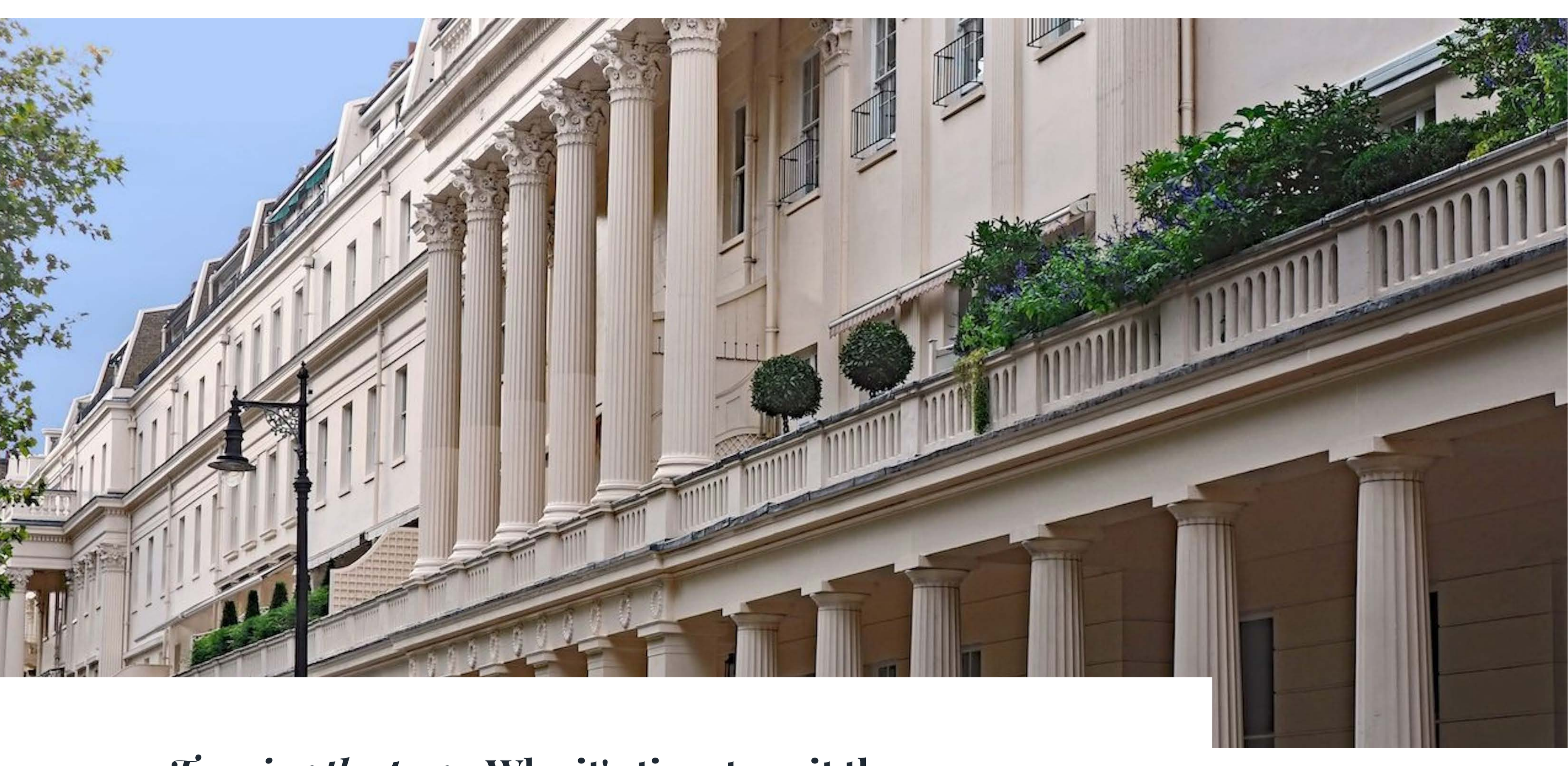

Turning the page: Why it's time to exit the 'Wexit' echo chamber

VIEWS • 12 May, 2025

It would be impossible for prime markets not to feel the impact of recent tax changes, but the reality of the 'wealth exit' on the ground is different from the media perception, say top property advisors *Richard & Sophie Rogerson*

