over the second half of the year somewhere between Q1 and Q2 totals.

The top end of the markets have been facing a more difficult time. PCL, as well as the prime markets nationally, have struggled with the global uncertainties that have arisen from insecure financial markets. More locally economic stagnation and the removal of the non-dom status has limited buyer activity, particularly at the top end of the central London market. This has created a buyers’ market for those looking to act, allowing them to be pickier about what they view, and more demanding on value. The homes that have sold in a timely fashion are priced reasonably.

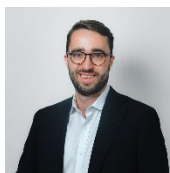
The forthcoming introduction of the Renters Rights Bills has caused some landlords to leave the market, with many trying to sell their property. With the prime London sales market not transacting quickly, particularly for flats, many landlords have decided to return to letting. Within PCL the number of new lets under £500 per week has fallen to its lowest ever level showing that higher rents are available for landlords who want to commit to this market. Well-presented houses are in high demand and are achieving rents above asking, making an attractive opportunity notwithstanding of the impact the Renters’ Rights Bill may have.



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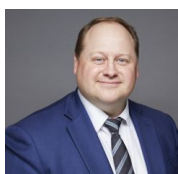
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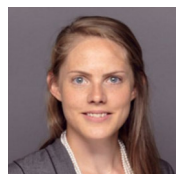
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### Methodology

As the housing market is seasonal, for the purposes of this report; data is compared year on year, i.e. looking at Q2 2025 in light of changes since Q2 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, Mayfair, 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 denoted 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.

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