WINTER 2025

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Hamptons
THE HOME EXPERTS

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SALES

SETTING THE SCENE FOR 2025

The property market picked up pace in 2024, largely thanks to a dip in mortgage rates. Nationwide's house price index showed that the average property value in the UK rose by 4.7% over 2024 to a record £269,426 - in the strongest rate of annual inflation since October 2022.

However, the money that people are making from the sale of their homes has been shrinking since the market's peak in 2022. In 2024, the average gain made on a property in England and Wales (the difference between the purchase price and the proceeds received at sale before costs), was £91,820. These sellers had owned their home for an average of 8.9 years.

In 2023, the average gain was £102,650; in 2022, it was £112,930, hitting six figures for the first time.

The profits from sales generally fuel moves up the property ladder. But this progress is being impeded by a mix of the lower gains and relatively high mortgage rates. Flat owners are facing a particular challenge.

The gains made in London remain still the largest of any region. But they are being reduced by slower house price growth over the past decade: property values in some areas of the city are below where they stood 10 years ago.

In 2024, the average gain in the capital was £172,350; this was the first time since 2015 that the figure in London fell below £200,000. The average gain was 44% more than the purchase price, although substantially below the average 100% profit scored at the market's peak in 2016. In the South East and the South West, the average seller saw a 41% uplift in value when selling their home last year.

Attention is now turning to the impact of the withdrawal of the stamp duty concessions with effect from April 1. A person moving home will pay an extra £2,500 in tax when the threshold is reduced from £250,00 to £125,000.

But first-time buyers face a potential increase of up to £11,250, since the starting point at which they are liable for this tax will be lowered from £425,000 to £300,000 (stamp duty at the rate of 5% will be charged on the portion between £300,001 and £500,000).

First-time buyers' purchasing power is set to be reduced, with those buying more expensive homes in London and the South hardest hit.

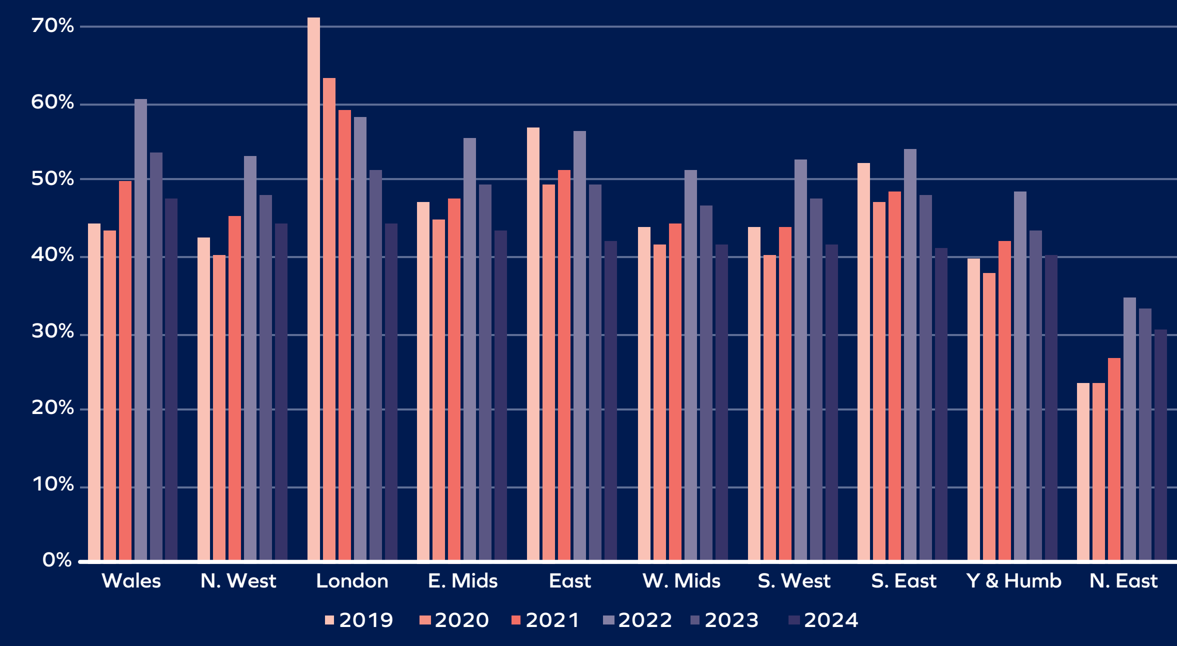
Consequently, there's been an uptick in first-time buyers agreeing to buy higher value properties in a bid to complete before the April deadline. First-time buyers purchased a record 20.8% of +£425,000 homes sold in November and December, compared to 17.5% for the whole year and up from 14.5% in 2023.

But anyone aspiring to exchange and complete before March 31 is probably already too late. At present it takes an average of 119 days between an offer on a property being accepted and the completion of the deal.

> "The profits from sales fuel moves up the property ladder. But this progress is being impeded by a mix of lower gains and relatively high mortgage rates."

