Connells group

Connells Group Market Report

connellsgroup.co.uk

Quarter 3, 2016

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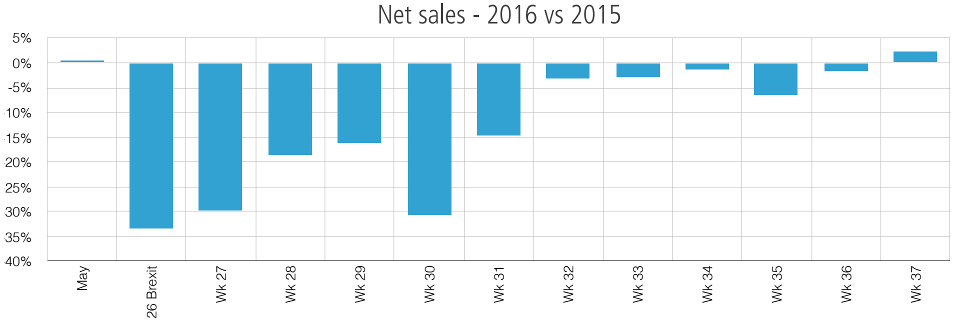
Introduction

David Livesey,
Group Chief Executive

Our latest report reflects our experience in a market heavily influenced by the uncertainties that immediately followed the vote to exit the EU. Despite some initial challenges, we have seen the market respond positively, and with September activity aligning with last year, we remain confident in the market's ability to face the additional ups and downs that may be encountered as we head into 2017.

The Brexit decision took all markets by surprise and had an immediate impact on buyer confidence, particularly in London and the South East. Whilst some buyers sought to benefit through reduced price offers and opportunistic renegotiation of deals nearing completion, many held back and waited for the dust to settle. Ultimately, this led to a reduction in the level of sales agreed and an increase in the level of cancelled sales. As indicated in the following graph, this is a position that we have seen steady improvements on week by week.



Prospective vendors did not appear to be as heavily influenced by the Brexit decision as purchasers and, whilst the level of new instructions was not as strong as we saw during Q2, they were only marginally down on the same period in 2015. Stock levels remain the ever present challenge and, with the level of applicant registrations continuing to outstrip new instruction levels, we expect to see further recovery in sales activity during Q4.

The new homes market showed a similar trend to residential sales and it was pleasing to see a number of land contracts that had been held back by the referendum now starting to progress. The need to build more housing stock remains as strong as ever and the new Government seems to be committed to supporting the supply side.

We expected house prices to remain broadly flat during Q3 and actually saw prices fall back slightly by 0.7% driven by some of the activities outlined above. This is something that we expect to see recover during the remainder of the year, with an expectation of reasonable house price growth to come in 2017. So far this year, we have predicted overall growth of 3.0% and witnessed actual growth of 2.4%.

The rental sector seemed largely unaffected in the months immediately post Brexit. Stock levels have improved slightly but applicant demand remains strong, driving a continued increase in average rents across all regions. With the changing tax environment for landlords yet to show any real impact on the market, the outlook remains positive for the remainder of the year. However, the proportion of house sales represented by buy-to-let has fallen from c.18% and remains low at 9% which indicates reduced demand due to the Government's multiple assaults on the BTL landlord.

Mortgage activity levels fell back slightly driven by the reduction seen in house sales activity. We have seen the dynamics of the BTL market change, with an increased focus on remortgage related activity with BTL purchases running below the levels seen in 2015. This looks set to continue into Q4, albeit we expect to see a continued improvement in the level of home mover activity and increase in the proportion of first-time buyers.

So, Brexit had a clear and measurable impact on our markets, but they appear to have completely recovered thus far. The mismatch between demand and supply continues and I am expecting a very healthy final quarter.

The vote for Brexit brought about a tumultuous 4-5 week period during July and into the early stages of August, with a significant number of sales being cancelled as buyers lost confidence. London and the South East were most impacted by the level of aborted sales and buyer demand in general was suppressed throughout our branch network. Buyer confidence was gradually restored as it became evident that the wider economy hadn't reacted to a Brexit decision in the way that some commentators had speculated. Since the Brexit decision, there has been no material change in the supply of new instructions to the market and hence available stock remains scarce. So, with all of the basic fundamentals that underpin the market remaining positive, a return to more normal market conditions is what was expected and this indeed appears to be what we are experiencing as we head into Q4.

We saw a marginal move backwards in respect of average house prices and whilst we expect to see some positive movement in Q4, we are experiencing a much higher proportion of 'sub asking price' offers from buyers. This is distinctly different to what we were experiencing before the lead up to the referendum.

David Plumtree,
Group Chief Executive
(Estate Agency)

The level of **new instructions during Q3 2016** was

2%

down on **Q3 2015**

Year to date, the **number of viewings** are

3%

ahead of the same period in **2015**

Estate Agency

David Plumtree,
Group Chief Executive (Estate Agency)

New buyers and instructions

- On a year to date basis the number of new instructions to the market remains slightly ahead of 2015. This is despite the level of new instructions in the quarter being nearly 8% lower than seen during Q2.
- The comparison to 2015 is more favourable with new instructions in Q3 2016 just 2% lower than Q3 2015.
- The level of buyer demand remains high, with the ratio of applicants registered to new instructions ending the quarter at 8.6 up from 7.8 at the end of Q2, and 7.6 in Q3 2015.
- With the uncertainty introduced by the outcome of the EU referendum in June, both buyer and seller activities were suppressed during the quarter and showing a reduction on the levels seen earlier in 2016. Despite this hesitancy, interest levels remain high with applicant registrations and market appraisals in Q3 2016 remaining ahead of Q3 2015 and outpacing the level of fresh market instructions.

Viewings

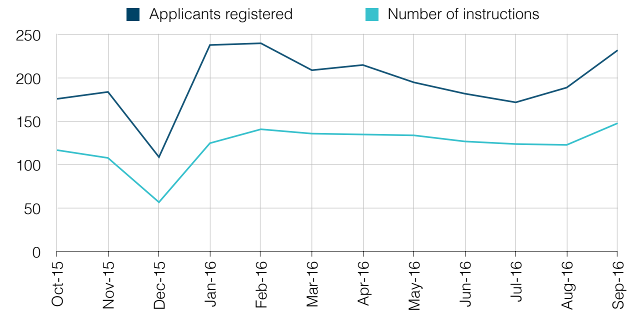
- The level of viewing activity during Q3 2016 was 7% down on Q2 2016. When compared to 2015, both the month of September and Q3 in total were 2% lower than the equivalent periods in 2015.
- Year to date, the number of viewings are 3% ahead of the same period in 2015.

