How Labour sucked the life out of London's luxury neighbourhoods

Wealthy non-doms fleeing the capital – and the country – leave a prime property crash in their wake

Alexandra Goss

Related Topics
Luxury property and architecture, Tax rises

15 August 2025 10:02am BST

294

Gift this article free

In Belgravia's Chester Square – where Margaret Thatcher used to live – there are more than 20 houses for sale Credit: Greg Balfour Evans

A few moments' walk from Kensington Palace, in central London, is Palace Gardens Terrace, a long, wide street known for its spring cherry blossom and lined with elegant rows of white stucco townhouses. The biggest, grandest homes on this road command seven- or even eight-figure price tags, and rarely come up for sale.

But, towards the end of last year, all that changed.

"You might see one, or possibly two, sales a year on prestigious streets such as this but, suddenly, in the latter part of 2024, there were six houses for sale," says Josh Grinling, from the Kensington office of Winkworth estate agency.

It's a similar story in many other expensive parts of the capital that have, for decades, been where the famous and international super-rich have bought homes.

In Belgravia's Chester Square – where past residents include Roman Abramovich and Margaret Thatcher – there are more than 20 houses for sale, according to Property Vision buying agency. Historically, these properties are rarely sold and, when they do, you never see them because they change hands off-market.

Nowhere are the effects of Labour's attack on wealth more evident than on streets like Palace Gardens Terrace in Kensington Credit: Heathcliff O'Malley

And in Knightsbridge, the streets thrum with the sound of supercar engines as their Middle Eastern owners escape the searing summer heat at home, but they're not shopping for properties. Maskells estate agency has calculated that, in four squares that are usually key markets for international buyers, there are a total of 101 flats on the market, of which only 10 are under offer.

Across London's most expensive neighbourhoods, the number of homes for sale above £5m has risen by almost 30pc over the past 12 months and is now at a record high, according to the analysts LonRes.

Yet the number of £5m-plus homes that are actually selling in the capital fell by 14pc in the year to May, according to data from LonRes and Knight Frank estate agency. The most expensive properties are faring worst – sales above the $10m (£7.4m) level plummeted by 37pc year-on-year in the first quarter of 2025, Knight Frank says, to 34 deals.

Fewer properties are selling in London's most expensive neighbourhoods

Source: LonRes

More than a year into the Labour government, and its wide-ranging tax raid – which includes abolishing non-dom status – has led a number of high-profile departures of wealthy individuals from our shores.

A recent Bloomberg analysis of company filings showed a spike in business leaders departing, with exits in April up 75pc from 12 months earlier, and the highest in four years.

"The UK's tax changes have driven an exodus of international wealth," says Becky Fatemi, of Sotheby's International Realty UK. "We've watched clients restructure their lives in real time – moving to Italy, Monaco, Dubai – not because they wanted to, but because they felt they had no choice."

And nowhere are the effects more evident than in London's luxury property market.

Inheritance tax is 'a step too far'

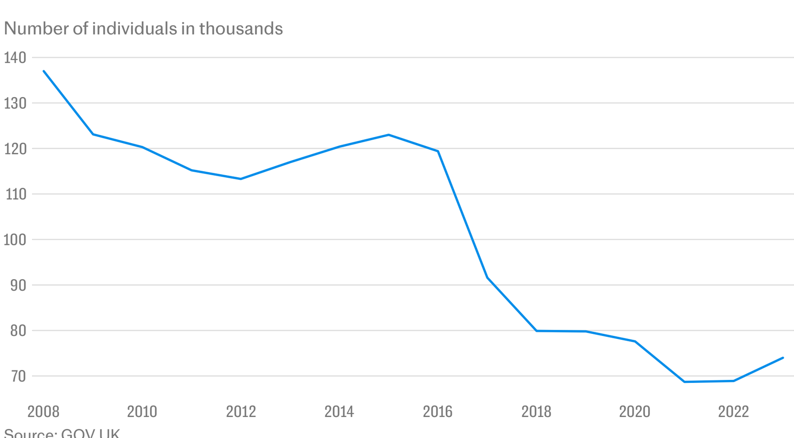
Before coming to power, Labour said it would toughen the Tory government's plans to phase out the non-dom tax regime. Under the old rules, which became a magnet for the international super-rich, individuals could live in the UK without paying tax on overseas income or gains.

