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LOOKING BEYOND PRICE

Tax, value and opportunity in prime UK property

Market Insights

2026 Vol. I

WELCOME

Our Market Insights reports investigate key trends and structural changes in the UK's prime housing markets.

This report, part of our ongoing collaboration with real estate researcher Yolande Barnes, examines how UK property taxation has distorted the housing market over the last 30 years, and what those distortions mean for buyers and sellers navigating the market today.

With further changes on the way - including the forthcoming High Value Council Tax Surcharge from 2028 - understanding where value sits on the worth slope has never been more relevant to buyers and sellers of prime property.

I hope you find this an interesting read.



A handwritten signature in black ink, appearing to read 'Mark Parkinson'.

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EXECUTIVE SUMMARY

■ UK property taxes reshape markets as well as raising revenue, and understanding their effects reveals genuine opportunities for buyers and sellers.

■ The average UK homeowner pays the equivalent of 0.8% of their home's value each year in property taxes. In lower price bands, the bulk of this is Council Tax; in higher price bands, it is Stamp Duty Land Tax (SDLT). From April 2028, owners of properties over £2m will also pay an additional annual High Value Council Tax Surcharge (HVCTS).

■ SDLT and Council Tax work very differently. SDLT is a capital lump sum paid at purchase, directly reducing transaction levels and creating an additional capital hurdle for buyers. Council Tax is an annual holding tax, varies

considerably across geographies, and is imperfectly related to property value, making it deeply regressive in its effects.

■ Thirty years of transaction data show how successive tax regimes have created distortions across the price spectrum. Under the pre-2014 slab SDLT system, buyers clustered just below taxation thresholds, creating visible bunching and artificial value plateaus. These distortions still echo today in the distribution of housing stock and in persistent psychological price anchors.

■ George Osborne's 2014 reform smoothed the mainstream market but sharply increased the tax burden on prime property. Transaction volumes above £2m stopped growing, the £2m-£5m market broke from its long-term

trend, and London's prime markets experienced a slow de-rating relative to the wider UK. For long-term buyers, this has created genuine value opportunities in segments that have already absorbed years of tax-driven repricing.

■ The 2020-21 SDLT holiday demonstrated how quickly buyers respond to tax incentives, with distortions appearing and disappearing within months.

■ Today's market is dominated by mainstream transactions, as the property-purchase tax burden is lowest here, reducing fiscal friction. Above £1m, liquidity thins sharply, with the £3m-£5m range now a long, low plateau. Ultra-prime (£10m+) remains more resilient than expected, driven by global wealth behaviour rather than domestic tax sensitivity.

■ The sweetest spot in today's prime market is £1.5m, where combined, capitalised, taxes amount to just 11.45% of property value. The forthcoming HVCTS takes the total tax rate from 12.4% at £1.99m to 14.9% at £2m, but this is about the same as the tax burden on a £600k property and well below that on homes priced under £370,000.

■ For buyers and sellers, these distortions are a practical navigation tool. Sweet spots offer value where taxes have depressed prices below fundamentals; sticky spots warn of low liquidity; danger zones highlight where tax burdens are misaligned with worth. In a market shaped by fiscal cliffs and psychological thresholds, opportunity belongs to those who understand where the distortions lie and how to navigate them.

LOOKING BEYOND PRICE

INTRODUCTION

UK housing markets have always been shaped not only by bricks, mortar and location, but by the tax and regulatory frameworks that sit around them. Over the last three centuries, from the infamous 1696 window tax to today's Stamp Duty Land Tax (SDLT), Council Tax and the forthcoming High Value Council Tax Surcharge (HVCTS), property taxation has repeatedly produced unintended consequences. These rules distort the 'worth slope' of the housing market, creating cliffs, plateaus, sticky patches and unexpected sweet spots where pricing and liquidity behave differently from fundamentals. This report maps those distortions, and shows where the opportunities lie for buyers and sellers navigating the market today.

