

# Seddon Homes News Release

January 1, 2010

## House hunters should not be downhearted about lower Stamp Duty threshold says North West property expert



First time buyers should not be too downhearted at the Government's decision to revert to the lower £125,000 Stamp Duty threshold from January 1, says North West property expert, Denis Maddock.

He believes there are still enough buyers' incentives around to ease the impact of Chancellor Alistair Darling's decision on Stamp Duty.

The Treasury faced a backlash of criticism from many industry analysts when the news was announced in the Chancellor's November pre-budget report.

But Mr Maddock, sales and marketing director with leading North West developers, Seddon Homes, said the news is not as gloomy as many at first perceived.

"The fact is that a large sector of home-seekers were still trapped in the tax net, despite the so called 'Stamp-duty' holiday. Most movement in the market which statisticians had credited to the raised tax threshold was in fact the result of incentives offered by builders and property developers, all designed to make it easier to buy in these difficult economic times."

The Treasury raised the Stamp Duty threshold from £125,000 to £175,000 as the recession began to bite in September 2008.

It meant that anyone buying a home worth below £175,000 avoided paying a one per cent Stamp Duty – saving them £1,750.

Labelled a 'Stamp Duty holiday', ministers added a proviso at the time, that it would only last a year.

With the UK still mid-recession, many property market representatives lobbied for Alistair Darling to continue with the lower rate for another 12 months or more.

The National Association of Estate Agents, the Building Societies' Association, and the Home Builders Federation were among key organisations which pressured him to extend the holiday beyond January 2010.

But their pleas were ignored when he continued with his original plan, reverting the threshold to £125,000 from New Year's Day.

It means that virtually anyone who buys a house in 2010 will not just have to pay the asking price but also have to find an extra one per cent of that price to give to the taxman.



**Seddon Homes**  
**.co.uk**

Please contact:

Outwrite Public Relations  
Belgravia House  
Grosvenor Street  
Mold, Flintshire  
CH7 1EJ

Tel: 01352 706260  
Fax: 01352 706266

info@outwrite.co.uk

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According to property website Rightmove in December, home owners increased asking prices for properties to an average £221,463 over the last year.

As the New Year dawns, many analysts are predicting there will be further rises in the year ahead, as the prospect of higher interest rates, and higher demand than supply of homes, pushes up asking prices.

With £200,000-plus prices still being demanded despite the recession, Mr Maddock points out that many buyers would not have escaped the Stamp Duty net even if the threshold had been maintained at the higher level of £175,000.

He says one of the biggest factors facing buyers is obtaining a mortgage, as the big high street banks continue to re-trench and impose tighter restrictions than ever following the global financial collapse of a year ago.

His theory is backed up by Council of Mortgage Lenders research which found four-fifths of first time buyers now rely heavily on parental support to help them purchase a home.

He said: "If Stamp Duty were raised even higher than £175,000 then fewer people would be subject to the tax and that might have some real impact, making it less expensive for house-hunters to buy and therefore spurring on the market. But in the current situation the lower threshold is not the crunch factor facing buyers. That is the ability to obtain mortgages."

Some property developers, including Seddon Homes, offer independent financial advice to buyers to help them obtain mortgages before signing a deal.

Mr Maddock said: "It overcomes the scenario where buyers have signed up and are financially and emotionally committed to a home, only to be told at the last minute by the banks that they have been refused a mortgage.

"Indeed, much of the current positive movement in the property market has been due to companies like Seddon Homes offering incentives, such as part-exchange deals and paying fees, to help first time buyers and others who want to move up the property ladder.

"These are the most effective ways to get things moving, not by unrealistically re-configuring the Stamp Duty."

He said Seddon research indicates there is still considerable underlying demand for new homes across the north west, despite the difficult economic climate.

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For more information, please contact Outwrite Public Relations on 01352 706260.



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