Impact of Budget 2024 on UK’s prime housing market: Experts weigh in

The Budget, for the most part, was a series of financial commitments aimed at those who depend on public services. So, how might this impact the prime housing market, which caters exclusively to the UK’s wealthiest buyers?

Prime properties are generally considered to be the top five per cent of homes in any given area. Super prime properties in the country’s priciest regions like Mayfair and Belgravia often sell for more than £15m, as reported by City AM.

Naturally, the taxes announced in the Budget will affect those involved in the prime sector: the increase in capital gains tax, the VAT on private schools, the abolition of the non-dom regime even the tax on private jets.

However, Labour’s emphasis on the UK’s challenging financial future and the subsequent less severe budget may have worked in its favour.

Amy Reynolds, head of sales at Richmond estate agency Antony Roberts, said: “With the Budget not as dramatic as feared from a property perspective, the ‘wait and see’ approach we have seen from some buyers, who have been more cautious than usual given the economic backdrop, will hopefully now ease.”

“Demand for prime London locations is historically resilient; buyers may pause to reassess financial implications, but high-demand areas are likely to retain interest,” added Reynolds.

Trevor Kearney, founder of The Private Office: Real Estate, concurred that Labour refrained from implementing policies that could potentially harm the prime market. He said: “The decision from the Chancellor to leave CGT levied on the sale of second homes and buy-to-let properties untouched is critical."

"The party knows that a decision like that would cost the Treasury a lot of money by slowing down property sales," he added.

Kearney expressed that the decision to impose a two per cent surcharge on purchases of second homes and buy-to-let properties will "ruffle feathers" and "reduce demand".

"Property won't take the same hit as other areas of the economy [but] the Labour government does need to be wary of alienating… high net worth individuals from living and working in the UK. That's where the pinch points for the economy will be felt most," Kearney further commented.

However, apprehension over the stamp duty policy has so far been primarily confined to the private rented sector, with initial concerns focused on the higher tax discouraging potential landlords from purchasing property.

Conversely, previous increases in stamp duty have prompted billionaires to rent rather than buy (especially if they are overseas buyers, as the charge is even higher), which could stimulate the market.

Gideon Stone, co-founder of luxury property developers Janine Stone & Co, has previously commented that although "it took a while for people to get used to the fact that stamp duty was here to stay," the market eventually adjusted and both the rental and purchasing sectors remained robust.

Abolition of the non-dom regime

There's been considerable conjecture that the scrapping of the non-dom regime will trigger a mass departure from London's prime property market, with some analysts suggesting the mobile community will relocate to countries with lower taxes.

Non-doms, or non-domiciles, are individuals who reside in the UK and pay tax on UK earnings while maintaining a primary residence abroad.

Reeves plans to replace the current system with a new, residence-based scheme featuring “internationally competitive arrangements for those coming to the UK on a temporary basis”, she stated. The new scheme will require non-doms to pay a higher rate of tax.

London’s high-end property sector has become heavily reliant on international capital a significant proportion of London’s prime properties are purchased by residents from overseas.

However, Simon Allister, head of wealth planning at LGT Wealth Management, said that while “there remains little granular detail around the abolition of the non-dom regime, which is disappointing given April 2025 is fast approaching, “taken in isolation, the changes look palatable for private clients relative to recent rampant speculation”. Kearney noted that while non-doms “are already fleeing”, “this does not mean they’re abandoning the UK forever”. He added, “They will still keep a hub in the UK and travel back and forth and the UK will continue to be the ultimate destination to do business. ” Kearney also observed, “Interestingly, we’re seeing our clients prioritise education and good schools and the UK’s education system is second to none that’s a huge retainer, even with the added VAT fees.

“Historically, property has always performed better under a Labour government. This new set of taxes has not consigned that trend to the dustbin.

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