Connells group

MARKET **REPORT** H1 2020

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METHODOLOGY

Connells Group analyses detailed data from its estate agency, land & new homes, lettings, mortgage, survey & 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.

CONTENTS

David Livesey

GROUP CHIEF EXECUTIVE

INTRODUCTION

After a positive start to the year, and as the UK housing market was starting to show signs that it might be finally moving beyond the challenges of Brexit, the Covid-19 crisis took hold. Within the space of only a couple of weeks, the outlook changed dramatically and we faced the biggest challenge that the market has ever seen, with the full lockdown on 23rd March bringing the market to a standstill overnight.

Throughout the lockdown period we have sought to keep our clients informed and, whilst we did not produce our normal Q1 market report, I hope that the timely market updates and details on how we adapted to the challenges of Covid-19 have been useful.

I have often stated that Connells Group is uniquely positioned to give an informed view of the market, with a breadth of operations and an experienced team that are the best in the industry, and this is something that has been more evident than ever during the past few months. Whilst some within the market have been slow to reopen, some remain closed possibly never to reopen, and others deciding it is now time to review their operating model, our own business has been responsive to the challenge. The provision of PPE and training of all our staff in a structured and controlled manner has ensured a swift and safe return to operations under our Covid-19 Secure Standards.

So, with eight weeks of the quarter lost and the wider economic lockdown still easing, how is the return to business shaping up and what do our front line KPIs indicate we will see in the coming quarter?

Firstly, it is worth stating that whilst our doors may have been physically closed, prospective purchasers and tenants continued to demonstrate a demand for property throughout the closure period, with property enquiries running just 24% behind the same period in 2019. Since the market reopened, this demand has ramped up significantly, not dissimilar to what we would see after a Christmas break but much stronger. New applicant registrations in June showed a 22% increase and mortgage appointments a 46% increase on June 2019. This is after the market had stabilised following the initial peaks seen on reopening at the end of May, and with activity remaining high into mid-July.

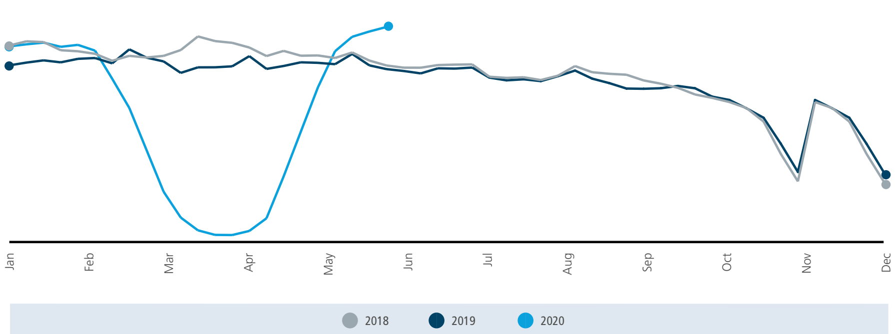
First-time buyers play a key role in the market and it was pleasing to see their appetite to take their first step on the property ladder particularly strong. Registrations were up 41% on June 2019 and accounted for 34% of all registrations in June. Homeowners have also shown a desire to re-enter the market, with market appraisal activity up by 9% and new instructions up by 12% when compared to June 2019. Whilst there is no doubt some lost ground to be recovered, the fact that we saw interest levels from both vendors and purchasers maintained throughout June and into July gives confidence that the market can continue to build momentum through the normally quieter summer period.

A shortage of available stock has been a feature of the market for some time and, whilst the increase in new instructions should go some way to easing this, the improvement in sales activity is outpacing this new supply. At the end of June, the number of properties available for sale was 3% lower than at the end of March.

In normal times, an imbalance between supply and demand would place increased upwards pressure on house prices and, whilst it is still early days, I can report that prices are holding steady. Both the average asking price for new instructions and average sales price agreed in England during June are both 1% ahead of March, and level with the prices seen in June 2019.

One of the direct operational impacts of Covid-19 is the approach to viewings. Prospective purchasers are keen to understand more about the property before they view and virtual viewings certainly have a role to play. However, the physical viewing of a property in a Covid-19 Secure manner is a priority for the motivated purchaser.

Weekly house sales



Viewing activity in June was 2% lower than June 2019, however, this masks the improvement seen during the month as some of the wider lockdown restrictions have eased. With a return to physical viewings, we have seen a sharp uptick in sales activity throughout the month, with June seeing some of the highest weekly sales figures for a number of years. Sales activity is ahead of both the pre-lockdown period and the same period of 2019, with 50 branches in Wales and Scotland only just reopened.

The new homes market has also seen a positive response to the reopening of the market, albeit with a more staggered approach to the reopening of marketing suites in some areas. The sector saw new instructions up 8% and sales activity up 20% on June 2019. However, with the number of properties available for sale at the end of June 11% lower than June 2019 and housebuilders working to bring output back to pre-lockdown levels, stock levels may remain suppressed in the short term.

The level of pent-up demand within the lettings market has been significant, and during June we have seen new tenancies agreed 19% ahead of June 2019. With properties available to rent 8% higher than at the end of March, we expect to see continued positive activity levels into July. The new restrictions on tenant evictions will have no doubt made landlords wary, but the landlord market remains stable and we have not seen any sustained increase in tenant arrears during the lockdown period, or any immediate signs of landlords looking to dispose of their portfolios.

In times of uncertainty people will revisit their finances, and the Covid-19 crisis was no exception. Within the mortgage market we saw an increased appetite for remortgage products from both homeowners and landlords throughout the lockdown period. As the market reopened, we saw a steady increase in transaction volumes and, whilst June did not achieve the same level of transactions as June 2019, we expect increased volumes and a return to the expected business mix to be seen in July. As purchase activity increases, first-time buyers have been quick to progress purchase transactions. However, as lenders continue to review their product portfolios, the restricted availability of higher LTV products has caused challenges to those first-time buyers keen to progress. Product availability and lender appetite will no doubt see further changes in the coming months – and it's good to see some lenders returning to 90% LTV lending – but, with appointment numbers continuing to run ahead of 2019, the demand for suitable mortgage products remains strong. As further evidence of the improving landscape, we welcome the RICS latest announcement that surveyors may no longer need to use the material valuation uncertainty clause when valuing residential homes in England.

We enter the second half of the year with enquiry levels remaining high, new sales activity increasing and transactions that were previously 'on hold' now proceeding through to completion. Our recent exchange activity continues to support our post-lockdown pipeline review which indicated that 75% of customers would proceed, 20% were on hold and reviewing their position, and 5% were likely to change their plans.

Whilst the wider economic impact of the Covid-19 crisis is yet to be determined, the possibility of a second spike and the Brexit transition still to be concluded means the risk of an extremely tough market remains ever present. The recently announced stamp duty holiday is set to give many an increased impetus to make their next move and, despite these risks, we remain optimistic for Q3, but equally prepared to respond to any rapid change in market conditions.

ESTATE AGENCY

David Plumtree
GROUP CHIEF EXECUTIVE
(ESTATE AGENCY)

The housing market was effectively frozen during lockdown until restrictions in England were lifted by the Government on 13th May.

Our branch network was reopened in a Covid-19 Secure manner within a week, with levels of activity well in excess of our expectations. The graph below illustrates the huge drop in enquiries during lockdown and the rapid recovery when restrictions were lifted, then progressing to being significantly ahead of pre-lockdown levels.

Despite huge economic uncertainty created by Covid-19 and the lack of higher loan to value mortgage products, there is strong demand from buyers and an increase in supply of new instructions to the market, with sellers shrugging off concerns of a recession in order to push ahead with plans to move.

Enquiry levels from buyers in June and July to date are well in excess of what we experienced at the same point last year and, whilst there will inevitably be an element of 'catch-up' from the lockdown months, the sustained nature of the pick-up supports the view of a more positive sentiment and confidence in the market. Of course the big unknown is whether we will experience a down-turn as unemployment levels spiral and we enter a recession. However, the temporary stamp duty holiday will help create some insulation in this regard, and provide further encouragement for willing and able buyers to commit to a purchase and transact before next March's deadline. Furthermore, as we start to see more lenders offer higher loan to value products, we will see an 'unlocking' of more first-time buyers entering the market.

Asking prices and prices agreed are both holding up and indeed showing marginal growth, with a 1% increase in average prices compared to March this year.

New buyer registrations in June were

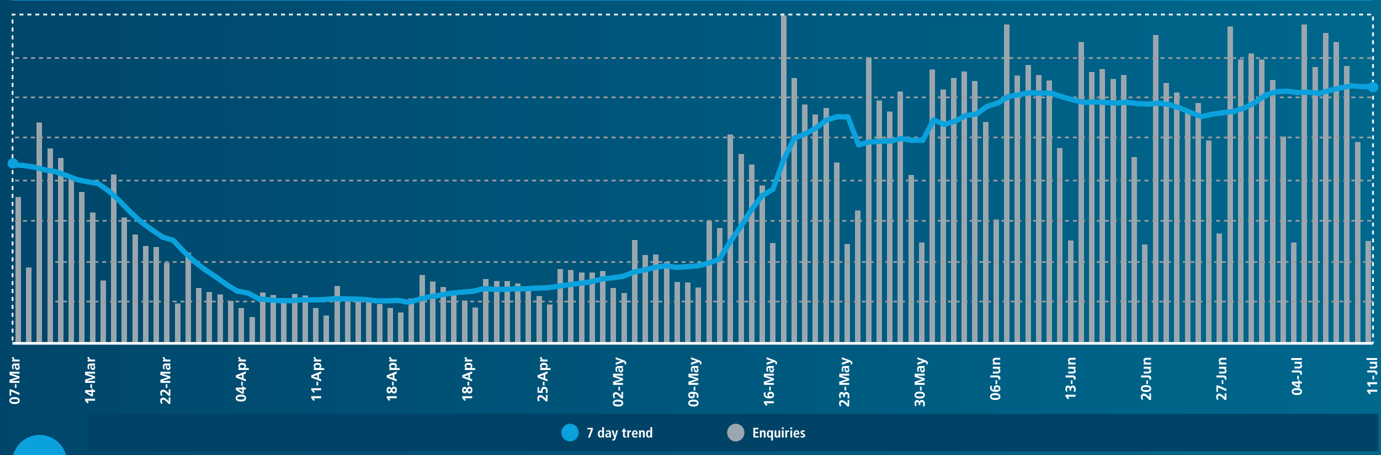
22%
ahead of last June…

…with registrations of first-time buyers accounting for more than a third of all buyer registrations.

