

Connells Group Market Report

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Quarter 2, 2016

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Introduction

David Livesey,
Group Chief Executive



I am pleased to present to you our usual report on the residential housing market in respect of Q2. However, I will spend most of this overview looking at the market immediately pre and post the EU referendum vote on 23rd June, when the country made a momentous long term decision that quite naturally has some short term consequences.

We entered Q2 with a buoyant performance in all areas (sales, lettings, surveying, mortgages, conveyancing, new build) and this continued into April and May until a notable hesitation appeared late May / early June. Overall, a good second quarter but this was overshadowed by the lead up to the 23rd June vote.

Unlike the General Election of last May, which removed uncertainty and provided a positive boost to the summer property market, the Brexit vote delivered a dose of pre-vote jitters, some immediate negative impacts, and an overall increase in short term uncertainty. My instinct is that this uncertainty will dissipate, with domestic politics being resolved, and the Government, Bank of England and other institutions focused on an orderly withdrawal from the EU.

Brexit - what is really happening?

Our staff interact with all elements of the housing market on a daily basis: supporting customers that are looking to buy, sell, rent or let properties, as well as servicing the needs of the major Housebuilders and Lenders. These interactions provide us with a rich and detailed view of market sentiment, activity and direction, well in advance of the usual monthly market statistics, and I want to draw upon our insights and share some of our current data for the period to 20th July.

In the three weeks prior to 23rd June, sales agreed were 11% down on the same weeks of 2015, when the market was strong, but 1% up on 2014 when it was starting to weaken after a very strong spring.

In the three weeks after, sales are off by 13% and are now 5% below 2014. This is a greater than expected downturn and reflects some hesitancy from buyers.

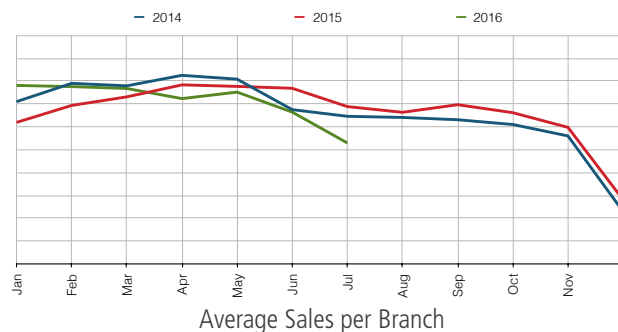
Whilst web enquiries reduced significantly in June, down 26% on 2015, they remained broadly in line with the levels seen in 2014. In the three weeks prior to 23rd June, they were down 5% compared

to 2014 and, in the three weeks since, they have increased and are now broadly running level with 2014.

In the week following the Brexit decision, aborted sales (buyers withdrawing from agreed sales pre contract) spiked at 71 per day, compared to 50 per day seen during May. Some of this was opportunistic 'chipping' of deals, some was prompted by genuine concern, notably from foreign buyers living and working in the South East and being paid in sterling. However, in the weeks since, abortive sales have returned to normal levels, averaging 50 per day in the last 2 weeks.

Here are some more indicators from the last two weeks compared to the equivalent period in 2015:

- Market appraisal activity is up 3%
- New instructions are level however, in the last week these are up by just over 2%
- Prices have been reduced on 8% of our available stock – only slightly up from early June where the figure was 6.5%. These price reductions average 5% of the asking price.
- The number of offers made are down 6%
- Sales agreed are down 9%, however, this figure has improved to 7.4% in the last week



In general terms, London and the South East seemed to have suffered the worst impact, but even after three weeks, recovery is visible.

So overall, whilst sales agreed have taken a step down from the very high levels in Q1, and are down 13% compared to the same period last year, all other indicators are looking healthy and improving each week and this infers a relatively short period of lower transaction volumes. Indeed, our branches are already seeing activity returning to expected July levels.

In Q2 we saw house prices at Exchange increase by 2.4% just ahead of our 2% prediction at the end of Q1. Our view is that with the continuing imbalance of high demand and low stock for sale, house prices will stay level in Q3, picking up again thereafter.

With the combination of potential reductions in interest and corporation tax rates, reassuring messages from the Government and the Bank of England, with no signs of reduced appetite from Lenders and 'business as usual' comments from Housebuilders, the housing market is weathering the uncertainty of Brexit well. For instance, Rightmove, a good barometer of customer appetite, has reported new listing levels similar to previous years, with asking prices and enquiry levels in line with a typical run-up to the summer holiday season.

'So far, so good', the medium term step-down in transaction volumes is a healthy re-adjustment rather than a worrying cliff-hanger, and it is in tougher market conditions like this that the Connells Group really excels. Being the best seller of homes is not easy and the cut-price / weaker agents may well report figures that are not reflective of the underlying strength of the market. When an estate agent tells you he will sell your house for less, he is really telling you he will sell your house for less!

The housing market remains active, and rather than take our foot off the pedal waiting for long term decisions to be made, we will be focused on working hard for our customers and clients, and building on our strong year-to-date position. To use an EU (well, French!) quote, 'Plus ça change, plus c'est la même chose', the more things change, the more they stay the same!

“ On the back of a strong performance in the first quarter, and with the EU referendum scheduled for June, many industry experts suggested that the second quarter of the year would see a significant dip in activity levels. However, with much of the uncertainty not materialising until the weeks immediately before the vote, we have in fact seen activity levels for the quarter above those of 2015, on nearly all measures.

With the outcome of the referendum introducing both political and economic uncertainties, it is unlikely that we will see this level of activity maintained during the coming quarter. Whilst some transactions and prices within London and the South East have felt an immediate impact from the Brexit decision, the extent to which this goes beyond a knee-jerk reaction and the usual seasonal summer slowdown remains to be seen and with continued demand, the market may fare better than some are suggesting particularly as we see some easing of house price inflation.

David Plumtree,
Group Chief Executive
(Estate Agency)

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The first six months of **2016**

have seen an increase in the number of applicants registering their interest in the market with numbers

27%
ahead of the same period in **2015**





Estate Agency

David Plumtree,
Group Chief Executive (Estate Agency)

New buyers and instructions

- The number of new instructions to the market slowed during the course of Q2, ending 2% below Q1 2016. Despite this reduction, the Q2 performance represented an uplift of 3% on the level achieved in Q2 2015.
- The first six months of 2016 have seen an increase in the number of applicants registering their interest in the market with numbers 27% ahead of the same period in 2015. There was a pronounced drop in registrations in June as we approached the EU referendum, however, June in isolation was still 9% ahead of the same period in 2015.
- The ratio of applicants registered to new instructions was 8.2 in the quarter. Whilst this is down from 9.3 in Q1 2016, it compares favourably to Q2 2015 (6.9) and Q2 2014 (6.5) and continues to reflect the high level of buyer demand for new properties coming to the market.
- Following the buoyant start to the year, the sales market started confidently in Q2 with both buyer and seller activity levels remaining strong during April and May before the approaching referendum introduced some signs of hesitancy. Applicant registrations, market appraisals and instructions all performed ahead of Q2 2015 although the uncertainty introduced by the referendum outcome will no doubt have a bearing on this trend continuing into Q3.
- With the level of new instructions continuing to be outpaced by the level of new applicant registrations, the outlook for buyers is likely to remain competitive during the coming months whilst the emerging political and economic uncertainties start to develop.

