Autumn Budget Commentary

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Budget 2025: Key Property Implication

November 2025

The Chancellor has delivered one of the most anticipated Budgets in recent years. We consider some of the key implications for the property, farmland, and infrastructure sectors.

Residential Property

Overall, we believe that the new policies and tax changes announced by the government today are generally positive measures for the majority of the housing market.

Crucially, the Budget moves the market beyond the period of 'uncertainty' that previously caused a slowdown, replacing it with clarity. With this renewed stability, we anticipate that market activity will bounce back strongly once the new year begins.

Residential sales
The government has announced a proposal to introduce an additional annual £2,500 tax levy on the value of residential properties exceeding £2 million, rising to £7,500 for properties worth more than £5 million, effective from April 2028. Unlike Council Tax, this will be paid by the property owner rather than the occupier. This new tax will be a recurring surcharge, separate from and in addition to the standard Council Tax. The delay until 2028 is because it requires a national revaluation of the most expensive homes, currently in bands F, G and H.
We think the proposed tax presents significant implementation challenges:

- Valuation Complexity: introducing this tax would likely necessitate a full, national revaluation of all properties, as the current Council Tax is based on outdated April 1991 values.
- Market Distortion: the primary impact will be felt in areas with an above-average concentration of high-value properties. This could potentially distort the demand side of the housing market in these specific markets.
- Market Effects: delaying implementation until April 2028 could cause further market distortion in the period leading up to its effective date, as buyers and sellers react to the impending change.

The government was reportedly considering ending the exemption of high-value primary residencies from Capital Gains Tax. We were very pleased there was no changes to the exemption as it stands, as this could have created a significant market distortion.

The government was also reportedly considering reform or abolition of Stamp Duty Land Tax (SDLT). We are very pleased that there were no changes announced to SDLT as it stands. Any change to SDLT causes uncertainty and volatility within the housing market and can discourage buyers and vendors from the market causing distortions and sometimes 'freezing' the market over periods of time. Rumours of potential SDLT changes in the months leading up to this Budget alone have led to a significant slowdown of the housing market recently.

However, the government did confirm their intention to explore replacing the SDLT with a different form of property tax in the future. The alternatives being modelled involve shifting the tax away from the point of sale to an annual levy. Removing the upfront cost of stamp duty tax could encourage more movement in the market, particularly for downsizers which is an important part of the market that is currently very static. Again, this is something they are looking at doing in the future.

Residential lettings
The government has announced, as part of a 2% increase on dividends, property and savings, that landlords with income from buy-to-let properties will be taxed at an additional 2% higher rate, corresponding to their overall tax band. For example, a basic rate taxpayer will now have rental profits taxed at 22%, and for a higher rate taxpayer, their rental profits will now be taxed at 42%.
Our 2025 Private Landlords Report highlighted a striking lack of confidence across the private rental sector, with 43% of UK landlords surveyed intending to sell some or all of their rental properties within the next two years. This is yet another blow to the buy-to-let landlord and overall these measures have the potential to further destabilise the already-struggling small private landlord sector.

This additional tax could render the buy-to-let sector an unsustainable investment for small, independent, or 'accidental' landlords. This financial pressure may force many of them to sell their properties, which, in turn, would reduce the overall supply of available rental homes.

Furthermore, the squeeze on cash flow and reduced investment capital could compel remaining landlords to defer essential maintenance, repairs, and necessary property upgrades.

Rural Sector

There was little in this budget to fundamentally change the outlook of farm and estate owners, with the major changes to inheritance tax (IHT) announced a little over a year ago. But we do expect it to act as a catalyst for action for those who need to address succession issues and tax planning.

IHT changes seem to be going ahead as planned next April, the only change being a £1m threshold on assets that can be transferred to a spouse upon death. Businesses and families who haven't discussed the future of their assets need to take advice and make decisions quickly.

The 2% increase in tax on rental income – which will affect rural landlords – is another blow for the rental market. We are already anticipating a rise in costs due to compliance with Minimum Energy Efficiency Standards (MEES). Plus, there is increased risk from the Renters Reform Act which is hitting confidence in the sector. While the rise seems small, it will further erode the profitability on farms and estates where let property is an income stream.

