

# Residential Update and Outlook

July 2025

## Market Overview

*The latest economic indicators show yet more disappointing figures, with GDP declining for the second consecutive month in May while June's inflation figure reached its highest level in over 18 months. On the other hand, retail sales rose by 0.9% in June as the dry summer weather helped boost sales in some sectors.*

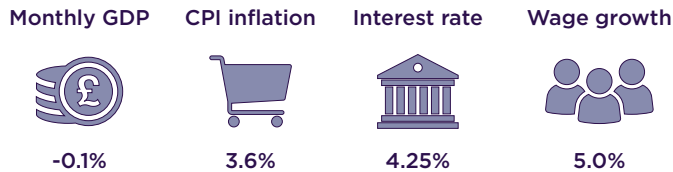
*The Deloitte Q2 2025 survey of CFOs shows a significant positive shift in perceptions of the UK as an investment destination. Over the past six months, the UK has moved from fifth to first place out of eight nations, indicating a strong increase in investor confidence. The survey also notes a modest uptick in overall business optimism, though it remains lower than the level recorded at the same time last year. Rising geopolitical risks continue to be the primary concern for businesses.*

*In the housing market there are again some mixed signals, with some indicators pointing to a slight improvement in sales activity, while house price growth remains subdued. The RICS survey suggests a modest uptick in buyer demand and agreed sales in June, marking the first positive movement since December 2024. Zoopla's June report corroborates increased supply and demand levels. However, despite these increases in activity house price growth is largely flat or slowing, with notable differences between the indices and also between regions. In the private rental market, tenant demand appears to be slowing according to both the RICS and Zoopla's recent reports, and with this, the pace of rental growth has also been easing.*

## Key Points

- Monthly GDP saw its second consecutive decline, falling by 0.1% in May after a 0.3% drop in April. This downward trend was primarily driven by a 0.9% fall in production output.
- Inflation rose to 3.6% in the 12 months to June, the highest rate since January 2024. Rising transport costs from motor fuel and airfares contributed to the largest increase in prices.
- The GfK Consumer Confidence Index fell back one point to -19 in July after rising to a six-month high in June as consumers appear worried about general economic conditions ahead.
- The sunny summer weather throughout June helped increase retail sales volumes, which increased by 0.9% on the month. This follows a decline of -2.8% in May.
- Labour market data still points to a slowdown – the unemployment figure of 4.7% is now at its highest rate since June 2021 and job vacancies have again fallen for the 36th consecutive period. The pace of growth in annual earnings has also slowed for the fourth month in a row to an average of 5.0%.
- All three Purchasing Managers' Indices (PMIs) showed improvement in June, though only the Services PMI is in expansion territory. Despite these gains, the overall picture suggests only modest growth, reflecting persistent uncertainty and low business confidence.
- Annual house price growth remained sluggish in June with Nationwide recording 2.1% and Halifax 2.5% over the 12 months. On a monthly basis no growth was recorded by Halifax while the Nationwide figure showed a fall of -0.8%.
- There was some positive movement in this month's RICS Residential Market Survey. Both the new buyer enquiries and the agreed sales metrics showed improvement over the previous month with the supply of new listings measure remaining stable.
- Total residential sales volumes bounced back slightly in May with figures rising 25% over April's 'artificially' depressed figure following the stamp duty tax reversions. Mortgage approvals also rose in May, up 4% over April.
- The pace of rental growth continued to slow with the ONS recording 6.7% annual growth on all rental properties, down from 7% in the previous month. Zoopla meanwhile recorded 2.8% growth on new lets.