WHEN TAXES RESHAPE MARKETS

In 1696 King William III introduced a new property tax, intended to be progressive and an alternative to taxing income. It was designed so that the wealthier would pay more than the poor and it was levied on a metric aimed at identifying those with large and grand houses while levying less on those with smaller, humbler abodes. The now infamous window tax, not repealed until 1851, is one of the best examples of the unintended consequences of property taxation. It was charged on the number of windows in a house (those with fewer than 10 were exempt).

The tax changed behaviour: it may have been instrumental in shaping Georgian architecture and the fashion for few, large windows rather than many smaller ones and it is even credited for affecting the health of the nation. The common narrative is that householders bricked up windows or built homes with fewer windows, to reduce their liability for window tax. Homes are said to have become darker and less well-ventilated with the phrase 'daylight robbery' believed to have originated from these effects. The window tax was only repealed after lobbying by Victorian doctors who (wrongly) blamed it for increasing the spread of Cholera and Typhoid. The bricked-up windows of 18th century homes, some of which are still in evidence today, are evidence that Milton Friedman was right when he said, "If you want less of something, tax it".

Real estate legislation, regulation and taxation is still fraught with unintended consequences, not least when it comes to taxing domestic dwellings. Are we doing any better now than in 1696? What is the modern equivalent of the window tax? How is the housing market being distorted now and what do you need to know about these distortions so you can best price your property to sell, or get the best value when you buy?

Property markets have always been shaped by more than bricks, mortar, and location. They are shaped by rules: the tax codes,

thresholds, surcharges and levies that successive governments have layered onto the housing market. Over the last 30 years, these rules have quietly, and sometimes not so quietly, reshaped the UK's worth slope. Rather than being a steady hill where worth increases with varying size, amenity and locational quality of a property, there are, and have been, jagged crags and ledges where costs are suddenly increased by an increased tax band or levy, thereby affecting both transactions volumes and pricing.

The ground under the worth slope shifts and changes as new rules are made or others repealed. Some steps have become slippery; some have become sticky. Some slopes have become unexpectedly comfortable places to stand. For buyers and sellers navigating today's market, understanding these distortions is not a gloomy exercise in tax-spotting. It is a way of identifying opportunity: where costs associated with home ownership are artificially high, transaction levels and prices are likely to be suppressed, where they are artificially low, liquidity will be greater - but so too might buyer competition and prices.

In the wake of the November 2025 budget and the introduction of a new 'High Value Council Tax Surcharge (HVCTS)', also dubbed the 'Mansion Tax', this is a good opportunity to map the market distortions that may be caused by it and other types of property tax, past and present, so that you can be fully informed when making decisions in 2026.

To do this, I have looked at three types of tax relating to residential real estate which all work together to create cost around home ownership and occupation. They are Stamp Duty Land Tax (SDLT), levied on purchases; Council Tax, levied on occupiers and hugely variable across borough boundaries but based on the relative value of the home; and High Value Council Tax Surcharge (HVCTS) which will be levied on owners of high value homes. Examining the market effects of this mixture of capital taxes and annual charges, particularly on transaction levels and behaviour was complicated and challenging, but the findings are both surprising and useful.

THE GHOST OF OLD SDLT RULES STILL SHAPE TODAY'S MARKETS

Before 2014, Stamp Duty was a slab tax: cross a threshold by £1 and the higher rate applied to the entire purchase price. In the 1990s and 2000s Stamp Duty created cliffs; the behavioural effects were dramatic.

