



RESIDENTIAL RESEARCH | 2025

MIDTOWN, CITY & EAST LONDON

HURFORD

SALVI

CARR



INVESTORS, INTERNATIONAL
AND SECOND HOME OWNERS
TAXED OUT OF THE MARKET

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MARKET OVERVIEW

PRICES FALL 8%

Commentators have always loved to ask the question: 'have we reached the bottom of the market?' Today, with prices across Central London at a 14-year low and rents at an all-time high (and looking likely to rise again next year), there is a strong case for arguing that the sales market has indeed reached its nadir - and that we should expect more people to make the move from rental to home-ownership in the year ahead.

The average price of a one bedroom apartment in our markets lost another 8% in 2025. The cumulative impact of successive falls since the market peaked, is that prices are 28% lower today, than they were in 2016.

A large number of rental properties that had flooded the sale market in early 2025 were withdrawn from the sales market in the final 3 months of the year. Many owners simply returned to the rental market, while others preferred to leave properties empty rather than accept the reality that prices had fallen over the past year. The net result, was that the oversupply eased and, with fewer homes available.

With investors, overseas and second home purchasers taxed out of the market, the City sales market is now dominated by first time buyers. Stamp duty remains punitive for investors, interest rates did not fall at the rate anticipated at the beginning of the year and The Renters Rights Act, which finally gained Royal Assent in October after many years of discussion and speculation, adds a layer of complexity and risk that deters new investors.

The announcement in the November Budget that landlords would be subjected to a tax surcharge on income earned from rental, only served to strengthen the case for selling up. The OBR, in its report published on the day of the Budget, acknowledged that this would 'reduce returns to private landlords' and would be likely to 'reduce the supply of rental property over the longer run'.

However, selling up is not a given. We have explained in previous reports that flats need to be properly prepared and well presented to achieve a sale. That means having vacant possession for viewings and correct pricing. During 2025 we met too many owners who were not able to offer flats with vacant possession and were uninvested in the process. The results were predictable.

First Time Buyers are a different story. The pace of rental growth in the years after covid has caused many to question the economics of renting versus buying and their stamp duty advantage over investors, makes it easier to compete. For many, the price of an apartment in City or Midtown will be lower than at any time in their adult lives. For a Londoner aged 31, the average price of a one bed apartment in our markets is around 30% lower today than when they left school in 2012. Rents on the other hand, are around 30% higher.

We experienced a healthy boost to enquiries from First Time Buyers in 2025. The problem was that their interest frequently waned once they understood that owning an apartment comes with responsibility for a service charge on top of mortgage repayments and loan interest.

The Labour government, which came into power with a landslide victory, suffered a landslide in popularity in 2025 after a succession of embarrassing events, not least the resignation of deputy Prime Minister Angela Rayner in September for failing to pay the correct level of Stamp Duty on the purchase of her second home. With manifesto commitments looking increasingly unattainable and the Reform party gaining momentum, the Budget was set very late in the year on November 26th. No doubt the team at the Treasury appreciated the extra time to consider options, but for the housing market, the prolonged speculation about property taxes only added to the malaise and neither buyers nor sellers were keen to take action until matters were clarified.

In the end, leaving aside the additional landlord tax, there was little in the Budget directed at the housing market. The additional Council Tax surcharge imposed on homes valued at over £2 million from 2028 will impact only a very small minority of homes in our markets and an even smaller proportion across the whole of the UK.

The additional tax on rental income announced in the Budget, may well be the final straw for those landlords who were already feeling the weight of policy designed to discourage small investors. For those with short lets in their portfolio, the Tourist Tax, announced just before the Budget, might also have an impact on their commitment to rental investment. It imposes an additional cost for their customers and it remains to be seen where the burden of administering the tax will land.



LIMEHOUSE E14 - 2 BEDROOM FLAT, SOLD DECEMBER 2025, £675,000

Rents continued to grow in our markets in 2025 but at the much reduced rate of around 2% over the year, most of which was recorded in the first half year. Whether that relative calm will be sustained is another question. Demand for rental homes remains robust and, with so many factors encouraging disinvestment, it seems inevitable that more formerly-rented homes will be put up for sale, depleting the stock and thereby putting further upward pressure on rents in the years ahead.

As for sales, it does look as though the conditions have been set for more stability and confidence for both buyers and sellers in 2026.

ECONOMIC OVERVIEW

TAX RISES HIT GROWTH

The electorate, the markets and the economic commentators were made to wait until November 26th before the Chancellor finally revealed the measures in her 2026 Budget – which meant that the second half of the year was dominated by speculation, leaks, ‘pitch rolling’ and endless discussion about the relative merits of tax rises and spending plans.

For the housing market, it meant a virtual impasse while buyers and sellers waited to hear what new policies might be introduced to boost construction, support demand and redress the uneven distribution of housing wealth.



CROMWELL TOWER, BARBICAN EC2 - 3 BEDROOMS, SOLD NOVEMBER 2025, £1,750,000

In the end, it was a more neutral budget than many had expected, at least for the housing market. The long-trailed Mansion Tax did materialise - but only for homes valued at more than £2 million, at a lower rate than had been feared and not until 2028. The surcharge on Council Tax requires the revaluation in 2026 of homes in tax bands F,G and H.

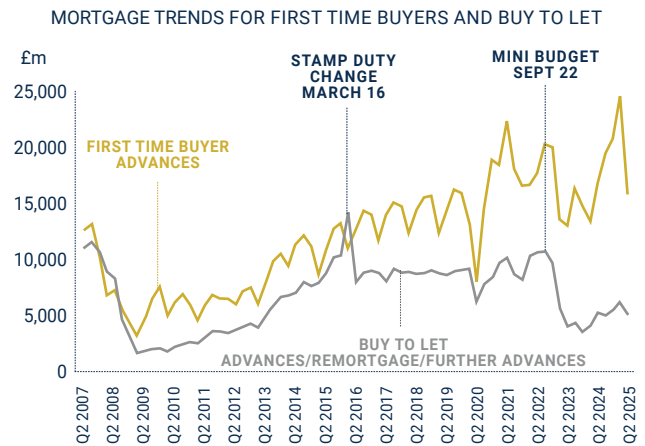
It was a little surprising that there were no new measures to help First Time Buyers or downsizers – if only to back up the government’s commitment to 1.5 million new homes. Of course, the indirect effect of lower interest rates and general sentiment will have an impact.

The one area of the housing market that was directly targeted, yet again, was the small landlord, or Buy to Let sector. The latest in a seemingly bottomless well of new ideas is the addition of a 2% surcharge applied at each tax band (basic, higher and additional), for any income earned from property rentals. This pushes the effective rate of tax from 46.8% to 48.8% for higher rate taxpayers. Figure 1, shows that across the country, Buy to Let borrowing has already dropped to its lowest level since the Global Financial Crisis.

Mortgage rates are forecast to drop in 2026 but still remain significantly higher than they were just 3 or 4 years ago. In October, the rate on a 2-year fixed mortgage with a 60% LTV (loan to value) was 4%. That is significantly less than the 6.22% a borrower would have paid in the summer of 2023 - but far higher than the 2021-2 average of 1.3%, according to the Bank of England.

UK inflation slowed more than expected to 3.2% in November a ten-month low, paving the way for the Bank of England to cut interest rates for the 4th time in 2025 on 18th December to 3.75%.

FIGURE 1



Source: Bank of England, FCA

Extending the freeze on personal tax thresholds for a further three years was the key revenue-raising policy in the Budget. It allowed the Chancellor to claim she had honoured her manifesto commitment to ‘not raise taxes’ but it was considered by many to be a sleight of hand. As wages rise, people will cross into the next tax band and the nation’s tax take will progressively increase. It means that disposable income will decline for many in the next 3 years while the funds available to government to cover spending and borrowing costs, will improve.



