

Residential Update and Outlook

March 2025

Market Overview

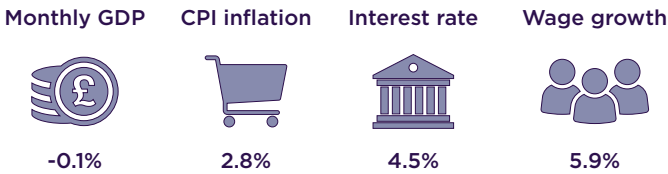
The UK economy continues to present some disappointing figures this month with GDP contracting in January and February's Construction and Manufacturing Purchasing Managers Index figures discouragingly low. Higher-than-target inflation and strong wage pressures also complicate the timing of potential interest rate cuts by the Bank of England, which would otherwise be a welcome boost. Furthermore, global economic uncertainties, including aggressive US trade policies and ongoing geopolitical tensions in Europe and the Middle East, plus the potential impact of increased Employer's National Insurance Contributions, are weighing heavily on the UK economy and consumer confidence.

These wider uncertainties may be now having an impact on the residential market, where a softening in the market seems to be emerging. Although the number of properties coming to the market is on the rise, buyer activity seems to be declining, although this may also be an effect of the upcoming stamp duty changes from 1 April. Overall house price growth has also begun to slow as both Halifax and Nationwide reported a slight slowing in the annual pace of growth. In the rental market rental growth does finally seem to be easing with an average increase of 8.1% over the last year, this is slowest rate of growth in almost 2½ years.

Key Points

- Monthly GDP fell by an estimated -0.1% in January, with a fall of -0.9% from the production sector accounting for the largest downward contribution.
- The pace of inflation declined slightly in February with the annual rate now at 2.8%, down from 3.0% in January but in line with the Bank of England's forecast figures.
- There was no change in interest rates this month, so they remain at 4.5%. The next meeting of the Monetary Policy Committee is scheduled for early May.
- Consumer confidence rose by one point in March according to GfK's index. However, at -19 the overall mood remains subdued.
- Latest figures continue to show a tight labour market, with unemployment remaining at 4.4% and the overall employment figure increasing slightly to 75%. The number of job vacancies was largely unchanged with an increase of just around 1,000.
- Average earnings increased by 5.9% over the three months to January, unchanged from the previous quarterly figure. Private sector wages grew faster than public sector at 6.1% and 5.3%, respectively.
- The construction sector and services sector Purchasing Managers Indices (PMIs) both returned contraction figures in February, at 44.6 and 46.9, respectively. The Services PMI is at a 14-month low while the Construction PMI fell to its lowest level in almost five years.
- Annual house price growth slowed again in February, moving to 3.9% according to Nationwide, with 2.9% recorded by Halifax.
- Latest figures from the RICS monthly market survey note a softening housing sales market with almost all metrics slowing on the month including new buyer enquiries, which at -14% is the lowest figure since November 2023.
- Both Bank of England (mortgage approvals) and HMRC (residential transactions) figures pointed to stable sales activity, showing very little change over their December totals. In both cases though these latest figures were from January, and we expect more notable changes in February and March.
- February saw the pace of rental growth continue to decelerate, this month showing an average UK rise of 8.1% according to the ONS. This is now the lowest rate of growth since September 2023 and echoes the slowing of rental growth already witnessed among some other rental indices.

Economic indicators



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

The macroeconomy

- Monthly GDP was estimated to have fallen by -0.1% in January, following growth of +0.4% in December. The largest decline came from production output which fell -0.9% during the month compared with an increase in the services sector of +0.1% and construction output which fell -0.2%. In the three months to January GDP grew by 0.2%, largely driven by the services sector.
- The Consumer Prices Index rose by 2.8% in the 12 months to February, according to the latest inflation statistics. This is down from 3.0% in January and although it is still above the Bank of England target 2.0% it is in line with their forecasts. The largest downward contribution came from pricing of women and children's clothing together with recreation and culture.
- There was no change in interest rates at the latest Bank of England Monetary Policy Committee meeting on 20 March. Once again, there remains a high probability for further reductions later this year with inflation and pay growth stubbornly high. This, together with the prospect of further subdued economic growth in the first half of the year, means the Bank of England will need to perform a fine balancing act when deciding whether to cut rates at their next meeting on 8 May.

