United Kingdom

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IN A NUTSHELL

- → Growth slowed significantly over the year to 1.1% with higher unemployment and low consumer confidence.
- → New house completions fell 28% to 107,500, significantly below the government target of 300,000 new homes per year.
- → House prices only rose by 1% despite lower interest rates and 3% real wages growth.
- → First time buyers represented more than 50% of new mortgages for the first time since this data was collected.

MACROECONOMIC OVERVIEW

GDP growth was relatively strong in the first half of the year but slower in the second half such that the economy grew by just 1.1% over the year. This continues a trend of weak growth over the last decade (excluding the spike following the pandemic) as the UK continues to face weak productivity growth. Following larger than expected revisions to the UK's population, total labour productivity (output per hour) fell by 1% y-o-y. Business and household confidence fell in the second half of the year partly reflecting the measures announced in the October Budget that included higher taxes for both businesses and individuals. Tax on employment (National Insurance) for businesses was increased to 15% on salaries above £5,000 from April 2025, from 13.8% on salaries above £9,100. At the same time the national minimum wage was also increased.

These labour market policies added constraints on an already softening labour market. The number of job vacancies fell in every month and the unemployment rate was 4.4% at year end, up from 4.1% in 2023. Wage growth lso slowed to 5.3% in 2024 from 7.0% in 2023, however it was still relatively high by historical standards.

High wage growth fuelled domestic price growth, inflation (CPI) was 4.0% in January, above the Bank of England's 2.0% target. Consequently, the referemce rate remained high, at 5.25% until it was cut to 5% in August and 4.75% in November. Annual CPI inflation fell over the year in response to higher interest rates and was 2.5% by December 2024.

LOOKING AHEAD

The Bank of England's base rate is expected to fall further in 2025 reflecting both weaker domestically generated inflation but also weaker growth prospects driven in part by higher trade tariffs.

There are upside risks to inflation such as the perseverance of higher food inflation and higher energy costs because of geopolitical events.

HOUSING MARKETS

107,500 homes were built, down 28% y-o-y. This fall was a result of projects being bought forward to avoid the costs of new building regulatory standards in England relating to energy performance and electric vehicle charging points which came into force on 15 June 2023 and has consequently seen a fall in new starts in 2024. There were 153,900 housing completions in 2024, down 6% on the 163,300 in 2023.

The Government announced a target of 1.5 million net homes in the UK (new house buildings plus conversions) over a five year period. In 2023/24 there was a net addition of 221,000 homes, down 6% on 2023/23. To help meet this target the Government announced reforms including (1) mandatory housing targets for local authorities, (2) prioritising building on 'grey-belt' and brownfield sites, and the review of building on green belt sites subject to strict rules, and (3) streamlining planning processes.

Nearly three quarter (73%) of the homes built in 2024 were by private companies and the remainder by local authorities or social landlords. In June 2025, the government announced a £39 bn (EUR 45bn equivalent) affordable housing programme over the next decade. This replaces the current affordable housing programme of £11.5 billon (EUR 13.3bn) over five years until March 2026.

There were 1.1 million property transactions, up 8% y-o-y but owner occupation levels remained unchanged at 64.8%. Owner occupation fell from their peak in 2003 at 70.9% to 62.6% in 2016/17 before increasing.

House prices growth increased by 1% in the year, supported by strong real earnings growth of 3% and mortgage rates which began to fall in H2 after the Bank Rate was cut from 5.25% to 5.00%.

There was significant regional variance in house prices, with house prices in the North of England, Scotland, Wales and Northern Ireland growing faster than in Southern England and London. House prices are typically more affordable in these regions, and affordability constraints in the South has seen increased activity in these regions. The shift to hybrid working patterns may also have contributed to more workers able to purchase properties further away from economic centres such as London.

In the 2024 Autumn Budget, it was announced that higher rates of Stamp Duty Land Tax (SDLT) on purchases of additional residential properties will increase to 5% (from 3%) fromOctober. The main SDLT thresholds would also revert to their 2022 rates from 1 April 2025. The current nil-rate band will decrease to £125,000 from £250,000. The nil-rate threshold for first-time buyers will also decrease from £425,000 to £300,000, and the cap on qualifying properties will be lowered to £500,000.

