# Stamp duty changes deepen London property slump with risks to wider UK market



Fears are mounting that a downturn in the prime London property market could ripple across the wider UK housing market. The catalyst appears to be recent changes to stamp duty thresholds implemented in April 2025, which have lowered the point at which buyers begin paying the tax, generating greater financial pressure on purchasers and prompting sellers to reduce asking prices. According to property portal Zoopla, the proportion of buyers liable for stamp duty has surged from 49% to 83% since April, amplifying buyer negotiations for price cuts to offset the extra tax burden. Although the number of stamp duty payers, currently at 951,000, remains below the recent peak of 1.2 million, this figure is expected to climb as more buyers enter the tax net, with London alone accounting for over a third of the £4.5 billion raised annually from the levy.

In London, where property prices remain significantly higher than elsewhere in the country, homebuyers now face stamp duty costs up to £2,500 more on an average property priced at £532,449. The impact of the tax hike is especially pronounced in central London districts such as Belgravia and Mayfair, where luxury property prices are reportedly being cut by as much as 30% to attract foreign interest. For ultra-prime properties, the stamp duty cost is particularly steep: a £20 million mansion attracts a tax bill of approximately £2.3 million for UK buyers, rising to around £3.7 million for non-resident purchasers acquiring a second home. Industry experts suggest this steep cost is deterring wealthy international buyers from purchasing, opting instead to rent, a trend that is reshaping the market dynamics at the top end. Neil Hudson of Built Place consultancy points out that renting a £20 million property at an annual rent of £570,000 could be financially more viable for four years than paying the stamp duty outright.

This trend of falling demand and price reductions in London's luxury market is concerning for the broader UK housing ecosystem. Richard Donnell, head of research at Zoopla, has voiced worries that London's real estate slowdown — a market that has long acted as the engine of UK house price growth — could usher in a wider market cooling effect across other regions. The London market has struggled for years; once overheated at the height of the 2015 boom, prices have largely stagnated, and now the added tax complications are exacerbating a slowdown that shows little sign of abating.

Underlying the immediate effects of stamp duty are longer-term structural issues in the prime London market. An analysis by Neal Hudson, a housing market expert, highlights a sustained decline in the attractiveness of ultra-luxury properties over the past decade. The combination of elevated transaction costs, weak rental yields — Mayfair rentals yield around 2.9% — and a significant oversupply of homes priced over £5 million, which has surged by 68% in three years, have undermined investor appetite. Additionally, changes to non-domicile tax rules have led many wealthy owners to relocate outside the UK, diminishing demand further. Hudson notes that these mansions, while still prized as status symbols or collateral for borrowing, have become financially impractical investments given stagnant capital growth and hefty tax liabilities.

Beyond individual buyer behaviour, the government has proposed further changes to property taxation that could reshape the broader market landscape. Real estate groups have expressed concern over plans to abolish multiple dwelling relief on stamp duty, a relief designed to ease transaction taxes on bulk purchases of multiple properties and encourage investment in private rental housing. Industry voices warn that such changes, expected to raise an additional £290 million over three years, might hinder building projects and reduce new housing supply. The Treasury argues the relief has not significantly boosted investment and has been subject to abuse, but critics contend that removing these incentives could stifle the private rental sector and development projects vital to addressing housing shortages.

Stamp duty hike and related costs also create challenges for other sectors of the housing market. A reported bottleneck exists with older homeowners reluctant to downsize, partly due to the high stamp duty they would face on purchasing a smaller home. Estate agency Jackson-Stops suggests targeted stamp duty relief for downsizers could unlock up to 2.5 million homes over five years, benefiting younger families and revitalising a generally stagnant market. This intervention could alleviate some pressure by increasing the supply of family-suitable properties and promoting movement through the housing ladder, although affordability challenges remain for many prospective buyers amid rising mortgage rates and living costs.

The total expense of moving has surged as well, with average moving costs in the UK estimated at nearly £16,000, factoring in stamp duty, estate agent fees, legal costs, surveys, and removals. London remains the most expensive area for moving, with costs exceeding £30,000, driven notably by higher stamp duty bills triggered by the April reforms. The increased financial burden adds another deterrent for potential homebuyers considering relocation or upgrading their property, potentially suppressing market activity further.