TABLE 1: STAMP DUTY RATES SINCE 1993

Time period when rates applied	Applied to	Up to £60k	£60k-£125k	£125k-£175k	£175k-£250k	£250k-£500k	£500k-£925k	£925k-£1.5m	£1.5m-£2m	Over £2m
Mar 1993 – Jul 1997	Slab	0%	1%	1%	1%	1%	1%	1%	1%	1%
Jul 1997 – Mar 1998	Slab	0%	1%	1%	1%	1.5%	2%	2%	2%	2%
Mar 1998 – Mar 1999	Slab	0%	1%	1%	1%	2%	3%	3%	3%	3%
Mar 1999 – Mar 2000	Slab	0%	1%	1%	1%	2.5%	3.5%	3.5%	3.5%	3.5%
Mar 2000 – Mar 2005	Slab	0%	1%	1%	1%	3%	4%	4%	4%	4%
Mar 2005 – Apr 2011	Slab	0%	0%	0%/1%	1%	3%	4%	4%	4%	4%
Apr 2011 – Dec 2014	Slab	0%	0%	1%	1%	3%	4%	4%	5%	7%
Dec 2014 – Jul 2020	Slice	0%	0%	2%	2%	5%	5%	10%	12%	12%
Jul 2020 – Sep 2021	Slice	0%	0%	0%	0%	0%/5%	5%	10%	12%	12%
Oct 2021 – Sep 2022	Slice	0%	0%	2%	2%	5%	5%	10%	12%	12%
Sep 2022 – Oct 2024	Slice	0%	0%	0%	0%	5%	5%	10%	12%	12%
Oct 2024 – Mar 2025	Slice	0%	0%	5%	5%	5%	5%	10%	12%	12%
Mar 2025 – to date	Slice	0%	0%	2%	2%	5%	5%	10%	12%	12%

Slab (whole amount) | Slice (varies by value segment)

Source: HMRC

Using an analysis of 30 years of transaction data for England and Wales, we can see there has been clear 'bunching' or spikes in sales - just below the old thresholds. These cliffs created artificial 'value plateaus' where buyers and sellers negotiated furiously to stay just

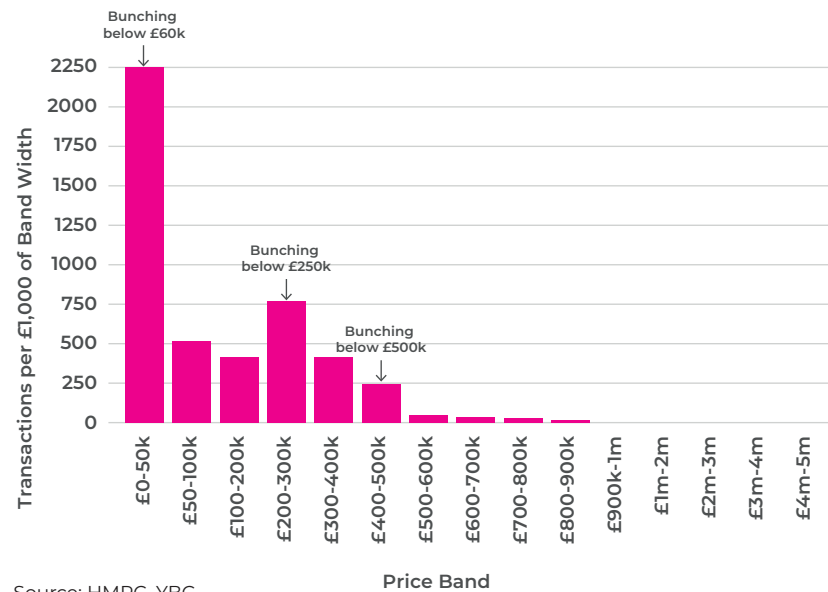
under the line. Even today, the legacy of these thresholds can be seen in the distribution of housing stock and in lingering psychological price anchors. Buying stock just above these old cliffs may provide buyers with better value properties, pricing just below may give sellers a better chance of sale. The smart thing for sellers to do if they find themselves just above a 'cliff' is to find ways of adding value to the property sufficient to escape the value 'shadow'.

FROM SLAB TO SLICE: HOW SDLT REFORM RESHAPED THE MARKET

George Osborne's 2014 SDLT reform quietly repriced the prime market by replacing the slab system of SDLT levies with a progressive, marginal one. This was widely welcomed but, coupled with new rates for the prime market, it was the beginning of a structural shift. The new top rates of 10% over £925,000 and 12% over £1.5m were punishing for the prime markets. Combined with earlier measures (ATED, non-resident CGT, the 7% rate on £2m+ homes, and the 15% rate on enveloped dwellings), the effect was cumulative and profound. Analysis of transaction data shows transaction volumes above £2m stopped growing after 2014. The £2m-£5m market in particular shows a clear break in trend and even during the 2015-2019 upswing, prime volumes did not recover to pre 2014 trajectories. Prime Central London (PCL) especially saw a de-rating: a long, slow softening of capital values relative to the wider UK.