DIFFERENCE BETWEEN 2024 SALE & PURCHASE PRICE

Source: Hamptons & Land Registry



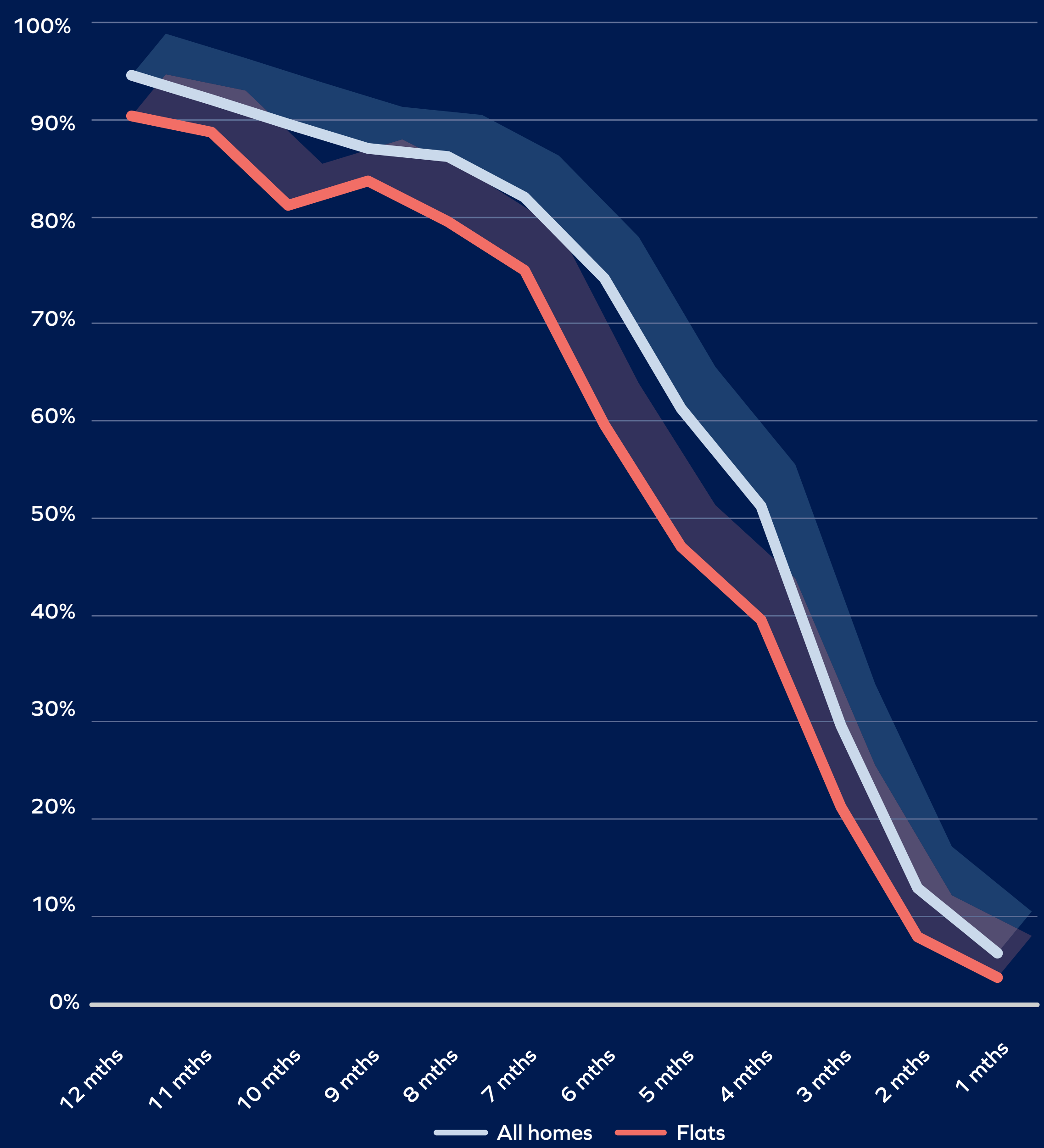
2024 SELLER GAINS BY REGION

Source: Land Registry & Hamptons

Region	Average difference between sale & purchase price	Average difference between sale & purchase price	Percent selling for more than they paid	Average years of ownership
Wales	48%	£66,710	93%	8.7
North West	44%	£64,830	92%	8.8
London	44%	£172,350	86%	9.6
East Midlands	44%	£71,530	93%	8.7
East of England	42%	£100,270	92%	8.9
West Midlands	42%	£72,980	92%	8.6
South West	41%	£96,090	93%	8.5
South East	41%	£116,560	92%	9.1
Yorkshire & the Humber	40%	£60,380	92%	8.9
North East	30%	£38,220	86%	8
England & Wales	42%	£91,820	91%	8.9

SHARE OF SALES AGREED COMPLETING WITHIN...

Source: Hamptons



> Our view is that financial markets are still being too pessimistic, and that there is still room for rates to fall this year.

Only 13% of transactions are completed within two months, and a mere 6% within one month. Buyers with ample resources, particularly those buying in cash, are almost twice as likely to beat the March 31 deadline.

In advance of concessions ending, buyers have been negotiating larger discounts, while sellers have been trimming their asking prices. In the wake of the Autumn Budget which confirmed the stamp duty changes, the average discount secured was £3,000 higher than the average earlier in the year.

In response to the Budget measures, financial markets are now pricing in two 25 basis point cuts to the bank base rate this year. In the summer of 2024, the Bank of England was expected to order four.

The expectation that the rates would stay higher for longer caused the cost of mortgages to jump in December. But lenders are now competing more heavily for business which has produced some cheaper offers.

Our view is that financial markets are still being too pessimistic, and that there is still room for rates to fall this year. The lower than expected inflation figures out in January will have helped.

By the end of the year, we expect more sub-4% mortgage deals to be offered, particularly for borrowers with substantial deposits. But house prices are likely to be a little higher.

As stability returns to the economy and affordability conditions improve, more people should start moving home. We are forecasting house price growth of 3% for Great Britain in 2025, with London leading the way as the market's recovery from peak mortgage rates steps up a gear.

MIGRATION

WHO'S LEAVING LONDON?

> One cohort is still leaving the bright lights behind, however. A record 31% of those who bought a place outside the capital in 2024 were first-time buyers.

Moving out of town for more space and a less frenetic pace of life has been one of the most consistent trends of the London property market this century.

But, in 2024, there was an abrupt shift. During the year, Londoners bought just 5.7% of homes outside the M25 area, down from 7.8% in 2023 and 8.2% in 2022. This was the lowest total of such deals since 2013.

The number of properties purchased - 57,020 - was 45% below the peak of the pandemic 'race for space' in 2021. During that time, buyers turned their backs on London in search of houses with more space and larger gardens in rural locations or commuter towns.

