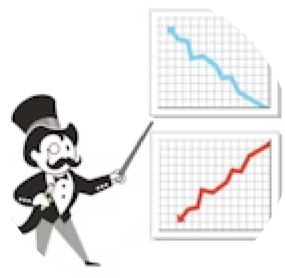
PrimeResi

Talking Heads: What property industry leaders *fear* most from the Autumn Statement 2024

VIEWS 28 Oct, 2024

Of the tax and housing proposals floated by the Chancellor ahead of this week's Budget event, which do you think would have the biggest impact on the prime property market and why?



Written by
PrimeResi Pundits

Ahead of this week's Autumn Statement – the first Labour Budget event in 14 years – *PrimeResi* canvassed 25 business leaders in Britain's prime residential property arena, to get an inside track on the industry's hopes and fears for the imminent tax shake-down.

Six key fears were highlighted by commentators – with increases to Capital Gains Tax emerging as the most worrisome prospect. The abolition of non-dom tax exemptions and higher Stamp Duty rates – both of which have been trailed by the Government – are also giving cause for concern amongst prime property advisors and their clients.

When asked which of the tax and housing proposals floated by the Chancellor ahead of Wednesday's Autumn Statement, would have the biggest impact on the prime property market, 44% of our respondents flagged CGT as the number one concern – likely to impact landlords and second home owners.

Prime property industry Budget fears

Policy	**Respondents flagging it as a top Budget *fear***
1. Increased Capital Gains Tax	44%
2. Abolition of Non Dom status	28%
3. Increases to Stamp Duty	25%
4. Introduction of VAT on school fees	16%
5. Increased or extended Inheritance Tax	16%
6. Increase taxes on buy-to-let landlords	4%

Further Reading

- **Survey:** The prime resi sector's *hopes* & *fears* for this week's Labour Budget (https://primeresi.com/survey-the-prime-resi-sectors-hopes-fears-for-this-weeks-labour-budget/)
- **Talking Heads – Budget *Hopes*** (https://primeresi.com/talking-heads-property-industry-leaders-autumn-statement-wish-lists/): Property industry leaders' Autumn

Statement *wish lists*

- **Talking Head – Budget *Fears* (https://primeresi.com/talking-heads-what-property-industry-leaders-fear-most-from-the-autumn-statement-2024/):** What property industry leaders *fear* most from the Autumn Statement 2024

TALKING HEADS

QUESTION: Of the tax and housing proposals already floated by the Chancellor*, which do you think would have the biggest impact on the prime property market and why?

There are many other locations for HNWIs to live, with many looking at Switzerland, Italy and Dubai as alternatives to London

Claire Reynolds, Managing Partner United Kingdom Sotheby's International Realty

"The more onerous the UK tax landscape becomes, the more it will deter HWNIs who may simply choose to live elsewhere. In Prime Central London, 70% of buyers are international, so if the government discourages these

wealthy foreigners from investing in the UK and contributing to the economy, the burden will increase for UK residents, who generally have less purchasing power.

"If HNWI buyers are no longer attracted to living in the UK and do opt to live abroad, many high value homes will sit empty without replacement buyers, which will negatively impact the value of SDLT receipts. There are many other locations for these HNWIs to live, with many looking at Switzerland, Italy and Dubai as alternatives to London.

"If Capital Gains Tax is increased, we may see a rush of historically purchased buy-to-let properties entering the market, as landlords look to sell before the new rates take effect. Many landlords built their portfolios during periods of strong price growth, and they may seek to capitalise on these gains ahead of potential tax changes. This sudden increase in supply could soften prices in the sales market, while also straining the rental market by reducing the availability of rental properties."

If a CGT hike were confirmed, we would likely see an influx of properties coming to market

Jimmy Waight, Head of Sales at John D Wood & Co.

"Among the tax and housing proposals floated by the Chancellor, adjustments to Capital Gains Tax would likely have the most immediate impact on the prime property market. Many property owners are keenly focused on CGT, especially as we approach the Budget, viewing potential hikes as a key factor in deciding whether to sell. This is particularly relevant for long-term landlords, who are increasingly seeking market appraisals to weigh the benefits of selling now, particularly in light of the upcoming Renters' Rights Bill. In areas like Southwest London, there's been a noticeable rise in properties listed for sale, likely as landlords move to manage possible future CGT liabilities.

"If a CGT hike were confirmed, we would likely see an influx of properties coming to market as owners act to sell before any new rate is implemented. However, the expectation that CGT changes will focus on share sales rather than property is providing some relief for now."

