



RESIDENTIAL RESEARCH | HALF YEAR 2025

MIDTOWN, CITY & EAST LONDON

HURFORD

SALVI

CARR



ONE BEDROOM
FLAT PRICES
FALL 7%

HURFORD	SALVI	CARR
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MARKET OVERVIEW

PRICES FALL, RENTS RISE

The price of leasehold flats fell in our markets in the first six months of 2025. As landlords look to sell and with no new investor buyers to replace them, supply outweighs demand. The value of one-bedroom flats were hit hardest with prices dropping by an average of 7% in the City. It is simply the case that there are not enough buyers to match the number of flats now coming up for sale.

Landlords have been slowly exiting the market for several years and in earnest since interest rates rose - but the central London markets had seemed to be insulated because so many of our investors were free of mortgage debt. The tipping point in our markets has come with the imminent introduction of the Renters' Rights Act which was designed to protect renters from unscrupulous landlords but has persuaded responsible investors that it is time to put their capital elsewhere. There are other factors driving the exodus – fire safety compliance and rises in service charges only add to the burden of costs and uncertainty for owners.

These landlords are not being replaced by new investors, who add punitive stamp duty rates to the reasons not to invest, and we expect this trend to continue in the second half of the year.



ISLINGTON EC1 - 2 BEDROOM FLAT, SOLD FEB 2025, £650,000

Rents on the other hand, rose by 3% in the first six months and we expect them to rise further, just as they have each time a new policy has been introduced to protect renters from rogue landlords. Only when the supply of rental stock is restored and the market returns to balance, do we expect growth to settle back to its more normal rate. The pace of growth has slowed however compared to the extraordinary rates experienced in the post-Covid years.

One outcome of falling prices and rising rents is an improvement in yields. The gross initial yield on a one bed apartment in our markets averages 6.85% today. A decade ago, the gross initial yield would have been 3.9%. Even after accounting for the costs of agents' fees and annual service charges, today's yield equates to a net return of 4.85%. With base rates on a downward trajectory, a net return of 4.85% begins to look interesting but we are yet to see any sign of investors returning to our markets. There has been an increase in owner occupiers and first-time buyers - perhaps sensing that there may be an opportunity.

Nevertheless buyers (who are now usually renters), remain cautious. Many making unrealistic initial offers before recognising that they will be unable to buy unless they improve their offers to closer to asking prices. We expect to see the number of first-time buyers increase in the second half of 2025 as they increasingly recognise the opportunities that exist.

Agents across Prime Central London markets such as Belgravia and Kensington have had similar experiences. The FT on June 10th reported: 'UK families seizing the moment to snap up bargain luxury homes in exclusive London postcodes as a 'dwindling pool of international buyers, deterred by new non-dom tax rules, leads to double digit price drops.'

Anti-landlord legislation has created too much uncertainty for investors, even though prices might look favourable. The Renters' Rights Act will end the 12-month lease term (AST) and remove the option for tenants to pay rent upfront. In our experience, renters generally choose to stay for 12 months and longer but it will be some time before there will be hard evidence to prove that is the case when they obtain the right to end a tenancy after only 2 months. The option to pay rent upfront has been relied upon by households with no credit history – in future they will need to find another way to secure a rental home.

We do not expect new homes to be the solution to the loss of rental stock. New home-building has been on a steady decline since 2022 across all of London but most markedly in the central areas. Homes purpose built for rental (Build to Rent) backed by institutional capital, have the potential to fill the void left by private landlords but for now, they too are constrained by viability. There are hopes that government might intervene to support the sector, particularly given its ambitious pledge to deliver 1.5 million homes during its first parliament. Mixed tenure delivery will be essential.

Without a source of new rental supply our markets, like so many others across the UK, will remain undersupplied and rents will continue to rise.



CITY EC1 - 2 BEDROOM FLAT, LET MAY 2025, £4,000 PER MONTH

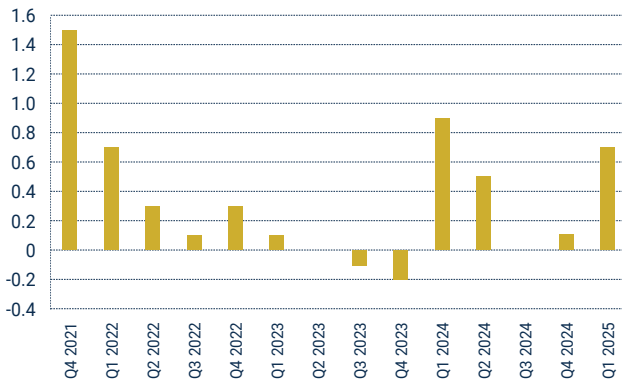
ECONOMIC OVERVIEW

GROWTH REMAINS SLUGGISH

During its first year in office, the government has been faced with challenges on multiple fronts – not least navigating the waves caused by the election of Donald Trump in the USA, while war continued in Ukraine and erupted in the Middle East. The prospect of steadying the UK economy has been made all the more difficult by the global context. At home, the rise of the Reform party, which had surprising success in local elections in April, has highlighted the rumbling discontent across the country with levels of immigration while the government has had to repeatedly defend its decisions to raise employers’ national insurance, cap child benefit and restrict the winter fuel allowance – it eventually made concessions to appease the naysayers.

Overall, growth remains sluggish at the half year point. Inflation rose to 3.5% in April, which was above target – a fact blamed primarily on the uncertainties unleashed by US tariffs. Trump’s tariffs are expected to be a drag on growth and confidence through to the year end. Trade deals with EU and India were a welcome boost to morale and there was palpable relief when the UK agreed a 10% tariff rate with USA. Nevertheless, the OECD has cut its growth forecasts for the UK citing ‘substantial downside risks to the economy’ and urged the Chancellor to take a ‘balanced approach’ to public finances, combining ‘targeted spending cuts’ with ‘tax raising measures’. It suggested another look at council rate bands based on updated property values.

FIGURE 1
REAL GDP
QUARTERLY GROWTH RATE



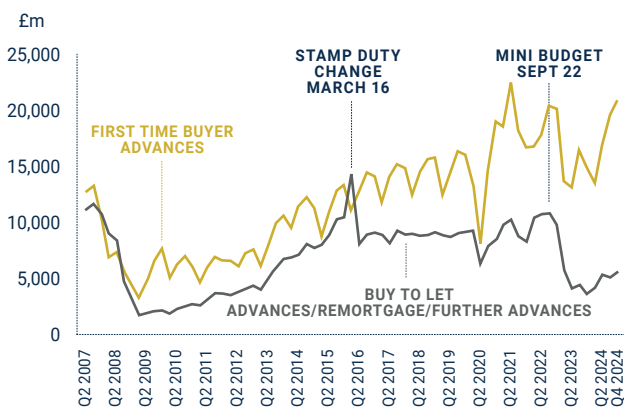
Source: ONS

There was encouraging news. An interest rate cut in May of 25 basis points, reduced the base rate to 4.25% - the second drop of the year and the fourth since its peak of 5.25% last year. The economy recorded modest growth in Q1 of 0.7% - which was higher than had been forecast - but dipped again in April – in part explained by the April 1st stamp duty deadline.