Viewings

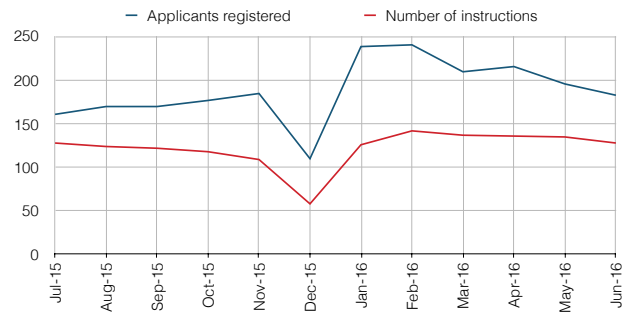
- The level of viewing activity dipped by 4% compared to the levels seen in Q1, but remained 4% ahead of Q2 2015. With both April and May matching the Q1 average, the reduction in activity was driven by the reductions experienced in June which was 6% down on June 2015.
- Despite the fall experienced during June, viewings in the first six months of the year are 6% ahead of the same period in 2015.

Offers

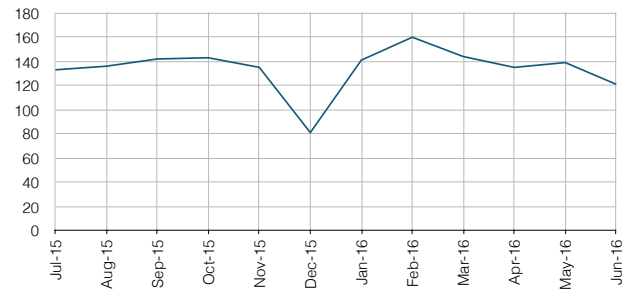
- The number of offers in the quarter increased by 4% compared to Q2 2015.

Sales agreed

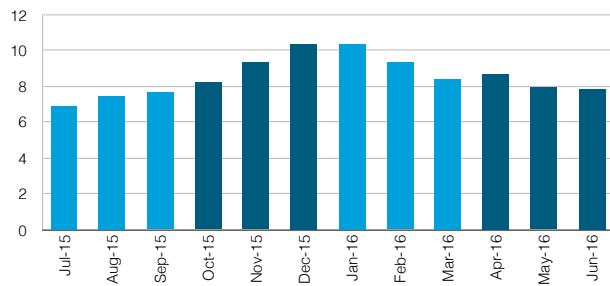
- With buy-to-let investors bringing forward many of their planned purchases to Q1, and some buyers holding back until after the referendum, the number of sales agreed in the quarter fell by 2% compared to Q2 2015.
- Year to date, our sales activity remains 2% ahead of the first six months of 2015.



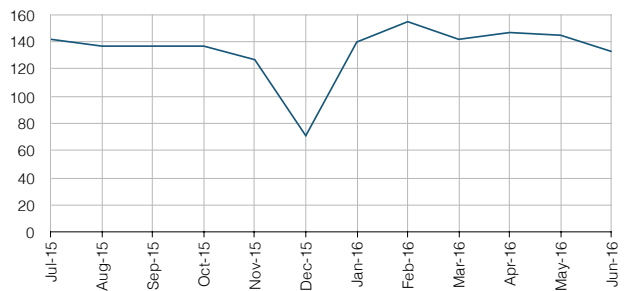
Number of applicants registered and new instructions (Indexed)



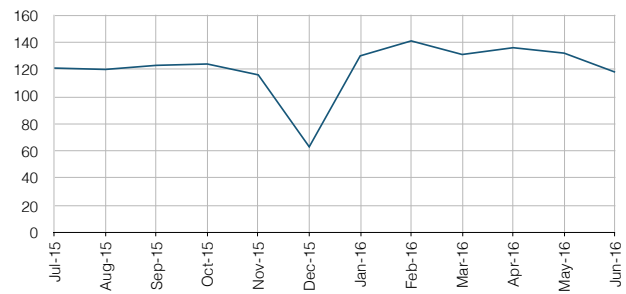
Number of buyer offers (Indexed)



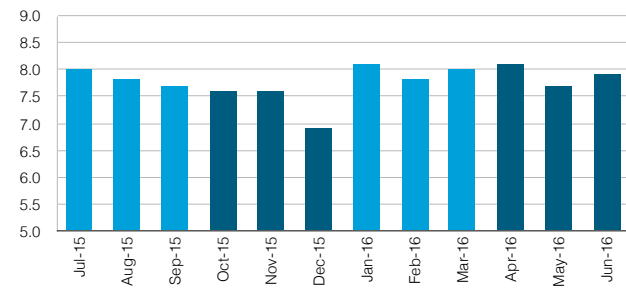
Applicants registered per new instruction



Number of sales agreed (Indexed)



Number of buyer viewings (Indexed)



Viewings per offer



Estate Agency

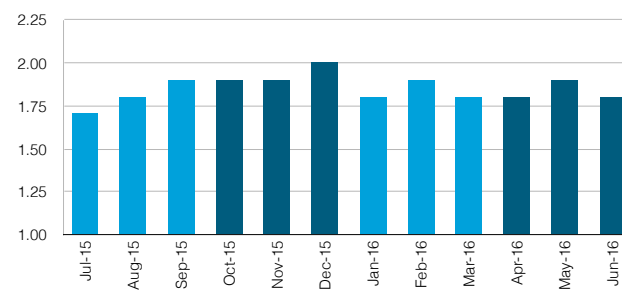
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Viewings, offers and sales

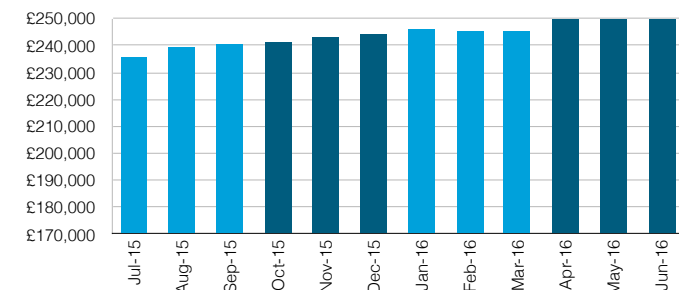
- Viewings per offer of 7.9 remained in line with that seen last year and only marginally down on the 8.0 experienced in Q1 2016.
- As is to be expected in a market with reduced stock levels, prospective purchasers continue to make competitive offers with the average number of offers per sale agreed remaining at 1.8.
- With stock levels down over 10% on June 2015, the shortage of stock continues to present a challenge to homebuyers keen to take their first, or next step, on the property ladder.

Prices

- Whilst some activity levels have eased towards the end of the quarter, the average house price continues to increase in line with our forecasts achieving a 2% increase over the course of Q2, with the average asking price reaching £255,917 by June 2016.
- June's average property value represents an annual increase of 6% compared to June 2015.