Offers

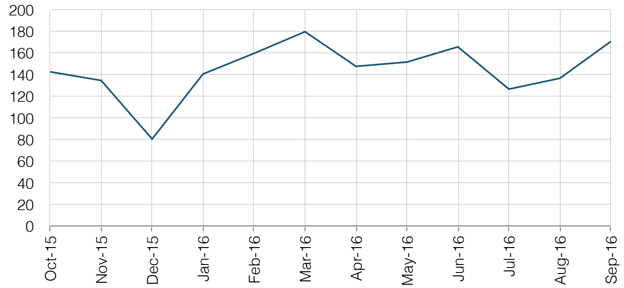
- The number of offers made in the quarter were down by 3% compared to Q3 2015.

Sales agreed

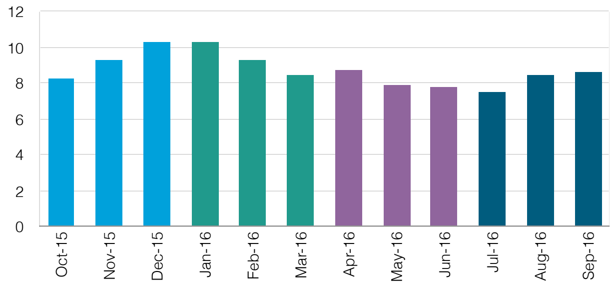
- Following the market reaction to the vote for Brexit at the end of Q2, it was inevitable that Q3 would see a significant reduction in sales activity. On a quarterly basis, Q3 was 8% lower than Q2 2016, however, this masks the month on month improvements that have been seen during the quarter.
- When compared to previous years' sales activity, September 2016 was 4% down on the same month in 2015, but 7% ahead of September 2014.
- On a year to date basis, the level of sales activity at the end of Q3 is 2% behind 2015, reversing the position at the end of Q2 and reflecting the post referendum drop seen during the quarter.



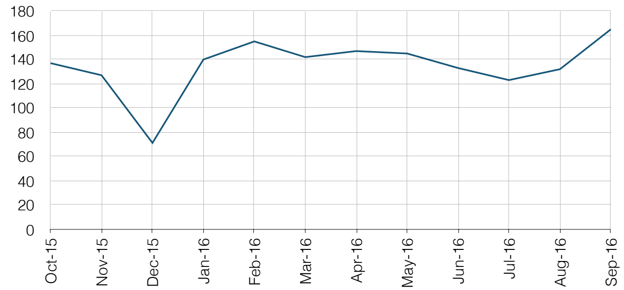
Number of applicants registered and new instructions (indexed)



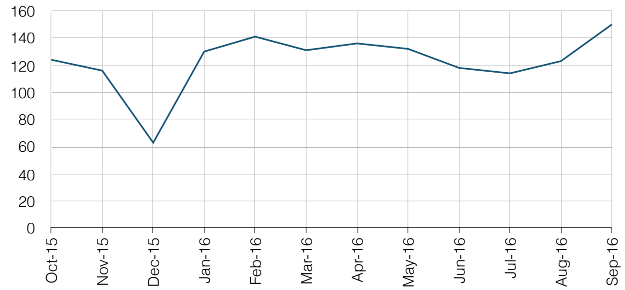
Number of buyer offers (indexed)



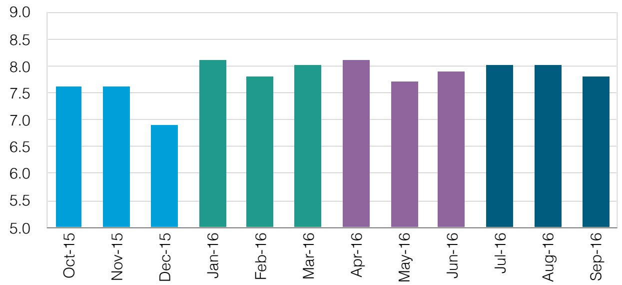
Applicants registered per new instruction



Number of sales agreed (indexed)



Number of buyer viewings (indexed)



Viewings per offer

Estate Agency

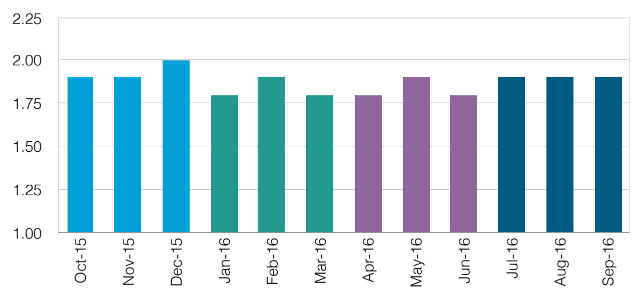
Continued

Viewings, offers and sales

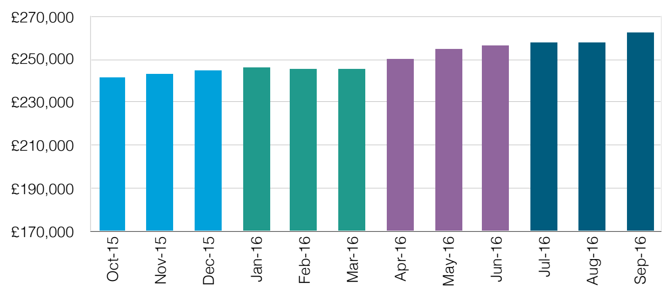
- The level of viewings per offer remained stable during the quarter. September 2016 stood at 7.8, slightly ahead of the 7.6 in September 2015.
- The average number of offers per sale has increased slightly to 1.9 but remains in line with the level experienced throughout 2016.
- The reduction in sales activity has led to some improvement in the level of available stock, with levels up 3% on June 2016. Whilst this provides some increased choice for prospective purchasers, stock levels remain challenging with September 6% lower than September 2015.
- Competition between buyers remains high but with some sellers reviewing their prices, there may be increased opportunities for buyers to secure the purchase of their next property.

Prices

- As expected, house price inflation cooled during the quarter with the average asking price of £262,143 being 2% ahead of the position at the end of Q2. On an annual basis, September 2016 reflects an increase of 9%.
- Between June 2016 and September 2016 the average house price at completion reduced by 1%, but remains 3% ahead of September 2015.



Offers per sale agreed



Average house price

> ***We see the demand for new homes and development land returning in the last quarter of this year to the levels seen in Q4 2015. The underlying strength in the market, coupled with stable finance availability and with current new home incentives remaining in place, would suggest that as we move into 2017 the outlook for the new year is a positive one. This gives rise to the view that the total housing numbers in 2016 will be repeated in 2017.***
>
> *Whilst the Government continues to explore ways to generate more house building, the reality is that if this is to move forward in measurable terms, this will only come from the established large and medium sized housing developers that are able to open increased numbers of sales outlets. The driver for this sits in our current planning system, which continues to underperform in respect of working with developers to bring forward deliverable short and medium term housing projects.*

Roger Barrett,
Group Land Director

New homes instructions in **Q3 2016** were down

4%

on **Q3 2015**

New home contract exchanges at the end of **Q3** were

6%

up on the same period **last year**

Land & New Homes

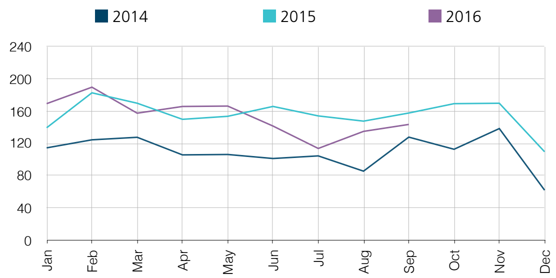
Roger Barrett,
Group Land Director

New buyers and instructions

- The number of new instructions fell by 4% when compared to Q3 2015 but, overall for the year to date new instructions are 4% up on the same period last year. Based upon current activity, we anticipate a levelling off in the numbers year on year.

