

Residential Update and Outlook

September 2025

Market Overview

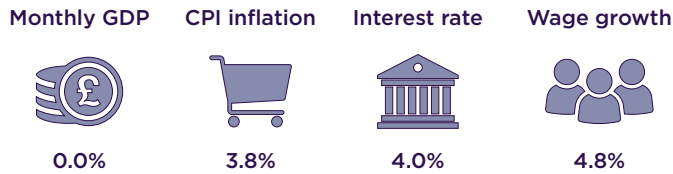
Although the UK economy appears to be experiencing slow but steady growth, with GDP rising by 0.3% in the second quarter of 2025, inflation remains a concern, with the annual rate holding at 3.8%, nearly double the Bank of England's target. The Bank of England has kept its benchmark interest rate steady at 4%, though further cuts are anticipated if inflation shows signs of easing. We also saw some positivity from retail sales volumes which rose 0.5% in August, matching the 0.5% rise in July. However, overall consumer confidence is muted with the GfK index having fallen two points in September. Anecdotally, there are some indications of a challenging outlook with risks from persistent price pressures and some consumers and businesses feeling very uneasy about the Budget, which is still more than two months away.

Over to the residential housing market and the general picture is one of subdued activity and growth. Although both mortgage approvals and transactions have grown for the last three months this is more likely a reflection of the exceptionally low activity following the stamp duty changes from 1st April. Turning to more forward-looking indicators, such as the RICS market survey, the data suggests a continued slowdown. For instance, new buyer inquiries and new instructions have both declined, with new instructions now at their lowest level in over a year. In the lettings market, tenant demand remains stable, while rental growth continues to decelerate.

Key Points

- Monthly GDP showed no growth in July, down from +0.4% in June and in line with expectations. Although there was some growth in services output (0.1%) and construction (0.2%), this was offset by a fall of -0.9% in production output.
- August's CPI inflation figure remained at 3.8% annually, unchanged from the previous month and still the highest since January 2024. Motor fuel prices together with rising food and drink costs placed the most upward pressure.
- Consumer confidence fell back again in September, declining two points to -19. Concerns over potential tax rises ahead of November's Budget statement helped lead to all five measures of confidence declining during the month.
- Retail sales were boosted by the sunny summer weather again in August, with total volumes increasing by 0.5%, following the same rise in July.
- Employers are still showing caution in their hiring practices with the number of payrolled employees falling for the seventh month in a row, and the number of job vacancies also declining for the 38th consecutive period.
- Annual wage growth is also slowing, to 4.8% in the three months to July. Public sector pay is growing faster than in the private sector, by a spread of nearly one percentage point.
- In August, the UK's service sector expanded sharply, driven by new business, according to the latest Purchasing Managers Indices (PMIs). Meanwhile, both the manufacturing and construction sectors continued to shrink, with job cuts occurring across all three sectors despite the overall growth in services.
- Halifax reported a new record high for the average house price in August, and a third consecutive monthly increase, but its annual growth figure eased to 2.2%. Nationwide's data also showed a softening of annual growth to 2.1% and a slight monthly dip.
- According to the latest RICS Residential Market Survey, UK housing market activity slowed during the summer as buyer demand fell and the supply of new properties for sale tightened. This has led to a decline in the agreed sales metric and placed some downward pressure on house prices.
- Both mortgage approvals and total housing transaction volumes have risen now for three consecutive months. This follows a low in April due to the stamp duty changes. Both figures are also around 4% higher than the same period last year.
- According to the latest Rightmove rental report for Q2, rental growth is continuing to slow. This is due to the gap between tenant demand and available supply finally narrowing, creating the best balance since 2020.

