

UK Property
2025 Guide

INTRODUCTION

The UK property market returned to growth in 2024 and a new property cycle began. Following two years of economic uncertainty, political instability and high inflation, property proved its resilience once again and showed why it is the number one investment market.

Population growth in the UK continued, particularly in the major regional cities, and demand for property reached new highs.

Record house prices were seen towards the end of last year, and rents continued to grow consistently.

As we look ahead to 2025, we can see that there is a lot more growth still to come. The next five year cycle promises to deliver strong house price and rental growth, as well as higher levels of demand than ever before.

That means investors who buy in the next six months will earn the biggest rewards. Our 2025 UK property guide includes everything you need to know to make informed investment decisions in the new year.

The whole Alliance Investments team wishes you a successful and happy 2025!



UK property is one of the most popular investment classes in the world for good reason. It has proven its resilience through economic uncertainty and come out the other side with even better growth potential.

There are not enough homes to go round in the UK and construction levels are too low. Those two facts form the basis of why investors choose UK property.

Low supply and high demand create the conditions for property values to go up and rents to grow in the short-, medium- and long-term.

It is estimated that there are at least 4 million homes missing from the UK market. That is a major shortfall and the backlog gets larger each year.

The government is targeting the construction of 1.5 million homes in the next five years to start filling that gap. On its own, that amount of construction will do very little to ease the demand for housing in the UK. It is also unlikely that the government will be able to deliver even that many new

homes to market. We are currently building approximately 200,000 new homes a year and data from the Office For National Statistics shows that number could be as low as 153,000 in 2024.

That's an eight-year low and shows that the new government has a mountain to climb to hit its housebuilding target – and even if it does, there still won't be enough homes to go round.

Savills estimates that in the second half of the 2020s, we are on course to build an average of just 170,000 homes per year.

That will create an average shortfall of 130,000 homes per year on top of the existing shortfall for the next five years. As we enter 2025, that is the underlying context for the ongoing success of UK buy to let investment. Fewer homes means higher demand. That high demand pushes up house prices and rents – the perfect conditions for property investment.

Why UK property pull out stats

4 million

Number of homes missing from the UK property market (Centre for Cities)

200,000

Approximate number of homes built each year (UK GOV)

153,000

Projected number of homes built in 2024 (ONS)

130,000

Estimated shortfall of homes each year (Savills)



WHY UK PROPERTY?

RENTAL GROWTH OUTLOOK IN 2025

Even when house prices struggled during the economic challenges of recent years, rents continued to rise and achieved new record highs.

The latest data from the Office for National Statistics in Q4 2024 shows that rents did not rise quite so fast as in 2023, but they are still up by 8.7% year-on-year.

That's significantly higher than the average wage growth and shows that rents are a reliable growth market for investors.

Looking at 2025 and beyond, investors can enjoy more positive rental growth forecasts from leading analysts:

- JLL – 17.1% by 2029
- Savills – 17.6% by 2029
- Knight Frank – 17.6% by 2029

This growth from 2025 onwards is being driven by a shortage of rental stock and a growing number of renters across the UK. Richard Donnell, executive director at Zoopla, said: “The slowdown in rental inflation is being drawn out by a lack of homes for rent and continued strong demand, driven by the unaffordability of home ownership.”



HOUSE PRICE OUTLOOK IN 2025

House prices have been in the headlines for the past two years as economic pressures flattened growth out across the UK.

2024 was the year when those pressures began to ease. Inflation fell back to manageable levels and reached the national target of 2% from highs of more than 10% seen in recent years.

That allowed the Bank of England to finally reduce the base rate of interest from 5.25%. Firstly, to 5% in August, then to 4.75% in November.

House prices had already been recovering and returning to growth over the year, but those reductions in the base rate gave them a major boost and kicked off the new property cycle in a big way.

High street lenders cut the price of their mortgages and borrowing became more accessible to many owner-occupiers and investors who had been frozen out of the market. That led to increased demand and market activity in the second half of the year.

House prices then reached a two-year high and analysts began revising their growth predictions upwards. For example, Savills now believes that the average UK house price will increase by 23.4% in the

next five years. In some of the most dynamic regions, prices will go up even more:

- 29.4% in the North West
- 28.2% in Yorkshire and the Humber
- 26.4% in the West Midlands

JLL's prediction is largely in line with those of Savills, with 19.9% house price growth predicted by the end of 2029.

With more cuts expected to the base rate of interest over 2025, it is possible that those predictions will be revised again if mortgage rates continue to fall.

For investors and home buyers, that means buying in the next six months is likely to secure you the highest return on investment possible as house prices rise throughout 2025 and the following years.

Buying off-plan property offers an especially valuable opportunity. You can lock in today's lower price and pay with tomorrow's lower mortgage rates on completion – a double win for anyone looking to maximise their return on investment.



With demand higher than ever and both house prices and rents continuing on their positive growth trajectory, 2025 looks to be a great time to buy UK property.

For investors and owner-occupiers alike, buying this year is the way to ensure you maximise your potential returns – but where are the best markets?

There are two types of market that buyers should look at in 2025.

