# UK housing market cools sharply amid economic and regulatory pressures, with Northern Ireland standing out



In August 2025, the UK housing market showed signs of significant cooling, with key indicators pointing to a sharp decline in buyer activity, home sales, and house prices, reflecting growing economic uncertainty and persistent inflation. According to the Royal Institution of Chartered Surveyors (RICS), agreed sales fell markedly, with 24% of property professionals noting declines—up from 17% in July. New buyer enquiries also dropped sharply, with 17% of professionals registering a fall in August, more than double the previous month’s 7%. House prices continued to retreat, with a net balance of 19% of respondents seeing prices fall rather than rise, marking the most pronounced decline in over 18 months. This deterioration was particularly evident in regions such as East Anglia and the South West of England, though Northern Ireland continued to defy the trend with rising prices.

The decline in market momentum comes amid broad economic and fiscal apprehensions, as well as uncertainty over the future direction of interest rates amid inflation that remains stubbornly high. RICS market analyst Tarrant Parsons highlighted that concerns over the wider economic outlook and inflationary pressures are weighing heavily on buyer sentiment. Inflation in the UK stood at 3.8% in July, the highest among major advanced economies, with the Bank of England forecasting a peak around 4% before a gradual return to the 2% target by mid-2027. This environment has left buyers reluctant to commit, and sellers increasingly cautious about listing properties, with new instructions to sell decreasing for the first time since June 2024. A small net balance of 3% of professionals reported falling new seller instructions, indicating a tightening supply amidst softening demand.

The rental market is experiencing distinct pressures, with landlord instructions to let properties falling steeply by 37%, the most significant contraction since April 2020. This decline in rental stock is largely attributed to landlords retreating due to impending tax changes, such as potential national insurance levies on rental income, alterations to inheritance and property taxes, and new renters’ reform legislation banning "no fault" evictions and imposing tighter housing standards. These regulatory changes, combined with elevated interest rates, are prompting landlords to exit the market, thereby exacerbating shortages. Despite this, tenant demand remains resilient, supporting expectations for rent increases of approximately 3% over the next year.

While much of the UK housing market is subdued, Northern Ireland remains an outlier. Recent RICS and Ulster Bank data show the Northern Irish housing market maintaining positive momentum, with 80% of survey respondents noting price rises over the last three months—markedly higher than the national average. Expectations remain buoyant, with 60% anticipating further price increases through the final quarter of the year, alongside optimism for sales growth, despite a modest slowdown in demand and supply growth compared to previous months. This regional divergence underscores differing economic conditions and market dynamics across the UK.

The previous year had shown a more optimistic housing market environment. In August 2024, RICS data had revealed a recovering market with house price balances turning positive for the first time since October 2022, buoyed by mortgage rate cuts and rising buyer demand. Surveyors observed improved sentiment with new buyer enquiries rising and sales forecasts hitting their highest levels since early 2020. However, this improvement was short-lived as the market environment deteriorated in 2025. The recent shift from tentative recovery to marked cooling highlights the sensitivity of the housing market to economic pressures including inflation, fiscal policy uncertainty, and interest rate volatility.

Looking ahead, industry experts caution that realism in pricing remains crucial as uncertainty lingers surrounding the trajectory of interest rates and the UK government's upcoming fiscal policies. While some optimism persists about the longer-term prospects for house prices and rental growth driven by fundamental demand and supply imbalances, near-term challenges are expected to persist. Professional landlords hope that renewed focus on housebuilding targets by the government can alleviate supply constraints in the future and create opportunities to meet the growing demand in both owner-occupied and rental sectors.

### 📌 Reference Map:

* Paragraph 1 – [[1]](https://www.independent.co.uk/money/royal-institution-of-chartered-surveyors-northern-ireland-east-anglia-b2824292.html), [[2]](https://www.reuters.com/world/uk/uk-housing-market-slows-buyers-retreat-uncertainty-swirl-rics-survey-shows-2025-09-10/), [[3]](https://www.ft.com/content/cf19ae1f-4f5e-4b80-af92-5e01cc651d9d)
* Paragraph 2 – [[1]](https://www.independent.co.uk/money/royal-institution-of-chartered-surveyors-northern-ireland-east-anglia-b2824292.html), [[2]](https://www.reuters.com/world/uk/uk-housing-market-slows-buyers-retreat-uncertainty-swirl-rics-survey-shows-2025-09-10/), [[3]](https://www.ft.com/content/cf19ae1f-4f5e-4b80-af92-5e01cc651d9d)
* Paragraph 3 – [[1]](https://www.independent.co.uk/money/royal-institution-of-chartered-surveyors-northern-ireland-east-anglia-b2824292.html), [[3]](https://www.ft.com/content/cf19ae1f-4f5e-4b80-af92-5e01cc651d9d)
* Paragraph 4 – [[1]](https://www.independent.co.uk/money/royal-institution-of-chartered-surveyors-northern-ireland-east-anglia-b2824292.html), [[6]](https://www.northernirelandchamber.com/member-news/rics-and-ulster-bank-residential-market-survey-ni-september-2024/)
* Paragraph 5 – [[4]](https://www.reuters.com/world/uk/uk-housing-market-recovered-further-august-rics-survey-shows-2024-09-11/), [[5]](https://www.rics.org/news-insights/rics-residential-property-monitor-august-2024)
* Paragraph 6 – [[7]](https://www.mortgagesolutions.co.uk/news/2024/09/12/lower-mortgage-rates-bump-up-housing-market-activity-rics/), [[3]](https://www.ft.com/content/cf19ae1f-4f5e-4b80-af92-5e01cc651d9d), [[2]](https://www.reuters.com/world/uk/uk-housing-market-slows-buyers-retreat-uncertainty-swirl-rics-survey-shows-2025-09-10/)

