

Residential Update and Outlook

June 2025

Market Overview

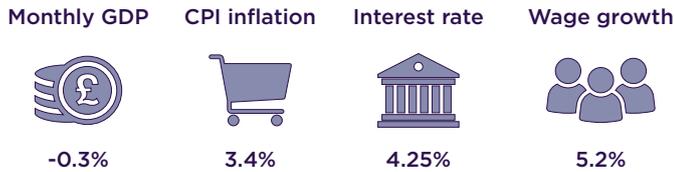
The UK economy has yet again shown a mix of positive and negative trends over the last four weeks. While Q1 2025 saw stronger-than-expected GDP growth of 0.7%, April data revealed a surprising 0.3% contraction, the largest monthly drop since October 2023. This downturn was primarily driven by a fall in the services sector, likely due to recent business tax changes (national insurance contributions) and global trade disruption. CPI inflation remained above-target at 3.4% (annually) in May, and retail sales volumes fell at their strongest rate in over 18 months.

Similarly, the housing market data also shows some conflicting trends. The RICS survey suggests a softening sales market with negative measures in buyer demand and agreed sales, however both Rightmove and Zoopla report rising buyer demand and increasing available supply – although these measures are compared with data one year ago. House prices meanwhile are still in growth territory with Nationwide showing 3.5% annual growth and Halifax indicating a 2.5% rise.

Key Points

- GDP is estimated to have decreased by -0.3% in April (month on month), following the robust 0.7% growth during the first quarter. A decline in services sector output placed the largest downward pressure on GDP.
- Inflation was recorded as 3.4% in the 12 months to May, with food and non-alcoholic beverages placing the most upward pressure on prices.
- Consumer confidence saw a slight boost in June with the GfK Consumer Confidence measure rising two points to -18.
- Retail sales volumes declined sharply in May, down -2.7% following an upwardly revised rise of 1.3% in April as the good weather that month helped boost sales.
- The UK labour market continues to show signs of a slowdown, partly due to recent increases in National Insurance contributions for employers (effective April 2025) and a rise in the National Living Wage.
- Unemployment is now at a nearly four-year high of 4.6%, while job vacancies have consistently declined for the past 35 quarters, with the fall accelerating over the last couple of months.
- Average annual earnings slowed again in the three months to April, moving to 5.2% annually. This is down from 5.6% and 5.9% recorded in the last two months.
- The latest Purchasing Managers Indices (PMIs) showed that all three sectors posted improvement over the previous month. Despite this, both manufacturing and construction remained in contraction while the services sector just moved into expansion at 50.9.
- In contrast to last month, Halifax has recorded a monthly house price decline of -0.4% while Nationwide reported an increase of 0.5%. Both indices however recorded modest annual increases, of 2.5% (Halifax) and 3.5% (Nationwide).
- The RICS Residential Market Survey results for May still show a soft sales market, with both new buyer enquiries and agreed sales metrics in negative territory for the fourth month in a row. New listings however remained positive, albeit only just. Importantly, expectations for the months ahead suggest a stable, if not positive outlook.
- As was anticipated, total residential sales volumes declined significantly in April, following the increase in the rate of stamp duty charged. At just over 64,600 transactions this was down 64% over the previous month. Mortgage approvals also declined, down -5% to 60,400.
- Average private rental growth continues to soften, with the latest UK growth now at 7.0%. There are still some very elevated rates of growth in select parts of the country though that are experiencing very low levels of available supply.

Economic indicators



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

The macroeconomy

- Monthly GDP is estimated to have fallen by -0.3% in April, down from growth of 0.2% the month before. This decline was primarily driven by a -0.4% fall in services output, which, as the largest component of the UK economy, contributed the most significantly to the contraction. Production output also declined, by -0.6% while construction grew by 0.9%. Despite the monthly dip, GDP for the three months to April is still estimated to have grown by 0.7%.
- CPI inflation was recorded as 3.4% in the 12 months to May, matching consensus expectations. Downward pressure came from transport prices and the cost for housing and household services while the largest upward contribution came from an increase in food and non-alcoholic beverages. On the month, inflation rose by 0.2%.
- The Bank of England's Monetary Policy Committee maintained interest rates at 4.25% in their latest meeting. They said that underlying growth remains 'weak' but raised their economic expectations marginally. There were further hints that interest rates may be cut again as soon as August, although with the current geopolitical climate the Governor also seemed to warn that 'the world is highly unpredictable'.