The 2024 total was also 19% lower than the pre-Covid average between 2015 and 2019 when, typically, Londoners acquired 70,060 homes a year outside the capital.

The drop in migration from the capital was largely caused by the return to the office, relatively high mortgage rates, and weaker house price growth. Over the past decade, the average price of a home outside London has leapt by 39%, compared with growth of 26% in London.

Some London neighbourhoods have seen a decline in property values, reducing homeowners' equity and so their ability to quit the capital. It should also be said that people are, in general, moving home less often in all regions.

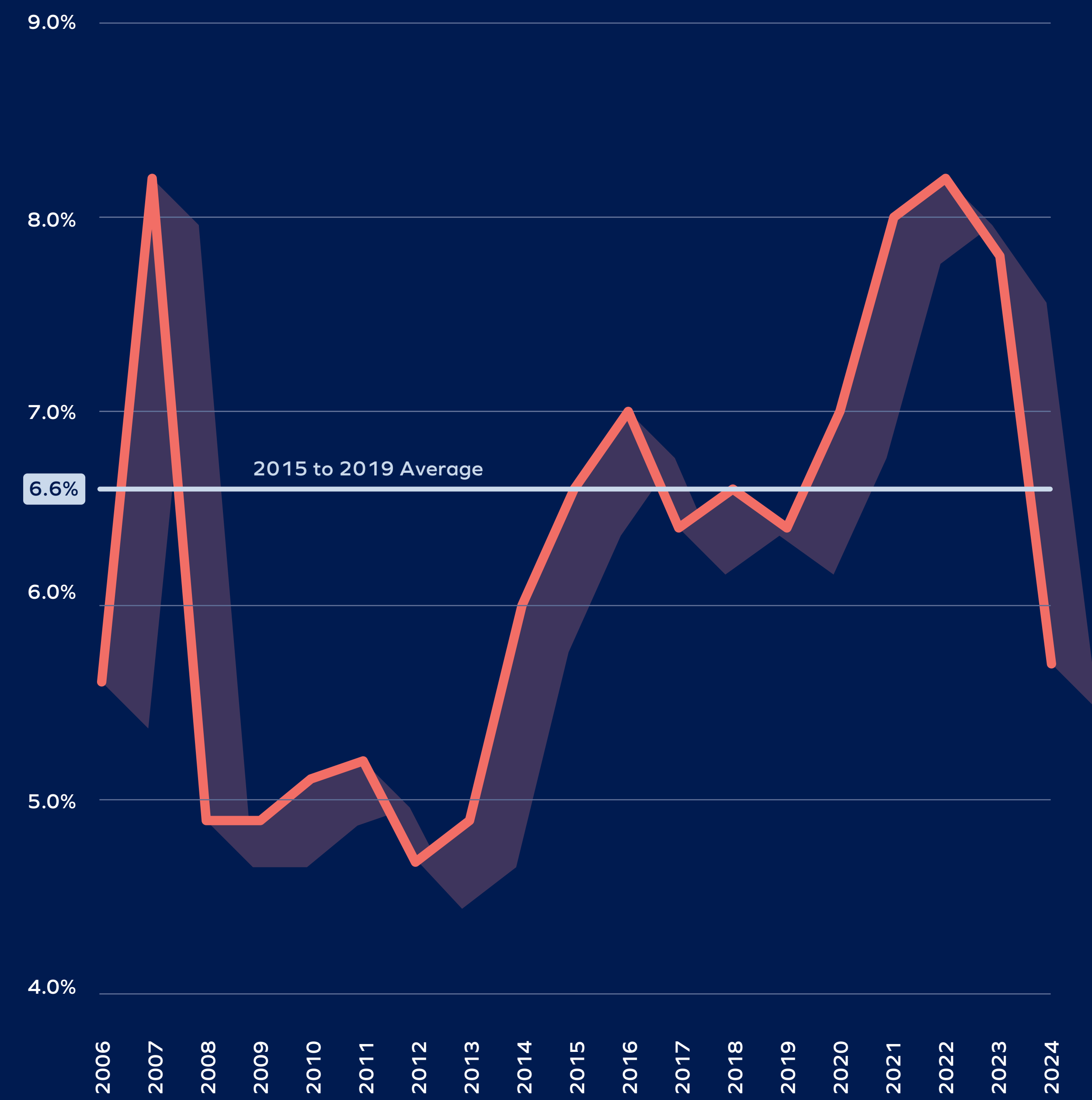
One cohort is still leaving the bright lights behind, however. A record 31% of those who bought a place outside the capital in 2024 were first-time buyers. They snapped up 17,680 homes, a figure that has more than doubled since 2013.

Many of those who climbed onto the first rung of the ladder were escaping from the capital's rental market. Lower mortgage rates mean that it is cheaper to buy than rent, although the salary and the deposit required for a London home tend to make it difficult to remain there.

Affordability is driving first-time buyers and others farther out of town. The average person leaving London moved a record 33.1 miles in 2024 which was 19% above the pre-Covid average of 27.8 miles.

SHARE OF HOMES SOLD OUTSIDE THE CAPITAL TO A LONDONER

Source: Hamptons



But there are differences in preferences. First-time buyers do not venture so far, choosing a location that is, on average, 25.5 miles from London, slightly closer than the 2023 average of 26.3 miles.

Londoners with a home to sell relocated to an area that is 45.4 miles distant from their previous home in the capital, 13.7 miles farther out than during the pre-Covid era. Going these extra miles often puts their trophy home within reach.

The areas that have seen the biggest rise in the share of buyers who left the capital since 2019 are located in the South East or East of England. They offer a mix of affordability and good transport links. Top of the league is Brentwood, Essex, where Londoners bought 47% of the homes sold in 2024, up from 23% in 2019. Rushmoor in Hampshire, Colchester (Essex) and Epsom & Ewell (Surrey) follow.

