# UK housing market slows as government considers new property tax measures



The UK housing market is showing clear signs of slowing down as the country approaches the November budget announcement, with speculation swirling around possible property-related tax increases. Data from Rightmove highlights a drop of 5% in both new buyers contacting estate agents and new sellers entering the market in September compared with the previous year, suggesting a growing sense of caution among potential movers. Traditionally, the post-summer period sees an uplift in activity, but this year’s anticipated bounce has failed to materialise, especially in the south of England where the high-end market appears particularly wary.

Rightmove's October figures show only a modest 0.3% increase in the average price of properties coming to market, reaching £371,422, a figure well below the 10-year average October rise of 1.1%. Year-on-year, average asking prices have actually declined slightly by 0.1%, underscoring the market’s fragile state. Industry experts interpret this slowdown partly as a hangover from a strong September in 2024, which was significantly boosted by the Bank of England’s first rate cut in four years, setting a high benchmark for comparison. However, the prevailing tone is one of buyers and sellers "hitting pause" amid uncertainty over what tax measures Finance Minister Rachel Reeves might unveil.

Reeves herself has signalled a tough fiscal stance, insisting in a recent Guardian interview that those with the "broadest shoulders" will contribute their "fair share" in taxes. The Treasury is reported to be considering several options to increase government revenue from property, including a new tax on home sales above £500,000 and removing capital gains tax exemptions on primary residences valued over £1.5 million. Additionally, proposals for a new council tax band targeting higher-value properties in England are on the table. Labour MPs have urged the government to overhaul property taxation in the forthcoming budget, possibly introducing measures that could dampen demand, particularly in the upper reaches of the market.

This atmosphere of uncertainty is reflected in mortgage lending and consumer credit patterns as well. A Bank of England survey reported stable demand for mortgages through the third quarter of 2025 but expects little change in the last quarter of the year. Analysts attribute this plateau partly to market participants awaiting clarity on interest rates and to the looming prospect of tax hikes. The mortgage market, already contending with affordability challenges, is cautious, reflecting broader economic hesitancy.

Adding to the complexity, debates about supporting first-time buyers have gained prominence. Bellway’s chief executive, Jason Honeyman, has called for the abolition of stamp duty for first-time buyers and the introduction of a long-term deposit assistance scheme to address barriers to entry in the housing market. The current system requires first-time buyers in England to pay stamp duty on homes over £300,000 following the expiration of temporary relief earlier this year. Honeyman criticises the lack of government backing, highlighting that many young buyers lack family financial support. The Labour government, despite prioritising housing within its economic growth strategy, has not yet introduced such measures, while opposition figures like Conservative leader Kemi Badenoch have promised to scrap stamp duty for primary residence purchases if elected.

The government faces a difficult balancing act. On the one hand, it must address the UK's housing shortage—aiming to build 1.5 million new homes by 2029, a target currently projected to fall short by 200,000 units. On the other, it must navigate the fiscal pressures stemming from high borrowing costs, weaker-than-expected economic growth, and significant public service funding demands. Reeves is anticipated to raise around £30 billion in her upcoming budget, with property and wealth taxes being part of the strategy. However, the Institute for Fiscal Studies warns that simply increasing tax rates without structural reforms could harm economic growth. Instead, the IFS recommends carefully targeted reforms that balance revenue generation with economic vitality.

While the Treasury insists the budget will "strike the right balance" between funding public services and promoting growth, uncertainty in the housing market remains palpable. Stakeholders across the sector—from buyers and sellers to lenders and developers—are awaiting the budget with cautious anticipation, knowing that its measures could reshape the dynamics of the UK property market for years to come.

