# London’s $10m-plus property market stalls as wealthy buyers look abroad amid tax reforms



The start of 2025 has seen an unusually muted performance in London’s ultra-luxury property market, underscoring growing unease among the capital’s wealthiest residents amidst sweeping tax reforms. London recorded just 34 sales of properties valued above $10 million in the first quarter—approximately a third fewer than in the same period last year, according to the latest report from Knight Frank. This contrasts sharply with the global super-prime market, where transactions rose by 6% year-on-year, highlighting London’s specific challenges.

A major factor behind this slowdown is the UK government’s rigorous taxation crackdown on high earners and non-domiciled individuals—those who benefit from previously favourable tax exemptions on overseas income. The reforms, championed by Chancellor Rachel Reeves, aim to raise substantial revenue to support public services but have also provoked an exodus of wealthy individuals who find more favourable conditions elsewhere. Destinations such as Dubai, Italy, Switzerland, Paris, and Madrid have become increasingly attractive alternatives, offering lighter tax regimes and appealing lifestyles that undermine London’s historic allure as a global wealth hub.

According to Knight Frank’s UK research head Tom Bill, since the initial non-dom reforms introduced under the previous administration and expanded by Labour in late 2024, the government has already lost over £400 million in stamp duty from high-value property sales—a figure likely to be much higher in reality. The hardest-hit areas include London’s prestigious neighbourhoods such as Mayfair, Chelsea, St John’s Wood, and South Kensington. The Office for Budget Responsibility (OBR) has acknowledged these shifting dynamics, admitting that behavioural responses among the top earners to these tax changes are more uncertain and significant than previously forecast. Consequently, the reliance on a small and highly mobile wealthy minority to fund government spending poses a growing fiscal risk.

This complex picture is compounded by wider systemic uncertainties. An Oxford Economics survey cited by Reuters reveals that over 60% of non-domiciled individuals could leave the UK within two years, threatening to reduce the tax revenues government reforms hoped to capture. The OBR’s projection of a £3.5 billion net annual gain from 2026–2030 hinges on the assumption that only a modest 12% of non-doms depart, a figure many analysts now view as optimistic. Additionally, the Henley Private Wealth Migration Report warns of a record outflow of 16,500 high-net-worth individuals this year alone, representing $92 billion in investable assets, with wealthy clients increasingly contemplating domicile shifts in response to tax and pension reforms.

The cumulative effect of these trends has unsettled London's property market and broader wealth management sectors. Wealth managers are concerned about ongoing asset losses and the difficulty of enticing new affluent clients amidst increasing competition from global wealth centres. Meanwhile, NatWest, a major banking institution, is closely watching these developments. CEO Paul Thwaite noted that ultra-wealthy clients remain sensitive to regulatory changes and that the bank’s strong recent financial performance coexists with this cautious sentiment. The bank is also wary of further tax hikes on financial institutions which could exacerbate market uncertainty.

Despite the turmoil, a silver lining emerges in London’s prime property market. Many high-net-worth individuals appear reluctant to sell outright, instead listing properties in lower price brackets as they assess their options. For instance, new sales instructions in prime central London during the first half of 2025 were 32% above the five-year average, albeit skewed towards lower price points. Lending institutions are also playing a supportive role, offering flexible mortgage conditions and helping buyers navigate this volatile market.

Globally, London’s prime property is regaining some appeal as a safe haven asset amidst economic instability, especially from U.S. and Middle Eastern buyers attracted by a weakened pound and comparative value relative to past peaks. However, this interest contrasts with the wealth migration challenge, underscoring the fragility of London’s position. The government’s narrative and policy stance will be critical in either consolidating or further eroding confidence among the globally mobile affluent cohort.

As successive governments have treated London’s wealthy minority as a reliable fiscal base, current realities illustrate the dangers of overreliance on a group that is globally minded and highly mobile. Rebuilding trust will require stable, measured policymaking and a coherent tone from policymakers. Without this, London risks losing its status as Europe’s foremost hub for private wealth to more accommodating international competitors.