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## Bibliography

1. <https://www.independent.co.uk/money/royal-institution-of-chartered-surveyors-northern-ireland-east-anglia-b2824292.html> - Please view link - unable to able to access data
2. <https://www.reuters.com/world/uk/uk-housing-market-slows-buyers-retreat-uncertainty-swirl-rics-survey-shows-2025-09-10/> - In August 2025, the UK housing market experienced its sharpest decline in house prices in over 18 months, according to the Royal Institution of Chartered Surveyors (RICS) survey. The RICS house price balance dropped to -19 from -13 in July, indicating broad-based price falls amid weakening buyer demand. This decline surpassed economists’ expectations of a -10 reading and contradicted more stable July data from lenders Halifax and Nationwide. New buyer enquiries and agreed sales also fell significantly, highlighting uncertainty driven by economic instability, persistent inflation, and unclear interest rate prospects. RICS attributed the market cooling to concerns over the broader economic and fiscal outlook, alongside high inflation, which hit 3.8% in July—the highest among major advanced economies. The Bank of England expects inflation to peak at 4% before gradually tapering to the 2% target by mid-2027. Additionally, tenant demand in the rental sector continued to exceed supply, with landlord instructions declining sharply, suggesting further rental price increases in the coming months. Meanwhile, the UK economy likely stagnated in July following modest growth in June, ahead of potential tax increases in the November budget.
3. <https://www.ft.com/content/cf19ae1f-4f5e-4b80-af92-5e01cc651d9d> - In August 2025, UK rental listings experienced their fastest decline since the initial COVID-19 lockdown, according to the Royal Institution of Chartered Surveyors (RICS). Their "landlord instructions" index fell to -37, signalling a significant contraction in rental supply. This drop is attributed largely to landlords exiting the market due to upcoming tax changes and the imminent renters' reform bill, which will ban "no fault" evictions and impose stricter housing standards. Agents cited various concerns prompting landlords to sell: potential national insurance on rental income, changes to inheritance and property taxes, and persistently high interest rates. These factors are expected to put upward pressure on rents, with projections of around 3% growth in the coming year. The survey also pointed to a cooling housing sales market: new buyer enquiries dropped for the second month, and house price sentiment declined, particularly in East Anglia and South-West England. RICS analyst Tarrant Parsons attributed the weakened sentiment to ongoing economic uncertainty, inflation concerns, and interest rate anxiety.
4. <https://www.reuters.com/world/uk/uk-housing-market-recovered-further-august-rics-survey-shows-2024-09-11/> - In August 2024, the UK housing market demonstrated signs of recovery as indicated by the Royal Institution of Chartered Surveyors (RICS) survey. For the first time since October 2022, the main house price balance turned positive, rising to +1 from -18 in July, exceeding economists' predictions. The forecast for sales over the next three months reached the highest level since January 2020, reflecting improved market sentiment driven by recent interest rate reductions. However, concerns about affordability persist despite cheaper borrowing costs. Halifax reported the fastest annual house price growth since late 2022, though Nationwide noted a 0.2% decline compared to the previous month. Simon Rubinsohn, RICS's chief economist, highlighted the uncertainty surrounding future interest rate cuts and the upcoming budget announcement on October 30 by finance minister Rachel Reeves. The Bank of England is anticipated to maintain interest rates on September 19 after a recent cut. The improving market sentiment includes a rise in new buyer enquiries and an increase in the number of properties available.
5. <https://www.rics.org/news-insights/rics-residential-property-monitor-august-2024> - The latest RICS Residential Survey for August 2024 reports a positive shift in the UK housing market, spurred on by the recent decrease in mortgage interest rates. Buyer demand and sales activity are on the rise, with industry professionals anticipating further growth as we move into the final quarter of the year. August’s survey results show a rise in the number of people looking to buy homes, with a net balance of +15 of respondents noticing an improvement in this survey indicator (+4 in July). House prices are starting to increase after almost two years of decline, with August’s survey showing that prices have moved into positive territory for the first time since October 2022, with a net balance of +1 and with +14 of respondents predicting a steady rise over the next three months. On the supply side, the number of new property listings has seen a modest increase (+7 up from +3 in July), with reports on the volume of appraisals taking place suggesting this will continue to increase, improving the choice for new buyers. In the rental market, tenant demand continues to remain positive, although the pace of growth has slowed compared to previous months. The net balance of +11 in August is lower than the +26 recorded in July, but still reflects steady interest from renters. On the other side, the supply of rental properties remains sluggish, with new landlord instructions falling again. The net balance for new rental listings dropped to -21, down from -9 last month. This ongoing shortage of rental properties is expected to keep pushing rents higher. Near-term rental price expectations also remain heightened, with a net balance of +39 of survey respondents predicting that rents will increase in the coming months. RICS Chief Economist, Simon Rubinsohn, commented: “The latest RICS survey captures an improvement in sentiment over the past month in the wake of the modest decline in mortgage rates with buyer interest improving, albeit from a relatively low base, and stock levels edging up.
