UKIG
UK INCOME AND GROWTH

UK PROPERTY MARKET OUTLOOK

November - December

2025

0203 318 5757

www.ukincomeandgrowth.co.uk

By UK Income and Growth

As we approach the final two months of 2025, the UK residential property market finds itself at a pivotal juncture. With macroeconomic headwinds moderating, policy signals entering a more stable phase, and structural housing-supply pressures remaining acute, the market's direction for November and December offers both opportunity and caution for investors.

Macroeconomic Background

A stable economy underpins the housing market. Inflation in the UK has fallen towards the Bank of England's target, and even if growth remains subdued, employment remains resilient. According to recent commentary, mortgage rates are likely to settle around **4 % to 5 %** during 2025 as the BoE continues to normalise policy.

The lending backdrop remains a key driver for the property market. Although purchasing volumes have been affected by higher borrowing costs, modest but meaningful rate relief combined with strong labour market fundamentals is giving the market a more stable footing as we enter the last quarter.

UKiG
UK INCOME AND GROWTH

Current Market **Performance**

Looking at the most recent data, house-prices continue to grow, albeit at a modest pace. For example, the nationwide index showed annual growth of **2.2 %** in September 2025, with average UK values reaching around **£271,995**.

Mortgage approvals remain muted, reflecting caution among both buyers and lenders. Moreover, the geographic divergence in performance is pronounced: Northern England and Scotland are showing stronger growth trajectories compared to London and the South East, where growth has stalled or near flat.

In the rental market, pressure remains strong. Owing to limited supply, rental growth continues to outpace wage growth in many regions — an important signal for buy-to-let investors.

What to Expect in November & December

Sales Market

Entering November and December, we anticipate a mild uptick in transactional activity as seasonal factors combine with pent-up demand. Many buyers — particularly first-time buyers — will seek to complete by year-end ahead of any further tax or regulatory changes. That said, given the modest growth environment, the focus will be on deals, not dramatic price surges.

Price growth is unlikely to accelerate strongly in the next two months. With affordability still stretched (even with lower rates) and economic uncertainty still present, we expect growth of between **1 % and 2 %** on a national basis for the two-month window. Regional variation, however, will remain key — stronger performance in the North, modest at best in London and the South East.

Rental Market

In contrast, the rental sphere is likely to remain robust through the late-autumn period. With housing supply constrained and fewer options for first-time buyers to purchase in 2025, demand for rental property will remain elevated. A likely outcome is continued rental growth of **3 %-5 %** in many regional cities during November/December, and a year-end headline increase of c. **4 %** nationally. Buy-to-let investors should view the late-2025 period as one of stable income visibility rather than speculative capital gains.

Regional **Themes**

North & Midlands

These regions continue to offer relative value and stronger growth momentum. Annual house-price growth in the North East in mid-2025 exceeded **7 %** in some reports. Entry-level price points are lower, rental yields comparatively higher, and supply constraints remain meaningful.

London & South East

Growth has decelerated sharply. Average price growth in London in July 2025 was less than **1 %** on a year-on-year basis. Institutional demand and overseas capital still interest these markets, but domestic affordability constraints remain a barrier.

Scotland/Wales

These markets benefit from a somewhat lower base and tighter supply, enabling above-average returns. Investors should watch for local regulation, however, as devolved governments may introduce more rental-market measures in coming years.

UKiG
UK INCOME AND GROWTH

Demand Drivers & Supply Constraints

Demand Remains Underpinned by Several Structural Factors

- A persistently undersupplied housing stock. The Office for Budget Responsibility (OBR) estimates housing-stock growth will remain muted unless policy and planning reform accelerate.
- High home-ownership aspirations among younger households, many supported by the "Bank of Mum & Dad".
- Shifting preferences: post-pandemic lifestyle changes continue to encourage relocation to regional centres, commuter hubs, and areas offering better value.

On the Supply Side

- Planning delays, labour shortages and elevated build-costs remain structural headwinds for new-home delivery. The result: supply growth remains slow and the backlog persists.
- With mortgage affording still tighter than pre-pandemic, some potential sellers have held back from putting their homes on the market — further restricting available inventory.

