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How will Trump's Tariffs affect the property market?

by [**Kate Faulkner OBE**](#)

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It's been a roller coaster ride of reporting over the last few weeks since Trump announced he was going to increase tariffs on goods into America from 10% through to Vietnam: 46%. The tariffs didn't seem to have huge amounts of logic behind them, with Russia not being targeted whereas Taiwan, a supposed ally of America, were treated to 32% tariffs. After many announcements since, most countries are getting a 10% tariff for 90 days, while America has negotiations with them. In the meantime, China and America are now essentially at war from a trade perspective, with China adding 125% to US goods and America now adding 145% to Chinese goods.

The Uncertain but Promising Outlook

Predicting the precise impact of such global moves on the UK property market is challenging, especially given the unpredictable nature of both the tariffs and international responses. However, a few property analysts believe the effect could, paradoxically, be beneficial for housing.

If tariffs contribute to a slowdown in the global economy, inflationary pressures could ease. In that scenario, the Bank of England might lower base rates at its upcoming MPC meeting. Prior to these developments, a rate cut wasn't guaranteed.

Lower interest rates typically lead to:

- Reduced mortgage costs
- Increased buyer affordability
- Higher investor activity due to improved deal viability

Should these conditions materialise, the result could be renewed demand across certain regions—particularly where supply is limited.

That's not a particularly easy question to answer as many of the pundits don't seem to know how this trade war is going to end and how badly it is – or isn't – going to affect the global economy, let alone local economies like the UK. And, when we don't know the impact on the economy, it's challenging to work out how it will impact on the property market.

However, fortunately some of the property pundits have tried work out what will happen next and the main thought process is potentially quite good news for the property market. If the

higher tariffs do cause the global economy to contract, the view is that this will take the pressure off driving inflation up. If it does, that's where the good news comes in for the property market. Lower inflation and the potential for a Global Recession means that the chance of base rates being reduced at the next MPC meeting on 8th May – prior to the tariff changes, this wasn't a 'sure thing'.

If we get lower interest rates, they could lead to:

- Reduced mortgage costs
- Increased buyer affordability
- Higher investor activity due to improved deal viability

And this could increase demand, which may drive up prices, depending on localised supply and demand.

So in theory, the tariff war that Trump has created, could have a positive impact on the property market.

However, in reality, it's not quite as simple as that. Partly because confidence plays a big part in the success of the property market. Unfortunately, that's the one thing the American tariff war has shown us—American policies are now extremely uncertain, and this could make people more cautious, especially when it comes to the biggest purchase of their lives.

My thoughts are that what's happening currently could be good news for the UK's economy. Having had issues with Europe since Brexit, a better working relationship has been established to support Ukraine and hopefully we can now improve our economic relationship not just with Europe but with other countries too. All this could be good news for the property market, especially if we can see base rates fall to 4% or less.

Checking the government's thoughts, this is a summary of the latest paper from the [House of Lords Library](#):-

Economic Considerations: *Tariffs generally lead to higher prices and reduced competition, potentially harming economic activity. However, some argue that they can protect domestic industries. For the UK, the tariffs could negatively affect exports and economic performance, though the relatively lower rate compared to other countries might offer a slight advantage.*

Trade Dynamics: *The U.S. is a significant trading partner for the UK, and changes in U.S. trade policy can have substantial effects on UK trade balances and economic health.*

In summary, while the UK's exposure to the new U.S. tariffs is somewhat mitigated by a lower tariff rate compared to other nations, the measures still present economic challenges. The situation underscores the complexities of international trade relations and the potential repercussions of protectionist policies.

And as that doesn't give many clues to the impact on the property market, here's a round-up of some of our best UK experts on how tariffs will affect our property market:-

Richard Donnell, Executive Director at Zoopla commented:

"We are now into the Easter holiday slowdown and some post stamp duty softening in