Sales activity

- Land and professional turnover levels were up in Q3 mainly due to the fact that there were a number of transactions not concluded at the half year point because of uncertainty around the Brexit vote. The fact that these transactions have now completed suggests that appetite from developers to continue to acquire land remains strong. This will generate a year on year increase in turnover from our land activities.
- New homes sales were down just over 14% in Q3 which could be best described as the market "taking a breather", both in terms of developer output and purchaser sentiment in what was a period of uncertainty. Overall, new homes sales for the year to date are down just over 3% on the same period in 2015.
- Whilst there was a Brexit influence in the numbers, a key issue remains the lack of available property to sell as overall demand is still outstripping supply and on many sites purchasers are queuing at our offices and marketing suites awaiting new launches and property releases. With the current climate of low interest rates and the popularity of Help to Buy, we feel that demand for new homes in Q4 and in to the new year will continue.
- New home contract exchanges at the end of Q3 were 6% up on the same period last year. This demonstrates the underlying strength of the market.

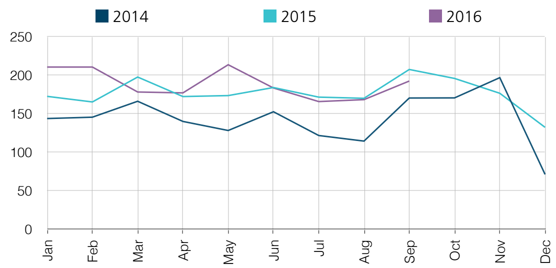


Average weekly sales

Housing supply

- It is the intention of the Government to issue a white paper later this year which will effectively act as a strategy for the remainder of Parliament and will then move forward to implementation. This will focus on three key areas:

  1. The launch of a £3 billion Home Building Fund - to provide £1 billion of short term loan funding. This will be used for small builders, custom builders, and innovators, delivering 25,500 homes by 2020. This is an increase of £325m over the previous commitment through the £525m Builders Finance Fund and the £150m Build to Rent Fund (both of which will now be incorporated within the new combined fund).
  2. Accelerated Construction - a project that will be paid for through £2 billion of new public sector net borrowing but is expected to deliver value uplift for the Government in the long term. The Government intends to use this money to step in to address "failures in the market". They have stated that "traditional housebuilders take too long to build houses – so Government will take direct action, using surplus public land to build faster, including by encouraging new developers with different models into housebuilding, and to support SMEs".
  3. Urban Regeneration - an announcement focused heavily on proposed changes to the planning system that have been previously consulted on or are contained within the Housing and Planning Act 2016. While there is a focus on bringing forward brownfield sites for redevelopment, there is no return to a "brownfield first" strategy, either explicit or implied.



Average weekly instructions

> *There was little adverse response in the lettings market in the months immediately post Brexit, and our stats define strong demand outstripping supply for the country as a whole. Rental values grew during Q3 across all regions, but we are seeing a reduction in applicant enquiries year on year in London which could foreshadow a cooling of rental values during Q4.*
>
> *Where undoubtedly increased stamp duty has deterred investment buyers into the rental market during Q2 and Q3, there remains little sign of landlords 'selling up' in any great numbers. However, this may well change once the effects of reducing tax allowances are felt next year and existing tenancies start to come to an end.*

Stephen Nation,
Group Lettings Managing Director

The **number of tenancies agreed** during **Q3** were

5%

higher than **Q3 2015**

Average rents rose by

8%

in the quarter with all regions showing **healthy growth**, the UK average monthly rent reaching **£911** at the **end of the quarter**

Residential Lettings

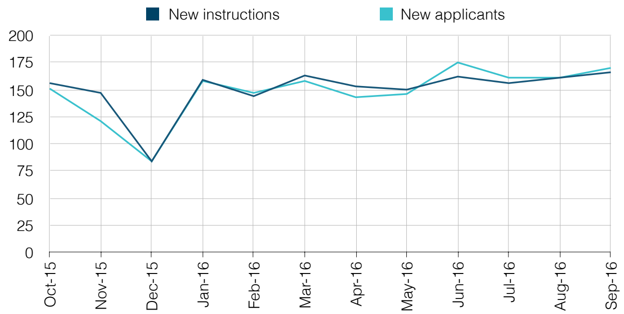
Stephen Nation,
Group Lettings Managing Director

New applicants and instructions

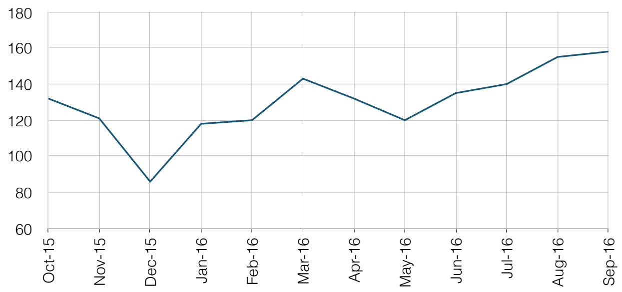
- Q3 saw the level of new applicants marginally ahead of the levels seen in Q1 and Q2 2016, and 2% up on Q3 2015.
- The level of new instructions remained strong throughout the summer period with Q3 4% ahead of Q2 2016. This is above the 2% increase seen between Q3 2015 and Q2 2015.
- Average stock levels for Q3 were 1% ahead of Q2. However, with an active September, market stock levels ended the quarter 6% lower than June 2016.
- The market remains relatively stable and, with the growth in new instructions remaining ahead of the growth in applicant registrations there continues to be some improvement in choice for prospective tenants. However, the market remains active with tenants having to move quickly to secure their preferred property.
- The ratio of registered applicants to new instructions continued its upward movement, standing at 6.8 for the quarter, up from 6.6 at the end of Q2. This measure remains significantly below the 7.9 seen in Q3 2015.

