

Residential Property Review

December 2025

Our monthly property market review is intended to provide background to recent developments in property markets as well as to give an indication of how some key issues could impact in the future.

We are not responsible or authorised to provide advice on investment decisions concerning property, only for the provision of mortgage advice.



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.