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# Assetz Capital Property Report.

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Q2, 2025

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The economic fundamentals in 2025 remain broadly stable notwithstanding the impact of higher domestic energy costs and geopolitical factors such as US trade tariffs. The housing market has proved to be incredibly robust in Q1 2025 with positive house price growth spreading to all regions in the UK. The north south rebalance in value continues to be an ongoing feature and this is mirrored in rental growth also.

The government's planning policy strategy following the new National Planning Policy Framework (NPPF) is only just beginning to impact and we will be monitoring this closely over the coming months. This report looks at some of stand-out features in Q1 as we move into a broadly positive environment for SME developers.

## About the author

### Jonathan Witter MRICS

- Chartered Surveyor, 25 years experience.
- Previously worked at Savills (London), CTRL (Kings Cross, Stratford/Olympics), Commerzbank (Paris), Private Investment/Family office.
- Focused on valuation, development, planning, development finance, development monitoring.
- Hobbies include cricket, rugby, football, short triathlons and Shotokan karate.



**Jonathan Witter**  
Development Monitoring  
Director

## Summary

Economic headwinds following Spring budget injected uncertainty into the winter economic environment: Positive but marginal GDP growth for 2024, rising tax burden and US trade tariffs pose downside risks.

Continued strong real wage growth and savings, plus strong public spending continue to provide a buffer against wider economic headwinds and should support economic performance.

## GDP Growth

UK GDP growth forecasts revised to 0.8% in Q2 2025 (OBR's independent forecasts comprising UK banks, economic forecasters) and 1.0% in 2026 vs Q4 2024 GDP 1.1%.

## Inflation

Inflation slowed to an annual rate of 2.6% in March from 2.8% in February, below BoE's expectations and forecast of 2.7%.

Note: excludes energy cap price rise in April 2025.

Inflation is expected to peak at around 3.6% by Q3 as businesses seek to pass on some of the increase in labour costs and higher energy costs/utility bills, before returning to the Bank of England's target of 2% by mid 2026.

### UK inflation rate 2.6% in March.

Source ONS: Bank of England updated March 2025



## Interest Rates

Challenge for Government to adhere to fiscal rules while pursuing a growth agenda. The fiscal headroom remains tight moving into Q3 2025. The BoE base rate held at 4.5% on 20th March 2025.

Governor Andrew Bailey has indicated interest rates are on a “gradually declining path” in 2025 notwithstanding economic headwinds.

MPC expected to gradually ease monetary policy, with economists predicting 2 or 3 further cuts likely for 2025 and possibly an additional two further cuts in 2026.

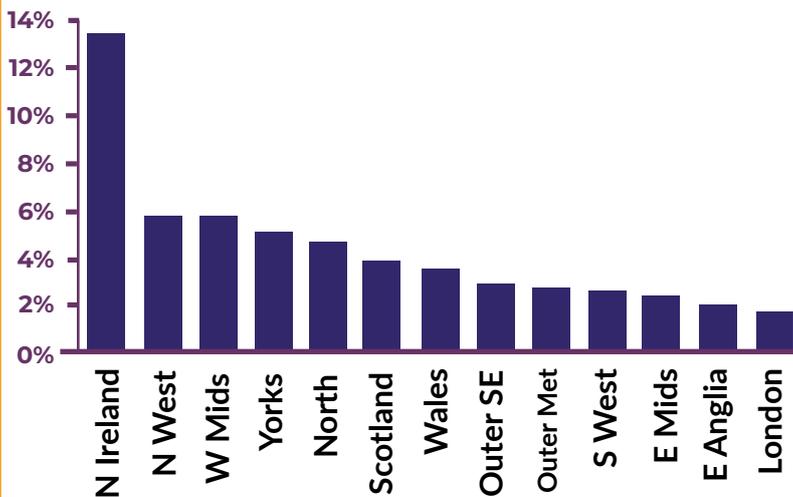
Rising labour costs and weaker business sentiment have seen a weaker labour market and are expected to ease pay pressures, but unemployment remains relatively stable.