SPITALFIELDS E1 - 2 BEDROOM FLAT, SOLD JULY 2025, £700,000

The move reassured the bond markets - a priority for any government. The Chancellor’s prudence in extending the headroom to stay within her self-imposed ‘fiscal rules’ meant that on the day of the Budget, yields on UK government bonds fell, the pound strengthened and equities recorded modest gains.



CITY EC1 - 3 BEDROOM PENTHOUSE, SOLD OCTOBER 2025, £2,300,000

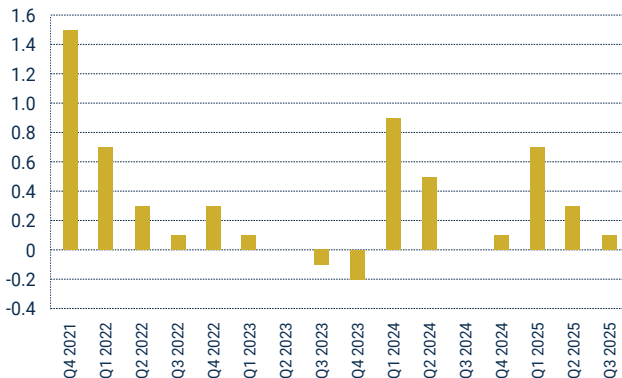
This prepared the way for one more reduction in interest rates by the year end which will be followed, all being well, by a couple more in 2026. While these have been priced into mortgage rates already, the greater certainty will underpin the all-important sentiment in the housing market.

It is undoubtedly the case that the government has faced challenges on multiple fronts – some that could not have been foreseen, in particular, the US tariffs and its withdrawal of defence support for NATO and Europe.

Real GDP is forecast to grow by 1.5% in 2025, and that is 0.5% faster than in the OBR's March 'Economic and Fiscal Outlook'. However, it was strongest in Q1 (when the SDLT deadline boosted house sales) and the rate of growth slowed to 0.1% in Q3 – when it was depressed by the Jaguar Land Rover shutdown.

The UK unemployment rate in the three months to October increased to 5.1%. The figures reflect a weaker labour market, particularly as businesses held off hiring before the Budget. The percentage of people in the UK who are unemployed is now at its highest level since January 2021, just below the peak rate seen during the Covid-19 pandemic.

FIGURE 2
REAL GDP
QUARTERLY GROWTH RATE



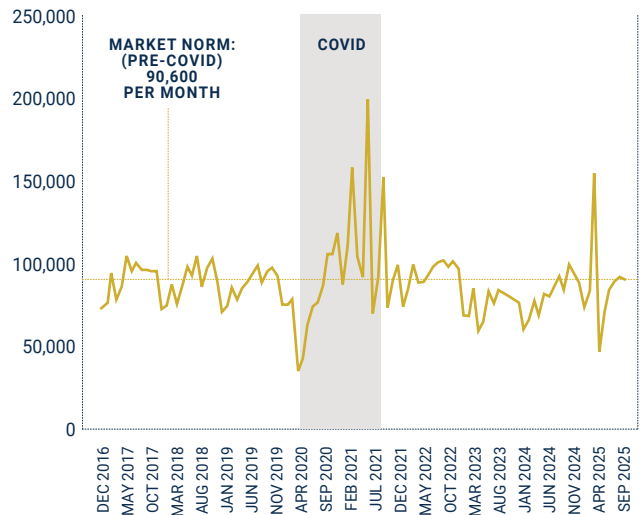
Source: ONS

The housing market is considered a barometer of national confidence and 2025 turned out to be quiet. After the spike of completions in March (ahead of the April stamp duty deadline) the market remained sluggish for the rest of the year. The 'lost months' caused by the late Budget were not recouped.

The government promised growth in its election manifesto. That has yet to materialise. Hopes of a policy boost in the Budget were dashed although some commentators still hope that a new version of Help to Buy will be announced in the months ahead, or another stamp duty concession for First Time Buyers.

There is a set of 'Consensus Forecasts' published monthly by HM Treasury which is based on a selection of forecasts from independent commentators (primarily economics consultancies and banks) which anticipates lower GDP growth in 2026 than has been achieved in 2025.

FIGURE 3
MONTHLY TRANSACTIONS : ENGLAND AND WALES



Source: HMRC

TABLE 1
CONSENSUS FORECASTS YEAR END 2025 AND 2026

	2025	2026
GDP (ANNUAL GROWTH)	1.40%	1.10%
INTEREST RATES (LEVEL IN Q4)	3.86%	3.41%
INFLATION (Q4 ON Q4 YEAR AGO)	3.60%	2.30%
EARNINGS GROWTH (Q4 ON Q4 YEAR AGO)	4.10%	3.20%
HOUSE PRICES (Q4 ON Q4 YEAR AGO)	1.80%	2.00%

Source: HM Treasury Forecasts, July 2025

SALES MARKET

BUDGET HITS CONFIDENCE

Our markets saw the biggest annual price fall since the Global Financial Crisis in 2008 as confidence amongst buyers and sellers waned over the course of 2025.

2025 saw a high number of price reductions as the market adjusted to the threat of higher property tax rises and a greater level of supply of poorly presented rental properties being offered for sale. The result was confidence that was in short supply and prices ended the year at 8% below their 2024 levels.

The price of a one-bedroom apartment today is broadly the same as it was in 2012/13, in nominal terms. In real terms, taking inflation into account, the price is effectively 33% below its 2012 level. Put another way, if an apartment that sold for £400,000 in 2012 had tracked inflation, it would be worth around £600,000 today.

Losses from property ownership is a particular concern now because of the sheer number of homes that are worth less than they were bought for. Data from Hamptons for the whole of Prime Central London, suggested that 24% of sellers sold their home for less than they paid and for owners who bought in 2015, that rises to 59%. In the UK as a whole, the equivalent proportion is around 9% - and that is consistent whether they bought 5, 10 or 15 years ago.



WHITECHAPEL E1 - 2 BEDROOM HOUSE, SOLD DECEMBER 2025, £595,000

Several factors contributed to deteriorating conditions this year. From mid-year onwards, there was the nagging threat of tax rises in the late November budget which dampened confidence amongst buyers and sellers. Lenders too, became more cautious and by the end of the year, we noticed a growing number of 'down valuations' intended to protect the lender from the threat of future price falls.

The continuing flow of investor stock put up for sale boosted supply and dented values. Ex-rental properties are very often poorly presented – especially if the tenants are still in situ during the marketing process, after all, a tenant has little incentive to show the property at its best.

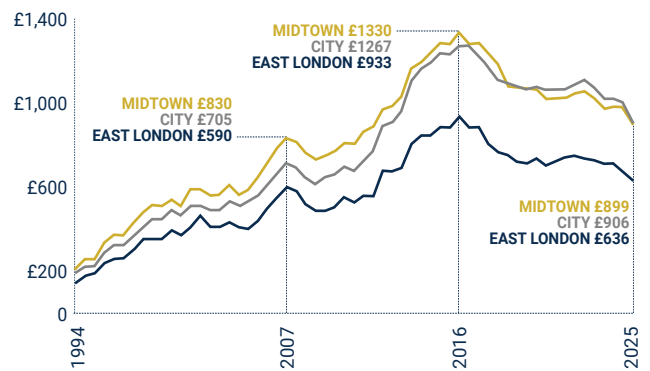
Interest rates did not drop as steeply or as often as was anticipated just a year ago and the challenges of fire safety persisted. Service charges outpaced inflation and reached levels that prospective

buyers are unable, or unwilling, to pay. Price reductions became more and more common, as confidence ebbed.

Despite all this, the average price of a London home is more than double the national average, meaning that higher interest rates hit borrowers particularly hard.