Economic indicators



Sources: Bank of England, ONS (wage growth regular pay, excl bonuses)

The macroeconomy

- Monthly GDP is estimated to have shown no growth in July, down from +0.4% in June and in line with expectations. Although there was some growth in services output (0.1%) and construction (0.2%), this was offset by a fall of -0.9% in production output.
- The Consumer Prices Index (CPI / inflation) rose by 3.8% in the 12 months to August, unchanged from the same rate in July. The price of air fares made the largest downward contribution to inflation on a monthly and annual basis. However, upward contributions from restaurants, hotels and motor fuels offset this.
- The Bank of England's Monetary Policy Committee (MPC) voted 7-2 to keep the current Bank Rate unchanged at 4.0% in September's meeting. Two members voted to cut to 3.75%. Another rate cut late this year may be still possible but this also may be delayed until 2026.

Labour and employment

- The employment rate remained relatively stable this month compared with last, moving to 75.2% (three months to July) from 75.3% the month before. The unemployment rate remained unchanged for the third month in a row at 4.7%.
- Again this month the estimate for total payrolled employees shows a fall of 127,000 over the 12 months to August, including a fall of 8,000 over the last month. This marks the seventh consecutive monthly decline. Disaggregated, Westminster saw the biggest fall in payrolled employees, down 2.9%. (These early figures should be treated with caution though and are likely to be slightly revised).
- The total number of job vacancies fell by 10,000 over the three months to August, marking a total of 728,000 recorded vacancies. This is the 38th consecutive period where vacancy figures have fallen. Vacancies were found to have fallen in 9 of the 18 industry sectors.
- Average annual earnings growth (excluding bonuses) declined slightly to 4.8% in the three months to July, down from 5.0% the previous month. Annual earnings

growth was 5.6% for the public sector and 4.7% for the private sector.

Market indicators

- The UK Manufacturing PMI (S&P Global) remained in contraction for the 11th month in a row in August, falling to 47.0 from 48.0 the month before. Subdued client confidence and worries about costs amid rising National Insurance contributions and minimum wages was cited by many as leading to a sharp drop in new orders. This lower demand led to falling employment levels.
- The UK Services PMI meanwhile rose sharply to 54.2 in August, up from 51.8 in July and the strongest reading since April 2024. New business also rose at its fastest pace since September 2024 with strong demand from international and domestic purchasers. Workforce reductions however continued, now in the 11th month of cuts and the longest stretch since the 2008-2010 downturn (outside of the pandemic). Input costs rose sharply in August and output charges also rose.
- Finally, the Construction sector PMI remained in contraction during August, for the eighth month in a row. Registering a figure of 45.5, this was a slight improvement from 44.3 in July but is now the longest continuous period of contraction since early 2020. Steep declines in both residential and civil engineering work were recorded, while commercial construction reduced at a slightly slower rate. Employment numbers reduced at the fastest pace since May, purchasing activity declined at its sharpest rate in three months and projections for the year ahead were the least upbeat in over two years.

Consumer demand and sentiment

- UK retail sales volumes rose by 0.5% in August, matching the same (revised) figure in July. The increase was driven by a rise in sales at clothing stores, specialist food shops, and non-store retailers. The sunny summer weather was cited by retailers as a key factor in the sales boost. However, higher petrol prices led to a decline in car fuel sales, which placed downward pressure on the overall figures.
- September's GfK Consumer Confidence figure slipped back two points to -19. It has now spent the better part of the last year hovering between -17 and -20. All five sub-measures declined with the Major Purchase Index moving to -16 while the forward-looking economic indicator over the next 12 months also declined two points to -32, well down from -11 where it sat just over a year ago.

Residential market

Monthly mortgage approvals



65,352

Balance of new enquiries



-17%

UK annual house price growth



2.1%

UK annual rental growth



5.7%

Sources: Bank of England, RICS, Nationwide, ONS

Residential sales

Mortgages and transactions

- Total monthly mortgage approvals have now risen for the third month in a row, according to the latest Bank of England data. July saw 65,352 approvals, up 1% over June and 4% higher than the same month one year ago.
- Similarly, transaction volumes also rose for the third straight month, rebounding substantially following the post-stamp duty lag effect seen in April. HMRC figures for July put total activity at 95,580, a monthly increase of 1% and nearly 50% higher than April's trough of just 65,000.
- Mortgage rates have held relatively stable over the last two months although creeping up ever so slightly in just the last couple of weeks. The current average rate (85% LTV, 2 year) is around 4.43%, up from 4.37% four weeks ago (Rightmove / Podium).

