

Residential Update and Outlook

May 2025

Market Overview

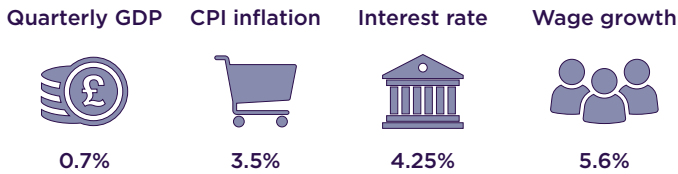
GDP growth of 0.7% during the first quarter of the year has been a welcome 'good news boost' for the UK, particularly during an otherwise uncertain period, not helped by the evolving global and US tariff and trade policies. Further encouraging news came as the Official Bank Rate was cut 25 basis points to 4.25%, the lowest since April 2023, while retail sales volumes jumped to 1.2% in April and consumer confidence showed an increase in the latest May reading. On the other hand, inflation rose to its highest level since January last year as it jumped to 3.5% in April, reflecting the impact of increasing household bills.

The residential sales market continues to show some signs of stagnation. Several indicators suggest little to no change in the pace of price growth recently, coupled with a lack of significant movement in both supply and demand. We think that the stamp duty tax increase implemented on 1 April has unduly influenced the market, complicating the assessment of underlying demand. How the market evolves over the coming months will provide greater clarity on its true state and the level of buyer confidence.

Key Points

- GDP increased by 0.7% in Q1 according to the latest estimate, slightly higher than consensus forecasts of 0.6% and well above 0.1% the previous quarter.
- The annual rate of CPI inflation rose to 3.5% in April, up from 2.6% in March as household utility bills increased significantly.
- The Consumer Confidence index from GfK moved up three points to -20 in May, with all five sub-indices increasing. Encouragingly, the forward-looking measures on personal finances and the economy increased the most.
- Another sun-filled month in April helped increase retail sales volumes during the month, when a strong rise of 1.2% over March's figure was recorded.
- The UK labour market shows little change in the recent direction of travel – unemployment and employment figures remain virtually unchanged while the number of job vacancies fell again, as has the total number of payrolled employees.
- Average annual earnings growth eased slightly to 5.6%, down from 5.9% in February. This is well above the 15-year average of just 3.1% and is the 33rd month in a row where wage growth has exceeded 5%.
- All three Purchasing Managers Indices (PMIs) returned contraction figures this month with the Services PMI falling below '50' for the first time since October 2023. Both the Construction and Manufacturing PMI figures rose on the month, but only very slightly, and both remain below '50'. Business confidence remains low amid ongoing geopolitical trade and tariffs issues and the recent increase in employer National Insurance Contributions.
- Halifax recorded monthly house price gains of 0.3% in April while Nationwide recorded a monthly contraction of -0.2%. Annually however both banks recorded similar figures of 3.2% and 3.4% respectively.
- The latest RICS market survey continues to indicate a weakened sales market with the new buyers and agreed sales measures declining during April. This may still be a consequence of the stamp duty increase implemented on 1 April, as forward-looking indicators show a slightly more optimistic picture.
- Monthly sales volumes finally showed the 'stamp duty change' effect with transactions jumping 62% to over 177,000 in March alone. This is unsurprisingly the highest monthly figure since the last stamp duty change back in June 2021. The next few months will show more sluggish figures a pattern that we have seen many times in the past.
- In the private rental market, rental growth remains elevated but continues to soften. Annual UK growth is now 7.4% according to the ONS, and 4.5% (outside London) according to Rightmove (explanations on the differing figures can be found at the end).