Labour and employment

- In the three months to January the UK unemployment rate remained unchanged over the previous figure at 4.4%, according to the latest estimates from the Official Labour Force Survey. The employment figure has risen slightly to 75.0%, up from 74.9% in the three months to December 2024.
- Across the other labour market figures the number of payrolled employees shows an increase of 21,000 in the month of February, and a 66,000 increase over the year. The number of job vacancies (three months to February) was broadly unchanged over the quarter, totalling 816,000. Until this quarter the number of vacancies had declined for 31 consecutive quarters.
- Finally, annual earnings growth (average, excluding bonuses) remained unchanged at 5.9% in the three months to January. The wholesaling, retail, hotels and restaurants sector saw the highest wage increases at

6.3%, followed by those in construction at 6.2%. On average, private sector wages grew by around 6.1% over the year while the public sector saw a 5.3% increase.

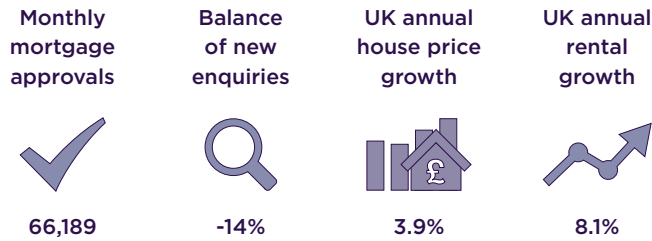
Market indicators

- S&P Global's UK Manufacturing PMI fell to a 14-month low in February recording a figure of 46.9. This marks the fifth month in a row where the sector has recorded contraction as output fell for the fourth consecutive month amid declining new orders and subdued client confidence. Companies are facing weaker demand both domestically and internationally with domestic markets citing rising cost pressures and nervousness surrounding policy changes in last autumn's Budget.
- The Services PMI meanwhile continued to hover around where it has been now for the last four months, albeit rising slightly to 51.0 from 50.8 in January. Despite the small rise and the fact that it remains in expansion, service providers have reported lower sales volumes for the second month in a row with business investment falling as clients cite higher economic uncertainty. Overseas sales also fell the most in the last three years and employment levels fell the most since November 2020, largely due to higher wages from rising minimum wage and rising National Insurance contributions from 6 April.
- The Construction sector PMI fell to its lowest rate since May 2020 in February, with a figure of 44.6, down from 48.1 the previous month. Weak demand, high borrowing costs and a decline in new projects have all lead to the sharp contraction. Residential building fell to its lowest rate since 2009 with an index figure of 39.3, with civil engineering only slightly better at 39.5. Commercial construction declined to 49.0.

Consumer demand and sentiment

- Retail sales volumes rose by more than expected at 1.7% in January, up from (a downwardly revised) -0.6% in December. Food store sales volumes rose by 5.6%, the largest rise since March 2020 and follows four consecutive falls on the month as some suggested more people were eating at home. Non-food stores declined by 1.3% over the month, with clothing and footwear falling -2.7% and auto fuel down -1.2%. On an annual basis, retail sales grew 1.0%.
- GfK's monthly Consumer Confidence Index recorded a one-point rise in March, to -19. Of the five sub-measures two were up on the month, two fell and one remained unchanged. In particular, views on personal finances over the last year declined to -9 while each of the General Economic Situation metrics (both forward and backward looking), rose two points. The Major Purchase measure remained at -17, although this is a marked increase from -27 in the same month last year.

