



UK Property Guide Spring 2025

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Property investor and landlord report

Spring 2025

The weather is warming up and so is the UK property market, with buyers and sellers keen to complete transactions while mortgage rates continue to edge down from previous highs. We explore how 2025 is shaping up so far, including how Labour's Spring Statement could impact property investors and landlords.

Spring Statement

Although Chancellor Rachel Reeves' Spring Statement was much less of an event than last year's Autumn Budget, with no nasty surprises or unexpected announcements emerging, some of the government's spending plans could impact property investors and landlords, as well as the wider housing market.

The focus of the statement, and of the government, remains on "protecting working people", with the Chancellor acknowledging the need to make some tough decisions in order to achieve long-term economic stability. Ahead of the announcement came the welcome news that inflation (as measured by CPI) had fallen to 2.8% in February, down from 3% in January.

Here, we explore the key points in the Spring Statement that could affect the housing market and property investment.

Housebuilding and planning reform

Housing reform was a huge part of Rachel Reeves' Spring Statement, with a continued focus on "getting Britain building" by unlocking the planning system and changing strategies on building.

The government has already published a new planning policy framework, and the Planning and Infrastructure Bill continues to make its way through Parliament.

In the announcement, Reeves revealed that these changes would help the UK build more than 305,000 homes a year by the end of the forecast period, with the Office for Budget Responsibility (OBR) predicting that housebuilding will reach a 40-year high as a result. A big part of this plan involves more investment in boosting skills in construction, with £625m to be spent on improving existing training routes, and more towards apprenticeships and other schemes.

Building on "low-quality grey belt land" also forms a key part of the government's plans, through a "modernised Green Belt policy".

"The government's planning reform measures have led to the biggest positive real GDP effect that the OBR has reflected in its forecast for a policy with no fiscal cost," Reeves said, in response to the OBR forecasting GDP growth of 0.2% as a result of the reforms – worth around £6.8bn.

Affordable housing

Affordable housing also featured in the Spring Statement, with Reeves setting out £2bn of additional investment in social and affordable housing in 2026-2027 “as a down payment on this government’s housing ambitions”. There will be further announcements on this in June, and the move is expected to create up to 18,000 new social and affordable homes.

The investment “will also unlock development and opportunity on sites that are ready and waiting for spades in the ground in places such as Manchester or Liverpool”.



Making tax digital for landlords

The government’s rollout of Making Tax Digital (MTD) for income tax will be expanded to include a wider range of small businesses, which includes those who make income through property. The scheme’s aim is to modernise the way income tax is filed and reported through digital records.

Starting from April 2026, it will apply to all sole traders and landlords with qualifying incomes over £50,000. Then from April 2027, it will extend to those with qualifying incomes over £30,000, and from April 2028 all landlords and sole traders with qualifying incomes over £20,000 will be required to adopt MTD for income tax.

