UK Residential Market Update

Q4 2025

Transactions have increased since April, when confidence was dented by a stamp duty increase and tariff-related turmoil on financial markets. Stable mortgage rates and downwards price pressure have supported demand, although hesitation has surrounded November's Budget. Prices have softened due to higher levels of supply.

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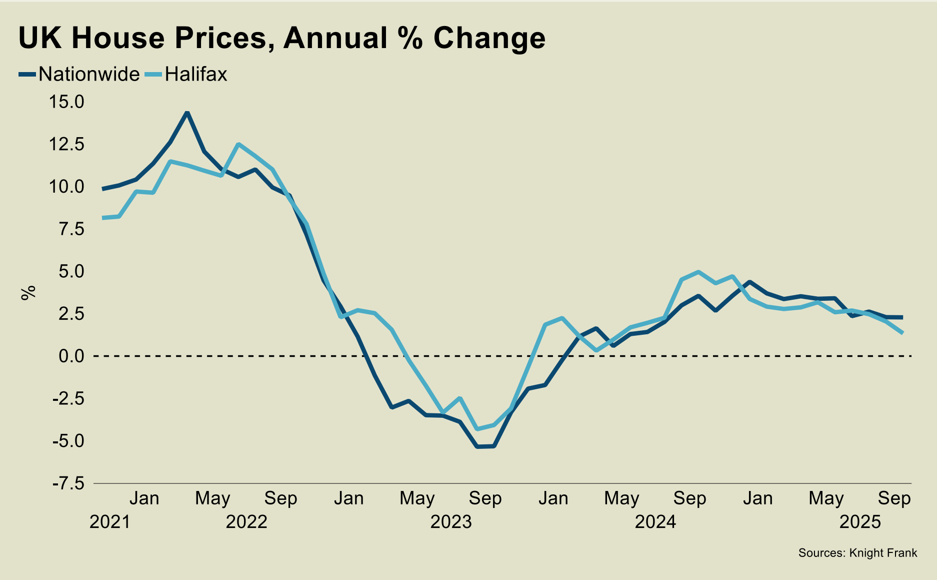
Residential Prices

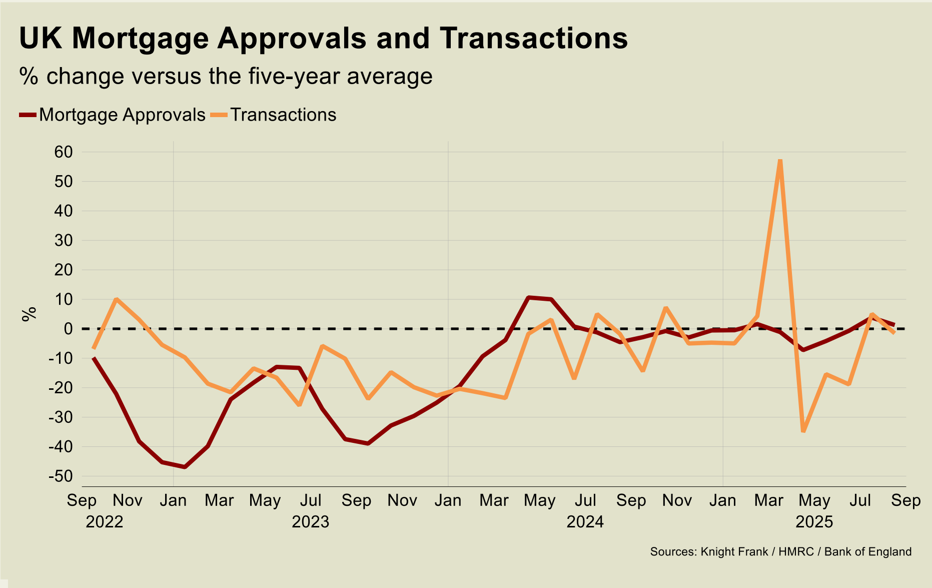


Higher levels of supply and buyer hesitancy ahead of the Budget have put downwards pressure on house prices in recent months.

Listings have risen for reasons that include delayed sales from 2024 due to the general election, an overhang of stock after the stamp duty cliff edge in April, a growing number of landlords selling due to red tape in the lettings sector and financial distress as mortgage rates reset from historic lows.

UK price growth narrowed to 2.2% in the year to September, according to Nationwide, while Halifax reported growth of 1.3%. Knight Frank revised down its 2025 UK forecast to 1% from 3.5% in September.

Residential Transactions



Transaction numbers picked up from their recent low-point in April, when confidence was dented by a stamp duty cliff edge and tariff-related turmoil on global financial markets.

Mortgage approvals and transactions levels were close to their five-year average in August after the rollercoaster ride of previous months.

Demand has been supported by downwards price pressure (see above) and stability in the mortgage market, which means sub-4% rates have been readily available.

However, activity appeared to be dipping in Q4 as November's Budget approached.

Prime London Sales

Pre-Budget uncertainty contributed to average prices in prime central London falling by 3.6% in the year to September, the steepest decline since February 2021.

Meanwhile, there was an increase of 0.1% in prime outer London over the same period in a market driven to a greater extent by buyers who need to move for reasons that include education and employment. By contrast, demand in PCL is more discretionary.

The number of exchanges in PCL was down by 10% in Q3 2025 compared to the five-year average (excluding 2020). The equivalent decline was 9% in prime outer London.

With PCL prices down by a fifth over the last decade, the relative value on offer is underpinning demand.

Meanwhile, Budget nerves meant the number of new prospective buyers in PCL was down by 11% over the same period vs a drop of 2% in POL.

Prime London Lettings

Rental value growth has continued to strengthen across prime central (PCL) and outer London (POL).

The annual increase in PCL was 1.8% in September, having risen from 0.6% in January. In POL, the figure increased to 2.1% from 1% over the same period.

The increase is largely down to tighter supply, which is primarily the result of more landlords attempting to sell due to the prospect of the Renter's Rights Bill and stricter green regulations.

The number of new lettings listings in PCL and POL in the year to August was 3% lower than the previous 12-month period, Rightmove data shows.

The Renter's Rights Bill is designed to protect tenants but raises the risk of void periods and could make regaining possession of a property more onerous. Meanwhile, stricter green regulations mean that rented properties must have an EPC C rating by 2030.

Prime Country Houses

The prime Country market gained momentum in the six months to September, with demand supported by falling prices and mortgage rate stability, particularly in needs-driven markets.

The number of offers accepted in the Country, which covers a range of urban and rural markets above £750,000 outside London, was 9% higher in the year to September vs the previous year.

However, hesitation returned as the November Budget approached, especially in higher price brackets, where demand is more discretionary.

Prices below £1 million fell 4.7% in the year to September, compared with a steeper decline of 6.7% above £5 million.

Meanwhile, flat prices fell 4.5%, which compared to a decline of 6.7% for manor houses and farmhouses.

Overall, prices fell by 5.4%, which was wider than the decline of -3.5% recorded in June.

3 MONTHS TO SEPTEMBER 2025

PCL	▼ Sales -1.5%	▲ Rents 0.6%
POL	▲ Sales -0.2%	▲ Rents 1.3%

3 MONTHS TO SEPTEMBER 2025

Prime Country House Index	▼ -2.3%

YEAR TO SEPTEMBER 2025

PCL	▼ Sales -3.6%	▲ Rents 1.8%
POL	▲ Sales 0.1%	▲ Rents 2.1%

YEAR TO SEPTEMBER 2025

Prime Country House Index	▼ -5.4%

Source: Knight Frank Research

Got a question? Do get in touch, and you can sign up for more analysis at knightfrank.com/research.

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