Residential market



Sources: Bank of England, RICS, Nationwide, ONS

Residential sales

Mortgages and transactions

- In January, mortgage approvals remained remarkably consistent, with the Bank of England's figures showing 66,189 approvals. This represents a negligible decrease from December's 66,505 and remains in line with the pre-pandemic monthly average of 66,216, suggesting a potential return to a more normal market environment.
- There was a similar trend in overall transaction figures which also fell very slightly in January, according to the HMRC. With a total provisional figure of 95,110 this is around 5% below the pre-COVID monthly average of just over 100,000 transactions. With the upcoming stamp duty changes due to take effect from 1 April, we expect that February and March transaction figures will be above average as buyers try to get sales in ahead of the increase.
- While there has been a little volatility of mortgage rates over the last four weeks, we have ended up almost precisely where we started. The latest average two-year fixed rate is now 4.87% (85% LTV), virtually unchanged from 4.86% one month prior ago. (Rightmove / Podium).

Supply and Demand

- Sales market activity appears to be slowing according to the latest Residential Market Survey from the RICS. The new buyer enquiries balance fell to -14% in February down from -1% the month before. This may be in part due to buyers aware that time is probably out for getting a new sale across the line before the stamp duty changes take effect from 1 April. Newly agreed sales also declined, registering a figure of -13%, the lowest this metric has measured since May last year. On the other hand, the new listings measure remains positive at +12%, with this figure positive now for 14 out of the last 15 months, albeit down from last month's strong +25%.
- On the other hand, Rightmove's latest house price report suggests some resilience in the sales market. They report the highest number of properties for sale at this time of year since 2015. They go on to say that the number of sales agreed is 9% higher than in the

same period last year, with the number of new sellers on the market up 8%. These figures may be distorted due to the upcoming stamp duty deadline and the report goes on to say that there are over half a million 'moves' currently in the legal completion process with many hoping to get over the line before the end of March.

UK prices and price growth

- The annual rate of house price growth dipped slightly to 3.9% in February, down from 4.1% in January but for the most part remains broadly stable. On a monthly basis prices grew by 0.4%, to reach an average of £270,493.
- Meanwhile Halifax reported a monthly dip in house prices, down -0.1% in February to reach an average of £298,602. On an annual basis this represents growth of 2.9%, unchanged from the (revised) January figure. On a country and regional basis, the bank goes on to say that most areas of the UK saw a slowing pace of house price inflation this month with the exception of Scotland where 3.8% annual growth was reported, up from 2.5% in January. In England, Yorkshire and The Humber recorded the strongest price growth of 4.1%.
- Asking prices meanwhile rose by an average of 1.1% on a monthly basis, according to Rightmove's latest report. This added an additional £3,876 to the price of a property coming to the market over the last four weeks (£371,870). Annually, this equates to a 1.0% rise, down from 1.4% in February.
- According to the ONS Official House Price Index, house prices rose by an average 4.9% in the 12 months to January. This is up from 4.6% in December and is the highest annual rate of growth since January 2023. On a monthly basis prices were found to have grown by 0.2%, up from no monthly growth in each of the previous two months. The average UK house price is now £268,548, a record high and over £12,500 more expensive than one year ago.
- More timely data from the RICS suggests house price growth may be slowing according to the latest feedback from the RICS market survey. A net balance of +11% of participants feel that prices are growing but this is down from the last two months which were much higher at +25% and +22%. Once again, this month it is respondents from Northern Ireland, Scotland and the North West who are reporting firmly expanding prices while all other regions indicate price growth may be dwindling.

Regional prices and price growth

- Turning back to the ONS official house price data for the regions and again the general trend we have seen over much of the last year still holds - many of the more 'affordable' areas of the country saw the highest



house price growth this year. In the North East prices grew by 9.1% over the year with Northern Ireland (8.4%), the North West (6.8%), East Midlands (6.2%) and Wales (6.0%) rounding out the top five. London was again bottom of the table although at 2.3% growth this is the strongest house price growth in the capital in two years.

- Staying with London and the outer boroughs recorded an overall growth of 4.0% over the 12 months to January, well above that in inner London which saw a decline of -3.1%. Lewisham recorded the strongest growth at 8.2% followed by Redbridge (6.8%), Havering (6.7%) and Sutton (6.1%). Eight of the 32 boroughs are still recording price declines, with seven of these being in inner London.
- Of our Carter Jonas tracked locations just one has recorded an annual price decline; York experienced a negligible fall of -0.2% according to the ONS. At the top of the table were three locations all in Oxfordshire with Vale of White Horse seeing a punchy 9.5% rise followed by South Oxfordshire at 9.3% and West Oxfordshire at 6.8%.