Labour and employment

- The latest estimates from the official Labour Force Survey suggest a labour market that is experiencing a period of sluggishness. Increased National Insurance contributions and a rise in the National Living Wage may be partly behind this. The unemployment rate rose to 4.6% in the three months to April. This is up from 4.5% during the previous quarter and is the highest figure in almost four years. The total employment figure also rose though, to 75.1% up from 75.0% previously.
- Estimates for the number of payrolled employees in the UK declined by 55,000 between March and April and fell by 115,000 over the year. Early estimates for May's figure suggest payrolled employees declined by 109,000 on the month

although these should be treated with caution and are likely to be revised.

- Finally, job vacancies continued to decline for the 35th consecutive quarter. In the three months to May vacancies fell by 63,000 to 736,000 with declines recorded in 14 of the 18 industry sectors.
- Average wages meanwhile grew by 5.2% annually (excluding bonuses, Feb-April). This is down from 5.6% during the previous three-monthly period. Public sector wages rose by an average of 5.6% while private sector wages saw a 5.1% average increase.

Market indicators

- May's UK Manufacturing PMI (all PMIs are reported by S&P Global) showed a slight improvement over April, though it remained in contraction. At 46.4, the index was a full point higher than April's 45.4, continuing to reflect 'tough operating conditions' for the sector. Weak global demand, geopolitics and tariff policy uncertainties, and high costs led to reductions in output, new orders, exports, and employment levels. On a slightly more positive note, input price inflation eased to a five-month low, and business confidence reached a three-month high, although it remains historically low.
- In contrast, the Services PMI moved back into expansion in May, rising to 50.9 from 48.9. Respondents attributed this improvement to increasing client confidence and fewer tariff concerns. However, elevated business uncertainty persisted due to higher payroll costs and falling demand. Additionally, lower volumes of new work and a decline in new order intakes were noted.
- Finally, the Construction Sector PMI rose again in May to 47.9, up from 46.6 the previous month. This marks the third consecutive month of increases although still in contraction. While new order output fell slightly, business confidence reached its highest level since December 2024. Conversely, the pace of job losses accelerated at its fastest rate since August 2020. Residential work continues to be the worst-performing sub sector, while commercial activity saw a slight decline. Input cost inflation across the sector remained elevated, though not as high as in March.

Consumer demand and sentiment

- Retail sales volumes fell by an estimated -2.7% in May, much sharper than the expected -0.5% decline. This was the steepest monthly decline since December 2023, largely due to a -5.0% fall in food store sales. Non-food store sales also declined, down by -1.4%. On the year, retail sales volumes fell by -1.3%.

- Consumer confidence however was slightly more positive as the GfK Consumer Confidence Index rose two points in June to -18. Of the five sub-measures two increased while three remained unchanged. The highest increase came from the Economic Situation looking ahead which saw a five-point increase. However, at -28 overall this is still strongly negative and well down from the same month last year when the figure was -11. The Major Purchase Index metric was unchanged at -16 but above -23 the same time last year.

Residential market



Sources: Bank of England, RICS, Nationwide, ONS

Residential sales

Mortgages and transactions

- The total number of mortgage approvals declined again in April, to 60,463 according to the Bank of England's latest data. This is down 5% over the March figure and marks the lowest monthly approvals figure since February 2024. 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.
- As was expected, total residential sales volumes dropped significantly in April, to 64,680, down by nearly two-thirds from the 177,000 transacted in March. This drop was entirely expected following the changes to the stamp duty rates from 1 April and follows a similar pattern in every other instance where stamp duty tax rates were increased.
- Mortgage rates remain on a slow and steady downward trend although there was a slight increase seen two weeks ago, before coming down again. The current average rate (85% LTV, 2 year) at around 4.58% (Rightmove / Podium). Mortgage repayment stress-tests have been easing recently and we expect this to have a positive impact on the number of mortgage approvals issued over the coming weeks and months.