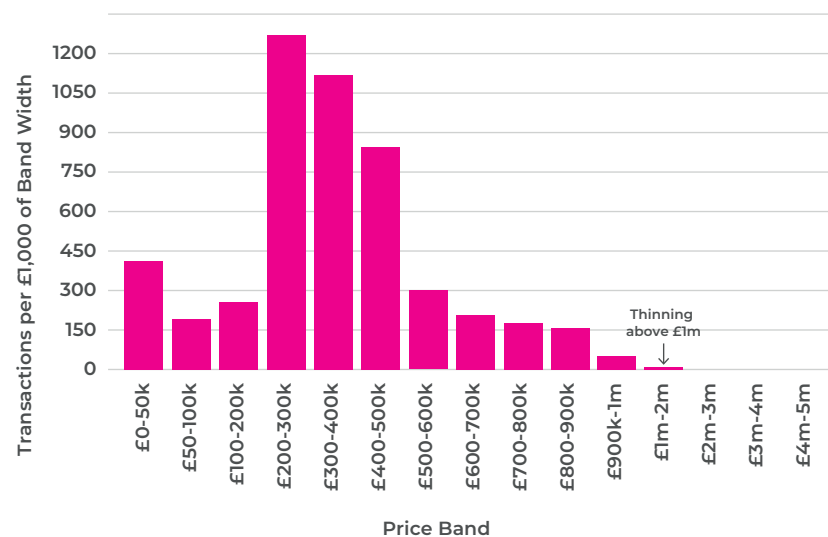
For some buyers, this is good news: the market has already absorbed much of the tax burden, and prices in some segments are now better value than they have been in over a decade. Prime London's 'post-Osborne discount' is real. Buyers with long time horizons can more easily acquire assets that would have been out of reach in 2013.

GRAPH 1: NORMALISED TRANSACTION DENSITY, 2003 (SLAB SDLT)



Source: HMRC, YBC

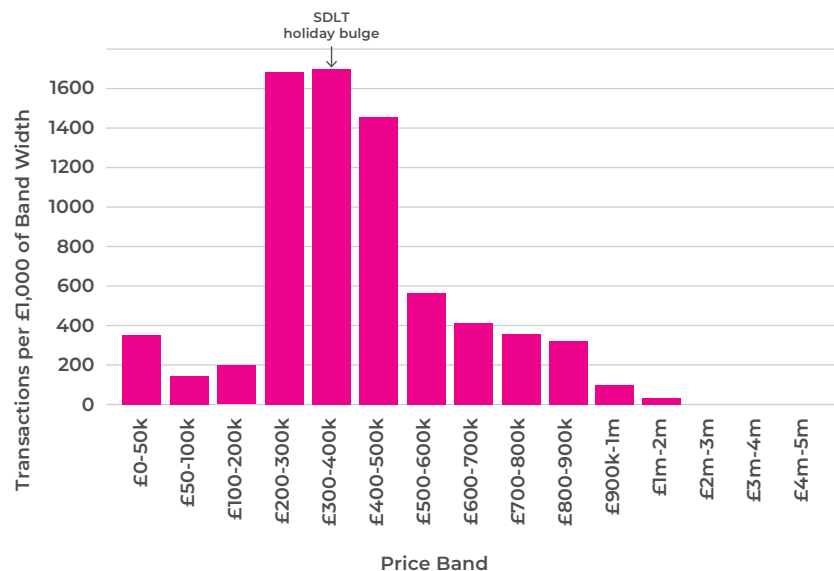
GRAPH 2: NORMALISED TRANSACTION DENSITY, 2016 (SLICE SDLT)



Source: HMRC, YBC

THE COVID BULGE

GRAPH 3: NORMALISED TRANSACTION DENSITY, 2021 (COVID BULGE)



Source: HMRC, YBC

The 2020-2021 SDLT holiday (0% up to £500k) created a new, short-lived distortion in housing market transactions comprising a surge below £500k, a relative dip over £500k and a temporary flattening in the £300k to £500k range. There was a combination of both pricing and buyer behaviour behind this which can inform our understanding of how other changes may affect the market in future. Buyers respond quickly to tax incentives and distortions can appear and disappear within months.