## Economic indicators



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

## The macroeconomy

- GDP is estimated to have fallen by -0.1% in May (month on month), following a -0.3% fall in April. Production output contracted by -0.9%, led by a -1.0% fall in the manufacturing sector and off the heels of a -0.6% decline in April. Construction output also fell, by around -0.6% while Services expanded by an estimated 0.1%. The largest upward contribution in the services sector came from a 2% growth in the information and communication sub-sector.
- The rate of CPI inflation rose to 3.6% in June (annual), up from 3.4% in the 12 months to May and well above the Bank of England's target 2% rate. This also marks the highest rate since January 2024. The largest upward contributions to the rise came from transport prices including fuel costs and airfares. There was some partially offsetting downward pressure from housing and utilities costs which rose at a slower rate than in May.
- There is no meeting of the Bank of England's Monetary Policy Committee in July, so Bank Rate remains at 4.25%. There is still some anticipation of another interest rate cut at the next meeting in August, but the MPC will need to consider the current geopolitical climate, inflation remaining above target, and a cooling labour market.

## Labour and employment

- The Official Labour Force Survey estimates indicate that the employment rate has moved to 75.2% in the three months to May, up minimally from 75.1% in the previous three months. The unemployment rate meanwhile also increased marginally to 4.7%.
- Estimates for the number of payrolled employees in the UK show a fall of 178,000 over the year (to June) and a monthly decline of 41,000. This is now the fourth month in a row of falling payroll figures (annually). (These early figures should be treated with caution though and are likely to be slightly revised).
- Once again for the 36th consecutive period, the total number of job vacancies declined. In the three months to June vacancies fell by circa 56,000 to a total of 727,000. Vacancies decreased in 14 of the 18 industry sectors.

- Average annual earnings growth (excluding bonuses) moved to 5.0% in the three months to May, down from 5.2% in the previous quarter. Public sector wages grew by an average of 5.5% compared with 4.9% for the private sector.

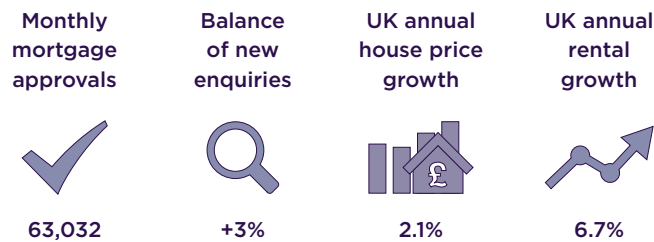
## Market indicators

- The UK Manufacturing PMI (S&P Global) rose again in June although only to 47.7 so still in contraction. Nevertheless, this marks the third straight month where the figure has increased. Having said that, new orders continued to fall with weak market conditions reported domestically and from foreign clients. Input cost prices rose for the 18th month in a row with higher logistics and labour costs cited.
- June's Services PMI rose to 51.3 from 50.9 the previous month indicating continued expansion in the sector. New business intakes rebounded albeit the increase was only small, and exports fell again. Inflation subsided with prices rising at their lowest pace in four years. There is continued uncertainty over global and domestic economic conditions though, and this is weighing on output expectations going forward.
- Although the construction sector PMI rose slightly in June to 48.8, it remains in contraction, where it has been since January. Sharp declines were especially acute in commercial (45.1) and civil engineering work (44.2), even though residential building moved into growth at 50.7. New orders overall fell for the sixth month in a row amid falling demand and client spending squeezes. Business confidence has also dropped to its lowest level since December 2022.

## Consumer demand and sentiment

- Retail sales volumes rose 0.9% in June, following a (revised) decline of -2.8% in May. A rise in supermarket sales volumes helped boost food store sales by 0.7%, after a sharp fall of -5.4% in May. The better weather during the month helped increase sales. Auto fuel sales also rose by 2.8%, the highest monthly rise in over a year as retailers here also noted this was likely due to the good weather.
- Consumers worried about the potential for rising taxes in the upcoming Autumn Budget and persistent inflation helped push the GfK Consumer Confidence figure down one point to -19 in July. Of the sub-measures expectations over the general economy over the next year fell to -29 from -28 in June while the measure of personal finances over the next 12 months held stead at +2. The GfK Savings Index meanwhile rose 7 points to +34, its highest level since November 2007.