Raising taxes on a group who may simply vanish from the UK isn't the answer

Becky Fatemi, Executive Partner at Sotheby's International Realty UK

"Next week, I'm hoping for policies that won't drive ultra-high-net-worth individuals – both domestic and international – out of the UK. London has long been a city that welcomes families from around the world, offering quality education, a secure living environment, and previously a more affordable cost of living. This affordability allowed residents to allocate more of their disposable income locally, fuelling the economy in the process. However, as some UHNW residents begin to leave, the impact is especially hard on service industries, and the knock-on effects extend well beyond just luxury markets.

"If the government continues to tax or restrict these individuals too heavily – whether through higher stamp duty, stricter non-dom regulations, or a steeper Capital Gains Tax – the result could be far worse than anticipated. Quite a few are already eyeing the door, and some have jumped ship. With their departure, we risk not only losing residents but also the skilled workforce that serves them, along with the businesses and jobs they support. From high-end boutiques and restaurants to local service providers, these individuals' spending, investments, and lifestyle choices keep a whole range of businesses afloat.

"The reality is that the UK's economy genuinely relies on these individuals, and if they decide to pack up, we'll feel the loss far and wide. Raising taxes on a group who may simply vanish from the UK isn't the answer. While it may be tempting to tax the rich to support the less fortunate, pushing wealth out of

the country could have serious consequences. Once they're gone, they're unlikely to return, and each loss compounds the impact – a domino effect threatening to destabilise London's standing as a global hub."

The prospect of higher levels of inheritance tax is a much bigger concern in prime central London than capital gains tax

Jo Eccles, Founder and Managing Director of prime London buying agency Eccord

[Non Doms] "Non dom decision making is in limbo and many have the numbers crunched and their bags packed by the door, but they won't make a final decision until they have clarity on the changes.

"Anyone who is highly mobile and wants a new adventure is embracing the opportunity, but many of the non doms we're talking to are exploring their options but coming away unconvinced. The prospect of tax-free earnings in Dubai is very appealing, but with the cost of living significantly higher, they may only be around 15% better off. In Milan, a studio apartment can set you back €15,000 a month. They're questioning whether it's worth it, when compared to the lifestyle on offer in the UK.

"Of those that are planning to leave, the vast majority are retaining their London home to keep their options open and enable them to return to the UK in the future. We saw this in the wake of the financial crisis when many hedge funds relocated to Switzerland, but most people retained their stake in the London market and eventually returned."

[Capital Gains Tax] "Most landlords who have bought in prime central London in the last decade won't be heavily impacted if capital gains tax increases, as they haven't seen significant gains during that time. But it will certainly affect landlords in other locations and those who have held London investment properties and second homes for a longer period.

“With mortgage and maintenance costs so high, many landlords in prime central London are now earning net yields of no more than 1 – 1.5%, and they are also facing stricter energy efficiency regulation coming down the road which will require significant expenditure to bring properties up to an EPC C rating.

“With a third of the properties currently for sale in London coming from the rental market, it’s clear that sustained anti-landlord policymaking is having the desired effect and driving landlords out of the market – but what will replace this rental stock? A fully functioning rental sector is a critical part of a healthy housing market.”

[Inheritance Tax] **“The prospect of higher levels of inheritance tax is a much bigger concern in prime central London than capital gains tax. Property makes up half the wealth of estates in London paying inheritance tax, which is twice as much as most other regions of the country.**

“A reduction to the nil rate band or changes to the 7-year rule would force people to pass wealth on sooner than they might have liked, so I expect we’d see a rise in downsizing in 50s and early 60s, and more Bank of Mum and Dad buyers in the market as that wealth is released to children and grandchildren.

“If the government decides to impose inheritance tax on the global assets of UK residents who are domiciled overseas, it will certainly impact decision making and hamper London’s ability to compete with other global destinations in terms of attracting wealth.”

[Stamp Duty] **“Overseas buyers are always shocked at the size of the upfront tax payment they will be required to pay when it’s highlighted to them at the beginning of a property search.**

“Those overseas buyers acquiring a UK home to live in, who are moving for the schools, culture and lifestyle, would probably swallow the extra cost but it would certainly deter pure investors – and anyone who coming to the UK for less than 7 – 10 years will be more inclined to rent than buy.”

Expanding Inheritance Tax to cover non doms' global assets would eliminate the appeal for international HNW individuals to base themselves in central London

Dominic Agace, Chief Executive of Winkworth

"The biggest impact would be the extension of the scheme to cover inheritance tax for non doms on global assets. This would eliminate the appeal for international HNW individuals to base themselves in central London.

