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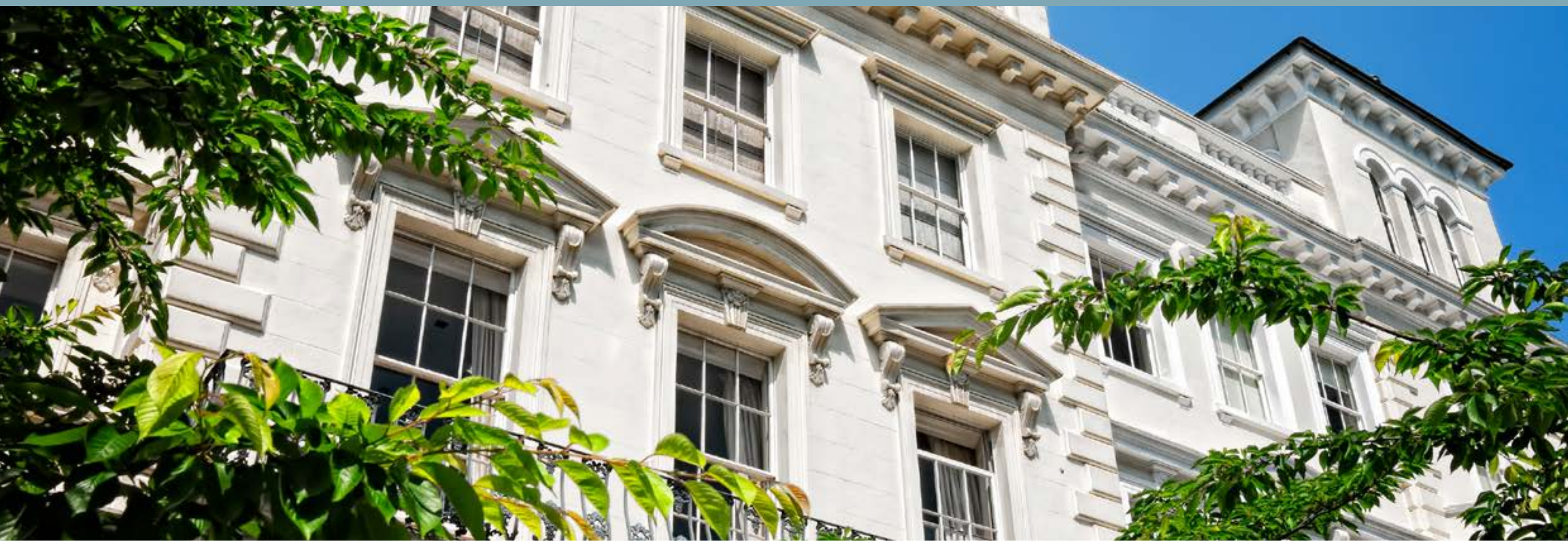
Residential Property Review

May 2025



Improving rate outlook boosts UK forecasts

Knight Frank has raised its house price forecasts amid signs of a more supportive interest rate environment.

The revision follows the Bank of England's recent rate cut to 4.25% and growing expectations of further reductions this year. Even if those cuts don't materialise, Knight Frank says cheaper fixed-rate mortgages will underpin demand in the months ahead. The estate agent expects UK residential property prices to rise 3.5% in 2025, up from a previous estimate of 2.5%, with five-year growth projected at 22.8%. Greater London's outlook has also been upgraded, reflecting stronger prospects as mortgage rates edge down.

However, forecasts for prime Central London were downgraded, with prices expected to remain flat this year due to political uncertainty and the government's decision to scrap the non-dom regime. While Central London prices fell 1.6% over the past year, outer London saw a 1.2% rise. Rental forecasts remain broadly unchanged.

Stamp Duty deadline boosts March sales

March saw the fifth highest number of transactions in any month of the last decade, according to Savill's latest UK Market Update.

UK housing market activity surged in March ahead of Stamp Duty changes, with HMRC recording over 164,000 transactions, 66% above the pre-pandemic average. However, demand has since cooled. According to Nationwide, annual growth in house prices is expected to slow to 3.4%. The slowdown reflects a more cautious mood among buyers.

A recent survey found 37% of buyers expect mortgage rates to rise, compared to just 16% anticipating a fall.

Despite this, mortgage rates have dropped for many borrowers, with sub-4% deals returning for low loan-to-value purchases. The Bank of England's latest rate cut has given lenders room to compete, while softened stress testing rules may boost borrowing power. Still, limited housing supply may keep prices elevated.

Buy-to-let investors look north as cost pressures reshape the market

Buy-to-let investors are currently favouring the midlands and north of England, as mortgage and Stamp Duty costs make the south less attractive.

Hamptons research shows a record 39% of buy-to-let purchases took place in these regions from January to April 2025, up from 34% in 2022 and 24% in 2007. This comes despite a broader slowdown in landlord activity, with investors accounting for only 10% of home purchases nationwide so far this year.

The north benefits from lower property prices and stronger rental yields. The average landlord with property in the midlands and north spent £150,480 on an investment property, saving nearly £142,000 compared with average purchases in the south. In North-East England, new buy-to-lets are delivering 9.3% gross yields, well above the national average of 7.1%. If current trends continue, most buy-to-let activity could shift north by 2033. However, this may hit tax receipts and worsen rental shortages in pricier southern regions.

House prices headline statistics

House Price Index (March 2025)	104.0
Average House Price	£271,000
Monthly Change	1.1%
Annual Change	6.4%

*(Jan 2023 = 100)

- Average house prices in the UK increased by **6.4%** in the year to March 2025
- House prices increased by **1.1%** on average between February and March 2025
- The average house price in London was **£552,073**.

Source: The Land Registry
Release date: 21/05/25
Next data release: 18/06/25

House prices Price change by region

Region	Monthly change (%)	Annual change (%)	Average price (£)
England	1.3%	6.7%	£295,654
Northern Ireland (Quarter 1 - 2025)	1.0%	9.5%	£185,037
Scotland	0.4%	4.6%	£185,939
Wales	0.2%	3.6%	£208,093
East Midlands	0.7%	7.1%	£243,973
East of England	1.4%	6.5%	£343,876
London	-0.3%	0.8%	£552,073
North East	4.2%	14.3%	£168,227
North West	2.5%	9.4%	£217,063
South East	0.4%	5.3%	£386,316
South West	0.7%	5.3%	£310,837
West Midlands Region	1.2%	7.8%	£250,015
Yorkshire and The Humber	2.3%	9.5%	£211,155

Average monthly price by property type – March 2025

Property Type	Annual Increase
Detached £437,325	5.1%
Semi-detached £275,162	8.2%
Terraced £228,968	8.0%
Flat / maisonette £199,520	3.4%

Source: The Land Registry
Release date: 21/05/25

Limited company structures dominate landlord ownership

The share of landlord-owned properties held in limited companies has reached 66%, up from just 36% in 2020, according from Pegasus Insight research for Foundation Home Loans.

Among those landlords planning to buy in the next year, 60% intend to use a limited company. Landlords using corporate structures own an average of 14.6 properties, compared with 5.2 for those holding property personally. Diversification is also on the rise, with one in five landlords owning a property with multiple occupiers and 6% holding a holiday let. Larger landlords are far more likely to invest in these specialist types of property.

Despite rising costs, 84% of landlords remain profitable and rental yields remain strong. Remortgage activity is expected to stay high, with many favouring fixed-rate deals for added stability. Regulatory reform, particularly around possession and energy efficiency, remains the sector's top concern.

All details are correct at the time of writing (21 May 2025)

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