Offers per sale agreed



Average house price

“ *The increased levels of demand for both new homes and development land seen in the first quarter of this year have tailed off throughout the second quarter which is evidenced in the Connells Group front line sales figures. At the half year point, the number of new home sales is still up 2% on the same period in 2015. These figures represent a consolidation on the high levels of growth seen in recent years.*

Post-Brexit we anticipate that the volume of house sales for the remainder of the year will be at similar levels to those achieved in 2015 provided that new home property supply levels are maintained by the house building sector and there is no slowdown in production due to market nervousness. In the first quarter, 11,300 residential applications were granted, down 1% on the same period in 2015.

The outlook for the housing industry will be influenced by stability in the financial markets and interest rates look set to remain at their current low levels. If there is any future movement, the Bank of England's Monetary Policy Committee is more likely to reduce rates than to increase them. This could offer a boost to the housing market and construction industry as cheaper mortgages will fuel demand, albeit that this will impact on the undersupply of housing across the UK.

Roger Barrett,
Group Land Director

”

Year to
date **new**
home sales
remained **2%**
ahead of the
same period
in **2015**



Land & New Homes

Roger Barrett,
Group Land Director

New buyers and instructions

- The number of new instructions fell by 4% compared to Q1 2016 driven by a drop in activity in April. The month of May delivered a particularly strong performance and June was 3% ahead of March 2016 and in line with June 2015.

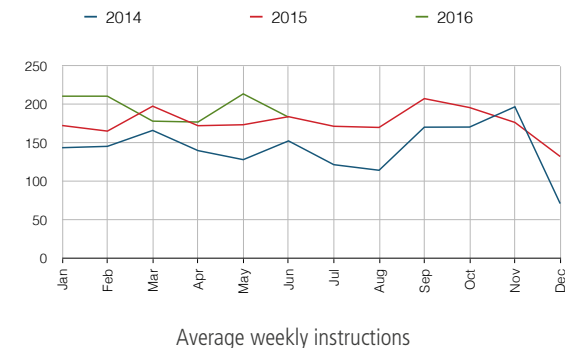
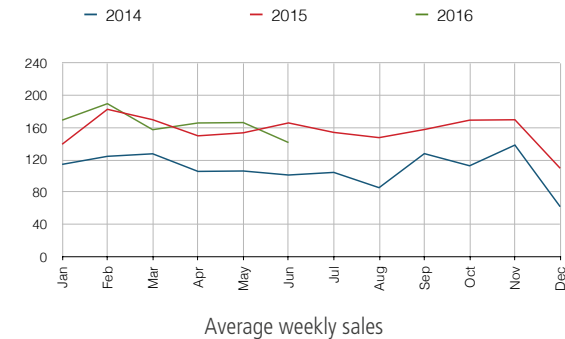
Sales activity

- Land and professional turnover levels in Q2 were similar to the same period in 2015, albeit that a number of transactions were carried over into Q3.
- Sales activity ended the quarter down 8% on Q1 2015, with some investment buyers moving some of their buying activity forward to Q1 2016 in advance of the changes to stamp duty. Therefore, it was unlikely that the level of activity seen in Q1 would be maintained into Q2 however, this reduction was primarily driven by the reduction in activity seen during June, the month of the referendum.
- Year to date new home sales remained 2% ahead of the same period in 2015.

Housing supply

- By the end of July, the House of Lords Economic Affairs Committee will publish a new report: Building More Homes. The Committee's wide ranging report will assess the scale of the problem and it is hoped that it will make recommendations to deal with the housing crisis. The report will also look at whether the Government's ambition to build a million new homes by 2020 is sufficient, or achievable.

- Despite the political and economic uncertainties following the Brexit result, the underlying need for more housing stock remains. It will be interesting to see how the Government seeks to maintain the momentum that had started to build around the existing initiatives.
- There are no signs yet that supply of credit to the house building industry is likely to be an issue in the coming months but, with the outcome of the Brexit vote presenting our housebuilders with additional challenges, there may well be a need for additional Government support at least in the short term.



“As Q2 began, changes in stamp duty legislation produced an increased number of instructions onto the market compared to last year, rents have remained relatively stable, despite the total number of applicants reducing slightly year on year, and demand still outstrips supply for the right properties. It was interesting to witness that in the week of the EU referendum, no discernible reduction in activity could be seen and Q2 ended strongly.

This trend has continued into July with applicant numbers at expected levels, added to which tenancies continue to grow in length (averaging 22 months), and landlords do not appear to be leaving the sector despite the prospect of reducing tax allowances.

Stephen Nation,
Group Lettings Managing Director

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Most significantly,
the number
of new
instructions in
the quarter was

16%
ahead of

Q2 2015

continuing the trend seen
at the start of the year



Residential Lettings

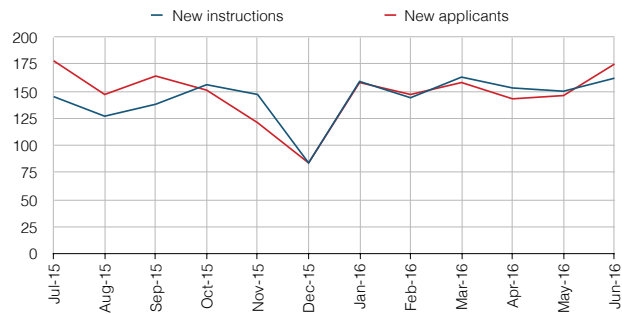
Stephen Nation,
Group Lettings Managing Director

New applicants and instructions

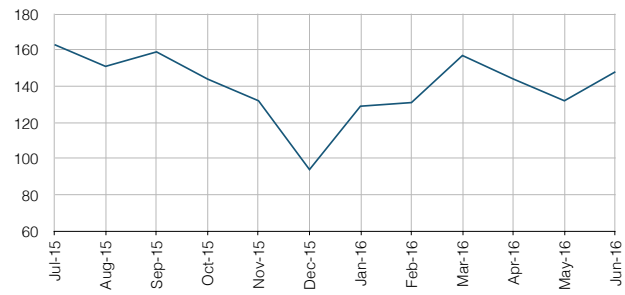
- The new applicant and new instruction numbers in Q2 remained level with those seen in Q1, although both measures saw increases compared to Q2 2015.
- The market remains strong with June experiencing the highest level of applicant registrations since July 2015.
- Most significantly, the number of new instructions in the quarter was 16% ahead of Q2 2015, continuing the trend seen at the start of the year. With the increase in instructions outpacing the increased applicant registrations, this provided some good news for those seeking a property to rent.
- The continued increase in new instructions during the quarter has helped to drive our stock levels 5% higher than those seen in Q1, providing a greater level of choice to prospective tenants.
- The ratio of registered applicants to new instructions increased slightly to 6.6, remaining below the 7.5 seen in Q2 2015.