Written by

Richard & Sophie Rogerson

CEO & Managing Director at RFR Property

'Will the last person to leave Britain please turn out the lights' was *The Sun's* famous headline in 1992, often credited with winning the Conservative Party the General Election that year. If you have been doomscrolling LinkedIn or other media forms in recent weeks, you'd be forgiven for thinking a similar darkness was descending.

The very vocal wealth exit ('Wexit') narrative has been precipitated by the abolition of the 'non-dom' tax regime in the UK, and its simultaneous replacement with a time-limited preferential tax regime for qualifying new UK tax residents. Whilst the changes have been signposted by successive governments, the devil is in the detail. For a cross section of resident non-doms who have relied on this regime fairly and properly over many years, and structured their affairs to accord with it (most recently following the reforms in 2017), the shifting landscape has become too much.

For those that have departed, the anecdotal evidence is that Dubai (no tax), Switzerland (forfait regime), Italy (fixed fee regime) and Monaco (no tax) have been the major beneficiaries. Tellingly, of those families and individuals who have 'left' the UK, almost all are retaining their homes in London, suggesting an intention to continue using London for all of its well-documented cultural and lifestyle benefits, albeit as non-residents. We suspect a number of those retaining properties would consider 'right-sizing' their London homes (for example replacing a family house with a lock-up-and-leave lateral apartment) but stamp duty means the frictional costs feel too punitive for now.

However, before everyone heads for the door or the light switch, our sense from discussions with many of London's leading private client advisors is that the reality on the ground is quite different from the media perception. Estimates vary wildly from advisor to advisor and probably won't be clear for years, but some of the most sophisticated minds suggest as few as 5-6% of their non-dom clients have left or are leaving London, with the remainder citing 10-20%. We had one firm return a figure of 50% of their non-dom client base, but that was an outlier amongst the data. Clearly, a cohort of resident non-doms (including from amongst some of the wealthiest families) have left or intend to leave, but many others are choosing to stay.

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As for those inbound, whilst it is too early to ascertain the impact of the changes on the numbers of wealthy arrivals to the UK, there is much to commend the new rules. They are arguably more generous than the previous regime, save perhaps that the current time periods (four and ten years) are too short and could have been phased over longer periods to avoid unnecessary cliff edges.

Time to move on!

Whilst the reforms are a major rupture with the past, and have not been viewed in London as a positive step for UK plc, it is clear that there is no appetite amongst the UK government to reverse their decision or make meaningful changes to the new regime. It is here to stay – at least until the next election when the arguments for a more favourable system will form part of the political debate once again.

In the meantime, and for those driving the dramatic headlines and the LinkedIn posts, we sense it is time to turn the page and to exit the Wexit echo chamber that is fast becoming a self-fulfilling and self-defeating prophecy. Instead, the very best professional advisors in London are working together to help clients understand the new FIG regime, to help them navigate the TRF opportunities and to understand ways they can mitigate some of the effects of the new landscape. The reasons that families were drawn to London in the first place remain unchanged and the city continues to have few true peers. It has not been surprising to us that we have already seen a handful of families return to London having left for Italy and Dubai (respectively) in the last twelve months. We suspect this is just the first wave of boomerang Londoners!

It is also worth putting our new tax position in a global context, since fiscal changes are being implemented consistently and arbitrarily around the globe, as governments seek to dampen or encourage markets and lure new arrivals.

What is normal?