The ratio of viewings to offers has now fallen to

5.5
compared with 7.0 in Q2 last year

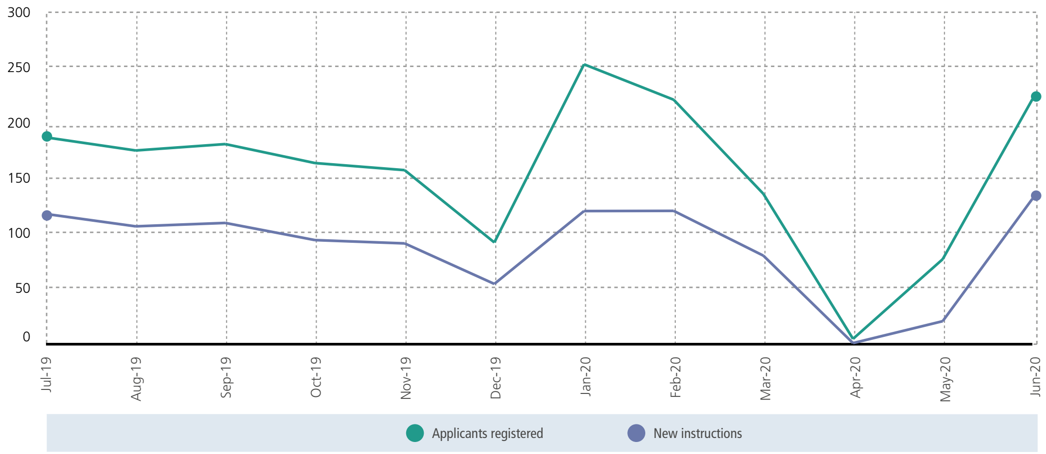
Online enquiries



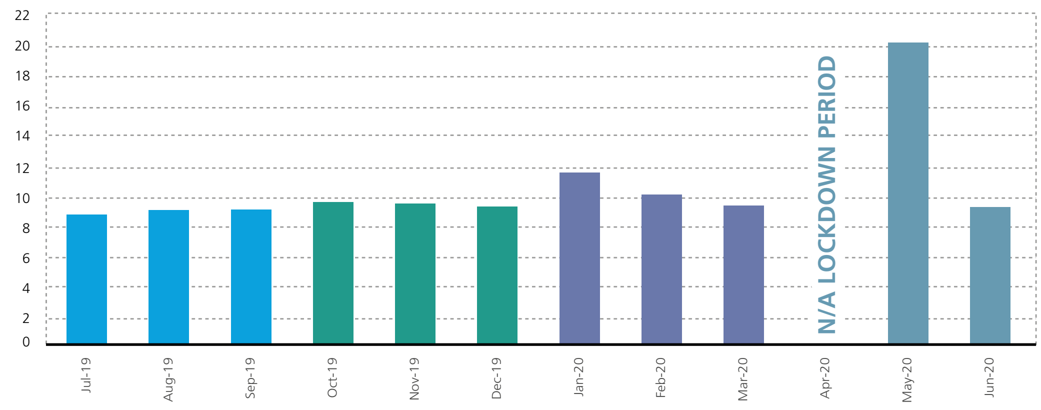
New buyers and instructions

- Whilst activity during the second quarter was heavily impacted by the ongoing Covid-19 crisis, we saw enquiry levels increase from the start of April. As rumours of an easing of the lockdown restrictions gathered pace, we saw a significant uplift in enquiries with prospective purchasers keen to recommence their home search.
- With high levels of interest being maintained throughout June, we have seen new applicant registrations 22% ahead of June 2019. Appetite from first-time buyers has been particularly strong, with this sector accounting for 35% of registrations post the reopening of the market, up from the 30% seen earlier in the year.
- Vendors have also been quick to react, with market appraisal activity in June in line with what we would normally see during the first quarter months, and 9% up on June 2019.
- The number of new instructions in the month was 12% higher than June 2019, reflecting both positive market appraisal conversion, and a number of homeowners who held back during Q1 deciding that it was now time to bring their property to market.
- The ratio of applicants registered to new instructions increased to 10.8 during the quarter, up from 10.3 in Q1, and ahead of the 8.7 seen in Q2 2019.

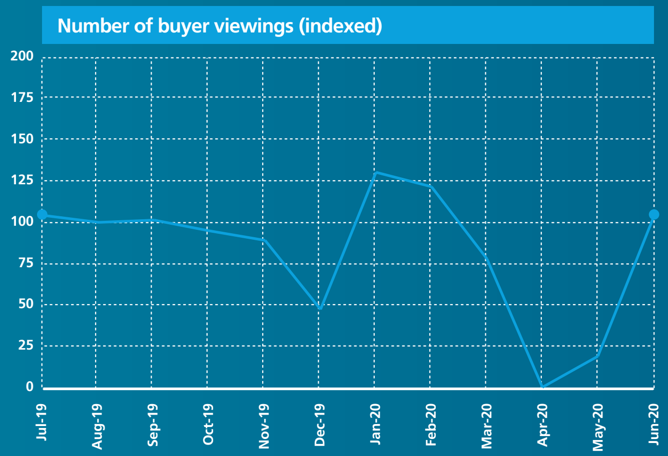
Number of applicants registered and new instructions (indexed)

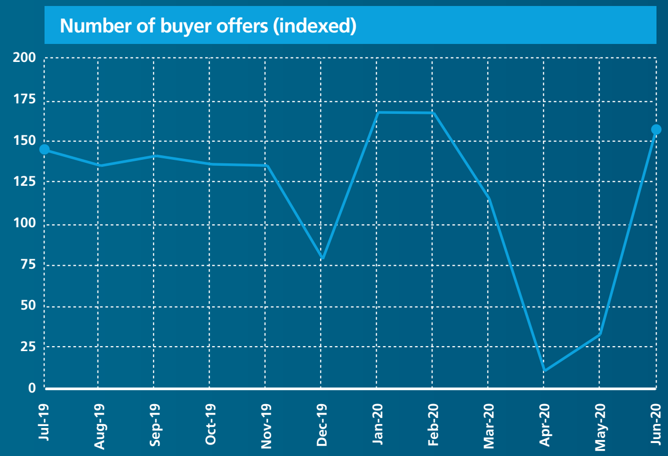


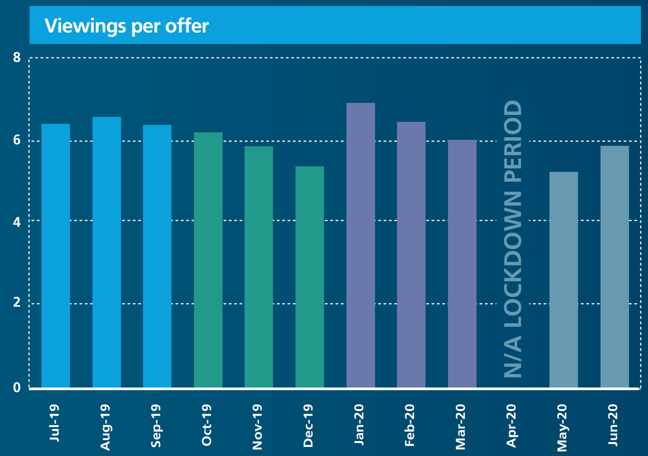
Applicants registered per new instruction



ESTATE AGENCY







Viewings

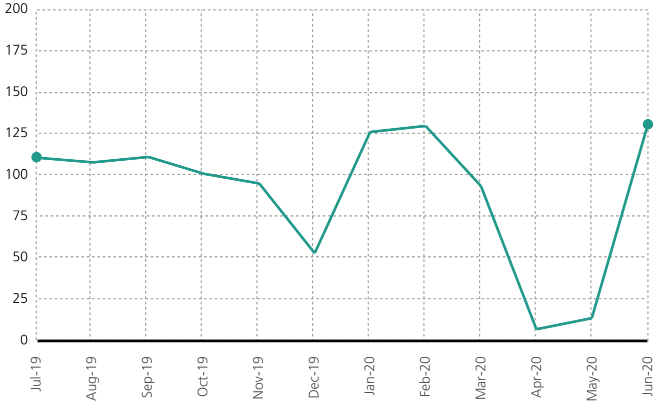
- Understandably, we have seen an increase in the use of virtual viewings during the lockdown period. However, physical viewings remain a key part of a purchaser's decision making process. Whilst viewings in June were 2% lower than the previous year, we are seeing a continued increase in viewing activity as some of the wider restrictions on movement are eased.
- The total number of properties available for sale at the end of June was 3% lower than at the end of March 2020.