The Spending Review announced on June 11th set out the government’s spending plans until the next general election. The chancellor prioritised defence and NHS at the expense of other services. Both are widely accepted as deserving beneficiaries but the scale of additional investment for defence was not anticipated even a year ago. This shift in focus means that local authorities, which are already struggling to balance their budgets, will need to make further economies which could impact on housing, transport and welfare. Education has been more protected.

The Chancellor also announced a £39 billion allocation of funds for an Affordable Homes plan. It was described by the National Housing Federation, an organisation that represents the sector, as the “most ambitious affordable homes programme in decades and will kick start a generational boost in the delivery of new social homes”.

FIGURE 2
MORTGAGE TRENDS FOR FIRST TIME BUYERS AND BUY TO LET



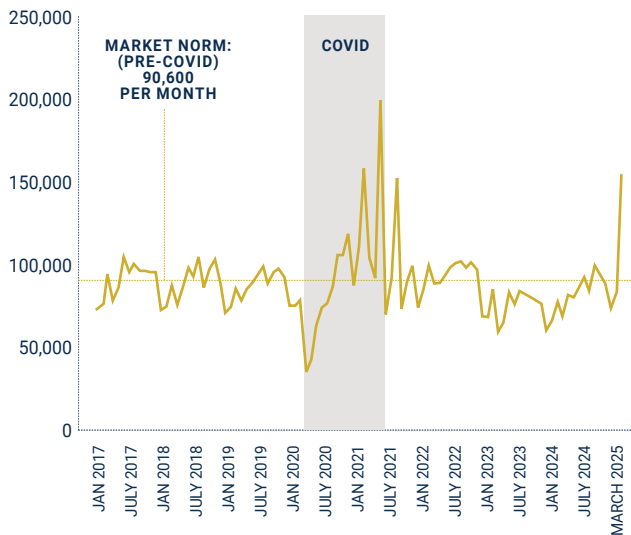
Source: Bank of England, FCA



CLERKENWELL EC1 – 3 BEDROOM PENTHOUSE, LET MARCH 2025, £6,000 PER MONTH

The publication of the industrial strategy has been pushed back to the end of June, so that it can take into account announcements in the Spending Review but it is expected to include 8 growth sectors which are: advanced manufacturing; clean energy; creative industries; defence; digital and technologies; financial services; life sciences and professional and business services. It will include measures to address two of the biggest challenges to the economy: skills shortage and high energy costs. This, and the infrastructure strategy, are designed to boost economic growth and to distribute it through the regions but we would expect that London’s established and successful clusters such as life sciences around Kings Cross;

FIGURE 3
MONTHLY TRANSACTIONS : ENGLAND AND WALES



Source: HMRC

technology in Shoreditch and Financial Services in City and Canary Wharf, will also be reinforced.

In April, the government abolished the centuries-old non-dom tax regime, which allowed wealthy foreigners living in the UK to shelter their worldwide assets from British taxes for an annual fee starting at £30,000. In its place, the Treasury introduced a much less generous residence-based system that requires any wealthy foreigners who have lived in Britain for longer than four years to pay UK income and capital gains taxes on their global earnings. If they stay long enough in the country, their worldwide assets will also become subject to UK inheritance tax at 40 per cent, which is one of the highest rates in the world.

The Times reported that Britain is on track to lose a record 16,500 millionaires this year as tax increases and falling economic confidence drive wealthy residents abroad. The exodus is part of a “historic wave of wealth migration”, with multiple countries competing for talent and capital.



ALDGATE E1 – 1 BEDROOM FLAT, SOLD MARCH 2025, £585,000

The scale of the exodus following these changes appears to have raised concerns in the Treasury, with Rachel Reeves, the chancellor, reported to be considering reversing her decision to subject wealthy foreigners to British inheritance tax.

London is a key driver of the UK economy and remains a much-prized global city. MP Liam Byrne Chair of the cross-party Business and Trade Committee summed it up well in a recent FT quote saying: “In a splintering global order we are home to world-leading science and technology, a bastion of political stability, a creative leader that plays by the rules and one of the world’s greatest financial centres. In the new world that is taking shape, we hold a lot of aces.”

The Chancellor changed the fiscal rules in the October Budget to increase the amount the government can borrow to fund capital investment and up to £113 billion has been allocated to capital and infrastructure projects. The long-term infrastructure plan will be launched around the same time as the industrial strategy at the end of June but some transport projects have already been announced for the regions including a rail link from Manchester to Liverpool, a metro extension in Birmingham and one from Newcastle to Sunderland, a link from Nottingham to Derby and a mass transit system in West Yorkshire.

TABLE 1
CONSENSUS FORECASTS YEAR END 2025 AND 2026

	2025	2026
GDP (ANNUAL GROWTH)	0.80%	1.00%
INTEREST RATES (LEVEL IN Q4)	3.89%	3.55%
INFLATION (Q4 ON Q4 YEAR AGO)	3.10%	2.30%
EARNINGS GROWTH (Q4 ON Q4 YEAR AGO)	3.70%	3.10%
HOUSE PRICES (Q4 ON Q4 YEAR AGO)	1.60%	2.00%

Source: HM Treasury Forecasts, April 2025

Another beneficiary, closer to London, will be the Lower Thames Crossing – a 14-mile road and tunnel to link Essex and Kent east of the Dartford crossing, which received planning consent in March. It will be allocated more than £1 billion to help unlock private investment. While this does not directly bear on our markets, it is a welcome indication that this government understands the need to invest in the long-term future of London as well as the regions.

Residential transactions were boosted nationally in March 2025 as people rushed to complete ahead of the stamp duty deadline but had less of an impact locally. Estimated figures from HMRC put the monthly totals at 177,440 for March and 64,680 in April. On April 1st, the nil rate threshold, which had been £250,000 returned to its previous level of £125,000 and, for first time buyers, the rate dropped from £425,000 to £300,000.

SALES MARKET

VALUE RETURNS

Property prices in our markets, continued to drift downwards again this year. They lost, on average, around 5% in just 6 months - and that follows a decade of gradual falls. One bed apartments have been hit hardest losing an average of 7% in and around the City as a large volume of landlords looked to sell. The average apartment price in our markets today is the same as it was in 2013 - and significantly lower in real terms. This is not however, what is deterring new investors, they have been driven away by a succession of policy interventions culminating in the Renters' Rights Bill.