## Residential market



Sources: Bank of England, RICS, Nationwide, ONS

## Residential sales

### Mortgages and transactions

- Mortgage approvals rose in May, up 4% over April, to 63,032 according to the Bank of England. We expect this number to keep climbing over the coming months as the recent stamp duty changes begin to filter out and an anticipated interest rate cut later this summer or early autumn materialises.
- Total transaction volumes also saw a sharp increase in May, jumping 25% from April's very low figure, according to the latest HMRC data. At 81,470 transactions, this is still 10% below last year's figures for the same period. However, similar to mortgage approvals, we anticipate transaction activity will rise in the coming months.
- Average mortgage rates continued their steady downward trend this month. The current average rate (85% LTV, 2 year) is around 4.43%, down from 4.58% from four weeks ago and well below 5.28% the same time last year (Rightmove / Podium).
- The Bank of England has relaxed mortgage rules recently, allowing banks and lenders to offer a greater number of high loan to income mortgages (4.5 times income or greater). Elevating this number could allow an estimated increase in mortgage approvals of over 36,000 each year, representing a 5% increase on the annual average of around 780,000 approvals per annum.

### Supply and Demand

- Responses within this month's RICS Residential Market Survey suggest a slightly improving housing sales market. Of buyer demand, the new enquiries measure moved into positive territory for the first time since December 2024, albeit only just at +3%, but still well above last month's -22%. Of supply, new instructions remained positive, also at +3% although this is down from last month's figure of +7%. Agreed sales also rose significantly, moving from -28% last month to -3% now.

- Rightmove reports in their latest index that both supply and demand continued to rise, compared with the same month last year. The number of potential buyers contacting estate agents is up 6% and there has been an overall increase in the number of agreed sales by 5%.
- These trends are reinforced in Zoopla's latest housing report where they also note that both supply and demand of homes for sale have increased this year over last. Buyer demand is estimated to be 7% higher while the stock of new homes for sale is 14% higher. In all, this has led to a 6% rise in the number of sales agreed. Interestingly, they go on to report that the highest increase in homes for sale (this year over last) has come from London, the South West and the South East, all up by 16-19%. However, house price growth in these areas has risen by less than 0.5%, the lowest of all the regions.

### UK prices and price growth

- Following weaker demand after the stamp duty price changes from April, house price growth slowed in June according to Nationwide, with annual growth of just 2.1%, from 3.5% in May. On a monthly basis prices were found to have fallen by -0.8%. The average UK house price is now £271,619.
- There was very little change in the pace of house price growth according to Halifax's latest index. With no monthly change in average prices this has led to annual growth of 2.5%, down from (a revised) 2.6% in May.
- Meanwhile, the average asking price of a new property to the market was reported to have risen by a minimal 0.1% over the last 12 months according to Rightmove. On a monthly basis prices fell by an average of -1.2%, the largest monthly decline for this time of year for at least the last 20 years.
- House prices were found to have increased by an average of 3.9% annually in May, according to the latest Official House Price Index from the ONS. This is up from 3.6% in May and reflects a monthly increase of 1.1%.
- The RICS market survey results also show very little in the way of changing house prices with a headline indicator of -7% on pricing, unchanged from May. Indicative of a relatively flat to slightly negative pricing, the report goes on to say that this hides some wide disparities across the regions. Respondents in London, the South East and East Anglia were reporting more noticeable price declines while house price growth was reported in areas such as Northern Ireland, the North West, Scotland and the East Midlands.



## Regional prices and price growth

- Looking at the regional house price growth across the UK and (as has been the trend over the last few months) the more affordable areas of the country have experienced the highest house price growth. Scotland tops the table at 6.4% growth followed by 6.3% in the North East and 5.5% in Northern Ireland. No areas or regions saw house price declines, with the South West seeing the slowest rate of growth at 1.9%, the South East at 2.1% and London at 2.2%.
- Of the 19 tracked Carter Jonas locations, West Oxfordshire and Leeds saw the highest rate of annual house price growth at 7.1% followed by Wiltshire (7%), Cambridge (6.9%) and Somerset (6.4%). Three locations witnessed price declines including Bath and North East Somerset which experienced an average fall of -5.9%, and Oxford and Cornwall which both saw declines of just under -1%.

