Residential Research Update

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SEARCH PROPERTIES | BOOK A VALUATION | INSIGHT & OPINION

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With the New Year celebrations behind us, it's very much back to business for the Savills research team. It's a time when we reflect on what we got right - and wrong - in 2025, and what that might mean for the year ahead.

Great expectations

We started last year forecasting that mainstream UK house prices would rise by 4.0% in 2025 on the back of four prospective interest rate cuts. However, by the mid-year point it became clear that improving affordability was not feeding through into buyer sentiment - not least given the potential for a painful Autumn Budget. And so we revised this down to just +1.0% over the summer.

Meanwhile, even in the face of reforms of the private rented sector, set to put pressure on rental supply, we expected rental growth to moderate to just +2.5% - a figure much less in need of revision.

Market realities

Just last week, the Nationwide confirmed that UK house price growth **ended the year at just +0.6%**, - reflecting a weak December that was kind to our soothsaying credentials.

We also saw the continuation of a north-south divide in the strength of the market. However, with the Regulated Mortgage Survey telling us that the average first time buyer in London is now forking out a cool half a million to get on the ladder, this wasn't the most difficult call to make.

More than that, we expected prime markets to underperform the mainstream, based on our assumption that buyer confidence at the top end of the market would be more adversely affected by the tax environment.

Budget brouhaha

While our crystal ball could not have predicted the extent of the brouhaha surrounding the Autumn Budget, our forecasts of -4.0% price falls in the prime central London market stood up well to the -4.8% that prevailed. And, to prove that we didn't just strike it lucky here, our forecasts for the remainder of the prime London market (where prices fell by -1.3%) also look reasonably close to the mark.

But unfortunately, the market has an uncanny knack of making even the most seasoned analyst look like a right chump. And so, our expectations for prime property prices beyond the capital make less pleasant reading. They fell by -3.9% over the course of 2025, some way off the +2.0% growth we predicted this time last year. Only in Scotland, where a January Budget looms, did prices hold their own.

Pain thresholds

In the end, **the Budget was less painful for owners of prime property** south of the border than we feared. This meant price falls at the top end of the market moderated in the last three months of the year, as **discussed in more detail by Frances McDonald**.

Meanwhile, as private Landlords brace themselves for the imposition of the Renters' Rights Act from May 2026 and higher personal income tax rates from April 2027, prime residential rents rose by +2.1% in the capital and +0.8% elsewhere over the course of the year.

Lessons for 2026

We will be publishing our 2026 prime market forecasts in the coming weeks, doing so in the knowledge that while the **headline rate of inflation has eased back to 3.2%**, **economic growth remains insipid**.

While we are hopeful that we will see more price stability in 2026 than in 2025, our recent client survey still tells us that buyers remain price conscious, even if we see a bounce in activity in coming months.

If, in the meantime, you would like to learn more about other parts of the residential market, you might like to **read the residential section of our Cross Sector report**, which we launched earlier this week.

MY TOP PICK

UK Cross Sector Outlook 2026

What will shape UK residential returns over the next five years? From inflation and interest rates to planning reforms, mortgage flexibility, and rental legislation, I explain the forces redefining housing markets and investor strategies.

Read more