Regional rents

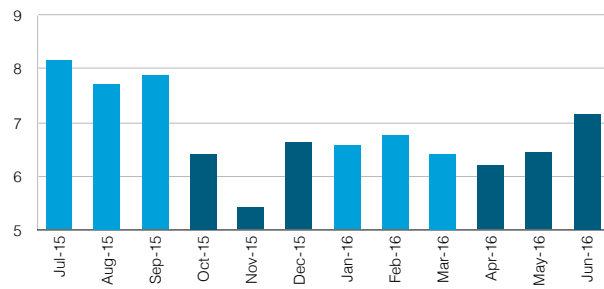
- Despite the increased stock levels and easing of applicant registrations, rents across all regions of England rose in the quarter. All regions showed positive growth with London and the South achieving the highest increases.
- London rents continue to remain significantly ahead of other parts of the country, with average agreed rent at the end of the quarter standing at £1,619, a 5% (£77) increase over March 2016, when the capital's average rent stood at £1,542.
- Rents remained steady within the Eastern & Central region, increasing by £5 to £756 during the quarter. This being 1% down on the £764 seen in June 2015.
- The North peaked at £617 in June, up from £595 at the end of Q1, and showing a 4% (£22) increase over June 2015.
- Rental prices in the South achieved the highest gains in the quarter, increasing by 6% (£54) and ending Q2 at £895, some 16% higher than June 2015.
- With potential for the Brexit result to impact the residential sales market, it will be interesting to see if there is a significant uplift in letting activity in the coming quarter and the impact this may have on average rents, particularly in London and the South.



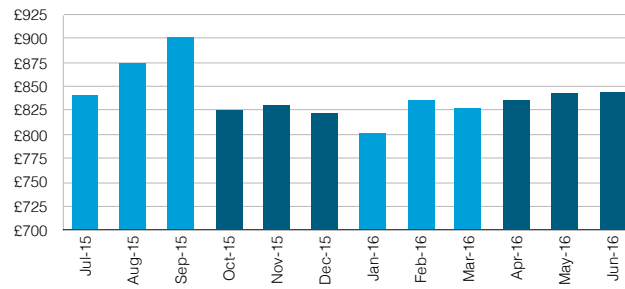
New applicants registered and new instructions (Indexed)



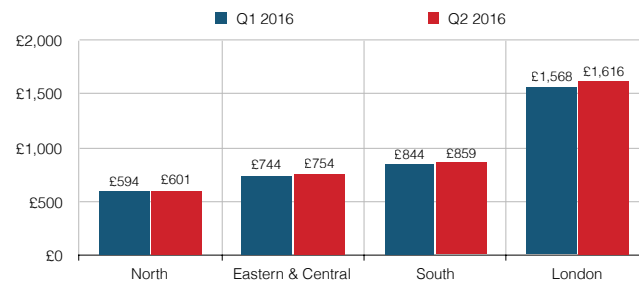
Number of agreed tenancies (Indexed)



Applicants registered per new instruction



Average agreed rents (UK)



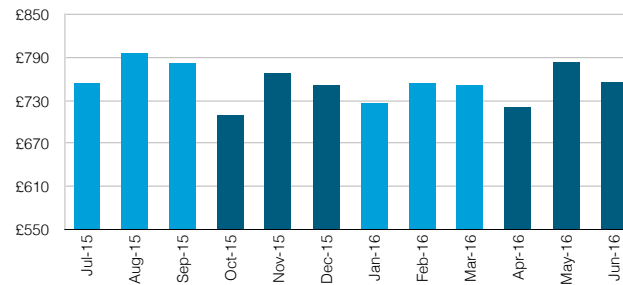
Average agreed rents



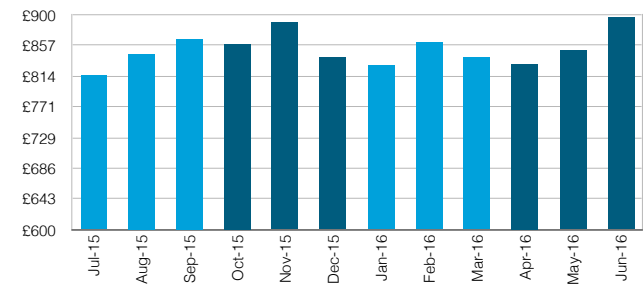
Residential Lettings *Continued*

Agreed tenancies and average rents

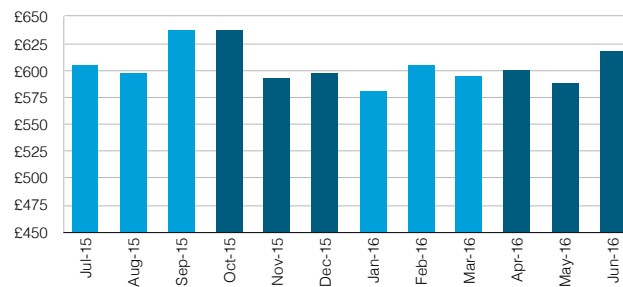
- Although we saw some month on month reductions during the quarter, the number of agreed tenancies increased by 2% when compared to Q1 2016.
- Activity levels, in terms of tenancies agreed during Q2, were 4% higher than Q2 2015.
- Average rents rose by 2% in the quarter and are now marginally below Q2 last year. The average UK monthly rent for June was £841 compared to £855 in June 2015.



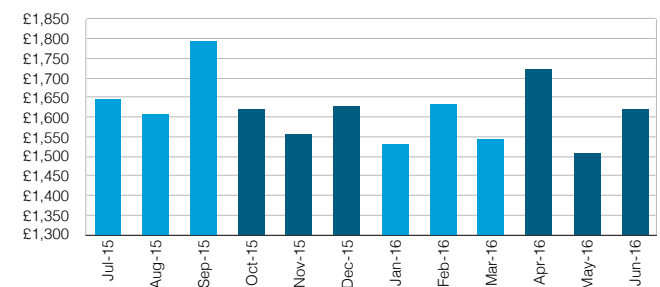
Average agreed rents (Eastern & Central)



Average agreed rents (South)



Average agreed rents (North)



Average agreed rents (London)

“ *The market has been impacted by two material events in 2016: stamp duty changes and the Brexit vote, yet changes in the mortgage market often take a while to have an impact. Whilst this is true of Brexit where the indicators show a slight dampening of activity in June but no material changes to date, the stamp duty change in April brought forward buy-to-let business into Q1 and as a result, Q2 has seen a material fall in buy-to-let purchase business.*

However, the good news is that the fall in buy-to-let activity has been compensated for by a commensurate growth in first-time buyer mortgage business. As a result, overall volumes have remained steady, quarter on quarter, and still well above 2015. It seems that so far, the Government's aim of reducing buy-to-let investors activity to create space for more first-time buyers is working. However, it is early days and other factors including Brexit, potential rate changes and political turmoil could change this picture during Q3.

Early signs in July would suggest more of the same, volumes recovering to pre-Brexit levels, buy-to-let purchase business remaining very subdued and residential business tracking positively. If a rate cut is forthcoming, as increasingly predicted, this should boost the residential market further but also encourage more existing mortgage holders to remortgage, as the differential between new rates and standard variable rates (assuming there is little lender movement as expected) widens.

