

# Residential Research Update

October

The Savills logo consists of the word "savills" in a lowercase, sans-serif font, colored in a dark red or maroon hue. It is positioned on a bright yellow rectangular background.

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Though the Budget is still over seven weeks away, the anticipation of what it may or may not include is weighing on sentiment in the housing market, particularly at the top end.

## Pragmatism

In that context, the resilience of agreed sales in the market over £1 million has been testament to the pragmatism of buyers and sellers. Data from TwentyCi indicates that during September the number of agreed sales in this part of the market were just 2% below this time last year. Earlier in the month this looked unlikely.

37% of respondents to our recent buyer and seller survey said they had become less committed to buying in the next six months, directly as a result of tax speculation. In contrast, only 10% had become more committed to moving in that period.

No wonder that the top end of the market was price sensitive in the third quarter of the year, with values down by 1.8% in central London, -0.7% elsewhere in the capital and -1.3% in the regions. As ever, those averages hide some local variation, which **we have explored in more detail here**.

## Progression

Those looking to progress from deal agreed to exchange will still have an eagle eye on what comes out of Number 11 between now and 26 November. While we had hoped the Labour Party conference might provide a little more clarity on what might be in the offing, none was provided.



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And although fewer flies have been cast into the stream of fiscal speculation since the late summer, the lobbyists and think tanks have continued to make the case for property tax reform. Often that is on the basis of the perceived inequities of council tax or the frictional nature of stamp duty.

Rarely, however, are the two looked at in unison. That is a wrong I have tried to right [\*\*in my most recent blog\*\*](#) which shows that, whatever their flaws, the regressive nature of one is largely offset by the progressive nature of the other.

## Practicality

With tax uncertainties causing some occupational demand shifting from the sales to the rental market, prime rental values rose by 0.6% in the capital in the three months to the end of September. That was primarily driven by demand in flats, with less upward pressure on rents for the most expensive homes. Similarly, things were more finely balanced beyond London with quarterly rental growth of just 0.2%, meaning that rents of these prime properties are still just 1.1% above the same point last year.

We'll be taking a more detailed look at the top end of the rental market later in the month, when we release our prime market overview. In the meantime, the mainstream market continues to provide us with plenty of data to interrogate.

## Prudence and planning

Last week the Bank of England told us that [\*\*mortgage approvals fell back marginally in August\*\*](#) and Nationwide put [\*\*annual house price growth at 2.2% in September\*\*](#). As such, it continues to be outpaced by both wage growth and the underlying rate of inflation.

That reduces the prospect of a further rate cut this year, with members of the Monetary Policy Committee (MPC) prudently voting 7:2 in favour of keeping bank base rate at 4.0% when they met on 18 September.

This suggests pragmatism, prudence and practicality are likely to be the watch words among buyers and sellers in all parts of the UK housing market over the remainder of the

year. Meanwhile, landlords will be planning for imminent regulatory reform in the private rental sector, which has been a long time coming.



## MY TOP PICKS



### In focus: Prime central London

We combine in-depth market analysis from our dedicated research team with local insights from our agents.

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### Unpicking rumoured property tax proposals

We have seen a series of potential tax changes floated in the press in advance of this year's Autumn Budget and have sought to unpick what these could mean.

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