Economic indicators



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

The macroeconomy

- The first estimate of Q1 GDP showed the UK economy expanded by a strong 0.7%, up from 0.1% in the previous quarter. This represents the highest rate of growth since Q1 2024, with the services sector making the most substantial contribution at 0.7% (and accounts for the largest overall proportion to economic output). Additionally, the production sector experienced a 1.1% increase following three consecutive quarterly declines, while construction output remained unchanged. On a monthly basis GDP increased by 0.2% in March following 0.5% the month before.
- Inflation jumped to 3.5% in the 12 months to April, up from 2.6% in March and higher than consensus expectations of 3.3%. Price increases from household bills including utilities (following Ofgem's new energy price cap from April) placed the strongest upward pressure on inflation although a strong upward contribution also came from rising transportation costs. Discounting across clothing and footwear helped contribute to some downward pressure during the month.
- Bank of England cut interest rates by another 25 basis points to 4.25%, during the most recent May meeting of the Monetary Policy Committee. This was the second rate cut so far this year. The easing of inflation over the last several months was partly behind the decision to cut, although the unpredictability of the global economy following the recent US tariffs means there is still an overall feeling of cautiousness.

Labour and employment

- The core labour market statistics remained mostly unchanged again in the three months to March according to the latest Official Labour Force Survey. The total employment rate declined to 75.0% from 75.1% in the previous reading while the unemployment rate moved up to 4.5% from 4.4%.
- Meanwhile the more timely, early estimates for the total number of payrolled employees decreased by 33,000 during the month and 106,000 over the year. Again, these should be treated with caution and are likely to be revised.

- Job vacancies fell by 43,000 in the three months to April, the 34th consecutive quarterly fall, to put total vacancies at 761,000. Vacancies are now 34,000 below the pre-pandemic January - March 2020 level and have seen a 41% fall from 1.3 million vacancies recorded during the same period three years ago.
- Annual growth in employees' average regular earnings (excl bonuses) was 5.6% in the three months to March, down slightly from 5.9% last month. Once again, it was the wholesaling, retailing, hotels and restaurants sector which saw the strongest growth rate, followed by the construction sector. Average earnings growth was 5.6% for the private sector and 5.5% in the public sector.

Market indicators

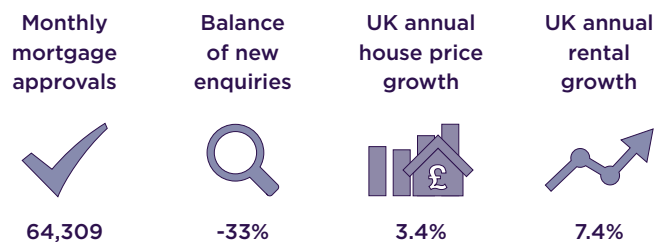
- The UK Manufacturing PMI for April rose very slightly over March to 45.4 (from 44.9) though clearly remains very much in contraction territory. Output declined as manufacturers decreased production in a variety of areas as a result of weakening demand both domestically and internationally. Rising economic and trade uncertainty is almost entirely to blame for this fall in demand. Employment fell at the second-steepest rate in almost five years, input costs rose at their fastest pace since December 2022 and business confidence deteriorated to a 29-month low.
- The S&P Global UK Services PMI moved into contraction as well in April, falling from a strong 52.5 in March to 48.9. This also ended a run of 17-months in expansion territory for the sector. New orders and employment both fell with subdued domestic demand being blamed on the negative impact of US tariffs. Inflation rose quickly across both input and output costs while business expectations on future activity weakened.
- The S&P Global UK Construction PMI rose slightly in April to 46.6, up from 46.4, although still the fourth month in a row where it has been in contraction. This month saw further new order declines as business uncertainty delayed projects. All three sub-sectors were below '50' with commercial work falling sharply to 45.5, while residential work showed its 'mildest decline' this year, with a reading of 47.1. Purchasing activity fell at the fastest rate in five years amid rising material and pay costs.

Consumer demand and sentiment

- Retail sales volumes are estimated to have increased by 1.2% in April, according to the latest figures from the ONS. This followed a downwardly revised 0.1% in March. The good weather during the month is likely to have boosted sales, particularly from food stores which saw a strong 3.9% increase, followed by department stores where a 2.8% rise was recorded.

- The GfK Consumer Confidence Index rose three points to -20 in May, with all five sub-measures increasing. The highest increases came from the forward-looking measures including personal finances metric which increased five points and views on the general economy over the next year also increased four points to -33. The Major Purchase index moved three points to -16, well above -26 during the same month last year and the highest score for this index since the end of last year.