Supply and Demand

- The summer months have seen a slowdown in sales market activity, according to the latest RICS Residential Market Survey. The new buyer enquiries measure moved to -17%, following the -7% recorded in July while the level of available supply as measured by the new vendor instructions metric fell to -3%. This is the lowest reading of this measure in over a year and the first time it has fallen below zero in that time. This has all lead to the level of agreed sales falling back again, down to -24%.
- In their latest House Price Index report, Rightmove note that the number of agreed sales is up 4% over the same time last year. In the south of England it is up 3% compared with a 5% increase in the rest of Great Britain.
- Zoopla's latest house price index report (August) indicates that both demand and supply have increased compared to the same period last year. The report finds that buyer demand is up by 4% and the stock of homes available for sale has risen by

10%. Overall, this has resulted in a 5% increase in the number of agreed sales.

UK prices and price growth

- According to Nationwide, house price growth slowed in August to 2.1% annually, down from 2.4% the previous month. On a monthly basis, prices declined by an average of 0.1% (seasonally adjusted). The average UK house price is now £271,079, which is still 1% lower than the last peak in August 2022.
- Similarly, Halifax also reported a slowing pace of house price growth in August. They recorded an annual increase of 2.2%, down from 2.5% in July. However, on a monthly basis, there was a slight discrepancy with Nationwide, as Halifax recorded a 0.3% increase, marking the third consecutive month of rising prices.
- Average asking prices for a new property to the market declined by -0.1% over the last 12 months according to Rightmove's latest housing market report. The web giant goes on to report that this fall is mostly being driven by declines across London and the South where the housing market continues to 'underperform'.
- Annual house price growth continues to slow according to the Official House Price Index as well. In the 12 months to July average house prices were found to have grown by 2.8%, down from 3.6% the month before. On a monthly basis prices grew by 0.3%.
- The RICS market survey is reporting a small amount of downward pressure on house prices amid weakening demand. The headline house price measure declined for the third month in a row to -19%. Respondents in East Anglia and the South West however reported a very strong decline in prices in comparison to the national average, reporting net balances of -64% and -46%, respectively.

Regional prices and price growth

- Differences in house price affordability continue to be the main driver of growth this month. The highest growth rates were in the north where house prices are generally lower. The North East recorded a 7.9% increase, with the North West at 4.8%. Conversely, the traditionally more expensive housing areas in the southern regions experienced much slower growth. London was at just 0.7% annually, followed by the South East at 1.2% and the South West at 1.4%.
- Across the locations tracked by Carter Jonas, house price growth was mostly subdued. Many areas saw little to no growth, and a few even recorded declines.



The highest annual growth was in the Vale of White Horse and West Oxfordshire, both at 4.2%. They were followed by Leeds (3.8%) and Oxford (2.8%). In contrast, prices declined in several locations over the 12 months to July, including Winchester (-2.4%), Bath and North East Somerset (-0.9%), Devon (-0.5%), and Cornwall (-0.1%).

Residential lettings

Supply and Demand

- Rightmove's latest Rental Trends Tracker (Q2 2025) notes that the supply and demand gap in the lettings market is narrowing with current market conditions showing the 'best balance' between supply and demand since 2020. They note that the number of available properties to rent is 15% higher than this time last year while the number of tenants looking to move is 10% lower. They go on to report that the number of enquiries per rental property is now 11, down from 16 one year ago but still up from 7 in 2019.
- There was little change in the level of tenant demand this month, according to the latest RICS Residential Market Survey. The net balance of +5% indicates a fairly stable level compared with the previous month. Landlord instructions on the other hand fell to -37% from -31% last month. This marks the lowest reading of this measure in over five years, since the peak of the pandemic in April 2020.