### 📌 Reference Map:

* Paragraph 1 – [[1]](https://www.independent.co.uk/voices/london-property-non-dom-wealth-tax-b2793594.html), [[5]](https://moneyweek.com/investments/property/is-prime-property-making-a-comeback-as-a-safe-haven-asset)
* Paragraph 2 – [[1]](https://www.independent.co.uk/voices/london-property-non-dom-wealth-tax-b2793594.html), [[3]](https://www.reuters.com/commentary/breakingviews/britains-non-dom-melodrama-has-uncertain-finale-2025-07-23/), [[4]](https://www.ft.com/content/3d8e79c1-abf1-4bd1-beb6-9afd79bb292d), [[6]](https://www.reuters.com/breakingviews/uk-is-now-risky-lab-rat-for-rich-tax-perk-reform-2024-12-04/)
* Paragraph 3 – [[1]](https://www.independent.co.uk/voices/london-property-non-dom-wealth-tax-b2793594.html), [[3]](https://www.reuters.com/commentary/breakingviews/britains-non-dom-melodrama-has-uncertain-finale-2025-07-23/), [[6]](https://www.reuters.com/breakingviews/uk-is-now-risky-lab-rat-for-rich-tax-perk-reform-2024-12-04/)
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* Paragraph 7 – [[1]](https://www.independent.co.uk/voices/london-property-non-dom-wealth-tax-b2793594.html), [[5]](https://moneyweek.com/investments/property/is-prime-property-making-a-comeback-as-a-safe-haven-asset)
* Paragraph 8 – [[1]](https://www.independent.co.uk/voices/london-property-non-dom-wealth-tax-b2793594.html), [[3]](https://www.reuters.com/commentary/breakingviews/britains-non-dom-melodrama-has-uncertain-finale-2025-07-23/), [[4]](https://www.ft.com/content/3d8e79c1-abf1-4bd1-beb6-9afd79bb292d), [[6]](https://www.reuters.com/breakingviews/uk-is-now-risky-lab-rat-for-rich-tax-perk-reform-2024-12-04/)

