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# Residential Property Review

December 2025



## Budget changes reshape the housing market

November's Budget introduced several housing-related measures that could have lasting implications across the property market.

Landlords are set to face increased tax pressure. From April 2027, Income Tax on rental income will rise by two percentage points, lifting rates to 22% for basic, 42% for higher and 47% for additional-rate taxpayers. This is likely to reduce net rental yields for many buy-to-let investors at a time when costs are already elevated.

First-time buyers will also see change ahead, as the government plans to replace the Lifetime ISA. A consultation is expected in early 2026, with the aim of launching a simpler savings product to support home ownership.

Meanwhile, a new High Value Council Tax Surcharge will apply from April 2028 to homes worth £2m or more. Although affecting only around 0.5% of properties, mainly in London and the South East, it may influence wider market behaviour.

## Tenancy reforms under the Renters' Rights Act

The government has confirmed that the first phase of the new Renters' Rights Act will come into force in May 2026.

The initial phase of the rollout will relate solely to tenancy reform, while other measures will take effect in two subsequent stages. From 1 May 2026, all fixed term tenancies will automatically convert to periodic tenancies, meaning tenancy agreements will

no longer have a set end date. Tenants will be required to provide two months' notice if they wish to leave a property. Meanwhile, landlords will no longer be able to serve Section 21 notices; instead, they will need to provide a valid reason when evicting tenants.

In addition, landlords will only be able to raise rent once a year and, when doing so, they must provide at least two months' notice. Renters will have the right to challenge the increase – if they do, landlords will be prohibited from evicting tenants in response.

## Great Britain's happiest places to live

Rightmove has released its annual Happy at Home Index, revealing the happiest places to live in Great Britain.

This year, Skipton in North Yorkshire was awarded the top spot, with residents praising the market town's access to nature and green spaces, proximity to essential services and the friendliness of the locals. London was home to some top-performing areas, with Richmond upon Thames and Camden in second and third place respectively. Harrogate, Woodbridge and Altrincham also feature in the top 10, along with Stirling in Scotland.

Rightmove surveyed residents from over 200 locations and found that one of the key drivers of happiness is a sense of belonging. A town's safety and physical environment also play a significant part in residents' happiness. Overall, the survey found that those living in the South West are most content with where they live, while residents of the East Midlands are least happy.

## House prices headline statistics

|                              |          |
|------------------------------|----------|
| House Price Index (Oct 2025) | 103.4    |
| Average House Price          | £270,000 |
| Monthly Change               | -0.1%    |
| Annual Change                | 1.7%     |

\*(Jan 2023 = 100)

- Average house prices in the UK increased by **1.7%** in the year to October 2025
- House prices decreased by **0.1%** on average between September and October 2025
- The average house price in London was **£547,468**.

Source: The Land Registry  
Release date: 17/12/25  
Next data release: 21/01/26

## House prices Price change by region

| Region                              | Monthly change (%) | Annual change (%) | Average price (£) |
|-------------------------------------|--------------------|-------------------|-------------------|
| England                             | -0.1%              | 1.4%              | £291,515          |
| Northern Ireland (Quarter 3 – 2025) | 4.3%               | 7.1%              | £193,247          |
| Scotland                            | -0.6%              | 3.3%              | £191,657          |
| Wales                               | 1.1%               | 1.5%              | £210,657          |
| East Midlands                       | -0.1%              | 2.3%              | £241,463          |
| East of England                     | 0.3%               | 1.9%              | £340,037          |
| London                              | -1.9%              | -2.4%             | £547,468          |
| North East                          | 1.3%               | 5.0%              | £163,153          |
| North West                          | 0.3%               | 3.1%              | £214,364          |
| South East                          | 0.3%               | 0.7%              | £383,742          |
| South West                          | -0.6%              | -1.3%             | £302,526          |
| West Midlands Region                | 0.1%               | 2.7%              | £247,945          |
| Yorkshire and The Humber            | -0.2%              | 3.1%              | £206,139          |

## Average monthly price by property type – Oct 2025

| Property Type                 | Annual Increase |
|-------------------------------|-----------------|
| Detached<br>£439,489          | 1.7%            |
| Semi-detached<br>£275,656     | 4.0%            |
| Terraced<br>£228,369          | 2.8%            |
| Flat / maisonette<br>£192,892 | -2.6%           |

Source: The Land Registry  
Release date: 17/12/25

## Housing market outlook

*"The changes to property taxes announced in the Budget are unlikely to have a significant impact on the housing market. The High Value Council Tax Surcharge, which is not being introduced until April 2028, will apply to less than 1% of properties in England and around 3% in London.*

*The increase in taxes on income from properties may dampen the supply of new rental properties coming onto the market. Rental supply has been constrained for some time, with the potential for this to maintain upward pressure on rental growth, which has been running at all-time highs in recent years.*

*Looking forward, housing affordability is likely to improve modestly if income growth continues to outpace house price growth as we expect. Borrowing costs are also likely to moderate a little further if Bank Rate is lowered again in the coming quarters."*

Robert Gardner, Nationwide's Chief Economist

Source: Nationwide, December 2025

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All details are correct at the time of writing (17 December 2025)

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