Rents and rental growth

- Annual rental growth outside of London is reported as 3.9% according to Rightmove's latest rental report. This is the lowest annual figure since 2020 and means the average monthly rent is now £1,365. In Greater London the annual change is reported as 1.9% with an average per calendar month rent of £2,712.
- The pace of rental growth continues to slow across most parts of the country. In the UK annual average rental growth is now 5.7% according to the August update of the Price Index of Private Rents (PIPR). This is down from 5.9% the month before and well below 8.4% the same period one year ago.
- Regionally, rental growth is again quite varied with the North East still recording very high rates of growth of 9.2% followed by Wales at 7.8% and the North West at 7.1%. On the other hand, Yorkshire and The Humber and Scotland are recording rates close to inflation, at 3.4% and 3.5% respectively, followed by the West Midlands at 4.8%. Annual rental growth in London has also slowed considerably over the last year, moving from 9.5% in August 2024 to 5.7% currently.
- *A reminder on rental growth rate differences between the official PIPR and other private sector measures such as Zoopla and Rightmove:- PIPR measures all stock of rents and compares achieved rents in the current month with the same month one year prior. Private sector measures only count asking rents for new let properties. The PIPR measure covers a much greater number of properties and will always lag by around 6 months or more as the new let rental prices take time to filter into the whole rental market stock.*

HM Treasury Forecasts for the UK Economy, September 2025

Sources: HM Treasury Consensus Forecasts (September 2025 and August 2025 (long-term))

	2025	2026	2027	2028	2029
Official Bank Rate (%)	3.88	3.47	3.35	3.26	3.22
House price inflation (annual, %)	2.5	3.3	2.7	3.6	4.0
CPI inflation rate (annual average, %)	3.6	2.3	2.2	2.2	2.1
Unemployment rate (%)	4.9	4.8	4.8	4.8	4.7
GDP (annual, %)	1.2	1.1	1.4	1.4	1.4
Average earnings growth (annual, %)	4.0	3.2	3.0	2.9	3.1

Select Market Indicators, latest versus previous data

Sources: ONS (unless otherwise indicated) (final six indicators retrieved 19 September)

	Current	Previous	Direction of change
GDP monthly	0.0%	0.4%	↓
Inflation rate (CPI)	3.8%	3.8%	↔
Bank Rate (base interest rate)	4.0%	4.0%	↔
Employment rate	75.2%	75.3%	↓
Unemployment rate	4.7%	4.7%	↔
Weekly earnings growth, regular pay (excl bonuses)	4.8%	5.0%	↓
S&P Global UK Manufacturing PMI	47.0	48.0	↓
S&P Global UK Services PMI	54.2	51.8	↑
S&P Global UK Construction PMI	45.5	44.3	↑
Retail sales volumes (monthly)	0.5%	0.5%	↔
GfK Consumer Confidence Index	-19	-17	↓
Bank of England mortgage approvals (monthly)	65,352	64,571	↑
Nationwide house price inflation (annual)	2.1%	2.4%	↓
Halifax house price inflation (annual)	2.2%	2.5%	↓
Official UK House Price inflation (annual)	2.8%	3.6%	↓
Rightmove House Price Index (UK, annual, asking)	-0.1%	0.3%	↓
Price Index of Private Rents (UK, annual)	5.7%	5.9%	↓
£ Sterling: \$ USD	\$1.35	\$1.35	↔
£ Sterling: € Euro	€1.15	€1.16	↓
Brent Crude Oil (USD)	\$63.40	\$67.22	↓
Gold (USD per ounce)	\$3,652.78	\$3,369.07	↑
FTSE 100	9,231.52	9,321.40	↓
UK 5 Year Gilt Yield	4.128%	4.143%	↓