Changes that weren't mentioned in the Spring Statement

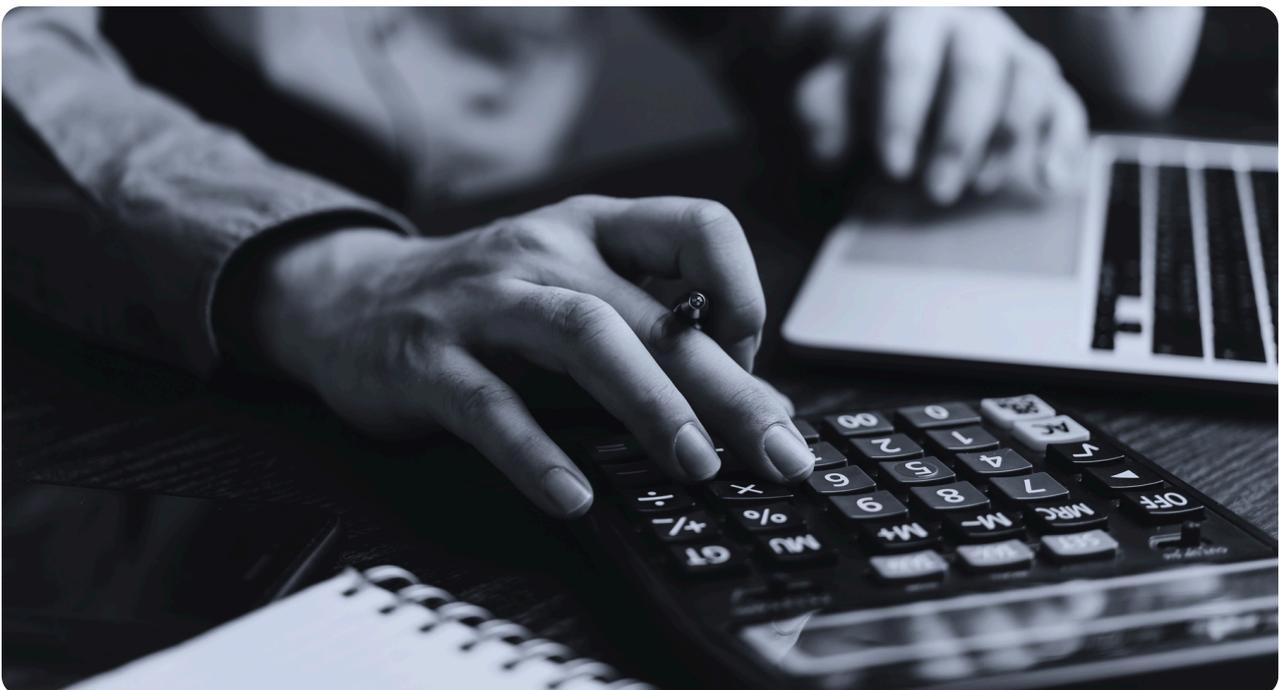
Stamp Duty

While this wasn't specifically referenced in the Spring Statement, many people had hoped Reeves might announce an extension to the Stamp Duty Land Tax (SDLT) threshold change which took effect from 1st April 2025.

Stamp duty, which is a tax paid on property purchases over a certain amount, now applies to thousands more transactions as rates and thresholds reverted to previous levels on 1st April. Now, any purchase above £125,000 will trigger the tax, with the thresholds and rates are broken down in the table.

For second homes, which includes investment properties and buy-to-lets, an additional 5% is added to the tax bill, while homebuyers based overseas pay a 2% surcharge.

Property price	Tax %
Up to £125,000	Zero
The portion from £125,001 to £250,000	2%
The portion from £250,001 to £925,000	5%
The portion from £925,001 to £1.5 million	10%
The portion above £1.5 million	12%



Sticking to tax promises

Chancellor Rachel Reeves ruled out “tax and spend” policies for her Spring Statement, after having announced increases to certain taxes, such as National Insurance for employers, back in October.

For property buyers and investors, the main taxes to consider alongside stamp duty are capital gains tax, inheritance tax and income tax where properties are rented out.

Despite speculation last year, capital gains tax remains unchanged when selling residential property for a profit, and you can find out more about current rates and thresholds on the government’s website: <https://www.gov.uk/capital-gains-tax>

Back in October, Reeves extended the freeze on current inheritance tax thresholds to 2030, up from a freeze to 2028 which was put in place by the previous government. This means the current £325,000 threshold (where no inheritance tax is due on an estate worth less than this amount, with 40% payable on amounts above this) remains the same.

Furnished holiday lets

During the pandemic and even since then, many long-term landlords switched strategies or diversified their portfolios to include furnished holiday lets, or short-term rentals. The advantages can include higher yields than long-term rentals, alongside certain tax differences that make them more lucrative.

However, last year some major changes to the way furnished holiday lets are treated for tax purposes were announced, which have taken effect at the start of this tax year, and these were not referenced in the Spring Statement. This means that the previous FHL tax regime no longer applies.

One of the main changes involves interest on finance costs, which are now restricted to the basic rate of income tax; while no capital allowances can be claimed for qualifying expenditure. However, furnished holiday lets will qualify for replacement of domestic items relief.

Capital gains tax relief such as business asset disposal relief, rollover relief and gift/holdover relief are also no longer available.

For more information, speak to a tax advisor or see the government’s website.

Spring Statement Analysis

With the Spring Statement not making any major revelations directly linked to the property market (aside from housebuilding and planning proposals), much of its effect will have already been determined by last year's Budget.

