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Property review

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.

Falling Bank Rate offers boost to mortgage holders

The Bank of England cut Bank Rate from 4.75% to 4.5% at the latest meeting of its Monetary Policy Committee (MPC) in early February.

Although the 0.25 basis point cut had been widely expected, many mortgage holders will have breathed a sigh of relief. While the MPC voted by a majority 7–2 to reduce Bank Rate to 4.5%, the two dissenting members favoured a larger drop, potentially signalling more cuts to come. Indeed, analysts were already predicting further quarter-point falls throughout 2025.

Mortgage holders on tracker deals will see an immediate benefit, while those with fixed rates will have to wait until their current deal ends to access lower rates. On the other hand, the move is a blow to those saving for a deposit, with the rates on many Lifetime ISA accounts quick to drop in line with Bank Rate.

Buyers busy in active housing market

Housing market activity in January 2025 was around 13% higher than the same time last year, new figures from TwentyCi reveal, with analysts pointing to a favourable landscape for buyers.

After a strong showing at the end of 2024, momentum has been carried forward into the new year, partly in response to upcoming changes to Stamp Duty Land Tax thresholds in England and Northern Ireland.

The changes, due in April 2025, could briefly dampen buyers' enthusiasm, though speculation around a possible relaxation of mortgage regulation has the potential to further amplify buyers' power, analysts note.

In the plus £1m market, activity was less frenzied but still a healthy 10% higher than a year ago. Elsewhere, a significant development for landlords and renters continues to edge ever closer, as the Renters' Rights Bill has now had its second reading in the House of Lords.

Government plans to shake up homebuying process

The government has announced new plans to simplify the homebuying process, which it says can speed things up and reduce the risk of fall-throughs.

The update comes after the government revealed one in three housing transactions currently falls through, at a cost of £400m a year to buyers and sellers.

Part of the plan involves the digitisation of the homebuying process, which the government believes can improve data sharing between conveyancers, lenders and other parties. Similarly, efforts to address issues with paper-based data will also quicken the process.

Announcing the plans, Housing and Planning Minister Matthew Pennycook said, "We are streamlining the cumbersome homebuying process so that it is fit for the twenty-first century, helping homebuyers save money, gain time and reduce stress while also cutting the number of house sales that fall through."

Industrial prowess helps commercial demand soar

Demand for investment in commercial property has soared following recent cuts to Bank Rate, according to Rightmove's Quarterly Commercial Insights Tracker.

The continued recovery for the investment sector comes amid falling interest rates, which make opportunities more affordable.

The industrial sector led the way, with record demand recorded. Specifically, demand for industrial listings was +72% higher than in Q4 2023, while demand within the industrial sector for leasing was +31% against the same measure.

Likewise, the office sector (+57%) has seen the biggest jump in investment demand compared to the same period the previous year. Demand to lease office space is +11% higher than the same three-month period a year ago, as the UK workforce continues the recent trend of spending more time in the office.

Prime office rents keep overall demand steady

The UK's commercial property market faltered a little in Q4 2024, figures released by RICS seemed to indicate, even as demand for high-quality sustainable offices remained strong.

Tenant demand remained steady overall in the final quarter of 2024, with a net balance of zero, data revealed. Retail property recorded negative figures but industrial (+7%) and office (+3%) demand made up for the shortfall.

Despite a few bumps in the road, the long-term outlook remains positive, the RICS data suggested. With a resilient and competitive prime office sector and strong demand for industrial property, analysts remain confident in the overall direction of travel being positive for the foreseeable future. Notably, demand for prime, quality space continues to rise, with prime office rents (+40%) one of the strongest performers in the latest quarter.

Strong Scottish demand for commercial property

Scotland's commercial property market continued its purple patch in Q4 2024, according to the latest Royal Institution of Chartered Surveyors (RICS) Commercial Property Monitor, which revealed increased demand from both investors and occupiers.

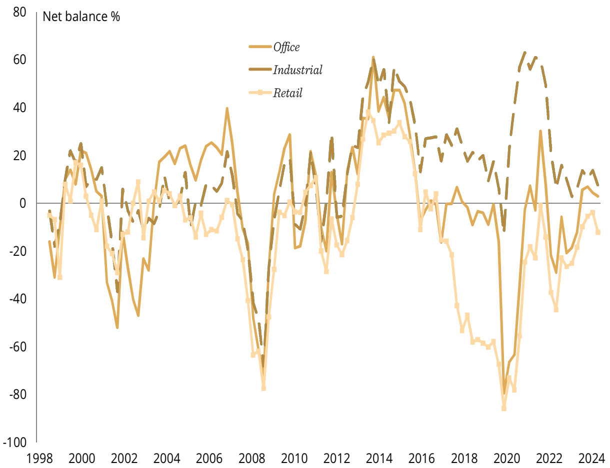
Within the sub-sectors, industrial (+41%), office (+12%) and retail (+6%) space all saw increased investor demand in Scotland. Notably, this was the first time since 2015 that investor demand for retail space had grown.

On the occupier demand side, a net balance of 10% of surveyors in Scotland reported a rise, significantly higher than in the previous quarter. All sub-sectors saw occupier demand jump: industrial space (+18%) prospered, ahead of office (+11% and retail (+3%).

Moreover, enhanced activity in Scottish commercial property looks set to extend further into 2025: a net balance of 13% of respondents in Scotland anticipate a rise in rental values over the next quarter.

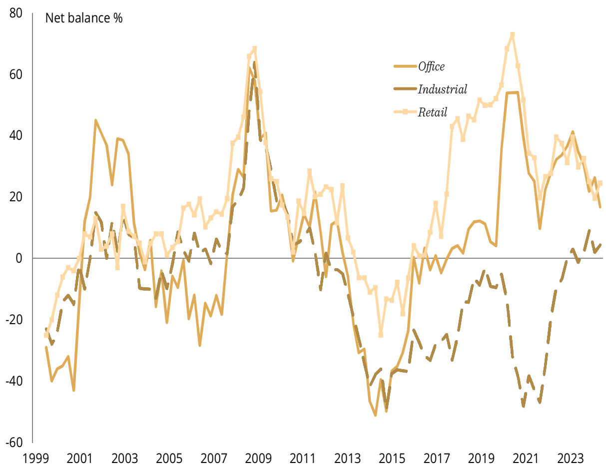
Commercial property outlook

Occupier demand – broken down by sector



- A headline net balance of zero was reported for overall tenant demand in Q4, which compares with a figure of +5% previously
- The retail sector saw its reading slip from a net balance of -4% in Q3 to -12% in Q4
- A net balance of +7% of survey participants saw an increase in demand for industrial space.

Availability – broken down by sector



- In Q4, the office and retail sectors continued to see a rise in the amount of vacant space
- In the office sector, this was the smallest (in net balance terms) since early 2022
- Availability was reported as broadly unchanged across the industrial sector.

All details are correct at the time of writing (19 February 2025)

Source: RICS, UK Commercial Property Monitor, Q4 2024