FIGURE 4

PRICE TRACKER £PSF OF A ONE BEDROOM APARTMENT IN THE CITY, MIDTOWN AND EAST LONDON, 1994 - 2025



Data based on the value of a 500 sq ft, one bed apartment in the re-sale market
Source: Hurford Salvi Carr

Of all these challenges, in our experience, it is the level of annual service charges, which were the biggest drag on demand for apartments. The unpredictable costs of repairing and maintaining a house (or flat conversion) are often preferable to a service charge liability. House repairs are not mandatory and, at least in

TABLE 2

PRICES & PRICE CHANGES FOR 1, 2 & 3 BEDROOM APARTMENTS IN THE RESALE MARKET AT YEAR END 2025

	£ 2023	£ 2024	£ 2025	£ PER SQ FT	CHANGE 2024 - 2025
MIDTOWN					
1 BED	520,000	520,000	480,000	960	-8%
2 BED	840,000	840,000	780,000	1,040	-7%
3 BED	1,700,000	1,750,000	1,600,000	1,067	-9%
CITY					
1 BED	510,000	500,000	455,000	910	-9%
2 BED	760,000	750,000	690,000	920	-8%
3 BED	1,500,000	1,500,000	1,350,000	900	-10%
EAST LONDON					
1 BED	360,000	350,000	325,000	650	-7%
2 BED	510,000	500,000	460,000	613	-8%
3 BED	925,000	925,000	850,000	567	-8%

1 bed is 500 sq ft, 2 bed is 750 sq ft with 2 baths, 3 bed is 1,500 sq ft
Source: Hurford Salvi Carr

the short term, it is possible to postpone works (and costs) to a future date. The market for houses and larger properties has

been the most resilient as buyers look for homes that will support their needs for a longer time.

It is our view that we are at or close to the bottom of the market. With prices at their lowest for over a decade and rents at an historic high, the appeal of securing a foothold in one of

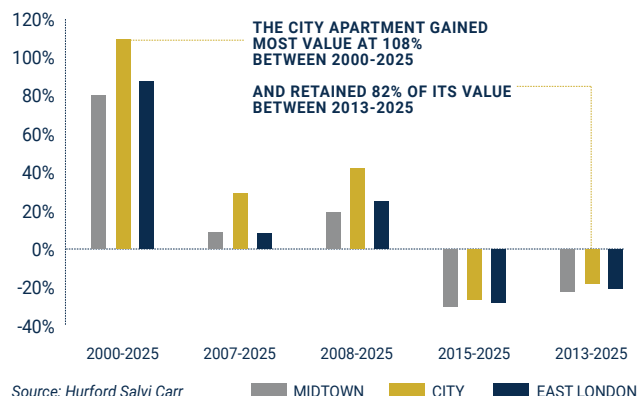
at a time that they are already incurring significant incidental costs to move. An investor buyer competing for the same property would be liable for £55,000 in stamp duty. By design that gives the first time buyer an inherent advantage.

TABLE 3
PRICES AND ANNUAL GROWTH FOR ONE BEDROOM APARTMENTS IN THE RESALE MARKET AT HALF YEAR : AVERAGE FOR MIDTOWN, CITY & EAST LONDON

YEAR	ANNUAL PRICE CHANGE %	MARKET VALUE £	ANNUAL CHANGE IN VALUE £
1998	N/A	150,000	N/A
1999	26%	189,000	39,000
2000	11%	210,000	21,000
2001	10%	230,000	20,000
2002	13%	260,000	30,000
2003	-8%	245,000	-15,000
2004	0%	246,000	1,000
2005	10%	270,000	24,000
2006	26%	340,000	70,000
2007	9%	371,000	31,000
2008	-15%	318,000	-53,000
2009	8%	338,000	20,000
2010	4%	351,000	13,000
2011	10%	386,000	35,000
2012	5%	405,000	19,000
2013	20%	486,000	81,000
2014	8%	520,000	34,000
2015	6%	550,000	30,000
2016	1%	555,000	5,000
2017	-4.5%	530,000	-25,000
2018	-8.5%	485,000	-45,000
2019	-2.1%	475,000	-10,000
2020	-3.2%	460,000	-15,000
2021	1.1%	465,000	5,000
2022	1.1%	470,000	5,000
2023	-5.3%	445,000	-25,000
2024	-2.2%	435,000	-10,000
2025	-8%	400,000	-35,000

Source: Hurford Salvi Carr

FIGURE 5
LONG RUN PRICE CHANGES FOR A ONE BEDROOM APARTMENT IN THE RESALE MARKET



Source: Hurford Salvi Carr

Prices for all types of homes have lost between 7% and 10% in our markets over the past year with 3 bed apartments at the upper end of that range. East London prices were proving more resilient than City or Midtown in 2022/23 – a trend which we attributed to affordability – but even here, prices slipped by 7% and 8% in 2025. Today, the budget required for a one bed apartment in City or Midtown would still be enough to secure a two-bed in East London.

Many investors bought into our markets in the 1990s when 'Buy to Let' was encouraged as a form of pension saving and mortgage repayments could be offset against tax on rental income. An investor who bought a one bed apartment in 1994 could sell today for around four times the purchase price, having earned 30 years or more of reliable rental income. Many of these investors have reached a natural decision point as they approach or are in retirement and choose to release their capital. The added complexity of complying with the Renters Rights Act and now the additional 2% tax levy, will often be the final nudge they needed.

the world's most dynamic global cities, must surely begin to outweigh the fear of service charges for the next generation of first time buyers.

The Renters' Rights Act will have a knock-on effect on sales. It was finally given assent in early November and will come into effect in May 2026. This will give time for landlords to prepare and will undoubtedly be a window for some investors to make the decision to sell, while no-fault evictions remain an option.

For investor buyers, Stamp Duty has been a major hurdle for several years. The top rate of stamp duty for an overseas buyer is 19%. For a first time buyer spending £650,000 on a home for their own occupation, stamp duty adds £22,500 to the purchase price



HOXTON N1 - 2 BEDROOM LOFT, SOLD AUGUST 2025, £895,000

2025 was a difficult year in the housing market and transaction volumes were low. Sadly, lower volumes did not translate into faster conveyancing. The typical time between exchange and completion is now between 5 and 7 months – almost twice as long as would have been the norm a decade ago. The process has become riddled with hurdles especially for leasehold apartments where managing agents are required to provide a 'management pack'. The Conveyancing Task Force has highlighted that anti-money laundering regulations and building safety legislation create unavoidable friction and additional costs. One third of transactions collapse after an offer has been accepted as the parties struggle to maintain their enthusiasm.

The government has proposed major changes to the way residential property is bought and sold in England and Wales, aiming to cut costs, speed up transactions and reduce the number of sales that fall through.



CHARTERHOUSE SQUARE, EC1 - 2 BEDROOM FLAT, SOLD AUGUST 2025, £820,000

The Land Registry has publicly stated that it will make its services and information "as easy as possible to access, understand and use," by 2030, while by 2035 people will be able to make simple changes to their property ownership details themselves.

There are also several industry initiatives designed to address the issue and steps that we recommend to both buyers and sellers to help accelerate the process.

For Sellers

- Instruct a solicitor early before the property comes to market.
- Prepare a full contract pack including planning history, consents for alterations and title documents.
- For leasehold properties, prepare the management pack as early as possible.

For Buyers

- Arrange financing early, especially international funds.
- Order the survey promptly from an experienced, recommended surveyor.
- Instruct a reliable solicitor who can be responsive, proactive, and contactable.

For Both

- Push for fast local authority searches. Some councils take weeks, others take months.

NEW HOMES

The government set a target for London to deliver 88,000 new homes per annum to meet the needs of its projected population - but delivery has virtually ground to a halt in the past year, with just over 3,000 new starts in the first nine months of the year.

The challenges for developers are many and in most cases, it is simply not financially viable to build new homes in the current economic and regulatory environment. Construction costs have risen sharply for materials and labour, the planning process is long and complex, interest rates remain relatively high and the regulation around fire safety standards and affordable home requirements are onerous. Add to that the fact that prices are not rising and all of this means that developers are not starting on site. The upshot is that neither 'market value', nor 'affordable' homes are being added.