Over the past few months, we have seen property transactions ramping up as buyers tried to get their purchases over the line by the end of March - but these are largely those who would have made the purchase anyway, and have simply completed at a faster rate to save on their tax bill. This means it seems unlikely to have had any major effect on pricing.



In terms of the housebuilding and planning announcement, much of which had already been set out previously, the impact this could have on the property market is multifaceted. Although a supply/demand imbalance can certainly push up house prices, investment into new developments will also create more opportunities for investors, while keeping house price rises to a realistic and stable level. This will still mean long-term capital appreciation for investors who target popular locations, while additional investment in supporting infrastructure will boost local economies and, as a result, the investment prospects of these areas.

On the stamp duty front, while the tax hike will certainly be unpopular initially, it is likely to become another cost that property investors and landlords must simply take into account when conducting their research and doing the sums ahead of any investment. Particularly as the severe shortage of supply in the rental market looks set to continue in a number of areas, with no measures taken to alleviate this, rents are likely to continue to rise, with landlords seeing properties snapped up quickly and high yields on offer.



The UK property investment landscape

Spring 2025

The UK property market continues to show its long-term resilience and stability, with a wide range of variables generally keeping the sector on track. For property investors and landlords, taking this long-term view is a vital way of achieving maximum returns.

The fundamentals of the UK housing market will remain the same. Looking back over the decades, through changing governments and policies, economic turbulence, international issues and events, the UK property market has ultimately continued to grow, thrive and prosper.

House prices

Various house price indices are all showing us the same thing: house prices continue to inflate, albeit with a fairly stark north-south divide as the cheaper markets become more attractive, supported by strong economic growth and regeneration away from the capital city.

For example, the latest Office for National Statistics (ONS) figures [released in March 2025 showing data for January 2025] revealed that house prices grew by 4.9% between January 2024 and January 2025, which is a boost of an average £13,000 per property and brings the average value to £269,000.

Meanwhile, house price inflation as measured by Zoopla revealed growth of 1.8% in the year to February 2025, but this reflects asking prices on the portal. By the end of this year, it forecasts 2.5% house price growth.

The housing shortage also remains an issue across the market. This increases competition, putting upward pressure on house prices. Even under the new housebuilding targets set out by the Labour government, appetite from both UK and international buyers is expected to remain high. Strong wage growth and falling mortgage rates also support this trend as they boost affordability.

The North East and North West of England continue to lead the way when it comes to house price growth, while the South and London are still lagging behind. Again, this seems to be down to wider affordability factors, but many of the major towns and cities in these regions are also becoming more appealing thanks to greater investment, which is set to ensure continued capital appreciation.



Rental market

As many in the industry have pointed out, the government has said little on how it might reduce the huge imbalance between supply and demand in the rental market - which means landlords can expect to continue to see strong tenant interest in their homes, particularly where they are well-located and of a high quality. Over recent years, this has seen rental prices pushed up at a faster pace than house prices.

In the 12 months to January, the ONS revealed that average monthly rents across the UK increased by 8.1%, bringing the average cost to £1,326 per month. Interestingly though, London has seen the biggest rent rises, showing the opposite trend to property prices. In the capital, renters have seen their costs go up by 9.9% over the past year, in what is already an exceptionally expensive market.

Much like the house price pattern, this is closely followed by the North West, where average rents have surged by 9.3% in the past 12 months, and the North East with rental price growth of 8.7%.

Many property investors have taken a keener interest in rental yields over recent years, particularly as house price growth slowed after the post-pandemic acceleration, and as mortgage cost rises began to have an impact on profits for some landlords. The latest data from Fleet Mortgages revealed that average rental yields increased to 7.4% in the final quarter of 2024, which is up from 6.8% the previous year.

Again, the north-south divide is apparent when it comes to yields, with investors in the North East achieving average annual rental returns of 9.3%, followed by Yorkshire and the Humber (8.6%), and the North West (8.3%). Meanwhile, London yields came in at 5.8% on average and in the South East they were 6.4%.

Renters' Rights Bill

The Renters' Rights Bill is a set of new rules that is very similar to a series of changes first touted by the Conservative government, and much of its content remains fairly similar to the original 'Renters' Reform Bill'. The current bill continues to make its way through Parliament, and is expected to become law later this year.