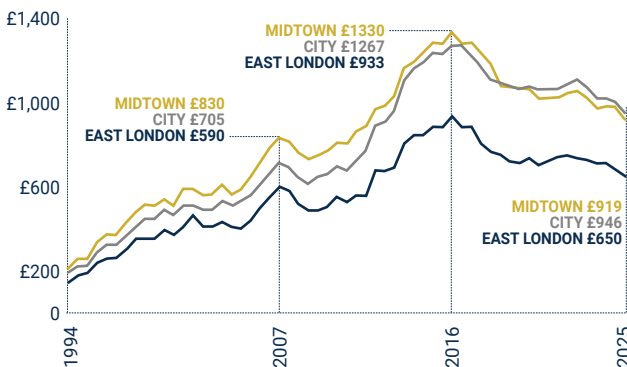


SHOREDITCH N1 – 1 BEDROOM LOFT, SOLD JUNE 2025, £700,000

With hindsight, most commentators would acknowledge that the market had become overheated, particularly in the rush to buy ahead of the stamp duty deadline in April 2016, when a surcharge was introduced for overseas investors. Since then, the appetite for investment was gradually chipped away by a series of policy interventions specifically designed to dampen demand from second home-owners, culminating in the additional charge for overseas buyers in the 2024 budget and the prospect of the Renters' Rights Bill becoming law later this year. These policies have achieved their intended purpose of discouraging investors and, as a result, our markets have become more affordable for owner occupiers - including first-time buyers.

FIGURE 4

PRICE TRACKER £PSF OF A ONE BEDROOM APARTMENT IN THE CITY, MIDTOWN AND EAST LONDON, 1994 - 2025 H1



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

It seems logical that property in our markets should be starting to look like very good value after such a prolonged downturn - but still demand remains subdued. For sellers looking to attract today's buyers it is important to consider presentation, overall condition and accurate pricing.

Investors, who for so long underpinned demand, have not been tempted back by lower values. The case for the pied-a-terre buyer is less compelling now that 'work from home' is an option for so many - although that may change as more employers try to resurrect the office team-spirit. The third staple of demand in our markets - owner occupiers - are tending to favour houses over apartments, even if it means a less central location. Service charges, as we highlighted in our 2024 Research Report, have been a major contributing factor in this change.

At the beginning of the year, there was a heartening wave of interest from first time buyers and there is no doubt that the lower prices are attracting attention. But service charges have spiralled under the weight of fire safety regulation, insurance and building work inflation and have become a major obstacle for potential buyers. A report by The Property Institute showed that service charges had risen by 41% since 2021.

TABLE 2

PRICES AND ANNUAL GROWTH FOR ONE BEDROOM APARTMENTS IN THE RE-SALE 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
H1 2025	-5.7%	410,000	-25,000

Source: Hurford Salvi Carr

Charges are now commonly £10 per sq ft, equating to £4,500 - £6,000 for a one-bedroom apartment and between £7,000 and £9,000 for a two-bed home. These are the rates in modest London apartment blocks and not in luxury blocks. Charges can be significantly higher where they include facilities such as gyms, pools and co-worker spaces.

There have been calls for greater scrutiny of service charges suggesting that bills are inflated but in our experience, the costs are generally based in reality. While owning a house also comes with maintenance and insurance costs, owners can at least manage these costs over time, whereas service charges for leaseholders are obligatory, they cannot be postponed, or spread over a longer period. On 17th June the Housing, Communities and Local Government (HCLG) Committee held a one-off evidence session examining property management companies, looking at how the sector is responding to concerns around excessive service charges, poor communication, and unresolved maintenance problems.



WILMINGTON SQUARE WC1 – 2 BEDROOM FLAT, SOLD APRIL 2025, £1,095,000

High service charges also make it more difficult to raise mortgage finance for first time buyers as lenders require proof that the borrowers can cover these costs as well as their monthly repayments.

For investor buyers, the major deterrent is Stamp Duty. The top tier rate for an overseas investor today is 17% for a price between £925,001 and £1,500,000 rising to 19% for a sum over £1.5 million.

Councils have also given the power to charge up to double council tax on furnished homes not used as a sole or main residence. It is optional but several London boroughs including Camden, Hackney, Islington and City of London took the decision to impose these additional charges from April this year. While we have not yet seen any increase in owners deciding to sell as a result, it has further reduced buyer enquiries looking for a family pied-a-terre in the capital.

The complexity of conveyancing remains a drag on the market. Sales typically take 4-6 months to reach completion these days. The system is riddled with problems, with one third of transactions collapsing after an offer is accepted. It can cost thousands of pounds – and plenty of stress – for everyone

involved. It meant that the stamp duty deadline in March – which would normally boost volumes - had little impact on sales in the first quarter. The government has said (not for the first time) that it is committed to modernising and streamlining the system and discussions are revolving around digitisation and disclosure of key property information.

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

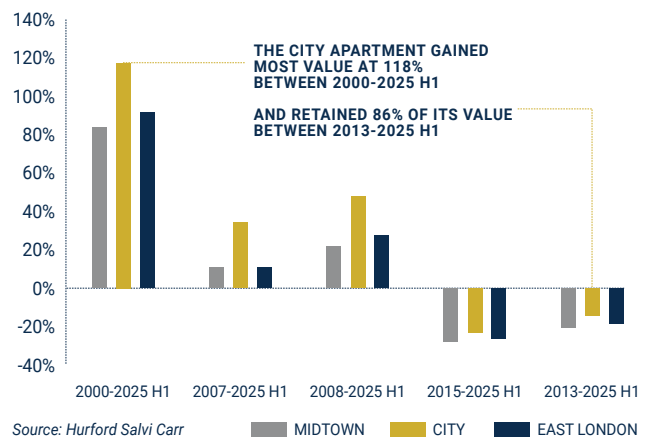
	£ 2023	£ 2024	£ H1 2025	£ PER SQ FT	CHANGE 24 - H1 25
MIDTOWN					
1 BED	520,000	520,000	490,000	980	-6%
2 BED	840,000	840,000	805,000	1,073	-4%
3 BED	1,700,000	1,750,000	1,660,000	1,107	-5%
CITY					
1 BED	510,000	500,000	465,000	930	-7%
2 BED	760,000	750,000	720,000	960	-4%
3 BED	1,500,000	1,500,000	1,440,000	960	-4%
EAST LONDON					
1 BED	360,000	350,000	335,000	670	-4%
2 BED	510,000	500,000	485,000	647	-3%
3 BED	925,000	925,000	890,000	593	-4%

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

Buying and selling leasehold property adds a layer of complexity and we would wholeheartedly welcome initiatives to streamline the production of leasehold information – but so far, that does not seem to be on the horizon even though the current system is failing parties on both sides of the transaction.