Offers

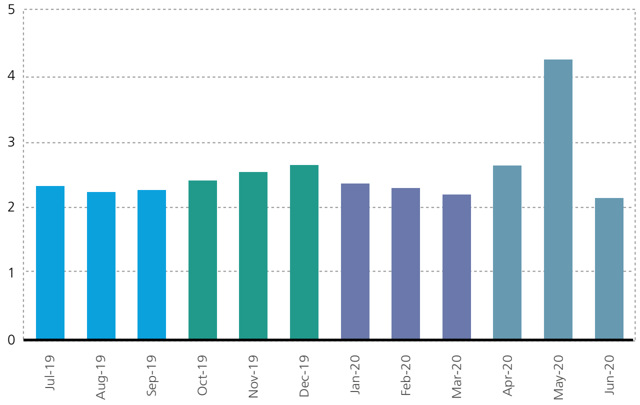
- Viewing activity in June was 4% ahead of June 2019 and broadly in line with what we had seen during the first quarter of the year. Whilst some have been keen to test vendors pricing resolve, the increased demand has seen prices remain firm.

- The average level of viewings per offer since the reopening of the market was 5.5, this has reduced from the pre-lockdown level of 6.5, and down from 7.0 in Q2 2019.

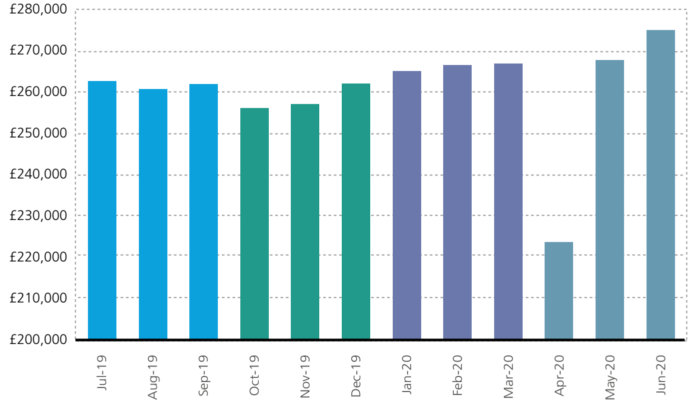
Number of sales agreed (indexed)



Offers per sale agreed



Average asking price



Sales

- Whilst sales activity during the lockdown period was limited, we have seen a strong start to the recovery. Sales activity in June was 7% ahead of June 2019 and continued to show week-on-week improvements as the month progressed.

- The average number of offers per sale agreed during the quarter was 2.4, compared to 2.1 in Q2 2019.

Prices

- The average asking price at instruction in June was £275,144, a 2% increase on June 2019.

LAND & NEW HOMES

Roger Barrett
GROUP LAND & NEW HOMES
MANAGING DIRECTOR

During the lockdown period, we saw a considerable fall in both new reservations and contract exchanges, but not a complete stalling of the market, with many transactions on hold.

The greatest challenge for housebuilders moving forward is to upscale new homes production to previous levels, to make up for production lost during lockdown, and to take advantage of the current high levels of demand. To achieve this, many other factors come into play, including a supply chain of materials and labour, fast track of planning reform and extended onsite construction periods.

In respect of our front line sales operation, we have worked tirelessly with our developer clients in order to open show homes safely, and to support onsite sales via our 600 residential offices, which are all actively promoting our new homes sales operation. These efforts have been rewarded with far better results than expected across the housing market and are a far cry from the doom and gloom predicted by others involved in the industry.

Whilst there have been delays in getting new to market sites open, it is anticipated that these will increase supply in the coming months, and that we will see a continuation of high activity levels with current house prices being maintained.

New homes instructions in June up

8%
when compared to the same month last year

New homes sales up

20%
on June 2019

New buyers and instructions

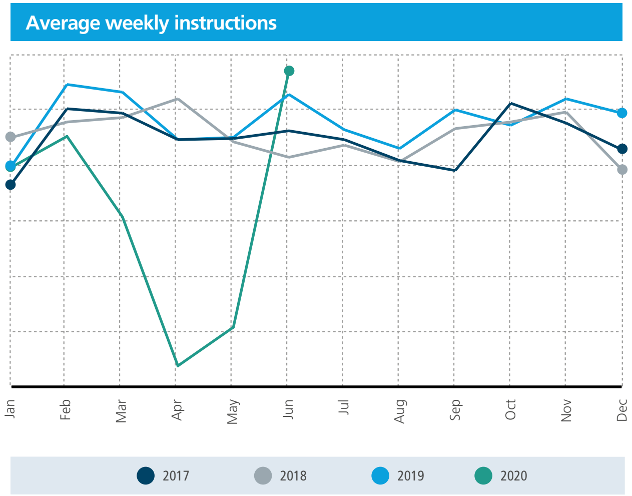
- The new homes market has always been more susceptible to external influences, but this in turn has made it more responsive to a crisis. During the past few months we have seen both our operations and those of our developer clients adapt to support prospective customers who continued to show an interest in new build property during the lockdown period.
- Buyer demand has seen a significant uplift in recent weeks, particularly from first-time buyers, with June seeing enquiry levels similar to those that are typically seen at the start of the year.
- The sector ended the quarter with new instructions in June 8% ahead of June 2019. The full impact of the lockdown period on the output of new units remains to be seen but, with heightened demand, there will certainly be increased pressure in the market during the summer months as those looking to find their new home may find a more restricted selection of properties.

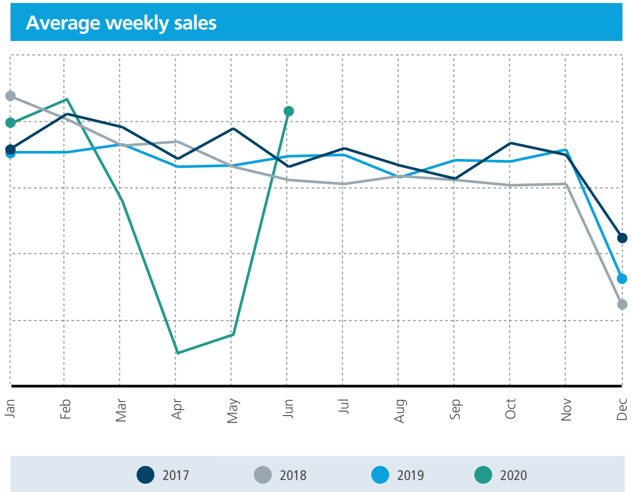
Sales activity

- Whilst the sharp reduction in new homes sales activity during March mirrored the resale market, the new homes market has so far seen a faster recovery in sales activity. June sales were up 20% compared to the previous year, reflecting the interest from first-time buyers and a continuing appetite for new build.
- Since the market reopened it has been good to see the majority of the pipeline progress as expected, with all parties picking up where they left off in March. There are some that may not proceed for a variety of reasons, but presently there are no immediate signs of any uplift in the level of cancellations.
- Whilst the number of new homes in our sales pipeline at the end of the quarter was 4% lower than June 2019, the positive sales activity looks set to recover that shortfall during the coming months.
- Reflecting the profile of activity during the lockdown period, the number of new homes available for sale at the end of June was 11% lower than June 2019. New site launches are now progressing, but there is every chance that buyer demand will outstrip new supply during the summer period.

Housing supply and market activity

- The recent announcement by the Chancellor relating to the housing market is of course good news, however, there are still uncertainties. Lenders seem reluctant to support the industry with a shortage of higher LTV rates and, whilst Help to Buy continues to support new home purchasers, an extension of the current system would be welcomed rather than transitioning to a new version in April 2021. With the backlog of valuations now being worked through, it is hoped that new instructions will be actioned, reflecting current pricing and demand.
- We've seen a "v shaped" recovery, and early indications for July suggest that our excellent results in May and June are being replicated. We are, therefore, hopeful that through July and August we will be able to make meaningful steps in improving our new homes pipeline, addressing the shortfall experienced during lockdown and helping us deal with any potential change in the future economic outlook in the latter part of Q3 and Q4.





RESIDENTIAL LETTINGS

Stephen Nation
GROUP LETTINGS
MANAGING DIRECTOR

Pent-up tenant demand and an increased number of available properties lead to June proving to be a bumper month across our lettings business, with the number of agreed tenancies up by 19% compared to June 2019.

However, the effects of the pandemic have not yet all played out in the Private Rented Sector, as changes in the law regarding evictions and inevitable court delays will make many landlords more wary when choosing a tenant. Our arrears levels showed an initial spike as lockdown started but have since declined to a more manageable level.

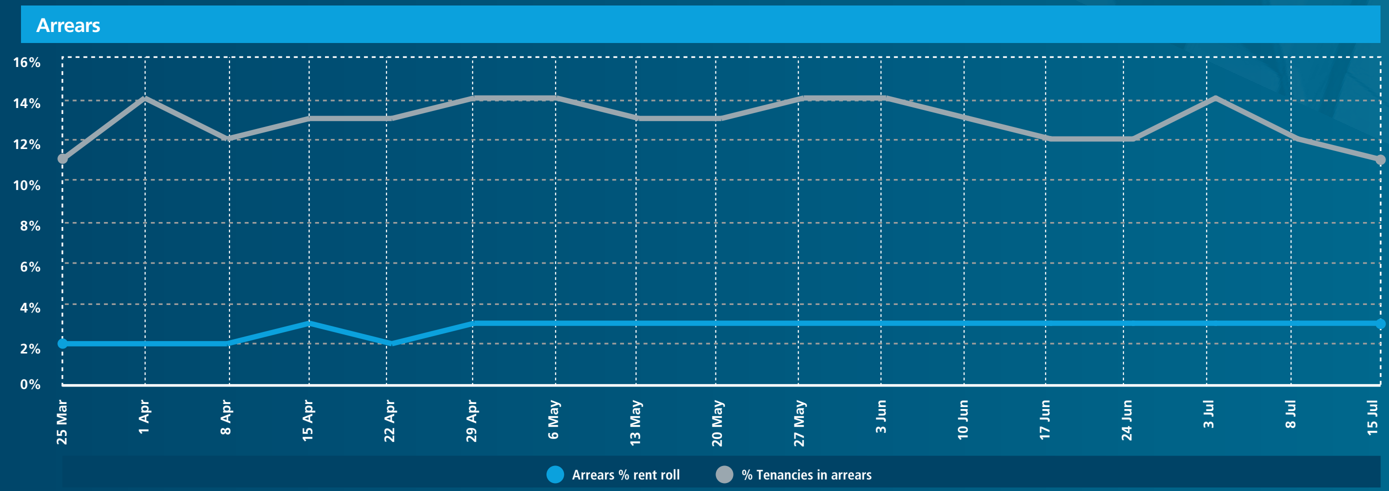
The outlook for the remainder of 2020 can be reasonably upbeat with activity expected to remain strong, and the prospect of existing landlords looking to extend their portfolios more likely whilst stamp duty costs are reduced.