On 23 October 2025, the Mayor of London and the Government announced Homes for London, a welcome package of emergency, radical measures to bolster viability and unblock stalled schemes in the capital. The headline measures include a 50% relief from CIL and a reduction in affordable housing requirements from 35% to 20%. While this is welcome it is not expected to be enough to resolve the impasse, especially as sales demand has also been low this year.

Without pre-sales the banks are not supportive and the traditional development model does not work. The reality is that as incentives for buy to let buyers have been withdrawn, fewer new homes have been built. Institutional investors have been the only significant buyers of new build off-plan, as they seize the opportunity to assemble portfolios of 'Build to Rent' properties – but even they are highly cautious in the current market.

So, when Steve Reed the new Secretary of State for Housing, Communities and Local Government repeated the government's pledge to 'build baby build' on his appointment in September, and announced that Councils may not refuse planning consent for projects of over 150 homes (instead referring the application to the government), no one seriously expected the government to get anywhere near its target of building 1.5m new homes across the UK by 2029.

The Planning and Infrastructure Bill is a piece of UK government legislation aimed at speeding up and streamlining the delivery of new homes and critical national infrastructure.

It was disappointing that the Budget did not bring any hoped-for support for First Time Buyers, either in the form of a 'Help to Buy' or stamp duty relief.

The government's new Building Safety Regulator is an additional source of delay in the delivery of new homes on high rise blocks. There is a new requirement to have the BSR approval rather than sign off from external consultants preventing some new blocks from being occupied. As at the 1st August there were 156 applications awaiting a decision from the BSR for sites yet to be built covering 34,965 new apartments. Only 32% of buildings received approval within the 12 week target.

SERVICE CHARGES - MANAGING AGENTS

The government is looking at leasehold reforms, giving leaseholders stronger rights, powers and protections to better challenge service charges. The Ministry of Housing, Communities and Local Government unveiled a consultation in July that aims to “switch on” measures in the Leasehold and Freehold Reform Act 2024. The aim is to give the five million leaseholders in England and Wales more transparency on service charges and the right to hold their managing agents and property managers to account.

The proposals would standardise service charge demands, annual reports, service charge accounts and administration charges. The service charge forms would be required to spell out clear and detailed information about how service charges are calculated and spent. Mandatory qualifications for managing agents will help to achieve this.

The Government has claimed that these changes will make it easier for leaseholders to challenge unreasonable bills. They will also save leaseholders from the burden of automatically paying for landlords’ litigation costs – currently payable even when the leaseholders have won their case.

LEASEHOLD REFORM

The government have delayed leasehold reforms until early 2026. As part of its election manifesto, Labour pledged to place a cap on leasehold homeowners’ charges, preventing freeholders from raising ground rents by more than £250 a year.

It was reported in December that Treasury officials have looked to intervene and are pushing for the plans to be dropped because it would affect pension funds that own freehold property.

Pension firms, insurance companies and international investors are warning the government that it risks torpedoing billions of pounds of investment in Britain unless ministers break Labour’s manifesto promise to reform leaseholds. The City is warning that this could have a profound impact on investment in future building projects as the rules would be changed retrospectively and also inflict losses on pension funds, which have invested £15 billion in ground rents because they regard them as a stable income stream. Freeholders will demand at least £27 billion in compensation, according to the impact assessment carried out by the previous government when it was considering similar leasehold reforms.

The government has successfully defended a legal challenge brought by a consortium of major freeholders over the Leasehold and Freehold Reform Act (LAFRA) 2024, marking a significant moment in the ongoing reform of leasehold law.

The judicial review, heard between 15 and 18 July, was brought by several prominent freeholders, including Arc Time Freehold Income Authorised Fund, Alpha Real Capital LLP, Cadogan Group Limited, Grosvenor Limited, Abacus Land 1 (Holdco 1) Limited, Wallace Partnership Group Limited, John Lyon’s Charity, and the Trustees of The Portal Trust.

While this ruling is an important next step in the leasehold reform journey – it is not the end of the battle. It seems likely that this decision will be appealed. The government has also said that it needs to complete further consultation on the rates and percentages used to calculate the cost of lease extensions. Only once these rates have been set, will leaseholders know whether their lease extension will be cheaper – and for some it could be more expensive.

FIRE SAFETY UPDATE

The Building Safety Act 2022 protects leaseholders in respect of buildings which are at least 11m high or have at least 5 storeys. Remediation in the majority of blocks should be funded by the developer responsible. Where building owners have the means and wealth to pay they will not be able to charge leaseholders for any costs for fire safety remedial works.

In July, the Government issued a Remediation Acceleration Plan (RAP) update for buildings with unsafe cladding, to put pressure on freeholders to fix buildings faster. This ignores the fact that hundreds of buildings have been waiting for the release of government grant funding from the Building Safety Fund for buildings above 18m and the new Cladding Safety Scheme for buildings between 11m and 18m.

The update confirmed that, to date, only 1,436 buildings out of 4,834 have had works completed – and this is 7 years after the Grenfell fire. The update found that works had only started on an additional 35 buildings across the whole of England since the previous October.

New legislation will make it a legal requirement to remediate buildings 18 metres or taller by the end of 2029 and for buildings between 11 and 18 metres, by the end of 2031. Freeholders who miss the deadline without a valid excuse could be prosecuted and handed serious penalties. The new law will also give Homes England and local councils power to step in and carry out works directly where landlords fail to act. Alongside this crackdown, an extra £1bn was allocated to support the social housing sector to speed up cladding removal. Local authorities and metro mayors are also being backed with over £5 million to support locally focused remediation plans.

The government has set up a new national remediation database that will be rolled out by Homes England to provide regulators with information on all relevant residential buildings that are taller than 11 metres and allow for information-sharing among regulators, delivery partners and local authorities. Other important areas covered by the RAP include protecting leaseholders from extreme building insurance costs. This is welcome and long overdue.

The Government is looking for a solution to the problem that the Building Safety Act has created non-qualifying leases 'in perpetuity'. It cannot be right that some flats are currently classified as a non-qualifying leases due to the owner's circumstances on an arbitrary date of February 2022, and that situation does not change even after a building is fully remediated and the costs fully paid up.

While a lot of attention has focused on the Building Safety Regulator's 'Gateway' process for new builds, its work assessing the Building Assessment Certificates for existing properties has gone somewhat under the radar. That may not be the case for much longer. As of early July, it had completed 170 reviews – and failed 125 of them. If this failure rate keeps up for the remaining 1,454 in its first tranche, we will be entering a new phase in the building safety crisis, where the struggle moves from obtaining an EWS1 form or a Fire Risk Assessment (External Wall) pass to obtaining a Building Assessment Certificate

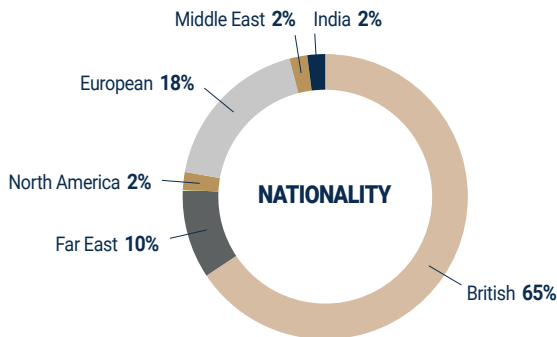
Hundreds of blocks of flats in London still have serious fire safety defects, according to figures published from the London Fire Brigade (LFB). More than 1,400 buildings have simultaneous evacuation plans should a fire break out in the block, indicating that they are unsafe for residents to "stay put".

The government's Building Safety Levy will come into force from October 2026 and is expected to raise £3.4 billion over the next decade. Exemptions will apply to affordable housing, supported housing and small schemes under ten units.

Certification delays at the BSR are common given that the government has instructed to the BSR to prioritise reviewing and approving a backlog of new developments in the system in order that they can meet their target of building 1.5 million homes over the course of the current parliamentary term (by 2029), aiming for over 300,000 homes per year.