MORTGAGE MARKETS

MARKET DYNAMICS

Gross mortgage lending was £242 bn (EUR 280bn) in 2024, up 7% y-o-y. Total outstanding mortgages increased by 1% to £1,645 bn. (EUR 1915bn)

More than half of new mortgages for purchase were to first-time buyers, the highest proportion since 2005 (when data was first available). This increase was aided by strong earnings growth, falling mortgage rates and relatively slow rental growth on existing tenanted properties. More homebuyers are buying jointly, which is helping overcome affordability constraints. Some first-time buyers will also have brought their purchases forward to avoid the increase in SDLT that came into place on 1 April 2025.

The mean LTV ratio on new loans was 71.4%, up from 69.9% in 2023. The average term on new mortgages remained unchanged at 28.7 years. Longer mortgages have been a trend in the UK thathas occurred every year since 2009 when it was 23.1 years. Increasing terms has been a mechanism for homebuyers and those remortgaging to manage affordability constraints. Many homeowners are now refinancing for the first time since fixing their mortgage at very low rates during the pandemic period. Around half of homeowners are expected to see payment increases by the end of 2027, although more than a quarter (27%) are expected to see costs fall. The need to extend mortgage terms may be constrained if mortgage fall as expected and real incomes continue to grow.

The average rate on new residential loans was 4.88% in 2024, up from 4.81%. Mortgage rates increased in the first half of the year in line with higher inflation expectations. However, the Bank Rate was cut in August 2024, and this was reflected in mortgage pricing.

The proportion of lending at variable rates fell to 7.8%, following an increase to 13.8% in 2023. Inflation expectations had peaked in 2023 and more borrowers opted to borrow at variable rates to benefit from falling interest rates. In 2024 borrowers locked in these lower rates with the outlook for inflation facing greater uncertainty.

Mortgage arrears have remained low and relatively stable despite the rise in mortgage interest rates since the pandemic. At the end of 2024, 1.20% of loans were in arrears (greater than 2.5% of notional,, including those in possession), from 1.17% at the end of 2023. The resilient labour market and growing real wages has supported households whilst inflation and mortgage interest rates have increased, allowing the level of arrears to remain low. Lenders also continue to support homeowners with forbearance measures to help borrowers in difficult financial situations.

The stock of possessions increased from to 7,299 at the end of 2024, up from 5,236 at the end of 2023. Although this has increased, and is expected to increase further in coming years it remains very low by historical standards.

NON-MARKET LED INITIATIVES

There were no major developments

MORTGAGE FUNDING

At year-end outstanding borrowings from lenders via the TFSME (Term Funding Scheme with additional incentives for Small and Medium sized enterprises) was £103 bn (EUR 119bn). This is down from £153 bn (EUR 177bn) at the end of 2023 and a peak of £193 bn at the end of 2021. As a consequence lenders have increasingly looked towards retail sources for funding. Therefore, there was strong competition for retail savings in 2024, and lenders raised £99.2 bn in these markets. This is up considerably on the £36 bn *EUR 42bn)in 2023 as households have been able to save more as the spike in inflation has faded and real wages have grown. Uncertainty in equity markets may also have driven funds into the retail markets.

Lenders continued to access the covered bond market in 2024 with ten of the thirteen registered issuers active during the year. They raised a total of £12bn (EUR 13.9bn) in seventeen different transactions. This was broadly equivalent to the value of bonds that matured during the year and so the aggregate value of outstanding covered bonds was constant at approximately £80bn (EUR 93bn). There was an increase in the proportion of bonds denominated in euros to over 40%, with 8% in US dollars and the balance issued in sterling. The positive sentiment for UK issuers has continued into the beginning of 2025.

GREEN FUNDING

The Government has strengthened its Net Zero policies related to energy efficiency and emissions. It recently consulted on proposals to raise minimum efficiency standards for all privately rented homes by 2030. Under the proposals, landlords would be required to ensure that their rented properties meet at least an EPC rating of band C.