Official House Price data, HM Land Registry, July 2025

Sources: HM Land Registry

CJ Regional Location	Average Price	Monthly Change (%)	Annual Change (%)
Vale of White Horse	£393,611	0.1%	4.2%
West Oxfordshire	£422,839	1.2%	4.2%
Leeds	£239,762	1.0%	3.8%
Oxford	£496,578	3.2%	2.8%
West Berkshire	£392,935	0.5%	2.1%
Suffolk	£285,812	0.8%	2.0%
Wiltshire	£323,065	-0.1%	1.9%
Cambridgeshire	£332,336	0.5%	1.9%
North Yorkshire	£268,001	0.4%	1.8%
Somerset	£275,284	0.6%	1.7%
Cambridge	£492,883	-0.9%	1.4%
York	£313,030	0.8%	0.9%
South Oxfordshire	£461,075	2.5%	0.3%
Dorset	£330,731	0.9%	0.2%
South Cambridgeshire	£423,687	3.4%	0.1%
Cornwall	£282,613	3.3%	-0.1%
Devon	£303,402	0.3%	-0.5%
Bath and North East Somerset	£406,978	0.9%	-0.9%
Winchester	£456,386	-1.9%	-2.4%

UK Region	Average Price	Monthly Change (%)	Annual Change (%)
North East	£163,684	0.0%	7.9%
North West	£213,266	0.4%	4.8%
Yorkshire and The Humber	£205,656	0.7%	3.9%
West Midlands region	£247,763	0.3%	3.3%
Scotland	£192,050	0.5%	3.3%
East Midlands	£239,830	0.4%	2.8%
United Kingdom	£269,735	0.3%	2.8%
England	£291,852	0.3%	2.7%
Northern Ireland	£185,108	0.0%	2.6%
East of England	£337,650	-0.1%	2.1%
Wales	£209,178	-0.4%	2.0%
South West	£306,148	1.4%	1.4%
South East	£381,764	-0.4%	1.2%
London	£561,587	0.0%	0.7%

London	Average Price	Monthly Change (%)	Annual Change (%)
London	£561,587	0.0%	0.7%
Prime Central London	£1,169,081	-5.0%	-3.6%
South West London	£757,983	-1.6%	-3.1%

Official House Price data, HM Land Registry, July 2025

Sources: HM Land Registry

London Borough	Average Price	Monthly Change (%)	Annual Change (%)
Bromley	£538,904	0.4%	8.4%
Barking and Dagenham	£360,648	0.5%	7.7%
Camden	£920,087	3.1%	5.8%
Harrow	£548,759	-0.1%	5.4%
Waltham Forest	£512,726	-0.8%	5.4%
Hillingdon	£478,653	-0.5%	5.2%
Havering	£440,397	-1.1%	4.6%
Redbridge	£489,964	3.6%	4.2%
Sutton	£446,130	1.3%	4.0%
Hounslow	£536,297	0.0%	3.7%
Bexley	£413,751	2.7%	3.6%
Merton	£632,750	1.1%	2.9%
Richmond upon Thames	£801,172	-2.4%	2.4%
Kingston upon Thames	£588,620	-2.7%	2.4%
Lewisham	£490,077	-2.3%	2.2%
Haringey	£621,866	0.5%	2.1%
Enfield	£473,882	-0.8%	1.9%
Croydon	£400,475	-0.6%	1.9%
Newham	£420,181	1.8%	1.7%
London	£561,587	0.0%	0.7%
Ealing	£580,477	0.8%	0.6%
Hackney	£613,868	3.7%	-0.7%
Southwark	£581,682	-2.7%	-1.4%
Lambeth	£554,877	-0.6%	-1.5%
Kensington And Chelsea	£1,361,643	-4.5%	-2.5%
Greenwich	£461,710	0.1%	-3.6%
Islington	£684,163	-2.4%	-3.9%
Tower Hamlets	£490,914	-0.9%	-4.5%
Brent	£536,480	-1.9%	-4.6%
Barnet	£598,188	2.2%	-4.7%
City of Westminster	£976,519	-5.6%	-4.8%
Hammersmith and Fulham	£781,726	-2.3%	-5.3%
Wandsworth	£691,050	0.2%	-6.4%
Outer London	£509,970	0.1%	2.7%
Inner London	£650,504	-0.9%	-2.0%