Residential lettings

Supply and Demand

- Zoopla's Rental Tracker for March reports that the supply and demand gap is narrowing, but it is still wide by long-run standards. They note there are around 13 available properties for rent per agent, up from 10 in 2023 but still 22% below the pre-pandemic average. They go on to say that rental demand is also around 17% lower than it was over the same period last year, although it is still twice as high as pre-pandemic levels.
- Respondents to the RICS Residential Market Survey also appear to show the supply demand gap is very softly closing, although this is entirely due to tenant demand slowing. At -4% this is now the fourth month in a row without a positive reading on this measure, the longest stretch since records began in 2012. Landlord instructions though yet again remained negative at -22%, deteriorating from -19% last month.

- As is normal for the time of year, tenant demand jumped in January, according to PropertyMark's latest Housing Insight report (released mid-March). The average number of tenants registered per branch rose from 79 in December to 115 in January. On the supply side, the average number of properties available for rent remained largely static in January at 12.3. This is well above a low of just 8.5 in February 2024 and has been steadily increasing since then.

Rents and rental growth

- This month's rental growth data shows a continued deceleration in the pace of growth with overall UK rents rising by an average of 8.1% in the 12 months to February, according to the ONS's Price Index of Private Rents (PIPR). This is down from 8.7% in January and is the fourth month in a row of falling growth. This is also the slowest rate of growth since September 2023. London saw the highest rate of growth of all the regions at 9.9%, but in our Carter Jonas tracked locations some areas saw higher rates of growth like Bath which posted an average increase of over 12% and South Oxfordshire where 10.3% rental growth was recorded.
- Rental inflation on new lets was just 3.0% in the last 12 months according to Zoopla's latest UK Rental Market Report (March), although this is a higher 3.9% when London is excluded. On a regional level Northern Ireland is still reporting rental growth of 9.1% but the next highest is the North East at 6.1% followed by the North West at 5.0% while London reports growth of just 1.1%. On a city level inflation ranges from -1.1% in Nottingham to 6.2% in Newcastle, according to the web portal.
- *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, March 2025

Sources: HM Treasury Consensus Forecasts (March 2025)

	2025	2026	2027	2028	2029
Official Bank Rate (%)	3.89	3.57	3.47	3.26	3.24
House price inflation (annual, %)	2.2	2.6	2.3	3.1	3.8
CPI inflation rate (annual average, %)	3.1	2.4	2.2	2.2	2.1
Unemployment rate (%)	4.7	4.7	4.7	4.6	4.6
GDP (annual, %)	1.0	1.3	1.5	1.6	1.7
Average earnings growth (annual, %)	3.8	3.0	3.1	3.1	3.1

Select Market Indicators, latest versus previous data

Sources: ONS (unless otherwise indicated) (final six indicators retrieved 26 March)

	Current	Previous	Direction of change
GDP monthly	-0.1%	0.4%	↓
Inflation rate (CPI)	2.8%	3.0%	↓
Interest rate	4.5%	4.5%	↔
Employment rate	75.0%	74.9%	↑
Unemployment rate	4.4%	4.4%	↔
Weekly earnings growth, regular pay (excl bonuses)	5.9%	5.9%	↔
S&P Global UK Manufacturing PMI	46.9	48.3	↓
S&P Global UK Services PMI	51.0	50.8	↑
S&P Global UK Construction PMI	44.6	48.1	↓
GfK Consumer Confidence Index	-19	-20	↑
Bank of England mortgage approvals (monthly)	66,189	66,505	↓
Nationwide house price inflation (annual)	3.9%	4.1%	↓
Halifax house price inflation (annual)	2.9%	2.9%	↔
Official UK House Price inflation (annual)	4.9%	4.6%	↑
Rightmove House Price Index (UK, annual, asking)	1.0%	1.4%	↓
Price Index of Private Rents (UK, annual)	8.1%	8.7%	↓
£ Sterling: \$ USD	\$1.29	\$1.27	↑
£ Sterling: € Euro	€1.20	€1.21	↓
Brent Crude Oil (USD)	\$73.67	\$75.90	↓
Gold (USD per ounce)	\$3,024.24	\$2,931.21	↑
FTSE 100	8,687.34	8,677.43	↑
UK 5 Year Gilt Yield	4.3895	4.3470	↑