Rents fell by 5% in London during Q2, and by

2% across the UK as a whole compared to Q2 2019

Arrears have stabilised at

c2.6% of total rent roll compared to 2.1% pre-lockdown

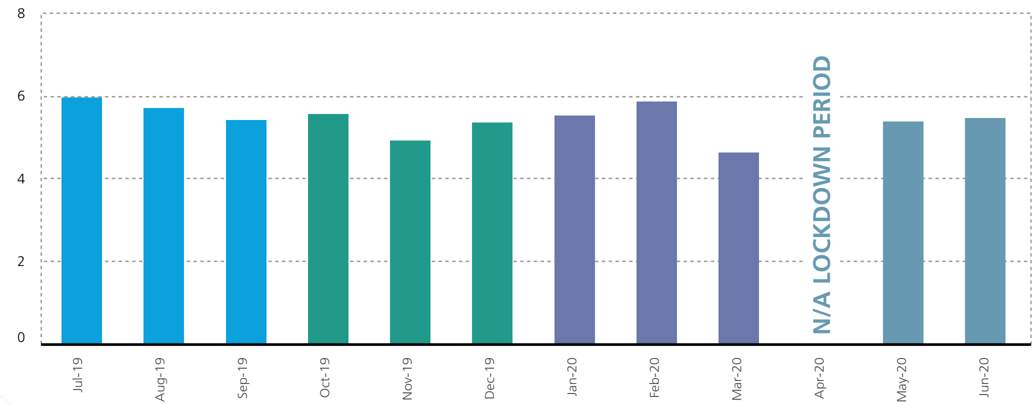


New applicants and instructions

- The lettings market has been quick to start the recovery process, with both tenants and landlords keen to progress as lockdown restrictions were eased and the housing market reopened.
- Tenant demand increased significantly in May and held firm throughout June, with the number of new applicants registering to rent in June 8% higher than that of 2019.
- There were no immediate signs of the Covid-19 crisis prompting landlords to review their portfolios, and landlords were quick to bring their properties to market with new instructions in June 16% ahead of 2019.
- This uplift in instructions supported an increase in available stock, with 8% more properties available for rent at the end of June than at the end of March 2020. This increase will be welcomed by prospective tenants and may ease some pressure on rental prices in the short term.
- The ratio of registered applicants to new instructions remained at 5.4, in line with the level seen in Q1 2020.

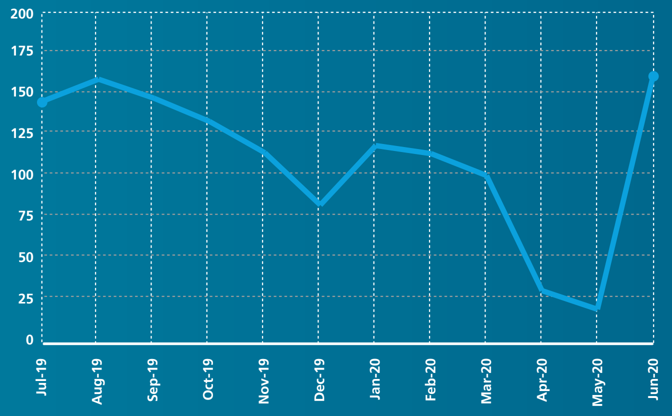
Number of applicants registered and new instructions (indexed)

Applicants registered per new instruction

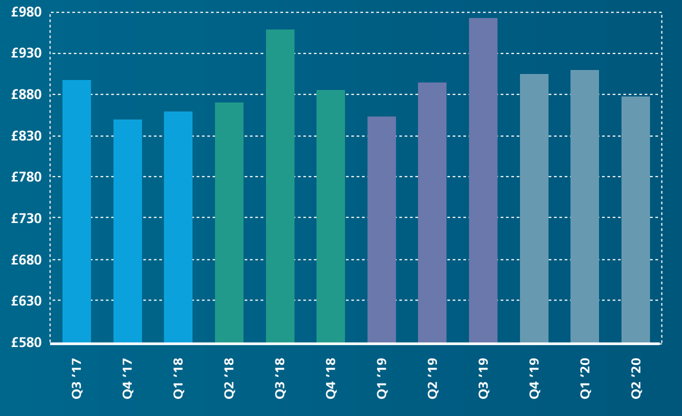


RESIDENTIAL LETTINGS

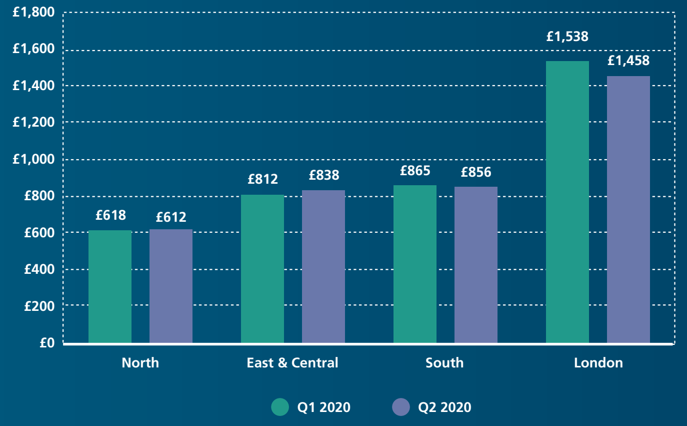
Number of agreed tenancies (indexed)



Monthly average agreed rents (UK)



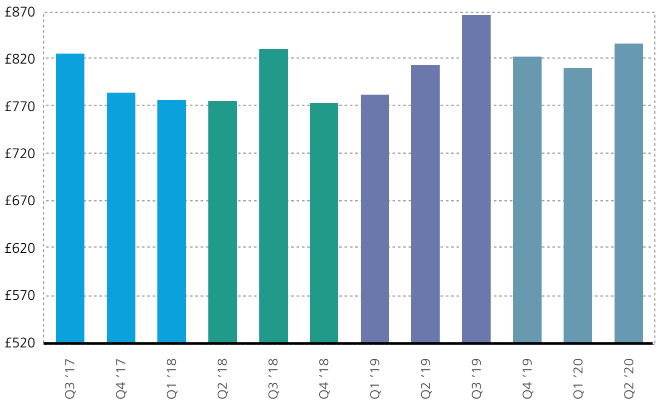
Average agreed rents (regional)



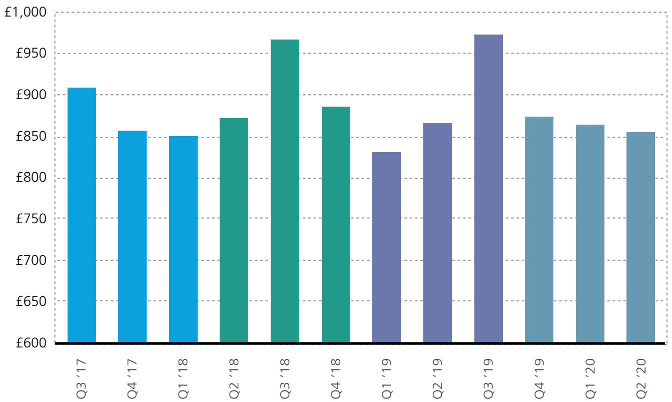
Agreed tenancies and average rents

- The number of new tenancies agreed in June was 19% ahead of June 2019, and at a level that we would normally see during our peak summer months.
- The average UK rent in Q2 stood at £879, a 2% reduction on Q2 2019.
- During the quarter we saw a 5% reduction in average rental values in London.

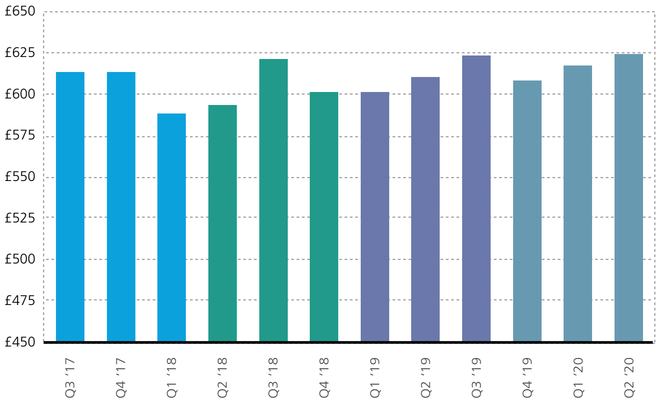
Average agreed rents (East & Central)



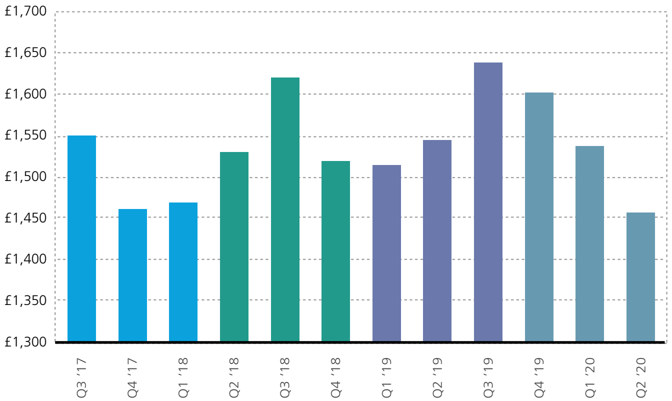
Average agreed rents (South)



Average agreed rents (North)



Average agreed rents (London)



Regional rents

- New transactions during the quarter were significantly below Q2 2019, with average rental values increasing across the north of the country as London and the South saw average rents reduce.
- When compared to Q2 2019, the East & Central region saw a 3% increase in average rental values, with rents in the quarter averaging £838.
- London saw month-on-month declines in average rents during Q2, along with the greatest annual decline, down 6% on Q2 2019. London is always more reactive to economic uncertainty and it is too early to say if we will see a sharp recovery during Q3 as we see an increase in activity.