6. <https://www.northernirelandchamber.com/member-news/rics-and-ulster-bank-residential-market-survey-ni-september-2024/> - Surveyors in Northern Ireland remain positive about the outlook for the housing market according to the latest Royal Institution of Chartered Surveyors (RICS) and Ulster Bank Residential Market Survey, as both prices and sales are expected to edge upwards. Over the last three months, surveyors report that prices have risen. A net balance of 80% of respondents to the survey noted a rise, which is well above the UK average (a net balance of 11%). And surveyors in NI expect prices to continue rising through the final quarter of the year with a net balance of 60% anticipating a rise, up from 45% that was seen in August. Surveyors also remain optimistic on the sales front, with a net balance of 29% of NI respondents anticipating a rise in sales through Q4. Although this figure remains in positive territory, it is less so than was seen in August which saw a net balance of 48%. Demand was reported to have risen through the month of September. A net balance of 39% of surveyors noted a rise in new buyer enquiries, compared to 52% in August, and 37% in July. NI surveyors also report that supply rose last month, however at a slower rate than was reported in the survey previous. A net balance of 28% of respondents reported a rise in new instructions to sell, down from 51% in August. Respondents in NI report that sales rose through the end of Q3, which is expected with both demand and supply rising. A net balance of 52% of surveyors reported that newly agreed sales had risen in September. Samuel Dickey, RICS Northern Ireland Residential Property Spokesman, comments: “Overall, the third quarter of the year was steady for Northern Ireland’s residential market. We’ve seen good levels of demand, and anecdotally surveyors in NI are seeing increased enquiries from new buyers and families returning from other parts of the UK. However, the one big challenge that remains for the housing market is supply. We just don’t have enough to meet the demand across both private and public housing.” Terry Robb, Head of Personal Banking at Ulster Bank says: “As is typical for this time of year, we are seeing a good demand for mortgages and mortgage related enquiries across the region.
7. <https://www.mortgagesolutions.co.uk/news/2024/09/12/lower-mortgage-rates-bump-up-housing-market-activity-rics/> - Activity in the UK housing market ramped up in August due to reductions in borrowing costs, data from a trade body found. The Royal Institution of Chartered Surveyors (RICS) UK Residential Survey for the month showed that there was an improvement in sales and higher buyer demand. According to RICS, respondents gave a score of 15% for new buyer enquiries, up from 4% previously, suggesting a month-on-month rise. RICS said this was also the most positive reading for this metric since October 2021, but noted that this was increasing from a low base. Respondents returned a reading of 6% for newly agreed sales, an improvement on the reading of minus 1% previously. The study’s respondents also suggested there would be an increase in sales in the future, with expectations for the next three months recording a score of 37%. “However, anecdotal remarks from respondents still demonstrate the need for realistic pricing to get deals done with uncertainty both around the scope for further interest rate cuts and the likely contents of the forthcoming Budget keeping the mood in check.” House price growth expectations no longer negative In August, surveyors gave a reading of 1%, suggesting a rise in house prices. This was notably higher than a reading of negative 18% previously, and the first time since October 2022 that the metric was in the positive territory. RICS said while most parts of the UK showed either flat or modest house price growth, performance is weaker than the national average in Wales, the South East and the South West of England. Additionally, strong house price growth was recorded in Northern Ireland and Scotland. In the near term, surveyors gave a score of 14% for house price growth over the next three months. This was expected to improve over the longer term, as respondents gave a reading of 50% for house prices in 12 months. Daryl Norkett, director of real estate proposition at Shawbrook, said: “Buyer demand continues to grow as the market continues its positive trajectory. With the new government putting housebuilding targets front and centre, optimism is returning to the sector. “Professional landlords will also be hoping those targets are met to ease the significant supply strain and create a landscape of opportunity where they can maximise yields and meet the ever-increasing demand.