Many of the owners deciding to sell today have owned their properties since the mid 1990s or early 2000s. These were prime times for buy-to-let investment when transaction costs were

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



relatively low and the areas we operate in were being regenerated. Even as recently as 2014, buy to let investors made up 27% of our buyers and the pied-a-terre accounted for another 10%. A decade later, in 2024, they made up only 3% between them. The big shift has been to First Time Buyers, who made up 5% in 2014 and 46% in 2024 – although their share fell back in the early months of 2025.

It is interesting to review long-term price growth for that first generation of buy to let investors over the 25 or 30-year time-span of their investment. Someone who bought in 1994, would be able to sell today at four times the price they paid, while a buyer who had entered the market in 2000, would have doubled the value of their property.

The change in rents since 2000 has been slower and more reliably upwards. For investors, the steady rise in rents has compensated for lacklustre capital value growth, particularly in the post-covid years when yields have improved enormously - as discussed later. However some of the increased revenue has been eaten up by higher service charges.

For sellers looking to attract today's buyers it is important to consider presentation, overall condition and accurate pricing.

NEW HOMES

We support the government's policy to turn round the planning system and give councils new powers to speed up the delivery of new homes. Among the government's proposals on planning reform is to strip council planning committees of the ability to interfere and block planning applications as the government looks to support housebuilding.

The latest target for new built homes in London has been set at 88,000, but last year only 35,000 were delivered. Even at the housebuilding peak of the last decade (2016/2017) only 43,298 were completed.

There were just 1,210 new homes started in London in the first three months of 2025, the lowest total since the first quarter of 2009 and the government's target of 88,000 new homes to be started across the capital for 2025 looks optimistic.

Planning approvals fell to a 10 year low last year with Britain's construction sector plunging in February 2025 to its lowest level since May 2020, including one of the steepest declines on record for housebuilders, according to S&P Global construction purchasing managers' index (PMI). The fall was driven by steep declines in housing and civil engineering, while cost inflation also hit its highest point in nearly two years. Housebuilders already battling planning hurdles, higher build costs, energy costs, taxes and subdued UK demand also face new global tariffs on steel and aluminium imposed by the United States of America along with other consequences of increased global uncertainty.

The Chancellor Rachael Reeves has blamed 'well meaning regulations' for hindering construction projects including new housing. She told the IMF that 'we have gone too far in regulating for risk and we've forgotten about regulating for growth and we need to turn the pendulum back'.



CANARY WHARF E14 – 2 BEDROOM FLAT, SOLD MARCH 2025, £595,000

LEASEHOLD REFORM

The Leasehold and Freehold Reform Act (LAFRA 2024) was selected for inclusion in the 'wash-up' of draft legislation ahead of last year's general election, before the previous government left office. Its provisions cover changes to lease extensions, enfranchisement, service charges paid by long leaseholders and freeholder management charges and building safety.

Lease Extensions

Before LAFRA 2024 it was necessary to have owned for 2 years before being able to make an application to extend a lease or acquire a freehold. That time restriction has been removed altogether. The length of term granted on lease extension was previously 90 years for a flat and 50 years for a house and the Act established 990 year lease extensions for qualifying leaseholders. The ground rent will become a peppercorn on completion of the lease extension. The prescribed valuation method used to calculate what premium is payable to the freeholder for a lease extension – the marriage value calculation – will be changed under the new Act in a way that would generally result in lower amounts payable. There are still legal challenges to the new provisions.

Solicitors have reported that despite the Government's plan to bring in the Leasehold and Freehold Reform Act they have seen a rapid rise in the number of enquiries from leaseholders looking to extend their leases this year as they are tired of waiting for reforms that are supposed to make the process cheaper.

On 31st January, freeholders won the right to take the government to court over its plan to ban ground rent increases and changes to the marriage value on the grounds that it violates their property rights. The case is due to be heard in the high court in July.

Under the Act, any building that is more than 50% residential can be collectively enfranchised by its leaseholders. Previously, the limit was set at 75%. This means that many more buildings will come within scope of enfranchisement and of 'right to manage'. There are real concerns that this provision could have the unintended consequence of fragmenting estates which have long been responsible stewards of their local environment, carefully curating the type and mix of commercial uses.

Commonhold

The Government has committed to implementing all of the recommendations made by the Law Commission in its 2020 reports on commonhold, enfranchisement and right to manage, including those not currently covered within LAFRA 2024. It is expected that there will be a white paper and consultation during 2025 with publication of a draft Leasehold and Commonhold Reform Bill during the second half of 2025.

There are proposals to move to a system of commonhold for new build apartments, to replace the leasehold structure. Commonhold is more aligned to other parts of the world and means that individuals own a share in the building and have more control over its management. As yet, there is no proposal for converting existing buildings to commonhold but the government has said it is 'determined to make this easier'.

It should be noted that commonhold reform will not eliminate costs but simply shift cost decisions from a freeholder onto individual leaseholders, who become commonholders. We fully expect that buildings will continue to be managed by managing agents but those agents will be selected by the commonholders rather than the freeholder. The previous government's research on consumer attitudes of leasehold, showed that a majority of people do not want additional responsibility for managing their buildings particularly in larger apartment blocks. The small minority expressed a desire to take over management of their own block did so under the mistaken impression that their service charge would somehow be "slashed" – a false assumption now being perpetuated by the government's rebranding of service charge as a "commonhold contribution" in the white paper.

FIRE SAFETY UPDATE

With the number of buildings awaiting fire safety remedial works growing, The Building Safety Regulator and Ministry of Housing, Communities and Local Government have announced that they are planning a dedicated unit to enforce cladding remediation. The announcement followed reports that the BSR signed off just 14% of developers' remediation plans in 2023-2024. Leaseholders who have been waiting years for promised remedial works to start at their blocks have been badly let down by The Building Safety Fund which has proved bureaucratic. Thousands of flat owners face ongoing uncertainty about their homes.

The government still does not know how many buildings in England have fire safety defects, the costs of removing them, or the length of time it will take, according to a committee of MPs. In a report, the Public Accounts Committee, which scrutinises the use of taxpayers' money, cast doubt on whether the government would hit its own target of resolving the building safety crisis by 2029.

The committee predicted the cost of making buildings safe could reach £22.4bn and prevent the government meeting another of its key targets: to build 1.5 million homes. Ministers have only set aside £5.1bn to resolve the cladding crisis, expecting developers, building owners and social housing providers to pay the rest. This figure did not rise when Labour announced a plan in December to speed up the work. While hundreds of buildings have been made safe, including the majority of high-rise buildings with dangerous aluminium and plastic cladding, by December remediation had yet to start on a quarter of the 1,323 tall buildings requiring attention. Up to 12,000 buildings, and three million people are thought to have properties that they cannot sell until fire safety remedial works have been carried out.

Plans to make housing developers pay a £3.4 billion new "cladding tax" from this September have been postponed amid fears that it could jeopardise the government's target of building 1.5 million homes. Housebuilders said they would abandon developments across the country if the tax went ahead, because it would no longer be economically viable to proceed. The Ministry of Housing, Communities and Local Government said that it would now impose the levy from autumn 2026, a year later than planned.