Supply and Demand

- A soft sales market again continues to be the main theme from much of the latest RICS residential market survey. The latest new buyer demand metric came in at -26%, a small improvement over the last two months but still the fourth month in a row of negativity. On supply, the new listings measure remains positive at +7%. It is notable that this has now been positive for eleventh consecutive months. Finally, the agreed sales figure was also in negative territory for the fourth month, coming in at -28%, only slightly improved over last month's figure of -30%.
 - There were some encouraging signs from the housing sales market from Rightmove as their latest House Price Index report found that buyer demand is up 3% over the same period last year with the number of homes for sale up 11%. This has resulted in May seeing the highest number of sales agreed in any month since March 2022.
 - There continues to be a rise in the number of homes listed for sale, according to Zoopla's May housing report. They note a 13% increase compared with the same time last year, helping to aid the 6% increase in the number of agreed sales over the same period in 2024. This is also the highest number of agreed sales during May in the last four years.
- ### UK prices and price growth
- The annual rate of house price growth accelerated slightly in May to 3.5%, from 3.4% the month before, according to Nationwide. The seasonally adjusted monthly growth figure rose to 0.5% leading to an average house price of £273,427.
 - Again, this month there was a slight contrast with Halifax data as they recorded a monthly price decline of -0.4% in May. This also led to a decline in the annual pace of house price growth from 3.2% in April to 2.5% in the latest monthly data. This is the slowest annual rate of growth since July 2024.
 - New seller asking prices also recorded a small monthly decline in the last four weeks (to early June), of -0.3% according to Rightmove's latest report. This led to a 0.8% annual house price rise, down from 1.2% the month before. The average asking price of a new home to the market is now £378,240.
 - According to the Official House Price Index from the ONS, house prices rose by an annual average of 3.5% to April, down significantly from an upwardly revised 7.0% growth in March. March's



punchy house price growth was almost certainly caused by the stamp duty tax change from 1 April. Between March and April house prices fell by -2.7%.

- According to the latest RICS market survey, respondents returned a net balance of -8% on house prices, suggesting they may be declining very slightly. The report goes on to say that this is the weakest figure since July 2024 and has been falling steadily since a peak of +25% in December 2024.

Regional prices and price growth

- Regionally, the more affordable areas of the country again saw the highest rates of growth, including the North East at 6.4%, Scotland (5.8%), and Northern Ireland (5.5%). Moving up the table was London which posted annual growth of 3.3%, the highest growth seen across the capital since January 2023. All of this growth however was from the Outer London boroughs which posted a collective 4.6% annual rise, compared with a fall of -1.8% in the Inner London areas.
- Across Carter Jonas's tracked office locations, house price growth presented a mixed picture this month. Cambridge led our 19 areas with a robust 9.8% annual increase, while Oxford was at the bottom with a -2.6% fall. Interestingly, some of the surrounding areas of Oxford showed positive growth: Vale of White Horse posted 7.0% growth, and South Oxfordshire recorded 5.7%.

Residential lettings

Supply and Demand

- According to the latest RICS residential market survey data, tenant demand rose to a net balance figure of +22%, up from +14% previously. Tenant demand has been positive now for the last three months following a short spell of softening demand at the end of 2024/ beginning of 2025.

Rents and rental growth

- ONS data again shows a slowing trend in the rate of rental growth this month. UK private rents rose by an annual average of 7.0% across the UK, down from 7.4% last month and a full two percentage points below the peak growth of 9.0% just five months ago.
- Regionally, there are still many locations recording above-average increases though, with areas in the North East seeing 9.7% annual growth, Wales at 8.5% and the North West at 8.4%. The same is true in some of our Carter Jonas locations where both Bath and Oxford rental growth remains highly elevated at 12.2% and 10.4% respectively, with both markets currently experiencing extremely restricted available supply.

** The ONS stated that they made a recording error last month, and CPI inflation should have been 3.4%. They have a policy of not restating published figures, so inflation was effectively unchanged between last month and this month.*

HM Treasury Forecasts for the UK Economy, June 2025

Sources: HM Treasury Consensus Forecasts (June 2025)

	2025	2026	2027	2028	2029
Official Bank Rate (%)	3.86	3.53	3.47	3.26	3.24
House price inflation (annual, %)	2.3	3.2	2.3	3.1	3.8
CPI inflation rate (annual average, %)	3.1	2.3	2.2	2.2	2.1
Unemployment rate (%)	4.8	4.8	4.7	4.6	4.6
GDP (annual, %)	1.1	1.0	1.5	1.6	1.7
Average earnings growth (annual, %)	3.9	3.1	3.1	3.1	3.1

Select Market Indicators, latest versus previous data

Sources: ONS (unless otherwise indicated) (final six indicators retrieved 20 June)