Regional rents

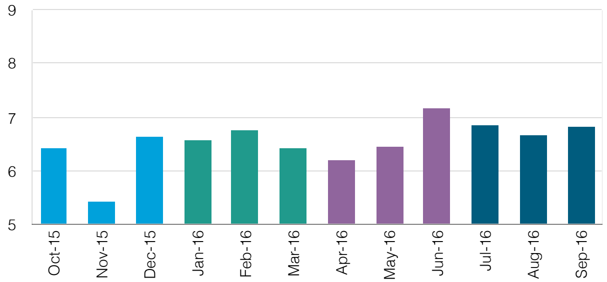
- Average rents across the UK continue to rise with all regions showing an increase during the quarter and with the North and London showing the smallest increases.
- London rents increased by 5% with the average agreed rent for September standing at £1,658. This is a £101 increase over June 2016, when the capital's average rent stood at £1,557.
- Increases were greatest in the Eastern & Central and South regions.
- Within the Eastern & Central region, average rents increased by £55 to £810 during the quarter, 4% ahead of September 2015.
- In the South, average rents for the quarter were £912 compared to £859 in June 2016, continuing the positive trend seen during 2016, and 8% ahead of the £841 achieved in September 2015.
- In the North, average rents were £629 in September 2016 compared to £617 in June 2016.



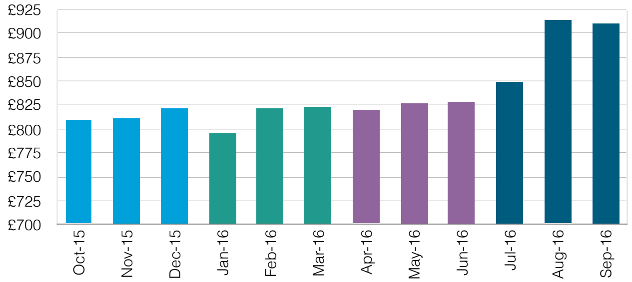
New applicants registered and new instructions (indexed)



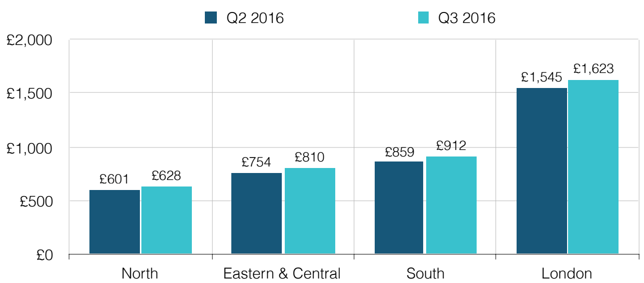
Number of agreed tenancies (indexed)



Applicants registered per new instruction



Average agreed rents (UK)

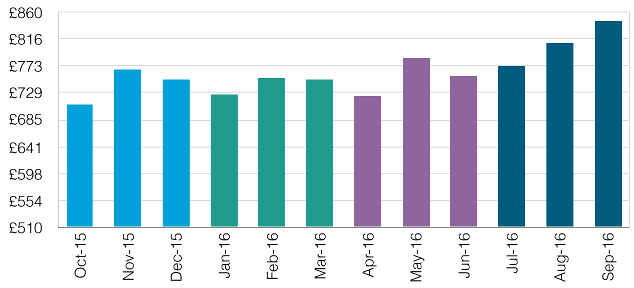


Average agreed rents

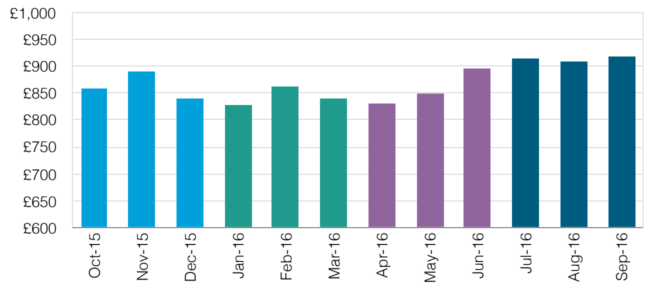
Residential Lettings *Continued*

Agreed tenancies and average rents

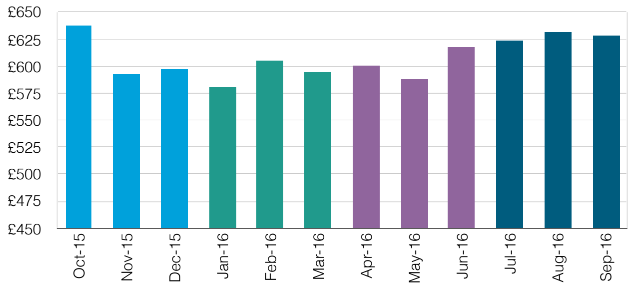
- July and August saw particularly strong levels of new tenancies agreed contributing to a quarterly increase of 17% when compared to Q2 2016.
- The number of tenancies agreed during Q3 were 5% higher than Q3 2015, reflecting the continued confidence in the market and appetite for rental property.
- Average rents rose by 8% in the quarter with all regions showing healthy growth, the UK average monthly rent reaching £911 at the end of the quarter.



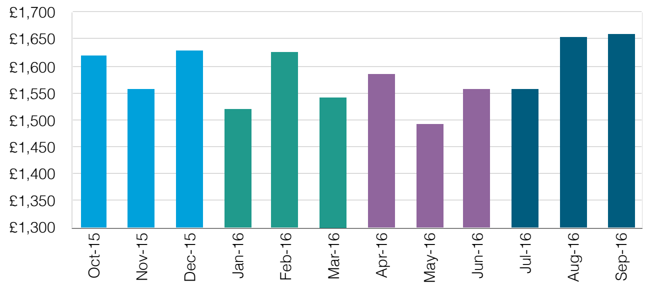
Average agreed rents (Eastern & Central)



Average agreed rents (South)



Average agreed rents (North)



Average agreed rents (London)

The mortgage market has had significant attention over the last few months, as commentators look to understand the direction of travel and lenders have understandably been looking for early signs of market changes. Our view of the market has never been more in demand!

Overall, the mortgage market did ease slightly in July and August, a combination of the Brexit result and the usual summer housing market lull, but recovered well in September. This has left us feeling positive for the rest of the year and well into 2017. However, the market has a slightly different shape to it now with buy-to-let (BTL) purchase business stabilising at a lower level than previously seen, remortgages featuring more strongly (particularly BTL remortgages) and residential purchase business expected to continue the recovery seen in September.

A good autumn now looks likely with the residential market looking positive. The lingering concern is around BTL, and the impacts that may result from the PRA's Supervisory Statement on BTL underwriting. These tougher underwriting standards for BTL lenders, together with the further tax changes still to take effect, are likely to keep BTL purchase business subdued into 2017.