"VAT on school fees will also hit domestically focused prime housing markets, as families look to tighten budgets or downsize to cover these new costs – affecting prices in the luxury family house market."

School VAT is expected to be a major discussion point in NW3

Sandra Luehrmann, founder of buying agency Properly Home

"The prime property market players will closely watch CGT rate changes, as the currently proposed increases could deter both domestic and international buyers. Even minor tax adjustments in these price categories can significantly affect buying and selling decisions, potentially slowing down market activity.

"Regarding CGT, from my perspective as a buying agent working primarily with local families in NW3, many transactions involve the purchase or sale of a main residence, which benefits from Private Residence Relief.

"School VAT is expected to be a major discussion point in NW3, where there is a high concentration of private schools. Will it drive families away? Unlikely. Instead, we may see some families readjusting their lifestyles, perhaps through downsizing, to free up capital.

"Ultimately, clarity on tax changes will be the main driver of transactions! Uncertainty and speculation tend to bring the market to a halt."

Political posturing & rhetoric hostile to international buyers matters and may do more damage in the long term than any tax breaks the Chancellor can introduce

Marco Previero, Head of Research at R3Location

"The expectation is that this Budget will be geared towards supporting working people. We do not expect any measures that will stimulate the market in Prime Central London, but we still anticipate that this market will remain broadly stable over the next couple of years.

"The reality is that the taxes that can affect properties, such as SDLT and Capital Gains Tax and Inheritance Tax, tend to contribute to a very small amount towards the overall tax take. But political posturing and rhetoric hostile to international buyers, such as those with non-dom status, matters and may do more damage in the long term than any tax breaks the Chancellor can introduce. Language matters here – and this type of environment gives a clear signal to international buyers, who make up a significant proportion of the market, to press 'pause' and reconsider how they invest their wealth.

"Ultimately, London remains an important international hub, and the current environment, along with a weak pound, will continue to provide an incentive for investors to buy in Prime Central London. However, the Budget won't help in the short term."

Our overseas clients are concerned about the impact any changes to inheritance tax will have on their global position

Ashley Wilsdon, Head of London Buying, Middleton Advisors

"Many of our overseas clients are concerned about the impact any changes to inheritance tax will have on their global position. We hope the new government will carefully consider the consequences this might have in terms of people either exiting the UK or deciding not to come here at all."

If CGT goes up to say 35%, and includes property disposals, the implications will be huge and potentially very damaging

Jennie Hancock, founder and director of West Sussex buying agency Property Acquisitions

"The top end of the market is already very well taxed and an increase in capital gains tax, if implemented immediately, will only reduce fluidity in the market as second home owners and investors are disincentivised to sell.

"If CGT goes up to say 35%, and includes property disposals, the implications will be huge and potentially very damaging. We'll see even fewer people buying rental properties, worsening the stock shortage and pushing up rents, and anyone who already owns a rental or second home will be more likely to hang onto it for the time being, reducing transaction levels."

London is on the ropes. But suddenly the rest of Europe is looking even worse

Mark Wells, Founder and CEO of Invisible Homes

"London has taken some hard hits recently. We're on the ropes. But suddenly the rest of Europe is looking even worse. Could it be our time again? If all of the proposed tax reforms in the Autumn Budget are implemented, the answer is a firm no.

"As the estate agent readers will know, the best way to deliver a bitter pill is to start with a poisonous one – then the bitter pill seems delicious in comparison. Let's hope that's what's happening in the run-up to the Budget. We simply cannot afford a high-tax environment right now. We have to take this opportunity to grow ourselves out of debt. Increasing CGT will put off businesses thinking of locating in the UK, at a time when there's virtually nowhere else to go. We need non-doms to bring wealth, not run away with it. And please, stop punishing landlords with unfair taxes – all that happens is that rents spiral and the population gets even more broke."

Increasing CGT rates would result in many landlords retaining properties they don't want to

Marc Schneiderman, Director at Arlington Residential

"Top of our wishlist would be to minimise the fallout from a rise in Capital Gains Tax. CGT rates were reduced from 28% to 24% by the prior Government. It is expected that on 30 October the Chancellor will announce an increase in CGT rates and almost certainly a significant one. The hope is that this will not be effective from the date of announcement and will not come into force perhaps until the beginning of the new tax year. I suspect this is unlikely, but it would be fair and reasonable to allow landlords time to assess their positions and to sell property if they wished to. That said, what Government has ever been fair and reasonable when it comes to taxation?!