Residential market



Sources: Bank of England, RICS, Nationwide, ONS

Residential sales

Mortgages and transactions

- Mortgage approvals dipped slightly again in March, down -1% to 64,300 on the month according to the latest data from the Bank of England. This is however up 4% over the same month last year and still within the healthy long-term average of just over 66,000 per month. If interest rates continue to come down this summer / autumn, as they are forecast to, we can expect a slight rise in mortgage approvals through the end of the year.
- Transaction volumes skyrocketed to 177,300 in March, well above the long-term monthly average of just under 95,000. The latest HMRC figures are unsurprising given the rise in stamp duty from 1st April and the rush to get sales over the line to reduce the tax liability. The next few months are likely therefore to show much lower sales volumes, a pattern that we have seen many times in the past when stamp duty changes have taken place.
- There continues to be a slow and steady decline in average mortgage rates recently. After reaching an average of just over 5% early this year they are now around 4.56% (85% LTV, 2 year) and down from 4.76% just four weeks prior. (Rightmove / Podium).

Supply and Demand

- Continued weakening in the sales market was the overriding takeaway from the latest RICS Residential Market Survey for April. The net balance of new buyer enquiries declined slightly to -33% with most parts of the UK returning the weaker buyer demand figures.

On the supply side the new listings measure remained unchanged at +6%. Lastly, the agreed sales metric slid sharply to -31%, down from -17% in March. Anecdotally, concerns over the geopolitical and economic climate are weighing on consumer confidence.

- Following April's stamp duty rise, Rightmove reported a 4% decline in the number of new buyers in the market compared with the same month last year. Having said that, the number of agreed sales is up 5% over the same period one year ago, while the number of new properties on the market is up a strong 14%.
- In Zoopla's latest monthly housing report, they note that while buyer demand was above average in the first few months of the year, it slowed in the weeks prior to the report (end April), although still in line with the same period last year. On the other hand, the supply of homes for sale is 15% more than the same month last year.

UK prices and price growth

- House prices declined in April, down -0.6% over March as the stamp duty changes took effect, according to Nationwide's latest report. Annually price growth also slowed to 3.4%, down from 3.9% the month before, leading to an average house price of £270,752 according to the Bank.
- In contrast to Nationwide's trends, Halifax recorded monthly house price growth of 0.3% in April, the first positive increase since January. This led to an annual increase of 3.2%, up from 2.9% (revised) in March and again the strongest annual rise since December 2024. The average UK property is now £297,781 according to Halifax, a rise of over £9,000 compared with the same month last year.
- Asking prices meanwhile were found to have grown by 1.2% in the last 12 months according to Rightmove's latest House Price Index. This is down slightly from 1.3% the month before and reflects a monthly rise of 0.6%. The web portal goes on to say that this is the lowest monthly growth for this time of the year since 2016, as the supply of available properties grows.
- House prices in March rose by an annual rate of 6.4% according to the Official House Price Index from the ONS. This is up from 5.5% annual growth the month before and reflects a monthly increase of 1.1%. This brings the average UK house price to £271,415.
- In their timelier report (released May 2025, covering the four weeks prior), respondents to the RICS market survey indicated a downward trend in house price performance, with this measure falling to -3% from a previous +2%. Having said that, this figure technically resides within 'neutral' territory, suggesting that prices are largely unchanged.



Regional prices and price growth

- Examining regional house price data from the Official House Price Index, the North East witnessed the strongest increase with prices growing a sharp 14.3% over the last 12 months. This was followed by other punchy figures from Yorkshire and The Humber and Northern Ireland (both at 9.5%), and the North West (9.4%). On the other hand, the most expensive house price region in the country – London – again recorded the slowest rate of growth at 0.8%.
- There was again a wide variation of house price growth across our Carter Jonas tracked locations. Houses in West Berkshire for instance saw an average increase of 9.6% over the last 12 months, followed by 8.1% growth in Vale of White Horse and just over 7% in Cambridge, West Oxfordshire and Leeds. However, both York and Bath were at the bottom of the table, recording price declines of -1.6% and -1.8%, respectively.
- Turning to London house price growth and again the top of the table is mostly dominated by outer London boroughs such as Redbridge (9.1%), Havering (8.9%), Barking and Dagenham (8.3%) and Bromley (6.6%). And as has been the trend for several months now, some of the prime inner London locations (with the most expensive house prices) have seen the strongest annual declines.