Official House Price data, HM Land Registry, January 2025

Sources: HM Land Registry

CJ Regional Location	Average Price	Monthly Change (%)	Annual Change (%)
Vale of White Horse	£409,605	3.1%	9.5%
South Oxfordshire	£484,663	-0.3%	9.3%
West Oxfordshire	£424,402	3.8%	6.8%
West Berkshire	£397,353	0.8%	6.1%
Leeds	£242,315	-0.7%	5.9%
North Yorkshire	£275,935	-0.1%	5.5%
South Cambridgeshire	£446,232	-0.2%	5.4%
Oxford	£483,403	1.5%	5.3%
Cambridge	£509,054	-0.8%	4.7%
Wiltshire	£328,464	-0.5%	4.2%
Cambridgeshire	£342,408	0.0%	4.1%
Somerset	£279,212	-0.8%	3.3%
Devon	£315,931	0.1%	2.5%
Dorset	£334,606	0.1%	2.1%
Winchester	£480,490	-2.2%	1.8%
Bath and North East Somerset	£409,166	-0.4%	1.5%
Suffolk	£286,250	0.2%	1.4%
Cornwall	£289,937	-1.2%	1.1%
York	£302,634	-0.5%	-0.2%

UK Region	Average Price	Monthly Change (%)	Annual Change (%)
North East	£161,373	-0.1%	9.1%
Northern Ireland	£183,259	0.0%	8.4%
North West	£210,259	-0.1%	6.8%
East Midlands	£241,159	-0.4%	6.2%
Wales	£209,579	0.9%	6.0%
Yorkshire and The Humber	£202,930	-0.6%	5.9%
West Midlands region	£244,589	0.0%	5.3%
United Kingdom	£268,548	0.2%	4.9%
England	£291,397	0.2%	4.8%
Scotland	£187,434	0.2%	4.6%
South East	£386,103	0.5%	4.5%
East of England	£338,657	-0.2%	3.0%
South West	£307,233	0.1%	2.7%
London	£563,899	2.3%	2.3%

London	Average Price	Monthly Change (%)	Annual Change (%)
London	£563,899	2.3%	2.3%
Prime Central London	£1,010,176	0.5%	-20.4%
South West London	£744,970	0.4%	-1.7%

Official House Price data, HM Land Registry, January 2025

Sources: HM Land Registry

London Borough	Average Price	Monthly Change (%)	Annual Change (%)
Lewisham	£496,176	2.0%	8.2%
Redbridge	£491,889	-0.7%	6.8%
Havering	£439,120	1.4%	6.7%
Sutton	£447,429	-0.1%	6.1%
Greenwich	£481,156	-1.0%	6.1%
Croydon	£418,611	2.1%	5.5%
Richmond upon Thames	£785,692	1.3%	5.3%
Barking and Dagenham	£353,442	-0.5%	4.7%
Waltham Forest	£522,549	0.0%	4.2%
Bromley	£517,667	0.6%	4.2%
Merton	£609,393	-1.1%	4.1%
Hillingdon	£477,485	0.3%	3.9%
Brent	£576,271	0.5%	3.7%
Ealing	£577,886	1.9%	3.3%
Southwark	£581,381	1.1%	3.2%
Bexley	£406,363	0.4%	3.1%
Harrow	£528,999	-0.6%	2.6%
London	£563,899	2.3%	2.3%
Hounslow	£525,811	1.6%	2.3%
Enfield	£478,787	1.1%	2.2%
Tower Hamlets	£502,844	-0.7%	1.7%
Kingston upon Thames	£568,529	-0.6%	1.6%
Lambeth	£567,336	0.4%	1.2%
Haringey	£628,626	1.4%	0.8%
Barnet	£613,205	-1.6%	0.3%
Camden	£828,699	-0.6%	-0.8%
Hackney	£600,051	-0.6%	-1.2%
Wandsworth	£696,365	1.3%	-2.9%
Islington	£653,532	-1.2%	-4.2%
Newham	£415,729	-2.2%	-4.4%
Hammersmith and Fulham	£752,853	-1.3%	-7.6%
Kensington And Chelsea	£1,120,654	0.5%	-19.0%
City of Westminster	£899,697	0.5%	-21.8%
Outer London	£509,562	0.4%	4.0%
Inner London	£636,281	0.3%	-3.1%