The new regulations, which came into force in April, carry a four-year time limit, and mean countries such as United Arab Emirates, which has zero income tax, and Italy, which has an annual flat tax that ringfences overseas assets, have become more attractive.

While reports of a possible wealth tax are also causing alarm, Labour's decision to expose worldwide assets to inheritance tax at 40pc is the element that has caused most consternation.

A survey by the consultancy Oxford Economics, commissioned by lobby group Foreign Investors for Britain, found 83pc of investors viewed inheritance tax as a dealbreaker, with 62pc planning to exit within two years, unless the UK introduces a regime like Italy's global visa and flat tax.

Non-dom decline



Source: GOV.UK

"For those who made their wealth overseas or inherited it from family who built it overseas, a 40pc tax on their worldwide assets is a step too far," says Richard Rogerson, of the buyers' advisory RFR.

"For others, it's the constant changing of the tax regime, and a worry that this is the thin end of the wedge, with more aggressive taxes to come as Labour ties itself in knots with its fiscal rules and an inability to rein in spending – as seen by the welfare climbdown."

While the latest monthly payroll data reviewed by HMRC suggest the number of non-doms quitting the UK broadly tallies with official projections that one in four with trusts would leave, Chancellor Rachel Reeves is being extensively lobbied behind the scenes to tweak the non-dom rules.

RECOMMENDED
Labour's non-dom tax raid fuels £700m property sell-off
Read more →

In common with many other advisers, Camilla Dell, of the buying agency Black Brick, doesn't think such an about-turn would suddenly bring back people who have already left.

"Not unless they are having a horrible time elsewhere," she says. "Relocation is not for the fainthearted, it is not an easy thing to do and it is not cheap. But it may stop people who are thinking about going."

It's not just the non-dom issue

Early last year, Robin Edwards, of Curetons Property Finders, had a Saudi client with a hefty budget of more than £20m who was looking for a property in Knightsbridge.

"We'd even got as far as second viewings, but when Labour won the election and the non-dom changes were announced, he pulled the plug almost overnight," says Edwards, adding that the man ended up buying in Paris.

"This wasn't because he liked Paris more – in fact, he told me he didn't – but because he felt the UK no longer wanted people like him. His exact words were: 'It's death by a thousand cuts, first stamp duty, now this.' That's a sentiment I'm hearing more and more."

Stamp duty tax rates

Property value	Standard rate	Standard rate on buy-to-lets and second ho

Expand

Stamp duty is a key sticking point – made stickier by the fact that already high rates were increased further for second homes and for non-resident purchasers in the Budget. Foreign buyers of second homes now pay rates of up to 19pc – meaning that, for a property with an asking price of £5m, the stamp duty bill is £863,750.

There are plenty of other factors at play too.

"These include interest rates, rental market reform, future growth prospects, the international economy and competition from global cities – and all have contributed to a more negative environment for owning prime or super-prime London residential property," says Nick Gregori, of LonRes.

Who's still buying?

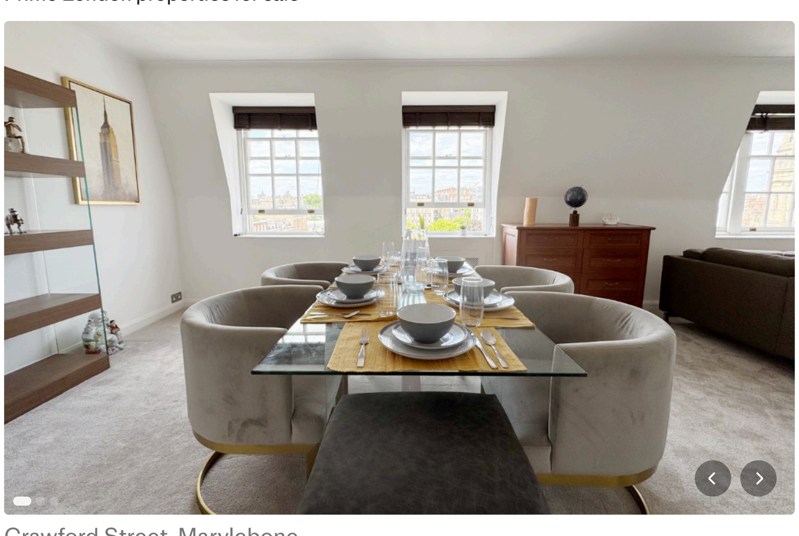
Many of the exiting non-doms are keeping their London properties, says Henry Sherwood, of The Buying Agents.