Adrian Scott,
Group Mortgage Services Director

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Home-mover
mortgage activity
grew by **18%**
in the quarter
and by **8% on
an annual basis**

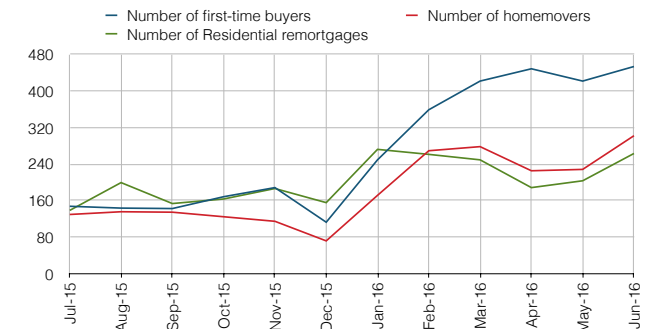


Mortgages

Adrian Scott,
Group Mortgage Services Director

Residential

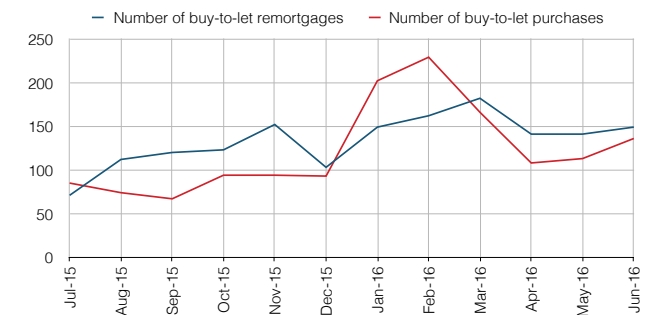
- Following the strong start to the year, the mortgage market continued to operate ahead of levels seen in 2015.
- A particular feature throughout Q2 was the consistency of activity across all mortgage types and with no material drop experienced in June. Indeed June 2016 was 3% ahead of March 2016.
- Home-mover mortgage activity grew by 18% in the quarter and by 8% on an annual basis.
- The first-time buyer market followed a similar pattern and remained strong throughout the quarter, ending 25% up on Q1 and 40% up on Q2 2015.
- The remortgage sector remains particularly active and has delivered year on year growth of 49% at the end of the first six months of 2016.



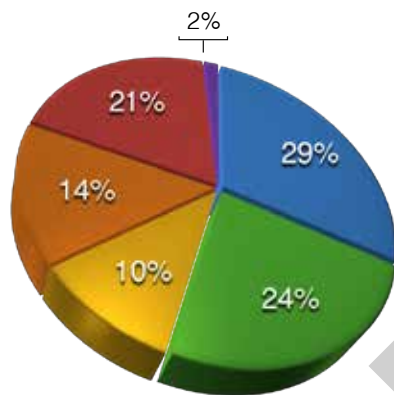
Number of residential mortgages by type (Indexed)

Buy to let

- With Q1 2016 uplifted by the additional activity from investors seeking to avoid the stamp duty changes, the buy-to-let mortgage market experienced the anticipated reduction in activity during Q2, ending the first six months of 2016 on a par with 2015 overall.
- Buy-to-let purchase activity reduced significantly in the quarter, by 37% compared to Q1 and with a similar reduction of 35% when compared to Q2 2015.
- The number of buy-to-let remortgages reduced to a lesser extent with Q2 down 7% on Q1 2016.



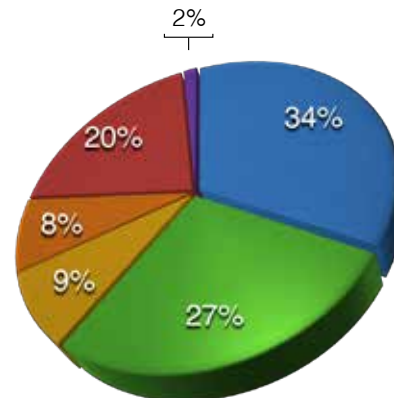
Number of buy-to-let mortgages by type (Indexed)



Mortgage type split
UK Q1 2016

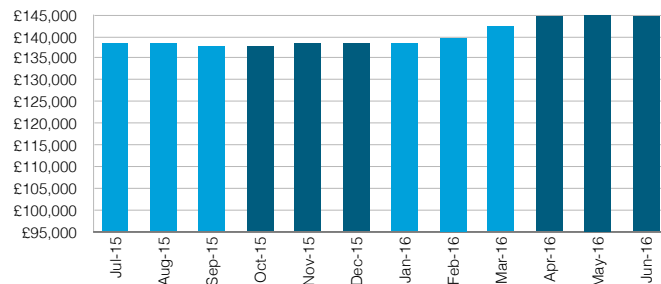
Mortgage type split
UK Q2 2016

- First-time buyers
- Home Mover
- Buy-to-let Remortgages
- Buy-to-let Purchases
- Remortgages
- Other



Mortgage values

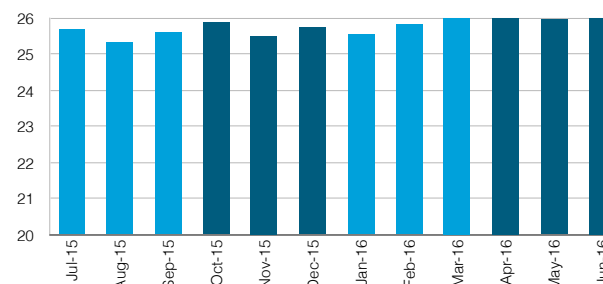
- Mortgage values continue to climb steadily and broadly in line with average house price growth.
- Mortgage values averaged £147,010 in the second quarter of the year maintaining the level of increase seen in Q1, with the measure up by 3% (£4,576) compared to the previous quarter, and 7% (£9,276) on Q2 2015.



Average mortgage value

Mortgage terms

- The typical mortgage length has seen a slight increase in Q2, ending the quarter at 26.3 years, having steadily increased over the past 12 months.

