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New Forecast Slashes 2025 House Price Growth from 4% to Just 1%

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The U.K. housing market is expected to see far less growth in 2025 than previously predicted, with property consultancy Savills cutting its annual house price forecast from 4% to just 1%. The revised outlook highlights reduced buyer activity, ongoing global instability, and potential domestic tax changes as key factors holding back momentum.

Savills, known for its detailed property market analysis, has adjusted its expectations following what it describes as a disappointing start to the year. Falling interest rates had initially improved affordability, but that has not translated into stronger buyer demand. Instead, political and economic uncertainty has weighed heavily on confidence.

Lucian Cook, head of residential research at Savills, explained the shift, saying: "Interest rates have fallen as expected, giving buyers a bit more financial capacity than they had a year ago. But a lot has changed over the last six months. Greater geopolitical uncertainty, including tariffs and trade wars, has made predicting the precise path of further cuts more challenging."

Buyer Hesitancy Builds

House price growth has been steadily slowing. According to Nationwide Building Society, prices rose by just 2.1% in the year to June, a drop from 4.7% in December 2024. Cook said the most recent quarter has seen notably weak activity despite better affordability conditions.

He added: "The last three months have been marked by a lack of buyer activity, despite improving affordability, and annual house price growth slowed to 2.1% in the year to June, according to Nationwide (down from 4.7% in December 2024). In light of this and the potential for more buyer uncertainty in the run-up to the Autumn Budget, we have revised our house price forecast for this year."

The top end of the market appears most at risk, with Savills noting that fears around tax changes have had a disproportionate effect on wealthier buyers. These concerns come amid wider speculation about new fiscal policies being floated in Westminster.

Earlier in the year, activity was temporarily boosted by changes to Stamp Duty Land Tax, which triggered a rush of transactions. March saw the second-highest monthly sales volume since 2006, but that pace was short-lived. According to figures from the Royal Institution of Chartered Surveyors, buyer enquiries soon dropped to their lowest level since September 2023.

Meanwhile, housing supply has remained steady, further reducing the upward pressure on prices. The second quarter of 2025 saw average values dip by 0.5%, largely due to a backlog of unsold stock.

Emily Williams, director of research at Savills, believes some recovery is still on the cards. "We anticipate that buyer demand will pick up heading into early autumn, particularly among first-time buyers and mortgaged home movers, driven by an expected base rate cut in August and a more competitive mortgage market. Consumer confidence in June was the joint highest since last summer, and mortgage rates remain at their lowest for a while."

Savills maintains its full-year transaction forecast of 1.04 million sales. While price growth will be modest in the short term, the agency projects a cumulative 24.5% rise in house prices by the end of 2029, which could add over £86,000 to the average home's value.