Wychavon, in the West Midlands, which takes in Evesham, Droitwich, and some sections of the Cotswolds is the first local authority outside the South of England that's seen the biggest rise in London buyers and sits in thirteenth place. Here, London buyers acquired 11% of homes sold in 2024 against 3% in 2019.

In twenty-fourth place sits Blackpool. Londoners acquired 9% of the properties sold in the Lancashire coastal resort last year, up from 4% in 2019. But most were investors drawn by the average gross yield on a buy-to-let of 10.1%, almost double the 5.7% return available in London.

We expect more outward migration from London in 2025 as the capital's property market revives and the cost of mortgages edges down. These conditions could even encourage homeowners who have stayed put for a decade to feel that they have sufficient equity to consider relocating.

But, while mortgages are set to become slightly cheaper, they will still remain above historic levels, with the result that these households will continue to look beyond the Home Counties for their dream home.

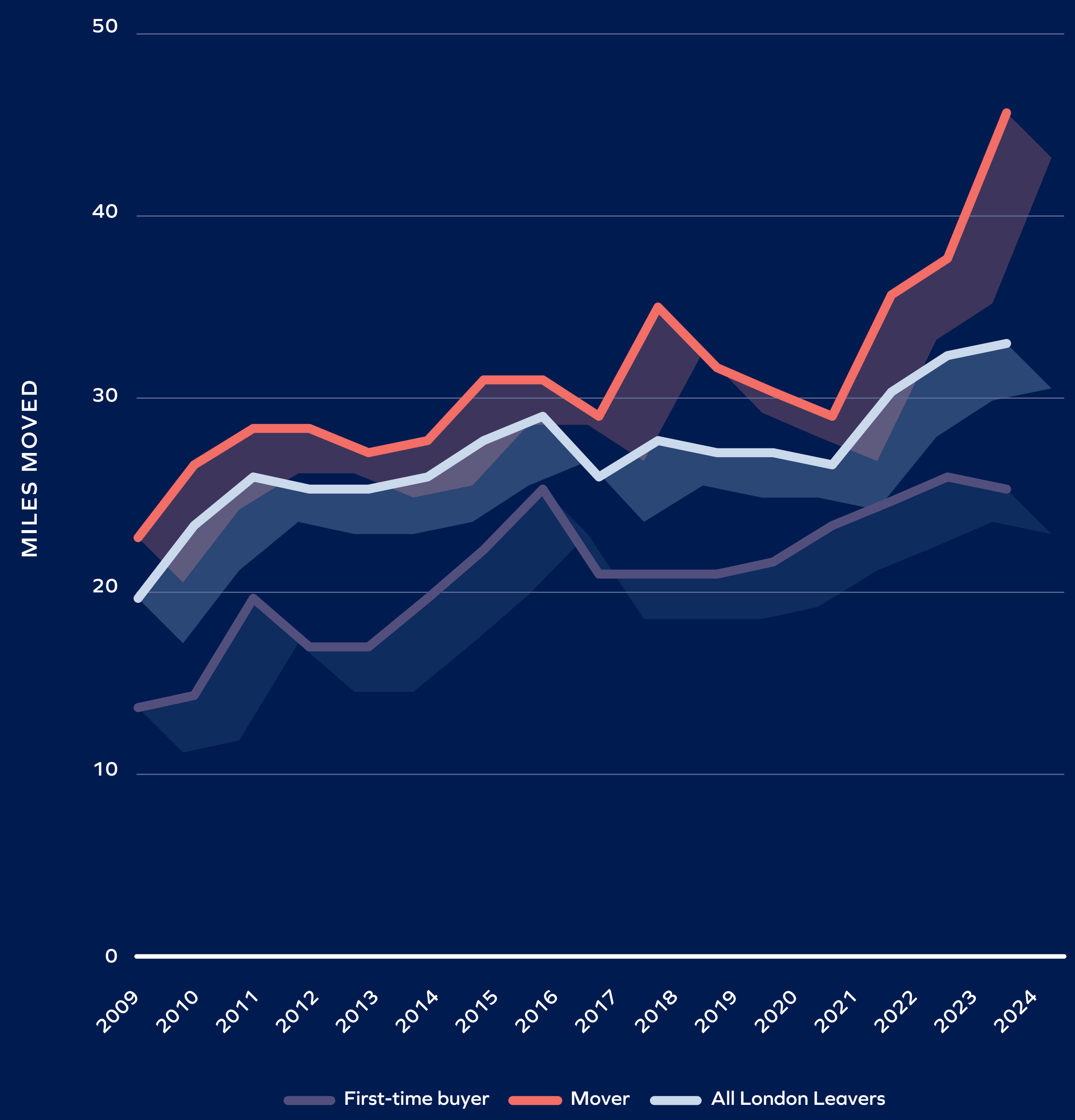
TOP 10 LOCAL AUTHORITIES THAT HAVE SEEN THE BIGGEST INCREASE IN THE SHARE OF BUYERS FROM LONDON

Source: Hamptons

Local Authority	Region	2019	2024	Change
Brentwood	East of England	23%	47%	24%
Rushmoor	South East	7%	25%	18%
Colchester	East of England	10%	27%	18%
Epsom & Ewell	South East	58%	74%	16%
Tonbridge & Malling	South East	12%	26%	14%
Huntingdonshire	East of England	6%	18%	13%
Chelmsford	East of England	14%	24%	10%
North Hertfordshire	East of England	12%	21%	9%
Mole Valley	South East	26%	35%	9%
Swale	South East	10%	19%	9%