Official Price Index of Private Rents, ONS, August 2025

Source: Office for National Statistics

CJ Regional Location	Average Rent (£ pcm)	Monthly Change	Annual Change
Oxford	£1,897	1.16%	11.7%
Bath and North East Somerset	£1,755	0.21%	9.5%
Wiltshire	£1,021	0.88%	6.5%
Vale of White Horse	£1,314	-0.54%	6.0%
South Cambridgeshire	£1,362	0.20%	5.7%
Cambridge	£1,773	0.02%	5.2%
North Yorkshire	£829	0.25%	5.0%
Winchester	£1,448	-0.12%	4.8%
West Berkshire	£1,274	0.10%	4.5%
South Oxfordshire	£1,355	-0.67%	4.3%
West Oxfordshire	£1,281	-0.84%	2.4%
York	£1,126	0.36%	1.1%

UK Country / Region	Average Rent (£ pcm)	Monthly Change (%)	Annual Change (%)
North East	£745	1.13%	9.2%
Wales	£811	0.48%	7.8%
North West	£916	0.44%	7.1%
East of England	£1,245	0.47%	6.7%
East Midlands	£889	0.42%	6.3%
England	£1,403	0.36%	5.8%
London	£2,253	0.13%	5.7%
South East	£1,384	0.39%	5.4%
South West	£1,192	0.73%	5.2%
West Midlands	£935	0.42%	4.8%
Scotland	£1,002	0.27%	3.5%
Yorkshire and The Humber	£825	0.35%	3.4%

London	Average Rent (£ pcm)	Monthly Change (%)	Annual Change (%)
London	£2,253	0.13%	5.7%
Prime Central London	£3,415	-0.3%	4.6%
South West London	£2,499	0.0%	7.9%

Official Price Index of Private Rents, ONS, August 2025

Source: Office for National Statistics

Notes: Average rent is across all bedrooms and property types, per calendar month (pcm)

London Borough	Average Rent (£ pcm)	Monthly Change (%)	Annual Change (%)
Barking and Dagenham	£1,655	0.33%	13.3%
Bexley	£1,512	0.03%	12.6%
Camden	£2,793	0.18%	11.6%
Richmond upon Thames	£2,235	0.22%	10.7%
Kingston upon Thames	£1,833	0.17%	9.8%
Lambeth	£2,435	0.73%	9.7%
Havering	£1,542	0.72%	9.2%
Ealing	£2,047	0.29%	9.0%
Newham	£1,874	-0.05%	9.0%
Redbridge	£1,693	0.35%	8.9%
Enfield	£1,738	0.34%	8.8%
Hounslow	£1,891	0.21%	8.6%
Hackney	£2,566	0.12%	8.4%
Haringey	£2,189	0.41%	8.3%
Wandsworth	£2,526	0.14%	6.9%
Barnet	£1,886	0.46%	6.8%
Waltham Forest	£1,738	-0.50%	6.7%
Croydon	£1,534	0.17%	6.4%
Harrow	£1,727	0.39%	6.4%
Lewisham	£1,793	0.45%	6.4%
Merton	£2,061	0.10%	6.2%
Hammersmith and Fulham	£2,735	-0.36%	6.1%
Hillingdon	£1,531	-0.14%	6.0%
London	£2,253	0.13%	5.7%
Bromley	£1,640	0.12%	5.5%
Islington	£2,701	0.24%	5.4%
Kensington And Chelsea	£3,614	0.35%	5.3%
Tower Hamlets	£2,370	0.08%	5.0%
Sutton	£1,524	0.09%	4.5%
Southwark	£2,347	0.20%	4.1%
Westminster	£3,215	-0.89%	3.9%
Greenwich	£1,880	0.23%	3.4%
Brent	£1,948	-1.23%	-7.6%



About Carter Jonas

Carter Jonas LLP is a leading UK property consultancy working across commercial property, residential sales and lettings, rural, planning, development and national infrastructure. Supported by a national network of 34 offices and over 1,000 property professionals, our divisional teams are renowned for their quality of service, expertise and the **simply better property advice** they offer their clients.

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