MORTGAGES

Adrian Scott
GROUP MORTGAGE SERVICES DIRECTOR

The mortgage market was in great shape when lockdown started, with many applicants still keen to progress purchase applications after lockdown at the end of March and even into April.

However, that quickly eased, and so it was pleasing to see remortgage business was able to fill some of the void during the rest of April and into May. When our branches reopened mid-May, there was a great deal of pent-up demand meaning purchase activity quickly resumed and momentum was strong as the month ended.

Throughout June purchase business continued to build, with first-time buyers the driving force. Indeed, by early June we were back to the same business levels as last year and continued to track up from that point. This level of business has been achieved despite the understandable operational capacity challenges faced by our lender partners, and the lower supply of high LTV products in the market, as well as income criteria curtailed for some groups, particularly the self-employed and furloughed customers.

Customers, however, have been driven to achieve their house buying goals, and shown flexibility in meeting the tighter lender requirements. This is clearly evidenced by the graph below that shows the shift in distribution for first-time buyers from a 90/95% dominated market in February, to an 80/85% market that utilises 90% products whenever they are available.

July has already shown signs of continuing on the same trajectory, and this could be boosted further by the stamp duty holiday announcement. It is unlikely there will be the normal summer lull in the market, and therefore Q3 could see some recovery of the lost ground from Q2.

Since reopening mid-May, first-time buyers have accounted for

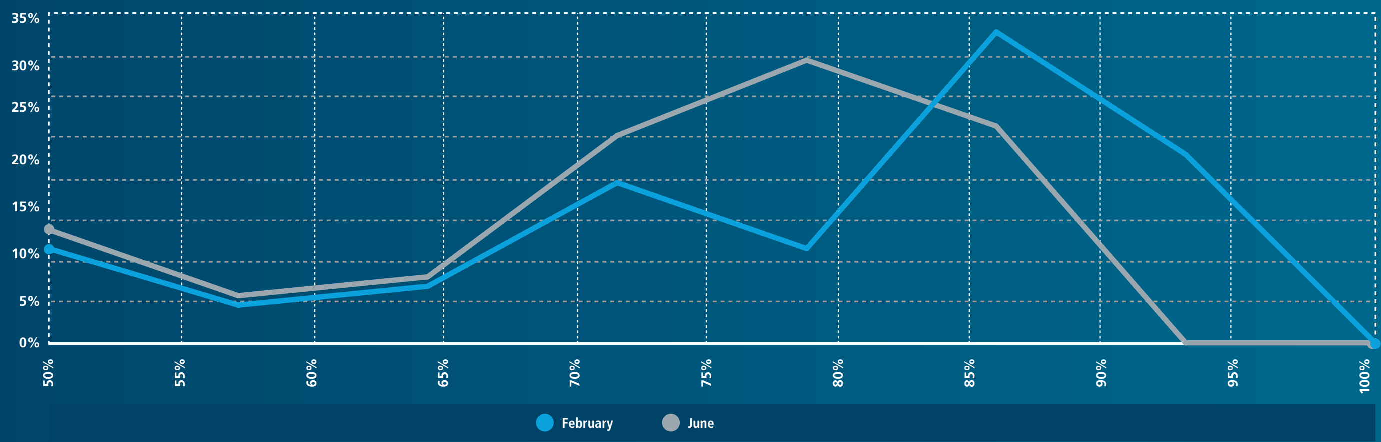
35%

of new applicant registrations across our branch network

Mortgage volumes in June returned to

pre-crisis levels

First-time buyer LTV distribution



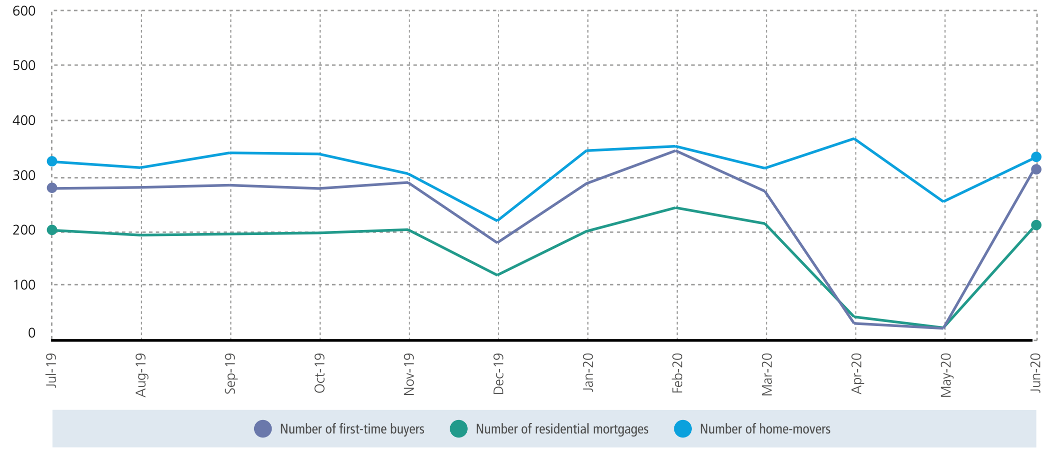
Residential

- With the housing market on hold, sales activity reduced and both home-mover and first-time buyers were unable to fully progress their transactions for most of the quarter.
- As the housing market reopened in mid-May and property sales activity increased, we have seen both home-movers and first-time buyers return to the market, with first-time buyers showing a strengthened appetite to find their first home.
- In stark contrast to this, the residential remortgage market remained active throughout the quarter, with homeowners taking the opportunity to review their current arrangements and benefit from some of the deals available. Activity was broadly unaffected with volumes during Q2 in line with those seen in Q2 2019, and accounting for 58% of residential activity in the quarter.
- First-time buyers have accounted for 35% of new applicant registrations across our branch network since reopening, and we have already seen this start to feed through to the mortgage market. In June, first-time buyer activity was 3% above June 2019.
- Whilst home-mover activity has been slower to recover during June, the recently announced stamp duty holiday will no doubt add further support to an increasing level of activity during Q3.

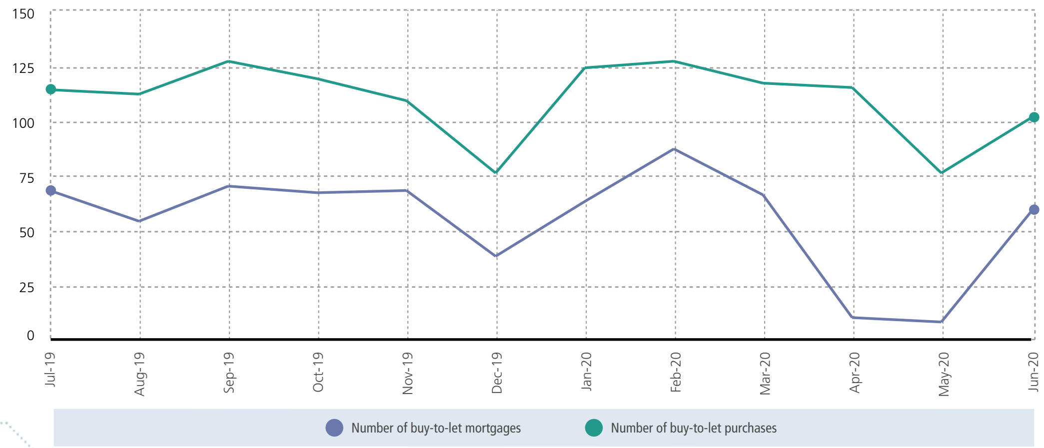
Buy-to-let

- With a similar profile to the residential market, buy-to-let purchase activity saw a significant drop during the quarter due to the pandemic, whilst buy-to-let remortgage customers remained active.
- The shift towards remortgage business was greater than that seen in the residential sector and, whilst Q2 buy-to-let remortgage activity was 15% lower than 2019, it accounted for 78% of all buy-to-let activity.
- Although we started to see an increase in purchase activity during June, investors appeared to be more cautious and have been slower to restart their purchase activity when compared to other prospective purchasers.

