

UK **PROPERTY** MARKET UPDATE

MAY/JUNE 2025



BROUGHT TO YOU BY



Rental Demand in the UK Hits Record Highs

The UK's rental market continues to experience exceptional demand, driven by a combination of constrained housing supply, changing demographic trends, and shifting economic pressures. As of June 2025, average rental prices across the UK are up 7.8% year-on-year, with some urban hotspots seeing double-digit increases.

Major cities such as Manchester, Birmingham, Bristol, and Leeds are at the forefront of this surge, with many postcodes seeing competitive bidding for rental properties. London remains a high-demand market, but regional cities are catching up fast as affordability and lifestyle changes encourage tenants to look beyond the capital.



Several contributing **factors** underpin this rental demand

- The number of mortgage approvals has dropped due to higher interest rates, keeping more potential buyers in the rental market.
- A growing proportion of the UK workforce is mobile or working remotely, giving rise to more flexible living arrangements.
- The student population, international professionals, and newly formed households all require immediate rental accommodation.

For landlords and property investors, this means higher yields, faster let times, and reduced void periods—conditions that make 2025 an opportune time to expand portfolios or enter the market.

Investor Sentiment

Confidence Returns to UK Buy-to-Let

After a cautious period marked by tax changes and regulatory adjustments in previous years, confidence in buy-to-let (BTL) investing is regaining momentum. Many landlords are now seeing their investments outperform expectations thanks to rising rents and stabilising property values.

A growing number of investors are also turning to corporate structures such as limited companies to manage their portfolios more efficiently. According to HMRC data, limited company BTL ownership has increased by 18% over the past 12 months.



This trend is particularly evident among

- Higher-rate taxpayers seeking to mitigate personal income tax exposure.
- Portfolio landlords aiming to streamline ownership and succession planning.
- Investors exploring high-yield areas in the Midlands and the North.

The regulatory environment has become clearer and more predictable in 2025, and savvy investors are now leveraging this to their advantage with informed, tax-efficient strategies.

Regional Growth

Where Demand Meets Opportunity

While London remains a vital hub for capital growth, the real momentum lies in the regions. Manchester, for instance, has consistently ranked as one of the strongest performing UK cities for rental yields, averaging 6–8% in many postcodes. Similarly, areas such as Nottingham, Sheffield, Liverpool, and Hull offer impressive returns and are attracting increasing levels of investor attention.



Several key drivers are fuelling regional growth

- Major infrastructure projects like HS2,
- Northern Powerhouse Rail, and city centre regeneration initiatives.
- University expansion and local job creation.
- Increased demand for quality housing in areas with affordability gaps compared to the South East.

The long-term prospects for these regions are robust, offering a blend of strong rental returns and potential for capital appreciation—ideal for both income-focused and growth-oriented investors.

Build-to-Rent Sector Booms



One of the most significant shifts in UK property investment has been the rise of the Build-to-Rent (BTR) sector. With institutional-grade developments providing premium rental accommodation, BTR is fast becoming the preferred choice for urban renters seeking quality, amenities, and location.

In 2025, BTR investments are delivering reliable, inflation-protected income for investors while catering to a growing tenant base that values lifestyle, convenience, and flexibility. According to Savills, the BTR pipeline now exceeds 250,000 units nationwide, with a growing presence in secondary cities and commuter towns.



Key advantages of BTR include

- Professionally managed assets with economies of scale.
- Consistent occupancy due to brand trust and marketing reach.
- Higher tenant retention and satisfaction levels.

UK Income and Growth continues to monitor emerging BTR opportunities that combine long-term income stability with asset-backed security—ideal for income-seeking investors.

Affordability Challenges Are Fueling Long-Term Rentals

First-time buyers continue to face affordability hurdles despite modest corrections in some property prices. Deposit requirements, interest rates, and tighter lending criteria have kept many aspiring homeowners in rental accommodation longer than expected.

This has extended the average rental period to over four years, a trend that benefits landlords with quality, well-maintained properties in desirable areas.



Recent research also shows that over **40% of renters** expect to continue renting for the foreseeable future, either by choice or necessity. **This demographic** includes

- Professionals prioritising mobility and urban lifestyle.
- Younger households burdened by student debt.
- Individuals who prefer flexibility over homeownership commitments.