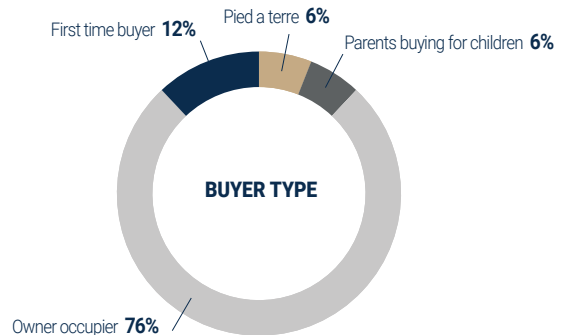
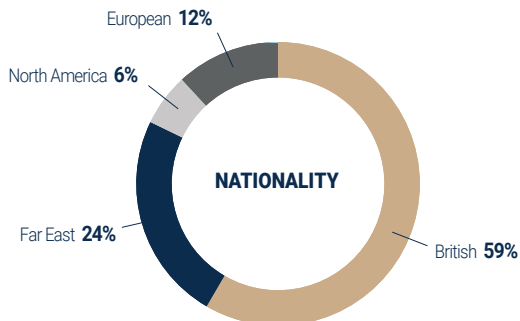
Leaseholders continue to face lengthy and overly complex processes to access the Building Safety Fund for essential works. For many this has put their life on hold. What is clear that the government has not allocated sufficient funding to keep their promise to protect leaseholders from the cost of fixing fire safety issues. Instead, the government prefers to restate that they are determined to make Britain's homes safer by making developers pay their fair share to fix unsafe buildings including through the Building Safety Levy.

In a further complication a fire engineer at a fire safety consultancy called Tri-Fire was expelled from the Institute of Fire Engineers in February for failing to work within professional competency and breaching the organisation's principle of 'accuracy and rigour'. Tri-Fire has carried out risk assessments, External Wall System 1 (EWS1) surveys and fire engineering reports on hundreds of buildings across our area. Mortgage lenders have paused lending on buildings signed off by Tri-Fire, leaving leaseholders in limbo waiting for their freeholders and managing agents to organise new fire reports and certificates. We have identified over 100 apartment blocks in our area that have historic EWS1 certificates signed by Tri-Fire and this is impacting thousands of flat owners.

Originally EWS1 forms were expected to have a five-year lifespan as it was anticipated that buildings with defective cladding would have been remediated within this timeframe. As some certificates are now approaching their five-year anniversary, lender signatories to a statement issued in May have pledged not to require wholesale reviews of EWS1 forms which are more than five years old. This agreement is still subject to individual lender policy and risk appetite. Lenders may consider alternative evidence about the remediation status of a building and whether the lease is a qualifying lease under the Building Safety Act 2022.

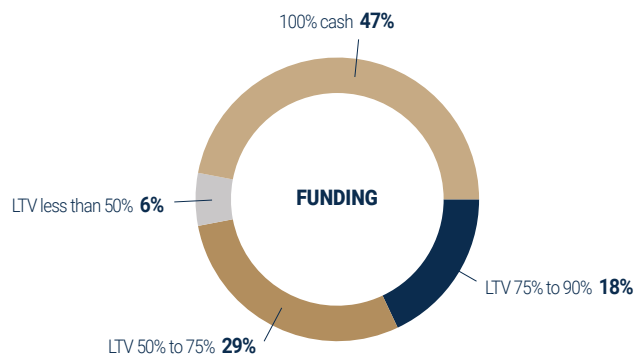
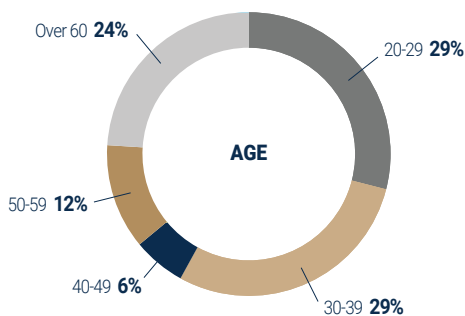
SALES MARKET

BUYER PROFILES HALF YEAR 2025



On average, over the past decade, British buyers have accounted for around two thirds of purchases in our markets and European buyers for an average of 16%. Both of these dipped lower in the first half of 2025, albeit based on a reduced number of sales. Buyers originating from the Far East took up the slack, accounting for almost a quarter of all sales. Buyers of all nationalities have been relatively scarce in 2025 the increase in Far Eastern representation is probably more do to with sample size than a surge of interest. It will be clearer when we have a full year of data. On average, buyers from the Far East have made up around 8% of annual sales over the past 10 years and there usually a broader range of other nationalities including USA, Australia and the Middle East.

Almost all our buyers fell into the 'owner occupier' category which includes First Time Buyers. Between them, they accounted for 88% of all sales. There were no investors in the first half of 2025 although 'parents buying for children' may have been investors in a previous era – they are using capital to earn rent, or to save rent within a family. The loss of investor-buyers has been in train for some years and these days, it is accompanied by an increase in investor sellers. We would normally expect around 25% of sales to be to First Time Buyers. This year has been different but it may be that these transactions are sitting in the conveyancing process and will clear in the months ahead. The stamp duty deadline in March should have caused a peak of completions but many First Time Buyers have shifted their focus to suburban London to buy a house rather than an apartment with a punishing service charge.



We have introduced an additional age band this year for a more balanced split in the over 40s. Still the majority of buyers in our markets are aged between 20 and 40 years old – accounting for around 30% in each decade. While this is not a full year and the numbers can look quite different at the year end, the data so far, suggests that buyers have become younger. The share of 20-somethings has risen from a 10 year average of 18% to 29% in the first six months of this year. The other big shift is in the proportion of over 60s who normally account for only around 7% of buyers but made up a quarter so far this year. The market has changed and there are people making opportunistic purchases. As investors, the over 60s are selling up but some are taking the opportunity to become owner occupiers in central London.

Almost half (47%) of buyers in our markets in the first half of 2025, were funded entirely in cash. The average over the past decade has been lower at around 35%, although we have noted that the proportion of cash buyers has been rising over the past couple of years and this is in line with 2023 and 2024. Cash buyers have remained active even as those with mortgages retreated from the market as borrowing became more expensive and mortgage criteria stringent – particularly in relation to fire safety. It is also the case that transactions with mortgage debt move more slowly through the conveyancing process and we may see an uptick in the second half of the year. Almost all buyers had a deposit of 50% or more.