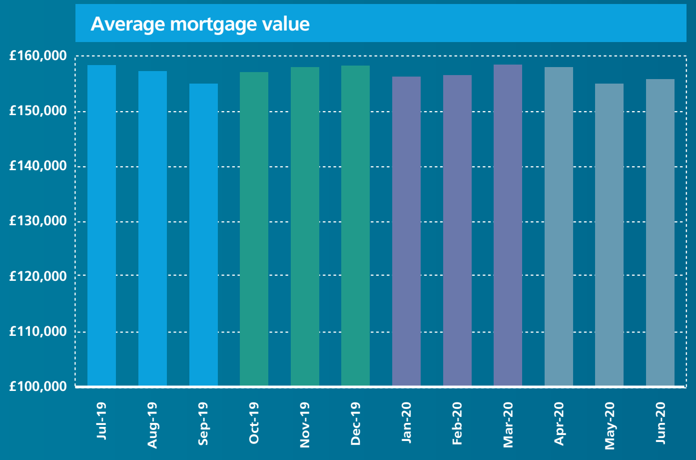
Number of residential mortgages by type (indexed)

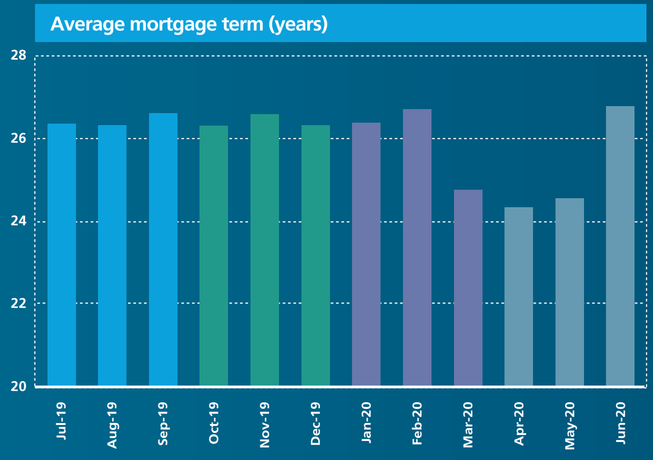


Number of buy-to-let mortgages by type (indexed)

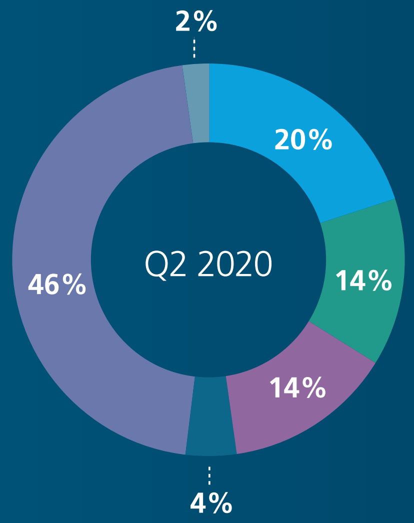


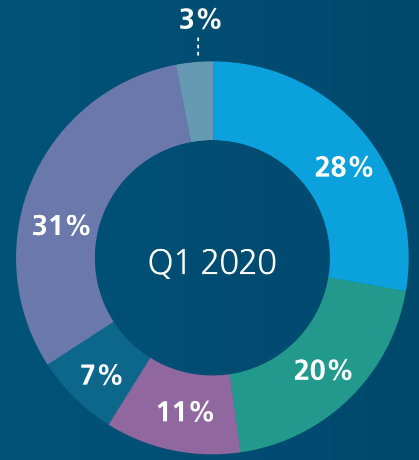
MORTGAGES





UK MORTGAGE TYPE SPLIT



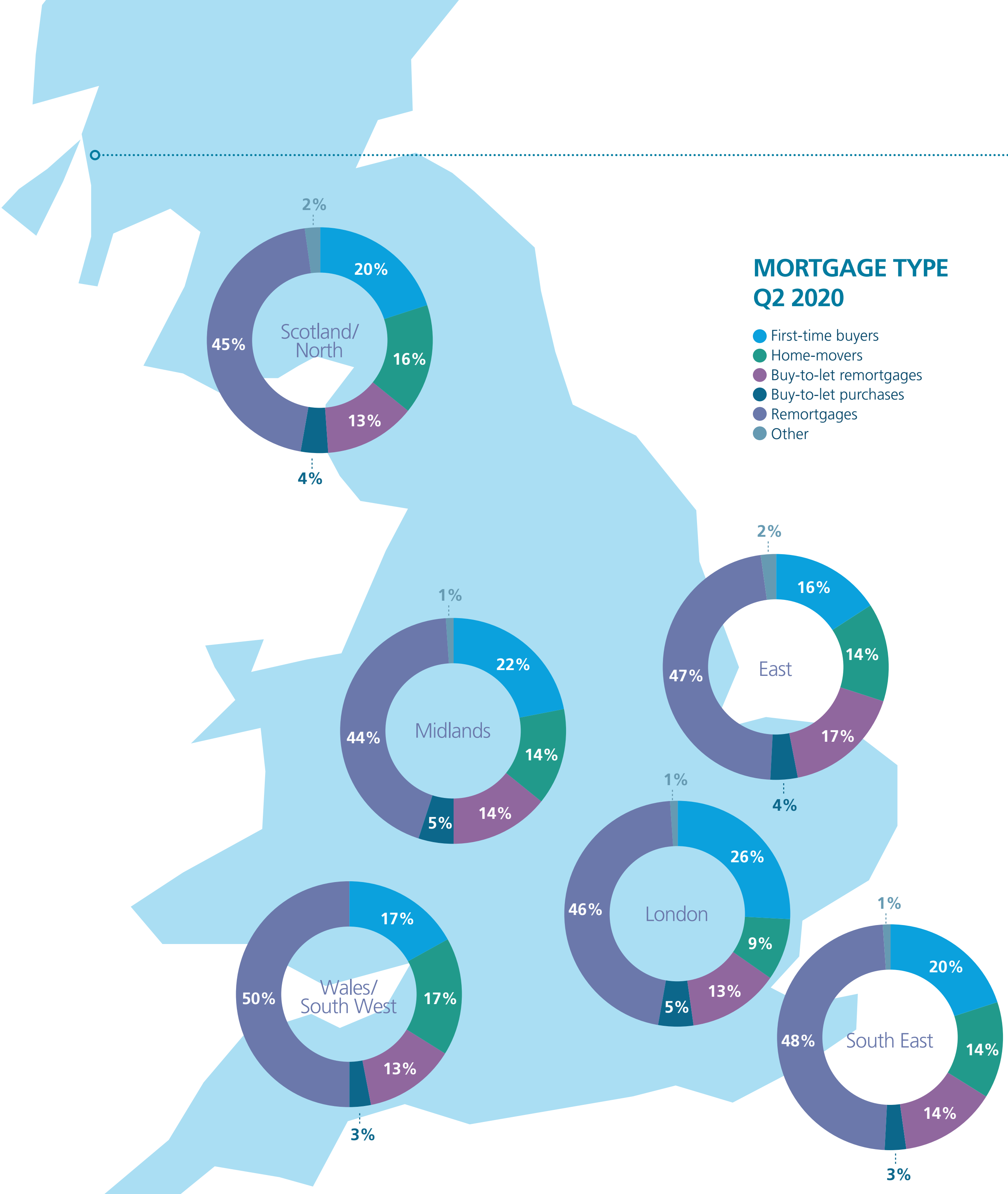


Mortgage values

- At £155,887, the average mortgage value during Q2 saw a 2% reduction on Q2 2019.

Mortgage terms

- The average mortgage term at the end of Q2 was 26.8 years, an increase on the 26.5 at the end of Q2 2019.



UK mortgage type split

- Despite the changing profile of business during the quarter, the overall split between residential and buy-to-let business has remained in line with that seen during 2019, with residential business accounting for 82% of all activity.
- In times of uncertainty, customers are naturally inclined to reassess their plans and review their mortgage arrangements, with the remortgage market typically benefiting from this. This has certainly been evident during the Covid-19 crisis as we saw a rapid and significant shift to remortgage products from homeowners and landlords, with remortgage activity during April running ahead of April 2019.
- Following the reopening of the housing market in May, we have seen the mix of business in June more closely aligned to that seen in Q2 2020, albeit with first-time buyers accounting for a 3% greater share than Q2 2019, and residential remortages a 2% greater share.

Regional picture

- The shift towards remortgage activity during the quarter was also evident across all regions, with the South West and South East seeing the largest movements when compared to the mix seen in Q1 2020. The South West saw a 19 point movement towards residential remortgages, and the South East a 15 point movement.
- Whilst remortgage activity within the buy-to-let sector also saw an increased share of activity, the movement when compared to Q1 2020 was lower, with the East leading the pack with a 3 point increase.
- These increases were primarily gained at the expense of residential purchase activity, with first-time buyer activity seeing a 12 point reduction in the South West as reductions in other regions saw a 6 to 9 point decline.
- With an 8 point reduction in share of activity, the North experienced the largest movement in home-mover activity. The East had a similar profile with a 7 point reduction.
- As highlighted earlier in the report, June saw the mix of activity start to revert back towards the profile seen before lockdown.

ASSET MANAGEMENT

Simon Matthews
MANAGING DIRECTOR, AMG

The latest figures published by UK Finance cover the first quarter of 2020 and show a 13% increase in the total number of properties taken into possession when compared to Q1 2019.

This reflects the ongoing trend of the reduced backlog of historic cases being processed in line with the latest regulatory requirements.

The market continued to see a differing profile of activity in the owner-occupied and buy-to-let markets, with increases in the number of possessions within the buy-to-let sector as owner-occupier possessions reduced. When compared to Q1 2019, buy-to-let possessions in Q1 2020 increased by 10%, whilst owner-occupied possessions have decreased by 10%.

Both sectors of the market saw the percentage of mortgages with arrears representing 10% or more of the balance outstanding lower than seen in Q1 2019.

In addition to the current mortgage payment holidays, an extension of the moratorium on involuntary possessions was extended from the end of June until 31 October 2020 on residential and buy-to-let possession mortgages.