## Residential lettings

### Supply and Demand

- Demand for rental properties is down 16% compared with the same time last year, according to Zoopla's latest Rental Market Report. However, they point out that it is still 60% above pre-COVID levels. Falling levels of migration and a slow decline in mortgage rates are probably behind this fall in demand over the last 12 months. They again note that although supply levels are now better than at this time last year (+17%), they are still 20% below where they were in 2019/2020.
- The RICS Residential Market Survey for June showed a fall in those reporting a rise in tenant demand. The net balance of -2% is well down on 22% seen in last month's report. However, the landlord instruction

measure remained firmly negative at -21%, within the same negative double-digit range it has been in for the last eleven months.

## Rents and rental growth

- The pace of private rental growth has slowed substantially according to Zoopla's latest rental market report. With annual growth of 2.8% (UK, to April), the property portal notes this is less than half the rate one year earlier (6.4%). On a regional basis they note growth ranges from 1.1% in Yorkshire and the Humber to 5.3% in the North East, with some locations even reporting rental growth declines.
- Rental growth has also slowed, to 6.7% annually according to the latest June data from the Price Index of Private Rents (PIPR) provided by the ONS. This is down from 7% in May and well below the average 8.6% growth in the same period one year ago.
- On a regional basis there is still a wide spread of rental price growth rates. At the top is the North East which is still seeing nearly double-digit growth (9.7%), while at the bottom is Yorkshire and The Humber which has recorded 3.5% over the last year. This spread is similarly seen across the Carter Jonas locations with Bath and North East Somerset experiencing an average 11.4% rise in rents followed by Oxford at 11.1%. On the other hand, York rents have grown by just 1.3% on average, while West Oxfordshire has seen a 3.8% rise.
- *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, June 2025

Sources: HM Treasury Consensus Forecasts (June 2025)

	2025	2026	2027	2028	2029
Official Bank Rate (%)	3.86	3.45	3.47	3.26	3.24
House price inflation (annual, %)	2.2	3.5	2.3	3.1	3.8
CPI inflation rate (annual average, %)	3.2	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, %)	3.8	3.0	3.1	3.1	3.1

## Select Market Indicators, latest versus previous data

Sources: ONS (unless otherwise indicated) (final six indicators retrieved 25 July)

	Current	Previous	Direction of change
GDP monthly	-0.1%	-0.3%	↑
Inflation rate (CPI)	3.6%	3.4%	↑
Interest rate	4.25%	4.25%	↔
Employment rate	75.2%	75.1%	↑
Unemployment rate	4.7%	4.6%	↑
Weekly earnings growth, regular pay (excl bonuses)	5.0%	5.2%	↓
S&P Global UK Manufacturing PMI	47.7	46.4	↑
S&P Global UK Services PMI	51.3	50.9	↑
S&P Global UK Construction PMI	48.8	47.9	↑
Retail sales volumes (monthly)	0.9%	-2.8%	↑
GfK Consumer Confidence Index	-19	-18	↓
Bank of England mortgage approvals (monthly)	63,032	60,656	↑
Nationwide house price inflation (annual)	2.1%	3.5%	↓
Halifax house price inflation (annual)	2.5%	2.6%	↓
Official UK House Price inflation (annual)	3.9%	3.6%	↑
Rightmove House Price Index (UK, annual, asking)	0.1%	0.8%	↓
Price Index of Private Rents (UK, annual)	6.7%	7.0%	↓
£ Sterling: \$ USD	\$1.35	\$1.35	↔
£ Sterling: € Euro	€1.15	€1.17	↓
Brent Crude Oil (USD)	\$69.80	\$76.82	↓
Gold (USD per ounce)	\$3,370.09	\$3,363.20	↑
FTSE 100	9,109.64	8,831.92	↑
UK 5 Year Gilt Yield	4.0610	4.0290	↑