In a market driven by sentiment, it would be impossible for London's prime markets not to feel the impact of these recent tax changes, although the market is proving to be more resilient than we might have expected thus far. In fact, Q4 2024 was one of the most productive quarters in the last decade, despite overall transactional numbers for 2024 closing out at circa 16% down on 2023 [Savills]. So far, transactional levels in Q1 2025 are marginally ahead of Q1 last year, with a surprisingly high volume of transactions in the £10m-15m range (second highest for a first quarter in the last 10 years) [Savills]. Again, for context, and looking back at the last 10 years, recent volumes remain significantly up on 'pre-pandemic averages' but below the post pandemic boom years of 2021 and 2022.

The leading indices demonstrate that average values are marginally softer than a year ago, understandable given sentiment and the recent 2% increase in SDLT for those with second homes (the majority of buyers in the prime central London market), but not significantly in decline as seems to be the pervading narrative. LonRes industry data would suggest supply is up significantly on the last few years, although we are not seeing this universally across all neighbourhoods, at least not in terms of good quality, turnkey stock and best-in-class new build options.

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The challenge for all market commentators is finding a new normal amidst the backdrop of the last decade: references to the market in 2019 are meaningless given the political risks that year; pre-pandemic averages were heavily impacted by Brexit and successive increases in SDLT since 2014; and post-pandemic numbers reflected a global boom in the years following Covid. What we can say is that throughout this undulating decade, there has been no cliff edge for either values or volumes in London and certainly not for best-in-class period properties or the finest super prime new builds. A clear risk factor relates to the second tier of London properties: those blighted by structural defects; poor plots and weak infrastructure; overall poor build quality; or requiring hugely expensive renovations. This is relevant at all levels of the market from £2m to £100m – the flight to quality endures and the market will remain challenging with very little buyer tolerance for imperfections.

International context

Beyond our shores, prime markets have cooled this year, with Savills and Knight Frank's international indices growing only c. 2.2% to 3.6% year on year. Asian and Spanish cities were among the top performers, whilst the major global hubs of New York, London and Hong Kong all failed to find growth. However, when you look at Knight Frank's data on transactions over US$10m, outside of the US, London, Hong Kong and Dubai dominate the super prime landscape with London second only to Hong Kong in terms of the most expensive properties (with an average of £20.4m). This is perhaps not surprising given that London still retains the most billionaires and centra millionaires of any city outside the US or China, significantly ahead of any other European city [Henley & Partners]. Looking ahead internationally, Dubai is expected to dominate again next year given the strength of demand, with Sydney also outperforming with lack of supply the driver. London and Singapore are both singled out as likely weaker performers this year given recent tax changes but are predicted to bounce back robustly as changes are assimilated.

US interest in London remains as strong as ever – not the inundation suggested by some commentators, but a steady and consistent flow of Anglophiles. Recent US economic data is likely to deepen this position by driving US wealth to reconsider diversification away from the dollar and towards the UK, as well as mainland Europe and Japan. If JP Morgan and Goldman Sachs are correct in suggesting that the US may well be heading towards a recession, a redistribution of wealth to the UK could well materialise sooner.

A civilisation hedge

In summary, this isn't the first time that external factors have undermined our great city. Most recently, the 'escape to the country' narrative that followed the Covid pandemic had us thinking that changes to how we live and work would hollow out the Square Mile. However, despite all the headwinds faced by London in recent years, fluctuations in values for the best-in-class properties over the last decade have been marginal, and that's in a world where Trump can precipitate double digit stock market movements with a post on Truth Social.

As one client brilliantly put it, London is a "Civilisation Hedge on a city state, anchored in the rule of law, financial gravity and a strong and enduring narrative" , later adding "it is a sovereign-class capital preservation play".

London is nothing if not resilient, perhaps testament to over 2,000 years of history. Circling forward, and with some help from a very modern AI friend, we thought we'd summarise some lesser exploited virtues. [NB. Any misinformation should be credited to Chat GPT and not the authors!]

