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UK Housing Market Slows with Steepest Quarterly Fall in a Year

UK house prices recorded a steeper-than-expected decline in May, signalling a potential turning point for the property market following months of volatility.

According to the latest figures from Halifax, the average UK house price fell by 0.4% month-on-month to £296,648, significantly exceeding the 0.1% drop forecast by analysts. It marks the third decline in the past four months and the largest quarterly fall since June 2024.

Annual price growth also weakened, slowing to 2.5% in May from 3.2% in April. This represents the lowest year-on-year increase in nearly a year, suggesting that the market is beginning to lose momentum amid persistent economic uncertainty.

Amanda Bryden, Head of Mortgages at Halifax, attributed the slowdown to a combination of factors, including reduced affordability, buyer caution, and a fading post-pandemic sales surge.

“The housing market appears to be stabilising after the temporary spike in activity earlier this year, which was driven by buyers rushing to complete purchases ahead of the April stamp duty changes,” Bryden said. “As the impact of that deadline fades, we’re seeing a more measured pace of activity.”

Data from the Bank of England supports this trend. Mortgage approvals, a key forward-looking indicator, fell for the third consecutive month in April, dropping by 3,100 to 60,500. Meanwhile, HMRC reported that residential property transactions plummeted by 64% between March and April, falling from 177,440 to just 64,680.

Jeremy Leaf, a North London estate agent, noted that while demand has softened, transactions are still occurring, albeit with more negotiation and price sensitivity.

“Many properties brought to market before the stamp duty increase remain unsold,” he said. “Sellers who are realistic on price are still finding buyers, but inflated valuations are increasingly being challenged.”

Looking ahead, market activity is expected to remain subdued until there is greater clarity on interest rates and inflation. Analysts suggest that a potential cut by the Bank of England could provide a boost later in the year, but in the short term, stability will depend on broader economic indicators.