Quilter Property review

June 2025

8 minute read

Our monthly property market review is intended to provide background to recent developments in property markets as well as to give an indication of how some key issues could impact in the future.

We are not responsible or authorised to provide advice on investment decisions concerning property, only for the provision of mortgage advice.

May sales hit post-2022 high as housing market regains momentum

Rightmove says May 2025 was the busiest month for agreed sales since March 2022.

The rush to complete before April's Stamp Duty changes caused a spike in March, followed by a 4% dip in buyer demand and the slowest annual May price growth since 2016. Despite this pause, home-movers have quickly returned. Sales agreed were up 6% year-on-year across Great Britain, with Wales leading at +15% and London showing more modest growth at +1%. May's figures also mark the most active May since 2021, suggesting growing confidence among buyers and sellers adjusting to the new tax and borrowing landscape.

Rightmove's earlier data pointed to a more stable market with the post-deadline adjustment period giving way to renewed momentum. Buyers appear more willing to press ahead, even with higher costs, suggesting resilient housing demand across much of the country.

Price cuts return in Prime Central London as demand softens

Sellers in Prime Central London are reducing prices to tempt buyers, following tax changes.

Knight Frank reports average prices in Prime Central London fell 2.2% in the year to May, the sharpest annual decline since August 2024. Sales activity has also dipped, with transactions in London's prime markets down 7% over the past six months compared with the previous year. Lack of demand is being blamed on recent changes to the UK's non-dom tax regime and the introduction of a higher Stamp Duty on additional properties.

However, the picture is more stable in Prime Outer London, where buyers are more likely to be domestic and driven by need rather than investment. Prices there rose 1.1% over the same 12-month period. The growing divergence between central and outer prime markets suggests changes to tax policy are having a more pronounced impact on discretionary, internationally focused buying behaviour.

Spending review – the impact on housing

Chancellor Rachel Reeves has announced a ten year, £39bn investment in affordable and social housing across England as part of the 2025 Spending Review. The Chancellor called the investment "the biggest cash injection into social and affordable housing in 50 years."

With plenty of scepticism about Labour's ability to deliver on a manifesto promise to build 1.5 million homes in five years, new analysis from JLL suggests they could get closer than originally thought if they can squeeze 500,000 homes out of the cash injection.

Nick Whitten, EMEA Head of Living Research at JLL, said, *"A £39bn pledge for new affordable housing over the next decade is the largest government commitment we've seen in half a century – and one that has to be commended at a time when the public purse is more than a little stretched. But while the ambition is clear, the reality is complex."*

City investment rebounds with biggest deal in over a year as recovery continues

London City's investment market continued its recovery in April according to Savills.

Its City Investment Watch reported £485.9m transacted across four deals, bringing total year-to-date volume to £1.35bn across 20 transactions. This was triple the total in April 2024, although still 28% below the five-year average. These bigger deals are crucial, typically accounting for around 70% of the City's annual turnover and the return of larger deals is helping to lift volumes.

The standout was State Street's £382m purchase of 100 New Bridge Street, the City's largest deal since March 2023. The 194,000 sq. ft development is due to complete in early 2026 and will become State Street's new London headquarters. Savills is currently tracking over £1bn under offer, suggesting further signs of confidence in the market ahead.

Retail investment bounces back in April but confidence remains fragile

The retail sector rebounded sharply in April according to Colliers.

Retail investment volumes rose from a revised £380m in March to £1.1bn in April, well above the five-year monthly average of £680m, according to Colliers' May Property Snapshot. The strong month lifted the year-to-date total to £2.4bn, broadly in line with 2024. One of the biggest transactions was Farren Investments' £114m purchase of Lakeside Retail Park in Grays at a 6% yield.

On the occupier side, April brought a modest recovery in sales volumes, up 1.2% on the month and 5% year-on-year. Volumes are now slightly above pre-pandemic levels. However, higher retail price inflation and a fall in consumer confidence to a 17-month low, highlight the fragile backdrop. Retail rents rose 2% year-on-year, while nine retailers have entered administration in 2025, impacting 283 stores across the country.

Scottish property investment steadies as average deal size hits three-year high

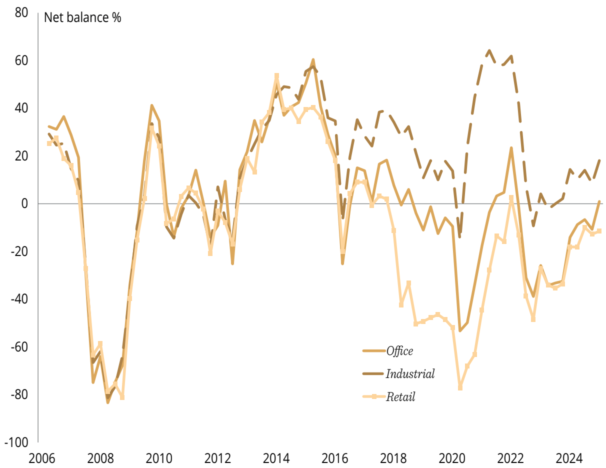
Scotland's commercial property market saw a steady first quarter, with investment volumes totalling £430m, according to Colliers.

While down from £520m in Q4 2024 and 7% below the five-year average, Q1 2025 volumes were ahead of the same period last year. A total of 27 deals were completed and the average lot size reached £16m, the highest in nearly three years. Offices and apartments, including purpose-built student accommodation, accounted for 70% of activity.

The largest transaction was Pontegadea's £75m acquisition of a core office at Capital Square in Edinburgh, reflecting a net initial yield of 5.75%. Glasgow led the quarter with nearly £220m in deals, followed by Edinburgh at £170m and Aberdeen at £120m. While short-term risks persist due to global uncertainty, Colliers expects that falling debt costs and likely interest rate cuts will support a market recovery later in the year.

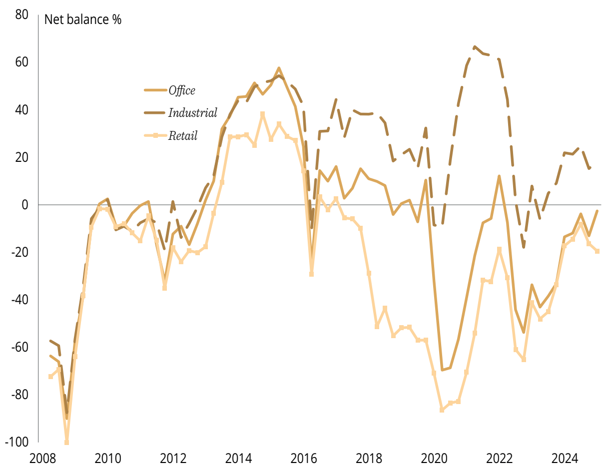
Commercial property outlook

Investment enquiries – broken down by sector



- The headline net balance for investment enquiries in Q1 2025 was +4%, up from -4% in Q4 2024
- The net balance reading for office investment enquiries recovered to +1% following a negative figure of -11% in the previous quarter
- A Q1 reading of -11% for retail signals continued weakness in investor demand across the sector.

Capital value expectations – broken down by sector



- Capital value growth prospects over the next twelve months for prime industrial and prime office assets are envisaged to be around +2%
- Data centre valuations are projected to rise by around +4%
- Leisure values are expected to come under slight downward pressure in the year ahead.

All details are correct at the time of writing (18 June 2025)

Source: RICS, UK Commercial Property Monitor, Q1 2025