Meanwhile, sales of buy-to-let properties and second homes have increased by 34% over the past six years. This trend is driven by regulatory changes, including stamp duty hikes and reductions in mortgage interest tax relief, alongside landlords’ concerns over potential tax hikes if the Labour Party gains power. These factors have prompted many landlords, particularly in London and the southeast, to offload properties in anticipation of changes. The heightened sales volume of these properties could impact market availability but also reflects ongoing adjustments to tax and regulatory environments influencing housing investment strategies.

In summary, the combination of higher transaction taxes, particularly stamp duty reforms, sustained oversupply in the luxury market, weaker rental yields, and broader economic pressures are creating a challenging environment for the UK housing market, starting with prime London but with potential ramifications far beyond. Policymakers and industry stakeholders face pressing questions about how to balance tax revenue needs with maintaining a healthy, functioning housing market capable of meeting demand across price points.

### 📌 Reference Map:

* Paragraph 1 – [[1]](https://www.dailymail.co.uk/money/mortgageshome/article-14966059/Fears-London-house-price-fall-spread-UK.html?ns_mchannel=rss&ns_campaign=1490&ito=1490), [[4]](https://moneyweek.com/investments/property/stamp-duty-calculator-how-much-uk-sold-house-price-taxed), [[6]](https://moneyweek.com/personal-finance/cost-to-move-house)
* Paragraph 2 – [[1]](https://www.dailymail.co.uk/money/mortgageshome/article-14966059/Fears-London-house-price-fall-spread-UK.html?ns_mchannel=rss&ns_campaign=1490&ito=1490), [[2]](https://www.ft.com/content/e4e4b532-0a21-4b62-81e7-080431acb747)
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* Paragraph 4 – [[2]](https://www.ft.com/content/e4e4b532-0a21-4b62-81e7-080431acb747)
* Paragraph 5 – [[3]](https://www.ft.com/content/2be95e6b-a761-48c9-9259-cda863843256)
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1. <https://www.dailymail.co.uk/money/mortgageshome/article-14966059/Fears-London-house-price-fall-spread-UK.html?ns_mchannel=rss&ns_campaign=1490&ito=1490> - Please view link - unable to able to access data
2. <https://www.ft.com/content/e4e4b532-0a21-4b62-81e7-080431acb747> - An article by housing market analyst Neal Hudson examines the diminishing appeal of owning ultra-luxury properties like mansions in Mayfair, London. Once prime assets for wealth preservation and investment, these homes have seen declining popularity due to policy changes, high taxation, and stagnant capital growth. Stamp duty reforms since 2014 significantly increased transaction costs, particularly for multi-million-pound homes, while low rental yields (around 2.9% in Mayfair) and falling prices—down 22.4% in nominal terms since 2014—have further deterred investors. Recent changes in non-domicile tax regulations have reportedly prompted wealthy owners to relocate elsewhere. However, the broader issue is a decade-long downturn in the luxury housing market. Despite some value as status symbols and collateral for cheap borrowing, central London mansions are now considered financially impractical by many. The oversupply of £5mn+ homes, up 68% in three years, is worsening price pressures. Overall, even with recent price drops, properties like Mayfair mansions may be more affordable than in years past but remain unattractive due to weak returns, hefty taxes, and limited growth prospects.
3. <https://www.ft.com/content/2be95e6b-a761-48c9-9259-cda863843256> - Real estate groups are pressing the UK Treasury to reconsider plans announced in the March Budget to abolish multiple dwelling relief on stamp duty, effective June. This relief allows buyers to pay less transaction tax when purchasing multiple dwellings in a single deal, a policy meant to boost private rental home investments since 2011. Chancellor Jeremy Hunt argued it had not significantly benefited housing investment and mentioned abuse of the relief. Opponents argue the abolition will discourage building projects, hinder investment, and reduce the number of new homes. An official estimate suggests the change will raise £290 million over three years. Industry groups urge the preservation of tax breaks for large-scale property acquisitions and state the abolition will adversely affect development planning and valuation.