## Official House Price data, HM Land Registry, May 2025

Sources: HM Land Registry

CJ Regional Location	Average Price	Monthly Change (%)	Annual Change (%)
West Oxfordshire	£429,186	2.1%	7.1%
Leeds	£241,163	-1.1%	7.1%
Wiltshire	£333,837	0.1%	7.0%
Cambridge	£508,195	-1.6%	6.9%
Somerset	£281,265	-0.4%	6.4%
Vale of White Horse	£403,510	-0.8%	6.3%
Cambridgeshire	£343,650	-0.1%	6.2%
North Yorkshire	£272,463	-0.3%	5.1%
Winchester	£499,517	-1.2%	4.3%
Suffolk	£289,394	0.0%	4.0%
West Berkshire	£396,108	-0.7%	3.7%
South Oxfordshire	£456,554	-2.3%	3.4%
South Cambridgeshire	£432,540	0.9%	2.0%
Devon	£311,945	-0.7%	2.0%
Dorset	£329,952	-1.6%	1.3%
York	£307,347	-0.1%	0.6%
Cornwall	£281,471	-0.1%	-0.6%
Oxford	£476,655	1.5%	-0.7%
Bath and North East Somerset	£394,487	-0.9%	-5.9%

UK Region	Average Price	Monthly Change (%)	Annual Change (%)
Scotland	£191,927	0.0%	6.4%
North East	£159,142	2.2%	6.3%
Northern Ireland	£185,037	0.0%	5.5%
Wales	£209,580	0.5%	5.1%
Yorkshire and The Humber	£203,836	2.4%	5.1%
East Midlands	£242,052	1.9%	5.0%
East of England	£339,747	2.0%	4.2%
<b>United Kingdom</b>	<b>£268,652</b>	<b>1.1%</b>	<b>3.9%</b>
West Midlands region	£244,262	2.2%	3.5%
England	£290,395	1.3%	3.4%
North West	£209,498	2.0%	3.3%
London	£565,637	-1.4%	2.2%
South East	£380,650	0.4%	2.1%
South West	£304,237	1.5%	1.9%

London	Average Price	Monthly Change (%)	Annual Change (%)
London	£565,637	-1.4%	2.2%
Prime Central London	£1,212,472	3.5%	-2.9%
South West London	£764,265	0.7%	-1.6%

## Official House Price data, HM Land Registry, May 2025

Sources: HM Land Registry

London Borough	Average Price	Monthly Change (%)	Annual Change (%)
Havering	£450,814	1.4%	9.7%
Bromley	£532,798	0.6%	9.0%
Waltham Forest	£536,043	0.3%	8.6%
Hounslow	£554,052	1.2%	8.5%
Hillingdon	£483,145	0.3%	8.4%
Barking and Dagenham	£370,694	-1.0%	8.3%
Kingston upon Thames	£612,192	0.8%	7.9%
Southwark	£606,542	1.0%	7.5%
Haringey	£635,841	-1.2%	7.3%
Lewisham	£499,788	-0.8%	6.4%
Sutton	£442,921	1.2%	4.4%
Camden	£872,246	9.0%	4.1%
Merton	£625,317	0.0%	4.0%
Croydon	£407,460	1.3%	4.0%
Brent	£562,397	-0.7%	3.9%
Enfield	£470,478	-0.6%	3.6%
Harrow	£530,603	-2.8%	3.3%
Greenwich	£477,417	-0.5%	2.7%
Richmond upon Thames	£789,925	-1.1%	2.3%
<b>London</b>	<b>£565,637</b>	<b>-1.4%</b>	<b>2.2%</b>
Redbridge	£467,212	-3.4%	1.8%
Ealing	£576,197	1.8%	1.8%
Lambeth	£565,506	-1.1%	-0.1%
Kensington And Chelsea	£1,415,478	3.1%	-0.1%
Newham	£419,824	-0.8%	-0.5%
Bexley	£394,537	-0.4%	-0.8%
Wandsworth	£717,993	0.1%	-1.4%
Tower Hamlets	£479,284	-1.5%	-1.5%
Hackney	£604,861	0.3%	-2.3%
Barnet	£590,194	-1.5%	-4.1%
City of Westminster	£1,009,465	4.1%	-5.6%
Hammersmith and Fulham	£784,876	3.1%	-5.8%
Islington	£693,269	0.6%	-7.7%
Outer London	£511,258	0.0%	4.5%
Inner London	£659,263	0.9%	-0.1%

