

You are here: Home - News -

NEWS

£1m-plus property sales down 7% year-on-year

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The number of completed sales for country homes worth more than £1m in England and Wales has fallen by 7% year-on-year in the first eight months of 2015, with a decrease of 22% in sales over £2m, research by Knight Frank reveals.

Knight Frank said the rise in Stamp Duty for properties worth more than £1.1m was a continued weight on activity and price growth at the top end of the prime country market.

Noel Edmonds, mortgage manager at Largemortgageloans.com, said: "In regards to high net worth homes, this is not something that has been well received. We have seen a decrease in transactions at the top end, even with clients I know who are buying £5 to £6m properties.

"For a £5m property, you will pay £500,000 or thereabouts in Stamp Duty, so the changes are a hard pill to swallow. Even valuations are coming back a lot softer purely because stamp duty is putting people off."

Under the new rules, houses are no longer taxed at one rate on the entire sales price. The property value is split into portions and different rates of tax are applied to the element of the property price which fall within each band. For example, a £2,100,000 home would be taxed at £147,000 using old Stamp Duty rates; today the same property would be taxed at £165,750, an increase of £18,750.

It is expected that the market will eventually absorb the new rates, particularly as Londoners look to take advantage of the difference in price between the capital and the countryside.

"In both cities and the countryside, we are starting to see a pick-up up to about £2m, as there is not too much difference between the current tax and the old tax in these prices, and this is the mark where you do start to pay more," Edmonds added.

Price growth in the prime country house market has also slowed down, rising by 2.7% over the year to September, down from 5.2% last year, remaining 13% under its 2007 peak.

Meanwhile, urban high net property values have increased by 26% since 2005, while sales volumes at the top end of the market rose by an average of 25% between 2005 and 2014, with the markets immediately surrounding London, in the South East and the Cotswolds seeing the strongest growth in activity.

In the capital itself, there was a decrease of 25% in the number of £2m-plus deals in the first quarter of this year, and many buyers, including City workers, had to look for loans with higher loan-to-value rates due to having to put extra money into paying stamp duty.

"In the first six months of the year the large £1m-plus loans fell off. It has started picking up over the last month or two, predominately in the London market," said Edmonds.

"It [Stamp Duty] is something we cannot change as the government has put it in. As people accept it and start putting that money aside and factor it into their purchase, there will be a steady increase over the next year."



Moa Aarenstrup

Moa Aarenstrup is reporter at Mortgage Solutions. She has previously worked on a freelance basis covering entertainment and local news. Follow her on Twitter: @MoaAarenstrupMS.

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