An annual levy on residential properties with a value exceeding £2m will catch some farmhouses and family homes on estates. Questions remain over how properties will be valued, and how the tax will be implemented.

Diversified businesses running retail, hospitality and leisure operations will view the lower business rate multiplier as a positive move. It is a small step, but is a financial gain for those who have diversified because other farming enterprises were not sufficiently profitable.

Commercial Property

The Budget has provided much-needed clarity for a commercial property market that has been characterised by a 'wait-and-see' mentality in recent months. Prior to the announcement, investor sentiment remained cautious, with several transactions delayed as buyers and sellers waited for details on potential tax reform. Investment volumes across the first three quarters of 2025 averaged around £10 billion per quarter, compared with £14 billion per quarter over the previous decade, reflecting this continued 'wait and see' behaviour.

The Budget now offers a clearer policy landscape. While the Chancellor has drawn on a broader range of revenue-raising measures, several of the scenarios widely discussed in the market did not materialise. This will come as a relief for many parts of the sector.

Stamp Duty Land Tax (SDLT)
In the lead-up to the Budget, there was considerable speculation that the government might raise SDLT on commercial property or restructure the existing bands. We had also noted the potential for a tightening of the rules on the sale of property-owning companies, which currently allows purchasers to avoid SDLT through share transactions.
In the event the Chancellor made no alterations to commercial SDLT rates, thresholds or structures, and did not close the share-sale route often described as a 'loophole'.

This will be welcomed by investors, particularly given wider upward pressure on property-related taxation elsewhere in the Budget. The absence of SDLT reform removes a major area of concern for high-value transactions and should help reduce transactional friction at a time when investment activity has been subdued.

Minimum Energy Efficient Standards (MEES)
Ahead of the Budget, there was speculation that the government might provide further clarity on the timescale for the proposed increase in minimum EPC standards for commercial buildings, currently expected to move from E to B by 2030. The Budget did not address this, or any potential tax reliefs to assist with compliance. We believe that MEES-linked incentives or allowances would be an effective way to support delivery of the government's sustainability ambitions and assist development viability in markets where rental levels do not justify retrofit costs.

Upwards Only Rent Reviews (UORRs)
We had hoped the Budget might provide further clarity on the proposed ban on UORRs, following the unexpected announcement earlier in the year. However, there was no additional guidance on the scope, timing or any transitional measures. This leaves the sector still awaiting clarity on one of the most consequential potential leasing reforms in decades.

Business Rates
The Chancellor has confirmed the move to five Business Rates multipliers from April 2026, replacing the current two-tier system. The new structure includes a top-up multiplier for properties with rateable values over £500,000, the revenue from which will support permanent reliefs for the retail, hospitality and leisure sectors. This means:

- Higher-value commercial assets, including large stores, shopping centres and major logistics facilities, will face increased tax burdens.
- Lower-value retail and hospitality assets will benefit from targeted support.

We had expressed concern that this redistribution could place additional stress on larger stores, particularly in regions where trading performance is already fragile. The confirmed measures reinforce this risk.

On empty rates, the government made no changes. While the BPF and others had advocated extending Empty Property Rates Relief to better reflect modern void periods, the Chancellor opted not to act. Importantly, the Budget did not move in the opposite direction either, meaning no tightening of relief rules, a cautiously positive outcome for landlords in weaker markets.

National Living Wage
The National Living Wage (for over-21s) will increase by 4.1% to £12.71 per hour in April 2026. For workers aged 18-20, the National Minimum Wage will rise by 8.5% to £10.85 per hour. This represents a potential significant additional cost for businesses, and is likely to disproportionately affect the retail, hospitality and leisure sectors.

Infrastructure

On first impressions, the Budget appears to have been a constructive day, with no fewer than 76 uses of the word 'infrastructure'. Whilst much of it was in fact retrospective, there were several positives too.

Heathrow runway
The pre-Budget support for the extended Heathrow runway was perhaps the most significant announcement. But while aviation capacity matters, so too do the fundamentals that affect every household. Electricity networks in many areas are already at their limits, and developers are struggling to secure timely connections for new communities. Sewerage systems are under strain too, and strategic water infrastructure has not kept pace with population growth. Setting out support for Heathrow ahead of addressing these essentials feels like an unusual sequencing choice.