4. <https://moneyweek.com/investments/property/stamp-duty-calculator-how-much-uk-sold-house-price-taxed> - As the UK housing market enters its busiest period in spring, prospective homebuyers must consider additional costs beyond mortgage rates, particularly stamp duty, a significant property tax. Recent changes to the tax, implemented in April 2025, lowered the thresholds for when buyers start paying it—first-time buyers now pay stamp duty only on property values over £300,000 (up to a purchase cap of £500,000), while home movers begin paying above £125,000. A 5% rate applies to amounts between £300,001 and £500,000 for first-time buyers. Buyers of additional properties typically pay a 5% surcharge atop standard rates. Scotland and Wales have separate property taxes: Scotland uses the Land and Buildings Transaction Tax (LBTT), with no stamp duty for first-time buyers on properties under £175,000, and Wales utilizes the Land Transaction Tax (LTT) without first-time buyer relief. Both regions have different rate bands due to generally lower property prices. The article provides an overview of current stamp duty rules and includes a calculator to estimate individual liabilities.
5. <https://www.countrylife.co.uk/property/guides-advice/the-catch-22-holding-back-the-property-market-in-britain-and-the-clever-idea-that-could-take-the-handbrake-off> - The article explores a key bottleneck in the UK housing market: older homeowners remaining in large family homes long after their children have grown up, limiting the availability of suitable properties for young families. A study by estate agency Jackson-Stops reveals that while many over-55 homeowners are open to downsizing, high stamp duty costs deter them from moving. To address this, Jackson-Stops proposes stamp duty relief for downsizers, estimating that such a policy could release up to 2.5 million homes over five years. This would not only benefit young families but also stimulate broader housing market activity. Real estate professionals, including those at Wilfords London and House Collective, support the idea, highlighting the emotional and financial challenges that downsizing poses, especially in high-cost regions like London. Such reforms, they argue, could transform stagnant markets and free up housing stock in desperately needed areas. However, questions remain about affordability for young families amid economic pressures like rising mortgage rates and living costs. Nonetheless, the proposal is presented as a potentially significant way to “unblock” the housing market and create movement across all rungs of the property ladder.
6. <https://moneyweek.com/personal-finance/cost-to-move-house> - Moving house in the UK has become increasingly expensive, with the average total cost now estimated at £15,978 due to new stamp duty thresholds that took effect in April 2025. First-time buyers now pay stamp duty on properties over £300,000 (down from £425,000), and the threshold for other movers dropped from £250,000 to £125,000, adding roughly £2,000 to total moving costs. Alongside high mortgage rates, other significant expenses include estate agent fees (average 1.42% of the selling price), legal and conveyancing fees (averaging £2,129, with London the highest at £3,026), removal costs (averaging £658), surveys (typically £425), and Energy Performance Certificates (£35–£120). Regional disparities are notable, with London being the most expensive area to move (£30,048) and the North-East being the cheapest (£5,492). Tips to reduce costs include shopping around for conveyancing, estate agents, surveys, and removals, negotiating on property prices to lower stamp duty, and considering mid-week or off-peak moves. Industry experts stress the importance of reviewing outdated stamp duty bands and ensuring government support schemes for homebuyers are current and effective.
7. <https://www.ft.com/content/b3bd48f1-3477-4980-8c44-6de4b0ee1fd4> - Sales of buy-to-let properties and second homes in Britain have increased by 34% over the past six years due to financial and regulatory pressures on landlords. Savills' analysis reveals that annual sales of such properties rose from an average of 129,000 to 190,000 in recent years, now accounting for one in six property disposals. Increased stamp duty, loss of higher-rate tax relief on mortgage interest, and potential abolition of 'no-fault' evictions contribute to this trend. Landlords are concerned about potential tax increases if Labour comes into power, leading many to sell properties ahead of time. Concentrated in London and the southeast, these sales are influenced by high mortgage costs and potential capital gains tax (CGT) reforms. Labour's potential CGT alignment with income tax could significantly impact landlords' tax bills, further driving sales under current rates. Savills highlights the urgency for landlords to act before the proposed Budget on October 30.