"I speak with ultra-high-net-worths on a daily basis, and some are definitely changing their residency status, but they are not selling up. They still want a second home in London as a European base."

Some of these properties are being used by family members, says Stuart Bailey, of Knight Frank, while others are being rented out. More than 20pc of the London properties that Eccord's rental and home management team has taken on in the past six months have belonged to those leaving the UK.

And the wealthy are still buying – as seen recently when international buyers reportedly engaged in a bidding war for a 3,300sq ft apartment in the Clarges Mayfair development, with the winning buyer paying "well above" the £15m asking price.

Prime London properties for sale



Crawford Street, Marylebone
The international owner of this three-bedroom penthouse apartment is selling up for £1.5m through Winkworth Knightsbridge & Chelsea.

In general, however, estate agents say the wealthy are spending a lot less than they used to when they go property shopping – and, where they are purchasing, they are incredibly discerning, looking for "best-in-class" properties and substantial discounts.

"Above £10m, they expect seven-figure price reductions," says Jonathan Hopper, of Garrington Property Finders, which recently secured just over £2.5m off the asking price of a property in Belgravia.

A recent survey of estate agents by LonRes found that demand for London properties from buyers from Europe, Asia (including China) and the Middle East had fallen – and had only risen from purchasers already in London, and from US purchasers.

"Between 2014 and 2024, 71pc of the properties we sold were bought by international buyers," says Charles Curran, of Maskells. "So far in 2025, almost 70pc of the properties we have sold were bought by domestic buyers."

International buyers still looking at London's ritziest areas are driven by a variety of factors, according to Annabel Dean, of law firm Farrer & Co.

"These include education, the acquisition of status assets and the diversification of their asset portfolio," she says. Others are buying for employment or political reasons, such as the property in Kensington bought at the end of last year for just under £15m by a Ukrainian national through Liam Monaghan at LCP Private Office.

US and Chinese nationals are currently the biggest overseas buyer groups in prime central London, each accounting for 10pc of international purchasers, according to Knight Frank.

Prime London property prices under pressure

Knight Frank

Americans "are saving the day in prime central London," says Charles McDowell, who runs an eponymous property agency, and has recently done two £50m property deals for American buyers.

Despite the weakening of the dollar since Donald Trump's tariff announcements in April, American buyers are still finding relative bargains in prime central London, where prices are 22.4pc below their peak in 2014, according to Savills estate agency.

"In Belgravia, properties are trading at around 26pc less than they were 10 years ago. When combined with the currency advantage, we're seeing growing interest from American buyers," says Rhianne McIlroy, of buying agency Middleton Advisors.

Strutt & Parker estate agency has just sold a "forever home" in Kensington to an American buyer for just under £10m, while many US buyers are looking in Notting Hill, Primrose Hill and St John's Wood (the last being home to the American School in London).

"We're advising many families from California and New York, who've been pushed across the Atlantic by Trump's second term and now see London as a stable, culturally aligned alternative to the States," says Jonathan Brandling-Harris, of House Collective estate agency.

Schooling is a big driver, confirms Jo Eccles, of Eccord.

"People are coming from the US, and want their children to be educated here. They also love the architecture and all the prestige aspects, from the Chelsea Flower Show to the tennis to the private members' clubs."

Eccles has recently been speaking to a British senior banker who is currently based in the US and has an American wife.

"They want to move back to the UK and educate their son here. The wife said: 'If you buy me a big house in London and get our son a place at Eton, I will move'."

RECOMMENDED
The wealthy have fled London – leaving a crisis in their wake
Read more →

Join the conversation

Show 294 comments

The Telegraph values your comments but kindly requests all posts are on topic, constructive and respectful. Please review our commenting policy.

Related Topics Luxury property and architecture, Tax rises

License this content