## Summary

In Q1 2025, UK house prices rose 3.9% annually, with prices flat in March despite the end of the stamp duty holiday. A slight slowdown is expected in Q2, but steady growth is likely through 2025, supported by strong economic fundamentals and a housing shortage. Sales rose 9.3% year-on-year, suggesting a return to a more balanced market.

- House price growth now stands at 3.9% (Nationwide) annualised in Q1 2025.
- Monthly growth stable in March at 0.0%. Stamp duty holiday ended in March, not a significant impact on prices. Softening in market likely in Q2 as deals were brought forward to meet deadline.
- Steady growth is likely overall for the remainder of 2025, notwithstanding global economic headwinds, the economic fundamentals are conducive to further price rises: Low unemployment, bolstered household finances, further forecast easing of monetary policy & mortgage rates and above inflation wage growth combined with ongoing national housing shortage.
- A 9.3% increase in sales in Q1 2025 agreed compared to Q1 2024, totalling 326,000 transactions across the UK.
- The market appears to be returning to a “normal” level of fluidity.

Annual % change in house prices (Q4 2024)



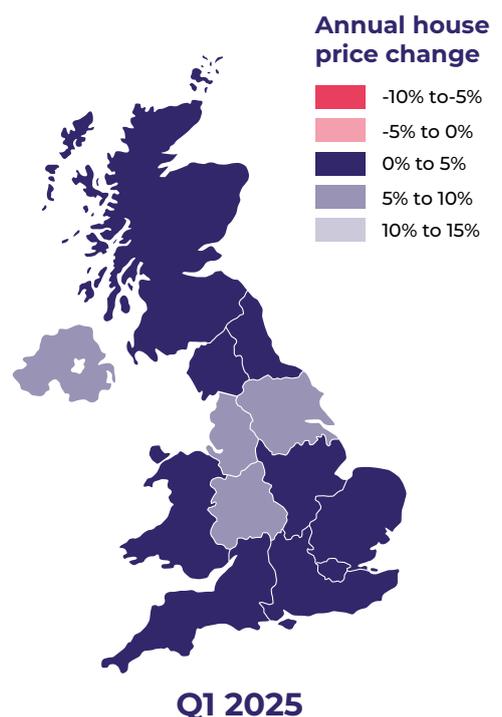
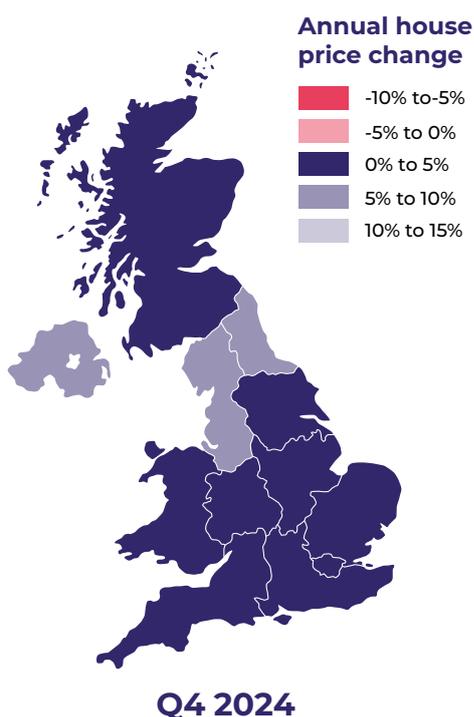
Region	Average price (Q1 2025)	Annual % chg this quarter	Annual % chg last quarter
N Ireland	£205,796	13.5%	7.1%
North West	£221,896	5.9%	5.5%
West Midlands	£249,629	5.8%	4.7%
Yorks & The H	£211,496	5.2%	4.4%
North	£165,984	4.7%	5.9%
Scotland	£186,131	3.9%	4.4%
Wales	£209,839	3.6%	2.7%
Outer S East	£338,475	3.0%	2.3%
Outer Met	£426,139	2.8%	2.4%
South West	£305,410	2.8%	2.7%
East Midlands	£235,279	2.5%	4.4%
East Anglia	£274,400	2.1%	0.5%
London	£529,369	1.9%	2.0%
<b>UK</b>	<b>£270,867</b>	<b>3.9%</b>	<b>3.6%</b>