Adrian Scott,
Group Mortgage Services Director

BTL purchase activity reduced by

7%

in the quarter, and continues to operate **below the levels seen in 2015**

BTL remortgages followed the **opposite trend**, up

12%

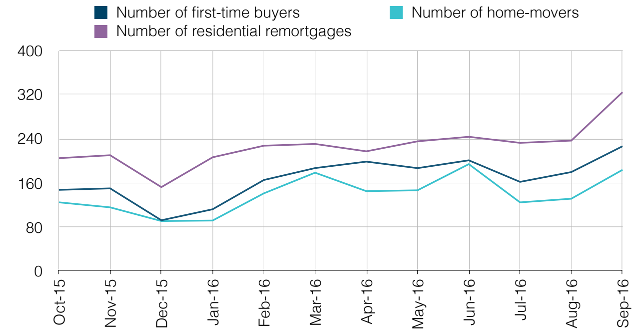
on **Q2 2016** and reflecting the same level of growth achieved on a year to date basis

Mortgages

Adrian Scott,
Group Mortgage Services Director

Residential

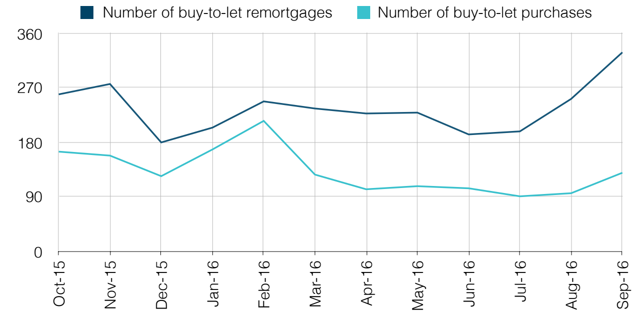
- Volumes in the mortgage market fell back slightly during Q3, ending the quarter 2% below the last quarter and 1% below Q2 2015. This was a good performance considering the level of uncertainty introduced by the Brexit vote.
- The level of home-mover activity reduced by 10% in the quarter reflecting the immediate reduction in sales activity seen in the residential market. However, this segment remains 5% ahead of 2015 on a year to date basis and signs of recovery were already evident in the latter part of the quarter.
- First-time buyer (FTB) activity followed a similar pattern to the home-mover segment, reversing the trend seen in previous quarters and reducing by 11% on Q2 2016, albeit Q3 activity was 24% ahead of Q3 2015.
- In stark contrast, the remortgage sector bucked the trend with Q3 running 5% ahead of Q2 2016, and continued to operate above levels seen in 2015.



Number of residential mortgages by type (indexed)

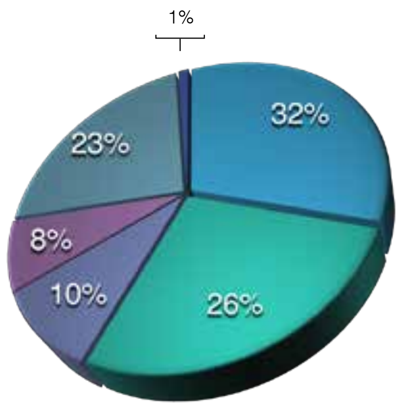
Buy-to-let

- Overall, the BTL market performed 3% ahead of Q2 2016, however, as a result of the Stamp Duty changes activity levels remain below that seen in 2015.
- Notably, BTL purchase activity reduced by 7% in the quarter, and continues to operate below the levels seen in 2015 with the first nine months of the year down 22% compared to the same period in 2015.
- BTL remortgages followed the opposite trend, up 12% on Q2 2016 and reflecting the same level of growth achieved on a year to date basis.

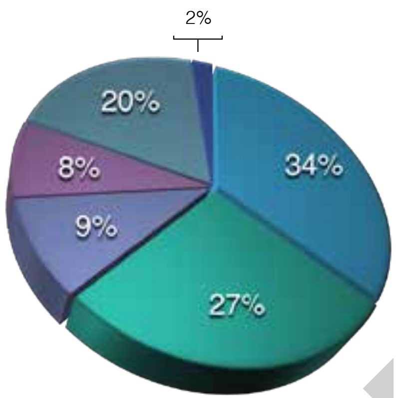


Number of buy-to-let mortgages by type (indexed)

Mortgage type split
UK Q3 2016



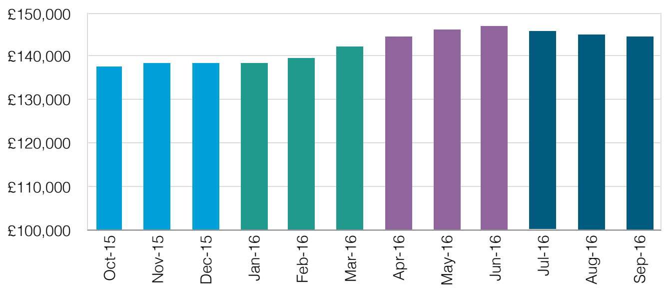
- First-time buyer
- Home-mover
- Buy-to-let remortgages
- Buy-to-let purchases
- Remortgages
- Other



Mortgage type split
UK Q2 2016

Mortgage values

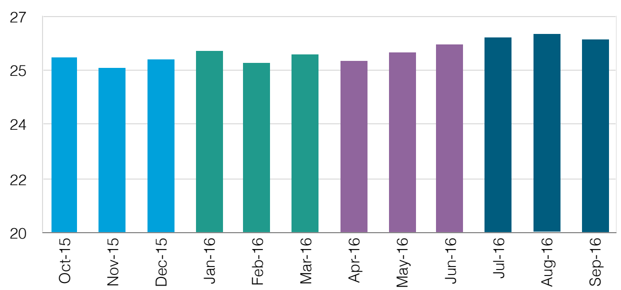
- Mortgage values dropped slightly reflecting the easing of house prices seen in the quarter averaging £144,471, 2% lower than was achieved in Q2 2016 (£147,010).
- On an annual basis, the average mortgage value has increased by 5% (£6,868) on Q3 2015 (£137,603).