It covers policies including eviction, discrimination, rent rises, housing standards and more. Overall, its aim is to improve the sector for tenants, but this isn't necessarily to the detriment of landlords. Still, until it comes to pass, there is a level of unease among landlords as to how certain parts of the new law could play out.

For example, the most talked about part of the Bill is the abolishment of Section 21 "no-fault" evictions, with landlords instead only having the option of an updated Section 8 eviction route. However, according to research from Simply Business, almost three quarters (71%) of landlords have never used Section 21. The majority of tenancies in the UK end by mutual agreement rather than eviction.

Mortgage rates

Borrowers monitoring mortgage rates over the past few months will have seen some small fluctuations, but overall, they are down on where they were a year ago. Figures from Moneyfactscompare in March showed that average mortgage rates had seen their biggest falls in almost six months.

What's more, lenders are showing their competitive spirit by upping the number of deals on offer, and there's been a rise in the number of products with added incentives, including cashback mortgages and green mortgages (where borrowers can benefit if they have an energy efficient property).

At the time of this report, the Monetary Policy Committee had voted to hold interest rates at 4.5%, down from their most recent high of 5.25% in 2023/2024. Currently, analysts are forecasting a further two or three interest rate cuts by the end of the year.

Energy efficiency

Energy efficiency is a hot topic at the moment, both in terms of reducing our carbon emissions, and on the subject of saving money. Energy Performance Certificates (EPCs) are now at the top of the priority list for the majority of tenants looking for homes, and this makes them well worth considering for property investors and landlords, too.

As part of the government's Warm Homes Plan, landlords will need to make sure rental properties have a minimum energy performance certificate (EPC) rating of C by 2030, under current proposals. At the moment, your property only needs to achieve a grade E in order to be rented out. However, with energy bills remaining a key issue for many, the more energy efficient a property is, the more desirable it will be to tenants, even ahead of the rule change.

While retrofitting existing homes is an option in some cases, it can be extremely costly, particularly as the government is discussing proposals to increase the maximum spending cap to £15,000. Being mindful of the shift towards a more sustainable society is especially important in the property market, with research showing that tenants are more likely than ever to turn down a lower-scoring property on energy efficiency. Ultimately, this can affect your long-term returns.

New-builds tend to have the highest EPC ratings and higher build quality to meet current National House Building Council (NHBC) standards, making them one of the most energy-efficient property types to invest in.

UK property hotspots

Taking a wide view of the overall UK housing sector can help you gauge general market sentiment and performance, but it is important for investors to look more specifically at particular areas, as each location is affected by different factors. For example, while London has always been a top destination for property investors, and still holds certain benefits for those who can afford to buy in the capital, the regional UK city boom continues to tip the scales.

Below are some of the UK's key investment locations, showing their latest annual house price rise according to Zoopla (March 2025), along with average rental yields according to figures from Joseph Mews. It is important to note that actual yields will vary depending on specific location, property type, and any added extras that boost the appeal of your property.