Residential lettings

Supply and Demand

- Tenant demand remained elevated with a reading of +14% according to the latest RICS Residential Market Survey (three months to April, part of the quarterly dataset). Landlord instructions remained firmly negative at -26%, marking the third month in which this measure has slowly declined.
- Rightmove reports a slightly differing trend in their latest report on the UK rental market (albeit their report is for Q1 and compares to last year). They found

that the total number of rental homes on the market is 18% above the same period last year while the number of prospective tenants looking to move is 7% lower than March 2024. Finally, the number of enquiries per rental property during Q1 is reported at 12, down from 16 in the first quarter last year.

Rents and rental growth

- Rental growth continued to slow across most parts of the country in the latest data to April (Price Index of Private Rents (PIPR)). Annually prices were found to have grown by 7.4%, down from 7.7% in March, the slowest rate of growth since May 2023. The average UK rent is now £1,335 per calendar month (pcm). Rents were found to have grown the most again in the North East at 9.4%, which is also the region with the lowest monthly rent averaging £728pcm. This was followed by Wales at 8.7% and London at 8.4%. In our Carter Jonas locations, Bath and North East Somerset again recorded the highest rate of growth at 12.1% followed by Oxford at 10.2% and South Oxfordshire with a 9.9% annual rise.
- Once again, a difference in rental growth from the private index provided by Rightmove (explained below) was noted. According to their latest series rental growth outside London reached 4.5% annually (Rental Tracker report (Q1 2025)). This is down slightly from 4.7% reported the previous quarter. Within London rents rose by an average of 2.5% over the last year, up from 2.4% in Q4 2024. Regionally, rental growth was strongest in the North East at 7.5% followed by the North West (5.9%) and 5.8% in the West Midlands.
- 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, May 2025

Sources: HM Treasury Consensus Forecasts (May 2025)

	2025	2026	2027	2028	2029
Official Bank Rate (%)	3.86	3.56	3.47	3.26	3.24
House price inflation (annual, %)	1.3	2.3	2.3	3.1	3.8
CPI inflation rate (annual average, %)	3.0	2.3	2.2	2.2	2.1
Unemployment rate (%)	4.7	4.7	4.7	4.6	4.6
GDP (annual, %)	1.0	1.1	1.5	1.6	1.7
Average earnings growth (annual, %)	4.0	3.1	3.1	3.1	3.1

Select Market Indicators, latest versus previous data

Sources: ONS (unless otherwise indicated) (final six indicators retrieved 23 May)

	Current	Previous	Direction of change
GDP quarterly	0.7%	0.1%	↑
Inflation rate (CPI)	3.5%	2.6%	↑
Interest rate	4.25%	4.5%	↓
Employment rate	75.0%	75.1%	↓
Unemployment rate	4.5%	4.4%	↑
Weekly earnings growth, regular pay (excl bonuses)	5.6%	5.9%	↓
S&P Global UK Manufacturing PMI	45.4	44.9	↑
S&P Global UK Services PMI	48.9	52.5	↓
S&P Global UK Construction PMI	46.6	46.4	↑
Retail sales volumes (monthly)	1.2%	0.1%	↑
GfK Consumer Confidence Index	-20	-23	↑
Bank of England mortgage approvals (monthly)	64,309	65,096	↓
Nationwide house price inflation (annual)	3.4%	3.9%	↓
Halifax house price inflation (annual)	3.2%	2.9%	↑
Official UK House Price inflation (annual)	6.4%	5.5%	↑
Rightmove House Price Index (UK, annual, asking)	1.2%	1.3%	↓
Price Index of Private Rents (UK, annual)	7.4%	7.7%	↓
£ Sterling: \$ USD	\$1.35	\$1.33	↑
£ Sterling: € Euro	€1.19	€1.17	↑
Brent Crude Oil (USD)	\$63.90	\$65.75	↓
Gold (USD per ounce)	\$3,330.44	\$3,294.75	↑
FTSE 100	8,772.21	8,417.72	↑
UK 5 Year Gilt Yield	4.1900	4.0445	↑