	Current	Previous	Direction of change
GDP quarterly	-0.3%	0.2%	↓
Inflation rate (CPI)	3.4%	3.5%*	↔
Interest rate	4.2%	4.25%	↔
Employment rate	75.1%	75.0%	↑
Unemployment rate	4.6%	4.5%	↑
Weekly earnings growth, regular pay (excl bonuses)	5.2%	5.6%	↓
S&P Global UK Manufacturing PMI	46.4	45.4	↑
S&P Global UK Services PMI	50.9	48.9	↑
S&P Global UK Construction PMI	47.9	46.6	↑
Retail sales volumes (monthly)	-2.7%	1.3%	↓
GfK Consumer Confidence Index	-18	-20	↑
Bank of England mortgage approvals (monthly)	60,463	64,309	↓
Nationwide house price inflation (annual)	3.5%	3.4%	↑
Halifax house price inflation (annual)	2.5%	3.2%	↓
Official UK House Price inflation (annual)	3.5%	7.0%	↓
Rightmove House Price Index (UK, annual, asking)	0.8%	1.2%	↓
Price Index of Private Rents (UK, annual)	7.0%	7.4%	↓
£ Sterling: \$ USD	\$1.35	\$1.35	↔
£ Sterling: € Euro	€1.17	€1.19	↓
Brent Crude Oil (USD)	\$76.82	\$63.90	↑
Gold (USD per ounce)	\$3,363.20	\$3,330.44	↑
FTSE 100	8,831.92	8,772.21	↑
UK 5 Year Gilt Yield	4.0290	4.1900	↓

Official House Price data, HM Land Registry, April 2025

Sources: HM Land Registry

CJ Regional Location	Average Price	Monthly Change (%)	Annual Change (%)
Cambridge	£521,024	2.9%	9.8%
Leeds	£246,563	0.4%	9.5%
Vale of White Horse	£407,459	-0.9%	7.0%
Wiltshire	£334,340	0.1%	6.9%
West Berkshire	£398,047	-0.2%	6.2%
Somerset	£283,271	0.5%	6.0%
South Oxfordshire	£467,190	-0.5%	5.7%
Cambridgeshire	£341,611	-0.3%	5.6%
North Yorkshire	£273,352	0.3%	5.5%
Winchester	£502,728	3.7%	5.1%
West Oxfordshire	£415,484	-2.3%	4.4%
Dorset	£338,328	-0.5%	4.3%
Devon	£315,711	0.3%	3.6%
Suffolk	£288,564	-0.7%	3.2%
Cornwall	£284,355	-2.6%	0.7%
York	£308,327	1.2%	0.3%
South Cambridgeshire	£422,503	-3.4%	0.0%
Bath and North East Somerset	£403,570	1.1%	-0.9%
Oxford	£469,610	-2.6%	-2.6%

UK Region	Average Price	Monthly Change (%)	Annual Change (%)
North East	£156,010	-8.1%	6.4%
Scotland	£191,061	2.1%	5.8%
Northern Ireland	£185,037	0.0%	5.5%
Wales	£210,077	0.3%	5.3%
Yorkshire and The Humber	£199,642	-6.1%	4.0%
East Midlands	£236,710	-3.6%	3.8%
United Kingdom	£265,497	-2.7%	3.5%
London	£566,614	2.6%	3.3%
North West	£204,760	-6.4%	3.1%
South East	£380,428	-2.0%	3.0%
England	£286,327	-3.7%	3.0%
West Midlands region	£239,533	-4.6%	2.6%
East of England	£332,160	-3.8%	2.0%
South West	£300,633	-3.8%	0.9%

London	Average Price	Monthly Change (%)	Annual Change (%)
London	£566,614	2.6%	3.3%
Prime Central London	£1,146,368	6.5%	-8.2%
South West London	£746,626	0.5%	-3.8%

Official House Price data, HM Land Registry, April 2025

Sources: HM Land Registry

London Borough	Average Price	Monthly Change (%)	Annual Change (%)
Lewisham	£500,484	1.7%	10.3%
Bromley	£531,299	1.9%	9.8%
Barking and Dagenham	£374,552	0.6%	9.0%
Waltham Forest	£535,540	2.2%	8.6%
Redbridge	£488,865	-0.9%	7.9%
Hillingdon	£483,385	1.0%	7.8%
Haringey	£636,368	-0.7%	7.8%
Havering	£443,846	-0.8%	7.7%
Kingston upon Thames	£602,583	2.2%	6.9%
Harrow	£542,060	-0.1%	6.7%
Brent	£573,208	0.2%	6.3%
Enfield	£475,381	0.1%	5.9%
Southwark	£594,380	0.8%	5.6%
Merton	£622,273	1.2%	5.5%
Richmond upon Thames	£790,042	0.8%	3.5%
London	£566,614	2.6%	3.3%
Hounslow	£523,811	0.7%	3.2%
Sutton	£435,868	-0.6%	2.8%
Tower Hamlets	£495,733	-0.3%	2.6%
Lambeth	£568,114	0.5%	1.3%
Greenwich	£473,906	1.3%	1.0%
Bexley	£401,907	-1.6%	0.6%
Ealing	£562,721	-1.2%	0.4%
Croydon	£397,447	-1.8%	0.3%
Kensington And Chelsea	£1,345,813	9.2%	-1.0%
Barnet	£598,402	-1.2%	-1.7%
Hackney	£590,096	-3.2%	-2.4%
Camden	£781,376	-0.3%	-2.8%
Wandsworth	£697,731	0.2%	-4.0%
Newham	£415,409	-3.1%	-5.2%
Islington	£675,127	2.8%	-9.7%
Hammersmith and Fulham	£752,104	0.3%	-11.0%
City of Westminster	£946,923	3.0%	-15.3%
Outer London	£509,874	0.1%	4.6%
Inner London	£644,730	0.6%	-1.8%