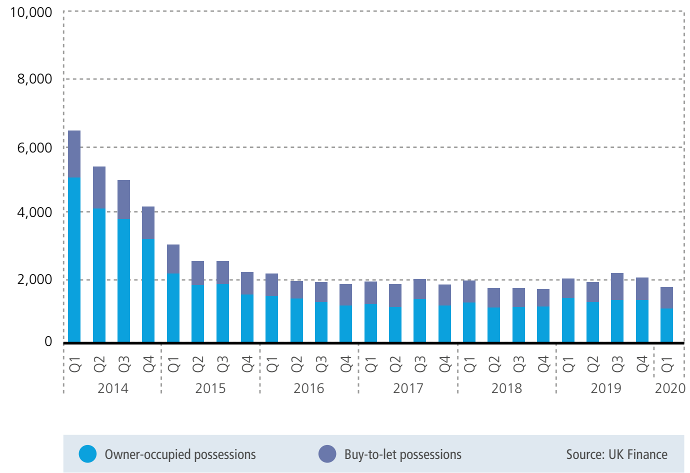
Lowest property value sold in Q2 2020

£16,500

Highest property value sold in Q2 2020

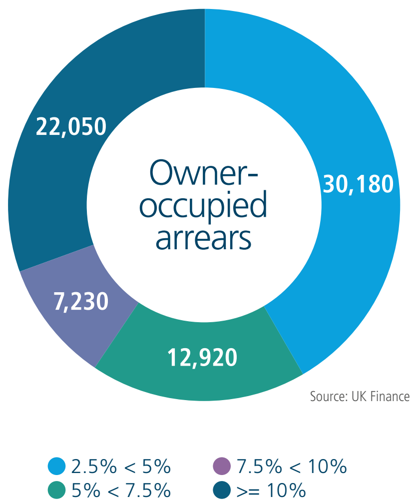
£582,500

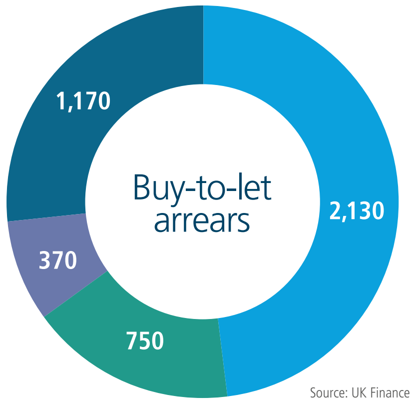
Number of possessions, buy-to-let and owner-occupied



Arrears on mortgages, 2.5% or more of balance outstanding

ARREARS BANDING Q1 2020





Possessions

- With the backlog of historical cases continuing to reduce, we have seen 1,710 properties taken into possession during Q1. This is the lowest number since Q4 2018, and a 14% reduction on Q4 2019.

Possession sales

- In line with the wider UK housing market, sales activity saw a positive start to the year but, as the Covid-19 crisis developed and the market entered a lockdown state, this activity all but disappeared.
- The average sale price for completed possession sales in Q1 was £148,327.

Arrears

- Owner-occupiers, with arrears of 2.5% or more of the total balance, saw a 2% increase on Q4 2019 and totalled 72,380 in Q1 2020. During the next few months we expect these numbers to increase as the fallout from Covid-19 is felt within the industry.
- At 4,420, arrears of 2.5% or more of the total balance within the buy-to-let sector also increased, up 1% on Q4 2019, but 4% lower than in Q1 2019.
- The number of owner-occupied mortgages with arrears of 10% or more of the balance in Q1 2020 was 6% lower than 2019, whilst the buy-to-let sector saw a 3% reduction across the same period.

SURVEY & VALUATION

Ross Bowen
MANAGING DIRECTOR,
CONNELLS SURVEY & VALUATION

As with all other non-essential service industries, the surveying sector was materially impacted by the pandemic.

Connells Survey & Valuation responded decisively as the country was locked down, halting physical property inspections immediately, with efforts focused on continuing to deliver remote desktop valuations to those clients able to rely upon them to support their needs.

Nevertheless, a significant pipeline of work was effectively suspended until lockdown was lifted. Across the market, at its peak, approximately 70,000 mortgage transactions could not progress until physical property inspections could recommence.

We were able to restart providing physical valuations promptly following the market being reopened, under strict 'Covid-19 Secure' arrangements. Within just a few weeks the backlog of transactions from the lockdown period had been cleared, with clients switching back from desktop to physical valuations keen to draw upon local surveyors' expertise on the ground. By the end of June, the split of physical inspections jumped back up to 80%.

During lockdown, there was increasing concern that when the housing market reopened there would be a flood of renegotiated property sales and subsequent down-valuations across the market. As a result of pro-active measures, including working with the RICS, it was pleasing to avoid this risk crystallising, and our latest experience is that the incidence and level of down-valuations is in line with pre-Covid-19 levels.

Housing market activity continues to be resilient with activity levels beyond expectation. This will be buoyed by the welcome reduction in SDLT. The surveying sector remains cautiously optimistic about the short term, despite uncertainty around higher unemployment and ongoing pandemic impacts.

Connells Survey & Valuation's service quality superiority was sustained

17% ahead of other providers

Despite Covid-19 impacts, average reporting turnaround times were

3 days faster than the market

18% of cases, with 10% reduction in valuation

no change from pre-lockdown

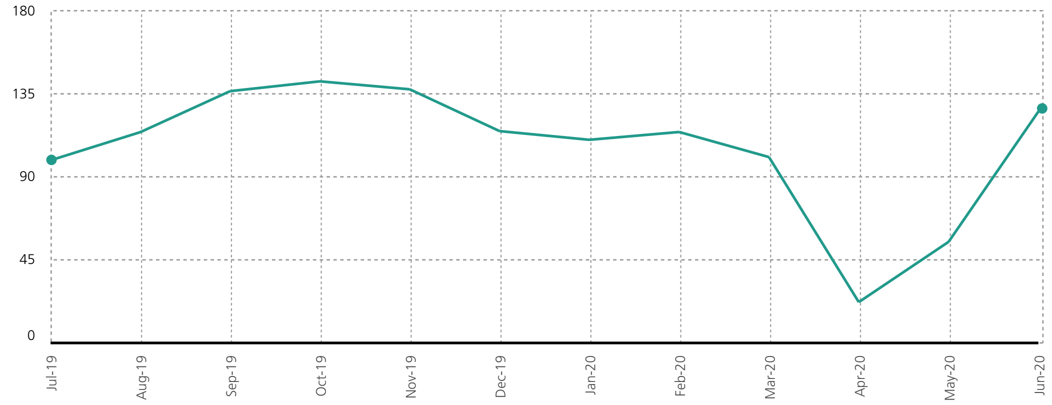
Mortgage valuations

- With the residential housing market closed and a pipeline of physical valuations unable to proceed, overall volumes during Q2 reflected a market absent of purchase related activity.
- As was also reported by our mortgage business, residential remortgage activity continued throughout the lockdown period as many homeowners reviewed their financial arrangements.
- Once the market reopened, we were quick to train and equip our surveyors to complete physical inspections under strict 'Covid-19 Secure' protocols. The backlog of cases prior to, and during, lockdown were cleared alongside new work generated from new transactions.

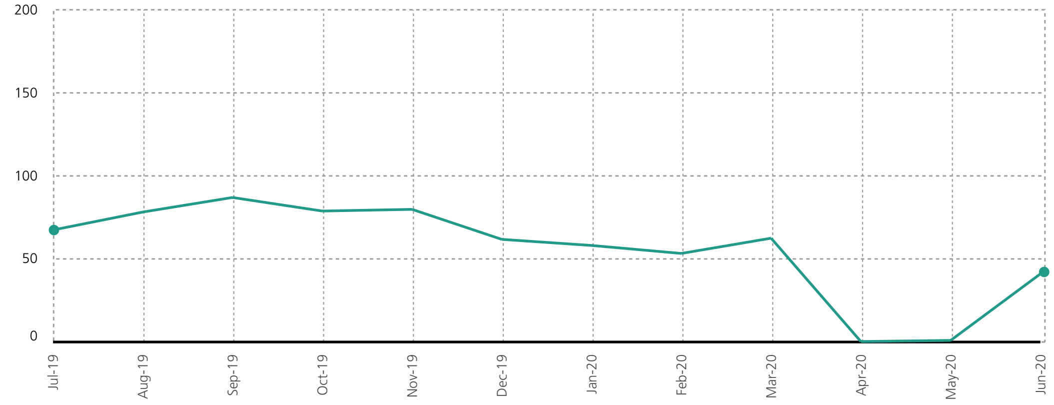
Surveys

- As expected, survey activity saw the largest decline during the lockdown period and, whilst June activity as a whole was 62% lower than June 2019, we have seen volumes increasing on a week-on-week basis throughout the month.
- As house sales activity has returned and surpassed some expectations, we expect to see a significant uplift in survey activity from July.

Number of mortgage valuations (indexed)



Number of surveys (indexed)



SURVEY & VALUATION

Buy-to-let

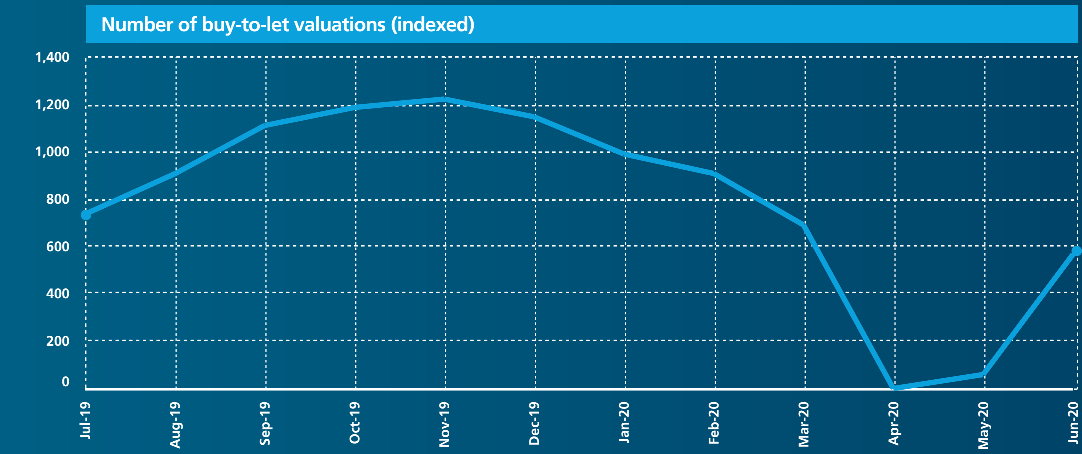
- Whilst we saw an increase in buy-to-let activity as the market reopened, this has been a slower return to business than other sectors of the market, with June volumes half of those seen in June 2019.

