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Impact of the Stamp Duty hike on the high-end property market - Marketwatch

Mortgage Solutions | 28 Jan 2015 | 13:32

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December's Stamp Duty reforms were heralded as a triumph for the majority of homebuyers with an expected 98% of people who would be charged Stamp Duty receiving a reduction in the amount they pay. But what of the other 2%?

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Under the old system, property hunters looking for homes valued between £500,001 to £1m would pay 4% on the whole purchase price. For properties priced over £1,000,001 to £2m, a rate of 5% was levied while homes worth over £2m were hit with 7%.

The new regime now charges 5% for the portion of the property which falls between £250,001 and £925,000 and 10% for the portion which falls between £925,001 and £1,500,000. Properties valued at over £1,500,000 will be charged at 12% for the top slice.

In the Treasury's fact sheet on the changes and rates it said that for a property worth £2,100,000 buyers would have to shell out an extra £18,750 to cover the tax bill.

This week we've asked out experts what effect, if any, this rebanding and restructing of the tax has had and will have on their high-net-worth clients' appetite for property in the luxury home-end of the market.

Ian Gray, senior partner at specialist broker firm Large Mortgage Loans, reveals how some clients are changing their strategies in an unexpected direction.

Lucian Cook, Savills' UK head of residential research, discusses how the prime central London market is coping with the change.

Grainne Gilmore, head of UK residential research at Knight Frank, looks at how buyers and sellers are working together to manage the impact.

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**Ian Gray is senior partner at specialist broker firm Large Mortgage Loans**

The recent changes to SDLT were certainly a shock which detrimentally affected most of our clients whose properties are normally over the £1m mark. Rather than having been the sole reason for a slowdown in the million-plus property market, it's one of a number of contributing factors.

Many of our clients are waiting to see if property prices come down as a result of the change, but it's difficult to know whether it's these changes, waiting for the election in May, a general January quiet period, or a feeling that prices are a bit too heavy in London are the main reason they're waiting.

Several of our clients have changed strategy and are looking for even higher-value properties now, with the idea that if the SDLT is that much higher, they only want to make one more move rather than climbing the ladder with several purchases over time.

There's still a general view that London house prices will still increase in the medium to long term, and that it's a good investment - especially if it's the main residence. If the desire is to own one's own home in London, and the horizon for ownership is long-term, then the increased Stamp Duty costs pale in comparison with the gains that will be made just by owning the real estate over many years.

We think that the market will pick up in a few months, once the changes have been absorbed into the market and especially once the election results are known in the spring.

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