Financing and Cost of Borrowing

The cost of financing remains a key constraint for many buyers. With long-term gilt yields recently hitting highs not seen since the late 1990s, borrowing costs for both homeowner and investor borrowers carry an added premium.

However, declining inflation and a somewhat benign labour-market backdrop are enabling marginal mortgage-rate reductions, improving affordability slightly. Buyers who locked into recent fixed deals may find replacing them in a slightly lower rate environment, further supporting purchase decisions.

In November and December, lenders are likely to be slightly more competitive ahead of year-end targets — a small tailwind for buyers.

For investors, particularly in the buy-to-let sector, improved rental-yield spread (rent versus cost of finance) is increasingly important. With rental growth outpacing borrowing-cost increases in many regions, yield-based investment logic continues to hold.

Tax, Regulation and Policy Watch

Late-2025 will see heightened attention on taxation and regulation. Market participants are watching the upcoming Autumn Budget for potential changes to property taxes, capital-gains rules, and the long-awaited reform of stamp duty. Any material change could prompt a pre-emptive wave of deals before New Year.

The government's continuing focus on sustainable construction, energy-efficiency standards and rental-market regulation adds further complexity. For example, proposed enhancements to minimum energy-performance standards (MEES) may accelerate the cost for buy-to-let owners with older stock.

For investors, staying ahead of policy change remains critical. Year-end activity may be amplified by buyers seeking to beat regulatory deadlines, but this often results in faster than usual decision-times and more use of bridging/short-term finance.

Investment Strategy Considerations

For investors looking at the next six to twelve months, here are some key strategic pointers

Focus on Value Entries

Regions such as Northern England, the Midlands and secondary cities continue to offer stronger yield potential and growth upside compared to the overheated South.

Seek Income-Led Opportunities

Given modest capital-growth expectations, buy-to-let assets with stable rental yield should carry greater weight in portfolio construction.

Lock in Financing Terms Early

With interest-rates still elevated relative to historic lows, ensuring a favourable mortgage or refinance becomes more critical than ever.

Target Property Type Wisely

Family homes in commuter belts, multi-let units in regional growth cities, and energy-efficient rental stock should remain priority areas.

Prepare for regulation

Capital-expenditure risk from MEES upgrades, EPC-compliance, and future tax changes means due diligence should include regulatory cost factoring and exit-planning.

UKiG
UK INCOME AND GROWTH

Risks & Watch-Points

The main risks to the properties market in November/December 2025 include

Economic Shock

Should inflation re-accelerate or the labour market deteriorate, affordability could worsen and dampen buying sentiment.

Liquidity Bottlenecks

For sellers, the relative lack of willing buyers at current price levels may extend sale-times, pushing downward pressure on asking prices.

Policy Surprise

A sudden change in property taxation or landlord regulation could distort markets — either accelerating deals or stalling activity.

Over-Supply in Certain Sectors

While residential supply remains constrained broadly, specific locations with high apartment-delivery pipelines may face localized oversupply and softer pricing.

Outlook Summary for Nov–Dec 2025

As we close 2025, the UK residential property market is expected to deliver modest but positive returns. National house-price growth of around **1 %-2 %** over the two-month period is likely, with regional outperformance in value-led markets. The rental market remains the stronger short-term story, with **3 %-5 %** growth likely across many regional towns and cities.

From an investor-perspective, late-2025 is less about speculative capital gains and more about disciplined value entry, income stability and tactical positioning ahead of policy shifts. With financing conditions stabilising, and supply constraints continuing, well-positioned investors should view this period as one of opportunity — albeit one requiring careful strategy and selective execution.

With the turn of the calendar approaching, the emphasis shifts toward building positions, securing financing, and capitalising on regional value — rather than chasing headline growth.

UK Income and Growth will continue to monitor developments closely — especially policy announcements in the forthcoming Budget and how they translate into market sentiment and transaction flows.

UKIG

UK INCOME AND GROWTH

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.