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## Bibliography

1. <https://www.independent.co.uk/voices/london-property-non-dom-wealth-tax-b2793594.html> - Please view link - unable to able to access data
2. <https://www.ft.com/content/5b75ded1-f8a5-4267-8e85-80919b383c3e> - NatWest is closely monitoring the repercussions of UK tax policy changes—particularly the end of non-dom tax status and alterations to inheritance tax—on its wealthy clients. CEO Paul Thwaite stated that while no major changes in client behavior have occurred yet, the ultra-wealthy are sensitive to regulatory shifts. These tax reforms, initiated by Chancellor Rachel Reeves, aim to fund public services but have reportedly led to a wealthy exodus from the UK. Amid this backdrop, NatWest, now fully privatized after the government sold its stake acquired during the 2008 financial crisis, posted strong Q2 results with £1.8bn in pre-tax profits, surpassing expectations. The bank announced over £1.5bn in shareholder returns via a £750mn share buyback and a 9.5p dividend. It raised its full-year income forecast to over £16bn and expects over 16.5% return on tangible equity. Thwaite warned policymakers against imposing higher taxes on banks. NatWest also set aside £193mn for bad loans and continued expanding non-interest income sectors such as wealth management. Speculation remains over potential acquisitions by the bank, with previous interest shown in Santander UK and TSB.
3. <https://www.reuters.com/commentary/breakingviews/britains-non-dom-melodrama-has-uncertain-finale-2025-07-23/> - Britain’s abolition of non-domiciled ('non-dom') tax status is causing controversy and uncertainty. Finance minister Rachel Reeves finalized the policy change in October, targeting wealthy expatriates who previously avoided UK tax on overseas income. While the move ends a centuries-old tax loophole, its financial outcome is unclear. The top 2,600 non-doms contributed £1.3 billion of a total £7 billion in UK taxes last year, but many are now reportedly leaving the country. An Oxford Economics survey suggests over 60% of non-doms may depart within two years, potentially reducing tax revenues. Reeves' reforms allow new arrivals to still avoid UK taxes on foreign earnings for four years and offer temporary discounted tax rates for repatriating offshore wealth. Critics worry about long-term fiscal losses, but the Office for Budget Responsibility (OBR) predicts a net annual gain of £3.5 billion between 2026–2030, assuming only 12% of non-doms leave. However, this figure is highly uncertain. Reeves targets £34 billion in revenue by 2030, yet fallout from wealthy departures and potential policy adjustments—such as reconsidering the controversial inheritance tax extension—could impact outcomes. A full assessment awaits tax data due in 2027, making current results speculative.
4. <https://www.ft.com/content/3d8e79c1-abf1-4bd1-beb6-9afd79bb292d> - A significant number of wealthy individuals are preparing to leave the UK in response to recent tax and pension reforms introduced by the Labour government. According to the 2025 Henley Private Wealth Migration Report, the UK is expected to lose a record 16,500 high net worth individuals this year, amounting to $92 billion in investable assets. Concerns over changes such as including pensions in inheritance tax, revised capital gains policies, and closing offshore trust loopholes have driven this exodus. Surveys by Savanta and the Financial Times indicate that up to 29% of very high net worth individuals are considering changing their tax domicile. Popular relocation destinations include the UAE, Italy, and Switzerland. This trend poses risks to the UK economy, potentially impacting innovation and diminishing the country’s attractiveness to affluent clients amid growing competition from global wealth hubs. Meanwhile, Chancellor Rachel Reeves is reportedly reconsidering the non-domicile tax reforms, acknowledging the pressure a shrinking wealthy tax base places on public finances. Wealth managers are increasingly worried about asset losses and the challenges of attracting new clients both domestically and internationally.
5. <https://moneyweek.com/investments/property/is-prime-property-making-a-comeback-as-a-safe-haven-asset> - Amid global economic uncertainty triggered by U.S. tariffs and stock market volatility, investors are turning to traditional safe haven assets like gold and UK prime property. Knight Frank analysis reveals that despite concerns over Brexit and increased taxation, prime central London real estate is regaining appeal, particularly among U.S. and Middle Eastern buyers who find prices relatively attractive due to the weakened pound. London's property market offers perceived stability and comparative value, with prices about 18% below their 2015 peak and a 37% discount for dollar-pegged buyers compared to 2014. Lower mortgage rates, spurred by reduced swap rates and potential Bank of England rate cuts, are further boosting interest. In the first quarter of 2025, American buyers made up 6.9% of purchases in prime central London, underscoring a revival in demand. While gold's price has also surged, property may offer better income potential and stability. However, financial experts warn that all safe haven assets carry inherent risks and emphasize the importance of a robust financial plan for long-term security.
6. <https://www.reuters.com/breakingviews/uk-is-now-risky-lab-rat-for-rich-tax-perk-reform-2024-12-04/> - Britain's government, led by finance minister Rachel Reeves, has eliminated the 'non-dom' status, which allowed wealthy foreigners to avoid taxes on overseas income, sparking concerns about potential capital flight. The old rules were deemed outdated, providing fiscal perks to affluent non-domiciled individuals since the 18th century. With this reform, Reeves aims to generate more revenue to manage the growing fiscal deficit. However, there is anxiety that many wealthy individuals might leave the UK for low-tax countries like Switzerland, Italy, or Dubai. Early indications show a significant outflow of millionaires and their families, as evidenced by the rise in enrollments at UAE private schools. While the reform could potentially raise around 4.2 billion pounds annually starting in 2026, critics argue the real offshore tax base might be overestimated, and it could scare off the richest non-doms due to inheritance tax concerns. Long-term effects on investment and local spending are uncertain, particularly as other countries offer attractive tax regimes. The situation underscores the risks and uncertainties as the UK navigates these substantial fiscal changes amidst economic challenges.