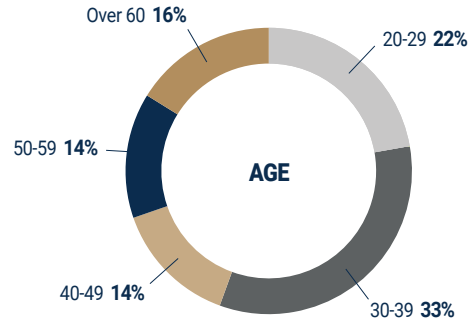
SALES MARKET

BUYER PROFILES 2025



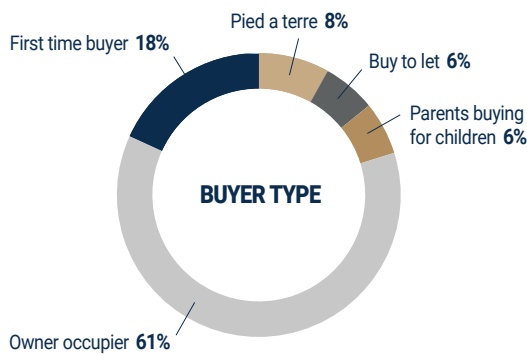
Two thirds of buyers in our markets were domestic. That has been remarkably consistent since we began collecting the buyer data 10 years ago. Europeans and those originating from the Far East make up most of the balance between them. Again, the numbers have been stable over the decade.

There has been more fluctuation in US nationals and, perhaps surprisingly, they have been far less active this year than in the period 2023-2024. With so much political uncertainty in USA, we might have expected an increase in money arriving into London, certainly we know of developers promoting new build homes in the USA, but that has not been reflected in our sales figures in 2025. We would normally see some activity from Australian buyers but, again, they have not been present in 2025. It does seem that global investors have lost confidence in the UK, at least in the short term.



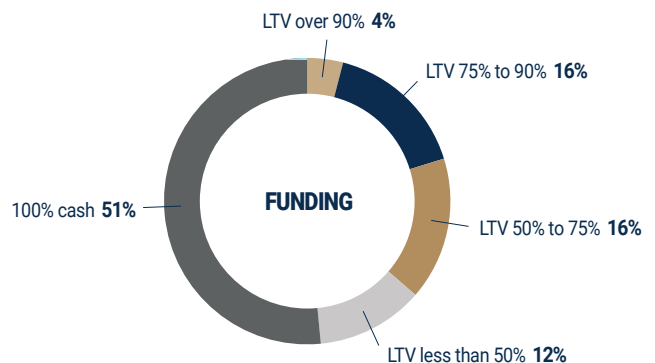
Two decade ago, we would confidently have expected homes in our markets to be rented by young professionals and purchased by mature investors, either for rental income, or as a pied a terre. That changed in the last decade when the stamp duty surcharge was introduced to disincentivise investors while there were various measures to support first time buyers.

The age profile became noticeably younger when stamp duty concessions were introduced for first time buyers on top of Help to Buy loans. In 2025 however, it seems that no policy intervention made much difference to the appetite for buying homes in our markets. Transactions numbers were well down overall and the age profile shifted. There was a significant increase in older buyers, and a notable dip in the 30 and 40-somethings. Almost a third of buyers in the last year were over 50. The analysis of 'buyer type' can shed some light on the reasons why. It was heartening however, to see that buyers in their 20s were also relatively active.



While the vast majority of purchases were bought as main homes – 80% if we add First Time Buyers to all other owner occupiers, we were surprised to see almost 10% of sales were to pied a terre buyers – a category that had all but disappeared since covid. We suspect it reflects the growing emphasis on return to the office and that these will be used 2 or 3 nights a week.

Parents buying for children are far more common. Often these parents have divested of a 'Buy to Let' property and redirected the funds into homes for their adult children. Changes to the pension rules on inheritance tax, could encourage more parents to reinvest their property wealth in this way.



More than half of the purchases in our markets in 2025 were fully cash funded. That has been the case since the steep increase in interest rates at the end of 2022 and into 2023. Before that, cash buyers generally accounted for around a third of purchases. We should note that the change is more to do with the decline in mortgage-funded purchases, rather than an increase in cash. That said, there are cash buyers making opportunistic moves on flats that are in the queue for a fire safety certificate and therefore not mortgageable.

If we add in the purchases with more than 50% equity, then two thirds of sales were either entirely, or more than half, funded by cash.

LETTINGS MARKET

HIGHER TAXES FOR LANDLORDS

Rents in our markets rose by around 2% over the course of 2025, a pace we consider to be both moderate and sustainable. The average tenancy stay in 2025 was 26 months up from 18 months in 2024 indicating a stable market.

It is a long way from the heady growth recorded in the post-covid years but the severe imbalance caused by the flight from, and return to, London has broadly been resolved. These rates of growth are in line with the expectations of institutional investors (such as pension funds and insurance companies) from residential rental income – what is generally referred to as ‘long-term patient capital’.

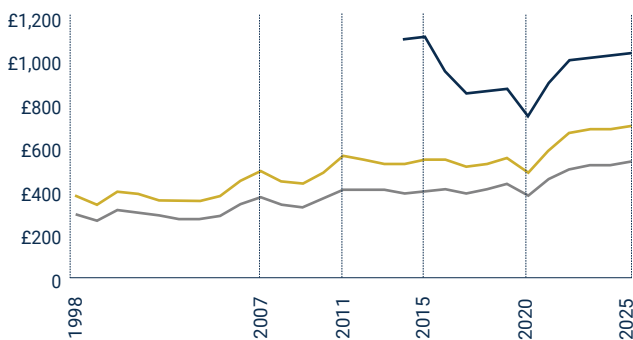


CLERKENWELL EC1 - 2 BEDROOM FLAT, LET SEPTEMBER 2025, £4,300 PER MONTH

In a return to the long-term pattern, the growth occurred in the first half of the year leading up to the summer peak, and rents remained stable in the latter months. Unfortunately, this does not reflect a return to a settled and balanced market because there are two significant changes bearing on future rental growth. The first of these is the increase in landlords deciding to sell their investment properties and the second is the Renters’ Rights Act, which passed into law in November and will come into effect from May 2026. Like so much of the policy designed to protect tenants, there are provisions in this Act that will have unintended consequences and lead to higher rents.

FIGURE 6

WEEKLY RENTS FOR 1, 2 AND 3 BEDROOM APARTMENTS
MIDTOWN, CITY & EAST LONDON



1 bed is 500 sq ft, 2 bed is 750 sq ft with 2 baths, 3 bed is 1,500 sq ft

Source: Hurford Salvi Carr

— 1 Bed — 2 Bed — 3 Bed

Sales of rental investments has put pressure on supply as renters compete for a smaller stock of properties to let. That inevitably puts upward pressure on rents this year - but the real elephant in the room is the Renters’ Rights Act.

The Act includes a ban on accepting bids over the asking rent which will encourage landlords to raise the initial asking rent simply to leave enough headroom to settle on the correct market rent. It also includes a requirement to issue a S13 notice to trigger a rent rise on an existing tenancy - which can only happen once a year and bestows on the tenant, the right to challenge the rent increase at the ‘First Tier Tribunal’. This new process will prompt landlords to increase rents as standard to avoid missing the window. To put that in context, more than half of landlords did not actually request any rent increase in the past year – before the Act came into force.

It is vital for landlords to prepare for the incoming regulation and to be aware of the timelines for its implementation.

We do expect some larger portfolio landlords to scour the market for opportunistic purchases but not our traditional investors who held one or two properties. The Budget dealt yet another blow to the investor market, by imposing an additional 2% tax on the income earned from rent at the investor’s marginal rate of tax. In reality, the additional tax will not make a material difference to yields. It will be levied on the net income after costs. Also, it will not come into effect until April 2027.