Official House Price data, HM Land Registry, March 2025

Sources: HM Land Registry

CJ Regional Location	Average Price	Monthly Change (%)	Annual Change (%)
West Berkshire	£402,097	0.2%	9.6%
Vale of White Horse	£415,141	0.6%	8.1%
Cambridge	£506,724	-0.5%	7.4%
West Oxfordshire	£426,261	2.7%	7.3%
Leeds	£244,612	0.8%	7.2%
Wiltshire	£333,786	1.0%	6.1%
South Oxfordshire	£469,976	-2.3%	5.7%
Cambridgeshire	£343,066	0.6%	5.6%
South Cambridgeshire	£436,612	0.6%	4.5%
North Yorkshire	£271,901	0.0%	4.2%
Dorset	£339,042	0.9%	3.9%
Somerset	£279,802	-0.7%	3.8%
Suffolk	£290,984	1.5%	3.8%
Devon	£314,987	0.4%	2.9%
Winchester	£483,347	-0.6%	2.8%
Cornwall	£291,961	1.7%	2.0%
Oxford	£479,166	-0.3%	0.7%
York	£305,184	1.5%	-1.6%
Bath and North East Somerset	£397,827	-1.3%	-1.8%

UK Region	Average Price	Monthly Change (%)	Annual Change (%)
North East	£168,227	4.2%	14.3%
Yorkshire and The Humber	£211,155	2.3%	9.5%
Northern Ireland	£185,037	0.0%	9.5%
North West	£217,063	2.5%	9.4%
West Midlands region	£250,015	1.2%	7.8%
East Midlands	£243,973	0.7%	7.1%
England	£295,654	1.3%	6.7%
East of England	£343,876	1.4%	6.5%
United Kingdom	£271,415	1.1%	6.4%
South East	£386,316	0.4%	5.3%
South West	£310,837	0.7%	5.3%
Scotland	£185,939	0.4%	4.6%
Wales	£208,093	0.2%	3.6%
London	£552,073	-0.3%	0.8%

London	Average Price	Monthly Change (%)	Annual Change (%)
London	£552,073	-0.3%	0.8%
Prime Central London	£1,046,365	-2.4%	-17.6%
South West London	£737,663	-1.5%	-3.7%

Official House Price data, HM Land Registry, March 2025

Sources: HM Land Registry

London Borough	Average Price	Monthly Change (%)	Annual Change (%)
Redbridge	£492,390	-0.5%	9.1%
Havering	£449,753	1.3%	8.9%
Lewisham	£488,497	-1.2%	8.6%
Barking and Dagenham	£370,501	2.2%	8.3%
Bromley	£520,839	1.0%	6.6%
Hillingdon	£481,197	0.9%	6.5%
Merton	£614,520	-0.4%	6.4%
Harrow	£540,181	0.3%	6.4%
Haringey	£645,361	0.7%	5.9%
Kingston upon Thames	£591,829	1.1%	5.5%
Enfield	£471,549	0.3%	5.1%
Southwark	£593,888	1.5%	4.8%
Croydon	£408,259	-0.8%	4.5%
Waltham Forest	£522,282	0.5%	4.5%
Richmond upon Thames	£775,935	-1.7%	4.5%
Brent	£569,764	2.2%	3.1%
Bexley	£408,318	-0.1%	2.9%
Tower Hamlets	£497,367	-0.7%	1.9%
Hounslow	£528,150	0.7%	1.8%
Ealing	£570,931	-0.3%	1.7%
Lambeth	£564,557	-0.9%	1.6%
Hackney	£613,165	0.5%	1.4%
Sutton	£436,424	-1.4%	1.0%
London	£552,073	-0.3%	0.8%
Barnet	£604,875	-0.1%	0.2%
Wandsworth	£704,342	0.0%	-2.4%
Greenwich	£466,542	0.6%	-2.8%
Camden	£781,183	-4.4%	-4.5%
Newham	£417,330	0.2%	-6.3%
Islington	£656,545	-0.8%	-8.2%
Hammersmith and Fulham	£732,713	-2.6%	-13.2%
Kensington And Chelsea	£1,188,373	-1.9%	-15.1%
City of Westminster	£904,356	-3.1%	-20.1%
Outer London	£509,140	0.2%	4.4%
Inner London	£638,396	-0.8%	-2.9%