THE CURRENT MARKET

The £200k to £500k bands dominate the current transaction distribution, consistent with average (mean) house prices just under the £300k level. This mainstream market distribution reflects affordability ceilings, mortgage constraints and the post-COVID reshaping of regional markets. Even after inflation and the SDLT holiday hangover, the bulk of transactions still sit in this range. This is the 'engine room' of the housing market.

The £500k-£900k market is still surprisingly strong, probably reflecting strong, affluent, regional markets like Bath, Bristol, Oxford, Cambridge, York and outer London family markets dominated by equity-rich movers. The analysis here would suggest this is no accident as the property tax burden is lowest in these ranges and reduces the fiscal friction in these price bands.

The £1m+ market is thin. Volumes fall sharply above £1m, but the £1m-£2m band still has meaningful liquidity while the £2m-£3m band is materially thinner and the £3m-£5m range is now a long, low plateau.

Meanwhile, ultraprime (£10m+) is oddly resilient even while the £5m-£10m band is weak. The £10m+ segment shows more activity than might be expected. This is classic global wealth behaviour as buyers are less sensitive to SDLT and more motivated by asset safety and currency hedging.

So, what recent changes have the potential to distort the market? The November Budget announced the introduction in April 2028 of a new annual surcharge on high-value homes, with thresholds from £2m to £5m, nicknamed 'Mansion Tax'.

HIGH VALUE COUNCIL TAX SURCHARGE (HVCTS)

This is a future holding tax, not a transaction tax, so its effects are less visible and immediate than SDLT. It is difficult to compare it to a capital-tax like Stamp Duty which is significant and obvious at the point of purchase. Behavioural responses are likely but may be slower and subtler than for other types of property tax.

TABLE 2: HIGH VALUE COUNCIL TAX SURCHARGE (HVCTS)

Property value over	Additional annual levy on owner
£2m	£2,500
£2.5m	£3,500
£3.5m	£5,000
Over £5m	£7,500

There is no clear bunching yet below the new thresholds or hollowing out above them, but it does affect a particularly vulnerable sector of the market as we've just seen that transaction volumes are very thin and somewhat volatile in the £2m+ range in any case. Nevertheless, it seems reasonable to expect that annual taxes will capitalise into lower capital values over time.

The effect is likely to be strongest where higher value properties are concentrated, ownership is discretionary, yields are low, buyers are sensitive to carrying costs (and which may be compared at an international scale) and where liquidity is already thin. Once again, prime London markets will be most sensitive to these effects.

If the surcharge depresses values above each threshold, it may create new sweet spots just below the thresholds, especially for buyers who plan to occupy rather than hold as an investment.

To get an idea of what the value impacts might be, and how it might affect the housing value slope, it is necessary to create a more theoretical model and to capitalise the tax so it can be compared alongside capital taxes.

SWEET SPOTS, STICKY SPOTS AND DANGER ZONES IN 2026 AND BEYOND

To compare the capital costs of Council Tax with SDLT, I looked at the cost of acquiring a long-dated government bond (gilt) sufficient to both generate income to pay the annual tax and to keep pace with 2.5% inflation.

Property valuations for Council Tax purposes fall into bands that were created in 1991. To determine the correct bands today's property values would fall into, I inflated the bands by average house price growth between Q1 1991 and Q4 2025, according to the Nationwide Building Society house price index. In practice, some properties will have grown faster than this and some slower, but the distributive effect should be minimal at an aggregated level.