TABLE 4

WEEKLY RENTS FOR 1, 2 & 3 BEDROOM APARTMENTS
IN MIDTOWN, CITY & EAST LONDON AT YEAR END 2025

	£ 2020	£ 2021	£ 2022	£ 2023	£ 2024	£ 2025	% CHANGE 2024 - 2025
MIDTOWN							
1 BED	450	550	600	620	620	630	2%
2 BED	575	700	775	800	800	800	0%
3 BED	875	1,100	1,200	1,250	1,275	1,275	0%
CITY							
1 BED	390	510	550	575	575	585	2%
2 BED	500	650	750	750	750	760	1%
3 BED	800	1,000	1,100	1,100	1,125	1,140	1%
EAST LONDON							
1 BED	325	350	400	425	425	445	5%
2 BED	400	450	525	550	550	575	5%
3 BED	540	600	700	700	700	735	5%

1 bed is 500 sq ft, 2 bed is 750 sq ft with 2 baths, 3 bed is 1,500 sq ft

Source: Hurford Salvi Carr

While the average rental growth has been 2% in our markets, East London has seen steeper increases of around 5% on 1, 2 and 3 bed properties while the rents on larger properties in Midtown did not change at all over the year. This narrowed the gap between City, Midtown and East London but still the weekly rent for a one bed apartment in Midtown is 50% higher than for a two bed in East London. Similarly, the rent on a two-bed

apartment in the City would be more than enough for a 3 bed in East London. It is this relative pricing that probably accounts for the slower pace of growth in the more central markets as renters trade off centrality for floorspace.

Seeing the rents expressed as £ per sq ft makes the differential very clear. In East London, a 3 bed apartment attracts a rent of £25 per sq ft compared to a one bed in Midtown at £66 per sq ft. These metrics are familiar to renters in much of continental Europe but have not been widely used in the UK where 'number of bedrooms' has been the more usual space comparator. London has 'space standards' for new build homes that set minimum size requirements and thus a one bed apartment is likely to be 500 sq ft or more in London, whereas in Paris (for instance) that might be considered spacious.

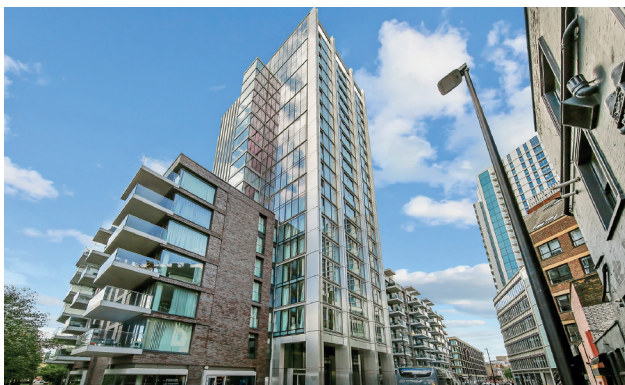
TABLE 5

ANNUAL RENTS FOR 1, 2 & 3 BEDROOM APARTMENTS IN MIDTOWN, CITY & EAST LONDON AT YEAR END 2025

	WEEKLY RENT £	SQ FT	TOTAL RENT PAYABLE P.A. £	RENT PSF £
MIDTOWN				
1 BED	630	500	£32,760	£66
2 BED	800	750	£41,600	£55
3 BED	1275	1500	£66,300	£44
CITY				
1 BED	585	500	£30,420	£61
2 BED	760	750	£39,520	£53
3 BED	1140	1500	£59,280	£40
EAST LONDON				
1 BED	445	500	£23,140	£46
2 BED	575	750	£29,900	£40
3 BED	735	1500	£38,220	£25

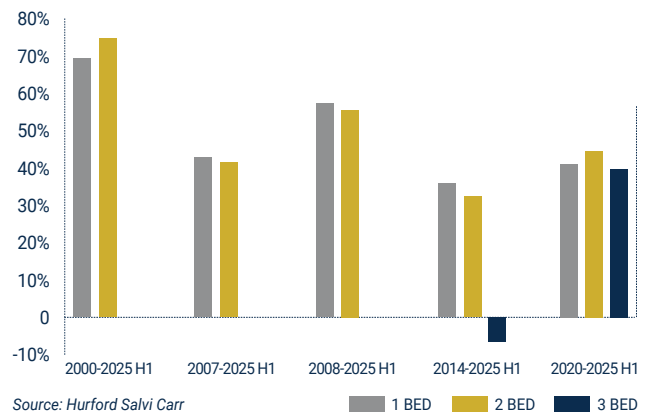
1 bed is 500 sq ft, 2 bed is 750 sq ft with 2 baths, 3 bed is 1,500 sq ft
Source: Hurford Salvi Carr

It is 25 years since the start of the new millennium, a fitting point at which to look back at long term rental growth. The average rental growth for a 1 bed apartment is 2.75% per annum – very much in line with the growth recorded this year. For a two bed it was marginally higher at an average of 3% per annum over the 25-year period.



ALDGATE E1 - BEDROOM FLAT, LET SEPTEMBER 2025, £6,000 PER MONTH

FIGURE 7
LONG TERM RENTAL GROWTH



Source: Hurford Salvi Carr

Of course, these averages disguise volatility from year to year. Over that time there have been three periods where rents have fallen by more than 10%. These were: post dot-com bubble in 2001-2003; post Global Financial Crisis in 2008 – 2009 and during covid in 2020. The steepest fall was in 2020. Each was followed by a period of significant growth in: 2006/7; in 2010/11 and, as the city recovered from the impact of covid, in 2021/2. Growth exceeded 10% in these years and reached close to or above 20% in 2006 and again in 2022.

TABLE 6

GROSS INVESTMENT RETURNS FOR ONE BEDROOM APARTMENTS AVERAGE OF MIDTOWN, CITY AND EAST LONDON 2014 - 2025

	GROSS ANNUAL INCOME £	CAPITAL VALUE £	GROSS INITIAL YIELD %
2014	21,060	520,000	4.10%
2015	21,580	550,000	3.90%
2016	21,840	555,000	3.90%
2017	21,060	530,000	4.00%
2018	21,840	485,000	4.50%
2019	23,140	475,000	4.90%
2020	20,280	460,000	4.40%
2021	24,336	465,000	5.20%
2022	26,760	470,000	5.70%
2023	27,820	445,000	6.25%
2024	27,300	435,000	6.28%
2025	28,600	400,000	7.15%

Gross Yields - Gross to Net is typically depleted by 2.5%
Source: Hurford Salvi Carr

Housing economists normally expect rents to grow in line with wage inflation in the long term but to respond to local or temporary conditions in the short term. Events like the dot-com bubble and Global Financial crisis were particularly significant for London because of its clusters of financial and tech sector employment.

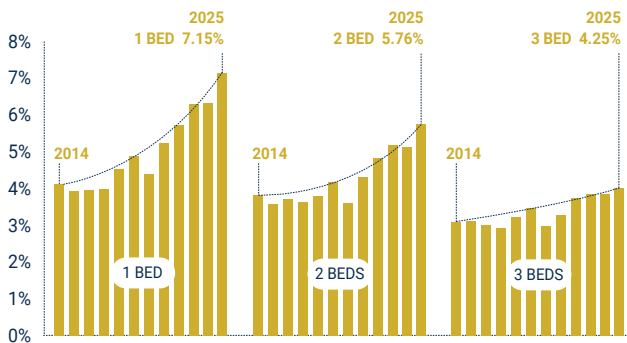


ISLINGTON EC1 - 2 BEDROOM FLAT, LET AUGUST 2025, £3,950 PER MONTH

The gross initial yield on a one bed apartment in our markets has topped 7% for the first time since we began collecting data. With capital values dropping and rents rising, yields have been steadily increasing for a decade. At 7.15%, even taking account of service charges, the returns start to look interesting when compared with bank rates. In 2015, the gross initial yield on that same apartment would have been 3.9%. Stamp duty is to blame for denting the appeal of investing in these markets.

