Quilter

Property review

July 2025

8 minute read

Our monthly property market review is intended to provide background to recent developments in property markets as well as to give an indication of how some key issues could impact in the future.

We are not responsible or authorised to provide advice on investment decisions concerning property, only for the provision of mortgage advice.

A smoother end to 2025?

The second half of the year should be smoother for the UK housing market, according to Knight Frank.

The first six months of 2025 brought some uncertainties, with Trump's trade tariffs, ongoing geopolitical conflict and Stamp Duty changes. However, things may be looking up.

Buyer activity seems to be recovering after Stamp Duty thresholds reverted to higher levels in April. This initially caused a 37% decline in transactions; however, in May there was a smaller drop of 17%, suggesting that activity is picking up. Supply still outweighs demand, as the number of new homes for sale between January and May was 15% higher than the five-year average.

Experts believe that there will be further cuts to Bank Rate this year, which would help boost the market. However, there are concerns that the government will announce more tax rises in the Autumn Budget to create financial headroom.

Strong demand for new builds in key cities

Property Inspect reported that demand for new builds remained stable in Q2 2025.

New-build demand was 18.2% in quarter two, only 0.2% less than Q1. This stability is driven by strong performance in cities, with demand highest in Southampton, where over a third (35%) of new-build homes are sold subject to contract (SSTC). Portsmouth is second on the list with 28%, followed by Sheffield (20.6%), Glasgow (19.5%) and Bristol (19.1%).

On the other hand, demand was weakest in Swansea, where only 1.1% of new builds were under offer. The Welsh city is joined at the bottom by Liverpool, where 3% of new homes were SSTC. Aberdeen saw the largest quarterly drop in interest, where demand fell by 10%.

Commenting on the research, Siân Hemming-Metcalfe, Operations Director at Property Inspect, said, *"Activity in many major cities highlights that buyers are still transacting, even in the face of higher price points".*

Decline in property flipping

The number of homes being flipped has dropped to the lowest level since 2013, according to Hamptons.

Property flipping – buying homes to renovate and quickly resell – has become less common. In Q1 2025, only 2.3% of homes sold had been bought within the last year, a 3.6% annual decrease. Although the average gross profit from flipping a property rose this year to £22,000, it is still below the peak of £38,000 seen in 2022. This drop is likely due to a slowdown in house price growth.

Flippers seem to be retreating from the South, with only 1.5% of homes resold within a year. In the capital, 23% of the average profit from flipping went towards Stamp Duty, which has likely been a deterrent for investors. Meanwhile, the North East is a popular spot, where flipped homes accounted for 4.7% of all sales in Q1.

City investment market outlook

The City of London investment market continues to show signs of recovery, according to property experts Savills.

May saw the highest number of monthly deals so far this year, with nine transactions worth a total of £181.9m. The largest deal in May was a £47.5m transaction from Whitbread, who plan to convert 87,000 sq. ft of office space into a 400-bedroom hotel on the South Bank.

At the end of May, the year-to-date volume was £1.62bn; although this is 24% lower than the five-year average, it is almost three times higher than 2024. Meanwhile, Savills' City prime yield remains unchanged at 5.25% for the twenty-second consecutive month.

Market conditions look promising for the rest of the year, following the Bank of England cut to Bank Rate in May which should help boost momentum. There is also a growing quantity of available stock, £1.1bn of which is currently under offer.

More businesses buying their premises

It has become cheaper for businesses to buy their premises instead of renting, a trend which has positively impacted commercial market performance.

According to Rangewell, monthly mortgage payments can cost up to 37% less than commercial rents. Owning premises has therefore become an attractive concept, with businesses deciding to opt for stability and avoid rising rents. It also offers companies the opportunity to increase their overall assets. As a result, there has been an uptick in enquiries and completions for owner-occupier mortgages.

Overall, demand remained steady in Q2 when compared with the previous quarter. The leisure and hospitality sector saw growth of 0.7%. Meanwhile, the retail sector accounted for over a quarter (27.8%) of the listed properties already sold in Q2, closely followed by offices (27.3%) and industrial units (26.2%). Specialist subsectors are also making the move to owner-occupied premises, in particular dental care and children's day nurseries.

A weaker H1 for Scottish commercial property

Analysis from Knight Frank shows that investment in the Scottish commercial property market decreased by 20% in H1 2025.

There was £750m of investment in the first six months of the year, notably lower than the five-year average of £925m. This decline is reflective of trends across the UK and is likely caused by geopolitical tensions and changing policies.

Hotels were the strongest performing asset class for the first time in recent years, with £213m worth of transactions, followed by retail (£207m) and offices (£152m). The most active buyers were private investors, accounting for 40% of transaction volumes, while international investors made up a third (32%) of investment.

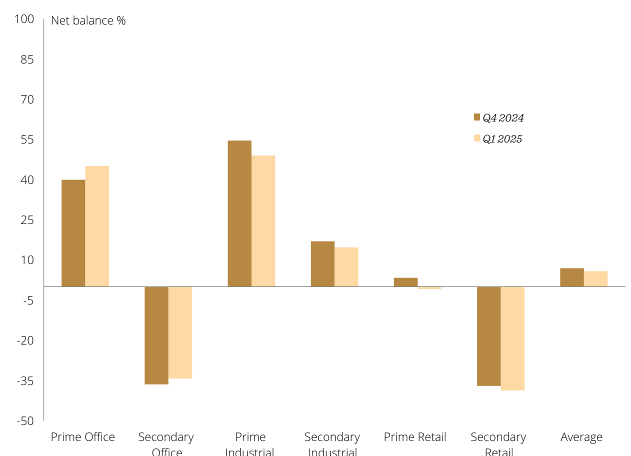
Head of Scotland Commercial at Knight Frank, Alasdair Steele, commented, *"In a volatile world, commercial property remains an attractive option for investors – and Scotland remains good value within the UK, which itself is widely seen as a safe haven from an international perspective."*

Commercial property outlook

12-month capital value expectations – broken down by sector

- Prime industrial and prime office assets are envisaged to post gains of close to 2% in capital value
- Respondents foresee a generally flat outlook for prime retail capital values
- For alternative sectors, data centre valuations take the lead, projected to rise by close to 4%.

12-month rent expectations – broken down by sector



- Respondents' twelve-month projections stand at 2.2% for prime industrials and 2.1% for prime offices
- For prime retail, respondents now envisage a flat to marginally negative trend in rents over the year ahead
- Secondary office and retail rents are expected to fall by a respective 2.6% and 3.2% over the year to come.

All details are correct at the time of writing (16 July 2025)

Source: RICS, UK Commercial Property Monitor, Q1 2025

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