### 📌 Reference Map:

* Paragraph 1 – [[1]](https://www.theguardian.com/money/2025/oct/20/housing-market-slows-reeves-increase-property-tax), [[2]](https://www.reuters.com/world/uk/uk-housing-market-loses-momentum-ahead-budget-rightmove-says-2025-10-19/)
* Paragraph 2 – [[1]](https://www.theguardian.com/money/2025/oct/20/housing-market-slows-reeves-increase-property-tax), [[2]](https://www.reuters.com/world/uk/uk-housing-market-loses-momentum-ahead-budget-rightmove-says-2025-10-19/)
* Paragraph 3 – [[1]](https://www.theguardian.com/money/2025/oct/20/housing-market-slows-reeves-increase-property-tax), [[5]](https://www.reuters.com/world/uk/uks-reeves-says-taxes-wealthy-will-be-part-story-next-budget-guardian-reports-2025-10-15/), [[6]](https://moneyweek.com/personal-finance/tax/budget-tax-rises)
* Paragraph 4 – [[4]](https://www.reuters.com/world/uk/uk-lenders-expect-demand-mortgage-consumer-credit-flatten-2025-10-16/), [[1]](https://www.theguardian.com/money/2025/oct/20/housing-market-slows-reeves-increase-property-tax)
* Paragraph 5 – [[3]](https://www.reuters.com/world/uk/bellway-ceo-calls-end-stamp-duty-revive-uk-housing-sector-2025-10-14/), [[1]](https://www.theguardian.com/money/2025/oct/20/housing-market-slows-reeves-increase-property-tax)
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* Paragraph 7 – [[1]](https://www.theguardian.com/money/2025/oct/20/housing-market-slows-reeves-increase-property-tax), [[5]](https://www.reuters.com/world/uk/uks-reeves-says-taxes-wealthy-will-be-part-story-next-budget-guardian-reports-2025-10-15/), [[6]](https://moneyweek.com/personal-finance/tax/budget-tax-rises)