# Regional House Price Trends.

## Summary

Regional house price trends in Q1 2025 highlight a continued shift in market dynamics, with affordability and changing working patterns driving stronger growth in previously lower-value areas. A more balanced and stable picture is emerging across the UK as regional disparities begin to narrow.

- 9 out of 13 regions showed accelerated growth in Q1 2025 compared to last quarter.
- Northern Ireland was the strongest annual performer amongst the regions at 13.5%. High growth areas also included the North West (5.9%), West Midlands (5.8%) and Yorkshire and the Humber (5.2%) which are continuing to benefit from a rebalance of value.
- Affordability in these areas continues to be a major factor spurred on by mobility in working practices and previous low levels of value.
- More modest growth occurred in the East Midlands (2.5%), East Anglia (2.1%), South West (2.8%), South East (2.8%/3.0%) and London (1.9%). Affordability and already relatively high existing house prices continue to play a part in tempering growth in these regions.
- Redefinition of the North v South regions continues and normalising of more consistent growth is ongoing across most regions indicating a more stable market following a period of recalibration last year.



# Planning and Housing Completions.

## Summary

A range of policy, economic, and labour developments are shaping the outlook for the UK housing and construction sectors in 2025. While planning reforms and financial conditions are showing signs of improvement, challenges remain around decision-making, labour availability, and policy implementation.

- Planning: Government focusing on easing planning delivery, focus on 1.5m target now downgraded to 1.2m for the current parliament by industry. Evidence of planning decisions being forced through from central government level. The tide is turning?
- Laboured decision making between departments can still be an issue for SMEs e.g. S.73, conservation, environment etc., resulting in slow response in issuing decisions and discharging planning conditions.
- Renters Rights Bill has moved up to the House of Lords stage. Now expected to become law in the autumn.
- Finance: Finance constraints continuing to ease throughout 2025 as monetary policy eases.
- Scottish Government have reopened “Open Market Shared Equity Scheme” which gives priority access to groups help to buy a home.
- Labour: Shortages of skilled and available labour ongoing meaning retention and trade sequencing increasingly important.
- Glenighan research forecast construction boom in 2025/26 with strongest growth in private housing sector of 13% & 16% in next 2 years.
- National Planning Policy Framework: Increase in delivery of greybelt sites and proportional quotas for SMEs providing a boost



# Assetz Capital's Role in Supporting Development.

## Summary

Assetz Capital offers development financing, advisory services, and monitoring support, helping SMEs navigate the complexities of property development. Their funding has contributed to over 7,000 new homes.

- **Services Offered:** Advisory on scheme appraisals, due diligence, monitoring of development progress, and assistance in addressing development risks.
- **Impact:** Assetz Capital has funded the construction of over 7,000 new homes, lending over £1.7 billion to UK businesses.

**Higher  
Day 1  
advances**

Giving developers greater flexibility to manage their cash flow at the time they need it most.

**Expert  
Support**

You will be supported throughout your project by your local, Relationship Director. They understand both your local market and the challenges you face.

**Multiple  
projects**

You can run more than one scheme – allowing you to scale at pace.

**Up to  
£10m**

We fund larger scale projects and are flexible to meet your needs.



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# Meet Your Relationship Directors.

**Assetz Capital** are one of the UKs leading SME property finance lenders. Our national team of Relationship Directors are on hand to support you throughout your development. If you have a project you'd like to discuss, simply get in touch with your local Director.

## Leadership Team



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