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London is constantly ranked 1st or 2nd in the Global Financial Centres Index, the only European city in the top ten. The London Stock Exchange is the largest in Europe whilst London is the European HQ for more S&P 500 companies and has more tech unicorns than any other European city. London lays claim to being the most googled city in multiple categories, especially in relation to culture. It has more airports that any other city and the most passenger traffic globally. GDP for London alone sits at £569bn which would put it in the top 20 countries in the world whilst its GDP per capita would rank it in the top 10 globally! Londoners allegedly speak over 300 languages, more than any other city worldwide, and nearly 40% of residents were born outside the UK, making it one of the most diverse cities on earth.

London is truly the centre of global sport with 13 professional football teams (yes, you guessed it, more than any other city), seven of these are in the Premier League with 3 heading to European cup finals (sorry Arsenal!). It is the home of rugby (Twickenham), tennis (Wimbledon), football (Wembley), cricket (Lords) and one of the major global marathons. It is the first city to host the Olympics three times with plans to bid to host the 2040 games (yes, another potential record for the city!).

For all those who say London is no longer safe, we note that it is the only major global city where the police are not routinely armed. It was ranked in the top 10 safest cities in the world and is the most surveilled city in Europe, as well as one of the most surveilled globally, with many reports ranking it the 3rd highest after the main Chinese cities.

London truly is a political capital (unlike New York) and home to the Royal Family. It has four universities in the top 50 globally, 448 private schools and four Unesco world heritage sites. With over 8 million trees, it is technically classed as a forest by the UN – it is certainly one of the greenest cities on the planet. It is the home of time – literally – placing it perfectly between the US and Asia.

It has over 200 museums, more than 240 theatres (yes, with more seats than New York) and the oldest underground carrying 1.35bn people annually. Oh, and the second oldest Central Bank second only to Swedish Riksbank. London has the most 5* hotels of any global city (with more on the way), the most private members clubs and the 5th most Michelin-starred restaurants (Japan dominates the top 5) in the world.

So, as we turn the page on the non-dom regime – and a legacy that stretches back to 1799 – and welcome the new FIG regime, we are reminded that in all other respects, London remains the same.

On that basis, we intend to leave the lights on for now!

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By Richard & Sophie Rogerson

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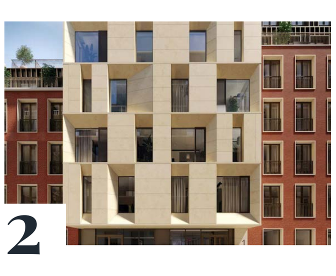

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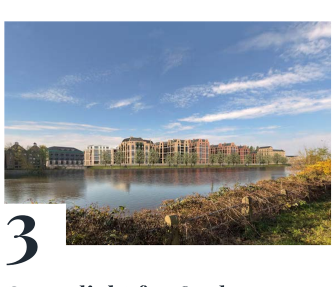

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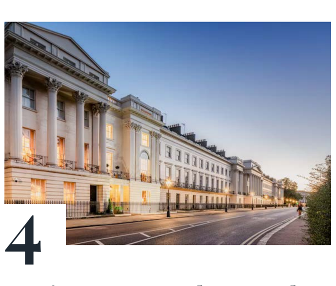

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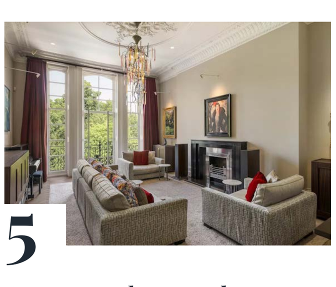

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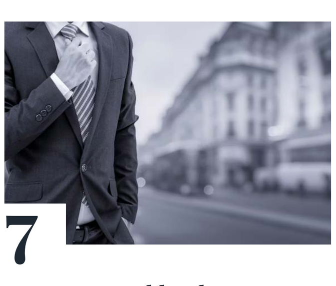

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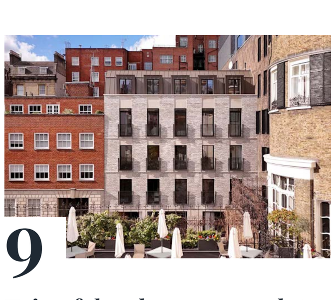

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