FIGURE 8

CHANGE IN YIELDS FOR MIDTOWN, CITY AND EAST LONDON 2014 - 2025



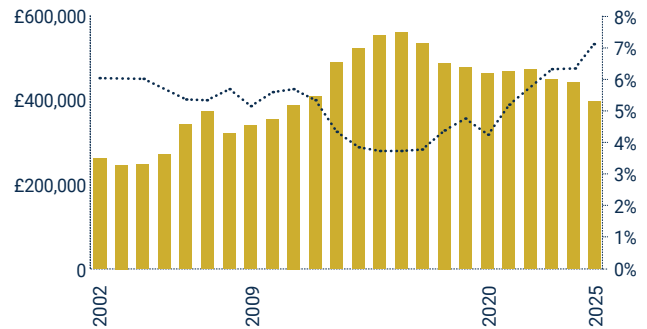
Source: Hurford Salvi Carr

For illustration only the stamp duty on a second home bought for £400,000 would be £30,000. At £500,000, it would be £40,000. If the service charge adds another £5,000 per annum, the property would earn £57,200 in the first two years and would have incurred transaction costs of £40,000 (or £50,000) in stamp duty plus service charges. Add to that, the legal and agent fees, void periods and any repairs and maintenance, and the proposition loses its shine.

A surcharge of 3 percentage points on top of the normal Stamp Duty rates was introduced for extra properties in 2016, then increased to 5 percentage points in October 2024. More than £5.4 billion was raised from the Stamp Duty surcharge imposed on those buying a property that isn't their main home in the 2024-25 tax year, up £870 million or 19 per cent on the year before for the Treasury.

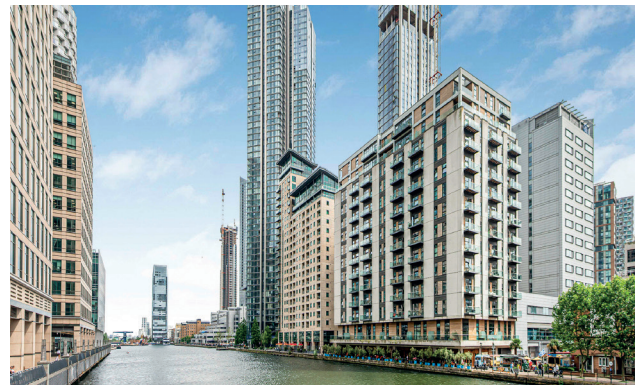
FIGURE 9

CAPITAL VALUES AND YIELDS FOR ONE BEDROOM APARTMENTS MIDTOWN, CITY & EAST LONDON



Source: Hurford Salvi Carr ■ CAPITAL VALUE £ GROSS INITIAL YIELD

The other cloud over the rental market in our areas has been cast by the international visa changes implemented in January 2024. Since then, most international students have been prevented from bringing dependents with them during their study time in the UK. The impact has been to reduce demand for rental homes from overseas students in central London over the summer months. It is not yet clear how the Renters' Rights Act will affect the seasonality of rental demand but it could impact on the traditional summer peak and spread demand more evenly through the year.



CANARY WHARF E14 - 1 BEDROOM FLAT, LET JULY 2025, £2,875 PER MONTH

RENTERS' RIGHTS ACT

The Renters' Rights Act has been designed to protect tenants and is widely expected to have unintended consequences. The most noticeable and immediate of those is the increase in landlords deciding to sell their rental investments. For some, the time is right and the Act has simply been the trigger to reach the decision, for others, it reflects a fear that they will be caught with a problematic tenant who will exploit the new rights.

Here is a summary of the provisions of the Act. Most of these provisions will be implemented from May 1st 2026.

The End of the Assured Shorthold Tenancy

Welcome to the APT (Assured Periodic Tenancy). All tenancies will be converted to a single 'rolling' periodic tenancy model. They continue indefinitely until they are terminated by tenant notice, or by landlord notice for specific reasons. Tenants can end the tenancy at two months' notice and if there are joint tenants, then notice by one will be effective for all tenants. Landlords can serve a Section 8 notice to meet specific legal grounds for possession. Different grounds have different notice periods and different statutory minimum periods of tenure.

Grounds for Possession by Landlord

These include:

- Landlord, spouse, civil partner, children, siblings, grandparents wish to occupy.
- Landlord wishes to sell
- Mortgagee in possession wishes to sell
- All these need to give 4 months' notice.
- Other provisions relate to, for example, key worker or employee housing; student lets, rent arrears and planned redevelopment.

The Abolition of Section 21 Notices

Landlords will rely on specific legal grounds for possession

Rent Increases by Section 13 Notices

Rent can be increased no more than once a year, by serving a section 13 notice. The notice must specify a new market rent and a payment date not less than 2 months in the future. Tenants can contest the rent at the First-Tier Tribunal if they believe the increase is unfair. There is no fee to apply to the FTT and the rent will not increase until the first due after the Tribunal has made its decision. Landlords and tenants will need to rely on comparable evidence. The government is intending to set up a new body to assess rents without involving the FTT as a first step, leaving the FTT for appeals.

Ban on Rent Bidding Wars

Accepting offers of rent that exceed the initial advertised rate is prohibited. Also, tenants can challenge the rent within the first 6 months if the rent is above market level – even if the tenant bid that sum.

Decent Homes Standard

New standards for private rented homes including Awaab's Law requiring landlords to investigate damp and other serious hazards promptly.

New Anti-Discrimination Measures

Landlords will be legally prevented from discriminating against prospective tenants based on whether they have children or receive benefits although the need to prove affordability is unchanged.

RENTERS' RIGHTS ACT continued

Limiting Rental Payments in Advance

Landlords will only be able to request a maximum of 1 month's rental payment in advance.

New Landlord Registration and Redress Requirements

Landlords must join the Private Rented Sector Database and the PRS Landlord Ombudsman before the property can be marketed. Database ID numbers for landlord and property must be included in adverts.

Expanded Local Authority Powers for Enforcement

Local Authorities will no longer be required to give notice before entering a property to assess whether there is an HMO licencing offence. Tenants can apply to the FTT for a Rent Repayment Order for up to 24 months rent for over 30 different offences.

Greater Rights for Tenants to Keep Pets

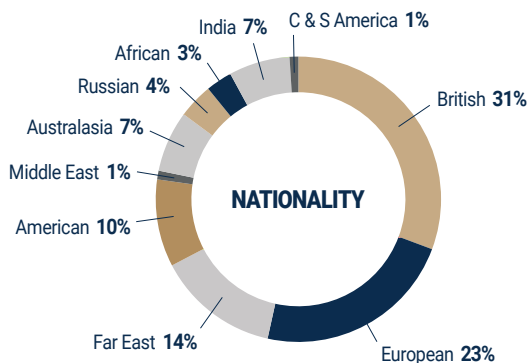
Properties can be advertised as unavailable for pets (though service animals must be permitted). However, landlords may not unreasonably refuse a request to keep a pet once the tenancy has begun and must respond to any request within 28 days.

Further Updates

The Renters Rights Act represents one of the biggest legislative changes for landlords for over 30 years. We shall be supporting our clients through every change via a series of themed explanatory communications as well as tailored advice for each specific tenancy. Our Tenancy Management team are always on hand to answer any queries and they can be contacted on 020 7791 7022.

LETTINGS MARKET

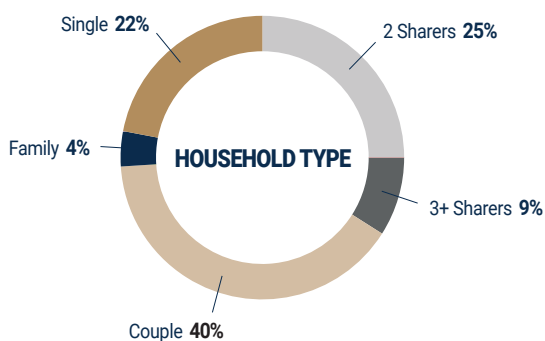
RENTER PROFILES 2025



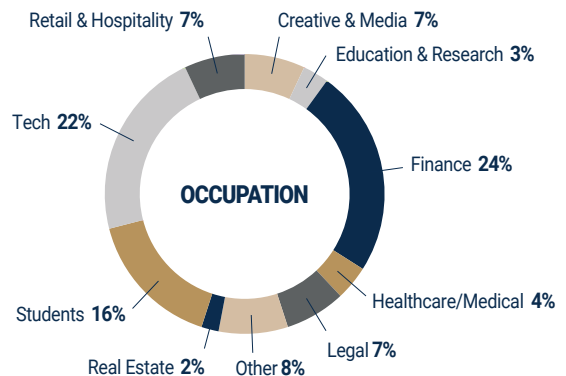
The population of renters in our markets is always more cosmopolitan than buyers. UK nationals made up just less than a third and just under a quarter originated from one of the European nations. The percentage of domestic renters has been consistent across the whole decade that we have been collecting this data but there has been a fall in the share of Europeans. They too would have been around a third of the total in most previous years.

