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Assetz Capital Property Report.

Q3, 2025

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Report Introduction.

This document provides a comprehensive analysis of the current economic landscape, focusing on key indicators such as GDP growth forecasts and the ongoing impact of inflation. It explores how rising employment costs are influencing interest rates and broader monetary policy decisions.

Additionally, we examine national and regional trends in house price growth, offering insights into the factors driving these variations across the UK. The document also considers the effects of significant geopolitical events on the construction sector, particularly how global instability is contributing to fluctuations in material and labour costs.

Finally, we provide an in-depth review of the Planning Infrastructure Bill, discussing its potential implications for the UK property and development sectors, and how it may shape future planning processes and infrastructure investment.

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

April saw monthly GDP decline by 0.3%, with May contracting by 0.1%, marking two consecutive months of marginal negative growth. BoE estimates Q2 growth around +0.25%, sharply lower than Q1. Rising tax burden and US trade tariffs pose downside risks.

Monetary policy remains cautiously balanced, with modest BoE base rate reductions still likely from August onwards. 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 going forward. Activity expected to gradually strengthen on a quarterly basis over 2026, as household spending is supported by real incomes growth, lower interest rates and easing inflation.

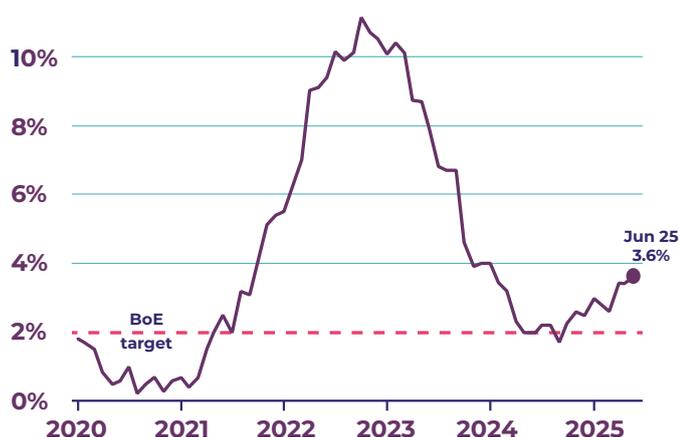
GDP Growth

UK GDP growth forecasts revised to 1.2% in 2025 (UK banks, economic forecasters) and 1.2% in 2026 vs 1.1% in 2024.

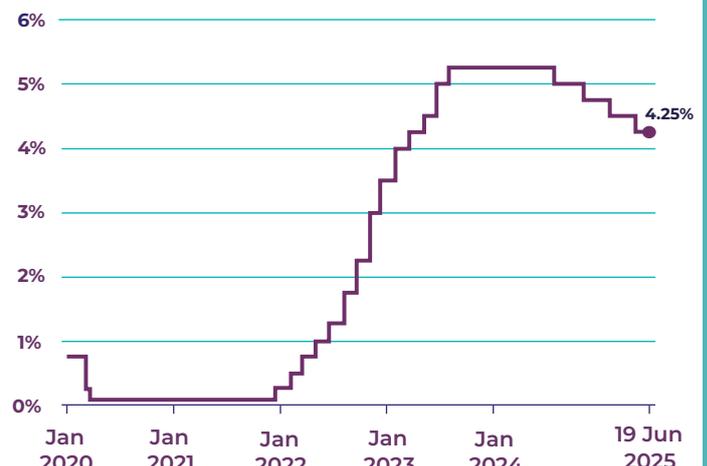
Inflation

Inflation stood at 3.4% in May, a slight reduction from April's 3.4%. As expected, higher energy costs have negatively impacted on CPI. Expectation for inflation to ease in H2 of 2025 but is proving more stubborn than OBR's previous forecasts with a surprise marginal increase to 3.6% in June announced this week. Inflation is expected to rise slightly in the third quarter of 2025 before gradually falling back towards the Bank of England's 2% target by early 2027.

UK inflation rate at 3.6% in June.



UK interest rates held at 4.25%



Economic Overview Continued.

Interest Rates

BoE base rate lowered by 25bps to 4.25% on 8th May and held at 4.25% on the 19th June 2025. General consensus (BoE, Capital Economics, Oxford Economics) that interest rates will continue to fall possibly with 2 further rate reductions in 2025 down as low as 3% in 2026. Next MPC meeting 9th August.