## Official Price Index of Private Rents, ONS, June 2025

Source: Office for National Statistics

CJ Regional Location	Average Rent (£ pcm)	Monthly Change	Annual Change
Bath and North East Somerset	£1,747	0.27%	11.4%
Oxford	£1,853	0.86%	11.1%
South Oxfordshire	£1,382	-0.21%	8.3%
Vale of White Horse	£1,329	0.49%	8.2%
Cambridge	£1,773	0.19%	7.1%
Winchester	£1,451	0.15%	7.0%
South Cambridgeshire	£1,357	0.26%	6.8%
Wiltshire	£1,003	0.91%	6.6%
North Yorkshire	£823	0.27%	5.6%
West Berkshire	£1,266	0.87%	4.9%
West Oxfordshire	£1,291	0.16%	3.8%
York	£1,122	-0.09%	1.3%

UK Country / Region	Average Rent (£ pcm)	Monthly Change (%)	Annual Change (%)
North East	£734	0.19%	9.7%
Wales	£804	0.62%	8.2%
North West	£911	0.68%	7.9%
East of England	£1,240	0.29%	7.9%
London	£2,252	0.16%	7.3%
East Midlands	£885	0.45%	7.0%
England	£1,399	0.34%	6.7%
South East	£1,384	0.47%	6.4%
West Midlands	£931	0.34%	6.3%
South West	£1,181	0.51%	4.8%
Scotland	£999	0.01%	4.4%
Yorkshire and The Humber	£822	0.32%	3.5%

London	Average Rent (£ pcm)	Monthly Change (%)	Annual Change (%)
London	£2,252	0.16%	7.3%
Prime Central London	£3,434	-0.5%	6.5%
South West London	£2,500	0.5%	9.9%



## Official Price Index of Private Rents, ONS, June 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	£1,633	1.25%	13.9%
Richmond upon Thames	£2,222	0.88%	12.8%
Bexley	£1,485	1.88%	11.7%
Ealing	£2,041	0.19%	11.5%
Hounslow	£1,886	0.34%	11.1%
Enfield	£1,724	0.49%	11.0%
Camden	£2,804	-0.64%	10.6%
Redbridge	£1,682	0.34%	10.3%
Lambeth	£2,401	0.59%	10.3%
Kingston upon Thames	£1,813	1.86%	10.1%
Haringey	£2,175	0.14%	9.9%
Havering	£1,522	0.93%	9.4%
Waltham Forest	£1,751	0.49%	9.1%
Hackney	£2,557	0.27%	9.0%
Hammersmith and Fulham	£2,759	0.11%	8.8%
Newham	£1,851	1.32%	8.3%
Hillingdon	£1,536	0.32%	8.2%
Wandsworth	£2,519	0.41%	7.9%
Harrow	£1,717	0.43%	7.5%
Croydon	£1,525	0.56%	7.4%
Barnet	£1,872	0.32%	7.3%
<b>London</b>	<b>£2,252</b>	<b>0.16%</b>	<b>7.3%</b>
Merton	£2,058	0.08%	7.2%
Islington	£2,697	-0.12%	7.1%
Westminster	£3,251	-0.23%	7.1%
Lewisham	£1,778	0.43%	6.8%
Bromley	£1,634	0.56%	6.3%
Sutton	£1,521	0.48%	5.9%
Kensington And Chelsea	£3,616	-0.74%	5.9%
Southwark	£2,353	-0.19%	5.8%
Tower Hamlets	£2,364	0.09%	5.4%
Greenwich	£1,873	0.13%	3.9%
Brent	£1,999	-1.60%	-3.1%



## About Carter Jonas

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