DISTANCE MOVED BY LONDON LEAVERS

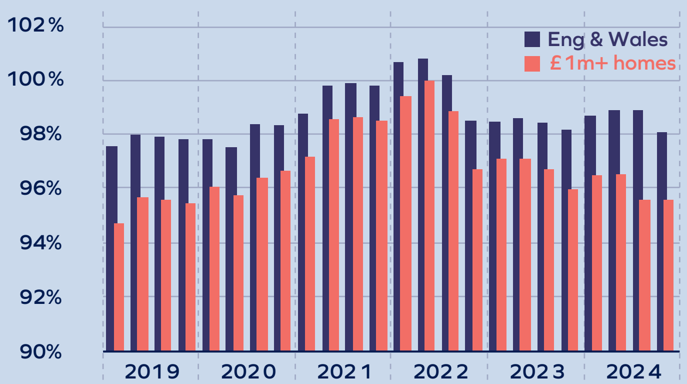
Source: Hamptons



MARKET METRICS

OFFER ACCEPTED PRICE AS A PROPORTION OF THE FINAL ASKING PRICE

Source: Hamptons



AVERAGE 2-YEAR FIXED MORTGAGE RATES

Source: BoE

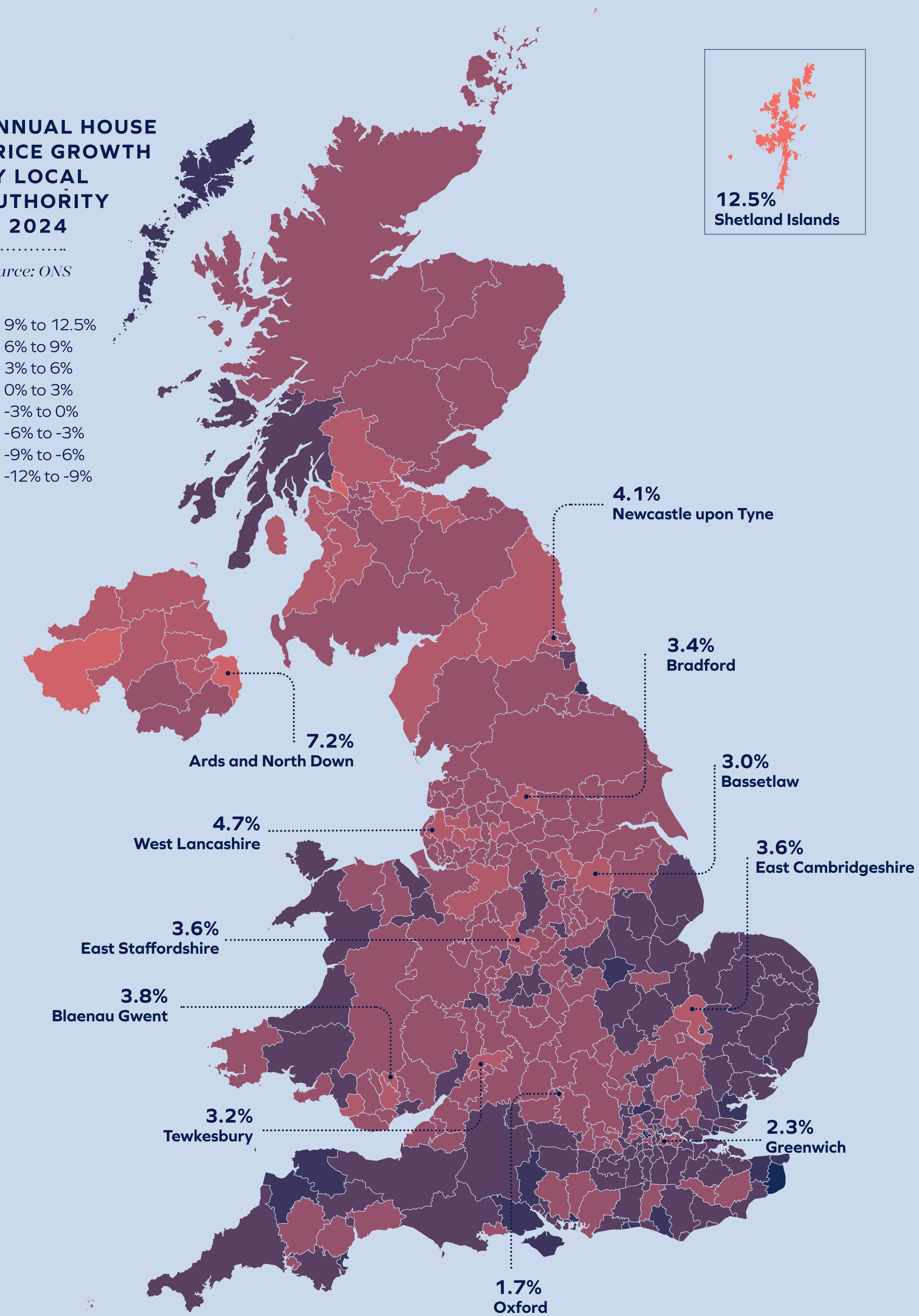
LTV (%)	Dec 2022	Dec 2023	Dec 2024	YoY Change
60%	5.33%	4.89%	4.47%	-0.42%
75%	5.43%	5.03%	4.60%	-0.43%
90%	6.00%	5.69%	5.36%	-0.33%
95%	6.30%	6.18%	5.69%	-0.49%

DAYS TO SELL

Source: Hamptons

ANNUAL HOUSE PRICE GROWTH BY LOCAL AUTHORITY IN 2024

Source: ONS



LETTINGS

RENTAL GROWTH COOLS

> Interest rate falls this year will mean less generous returns on deposit accounts, restoring the allure of buy-to-let.

The recent slowing in rental growth should be seen in context. Between December 2020 and December 2024, rents rose by 30% across Great Britain, outpacing average earnings. The average rent today is 35% higher than at end of 2019, costing the typical tenant an extra £4,214 each year.

The current 2.0% level of growth marks a return to the pre-pandemic era when the typical annual rise was 2%-3%. The slowdown in rental growth is partly due to base effects. Rents were growing at double-digit pace at the back end of 2023, which is why the change in rents in 2024 versus 2023 has cooled. Rental growth is likely to pick up pace again in 2025, outpacing inflation.