Higher employment costs are hitting hiring and business investment plans, and are also expected to push up prices, reduce margins, and weigh on pay growth. Following Spring Budget and recent Welfare Reform bill vote, the fiscal headroom of just £10bn remains tight. Effect of possible further tax rises in the autumn could be offset by easing of monetary policy, base rate reduction.

Bank of England's Financial Stability Report (July 2025) reports "UK household and corporate borrowers remain resilient"

House Price Trends.

Summary

House price annual growth (Nationwide) slowed to 2.1% in Q2 from 3.9% in Q1 2025. The softening in house price growth probably, reflects weaker demand following the increase in Stamp Duty in April. The Stamp duty holiday ended in March when the zero rate threshold was reduced from £250,000 to £125,000.

House price growth is still likely to pick up during the summer and the remainder of 2025, as the underlying economic conditions for potential homebuyers remains supportive, notwithstanding the economic uncertainties and global economic headwinds.

The market appears to be stabilising, underpinned by increased affordability due to wage growth and improved access to lower mortgage rates.

Regional House Price Trends.

Summary

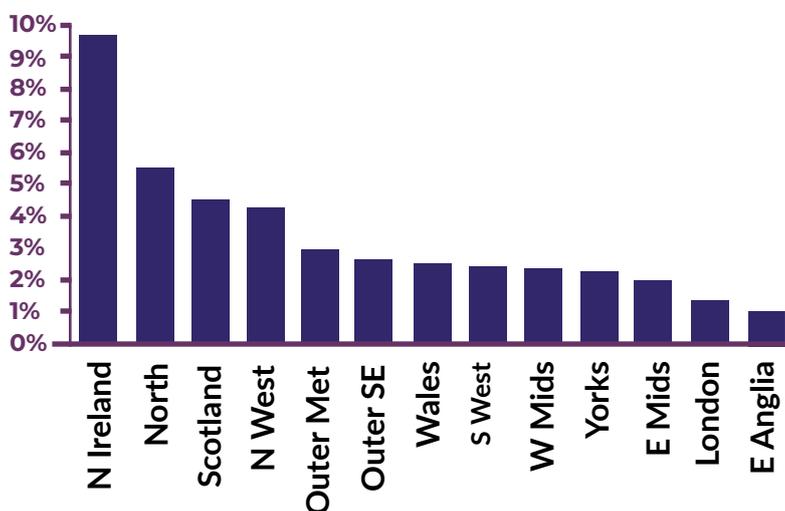
In summary, 10 out of 13 regions showed a decrease in growth in Q2 2025 compared to last quarter. Northern Ireland remained the strongest annual performer amongst the regions at 9.7%. The regions which had improved growth are: the North (5.5%), Scotland (4.5%) and Outer Metropolitan (London), (2.9%). East Anglia remained the weakest performer at 1.1% growth.

The pattern of performance across the North & South mirrors the previous quarter and the rebalance in value is ongoing. Affordability in these areas continues to be a major factor spurred on by mobility in working practices and previous low levels of value.

Low affordability and relatively high existing house prices in London, the South and South East 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.

- Terraced houses have shown the strongest performance in Q2 2025 with average process increasing by 3.6%.
- Flats accelerated their slowdown in growth to 0.3%, compared to the previous quarter (2.3%).
- Semi-detached properties recorded a 3.3% annual increase and detached properties saw a 3.2% year on year rise.

Annual % change in house prices (Q2 2025)



Region	Average price (Q2 2025)	Annual % chg this quarter	Annual % chg last quarter
N Ireland	£208,686	9.7%	13.5%
North	£167,259	5.5%	4.7%
Scotland	£189,311	4.5%	3.9%
North West	£222,643	4.2%	5.9%
Outer Met	£431,084	2.9%	2.8%
Outer S East	£340,736	2.6%	3.0%
Wales	£212,969	2.6%	3.6%
South West	£308,349	2.4%	2.8%
West Midlands	£248,576	2.3%	5.8%
Yorks & The H	£211,318	2.3%	5.2%
East Midlands	£236,326	2.0%	2.5%
London	£532,449	1.4%	1.9%
East Anglia	£273,474	1.1%	2.1%
UK	£272,751	2.9%	3.9%

Summary

Geopolitical events remain a threat to UK construction markets which could be disrupted as a significant level of materials are imported. Overseas manufacturers could target markets such as the UK. Potentially this could threaten to intensify competition and destabilise prices.