Average mortgage value

Mortgage terms

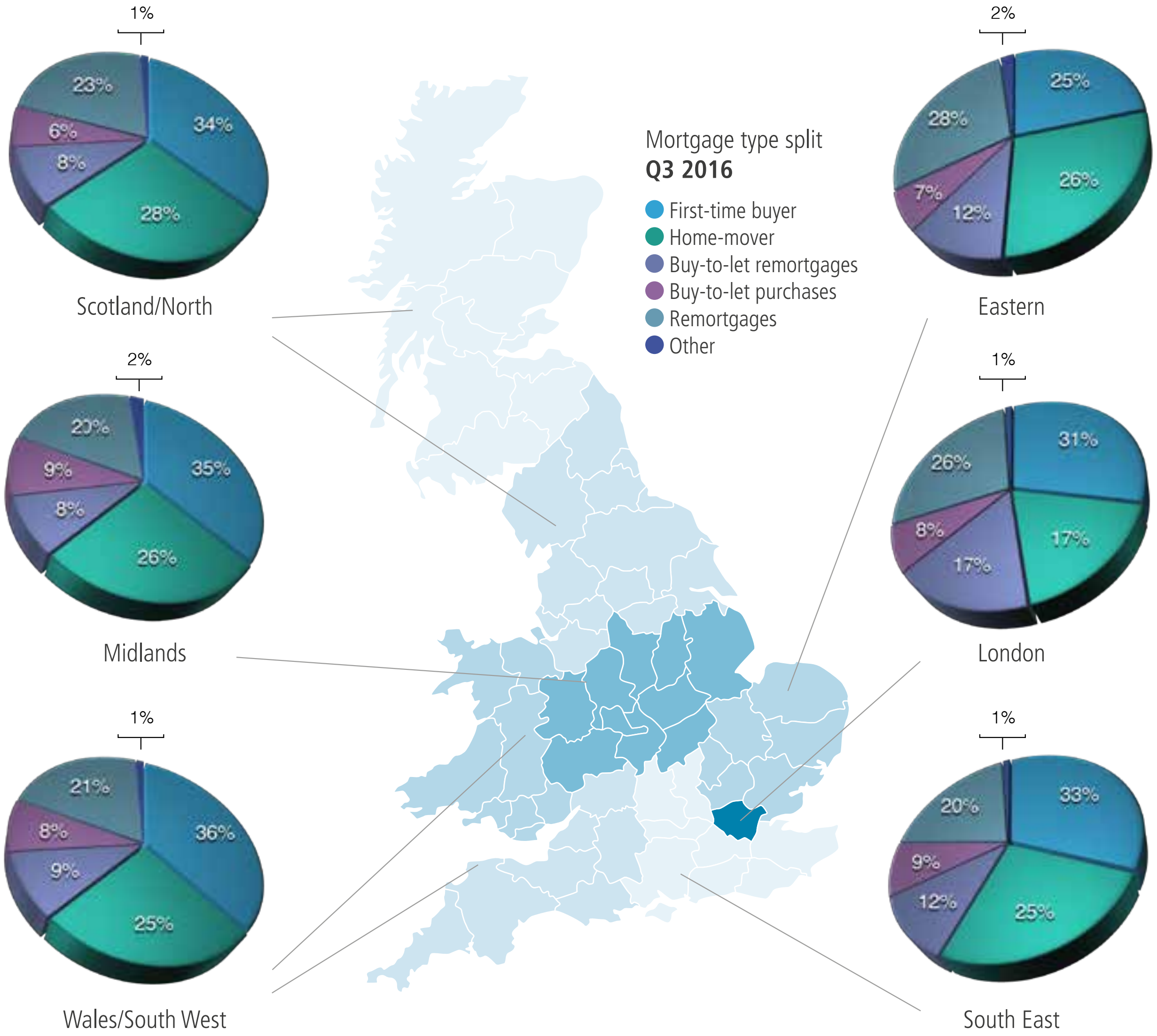
- Typical mortgage term remained stable during the quarter averaging 26.3 years.



Average mortgage term (years)

Mortgages

Continued



UK mortgage type split

- Both first-time buyer and home-mover activity showed slight drops in their share of activity in the third quarter of 2016. First-time buyers dropped 2% from 34% to 32% and home-movers dropped by 1% to 26% in the quarter. Whilst there has been a slight uplift in BTL activity, up 1% in the quarter, it is the remortgage sector that has shown the greatest movement, now accounting for 23% of all mortgages and up by 3% on Q2 2016.

Regional picture

- With the exception of the Eastern region, where remortgage activity dominates, first-time buyers account for the largest share of movement across the regions, being strongest in the South West (36%) and weakest in the East (25%). The BTL sector remains strongest in London (25%) and the South East (21%). On a year to date basis, remortgage business has seen the largest increase over the past 12 months, with many taking advantage of the range of deals available. This accounted for nearly a quarter of all mortgage activity in Q3 2016, and represented a significant share in the London (26%) and Eastern (28%) regions.

In August, the Council of Mortgage Lenders (CML) produced figures showing repossessions continuing to fall with just 1,900 during Q2 compared to 2,100 in the first three months of the year. This represents a 10% reduction compared to Q1. If the current trend continues, it will be the lowest number of repossessions for 34 years, although there are four million more mortgages now compared to 1982.

The CML also reported that the number of mortgages in arrears continued to fall in the second quarter of this year, and is now at its lowest level since records began more than 20 years ago. Data from the CML shows that at the end of June there were 92,500 mortgages in arrears of at least 2.5% of the balance (0.84% of the total), down from 95,900 at the end of March. The number of mortgages in arrears was 13.4% lower than a year ago, when the total stood at 106,800 and is now at its lowest level since the run of figures began in 1994.

However, alternative figures published by the Financial Conduct Authority suggest that there are over 200,000 mortgages in arrears of 1.5% of the balance, and this is the second quarterly increase after seven years of falling numbers. With interest rates still at an all-time low, there is little doubt that any increase will have a significant impact on arrears and repossessions.

- *Total outstanding mortgage lending at the end of July was £1.31 trillion*
- *53 mortgage possession claims and 36 mortgage possession orders are made every day*
- *398 landlord possession claims and 309 landlord possession orders are made every day*

Post-Brexit, activity showed our sale prices achieved vs valuation remained strong. However, there were less best bid scenarios with multiple purchasers interested in the same property.

Simon Matthews,
Managing Director of AMG

The proportion of **first-time buyer completions** dropped back to

14%

in **Q3**, but remain **above the level seen** during **2015**

Purchasers with **nothing to sell** accounted for

20%

of completions, increasing by **1%** on **Q2 2016**

Asset Management

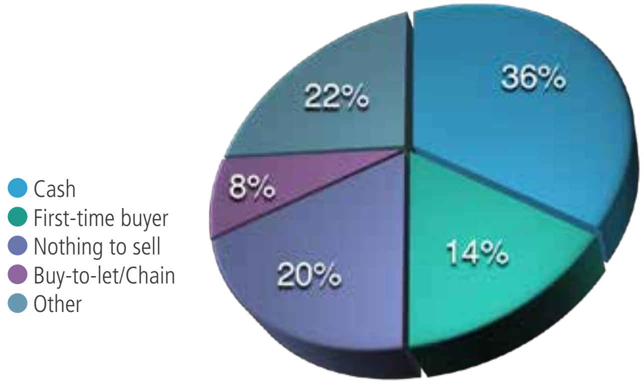
Simon Matthews,
Managing Director of AMG

New instructions

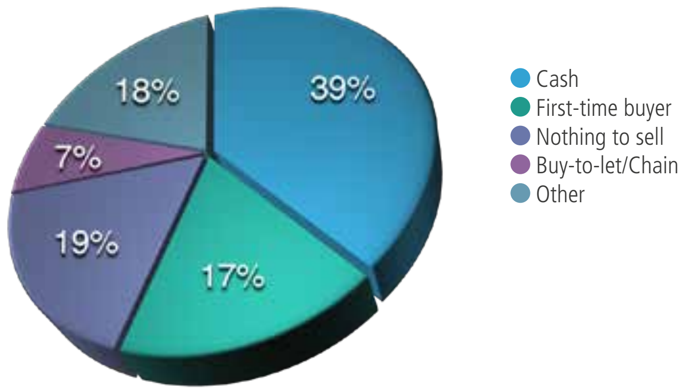
- Houses continued to account for 69% of new instructions during Q3 2016, having remained static throughout the year.
- Flats saw a slight increase in activity, up 1% on Q2 2016 and now account for 25% of total new business with bungalows reducing by 1% in the quarter to 6%.