LETTINGS MARKET

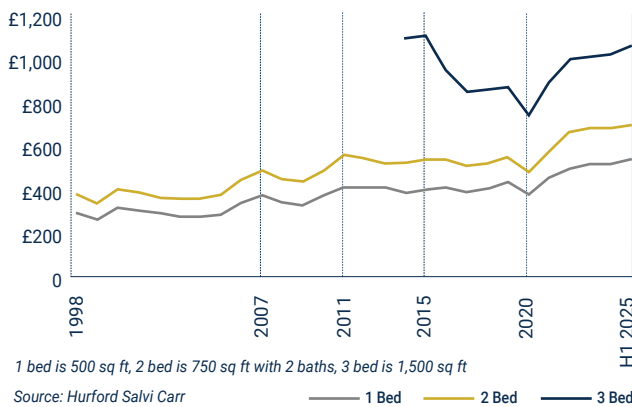
RENTS CONTINUE TO RISE

After several years of extraordinary rent rises in the post-pandemic period, growth has slowed to a moderate pace and is more in line with long term trends. Overall, there was a 3% uplift in the first six months but that was driven primarily by activity in East London, while in City and Midtown, rents moved upwards by 2%. We do expect further growth in the busy summer months however, particularly as the number of landlords selling properties continues to increase. The prospect of the Renters' Rights Bill becoming law later this year has finally tipped the scales for a generation of investors.

The market has been most competitive in East London – again value for money, or affordability, is the driver. Rents in East London are still at a substantial discount to the more central City and Midtown areas, even though the gap has narrowed in the past couple of years. The rent for a 1 bed apartment in the City would cover a 2 bed in East London and the monthly rent for a 3 bed in Midtown is close to double the equivalent in East London.

FIGURE 6

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



The weakest rental growth so far this year has been for 2 bed apartments in Midtown and City. One beds have proved more resilient and larger 3 bed properties have slightly out-performed once again. Larger properties have become more popular with renters as well as buyers over the past couple of years. For a long time, they were the hardest to let but today they are sought-after by groups of sharers for whom they represent better value for money.



HATTON GARDEN EC1 – 1 BEDROOM LOFT APARTMENT, LET MARCH 2025, £3,500 PER MONTH

Someone renting as a single person in Midtown, would need an annual income of £109,000 to pass the tenant referencing threshold at 30% of gross earnings. In East London, the equivalent requirement would be £77,000 – a level still out of reach for many. As a couple, the East London two-bed is affordable as long as each of them is on the London median income of £47,500. That would not be the case in City where a combined income of £133,000 would be required (£139,000 in Midtown). This is the simple maths that has persuaded so many renters to choose sharing a 3 bed.

While affordability is a major challenge for renters, profitability has become a significant challenge for landlords. It is the landlord, not the tenant, who bears the increased service charges; it is the landlord who bears all the transaction costs for a new tenancy and, if the property is mortgaged, it is the landlord who has borne the impact of rising interest rates.

TABLE 4

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

	£ 2020	£ 2021	£ 2022	£ 2023	£ 2024	£ H1 2025	% CHANGE 24 - H1 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	1,300	2%
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	1,159	3%
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

FIGURE 7

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

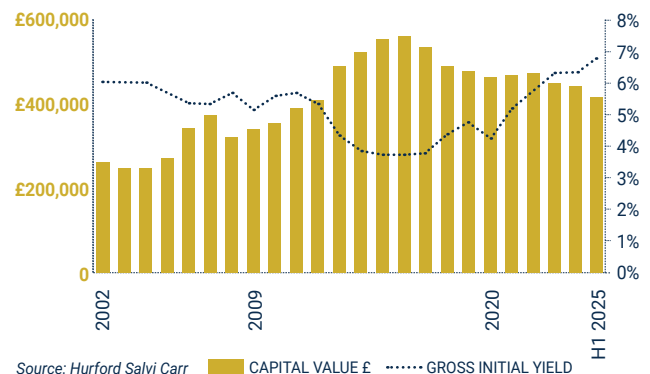


TABLE 5
ANNUAL RENTS FOR 1, 2 & 3 BEDROOM APARTMENTS
IN MIDTOWN, CITY & EAST LONDON AT HALF YEAR 2025

	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	1300	1500	£67,600	£45
CITY				
1 BED	585	500	£30,420	£61
2 BED	760	750	£39,520	£53
3 BED	1159	1500	£60,268	£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

That is why the prospect of the Renters' Rights Bill coming into force later this year has created a tipping point for landlords, prompting a surge in formerly-rented properties being listed for sale.

The Renters' Rights Bill is designed to give greater protection to renters from unscrupulous landlords. In doing so, it has the effect of penalising responsible landlords. The three policies that will have most impact on landlords in our markets are:

- The ending of the AST
- The ending of the option of taking up-front rent payments of more than one month
- The imposition of extra steps in the process of regaining possession



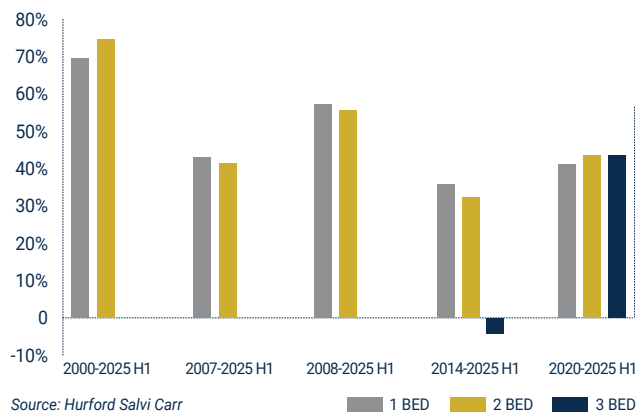
ALDGATE E1 - 2 BEDROOM FLAT LET FEBRUARY 2025, £3,750 PER MONTH

A fourth provision that will also have some impact is the ending of the ability to accept an offer above the asking rent. The ending of 'no fault' evictions, another of the provisions, has often stolen the headlines – but it is of little consequence for responsible

landlords who will still be entitled to terminate a tenancy for all the reasons they are likely to do so: deciding to sell; needing it for a family member; rent arrears, or anti-social behaviour. The number of S21 notices hit an 8-year high in 2024, as landlords looked to regain control of their properties ahead of the new Act.

The upsurge in landlords selling up might have been an 'intended' consequence of government policy but it will also have 'unintended' and unwelcome consequences. Firstly, landlords and their agents will need to be more selective in their choice of renter. Limiting upfront rent to a single month sounds innocuous but sometimes it is the only way to secure a tenancy for those with poor or no credit history. For instance, a renter from overseas; the self-employed or short term contractors or someone with rent arrears in their past, will all be deemed to be a greater risk of default and will fall short of standard tenant referencing criteria. They may be able to provide a guarantor but for many offering up-front rent payments has been the solution these rental applicants will inevitably be a less attractive proposition once the Act comes into force.