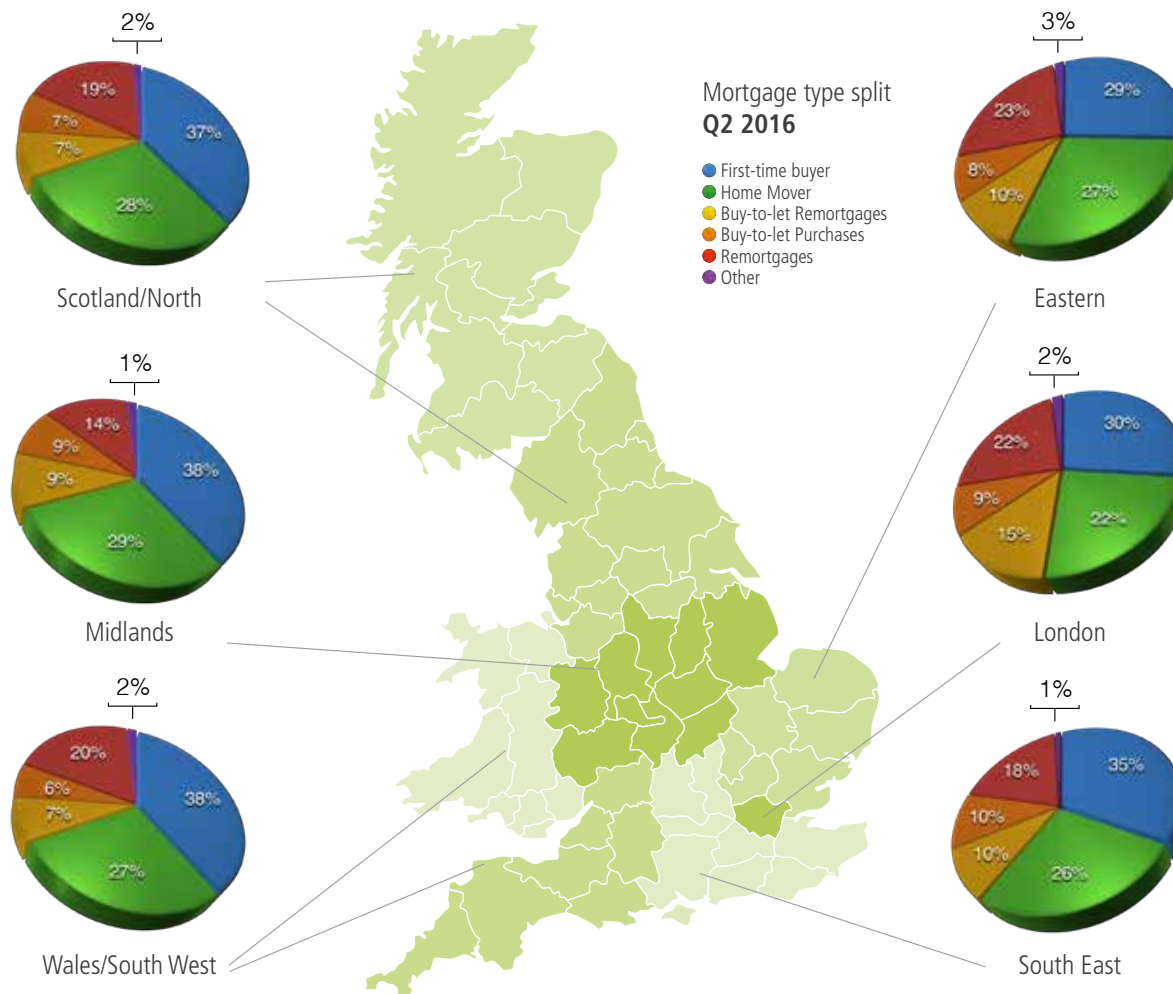


Average mortgage term (Years)



Mortgages

Continued



UK mortgage type split

- With buy-to-let activity reducing, we have seen both the first-time buyer and home-mover sectors account for a larger proportion of activity in the second quarter of 2016. First-time buyer activity accounted for over a third of activity in the quarter, up 5% on Q1 2016 and, whilst this may be a short lived distortion, the year to date position shows first-time buyer activity accounting for 32% of transactions, up 2% on 2015. It will be interesting to see what impact the increased prospect of an interest rate reduction in the coming quarter may have on the split of activity in the market.

Regional picture

- First-time buyer activity was strongest in the South West (38%) and weakest in London (22%); the North had the highest proportion of home mover activity (28%), with the smallest proportion located in London (22%). For those seeking to remortgage, the East had the highest relative amount of activity (23%), while the South West continued to see the quietest remortgaging activity (19%). Proportionately, London continues to lead the buy-to-let boom, with the capital boasting the highest proportion of buy-to-let remortgages (15%) and buy-to-let purchases (9%). The buy-to-let purchase market was weakest in the South West (6%).

“

Figures for Q2 repossessions are not published until mid-August, however, our own data suggests that levels of new repossessions have remained static during Q2 and figures are almost identical for the same period in 2015.

The number of repossessions in the first quarter of 2016 was 2,100 (1,500 home-owner, 600 buy-to-let), meaning that the repossession rate is the lowest on record, according to the Council of Mortgage Lenders. If this rate continues throughout 2016, it would put the annual number of repossessions at 8,400, lower than any year since 1982 (but in 1982 there were only 6.9 million mortgages, against 11.1 million mortgages today).

Mortgage arrears also continued to fall. For the first time in more than a decade, the number of mortgages in arrears of 2.5% or more fell below the 100,000 mark, with 96,200 loans in arrears at the end of March, down from 101,700 at the end of December, and 111,200 at the end of the first quarter of 2015. Even the number of mortgages in the most serious arrears band of 10% or more, which has remained fairly static while the lower arrears bands have declined, fell a little during the quarter.

Following the rush to beat changes to the stamp duty deadline in April, sales have returned to normal levels. Sale price performance vs valuation continued to be very strong in Q2. The Brexit result could affect buyer confidence, with competition amongst buyers potentially most affected, especially in “best bid” scenarios.

During Q2 we have launched a number of pilots with our lender clients for our Assisted Sales Scheme (ASS). The ASS is offered to customers who have reached, or are reaching, the end of their interest only term with no vehicle for repayment.

Simon Matthews,
Managing Director of AMG

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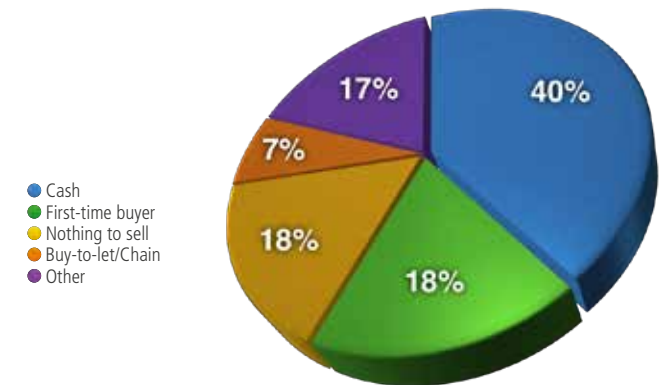


Asset Management

Simon Matthews,
Managing Director of AMG

New instructions

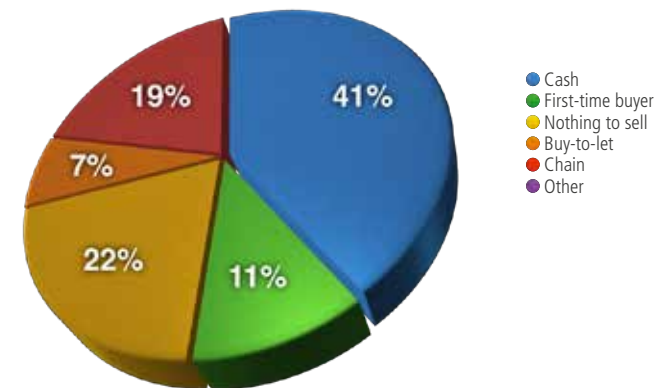
- Houses accounted for 69% of new instructions during Q2 2016, the same as in Q1 2016.
- Overall, the profile of new instructions remained in line with Q1 2016, with flats accounting for 24% of total new business. Bungalows saw an uptick to 8% in June, 2% above June 2015.
- Houses continue to account for the majority of new instructions in Q2, 3% higher than Q2 2015.