Purchase type

- After making significant gains in Q2 the proportion of first-time buyer completions dropped back to 14% in Q3, but remain above the level seen during 2015.
- The proportion of cash purchases reduced by 3% to 36% during Q3. However, it continues to account for the largest proportion of completions.
- Purchasers with nothing to sell accounted for 20% of completions, increasing by 1% on Q2 2016 but still 2% below the proportion seen in Q3 2015.
- At 7%, BTL investor activity returned to the level seen during Q1 2016.



Completions by purchaser type **(Q3 2016)**



Completions by purchaser type **(Q2 2016)**

Q3 results in the survey and valuation sector were understandably affected by the EU referendum result and its impact on housing transaction levels. Whilst that is not a surprise, some of the specific impacts in this sector are.

Despite a significant drop in property sales, especially in the weeks immediately following the Brexit result, Connells Survey & Valuation only experienced a modest reduction in valuation transaction levels. Overall activity levels dropped back 10% on the previous quarter, however, our transaction levels remain 6% ahead on a year to date basis. This reflects Connells' strengthening market position and signs of the property sector starting to recover since the referendum result.

As expected, house price inflation eased over Q3, although our experience resulted with average values rising 1% on Q2 to £261,360, up 10% on September 2015. Brexit uncertainty brought a heightened focus on the importance of property valuation, the value of Chartered Surveyors and the need to base advice on robust comparable property sales evidence.

The differential on survey and valuation service delivered by firms across the market remained significant. Despite the peak holiday season adversely affecting servicing capabilities, Connells continued to outperform the market both in terms of service speed and reporting quality.

With the country apparently having now absorbed the Brexit decision, market momentum seems to be picking back up. Despite ongoing uncertainty about the EU exit arrangements, we remain optimistic about further market improvement in the run up to the year end.

Ross Bowen,
Managing Director,
Connells Survey & Valuation

Average property valuation in **September 2016** was up

10%

on the **previous year**

The **buy-to-let sector** showed increased activity in **2016** being up

17%

on a **year to date** basis

Survey & Valuation

Ross Bowen,
Managing Director,
Connells Survey & Valuation

Mortgage valuations

- In line with the broader housing market in Q3, there was a drop in activity levels compared to Q2 2016, with the number of mortgage valuations dropping by 10% in the quarter.
- Following a healthy Q2 performance, an immediate drop in volumes post Brexit vote was evident in July. Volumes started to show signs of recovery in the remainder of the quarter and, when viewed as a whole, Q3 2016 was 1% ahead of Q3 2015.

Surveys

- The number of surveys carried out in the quarter showed a similar trend, down 7% compared to Q2 2016, and on a year to date basis these are 3% below the first nine months of 2015.
- Despite the reduction in volume, surveys as a percentage of overall activity remained steady at 10%.

Buy-to-let

- The BTL sector experienced a better quarter with volumes increasing by 3% on Q2 2016. However, this was 12% below the levels seen in Q3 2015.
- On a year to date basis, BTL valuations are now 16% ahead of the first nine months of 2015.

Average valuation

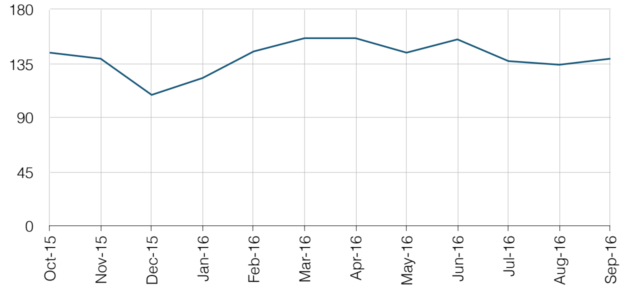
- With average house prices stabilising, the average valuation price during the quarter was 1% higher than Q2, and on an annual basis 12% ahead of September 2015.
- The average property valuation in September was £261,360, up 10% on September 2015.
- Despite the post Brexit uncertainty, there was an increase in valuation challenges up 7% in the quarter. Looking across the market though, down valuation levels were higher across other market firms, rising by 12%.

Overall market activity

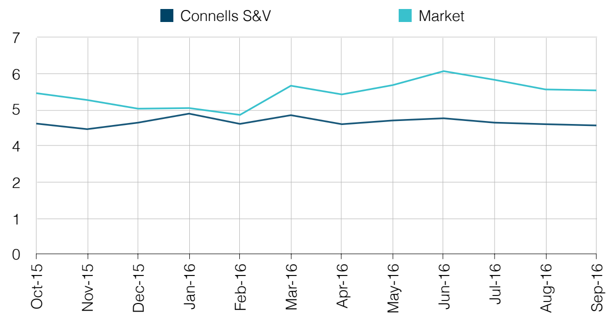
- Overall activity reduced by 8% in the quarter, although still 6% ahead of 2015 on a year to date basis.
- With mortgage valuations reducing in the quarter, the proportion of activity accounted for by BTL has increased by 2% to 15%.

Service delivery

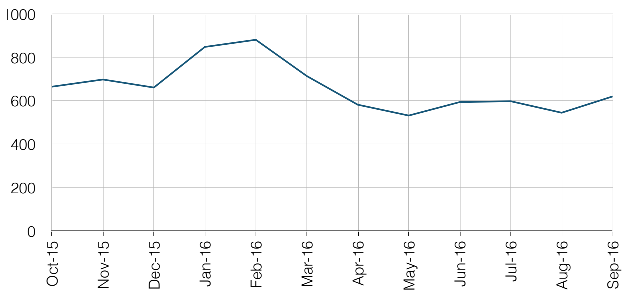
- Average turnaround time of 4.2 days was achieved in Q3, 22% faster than the market average of 5.4 days.
- The level of post valuation queries, a key measure of quality of service, remained at 8% for the quarter and 11% points ahead of the market.



