

Higher taxes set to hit house prices

By Sharlene Goff

Estate agents are warning that the higher taxes introduced in this week's Budget could increase the pressure on house prices, as buyers at the top end of the market decide to live elsewhere.

Many buyers of multi-million pound properties earn enough to be hit by the higher rate of income tax from next year. Agents said this extra levy could lead to

fewer people living and working in London and could reduce demand for properties in the prime market.

"The concern is that more people will decide to leave the country, which could lead to fewer buyers at the top end of the market and therefore a softening of prices," said Robert Bailey, a buying agent.

Agents have already seen evidence that the higher taxes on non-domiciled indi-

viduals have led some people to sell their UK homes.

Prices in the top end of the housing market have been hit hard in the past year. Knight Frank said yesterday that prices in prime central London had fallen 23.6 per cent from their peak in March 2008. However, prices appear to be stabilising. In April, they rose for the first time for more than a year, according to Knight Frank.

"Don't read too much into

one month's figures but house price growth of 0.4 per cent in central London's exclusive postcodes reflects a growing trend towards stronger market conditions," said Liam Bailey, head of residential research at Knight Frank. However, he feared the new higher tax band could hinder a recovery. "I don't think it's remotely helpful and there are early indications that people will move offshore," he said.