Manchester

Price rise: 2.9%
Yields: 6.22%

Birmingham

Price rise: 2.4%
Yields: 5.21%

Liverpool

Price rise: 3.0%
Yields: 5.32%

Leeds

Price rise: 1.9%
Yields: 5.61%

Glasgow

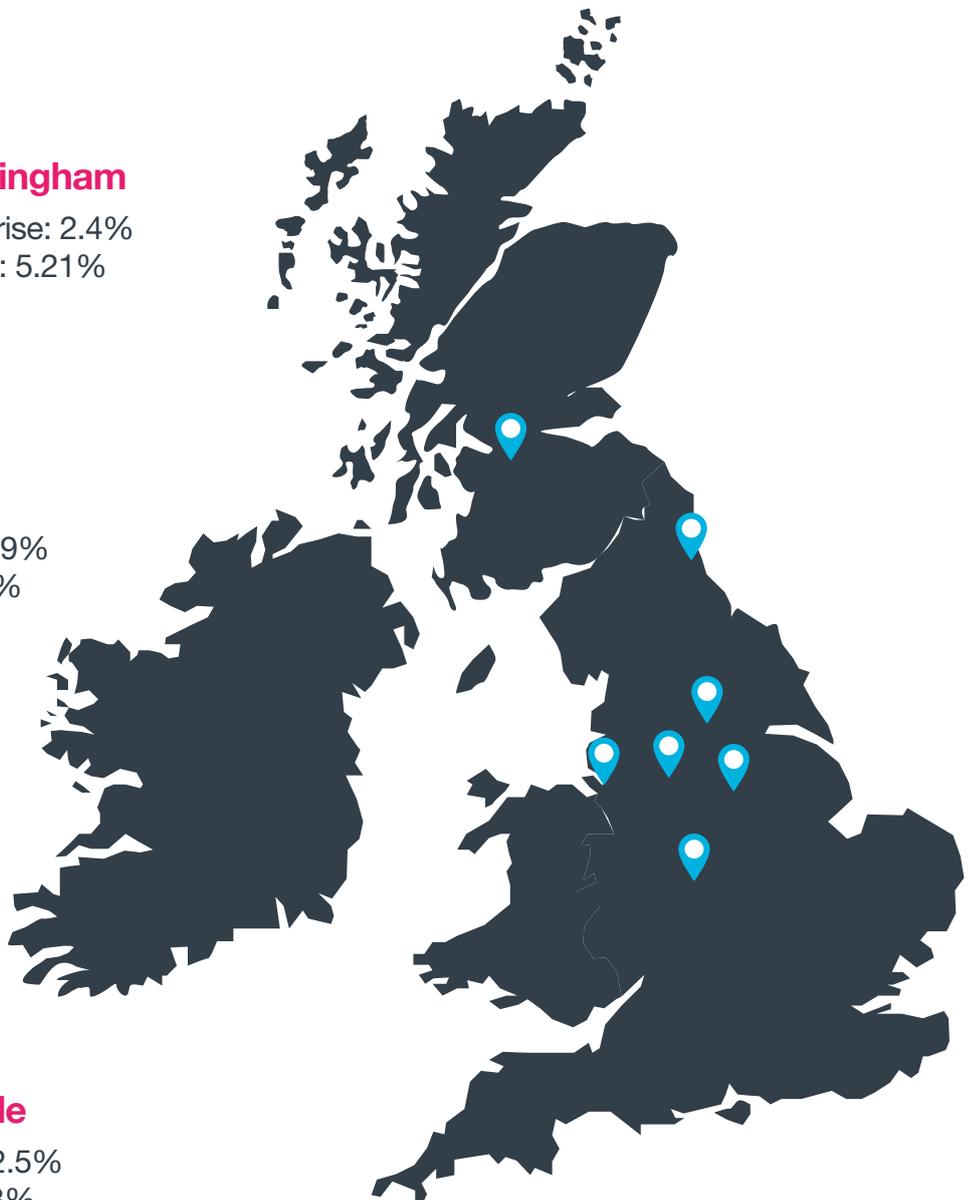
Price rise: 1.7%
Yields: 8.18%

Sheffield

Price rise: 2.3%
Yields: 4.70%

Newcastle

Price rise: 2.5%
Yields: 6.13%



Property market predictions

Overall, we expect 2025 to continue in the positive way it has begun. One of the most fundamental things about the UK property market is its lack of turbulence over the long term; making it an asset where change happens softly and in a more predictable pattern than other investment options.