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## Bibliography

1. <https://www.theguardian.com/money/2025/oct/20/housing-market-slows-reeves-increase-property-tax> - Please view link - unable to able to access data
2. <https://www.reuters.com/world/uk/uk-housing-market-loses-momentum-ahead-budget-rightmove-says-2025-10-19/> - The UK housing market is showing signs of slowing down ahead of the upcoming budget announcement by Finance Minister Rachel Reeves in November. According to data from property website Rightmove, average asking prices increased by just 0.3% in the four weeks to October 11, falling well short of the seasonal average of 1.1%. Year-over-year, prices declined slightly by 0.1%. Rightmove's property expert Colleen Babcock noted a lack of momentum and positive sentiment in the market, attributing the slowdown partly to buyer caution amid speculation about potential property-related tax increases in the forthcoming budget, especially affecting high-end properties in southern England. ([reuters.com](https://www.reuters.com/world/uk/uk-housing-market-loses-momentum-ahead-budget-rightmove-says-2025-10-19/?utm_source=openai))
3. <https://www.reuters.com/world/uk/bellway-ceo-calls-end-stamp-duty-revive-uk-housing-sector-2025-10-14/> - Bellway CEO Jason Honeyman has called on the UK government to eliminate stamp duty for first-time homebuyers and introduce a long-term deposit assistance scheme to revive the struggling housing market. Homebuilders are facing declining demand due to affordability challenges and low consumer confidence, despite offering incentives such as deposit top-ups and discounts. Honeyman criticized the lack of government support, noting that many young people lack family financial backing. Since the April expiration of temporary stamp duty relief, first-time buyers in England must pay tax on homes over £300,000. Honeyman and other major builders are urging the Labour government, which has prioritised housing in its economic growth strategy, to provide entry-level support to stimulate market activity. In a contrasting move, Conservative Party leader Kemi Badenoch recently pledged to eliminate stamp duty for primary home purchases. The government also aims to build 1.5 million homes by 2029, though it is currently projected to fall short by 200,000 units. ([reuters.com](https://www.reuters.com/world/uk/bellway-ceo-calls-end-stamp-duty-revive-uk-housing-sector-2025-10-14/?utm_source=openai))
4. <https://www.reuters.com/world/uk/uk-lenders-expect-demand-mortgage-consumer-credit-flatten-2025-10-16/> - A Bank of England survey released on October 16, 2025, indicates that UK lenders anticipate no change in demand for mortgages and consumer credit in the final quarter of the year, reflecting a broader cooling trend in the housing market. The BoE’s Credit Conditions Survey reported stable mortgage demand from July to September and forecast a similar outlook through December. According to Karim Haji of KPMG, the mortgage market is showing signs of mixed activity, possibly due to uncertainty around potential interest rate cuts. The BoE maintained its benchmark interest rate at 4% in September, with future decisions contingent on inflation trends. Additionally, concerns over possible tax hikes in the upcoming November budget may be influencing market behaviour. The Royal Institution of Chartered Surveyors recently noted a slowdown in the housing market for the third consecutive month. Overall, lenders also expect steady demand for unsecured credit, suggesting increased consumer caution around borrowing. ([reuters.com](https://www.reuters.com/world/uk/uk-lenders-expect-demand-mortgage-consumer-credit-flatten-2025-10-16/?utm_source=openai))
5. <https://www.reuters.com/world/uk/uks-reeves-says-taxes-wealthy-will-be-part-story-next-budget-guardian-reports-2025-10-15/> - UK Finance Minister Rachel Reeves has indicated that higher taxes on the wealthy will be included in the upcoming November 26 budget, according to an interview cited by The Guardian. This move comes as economic forecasters predict she must raise around £30 billion ($40.1 billion) due to rising government borrowing costs, the abandonment of plans to cut welfare spending, and expected downward revisions in growth forecasts. While Reeves did not provide details of specific budget measures, she reaffirmed her stance against a standalone wealth tax. She also addressed prior criticism over levies targeting private schools and wealthy individuals, asserting that fears had been exaggerated and emphasising the UK’s continued appeal as a country to live in despite tax increases. ([reuters.com](https://www.reuters.com/world/uk/uks-reeves-says-taxes-wealthy-will-be-part-story-next-budget-guardian-reports-2025-10-15/?utm_source=openai))
6. <https://moneyweek.com/personal-finance/tax/budget-tax-rises> - Rachel Reeves, the UK Chancellor, is preparing her second Autumn Budget amid rising borrowing costs, weak economic growth, and pressure on public services. Experts widely anticipate tax hikes and spending cuts. Reeves hinted at potential tax increases, particularly on the wealthy, to close a £22 billion fiscal gap. This shortfall is driven by downgraded productivity forecasts, inflation-linked spending, reversed welfare cuts, and rising debt-servicing costs. The UK’s tax burden is already at historic highs, with income tax thresholds frozen since 2021, causing fiscal drag. Labour’s manifesto ruled out increases to income tax, National Insurance, and VAT, limiting Reeves' options. Instead, potential revenue sources include extending the tax threshold freeze, revisiting salary sacrifice schemes, reforming pension and inheritance tax rules, increasing capital gains tax, and introducing new property or wealth taxes. But many options pose political risks or implementation challenges. The Institute for Fiscal Studies (IFS) argues that merely raising tax rates without reform could hurt the economy. It recommends targeted, well-designed reforms over blunt tax increases. Ultimately, Reeves must balance fiscal responsibility with economic growth, amid sizable political and practical constraints. ([moneyweek.com](https://moneyweek.com/personal-finance/tax/budget-tax-rises?utm_source=openai))
7. <https://www.reuters.com/world/uk/uk-housing-market-has-weakest-month-since-late-2023-rics-survey-shows-2025-03-13/> - The Royal Institution of Chartered Surveyors (RICS) survey showed that the UK housing market had its weakest month in February 2025 since late 2023. Buyer demand was the lowest since November 2023, and a further weakening is expected in the coming months. The net balance of house prices fell to +11, the lowest since September last year, compared to +21 in January and +25 in December. This decline was more pronounced than anticipated in a Reuters poll of economists. Market activity had recently increased due to expectations of Bank of England interest rate cuts and a rush to take advantage of tax exemptions before March 31, especially for first-time buyers and less expensive homes. However, this activity appears to have cooled. Simon Rubinsohn, RICS chief economist, attributed the cooling to the end of the tax exemption and inflation concerns stemming from global uncertainty since Donald Trump's presidency. In the rental market, tenant demand contracted for the fourth consecutive month, but rents are expected to rise in the next three months. Prime Minister Keir Starmer has pledged to accelerate housing construction in the UK. ([reuters.com](https://www.reuters.com/world/uk/uk-housing-market-has-weakest-month-since-late-2023-rics-survey-shows-2025-03-13/?utm_source=openai))