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Luxury Home Prices Fall in London as Buyers Turn to Renting

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— *Categories: Real Estate*

Luxury property values in central London are facing significant declines, with growing signs that even the ultra-wealthy are steering away from buying in favour of renting. The shift is being blamed on the recent rise in stamp duty, which is now prompting concerns that the downturn could extend across the wider UK housing market.

Changes introduced in April to stamp duty and the tax levied on property purchases have widened its reach, leaving a larger number of buyers liable. According to data from property website Zoopla, 83 percent of current homebuyers would now pay the tax, up from just 49 percent prior to the adjustments. With these increased costs, many buyers are pressing for lower prices to offset the impact, triggering sharp corrections at the top end of the capital's market.

Property prices are traditionally higher in the capital than elsewhere in the country. A home costing £532,449, roughly the London average, now comes with an additional £2,500 in stamp duty fees compared to earlier this year. But the effects are most pronounced at the very top of the market. Homes valued in the tens of millions are seeing asking prices slashed by up to 30 percent, particularly in areas like Mayfair and Belgravia.

A UK resident buying a £20 million mansion in these districts would now face a stamp duty bill of £2.3 million. For non-residents purchasing a second home, the cost can soar to £3.7 million. These figures, once seen as the price of joining London's luxury lifestyle, are now deterring even the wealthiest buyers.

Instead, many are turning to renting, viewing it as a more financially sensible option. "The annual rent on a £20 million pad would be about £570,000," said Neil Hudson of the Built Place consultancy. "On that basis, if you were a UK purchaser, you could rent for four years for what you would have to pay in stamp duty alone."

This trend is not just a matter of individual preference but could signal broader implications for the housing market across the UK. Central London has long acted as a bellwether for national property trends, with growth in the capital often influencing price movements elsewhere.

"At the height of the boom in 2015, London's properties became overpriced and have been largely moving sideways ever since," said Richard Donnell, head of research at Zoopla. "This is bad news for the whole market since London has been the engine of house price growth, with the effects rippling out to other regions."

Currently, around 951,000 transactions across the country fall under stamp duty liability. Although this is still below the 1.2 million peak, the figure is expected to rise sharply in the coming months. Notably, over one-third of the total revenue generated from the tax, around £4.5 billion, comes from property deals in London alone.

With more buyers opting to rent and sellers forced to reduce their prices, the mood in the capital's housing sector has turned cautious. The extent to which this will affect regions beyond London remains to be seen, but property experts are warning that the current situation may well be the early stages of a wider slowdown.

As stamp duty continues to shape buyer behaviour, and high-end properties remain difficult to shift, the question is no longer whether London's property market has cooled – but how far the chill will spread.