

Quilter Property review

August 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.



Another reduction to Bank Rate

In its August meeting, the Bank of England (BoE) voted to reduce Bank Rate from 4.25% to 4%. This is the fifth cut since August 2024 and the lowest level in over two years.

The decision may have come as a surprise to some, as inflation rose to 3.6% in June and 3.8% in July according to the Office for National Statistics. The BoE expects inflation will increase to around 4% in September (double its target of 2%) but believes that the spike will be temporary.

The reduction in Bank Rate may present opportunities for borrowers on tracker mortgages and those with fixed deals that are coming to an end. However, mortgage rates might not see a significant change. Richard Donnell at Zoopla explained, *"The price of fixed rate mortgages already factors in the future path of base rates meaning average mortgage rates are likely to remain broadly where they are today."*



Housing market update

The housing market has had some setbacks this year, but buyer activity is slowly improving.

Savills has revised its forecast for UK house price growth in 2025 from 4% to 1%, following a *'cautious start to the year and the potential for more buyer jitters in the run up to the Autumn Budget given the state of public finances.'*

Housing supply currently remains high, as buyers have the most choice in over 10 years, according to Rightmove. This has prompted sellers to rethink their pricing, with TwentyCi reporting 21% more price adjustments between May and July than the same period last year. As a result of this competitive pricing, sales agreed are up 8% annually according to Zoopla. It will take some time before this improved activity has a knock-on effect on house price growth due to stock being high.



UK homes gain 20% in 5 years

Research from Zoopla has found that the average home has increased in value by 20% since the pandemic, amounting to an average gain of £55,800.

One million homes have increased by 50% or more, gaining £117,400 on average. More than half of these properties can be found in the North West, Wales, and Yorkshire and the Humber. These areas have become more popular among buyers in recent years as they offer more affordable options and are suited to lifestyle changes made since the pandemic.

In more expensive regions, including the south of England, the growth is more modest – half (51%) of properties have increased in value by 20%. Meanwhile, London has experienced difficulties, with 13% of homes dropping in value by 5% or more. Kensington and Chelsea, and Westminster have been the hardest hit, as nearly half of properties in these boroughs are now below their pre-pandemic price.



Data centre take-up set to soar

Take-up of data centres in London is forecast to hit new highs in 2025, according to CBRE.

The capital is expected to see take-up of 183MW (mega watts) of power capacity this year, 58% more than in 2024 and double the 2021 total. This spike is largely driven by hyperscalers, but requirements from artificial intelligence (AI) providers are also beginning to dominate the demand for capacity.

Electricity is more expensive in the UK than in other European countries, however investors continue to be attracted to London due to its established ecosystem. Currently, around 80% of all UK data centres are found in the capital and its surrounding areas.

Providers in London are struggling to keep up with the demand for data centres. Nearly all the new space expected this year will be accounted for before it is complete. As a result, the capital's vacancy rate is anticipated to fall to 8% by the end of 2025.



Retail investment makes a strong comeback

The retail property sector saw a bounce back in investor interest in Q2.

According to Rightmove, retail investment demand was 35% higher between April and June than the same period last year. This marks a positive shift for the sector, which had seen a lull in interest from investors since 2022, with demand down 15% year-on-year in Q2 2024. The rebound is driven by high-street investment demand, which has gone up by 56% annually to the highest level since 2021.

Meanwhile, supply levels in the retail sector have been decreasing since the beginning of 2024, now 4% lower than a year ago. This limited availability may have helped to increase demand for retail properties on the market.

Andy Miles at Rightmove commented, "Rate cuts are helping investment into commercial property and after a period of decline it appears that retail and office spaces are becoming more attractive to invest in."



RICS' sector overview

The latest analysis from the Royal Institution of Chartered Surveyors (RICS) shows that overall, the UK commercial property market was largely stagnant in Q2 2025.

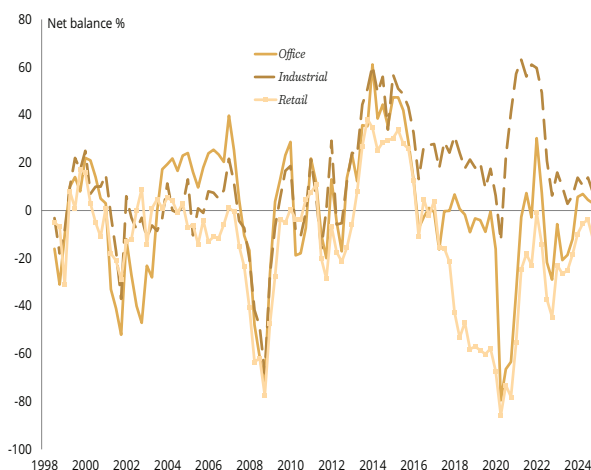
Occupier demand dipped slightly when compared with the previous quarter, with net balance figures showing marginal changes of +2% for offices and +4% for industrial property.

Conditions for the office sector are much more positive in Central London, where occupier demand is stronger than the national average. Meanwhile, vacancies rose in sectors across the country, prompting landlords to offer incentives to bring in tenants.

Looking ahead, RICS survey respondents were divided on what's to come, with 35% believing the market is moving upwards and the same proportion expecting it to take a downturn. However, most did agree that the office and industrial sectors will see growth in rental prices in the coming year.

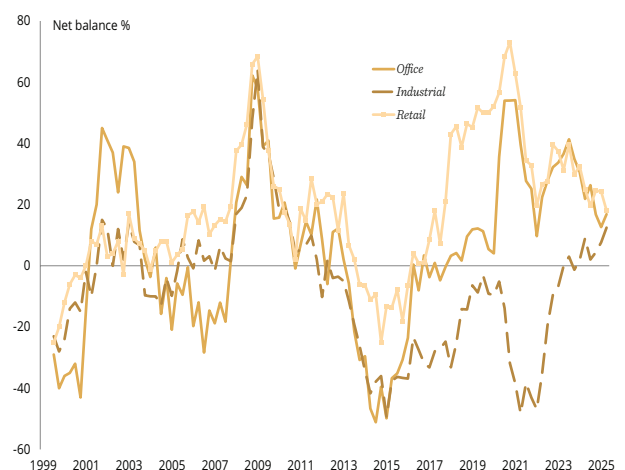
Commercial property outlook

Occupier demand – broken down by sector



- The office sector saw a small uplift in tenant demand, returning a net balance of +2% in Q2
- The same is true for the industrial sector, which saw a net balance of +4% in Q2
- Occupier demand across the retail sector remained unchanged from Q1 at -13%.

Availability – broken down by sector



- Availability of leasable space rose across all mainstream sectors over Q2
- Landlords have increased the value of incentive packages across all sectors
- A net balance of +13% in incentives for industrials is the most sizeable pick-up since 2012.

All details are correct at the time of writing (20 August 2025)

Source: RICS, UK Commercial Property Monitor, Q2 2025

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