Completions by purchaser type (Q2 2016)

Purchase type

- Cash continues to account for the largest proportion of distressed completions in Q2, with 39% of all repossessed properties purchased by cash buyers – dropping 2% from Q1 2016.
- First-time buyers remain keen to step onto the property ladder with their activity accounting for 17% of purchases. This was a marked increase on the 11% of Q1 and well ahead of the 12% seen in Q2 2015.
- Buy-to-let investor activity was slightly below historical levels, down 1% in the quarter to 6%.



Completions by purchaser type (Q1 2016)

“ Q2 delivered some strong results in the survey and valuation sector, contributing to an 11% rise, year to date, in transaction levels. This reflects the strong housing market and increased lending levels over the period.

Over the last quarter we saw this rise in transactions manifest itself in an increased divergence in the performance of surveying firms across the sector. For example, Connells Survey & Valuation delivered a significantly faster reporting service, 4.4 day average in June and 26% better than the market. Alongside this, our reporting service quality was sustained at an average 91% for the quarter, compared with 78% across the market.

Whilst it is very early days and we have yet to see any major new trends established, the EU referendum result does appear to have impacted activity in the sector, with daily transaction volumes down c.10% on recent highs. Based on market activity overall, we have no evidence to suggest there will be a significant sustained drop in house prices. We think it more likely that there may be an easing in the level of house price inflation in the short term.

Regardless of any Brexit impact the markets will adjust and current uncertainty will subside. We expect that the summer months will test the industry further in maintaining service standards, with the usual challenges experienced from delayed property access and limited surveyor availability given the peak holiday period. Overall, we retain a positive outlook for the coming quarter.

Ross Bowen,
Managing Director,
Connells Survey & Valuation

”





Survey & Valuation

Ross Bowen,
*Managing Director,
Connells Survey & Valuation*

Mortgage valuations

- A strong Q2 performance resulted in the number of mortgage valuations rising 7% on Q1 2015, and 11% when compared to Q2 2015. June delivered a particularly positive result being 10% ahead of June 2015.
- In line with the consistent activity seen in the mortgage sector, our volumes have been rising steadily during the first half of the year.
- Repossession valuations continue at very low levels and are down 29% on the first six months of 2015.

Surveys

- Although the number of surveys carried out in June was down 7% compared to June 2015, the segment continued to show annual growth, up 3% on Q2 2015.
- Surveys as a percentage of overall activity reduced by 1% compared to the first six months of 2015 however, year to date surveys remain ahead of 2015 in volume terms.

Buy to let

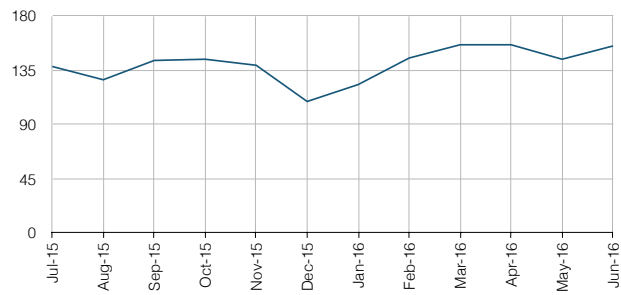
- As expected, investor and landlord activity reduced by 30% in the quarter with buy-to-let valuations dropping back to levels similar to Q2 2015. This reduction reflects the overall dynamics of the buy-to-let market this year.
- June experienced a drop of 10% in buy-to-let valuations as compared to last year, but year to date we remain 35% ahead of 2015.

Average valuation

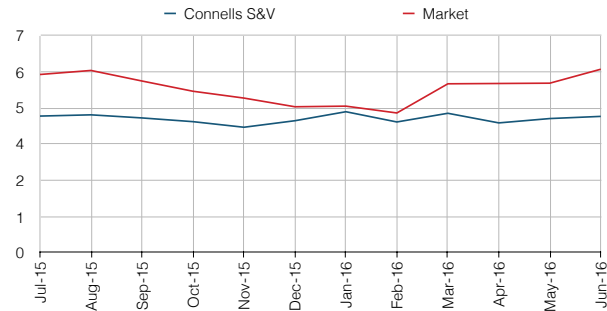
- Average house prices recorded by estate agents have continued to rise and we have seen similar increases during this quarter. The average valuation price at the end of Q2 was 3% higher than the end of Q1 2016, and on an annual basis 7% ahead of June 2015.
- The average property valuation in Q2 was £260,846, up 7% (£17,371) on Q2 2015.

Service experience

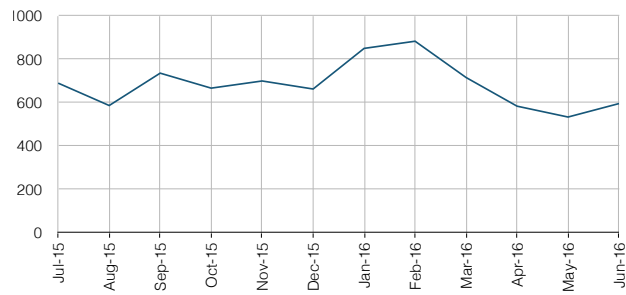
- Average reporting turnaround time of 4.3 days was achieved in Q2, a 0.1 day improvement on Q1 and well ahead of the Q2 market average of 5.6 days.
- The level of post valuation queries, one of the key measures of service quality, remained below 9% throughout the quarter.



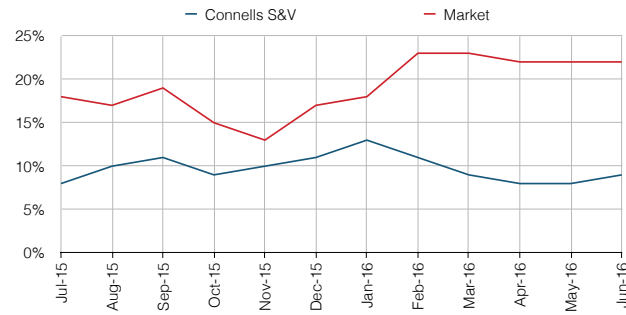
Number of mortgage valuations (Indexed)



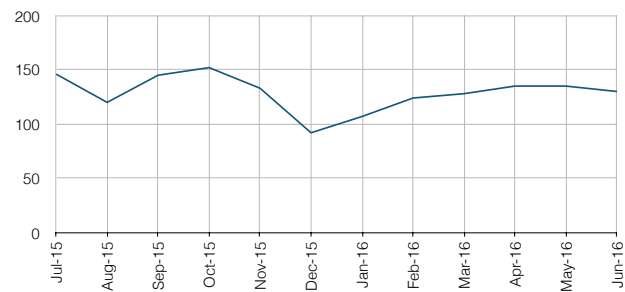
Turnaround-time



Number of buy-to-let valuations (Indexed)



Post valuation queries



Number of surveys (Indexed)



Average house prices, mortgage values & rents: Q2 2016

Average mortgage value Q2 2016

£147,010

Up **3%** from Q1 2016
(£137,734)

Up 7% from Q2 2015 (£137,734)

Average rent (North)

£601

Average rent (East & Central)

£754

Average rent (London)

£1,616

Average rent (South)

£859

Average house price Q2 2016

£255,917

Up **4%** from Q1 2016
(£245,650)

Up 9% from Q2 2015 (£234,447)

Economic Outlook

With continued growth forecast and sustained consumer confidence, the economic outlook for the UK at the end of the first quarter remained positive, despite economic indicators in some overseas markets faltering. The EU referendum sat poised on the horizon, providing the potential for short term distraction and an opportunity for the country to confirm its chosen path for the future.