The rate of increase continues to be the most rapid in Scotland and the Midlands, where rents on newly let properties went up by 5.5% and 5.2%, respectively, in 2024. This compares with an annual fall of -0.2% in London, the location with the slowest growth last year, but where rents rose 11.4% in 2023. In the East of England and the South East, the increases were 1.2% and 2.0% respectively. It is possible, however, that this may reverse the medium term trend of fewer landlord purchases in the South and start to push up rents.

Tenants who are renewing their contracts after several years in a property may be facing larger rises, but these will diminish as the level of rents on such contracts shift closer to the market level.

The downward pressure on rents stems from an improvement in the supply of rental homes in all regions: in December 2024, there were 10% more homes available across Great Britain than in the same month of 2023, when stock levels were near rock bottom. However, there are strong signs that the recovery in stock levels has peaked. The number of homes on the market still stands 13% lower than during the same time in 2019, a figure which has trended downwards in more recent months and is likely to put pressure on rents.

Interest rate falls this year will mean less generous returns on deposit accounts, restoring the allure of buy-to-let. Increasingly larger tax bills and other costs, combined with historic rent rises, will be priced into yields which have been rising over the last few years. The average gross yield on a new buy-to-let purchase in England & Wales last year hit 7.1%, up from 6.1% in 2019.

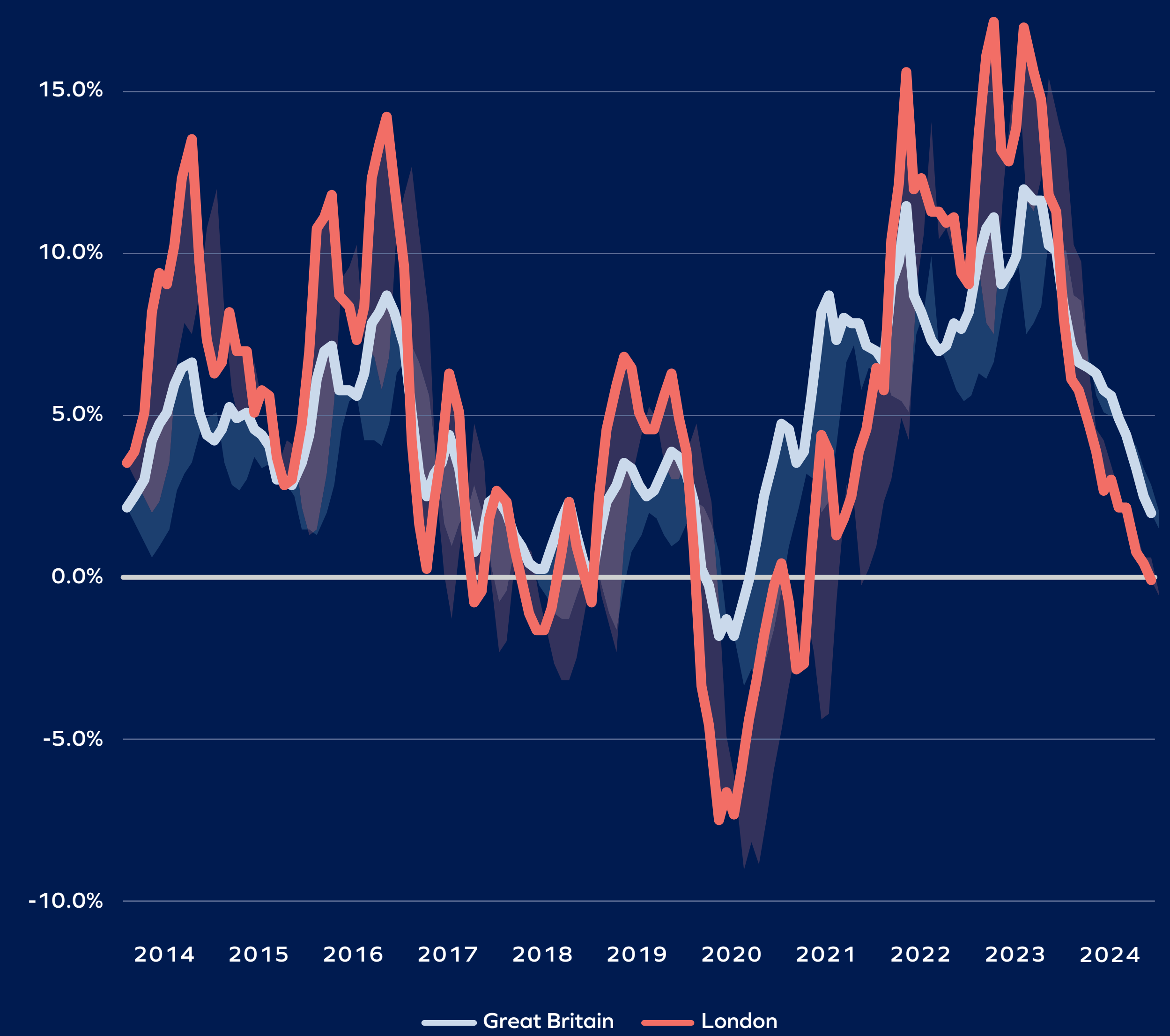
Despite higher entry costs and tighter regulations, we think the number of landlords entering the sector will pick up. But these newcomers will be treading cautiously, focusing not only on stamp duty and the direction of interest rates, but also on changes to regulations, primarily the Renters' Rights Bill, set to come into force during late summer.

This legislation rewrites the rules for tenants who will be watching to see if the new indefinite rolling contracts change their relationship with their landlord. For their part, landlords will be observing the practicalities of this new legislation: will they still be able to raise rents or regain possession of a property from a non-paying tenant? There will be much more work for the already overburdened courts of law. Our view is that landlords are likely to monitor market rents more closely, to avoid a widening gap between what their tenant is paying and the open market.