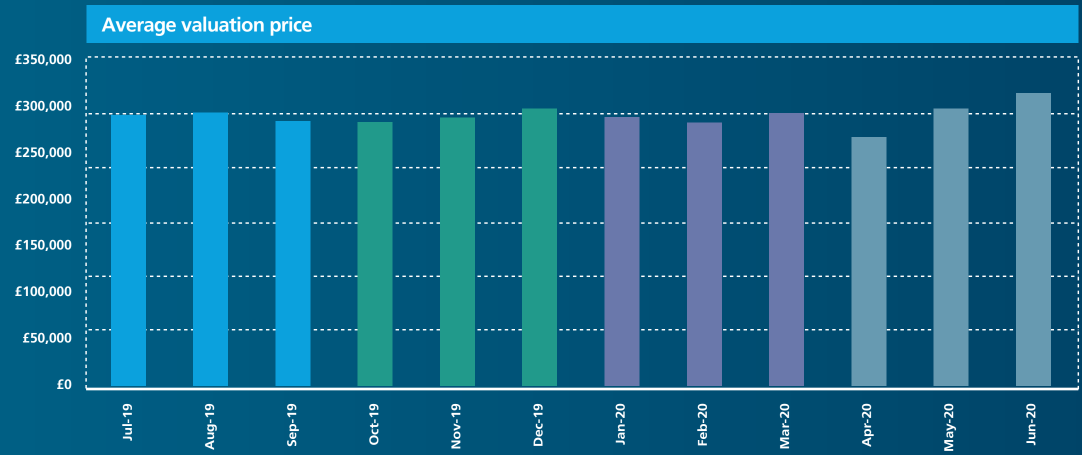
Average valuation

- The average property valuation during Q2 was £315,522, influenced by the mix of business seen in June.

Overall market activity

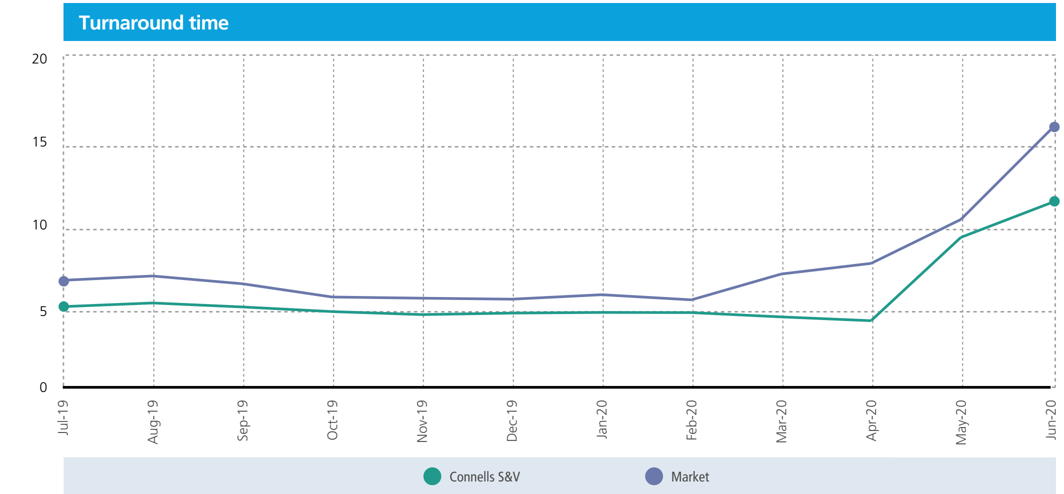
- The immediacy of the closing of the housing market led to a vast majority of transactions being placed on hold in March. Nevertheless, a number of transactions could still be progressed by reliance upon desktop valuations carried out by surveyors. Servicing the remainder could only be progressed as the market reopened in May. As the pipeline was cleared, transaction volumes increased from newer property and remortgage transactions agreed post-lockdown.
- Reflecting the usual lag that we see between front-end sales activity and valuation instruction, overall volumes for June were 50% behind June 2019. With our estate agency and mortgage services businesses reporting brisk sales activity in June and into July, we are preparing for a more active summer period than would normally be expected.

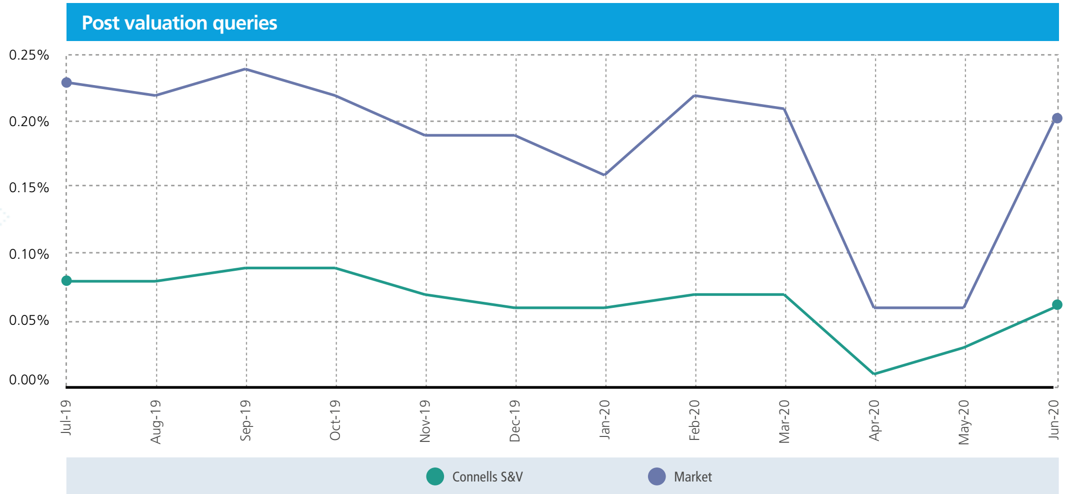




Service delivery

- Whilst we started the year with an average delivery time of 4.4 days in Q1, restricted movement understandably resulted in this moving to 8.1 days in Q2. However, this turnaround time remained well ahead of the rest of the market which averaged 11.1 days.
- During Q2, the reporting quality by Connells Survey & Valuation averaged 97% compared with the 83% delivered across the rest of the market. The level of post valuation queries will no doubt see some fluctuation during Q3 as the market and consumers assess any underlying impact on prices.





MARKET SUMMARY

REGIONAL AVERAGE HOUSE PRICE AT COMPLETION Q2 2020

Scotland/North
5% up from Q2 2019
£149,844

East
6% up from Q2 2019
£260,385

Midlands
5% up from Q2 2019
£191,841

Wales/South West
3% up from Q2 2019
£207,452

London
8% down from Q2 2019
£428,856

South East
2% down from Q2 2019
£274,342

UK average house price at completion Q2 2020

£223,008

up
1%
from Q1 2020
(£221,795)

up 4%
from Q2 2019
(£215,374)

REGIONAL AVERAGE RENT Q2 2020

North £611
2% up from Q2 2019

East & Central £815
3% up from Q2 2019

London £1,546
6% down from Q2 2019

South £867
1% down from Q2 2019

UK average rent Q2 2020

£879

down **2%** from Q2 2019 (£896)

UK average mortgage value Q2 2020

£155,887

down **2%** from Q2 2019 (£159,440)

ABOUT CONNELLS GROUP

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 and planning, LPA receivers and auctions.

Alongside the Connells estate agency brand, the Group trades under other well-known and trusted local names including Allen & Harris, Bagshaws Residential, Barnard Marcus, Barnfields, 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, Rook Matthews Sayer, Paul Dubberley, Hurfords, Knight Partnership and Gascoigne Halman.

Corporate clients benefit from Connells Group's 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.

connellsgroup.co.uk

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Connells group

One of the largest & most successful estate agency & property services providers in the UK

5.5% market share

Nearly **600** branches

6,800 staff

Successful apprenticeship scheme

25 local brands from Glasgow to Plymouth

UK's **most profitable** estate agency business

63,000 property sales a year

Largest agency for new homes sales in the UK

90+ land and new homes specialists nationwide

9,000 new homes sold per year

65 industry awards

UK's leading EPC provider

£10bn+ mortgage lending

750+ employed Mortgage Consultants

One of the UK's largest conveyancing businesses

60,000+ tenancies managed

Leading survey and valuation business

300+ RICS Surveyors

ISO 9001:2015 panel and risk manager of valuations

One of the largest volume residential property auctioneers in the UK

OUR BUSINESS BRANDS

OUR LOCAL ESTATE AGENCY BRANDS

KEY CONTACTS

Estate Agency

David Plumtree
Group Chief Executive (Estate Agency)
01525 218669
david.plumtree@connellsgroup.co.uk

Land & New Homes

Roger Barrett
Group Land & New Homes Managing Director
01604 622444
roger.barrett@connellsgroup.co.uk

Residential Lettings

Stephen Nation
Group Lettings Managing Director
01525 218669
stephen.nation@connellsgroup.co.uk

Mortgages

Adrian Scott
Group Mortgage Services Director
01525 244237
adrian.scott@connellsgroup.co.uk

Asset Management

Simon Matthews
Managing Director, AMG
01483 456231
simon.matthews@amgltd.co.uk

Survey & Valuation

Ross Bowen
Managing Director, Connells Survey & Valuation
01525 218630
ross.bowen@connells.co.uk

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MARKET **REPORT** H1 2020

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