Official Price Index of Private Rents, ONS, May 2025

Source: Office for National Statistics

CJ Regional Location	Average Rent (£ pcm)	Monthly Change	Annual Change
Bath and North East Somerset	£1,742	0.36%	12.2%
Oxford	£1,837	0.27%	10.4%
South Oxfordshire	£1,385	0.05%	9.5%
Winchester	£1,449	0.27%	8.3%
Vale of White Horse	£1,322	0.23%	7.9%
South Cambridgeshire	£1,354	0.45%	7.2%
Cambridge	£1,769	0.22%	7.1%
Wiltshire	£994	0.38%	6.7%
North Yorkshire	£821	0.41%	6.1%
West Berkshire	£1,255	0.77%	4.4%
West Oxfordshire	£1,289	0.02%	4.3%
York	£1,123	0.08%	1.8%

UK Country / Region	Average Rent (£ pcm)	Monthly Change (%)	Annual Change (%)
North East	£733	0.61%	9.7%
Wales	£799	0.49%	8.5%
North West	£905	0.69%	8.4%
East of England	£1,236	0.65%	8.2%
London	£2,249	0.13%	7.7%
East Midlands	£881	0.47%	7.7%
England	£1,394	0.34%	7.1%
West Midlands	£927	0.45%	6.9%
South East	£1,377	0.32%	6.6%
South West	£1,175	0.31%	4.9%
Scotland	£999	0.02%	4.5%
Yorkshire and The Humber	£819	0.41%	3.7%

London	Average Rent (£ pcm)	Monthly Change (%)	Annual Change (%)
London	£2,249	0.13%	7.7%
Prime Central London	£3,451	-0.4%	8.0%
South West London	£2,489	0.5%	10.0%

Official Price Index of Private Rents, ONS, May 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	£1,613	1.39%	13.2%
Richmond upon Thames	£2,202	0.81%	12.2%
Ealing	£2,037	0.10%	11.9%
Enfield	£1,715	0.54%	11.8%
Camden	£2,822	-0.51%	11.4%
Hounslow	£1,879	0.40%	11.2%
Redbridge	£1,677	0.46%	11.0%
Haringey	£2,172	0.39%	10.8%
Bexley	£1,457	2.03%	10.5%
Hammersmith and Fulham	£2,756	0.22%	10.2%
Lambeth	£2,387	0.56%	10.0%
Havering	£1,508	0.92%	9.7%
Waltham Forest	£1,743	0.59%	9.6%
Hackney	£2,550	0.43%	9.3%
Hillingdon	£1,531	0.36%	8.9%
Westminster	£3,258	-0.28%	8.9%
Kingston upon Thames	£1,780	1.73%	8.4%
Islington	£2,700	-0.15%	8.1%
Harrow	£1,710	0.25%	7.7%
Wandsworth	£2,508	0.43%	7.7%
London	£2,249	0.13%	7.7%
Barnet	£1,867	0.76%	7.5%
Newham	£1,827	1.99%	7.4%
Croydon	£1,516	0.53%	7.4%
Lewisham	£1,771	0.20%	7.3%
Kensington And Chelsea	£3,643	-0.54%	7.1%
Merton	£2,056	0.19%	7.0%
Sutton	£1,513	0.28%	7.0%
Bromley	£1,625	0.47%	6.4%
Southwark	£2,357	-0.33%	6.3%
Tower Hamlets	£2,362	0.13%	6.0%
Greenwich	£1,870	0.11%	4.1%
Brent	£2,031	-1.73%	-0.1%



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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Residential Research

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