Official Price Index of Private Rents, ONS, April 2025

Source: Office for National Statistics

CJ Regional Location	Average Rent (£ pcm)	Monthly Change	Annual Change
Bath and North East Somerset	£1,736	0.10%	12.1%
Oxford	£1,832	0.39%	10.2%
South Oxfordshire	£1,384	0.79%	9.9%
Winchester	£1,445	0.63%	9.6%
Vale of White Horse	£1,319	0.76%	7.9%
South Cambridgeshire	£1,347	0.44%	7.4%
Cambridge	£1,766	0.17%	7.2%
Wiltshire	£990	0.10%	6.6%
North Yorkshire	£818	0.02%	6.1%
West Oxfordshire	£1,289	0.29%	5.4%
West Berkshire	£1,245	0.39%	3.9%
York	£1,122	0.41%	2.4%

UK Country / Region	Average Rent (£ pcm)	Monthly Change (%)	Annual Change (%)
North East	£728	0.45%	9.4%
Wales	£795	0.35%	8.7%
London	£2,246	0.13%	8.4%
North West	£899	0.32%	8.4%
East of England	£1,228	0.43%	8.1%
East Midlands	£877	0.41%	8.1%
England	£1,390	0.26%	7.5%
West Midlands	£923	0.40%	7.1%
South East	£1,373	0.37%	6.9%
South West	£1,171	0.26%	5.1%
Scotland	£999	-0.15%	5.1%
Yorkshire and The Humber	£816	0.01%	4.0%

London	Average Rent (£ pcm)	Monthly Change (%)	Annual Change (%)
London	£2,246	0.13%	8.4%
Prime Central London	£3,465	0.2%	9.8%
South West London	£2,477	0.6%	10.4%

Official Price Index of Private Rents, ONS, April 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 (%)
Camden	£2,836	-0.12%	13.3%
Barking and Dagenham	£1,591	1.51%	12.6%
Ealing	£2,035	0.10%	12.4%
Enfield	£1,706	0.47%	12.2%
Richmond upon Thames	£2,184	0.99%	11.9%
Redbridge	£1,669	0.61%	11.6%
Haringey	£2,163	0.45%	11.5%
Hounslow	£1,872	0.08%	11.4%
Hammersmith and Fulham	£2,749	0.44%	11.3%
Hackney	£2,539	0.21%	10.8%
Westminster	£3,267	-0.29%	10.3%
Waltham Forest	£1,733	0.64%	10.0%
Havering	£1,494	1.10%	10.0%
Lambeth	£2,374	0.35%	9.9%
Islington	£2,704	0.19%	9.4%
Kensington And Chelsea	£3,663	0.66%	9.3%
Hillingdon	£1,526	0.30%	9.2%
Bexley	£1,428	0.42%	9.2%
London	£2,246	0.13%	8.4%
Harrow	£1,706	0.22%	8.2%
Sutton	£1,509	0.12%	8.1%
Wandsworth	£2,497	0.39%	7.9%
Lewisham	£1,767	0.15%	7.8%
Croydon	£1,508	0.41%	7.6%
Barnet	£1,852	0.78%	7.2%
Merton	£2,052	0.16%	7.1%
Southwark	£2,365	0.33%	7.1%
Tower Hamlets	£2,359	0.19%	6.8%
Kingston upon Thames	£1,750	0.80%	6.6%
Bromley	£1,617	0.38%	6.5%
Newham	£1,791	0.84%	5.9%
Greenwich	£1,868	0.15%	4.7%
Brent	£2,067	-1.80%	2.7%



About Carter Jonas

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