If supply chains become disrupted, UK manufacturers would need to work quickly and hard to win specifications and lock-in their products' use on planned projects, while contractors will need to be alert to potential price volatility when costing and bidding for work

- Annual housebuilding cost inflation as measured by the BCIS Private Housing Construction Price Index stood at 2.1% in Q1 2025, down from a peak of 15.3% in Q2 2022.
- Construction cost inflation is increasing but at a relatively moderate rate, only 0.7% increase from Q4 2024.
- BCIS forecasted construction price growth at 2.3% for 2025.
- Labour shortages are still a challenge and will be increasingly so, as we move into a period of higher volume in 2026/27.

Construction cost inflation is increasing but at a relatively moderate rate, only 0.7% increase from Q4 2024.



Faster infrastructure delivery

Major projects (roads, railways, wind farms, reservoirs, EV infrastructure) get streamlined consultation, halving current pre-consultation periods from 2 years to 1 year and reducing legal challenges; only 2 opportunities for judicial review (1 for clearly meritless cases).

Strategic (spatial) planning

The Planning Infrastructure Bill re-establishes Spatial Development Strategies (SDSs) across combined and upper-tier authorities, ensuring cross-boundary planning coordination; local plans must align with SDSs.

Powers granted to mayors, development corporations, and strategic boards to oversee SDSs and infrastructure delivery.

Reforming local planning decision-making

The Introduction of a National Scheme of Delegation: planning officers handle routine applications; committees only review strategic or non-compliant cases.

Mandatory training for committee members and mayoral planners improves consistency and expertise.

Councils can now set their own planning fees (with ring-fencing), boosting revenue and enabling recruitment of more planning staff.

Nature, environment & consultation reforms

Developers can contribute to a centralised Nature Restoration Fund (vs. on-site mitigation), supported by Environmental Delivery Plans crafted by Natural England.

The list of statutory consultees is trimmed and narrowly scoped; certain bodies like Sport England or Theatres Trust are delisted to reduce process delays

Bolstering development corporations & compulsory acquisition

It will expanded powers for development corporations (incl. mayoral) to handle strategic housing & infrastructure. Compulsory Purchase Orders (CPOs) are streamlined: local authorities and mayors can exercise them without central approval. Councils and mayors will have greater powers to seize land for affordable housing and infrastructure.

Planning Infrastructure Bill Continued.

Housing & self-build support

Simplifies planning for self-builders and small developers via development corporations and funding access and establishes a £16bn National Housing Bank through Homes England for low-interest loans and guarantees to diversify housing delivery.

Other SME Development updates.

Here is a round up of other SME development updates.

- **Renters Rights Bill** has moved up to the House of Lords stage. Now expected to become law in the autumn.
- **Stamp Duty Land Tax (SDLT)** changes from the 1st April require SDLT paid on properties above £125k (2% for £125,001 - £250,000).
- **High Risk Buildings:** Consultation and pressure from industry underway to simplify Building Regulator's complex procedures on achieving sign off on particularly Gateway 2 process. The Ministry of Housing, Communities and Local Government (MHCLG) announced in June that it is setting up a new board to take over the functions of the BSR from the Health & Safety Executive. An additional 100 staff are promised to help "fast track" the Gateway 2 process for achieving building control sign off on HRBs
- **Use of AI to help SMEs** simplify the process of development on small sites: Increasingly complex planning and procedures. PropTech Innovation Challenge saw 225 SMEs, Universities, work with tech innovators to develop technology to streamline planning & development of sites to help reinvigorate the SME share of residential development in the UK.
- **Financial Conduct Authority** to look in to relaxing the stress test surrounding mortgage lending with a view to bolstering mortgage lending. House Builders Federation identifies lack of mortgage affordability as one of the biggest drags on housing supply.
- **Glenigan Construction Industry Forecast (2025-2027)**, June: Latest data in supports a recovery in housing market turnover in 2025/26 and private housebuilding activity supported by strengthening household incomes and falling interest rates.

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.

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