Against this background, higher rents mean that landlords are not leaving the business in droves. As the latest English Housing Survey shows, there has not been a significant sell-off, with the number of rental homes remaining almost unaltered since 2016. Institutional investors continue to broadly offset the departure of smaller landlords from the market.

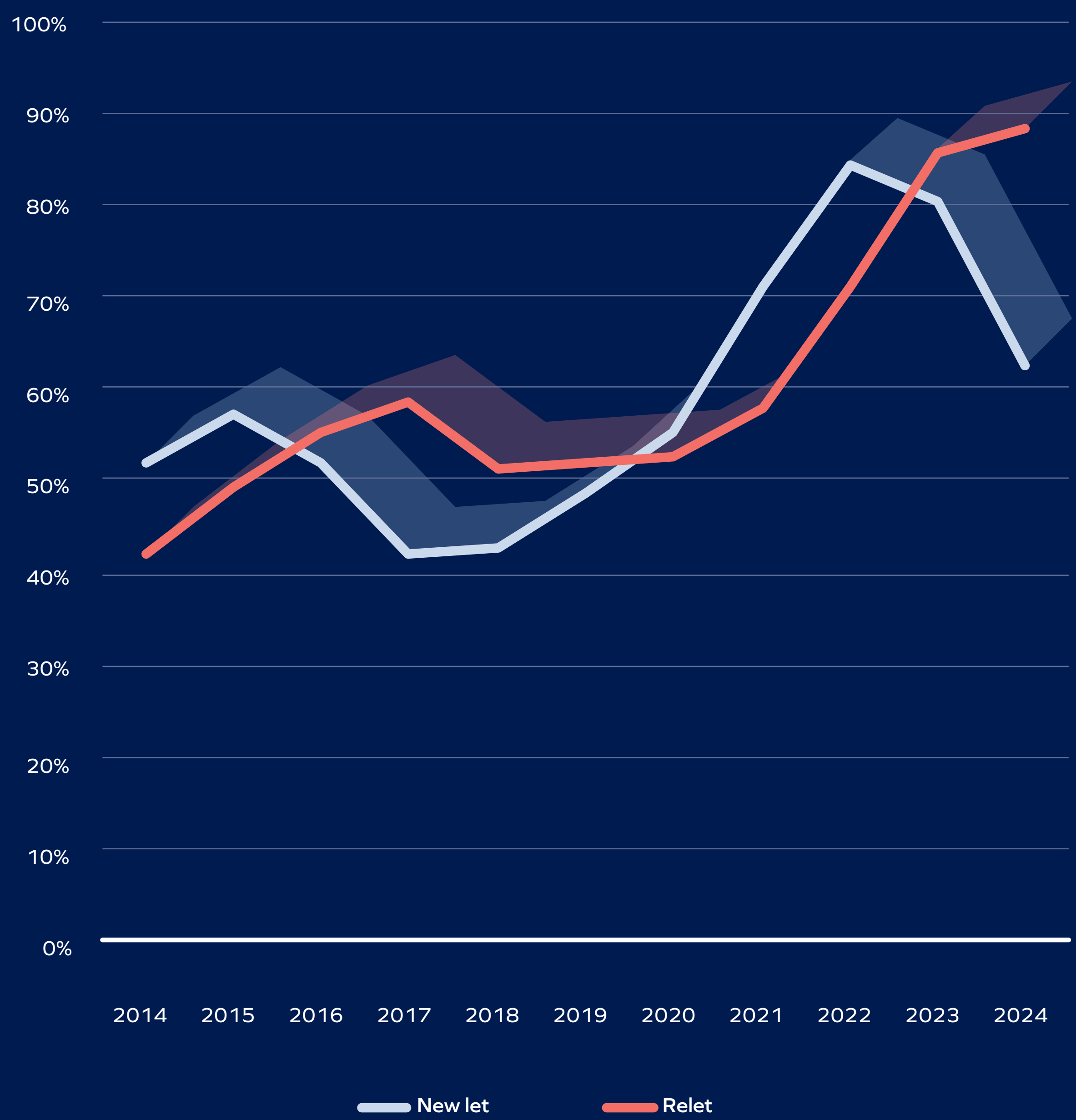
ANNUAL RENTAL GROWTH

Source: Hamptons



SHARE OF LANDLORDS ACHIEVING A HIGHER RENT THAN THEY PREVIOUSLY HAD BEEN

Source: Hamptons



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IMPACT OF THE RISING STAMP DUTY SURCHARGE ON SECOND HOMES

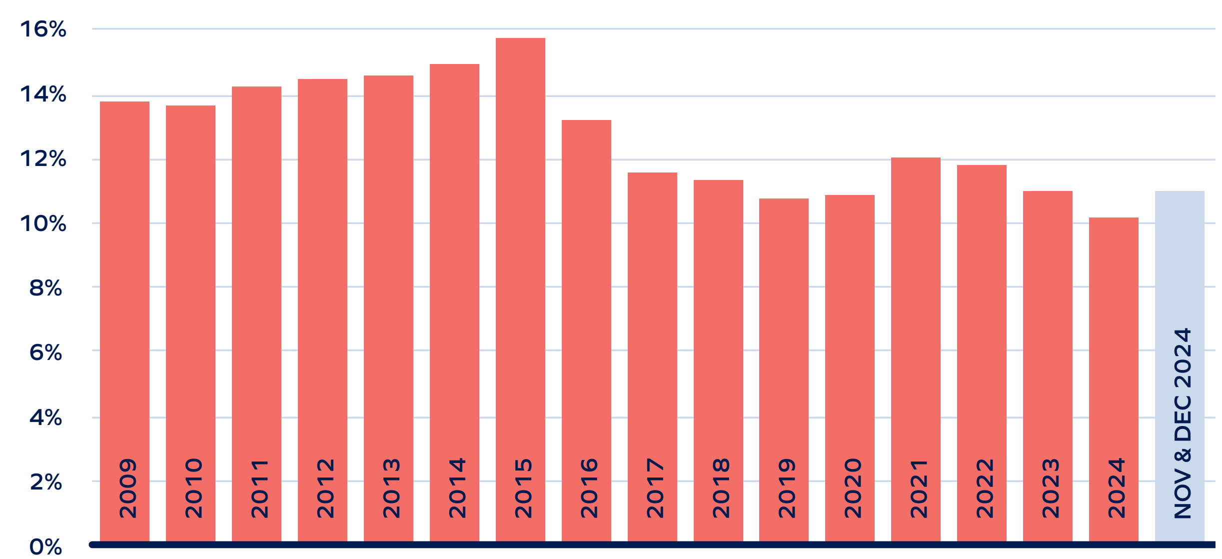
The recent increase in stamp duty surcharge for landlords, from 3% to 5%, has not significantly deterred buy-to-let investments as initially anticipated. Despite the tax bill for a £300,000 rental property rising from £11,500 to £17,500 post-Budget, and set to increase further to £20,000 from April 2024, landlord purchases have remained relatively stable.