"Increasing CGT rates from the date of announcement would result in many landlords retaining properties they don't want to, just to avoid the higher tax burden. Perhaps the Chancellor would consider that a positive outcome,

ensuring many landlords do not chose to sell and as a consequence avoid mass migration of stock out of the rental market, leading to a bull run on rental values."

A modest increase to Stamp Duty for international buyers should not alter the appeal of UK property

Simon Capp, Head of Residential Sales at Canada Water, British Land

"It's helpful to put this Autumn Budget in the context of the recent market landscape; emerging green shoots with a reduced Bank of England base rate (and further drops anticipated), increasingly competitive mortgage lending rates and promising headlines on inflation.

"Within the budget we would hope to see balanced measures that support sustainable momentum within the residential market. It appears Rachel Reeves has rowed back on changes to Capital Gains Tax for second homeowners and landlords, this is based on the theory that it could constrain transactional activity, and this should ease pressures and opportunities for investors.

"As highlighted in the Labour Manifesto, we do anticipate a modest increase to Stamp Duty for international buyers and the expectation is that this should not alter the appeal of UK property. Within the global landscape, compared to other popular international jurisdictions – such as the USA and Australia – the UK appears generally tax moderate for purchase, holding and selling taxation. Although the small increases are unlikely to have long-term impact on buyers' appetite, we may still see a flurry of activity in the market as buyers look to capitalise on lower rates."

Any help that's given at the lower end of the market simply jacks up prices

Nick Wooldridge of Stacks Property Search

"Any help that's given at the lower end of the market simply jacks up prices. If the Stamp Duty threshold for first time buyers is reduced from £425,000 to £300,000, there will be a spate of panic buying before the change comes into effect, and prices for properties at this level will increase due to increased demand.

"VAT on private education has already had an impact on the property market, and when it's introduced will further have an effect on what and where people buy. A large proportion of people move for school reasons, and there's a direct correlation between school catchment areas and price. The increase in cost of private education will fuel the demand for excellent state education and grammar schools, pushing up prices in associated catchment areas."

A higher CGT rate may discourage investment in the rental market, leading to fewer properties available for rent, which could drive up rental prices

Jamie Pritchard, Managing Director of Sales at residential lender Glenhawk

"The potential increase in Capital Gains Tax could have significant repercussions, particularly for landlords and investors in prime property. A higher CGT rate may discourage investment in the rental market, leading to fewer properties available for rent, which could drive up rental prices. For prime property, where gains can be substantial, it may lead to a slowdown in transactions as owners hold off on selling to avoid higher tax bills, further limiting supply in an already constrained market."

Increasing the Non-Dom tax surcharge could lead to decreased demand and downward pressure on property values

Peter Greatorex, Managing Director of Peter Greatorex Unique Homes

"Among the tax and housing proposals from the Chancellor, the potential increase in the Non-Dom tax surcharge could significantly impact the prime property market. London has long attracted high-net-worth individuals, and a higher surcharge may deter these investors, leading to decreased demand and downward pressure on property values.

"Proposed changes to Capital Gains Tax also pose serious implications for property investors. Significant increases in CGT rates could heighten the tax burden, prompting a re-evaluation of investment strategies, especially for those with long-held assets. There are also discussions about taxing assets at death, which would remove a crucial tax break for estates and add further uncertainty for investors.

"On a positive note, reforms to Stamp Duty could stimulate the market by encouraging more transactions. Lowering these costs would boost buyer confidence, particularly in the prime segment, helping to counterbalance potential negative effects from other tax increases."

Increased SDLT rates are a considerable barrier for HNWIs & foreign investors considering property purchases in the UK

Chris Parra, President and CEO of One Caribbean Estates

"Returning SDLT thresholds to pre-pandemic levels would likely have the biggest impact on the prime property market. Increased SDLT rates are a considerable barrier for high-net-worth individuals and foreign investors considering property purchases in the UK. If the government instead reset these thresholds – to reduce the stamp duty payable – the market would see increased activity, particularly in high-value transactions, as buyers would feel more confident about entering or expanding their portfolios. Additionally, a

reduction in SDLT would positively influence associated sectors like property management, rentals, and luxury services, all of which benefit from a robust high-end property market."

Take SDLT back to 1% across the board

Helen Whitfield, Partner at Butler Sherborn

"SDLT reform back to 1% across the board. This will encourage people to move rather than extending current homes keeping a better balance of stock size and pricewise across the market. The tax is only paid when a transaction takes place, so more people moving will ultimately increase the tax earned."