TABLE 3: COUNCIL TAX BANDS ADJUSTED TO 2025 VALUES

Band	1991 Value band	Inflated to 2025 (nationwide bs)
A	Up to £40,000	Up to £197,102
B	£40,001 to £52,000	£197,103 to £256,232
C	£52,001 to £68,000	£256,233 to £335,073
D	£68,001 to £88,000	£335,074 to £433,624
E	£88,001 to £120,000	£433,625 to £591,305
F	£120,001 to £160,000	£591,306 to £788,407
G	£160,001 to £320,000	£788,408 to £1,576,814
H	Over £320,001	Over £1,576,815

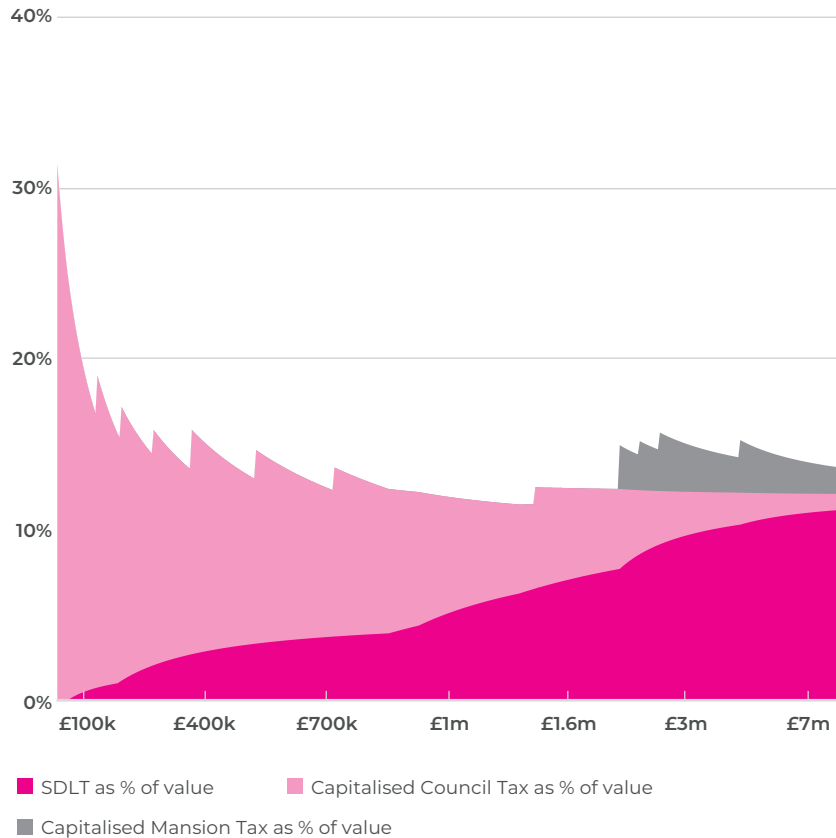
Source: Nationwide Building Society, YBC

More variable than the rate of house price growth is the variation in rates at which local authorities charge the tax. Rutland charges £2,671 per annum for a band D property while Wandsworth charges £998. I used the average rate for England and Wales which was £2,280 for a band D property in 2025-26 for modelling purposes.

Graph 4 shows the result of comparing capitalised taxes, including the new HVCTS, across price bands. It shows capitalised tax as a proportion of property value so that like is compared with like across all property values.

It shows that, while SDLT is reasonably smooth and progressive (rising with value), Council Tax is a deeply regressive tax, as it is significantly higher at lower property values. It is also horribly jagged, creating a series of cliff edges in tax bills at different price points. These are points on the property worth slope which should, at least theoretically, create pricing resistance. Total tax across all price bands averages 14% of property value but ranges between 11.5% for homes worth £1.5m and 31.3% for homes worth £100,000.

GRAPH 4: CUMULATIVE EFFECT OF MAIN PROPERTY TAXES (CAPITALISED)



Source: HMRC, Nationwide Building Society, BoE, YBC

The total tax burden in the prime price bands is lower than in the mainstream markets and is mainly made up of the smoother, more progressive, SDLT purchase tax. However, because this tax is levied as a capital lump sum at point of purchase, it is more likely to suppress transaction levels than Council Tax which is an annual 'holding tax'.