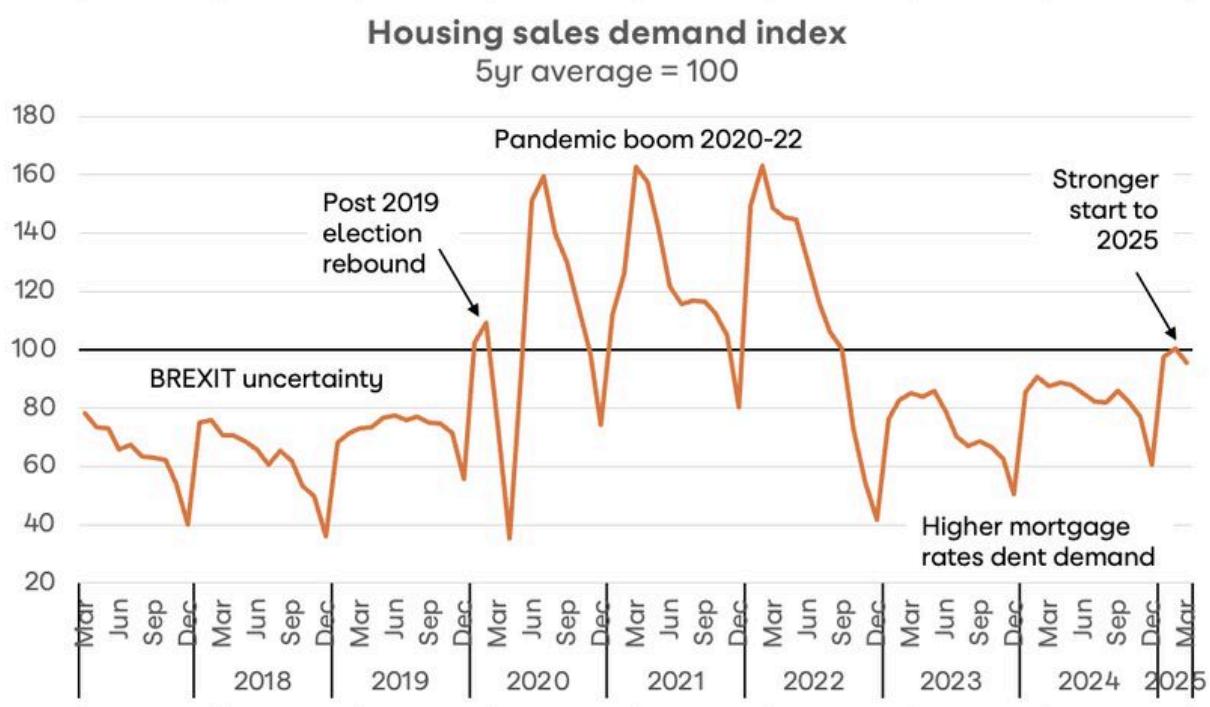
London and higher value markets. The turmoil in stock markets and uncertainty driven by the news headlines will likely re-enforce the holiday slowdown in the short term.

Looking a little further ahead talk of base rate cuts and easing of mortgage regulations will support buyer demand and buying power but with a high stock of homes for sale price inflation will remain subdued.

Longer term, while the UK economy is less directly exposed to trade tariffs the UK is part of the wider global economy. Weaker economic growth and some increase in unemployment can be managed without adversely impacting the housing market which is far from running hot or supported by riskier lending.

Most house price indices will slow over the rest of the year as the strong recovery in sales market momentum that starts a year ago, and the recent stamp duty surge, fall out of the monthly and quarterly numbers.

The market needs modest levels of price inflation to support sellers listing homes and encouraging buyers to make offers. We will have to see how the market develops in the coming weeks.”



Source Link:

https://www.linkedin.com/posts/richard-donnell_housing-tariff-estateagents-activity-7315639717012672512-5Tse?utm_source=share&utm_medium=member_android&rcm=ACoAAAEl0sBi3ifpxY7RapVPVtghiqupPYEarE

Lucian Cook, Head of UK Residential Research at Savills commented:

"We continue to expect interest rates to fall over the summer and mortgage markets to become more competitive. That should mean an easing in underlying affordability, gradually bringing more buyers into the market and underpinning prices over the medium term."

Source Link:

<https://www.savills.co.uk/blog/article/375695/residential-property/tariff-turbulence--our-first-thoughts-on-what-this-means-for-the-uk-housing-market.aspx>

Ray Boulger, Senior Mortgage Technical Manager at John Charcol commented:

“The Bond Market Trumps Trump: *One thing that Trump and Liz Truss have in common is that it ultimately took the Bond markets to curtail their extreme policies, demonstrating not only its ultimate power but also that even when subservient politicians do not have a backbone there is a fallback check and balance within the capitalist system.*

No doubt some highly leveraged hedge funds have been either having fun or getting their fingers burnt in the bond (and other) markets, and many margin calls will no doubt have been triggered, but as China has a substantial holding in US Treasuries it would not be surprising if China outwitted Trump by unloading a large tranche of its holding in US Treasuries!

It is worth noting that although [on 10th April] early trades the US equity markets have only given up a relatively small part of [their] recovery, the oil price has lost most of [its] bounce and is back close to post COVID lows, suggesting that the market still expects Trump’s actions to have a substantial impact on trade, despite his 90 day pause.”

Source Link:

https://www.linkedin.com/posts/ray-boulger-73043015_trump-liztruss-tariffs-activity-7316113347114917888-C8_1?utm_source=share&utm_medium=member_android&rcm=ACoAAEitosBj3jfpX7RapVPyTqhigupPYEarE

So, hopefully Trump’s tariffs will be positive for the property market, but in the worst case, just hold demand back a little – and that can be positive too, if it means there might be some bargains to be had as we currently have the highest number of properties for sale for some years.

This analysis is written by [Kate Faulkner OBE](#), UK Property Analyst

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