FIGURE 8
LONG TERM RENTAL GROWTH



Secondly, it will make sense to list asking rents above market value, to accommodate renters who choose to offer a higher rent in a competitive market so that they can secure a preferred property. This is likely to push rents higher and faster.

Owning property as an investment, like any investment, entails risk management. While an investment is expected to make a return on capital, if the costs are too high or the risk to the income too great, an investment no longer makes financial sense. The burden of additional costs has squeezed margins for investors and for many it is no longer attractive - despite the recent rate of rental growth.

Landlords face further regulatory changes in the form of the UK Government's Making Tax Digital (MTD) initiative, which is being introduced from 2026 with significant implications for landlords. Self-employed individuals and landlords earning over £50,000 per year must comply with MTD for Income Tax Self-Assessment (ITSA) from 2026, and those earning over £30,000 from April 2027. In the Spring Statement Chancellor

Rachel Reeves announced that the threshold will decrease to £20,000 in 2028. The scheme was first announced in 2015 and will require quarterly, rather than annual, reporting of self-assessment tax returns through MTD-compatible software.

Nevertheless, rental growth has been steep in recent years. Rents are 25% higher today than they were in 2019 – that is after smoothing the volatility of the pandemic fall and recovery. From the depth of 2020, they have risen by 44%. These are impressive growth figures for an investor, even though capital values have fallen over that time.

interest rates have begun to fall meaning that borrowing is cheaper and, more importantly, that return on cash is lower. It is however, a gross initial yield and does not take account of the associated costs, as discussed above.

A one bed apartment produces a significantly higher yield on capital invested than a larger property. This has always been the case. The gross initial yields for 2 and 3 bed properties are lower at 5.5% and 4.1% respectively. An investor should allow for around 2% of the yield to cover fees and maintenance costs, reducing the net yields to around 4.85% on a one bed, 3.5% on a two bed and 2.1% for the three beds. The stamp duty payable at the acquisition is also lower for a smaller property because it operates on a price tier basis, with lower rates of tax on lower priced properties.

TABLE 6
GROSS INVESTMENT RETURNS FOR ONE BEDROOM APARTMENTS
AVERAGE OF MIDTOWN, CITY AND EAST LONDON 2014 - H1 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%
H1 2025	28,101	410,000	6.85%

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



NEW PROVIDENCE WHARF E14 – 2 BEDROOM FLAT, LET APRIL 2025, £2,750 PER MONTH

The loss in capital value, combined with the rise in income returns, has pushed average yields upwards from 3.9% in 2015 for a one bed apartment, to 6.85% today. At that level, we would expect a certain kind of investor to be tempted, especially as

SHORT LETS

The government says it's setting up a statutory registration system for hosts of all short-let properties and assist local authorities with data that they need to assess local accommodation needs, and create a level playing field for different kinds of accommodation.

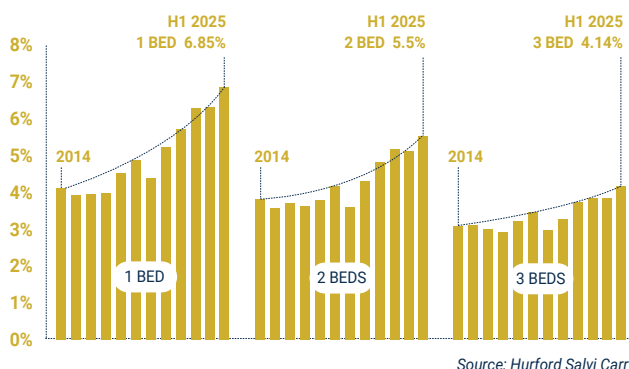
Landlords of short let accommodation will be required by the register to submit the address of the property, contact details, number of nights people stay at the property in total each year, and proof of adherence to safety and quality minimum regulations including for gas, furniture, electrical, boiler and fire safety.

The government has already indicated that the register will be used, to prevent owners letting out homes on short let booking platforms for more than 90 nights a year, which is currently the regulation in London.

From April short let landlords who let properties for less than 90 days started to receive 200% council tax bills in many London boroughs including Islington, Camden, Hackney and The Corporation of London, as these properties are treated as second homes for Council Tax purposes. The increase cost come as at a time when an increasing number landlords are considering switching to the short let market ahead of the introduction of the Renters Rights Act.

FIGURE 9

CHANGE IN YIELDS FOR MIDTOWN, CITY AND EAST LONDON
2014 - H1 2025



Short Lets

SOHO, CLERKENWELL, COVENT GARDEN, TEMPLE, CITY

To find out more about our Short Lets services,
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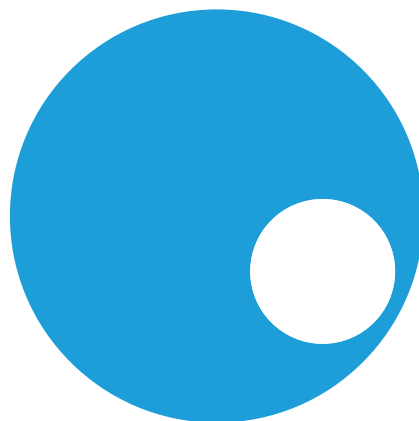
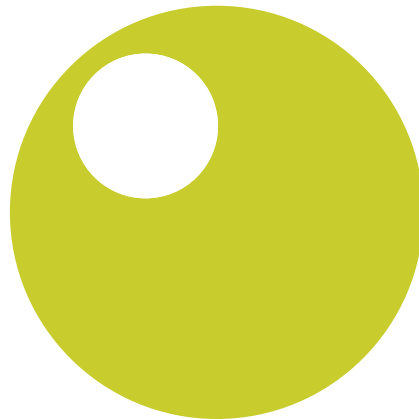
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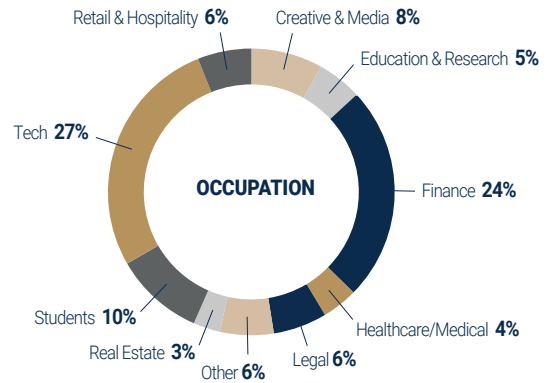
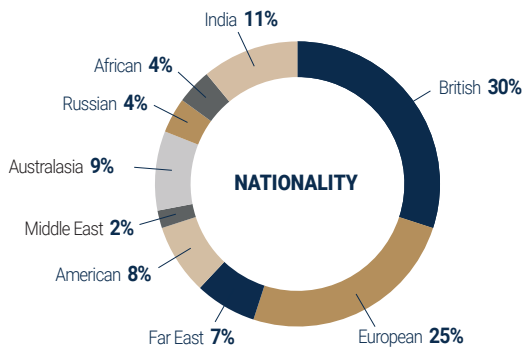
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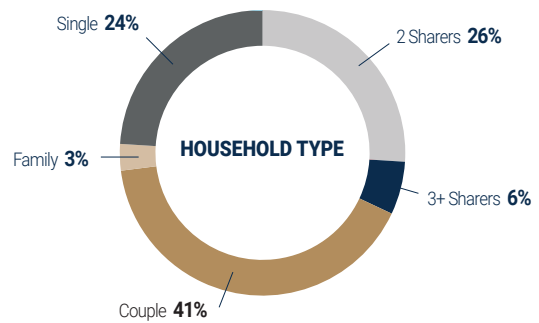
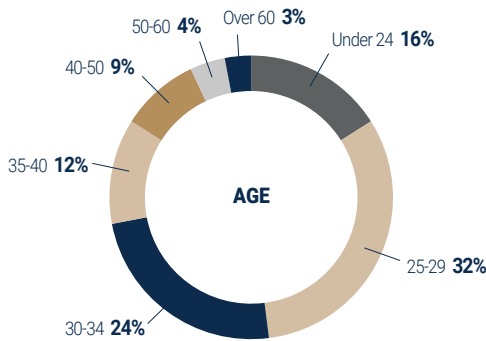
LETTINGS MARKET