Official Price Index of Private Rents, ONS, February 2025

Source: Office for National Statistics

CJ Regional Location	Average Rent (£ pcm)	Monthly Change	Annual Change
Bath and North East Somerset	£1,722	1.76%	12.6%
South Oxfordshire	£1,369	0.21%	10.3%
Oxford	£1,816	0.62%	9.4%
Winchester	£1,425	0.72%	9.3%
Cambridge	£1,760	0.07%	8.0%
South Cambridgeshire	£1,336	0.21%	7.9%
Wiltshire	£989	0.35%	7.1%
Vale of White Horse	£1,300	0.98%	6.8%
North Yorkshire	£814	0.46%	6.8%
West Oxfordshire	£1,282	0.41%	6.3%
York	£1,110	0.33%	4.1%
West Berkshire	£1,241	0.06%	4.1%

UK Country / Region	Average Rent (£ pcm)	Monthly Change (%)	Annual Change (%)
London	£2,235	0.29%	9.9%
North West	£893	0.50%	9.3%
North East	£715	0.67%	8.7%
Wales	£785	0.58%	8.5%
East Midlands	£868	0.81%	8.3%
England	£1,381	0.40%	8.3%
East of England	£1,217	0.67%	8.2%
West Midlands	£917	0.50%	7.5%
South East	£1,362	0.44%	7.1%
South West	£1,167	0.01%	5.9%
Scotland	£998	0.26%	5.8%
Yorkshire and The Humber	£813	0.41%	4.8%

London	Average Rent (£ pcm)	Monthly Change (%)	Annual Change (%)
London	£2,235	0.29%	9.9%
Prime Central London	£3,466	0.3%	12.4%
South West London	£2,452	0.4%	11.4%

Official Price Index of Private Rents, ONS, February 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 (%)
Brent	£2,105	-0.08%	15.8%
Camden	£2,836	0.07%	14.2%
Ealing	£2,031	0.41%	14.2%
Richmond upon Thames	£2,153	0.47%	14.1%
Hackney	£2,516	0.69%	13.6%
Hounslow	£1,873	-0.30%	12.8%
Westminster	£3,289	0.17%	12.7%
Haringey	£2,135	0.70%	12.5%
Kensington And Chelsea	£3,643	0.49%	12.1%
Enfield	£1,686	0.81%	12.0%
Islington	£2,694	0.43%	11.9%
Redbridge	£1,649	0.55%	11.7%
Barking and Dagenham	£1,545	1.48%	11.1%
Hammersmith and Fulham	£2,724	0.40%	11.0%
Havering	£1,467	0.80%	10.6%
Merton	£2,040	0.48%	10.6%
Lambeth	£2,353	0.64%	10.5%
Waltham Forest	£1,712	0.52%	10.1%
Hillingdon	£1,516	0.42%	10.0%
London	£2,235	0.29%	9.9%
Sutton	£1,504	0.32%	9.9%
Harrow	£1,700	0.33%	9.4%
Bexley	£1,416	0.37%	9.3%
Wandsworth	£2,480	0.31%	9.2%
Croydon	£1,494	0.59%	9.0%
Lewisham	£1,757	0.42%	8.7%
Tower Hamlets	£2,349	0.40%	8.5%
Southwark	£2,349	0.29%	7.7%
Bromley	£1,604	0.37%	6.7%
Barnet	£1,820	0.62%	6.1%
Greenwich	£1,863	0.02%	5.8%
Kingston upon Thames	£1,732	0.23%	5.7%
Newham	£1,760	0.28%	5.0%



About Carter Jonas

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Residential Research

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