

2025 – the year the price had to be right





FEATURES

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... and buyers voted with their feet

It would be fair to say that this has not been an easy year for the Residential Property Market. That said, I struggle to share the media’s apparent enthusiasm for declaring a cataclysmic collapse in values. In reality, the low to middle markets have behaved with surprising decorum. The top end, admittedly, has been less cheerful since the government decided to give the non-dom regime a good kicking — with all the finesse one might expect.

Our perennial challenge, regardless of price bracket, remains persuading vendors to quote an asking price within touching distance (say, 5%) of genuine, bankable market value. This is not helped by the presence of rival agents who, like ‘rats in a sack’, compete fiercely in a flattering Olympics — promising sellers prices that have little to do with reality and even less to do with achieving a sale.

These agents know perfectly well that such prices may lead to years of inertia but serving their selfish interests by gaining the instruction on the property, seems to be the over-riding priority. Market sense, sadly, does not always get a seat at the table.

Unsurprisingly, these fanciful expectations are eventually crushed by the market, where buyers vote not with words but with their feet. We currently have properties that have been ‘for sale’ for four or five years — monuments to optimism — waiting patiently for their owners to ‘wake up and smell the coffee’.

Where the golden rule of respecting underlying value has been observed, the mid-market continues to tick along quite sensibly, with sales completing within a few percentage points of realistic guide prices. Boring perhaps — but welcome in these challenging times.

The four or five months preceding this year’s Budget were marked by a collective intake of breath. Mansion Tax, Exit Tax, higher Capital Gains, Inheritance Tax, pension reform — all were whispered with the reverence normally reserved for horror films, but thankfully blissfully absent from the Budget. And when people are frightened, they do what they do best: absolutely nothing. Transactions duly dried up. One rumour suggested Stamp Duty might be abolished — a false dawn to add to the growing collection.

Neither boom nor bust

Even so, I do not believe mid-range values are down by more than 5–10% from the halcyon days of two years ago. Indeed, in a few isolated cases, we have achieved prices that history itself might struggle to improve upon.

Helpfully, interest rates are now heading south by the latest Bank of England revision, assisted by a slowing economy and easing inflation. Five-year fixed rates are in the low 4% range, with some flirting with 3.7–3.8%. Even 25-year mortgages are available at around 4.19%, which feels almost nostalgic when one recalls the 6.6% peak of 2023.

In the £1m–3m range, values have softened by a similar 5–10%, but I suspect 2026 will be kinder — steady rather than spectacular, with neither boom nor bust to keep dinner-party conversations alive.

While there are no fiscal surprises scheduled until autumn 2026, political turbulence seems inevitable after the May elections next year, when Labour will almost certainly receive a predictable drubbing. A change of Prime Minister is unlikely to shift market sentiment materially — though history cautions us to be careful what we wish for.

The real headache lies above £10 million, where buyers are thinner on the ground. Thanks to the government’s non-dom reforms over the past 18 months, the UK has enjoyed one of the world’s largest wealth exoduses.

That said, not all wealthy individuals have fled. Many families in St John’s Wood and Hampstead remain firmly in place while children finish school. Husbands observe the 90-day rule with religious discipline, keeping earnings and wealth safely beyond HMRC’s reach.

The private dining clubs of prime central London — once bustling — are now noticeably quieter. Tables are easier to book.

One could argue that Rachel Reeves has done more to stimulate prime property markets in Dubai, Milan, Lisbon, Geneva, and Monte Carlo than any overseas trade envoy. If only that were meant as a compliment.

London, however, retains its magnetic pull. Buyers from the US, Eastern Europe and the Middle East still appear, seeking landmark homes — though not in the numbers we once knew.

Curiously, despite thinner demand at the top, we are not drowning in supply. Turnkey houses — where buyers can arrive with luggage and live the dream — remain scarce. As a result, values across north-west London are down by around 10%, but not dramatically more.

Long-term lateral rentals

Much is made of sales at One Hyde Park reportedly achieving 50% of asking price. In my view, this says more about the collapse of fantasy pricing than about true value. Similarly, 2–8 Rutland Gate — all 45 rooms of it — was exuberantly overbought in 2020 for £210 million. Achieving 75% of that figure today would be optimistic.

We are also seeing more ‘empty nesters’ selling large family homes and opting for long-term lateral rentals instead of buying again. They are unconcerned about missing out on runaway capital growth — a mindset reminiscent of the 1960s, when renting fine homes was entirely respectable.

The rental market between £500 and £1,500 per week has strengthened by around 10%, thanks to dwindling supply as buy-to-let landlords exit ahead of Renters’ Rights reforms. The irony is that increased regulation has made life harder for those it was meant to protect — the poorest tenants paying the highest price. Go figure.

At the very top end of the rental market, we have been rather busy. Recently, we achieved close to £40,000 per week for a newly built house in the Kenwood area — a genuinely seismic event. The Scandinavian tenant, sourced through our global contacts, neatly avoided Stamp Duty of around 17%, thereby enjoying approximately five years’ worth of ‘free rent,’ courtesy of His Majesty’s Exchequer.

Stamp Duty, it seems, can be relatively easily circumvented by this process — presumably not the Chancellor’s intention, but there we are.

In conclusion, 2026 looks likely to be a year of ‘steady as she goes’ — assuming progress in Ukraine and no nasty surprises from global capital markets.

In property, as in life, those who keep their sense of humour usually fare best.