RENTER PROFILES HALF YEAR 2025



The nationality of those renting in our markets is typically diverse and the first six months of 2025 have been no different. British-born renters account for just under one third of the total, and mainland European nations normally account for a similar volume – that has dropped to 25% so far this year but the summer peak may normalise that once we have full year data. Our markets, particularly Midtown, are skewed by the activity of students which does not show in Half 1 data. We have a sense that the number of overseas students will be lower this year and particularly from the Far East.

More than half of the people renting in our markets in the first six months of 2025 worked in Finance or Tech. That is significantly higher than the 10-year average. Only 10% were students but the summer lettings peak, when students arrive and move around, means we can expect the year-end distribution to look very different. We do see significant differences between our local markets, for instance, 44% of those renting through our Aldgate office, worked in Finance, while our East London office had the broadest range of occupations represented.



We have introduced additional age bands to get a clearer picture of who rents in our markets. They are predominantly aged under 40 years old (84%) but there is a relatively even distribution up to age 40. The summer peak in the rental market often means that the year-end data varies from the mid-year position but this is surprisingly consistent with the 10 year average.

We had fewer single renters in the first half of 2025. They accounted for 24% of the total, compared to an 10 year average of 34%. The balancing uplift, seems to be in the number of people renting as couples. They have accounted for 41% so far this year, whereas the average over the past decade has been 29%. Again, we are cautious about drawing conclusions by comparing half year with full year data because of the summer activity peak in the rental market. Certainly, affordability constraints might encourage sharing rather than renting alone. The emerging trend for 'co-living' is an interesting response to this trend.

FUTURE PROSPECTS

INVESTORS ABSENT

We expect further pressure on prices in the second half of 2025 as a simple function of supply exceeding demand. Supply has been boosted by landlords selling up and the demand-side is reliant on a too small pool of first time buyers and owner occupiers.

Central London is providing a once in a generation opportunity for first time buyers to own their own home in the heart of the capital at 2013 prices, providing they are prepared to trade higher rents for a contribution to building maintenance costs.

In the current market with increased levels of homes being offered for sale it is essential that owners prepare their properties for sale, providing easy access for viewings and complete up front legal packs to enable buyers to make informed decisions with their solicitors better prepared to handle the conveyance process without avoidable delays.

With stronger demand for larger homes, we expect entry level one bedroom flats to offer particular value and we anticipate a higher volume of sales of smaller flats as prices soften.

We have yet to see any significant release of funds from the Building Safety Fund for fire safety remediation works, 8 years after the Grenfell Tower Fire while the list of buildings requiring these works continues to grow. We look forward to seeing works starting at more blocks over the coming year enabling more leaseholders to sell their apartments.

Rents will again rise during the busy summer season as demand continues to outstrip supply. The loss of rental stock means that the normal surge in demand from students and early career graduates arriving in London over the summer will stress the system and drive up rents.

The Renters Rights Act will come into force later this year or early next year. It is the biggest regulatory change in the residential sector for 30 years and it will bring in substantial changes to the day-to-day business of renting a home. Landlords will inevitably be more selective when choosing prospective tenants and will seek to raise rents to off-set additional costs.

This marks the end of the Assured Shorthold Tenancies (AST) – the 12-month fixed term lease. Under the Act, renters will be entitled to give notice after only 2 months in occupation. It also marks the end of the practice of accepting up-front rental payment households with poor or no credit history - including those arriving from overseas, or with short term employment contracts. While this is intended to protect renters, in reality it will make it more difficult for these households to rent in the private sector.

It will take time for the market to settle into a new normal but inevitably these new regulations will underpin the momentum of rising rents.

Renters, long-accustomed to planning around a 12-month commitment, might make more short-term decisions, 'because they can'. While, in our experience, most renters prefer to stay for 12 months or more, the option to leave earlier creates

uncertainty for the landlord which could lead to higher costs and will therefore lead to higher rents.

Strong rents and lower capital values mean that yields will rise further and with them, the appeal of investing in London residential.



ISLINGTON N1 – 2 BEDROOM LOFT, SOLD MAY 2025, £1,100,000

So often in the past, the London housing market has attracted global capital in times of geopolitical turmoil. Today, the conflict in Eastern Europe and the Middle East, alongside deeply unpredictable behaviour in the USA with the on-off threats of Trump's tariffs, all unsettle economies across the globe and underline the relative stability of the political and economic landscape in the UK. The government however have made it clear that they want to discourage overseas investors, with tax changes to non-dom status that have persuaded high net worth individuals to consider leaving London and additional stamp duty rates for overseas buyers making the financial equation much less appealing.

These new conditions mean there is, in our view, a once-in-a-generation opportunity for first time buyers to purchase a home in the heart of the capital – although service charges undoubtedly remain a major consideration.

With a sales slowdown owners with time to wait, can take comfort from the healthy rate of rental returns and the prospect of further increases. Many of the landlords in our markets entered in the late 1990s and early 2000s and have benefited from capital growth and robust rental returns over that period. Buy to Let mortgages were launched by lenders in 1996 following the introduction of the AST. It spawned a thriving sector of the economy where individuals were encouraged to invest directly in their future by becoming landlords.

The sales and rental markets are intrinsically linked and regulation affects owners' choices. It feels very much as though this particular segment of the economy has been squeezed dry by successive governments implementing an anti-landlord agenda. For now at least, this market has no more to give. However, as rents continue to rise and prices fall, any favourable change to interest rates and service charge inflation has the potential to revitalise this sector.

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