In its manifesto, the Government pledged £13.2 bn (EUR 15bn)for home retrofitting. In October 2024, it allocated £3.4 bn (EUR 4bn) to heat decarbonisation and household energy efficiency under the Warm Homes Plan.

This plan aims to support the growth of heat pump manufacturing and increase funding for the Boiler Upgrade Scheme, offering homeowners in England and Wales £7,500 to install a heat pump. Additionally, the Government aims to ease planning rules by removing the one-metre rule, allowing more households in England to install heat pumps.

The Warm Homes Plan is expected to benefit up to 300,000 homes by 2025. However, concerns have been raised about the Government meeting its commitment, as only £3.4 bn (EUR 4bn) has been allocated over three years, falling short of the total £13.2 bn pledged.

	UNITED KINGDOM 2023	UNITED KINGDOM 2024	EU 27 2024
MACROECONOMIC VARIABLES			
Real GDP growth (%) (1)*	0.5	0.375	1.0
Unemployment Rate (LSF), annual average (%) (1)	4.1	4.3	5.9
HICP inflation (%) (1)	7.4	2.5	2.6
HOUSING MARKET			
Owner occupation rate (%) (1)	64.8	n/a	68.4
Gross Fixed Investment in Housing (annual change) (1)	n/a	n/a	-4.3
Building Permits (2015=100) (2)			136.9
House Price Index - country (2015=100) (2)	142.3	143.3	179.8
House Price Index - capital (2015=100) (2)	122.6	122.3	171.5
Nominal house price growth (%) (2)*	0.4	0.7	4.9
MORTGAGE MARKET			
Outstanding Residential Loans (mn EUR) (2)	1,862,971	1,983,868	6,879,667
Outstanding Residential Loans per capita over Total Population (EUR) (2)	27,503	28,658	15,311
Outstanding Residential Loans to disposable income ratio (%) (2)	n/a	n/a	71.3
Gross residential lending, annual growth (%) (2)	2.5	-29.4	3.9
Typical mortgage rate, annual average (%) (2)	4.81	4.88	4.34

(1) Office for National Statistics - UK
(2) European Mortgage Federation – Hypostat 2024, Statistical Tables
* Office for National Statistics - UK / Reviewed
** EU 2024 to be confirmed

UNITED KINGDOM FACT TABLE

Which entities can issue mortgage loans in your country?	Monetary and Financial Institutions (MFIs), which includes banks and building societies. Other specialist lenders (non-bank, non-building society UK credit grantors, specialist mortgage lenders, retailers, central and local government, public corporations, insurance companies and pension funds). Other (anything not covered elsewhere).
What is the market share of new mortgage issuances between these entities?	MFIs – 92.7% Other specialist lenders – 6.5% Other – 0.9%
Which entities hold what proportion of outstanding mortgage loans in your country?	MFIs – 89.6% Other specialist lenders – 7% Other – 3.4%
What is the typical LTV ratio on residential mortgage loans in your country?	71.4% for loans advances in 2024
How is the distinction made between loans for residential and non-residential purposes in your country?	The distinction is based on the property being purchased and the purpose it will be used for. A residential loan is used to purchase a property that a person will live in. A commercial loan is one that is used to purchase commercial land or buildings.
What is/are the most common mortgage product(s) in your country?	Initial fixed rate products.
What is the typical/ average maturity for a mortgage in your country?	28.7 years for loans advances in 2024.
What is/are the most common ways to fund mortgage lending in your country?	Retail deposits and wholesale funding.
What is the level of costs associated with house purchase in your country (taxes and other transaction costs)?	**Stamp Duty Land Tax** – ranges from 0% to 12%, depending on property value **Valuation fee** – ranges from GBP 150 to GBP 1,500, depending on property value **Surveyor's fee** – ranges from GBP 250 to GBP 600 **Legal fees** – ranges from GBP 500 to GBP 1,500 **Electronic transfer fee** – around GBP 40 to GBP 50
What is the level (if any) of government subsidies for house purchases in your country?	There are no subsidies which apply to house purchase on the whole, there are however some subsidies for specific parts of the market, such as those who live in social housing.