Established markets

Firstly, the established regional city centres where luxury apartments are king. Manchester and Birmingham are two leading examples of locations which have everything needed for profit:

- Fast growing populations
- Lack of premium rental accommodation close to the city centre
- Massive regeneration projects underway
- Growing economies
- Great connectivity and public transport
- World class universities which attract students from around the world
- High end job opportunities for young professionals
- Outstanding lifestyle

Key Manchester facts at a glance

Manchester offers everything that an investor could want. Too many people for the available housing stock, a lack of premium homes, a booming economy and world class culture that brings people from across the world.

Property in Manchester is one of the best investment markets in the UK:

- 28.8% regional house price growth in the next five years (Savills)
- 11.7% rental growth year-on-year as of Q4 2024 (Office for National Statistics)
- 20,000 people moving to the city centre in the next three years (Manchester City Council)
- Just 11,700 homes in construction in the next three years (Deloitte)
- 2.2% economic growth forecast per year (EY)

Key Birmingham facts at a glance

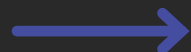
Birmingham is the UK's second city and one of the most attractive property markets in the country. A growing population, large economy, impressive higher education sector and outstanding connectivity are just some of the reasons that make the city highly investible.

Add to that a once in a lifetime series of investments and regeneration projects, and you get a thoroughly modern city that has all the potential in the world:

- 16% economic growth in the next decade (Oxford Economics)
- 6,000 people move to Birmingham from London each year (ONS)
- 8% population growth by 2038 (Birmingham Demographic Brief)
- Only 8,800 homes planned in the city (Deloitte)
- 26.4% regional house price growth by 2029 (Savills)



WHERE TO
BUY UK
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IN 2025?



Emerging markets

For those who want to invest at a lower price without sacrificing growth potential, emerging markets offer the solution.

These are markets where all the conditions exist for growth, but the cycle is just beginning. In other words, places where you can invest and see fast growth in the future. We have explored three of the UK's most impressive emerging buy to let markets here to help you identify the investment hotspots of tomorrow.

Key Hull facts at a glance

Hull is located on the East coast of England and is one of the country's most important manufacturing hubs. Our renewable energy future is being designed and built here, making the city a hotspot for young professionals in technical fields.

Luxury city centre apartments are in very short supply and are seeing huge demand from professionals and families in Hull – making them an ideal investment choice:

- 266,500 – Population of Kingston-upon-Hull (ONS)
- 10,000 – Population growth by 2030 (Hull Local Plan to 2030)
- £5.5bn+ - Size of Hull's economy (Hull City Council)
- 8,400 – Number of businesses in Hull (Hull City Council)
- 120,000 – Number of jobs in Hull

Key Bath facts at a glance

Bath is a fast growing city in England's South West which has thousands of years of heritage and a modern, forward thinking outlook. It is home to modern industries, some of the best universities in the UK and also offers fast, direct access to London:

- 9.9% – Regional population growth in Bath over last Census period (ONS)
- 4.5% – Annual house price growth in Bath (ONS, July 2024)
- 8.4% - Annual rental growth in Bath (ONS, July 2024)
- 5,680 – Number of homes that can be construction in Bath (Savills)
- 65,000 – Number of new jobs in the Bath area by 2030 (Bath and North Somerset Council)

Key Bristol facts at a glance

Bristol is a beautiful, historic city in the heart of England's south west with an independent spirit and an unmistakeable vibe. High quality jobs, a unique cultural offering and great connectivity are just three of the reasons why people move to Bristol from across the country and the world.

It's the fastest growing core city outside of Manchester and is one of the most impressive emerging markets in the UK:

- 10.3% - Population growth in the last Census (ONS)
- 8% - House prices are 8% higher than the 2021 peak (Rightmove)
- 25,000 – Shortfall in number of planned homes (Bristol City Council)
- £15bn – Size of Bristol economy (Bristol City Council)
- 8.9% - Economic growth in the next five years (Avison Young)
- 5.7% - Jobs growth in the next five years (Oxford Economics)



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WHY BUY WITH ALLIANCE INVESTMENTS?

Alliance Investments is a subsidiary of leading UK property developer, Property Alliance Group—acting as the master sales agent for all Property Alliance Group residential developments in the UK. With a proven track record of marketing, selling and exchanging properties within several of the group's landmark buildings, Alliance Investments has also become the master sales agent for other high-end luxury developments from trusted partners across the UK's leading property markets.

Headquartered in Manchester, we have been behind the development and sale of some of the city's most iconic landmark buildings. Being a key contributor to the growth of what has become one of the UK's top investment locations has given us the credibility to move into other key cities, all the while maintaining the same high levels of quality that

have become our trademark. This expansion into other areas of the UK has in turn allowed our investors and homebuyers to find their perfect property.

With local experts on hand across Europe, the Middle East, Asia and Africa, our experienced sales, and after-sales teams are dedicated to offering a clear and transparent service at every stage. With the in-house capabilities to handle all elements of the sale, including marketing, exchange, mortgages, completion and property management, you can be sure Alliance Investments will always have your best interests at heart and never be far away.



ALLIANCE

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