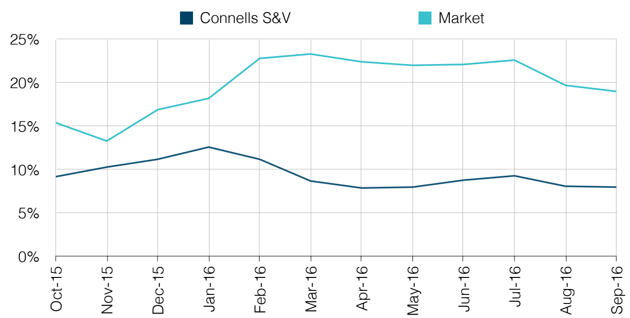
Number of mortgage valuations (indexed)



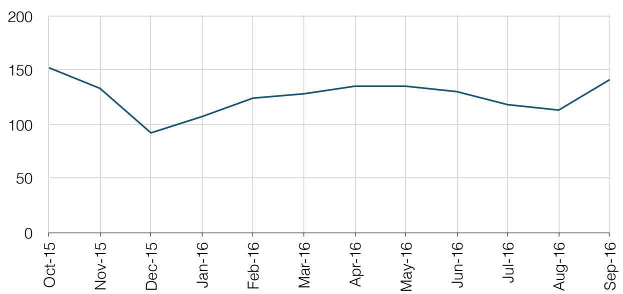
Turnaround-time



Number of buy-to-let valuations (indexed)



Post valuation queries



Number of surveys (indexed)

Average house prices, mortgage values & rents: Q3 2016

Average mortgage value Q3 2016

£144,471

Up 5% from Q3 2015 (£137,603)

Down 2% from Q2 2016 (£147,010)

Average house price Q3 2016

£262,143

Up 9% from Q3 2015 (£240,485)

Up 2% from Q2 2016 (£255,917)

Average rent (North)

£628

Average rent (East & Central)

£810

Average rent (London)

£1,623

Average rent (South)

£912

Economic Outlook

With many of the economic indicators yet to fully reflect the post referendum economy, it remains too early to confirm the full impact that the Brexit vote will have on the UK economy. The immediate post vote uncertainties at the start of the quarter have calmed, and the economy remains broadly in good health, albeit there are early signals for change in some areas.

The continued weakening of the currency will provide a boost to exports and make the UK more attractive to overseas investors, however, this will also increase costs and drive inflation higher. Inflation is forecast to rise sharply, and with oil prices also on the rise, the UK consumer faces increasing prices as we head towards 2017.

Wage growth in 2017 may edge ahead of that seen in 2016, driven in part by the adoption of the National Living Wage. However, with inflation increasing, the full benefit of this may not be felt by all and growth in consumer spending may tighten.

In addition to cutting interest rates from 0.5% to a record low of 0.25%, the Monetary Policy Committee has taken additional measures to help support monetary and financial stability. The introduction of the Term Funding Scheme helps ensure that households and businesses benefit from the recent rate reductions and are able to borrow at rates close to bank rates. Whilst these - coupled with the £70bn quantitative easing package - provided an immediate response to the vote, the Chancellor has signalled that further quantitative easing would need careful consideration.

Reflecting the prompt action taken by the Bank of England and confirmation that the triggering of Article 50 is now set to occur by the end of March 2017, the OECD revised their 2016 UK GDP growth forecast upwards to 1.8%, with the 2017 forecast now reflecting a potential slowdown to 1%.

Whilst the growth in UK house prices and average rents has decelerated in the past quarter, the longer term outlook remains positive. With applicant demand continuing to outstrip supply, both averages are expected to show positive growth into 2017, albeit at a lower level than would have been expected before Brexit.

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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No responsibility is accepted for reliance on this report. You should always seek independent professional advice.

Statistics and extrapolations obtained from various sources. These are not always referenced and may not be comprehensive. E&O excepted.

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 nearly 600 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, Kevin Henry, 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.

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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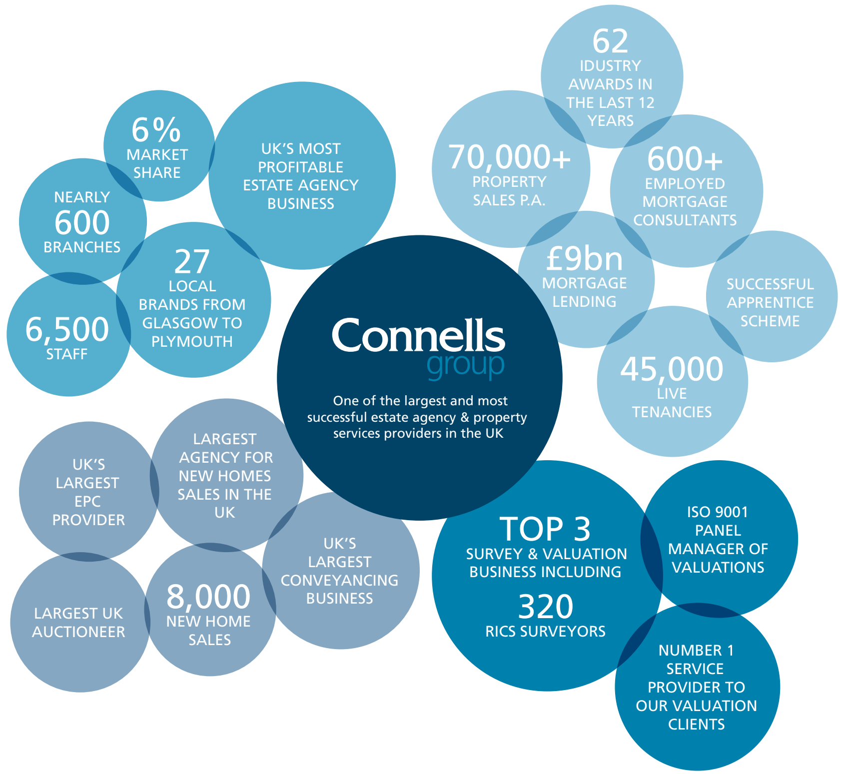

Our Business Brands

Our Estate Agency Brands

- allen & harris
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- Atkinson Stilgoe
- bagshaws residential
- barnard marcus
- brown & merry
- burchell edwards
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- fox & sons
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- hatched.co.uk The smart way to sell your home
- Hurfords www.hurfords.co.uk
- jones & chapman
- KevinHenry
- KNIGHT PARTNERSHIP
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- pa peter alan
- roger platt
- ROOK MATTHEWS SAYER
- sequence
- Sharman Quinney
- shipways
- swetenhams
- TG Thomas George
- william h brown

Contacts

Estate Agency

For more information, please contact David Plumtree, Group Chief Executive (Estate Agency) on **01525 218669** or email **david.plumtree@sequencehome.co.uk**

Land & New Homes

For more information, please contact Roger Barrett, Group Land Director on **01604 622444** or email **roger.barrett@connells.co.uk**

Residential Lettings

For more information, please contact Stephen Nation, Group Lettings Managing Director on **01525 218669** or email **stephen.nation@sequencehome.co.uk**

Mortgages

For more information, please contact Adrian Scott, Group Mortgage Services Director on **01525 244237** or email **adrian.scott@connells.co.uk**

Asset Management

For more information, please contact Simon Matthews, Managing Director of AMG on **01483 456231** or email **simon.matthews@amgltd.co.uk**

Survey & Valuation

For more information, please contact Ross Bowen, Managing Director of Connells Survey & Valuation on **01525 218630** or email **ross.bowen@connells.co.uk**

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