The new 'Mansion Tax' creates a new series of cliff edges above the £2m price point which is likely to be visible and result in transaction bunching below this level. It takes the overall property tax rate from 12.4% for properties worth £1.99m to 14.9% for properties worth £2m, but it is worth noting that this is roughly the same as the tax burden on a £600k property and well below the rate on homes priced under £370,000.

The 'jagged edge' of the total cumulative property tax curve creates sweet spots where pricing is optimal. There is a generally low tax area in the market from £900k to £1.99m where total capitalised taxes are under 12.5% of property value or, if put another way, annualised total tax costs are around 0.6% or less. The sweetest spot of all in the housing market is £1.5m where the combined costs of SDLT, Council Tax and the absence of a HVCTS mean total property taxation amounts to around 11.5% of property value, or 0.57% on an annualised basis. For vendors, pricing in these ranges is likely to be more successful, and the sale easier, than when the £2m 'sticky spot' is reached. This holds true at other prime sweet spots along the worth slope.

TABLE 4: PRIME MARKETS SWEET AND STICKY SPOTS

Sweet Spot	All Tax (% of value)	Sticky spot	All Tax (% of value)	Tax difference
£1,995,000	12.36%	£2,000,000	14.92%	£51,818
£2,495,000	14.34%	£2,500,000	15.16%	£21,217
£2,995,000	14.64%	£3,000,000	15.66%	£31,332
£4,995,000	14.20%	£5,000,000	15.22%	£51,710

Source: YBC

The corollary of this is that the jagged edge also creates sticky spots and the cliff edge casts a 'shadow' over pricing points above them. The biggest pricing shadow is cast by the HVCTS at £2m as the additional tax cost is not ameliorated until the buyer finds at least another £52k of value further up the 'worth slope'. In practice, this may mean that turnover in the £2m to £2.1m range becomes extremely rare.

Sellers whose properties fall within this price range will either have to discount substantially or add to the worth of the property, by improvements, extension, refurbishment etc., sufficient to lift the property into the next price bracket. Buyers on the other hand will do well to search 'in the shadow' to find motivated sellers with a home worth more than £2.052m but who find themselves selling in this unpromising band.

Table 4 not only shows the standout sweet spots on the worth slope but also the sticky spots where the other jagged tax cliff edges are. If buyers are sufficiently aware of their Mansion Tax liabilities, this will result in near-zero transaction levels not only in the £2m to £2.1m price zone, but also smaller shadows at the £2.5m to £2.55m, £3m to £3.1m and £5m to £5.1m ranges.