Small Modular Reactors (SMRs)
The government has published an updated Green Financing Framework, adding nuclear energy to the list of eligible expenditures for green financing (with some exclusions). This goes some way to support the role of nuclear energy as a green energy superpower and is welcome, as is the decision to place the next generation of nuclear technology at Rolls-Royce in Derby.

Nuclear is central to a resilient energy mix and continued funding for SMR development is welcome. But until there is a commitment to the strategic grid upgrades required to move power from likely SMR sites on the coast to homes and businesses across the country, the impact will remain limited.

In Summary
Although politics and infrastructure operate across different timeframes, the 2025 Budget has included positives for energy, transport and utilities. In this respect, the Chancellor has reaffirmed her commitment to growth through the built environment, and the infrastructure sector should feel more confident in its ability to respond.

Planning and Development

Matthew Pennycook reportedly said earlier this year that following Royal Assent for the Planning and Infrastructure Bill, planning reforms will be largely complete and that the government 'expects better' from the planning and development sector in return

Yesterday's Budget was a significant opportunity for the government to use fiscal measures to support housebuilding. With planning reforms largely in place, delivery will increasingly depend on collaboration with the private sector.

However, yesterday's measures may leave many in the sector questioning whether they go far enough.

In summary: measures such as additional affordable housing funding, new AI Growth Zones, clarification on the VAT treatment of land for social housing and reforms to the Lifetime ISA are welcome steps. However, questions remain about whether they go far enough to deliver 1.5 million homes in the remaining three and a half years of this Parliament.

The Budget states that the new NPPF will increase annual housebuilding by around 30% by 2029-30, taking net additions to a 40-year high, and resulting in an additional 170,000 homes over the forecast, adding £6.8 billion to the economy. These are ambitious projections, and the sector will be watching closely to see whether they translate into delivery on the ground.

Investment in local authority planners
The extra £48 million to recruit and train 300 planning officers is, on the face of it, welcome. But given that it takes a minimum of four years to train a planner, very few of these new recruits are likely to be operating within the planning system during the course of this Parliament. And a planning system suffering from a shortage of senior officers will not be immediately revived by a pipeline that starts at the bottom.

Help to Buy or a successor

Given the pressures facing first time buyers, the absence of any support other than potential future changes to the Lifetime ISA was disappointing: we had been hoping for a new, improved Help to Buy or similar. Little is being done to stimulate movement on the bottom of the ladder.

Funding for new towns

Perhaps the greatest omission from yesterday's Budget is funding for new towns. Large-scale settlements require sustained investment in land, infrastructure and social facilities, drawn from public funds, private investment and developer contributions. Viability challenges, such as the 40% affordable housing requirement, will need further discussion, given that a requirement of 35% affordable housing has now been accepted as unworkable in London and in many regions of the UK.

We also need clarity on Homes England's role in bringing forward new towns, whether development corporations will be used, and how risk will be shared with institutional investors. As the House of Lords Built Environment Committee recently warned, without leadership and adequate funding, the new towns programme may struggle to make the impact hoped for.

Funding for affordable housing

More funding for affordable housing will always be welcome, but the £39 billion Affordable Homes Programme mentioned in the Budget is already old news. Furthermore, the experience of London over the past year shows that funding alone is not enough: it must be accompanied by a planning and viability framework that does not choke delivery before it starts.

Landfill Tax

The two existing rates of Landfill Tax will not now be converged, as consulted on earlier this year. This recognises that the proposed changes would have imposed additional costs on development and could potentially have undermined the government's housing targets. Instead, the government has committed to preventing the gap between the two rates of Landfill Tax getting any wider over the coming years and will retain the tax exemption for backfilling quarries to ensure that housebuilders and the construction sector continue to have access to a low-cost alternative to landfill.

This is good news for both new towns and development more generally, as if the current landfill tax is expanded to include soil removed from sites, the cost of delivery of everything from a pipeline to a housing estate will rise significantly.

In Summary

We know from experience that when the risk and cost of building homes rises, delivery falls. When risk and cost fall, delivery increases.

Unfortunately, this Budget has failed to achieve what was required. Without action on viability, confidence and capacity, the government's ambition for 1.5 million homes will remain no more than an ambition.

However, with an updated NPPF rumoured before Christmas, the year is not yet over for planning and development policy.