



Spring Market Report 2025

A solid start to 2025

Last year turned into a much stronger year for the housing market than many anticipated, and 2025 looks set to continue in a similar way, says Member of The Guild of Property Professionals, Kate Taylor from Taylor & Co in Abergavenny.

"While economic growth expectations have moderated, with the Bank of England recently cutting its GDP forecast for the year to 0.75% - the economy is still expected to grow at a pace sufficient enough to drive moderate house price increases. Beyond 2025, economic forecasts indicate stronger growth, with momentum picking up speed," says Kate Taylor.

Kate adds that amid conflicting signals, the Bank of England is likely to take a slow and measured approach to further interest rate cuts, but forecasts suggest there is still scope for reductions. The consensus forecast for year end is 3.75%.

Sales volumes suffered throughout much of 2023 and early 2024. However, a recovery to normal levels of activity is now evident in the market. The latest HMRC monthly UK sales volume report recorded 88,200 transactions in December 2024 - broadly in line with the pre-pandemic five-year average. Mortgage approvals, a leading indicator of transaction activity, have also recovered to long-term trend levels, with the latest monthly data to the end of December 2024 showing 66,500 approvals - the same as the monthly average for the five years leading up to the end of 2019.

January activity levels are certainly stronger than a year ago. According to Rightmove data, the number of new sellers entering the market was up by 13%, buyer demand increased by 8%, and sales agreed rose by 15%. Additionally, the RICS leading indicator for prices has reached its highest level in the last three months since the Truss mini-budget in September 2022. First-time buyers have had added

incentive to act quickly, as the reversal of the stamp duty exemption looms at the end of March.

Interest rates on new mortgage lending averaged 4.5% as of December 2024 a significant improvement from the peak of 5.4% just over a year earlier. Following the Bank of England's rate cut to 4.5% in February, lenders have responded with increasingly competitive mortgage rates. For borrowers with substantial deposits, some fixed rates have recently dipped below 4%.

The number of first-time buyers in 2024 was 19% higher than in 2023, driven by improving affordability as mortgage rates declined and the impending stamp duty exemption deadline. First-time buyers accounted for 29% of new lending, the highest proportion since this data series began in 2007. In contrast, buy-to-let mortgages made up just 8% of new lending, one of the lowest proportions recorded.

Mortgage data provides insight into the underlying affordability of the market. Approximately 65.3% of new mortgage borrowers applied on a joint income basis, aligning with the 15-year average of 62.2%. Similarly, loan-to-value (LTV) ratios on new mortgages have remained stable; the latest data shows that 59% of new lending had an LTV below 75%, closely in line with the 15-year average of 61%.

Overall, UK house prices grew by 4.6% in 2024. The strongest growth was seen in Northern Ireland, Scotland, and the North East - regions with lower average property prices, which provided more affordability headroom to absorb the increase in mortgage rates over the last couple of years.


With mortgage rates improving and strong earnings growth further supporting affordability, price growth is expected to be sustained in 2025. More expensive regions, such as London, are expected to start benefiting from improved affordability. The consensus UK forecast predicts house price growth of 3.1% in 2025 and 3.7% in 2026.

Buyer confidence continues to improve. In a recent poll, 62% of estate agents reported that buyer confidence had slightly or significantly improved compared to three months earlier. However, the positive impact of increased buyer activity has been somewhat offset by a rise in the number of properties coming onto the market, tempering price growth in some areas. Rightmove data indicates that the national supply of homes for sale has reached a 10-year high.

“As always, local property price trends vary from the national picture, influenced by regional factors. In Wales, the average property values in the region were up 3% on last year’s levels. Strongest price growth was evident in Blaenau Gwent, Rhondda Cynon Taf and Bridgend, all growing by more than 7%,” says Kate Taylor.

With the recovery in mortgage lending in 2024, the proportion of cash sales has returned to more typical levels. During 2023, as mortgage lending declined, the proportion of cash sales peaked at 34%. In the five years prior, the average was 28%. In 2024, the share of cash transactions fell to 31% and is expected to decline further in 2025, approaching the long-term average. In Wales, cash transactions accounted for 33% of sales over the past year.

To find out what the housing market might have in store for you in 2025, contact Kate and her team by:

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