GRAPH 5: TOTAL TAX COSTS AS % OF WORTH



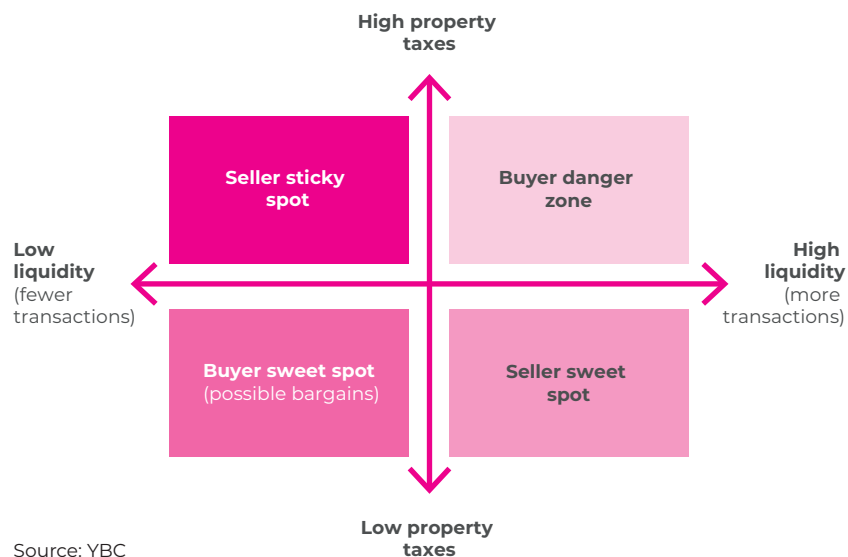
Source: HMRC, YBC

Both buyers and sellers will also need to become aware of taxation's effects on market activity. We know that transaction 'bunching' has occurred below cliffs in other markets so turnover levels near the new Mansion Tax sweet spots are likely to be buoyant and may result in competition among buyers. This will allow for sellers to price some lower-worth properties in higher bands at these points and this may result in 'bargain deserts' for buyers. Graph 5 shows in detail where the bunching might occur in prime markets. It compares taxes paid at different property values and highlights where taxes are cheaper and where they are more expensive. It reflects the jagged edges of the tax curve and highlights some of the complexities around different price points.

FINDING VALUE

Based on this series of complex analyses, four types of price points emerge.

FIGURE 1: FINDING VALUE IN THE MARKET



Source: YBC

Buyer sweet spots are segments of the market that offer good value for buyers; places and segments where taxes have depressed prices more than fundamentals justify. Thinking only of tax costs, the biggest sweet spot is in the £700k - £2m range – where combined property taxes are lower than for any other value bands. But there are also liquidity distortions in the market which may be found just above old SDLT cliffs, in the £2m–£4m London market for example and in regional £400k–£600k markets post-COVID holiday. In these segments, buyers may find bargains where market stickiness creates pockets where property worth (size, amenity, quality) exceeds price. Some of these may be obliterated by the effects of the new Mansion Tax, but an advisor with excellent and detailed local market knowledge will be able to spot the best opportunities across the pricing spectrum.

Seller sweet spots can be found in segments where tax is relatively low and liquidity strong. Properties are more likely to sell if sellers can find these pricing points.

Seller sticky spots are market areas with low liquidity where the tax burden is out of proportion to the property worth in comparison to adjacent value bands. At these spots, transaction volumes are likely to be consistently thin. Sellers need to avoid them.

The buyer danger zone is where properties are overvalued relative to the tax burden or coming tax burden. Buyers need to be wary of two types of segments and location. The first is in lower price bands where property taxes, specifically Council Tax is significantly higher in relation to worth than the average. This is likely to limit growth and suppress rents in the longer term. The second danger zone is where prices remain high despite heavy SDLT, new Council Tax surcharges and low yields. These have traditionally been trophy segments, international buyer niches and ultraprime London pockets but, having said this, value can increasingly be found even in these erstwhile enclaves. At each of these extremes, buyers need clear-eyed advice to avoid overpaying in these segments.

So, the lessons to be learnt are different for buyers and sellers.

Buyers:

- Target sweet spots where worth exceeds price
- Avoid danger zones where tax has not yet been priced in or not properly priced
- Understand how future tax changes may affect long-term value
- Use granular knowledge to navigate micro-markets

Sellers:


- Identify where the market is tax-inflated and price accordingly
- Avoid sticky bands where liquidity is low
- Use the data to justify accepting (or rejecting) offers
- Position properties to sit on the 'right side' of psychological and fiscal thresholds

CONCLUSION

Taxes don't just raise revenue; they reshape markets. Over the last 30 years, UK housing taxes have created cliffs, plateaus, sticky patches and unexpected bargains.

There may be lessons in this piece for policymakers and the Treasury and even an emerging case for a single-rate property tax to replace the complexities and distortions of both SDLT and Council Tax.

As far as housing market participants are concerned however, understanding the distortions created by the current system is not about scaring buyers or depressing sellers. It is about seeing the market as it really is, not as the headline indices suggest. In a distorted market, the best opportunities belong to those who understand the distortions. If you want to know where value hides, look where taxes have scared everyone else away.



About the author

YOLANDE BARNES

Yolande Barnes has been examining and analysing real estate markets for over 35 years. As Director of World Research at Savills, she provided evidence-based advice to clients and thought-leadership in real estate. She set up and ran their UK residential research department, pioneering and developing new techniques for measuring place potential, land values and sustainable urbanism.

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