Subject: Your residential research update: April
From: "Lucian Cook" <lcook@email.savills.info>
Date: 04/04/2025, 16:13
To: <info@designdomains.co.uk>

Residential Research Update

April

SEARCH PROPERTIES | BOOK A VALUATION | INSIGHT & OPINION

Lucian Cook
Head of Residential Research
+44 (0) 7967 555 418

Contact

With Easter fast approaching and the clocks now changed, there is a palpable sense that the long winter months are behind us.

While the changing of the seasons will provide some renewed impetus, just how much a ‘spring’ is put into the step of the housing markets is going to be dependent on the pace of future interest rate cuts, the underlying strength of the economy and the ability to absorb the tax changes that were introduced as autumn came to a close last year.

As we expected, the top end of the property market has been most exposed to the last of these drivers, meaning any recovery in these markets has lagged behind the mainstream property market.

Dealing with change in central London

Our Savills prime property indices showed that prices in central London - which have been particularly sensitive to changes in the taxation of non-doms and increased stamp duty surcharges - fell by 0.7% in the first three months of 2025. Demand in this market has unsurprisingly been somewhat muted, but we’ve not seen a meaningful increase in stock coming to the market. Combined with the value on offer in this market even prior to last October’s Budget, this has insulated a buyer's market from further falls as we discussed **here**.

Ongoing activity in a price sensitive market

Elsewhere in the capital, prime property prices essentially remained stable in the first quarter with no significant movement in prices. This picture was also mirrored in the prime regional markets where there was similar price stability. However, prices in the prime markets of outer London are 0.7% above where they were a year ago, whereas in the prime regional markets they remain 1.1% below.

Despite this price sensitivity, the number of agreed sales above £1mil across the UK was 3% higher than last year in the first quarter of 2025 according to data from TwentyCi.

Return to rental growth

Rental values of prime properties in the UK rose on average in the first quarter. That growth varied from +0.3% in central London, to +0.8% across the rest of the capital, to +1.3% elsewhere in the country (which saw the biggest quarter-to-quarter turnaround). In all of these markets, annual rental growth remains below +2.0%, with only the very top end of the central London market still being in negative territory.

Big numbers in the mainstream

In the last month, we have also released some big numbers in relation to the wider housing market. Firstly we reported that the size of the housing market – the total value of all housing transactions – had nudged back up to £378 billion in 2024 in response to an increase in the use of mortgage debt. However, we also noted that **UK households spent a record £217bn on housing costs in 2024** – an increase of almost £20bn from the year before.

The delayed impact of high mortgage costs and rent increases is one of the reasons why the housing market recovery is likely to take time to gain further traction. With the Bank of England voting 8 to 1 to hold the Bank base rate at 4.5% two weeks ago, much depends on when the next rate cut comes and how quickly more follow.

However, with **inflation dipping back below 3.0% in February,** this provides some grounds for optimism. While weak economic growth should provide a further incentive to the Monetary Policy Committee to act, it is likely to mean buyers will remain relatively cautious in the interim.

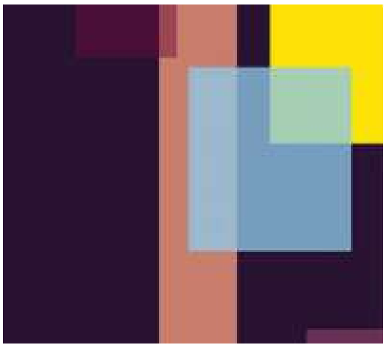
More mainstream metrics

And so, despite the latest stamp duty holiday coming to an end earlier this week, **mortgage approvals fell marginally in February**. This, together with the readings from the **latest RICS residential market survey**, suggest a relatively cautious recovery over the course of 2025. Against this context the Nationwide suggested that **annual levels of house price growth remained at 3.9% at the end of March**, with no net movement in price in the month itself.

And finally...

We'll be providing a more detailed analysis of the top end of the market over the next couple of weeks. Our Prime UK Residential report will be landing in your inbox in time for the Easter weekend. While we can't guarantee it will match the fun of an egg hunt or the sense of overindulgence in some luxury chocolate, we hope you will find it engaging and informative.

MY TOP PICKS



How is the residential property market performing?

Our research hub gives the latest in-depth analysis and insight from our renowned researchers. Read on for more about the factors that are defining the market today, and those that will shape the future.