In advance of the referendum, both those for and against Brexit made much of the potential economic impact that Brexit would bring. And, whilst the nature and scale of this varied greatly, the general consensus agreed that a vote for Brexit would lead to a reduction in economic growth in the short term as both investment and consumption would be directly impacted by the increased uncertainty that would follow. Long term prospects would also be impacted by any decisions by businesses to delay or curtail their investment activity.

With the Brexit decision made, and additional political uncertainties introduced, the markets reacted as expected with heavy falls seen in both stock and currency prices. Whilst this short term reaction has impacted different industry sectors in different ways, there has already been a noticeable impact on those within the property sector.

The financial markets are resilient and there are already signs that some of these initial falls may be short lived. However, the Governor of the Bank of England has acknowledged that the economic outlook for the UK has deteriorated, and with no 'silver bullet' uncertainty is likely to remain a feature for many months as the economic outlook for the UK remains unsettled.

The extent to which the projected economic impacts will or will not materialise remains to be seen; but policymakers have signalled their intent to provide fresh monetary stimulus to the economy through the injection of extra capital to support lending to UK households and businesses.

We would expect some of the short term uncertainties to clear in the coming quarter, and with continued Government support for housebuilders, and demand for housing remaining high, there could yet be some upside to the housing market later this year.

Methodology

Connells Group analyses detailed data from its estate agency, land & new homes, lettings, mortgage, survey and valuation and asset management businesses from October 2012 to today. Each month, the researchers analyse tens of thousands of registrations, instructions, applications, approvals and valuations and use these trends to publish a quarterly report which reflects trends across the entire property spectrum. Where commercial sensitivity may be an issue, figures are indexed to show trends without publishing raw data.

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About Us

Connells Group is one of the largest and most successful estate agency and property services providers in the UK. Founded in 1936 and with a network of over 580 branches nationwide, the Group combines residential sales and lettings expertise with a range of consumer and corporate services including new homes, mortgage services, conveyancing, EPC provision, surveying, corporate lettings, asset management, land & planning, LPA receivers and auctions.

Alongside the Connells brand, the Group trades under other well-known and trusted local names including Allen & Harris, Bagshaws Residential, Barnard Marcus, Brown & Merry, Fox & Sons, Jones & Chapman, Manners & Harrison, Roger Platt, Shipways, Swetenhams, William H Brown, Sharman Quinney, Pattison Lane, Burchell Edwards, Ashley Adams, Atkinson Stilgoe, Peter Alan, Thomas George, Rook Matthews Sayer, Paul Dubberley, Gilbert & Thomas, Hurfords, Knight Partnership, Hatched.co.uk and Gascoigne Halman.

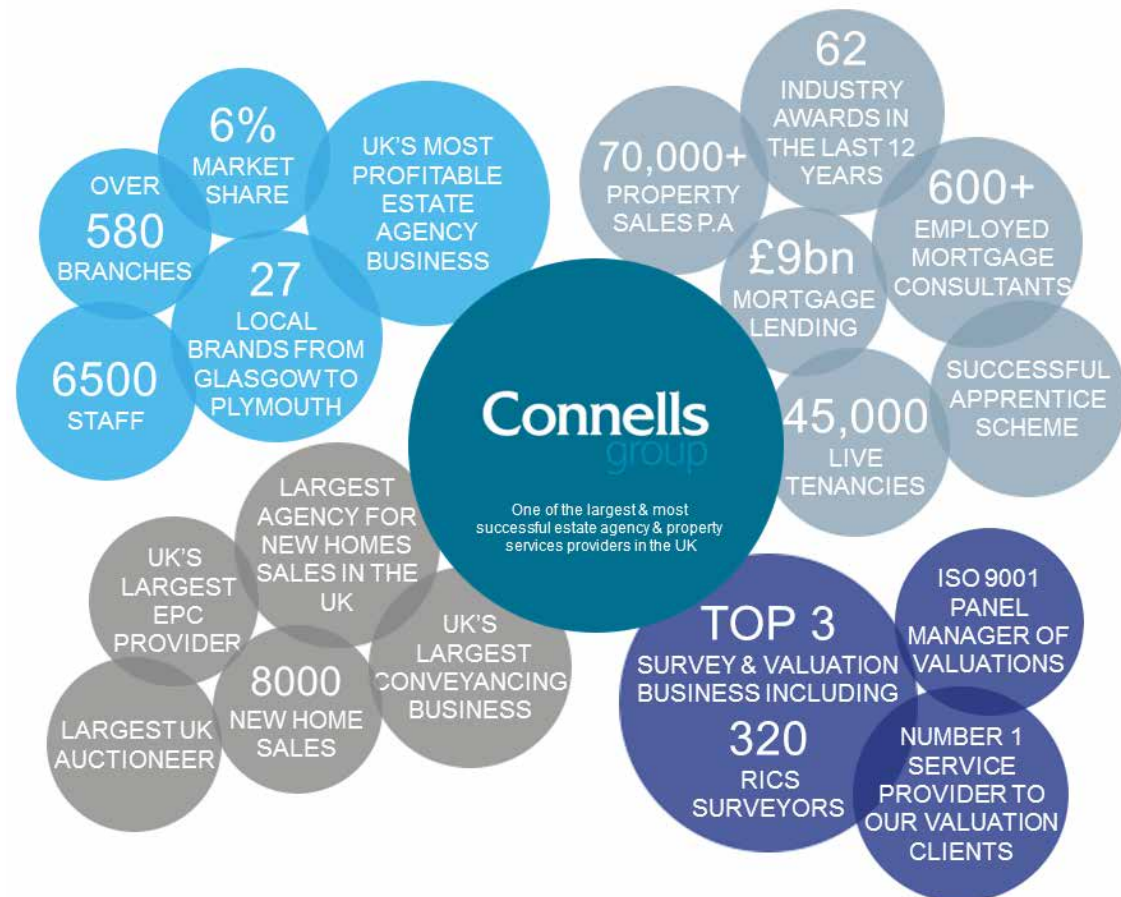
Corporate clients benefit from Connells' broad range of award-winning services and depth of experience and expertise.

We work with some of the UK's leading organisations and institutions on property and land acquisition and disposal, asset management, mortgage sales and distribution, corporate lettings, auctions, conveyancing and surveying, to name a few.

The Connells Group is a subsidiary of the Skipton Building Society, one of the UK's largest providers of financial services and products.

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Our Estate Agency Brands



Our Business Brands



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