This structural change reinforces the case for long-term residential property investment, particularly in areas with persistent demand and a shortage of supply.



UK Property vs. Traditional Asset Classes

In a volatile global economic climate, UK property remains a dependable, tangible asset with strong defensive qualities. Compared to traditional asset classes such as equities, bonds, and even commodities, property offers a stable income stream and inflation-resilient returns.



As of Q2 2025

Average gross rental yields in the UK are above **5.4%**, significantly outperforming most savings and fixed-income products.

Inflation-linked rent reviews and **capital growth potential** add further upside.

Residential property also remains one of the **most tax-advantaged** asset classes when structured correctly.

For investors seeking alternatives to underperforming pensions or low-interest savings accounts, property offers a clear path to both income and long-term wealth creation.

Sustainability and Energy Efficiency

Investment Priorities Evolve



Environmental concerns are increasingly influencing tenant preferences and investor decisions. Energy-efficient properties not only attract higher-quality tenants but also future-proof against upcoming legislation.

Key considerations in 2025 include

- Compliance with EPC regulations (minimum C rating for rentals from 2028).
- Installation of heat pumps, solar panels, and insulation upgrades.
- Demand for modern, eco-conscious developments—especially in urban areas.

UK Income and Growth recommends prioritising properties that meet (or can be upgraded to meet) these standards. Green buildings are not only more marketable but also benefit from longer tenancy durations and potential premium rental rates.

What This Means for Investors

The UK rental market is in a phase of structural strength, with demand consistently outpacing supply. For both new and experienced investors, this presents a compelling opportunity to build or expand property portfolios with confidence.



Key takeaways for investors in June 2025

- Focus on areas with consistent rental demand and strong employment bases.
- Consider limited company structures for tax efficiency.
- Explore emerging markets beyond London, especially regional cities.
- Align investments with sustainability trends and future regulation.
- Seek professional support for deal sourcing, due diligence, and management.

At UK Income and Growth, we specialise in connecting investors with high-potential property opportunities that deliver strong income, growth, and long-term stability.

Spotlight

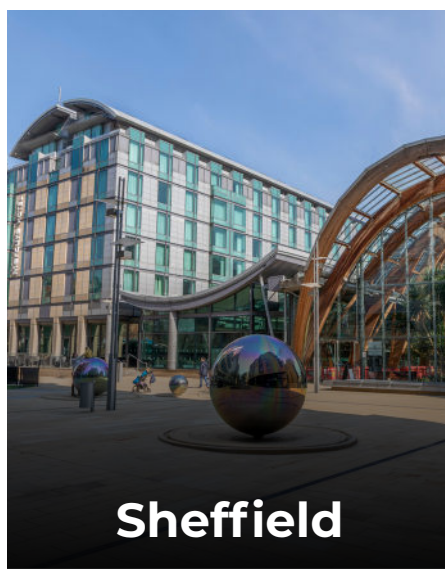
Our Latest Investment Opportunities

We are currently sourcing select property investments in



Manchester

2-bedroom apartments with projected net yields of 6.5%.



Sheffield

Student-focused housing with guaranteed income for 3 years.



Peterborough

New build houses with long-term tenancies in place and strong rental performance.

Each opportunity is fully vetted, tenanted or with high occupancy potential, and managed by experienced letting partners. Speak to our team to receive detailed brochures, cash flow breakdowns, and arrange viewings or calls.



Final Word from the UK Income and Growth Team

As we reach the midpoint of 2025, the UK property market stands out as a reliable source of income and long-term capital preservation. With the rental sector booming, interest rates stabilising, and strong regional growth, now is an ideal time to consider your next property investment move.

Whether you're seeking passive income, portfolio diversification, or inflation protection, the UK residential property market continues to offer compelling benefits.



Our team at UK Income and Growth is here to help you identify the right opportunities, structure your investments effectively, and manage them with confidence. Get in touch today for a no-obligation consultation with one of our property experts.



0203 318 5757 | info@ukincomeandgrowth.co.uk
www.ukincomeandgrowth.co.uk

This guide is provided for informational purposes only and does not constitute an offer, solicitation, or recommendation to invest. The information contained herein is based on sources believed to be reliable but is not guaranteed as to accuracy or completeness.