Renters from the Far East were much more prominent in 2023 when they made up around 25% of the total but their presence has slipped back to 14% in 2025- which is more in line with the 10-year average.

There has been an uptick in the proportion of renters from the USA. We have been expecting to see an increase in the number of US citizens exploring other parts of the world while their domestic politics remains unsettled and this seems to provide the evidence.

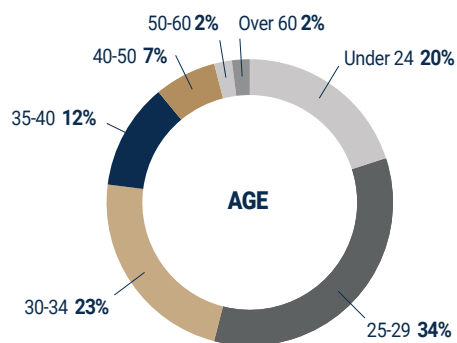


There has been a notable shift in the household composition of renters in our markets. Sharers and families have been fairly consistent over the long term but there has been a significant fall in the proportion of singles - and a corresponding rise in the proportion of couples. That seems certain to be a response to affordability. The monthly rent is considerably more affordable when shared between two incomes which encourages the decision to co-habit.



The biggest change in the occupation profile of renters this year has been the increase in the proportion working in tech. They accounted for 22% of the total in 2025, compared to an average of 10% over the past decade.

The prominence of the Finance sector has remained unchanged at or close to 25% for the whole period but there has been a notable fall in the proportion of students - making up 16% of the total this year, whereas the norm for the past decade has been closer to a quarter. There has been widespread commentary on the decline in overseas students and they have long been a stalwart of renter demand in our markets.



More than half of renters in our markets are in their 20s. We refined the age banding earlier this year to show more detail and we can see that the renting population tails off steeply after 35 years old.

We can assume that people move into the owner occupier market around this time but, certainly over the last year, they have not translated into buyers in our markets. More likely they have moved to less central markets where their buying power is greater. However, we expect to retain more of these as buyers in the years ahead now that the affordability differential has narrowed.

FUTURE PROSPECTS

RENTS TO RISE

2026 will be the year that markets come to terms with the loss of fixed-term tenancies; the end of no-fault evictions and the arrival of far greater tenants' rights to challenge rent increases. The way landlord and tenant behaviours change will be pivotal for the medium-term outlook for London's housing market.

We believe that The Renters' Rights Act will encourage investors to sell, discourage new investors from buying and thereby deplete the stock of rental homes – which will, in turn, put upward pressure on rents. The tax surcharge on rental income from April 2027 announced in the Autumn budget, will accelerate the loss of small investors.

The government has announced that it wants England's elected mayors and local councils to be able to impose a new tourist tax on short lets and holiday lets, amongst other types of accommodation. The fee would apply to visitors' overnight trips, and the collection of the fee would be down to landlords and operators of short lets, holiday lets, hotels, bed and breakfasts, and guesthouses. This will add inflationary pressure on the rental market at a time when landlords are increasingly looking at short lets to avoid the risks of the long term rental market following the introduction of the Renters' Rights Act.

The rental market is also being starved of new supply as house construction is at a record low in London. Even if the concessions on affordable housing requirements announced in the autumn do unlock new building, (which is questionable) it will not relieve any pressure on the rental market in the next 2 to 3 years.

New building looks likely to remain sluggish in the year ahead as developers continue to face viability challenges. The Budget did nothing to help First Time Buyers or boost housebuilding, other than announce additional resources for planning. Unfortunately, that does not relieve the burden of labour, materials or borrowing costs.

The additional Council tax surcharge that will be introduced from 2028 will only affect homes valued at more than £2 million and even at that level, the additional charges are less punishing than many feared. Higher band properties will then be revalued every 5 years.

With prices at attractive levels and interest rates on a downward trend, the fundamentals are in place for an improved sales market in 2026. Confidence will be the key driver with buyers continuing to weigh up the relative merits of remaining in the rental sector or taking a stake in property as a long-term home.

Whether stock becomes available to buy, will largely be dependent on the flow of investors keen to exit the rental market. If they continue to take a pragmatic approach, balancing long-term aspirations with short-term realities, then we expect to find price levels that are acceptable to both buyers and sellers.

That said, the long shadow of Fire Safety Regulation has not been lifted. Persistent challenges presented by delay and uncertainty will continue to dampen transaction activity in our markets for any property without a valid certification. Grant funding from the

Building Safety Fund and action from housebuilders who have pledged to carry out remedial works, show little signs of coming to fruition across many residential apartment blocks in our area. Leaseholders face lengthy waits until their blocks are upgraded and they are able to move on with their lives.



ALDGATE E1 - 2 BEDROOM FLAT SOLD, SEPTEMBER 2025, £590,000

The Government's plans for a major overhaul of the home buying and selling process will add to the complexity of listing for sale, but would, if successful, streamline the process of sale down the line. The Law Society has introduced new Property Information Forms (TA6) and Leasehold Information Forms (TA7) that become mandatory on 30th March 2026 and reduce duplication of material information from the seller and are clearer to complete.

Binding contracts could be introduced to stop buyers walking away from agreements after sellers spend time answering lengthy pre contract enquiries.

Unfortunately, we are yet to see any new measures to speed up the provision of service charge information. Managing agents are often responsible for holding up leasehold sales by taking many weeks to supply management packs (for which there is a charge), only after sales have been agreed.

With the average time from instruction to completion of sales at more than six months, we welcome these reforms which, alongside greater streamlining of conveyancing services, can form part of a solution to what has become a drag on the property market and the wider economy. At the same time many will remember the last Labour government's failed Home Information Packs that were introduced in 2007 and abolished in 2010 which reduced the number of homes put on sale, and duplicated costs across buyers and sellers.

There will be local elections across London in May 2026 with the results scrutinised as a barometer of sentiment towards the government. In the same month we will see the introduction of The Renters Rights Act and we wait to see how tenant and landlord behaviour plays out post the implementation of the new rules. Ultimately, we believe that London house prices will stabilise in 2026 as first time buyers take advantage of historically low prices assisted by lower interest rates to become homeowners.

CITY

37-41 St John Street
London EC1M 4AN
Sales & New Homes
020 7250 1012
sales@h-s-c.co.uk

CLERKENWELL

1 Britton Street
London EC1M 5NW
Lettings
020 7490 1122
lettings@h-s-c.co.uk
Development & Investment
020 7566 9444

ISLINGTON & SHOREDITCH

227 City Road
London N1 7NA
Sales & Lettings
020 7549 6969
cityroad@h-s-c.co.uk

ALDGATE

61 Alie Street
London E1 8EB
Sales & Lettings
020 7680 1888
aldgate@h-s-c.co.uk
Commercial
020 7680 8655
commercial@h-s-c.co.uk
Tenancy Management
020 7791 7022

DOCKLANDS

9 Branch Road
London E14 9HS
Sales
020 7791 7000
sales.docklands@h-s-c.co.uk
Lettings
020 7791 7011
lettings.docklands@h-s-c.co.uk
Property Management
020 7791 7033
management@h-s-c.co.uk

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