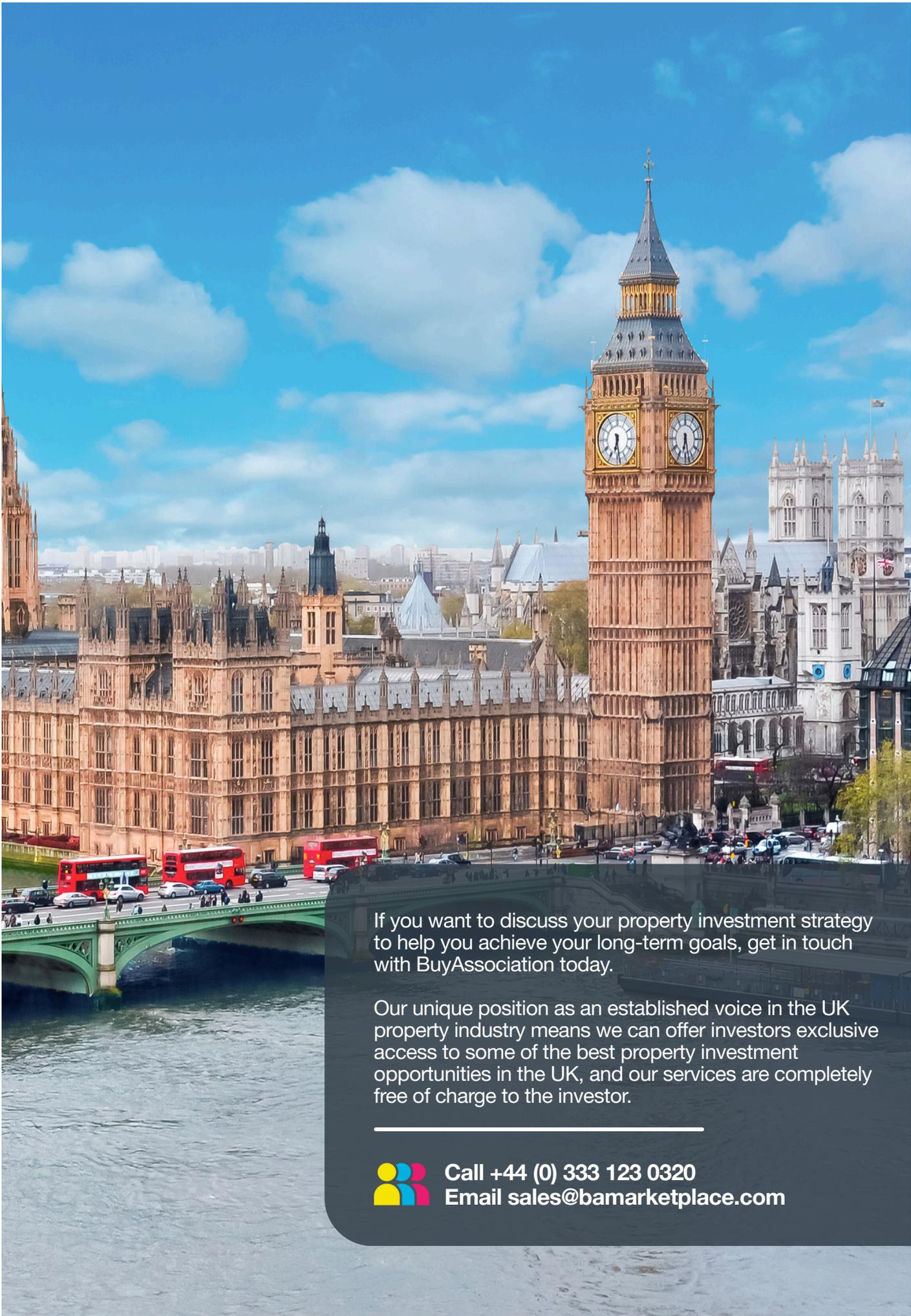
Mortgage rates are expected to continue to come down, house price growth will remain steady and sustainable, and rental prices will continue to be pushed up by high tenant demand. A stronger economic outlook should support the market through improved investor sentiment, which tends to feed through to the more expensive markets as well as the cheaper ones.

The latest five-year forecast from Savills reflects this, as it predicts cumulative house price growth of 23.4% between now and 2029, with a 4% rise by the end of 2025. This is led by the North West, where house price growth is expected to hit a huge 30% over the next five years, compared with the more affordability-constrained London market which could expect price rises of 17.1%.

Strategic investment remains extremely important in the current climate, which could see property investors and landlords leaning more towards high-yielding investments in up-and-coming locations, including regional towns and cities. We also expect to see more interest in energy efficient properties, as buyers look to not only get ahead of any regulatory changes, but to upscale their offering for tenants and future buyers in order to get the most out of their property portfolios.

We expect the likes of Manchester, Birmingham, Liverpool, Sheffield and Leeds to remain high on the radars of property investors, along with nearby towns and commuter destinations where buyers could get more for their money while seeing greater capital appreciation.





If you want to discuss your property investment strategy to help you achieve your long-term goals, get in touch with BuyAssociation today.

Our unique position as an established voice in the UK property industry means we can offer investors exclusive access to some of the best property investment opportunities in the UK, and our services are completely free of charge to the investor.



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