In November and December 2024, the first two months following the tax change, landlords acquired 11.0% of homes sold, slightly above the year's monthly average of 10.2%. This figure aligns with recent years' trends, although it remains well below the 2015 buy-to-let boom peak of 15.7%.

The higher surcharge is, however, influencing investment patterns. More landlords are now focusing on the Midlands and North, where lower property prices result in smaller tax bills. The North East, in particular, has seen an increase in landlord purchases, with 18.4% of homes changing hands in November 2024 bought by landlords, surpassing pre-surcharge levels. This region's appeal lies in its attractive gross rental yields, averaging 9.7% in 2024 compared to London's 5.7%, despite generally lower capital gains historically.

The government's decision to raise the surcharge aims to generate an additional £400 million in revenue, based on projections of only a modest decline in investor purchases. While immediate reactions support this view, the experience in Scotland, where investor purchases fell from 10.3% to 5.8% following the introduction of a more zealous surcharge, suggests a potentially different long-term outcome.

SHARE OF PURCHASES BY AN INVESTOR



Source: Hamptons

FOCUS

EQUITY HANDOUTS

Every year in England and Wales, 1 million to 1.2 million homes are sold to buyers paying with either a mortgage or cash. But no money changes hands in another 130,000 transactions because these properties have been passed down or gifted to family members. This figure is equivalent to around 13% of the sales which took place across England & Wales.

Our research, based on a Freedom of Information (FOI) request, shows that, in each of the five years to 2019, 8%-25% of the homes that passed into new ownership had been gifted to children, grandchildren, or other beneficiaries.

Most such transfers between those who have amassed property wealth and those who may be struggling to afford homeownership tend to be made when the property market is slow.

The pace of these transactions has been accelerated by higher rates of capital gains tax (CGT) on the sale of second homes, which can make it more attractive to pass on a property to a family member rather than putting the home on the market. Under the inheritance tax rules, such transfers are tax-free so long as you survive seven years beyond bequeathing the gift.

In 2023, there were as many as 152,000 such transactions, and in 2024, this is estimated to have risen to as many as 220,000.

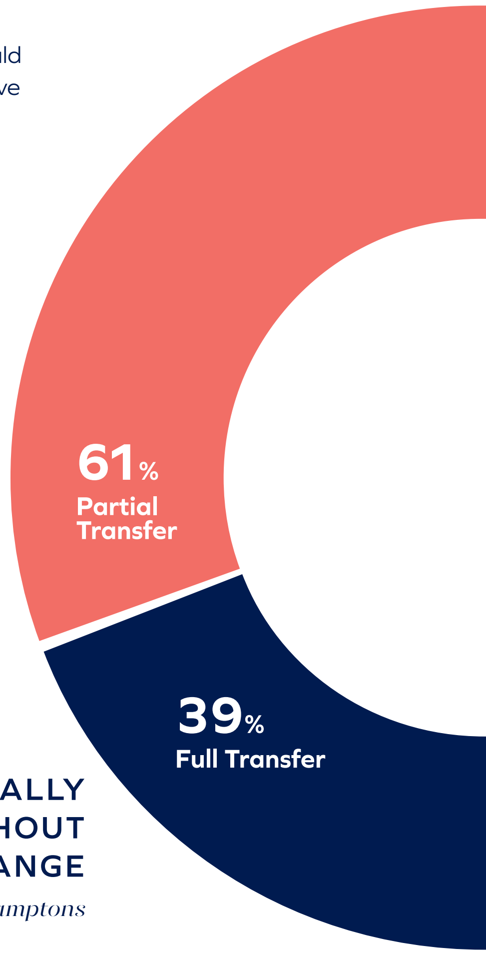
This gifting takes two forms. In 2024, about 61% of transactions involved passing a share in a primary residence to another individual, a spouse or a partner. In the other 39% of transfers, an entire property is handed over, usually to a child.

This total seems set to increase following a series of changes to inheritance tax (IHT) in the Autumn Budget, under which the nil-rate threshold and the residence nil-rate band remain frozen until April 2030. Unused pension funds are set to be brought within an individual estate for IHT purposes, and agricultural and business property reliefs are set to be reformed.

These measures, which aim to boost the sum raised for the Exchequer by IHT, could be followed by further changes to improve the tax take. Concerns that the rate of CGT on the disposal of second homes could be increased remain.

Furthermore, there are precious few signs that younger generations will need less help to buy any time soon, meaning older generations with the means to do so will continue to support their children well in advance of a potential inheritance.

> "In each of the five years to 2019, 8%-25% of the homes that passed into new ownership had been gifted to children, grandchildren, or other beneficiaries."



HOMES FULLY OR PARTIALLY TRANSFERRED WITHOUT MONETARY EXCHANGE

Source: Land Registry & Hamptons

Want to read more of our research? Scan the QR code above.