

Market Report

QUARTER TWO 2025



Contents & Methodology

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METHODOLOGY

Connells Group analyses detailed data from its estate agency, land & new homes, lettings, mortgage, surveys & valuations and asset management businesses. Individual measures are stated on a like-for-like basis and are subject to restatement following acquisitions.

Each month, the researchers analyse tens of thousands of registrations, instructions, applications, approvals and valuations and use this data to publish a quarterly report which reflects trends across the property spectrum. An index point of January 2019 is used where it is appropriate.



Executive Summary



Helen Charlesworth
Chief Executive Officer

As I reflect on the second quarter of 2025, I'm encouraged by the position of the Estate Agency market, despite the challenges faced in Q2.

Gross sales are steady year-on-year, and it's worth noting that our instructions increased by 3.0% compared to the same period last year, though we did see some softening from Q1 after the stamp duty changes. Average house prices at instruction have held remarkably steady at £359,000, with only a minimal movement year-on-year.

Lettings businesses faced some interesting challenges, particularly with the uncertainty surrounding the upcoming Renters' Rights Bill. That said, the increase in available stock suggests a positive shift in market dynamics, and outside London, average market rents have nudged up by 0.2%. What's particularly telling is the 28.5% year-on-year increase in buy-to-let remortgages - an indication that many landlords are committed to staying in the rental market despite the changing landscape.

The mortgage market continues to show strong demand as the number of first-time buyer and homemover mortgages increased year-on-year. While average mortgage values continue to grow, average mortgage terms are slowly decreasing, showing that borrowers are managing to stem the increased cost in a similar amount of time. The slight reduction in mortgage rates is also supporting this shift.

Looking ahead to Q3, I'm optimistic about the continued strength of the market. The sales market remains well-balanced, with the number of new instructions increasing and a strong end of quarter finish in applicant registrations. Meanwhile, the lettings market will require some strategic attention to address the changes we're seeing.

The market in the second quarter of 2025 can be summarised with the following metrics:

+2.1%

**increase in
number of new
build instructions
vs Q2 2024**

+3.0%

**increase in number
of new second-hand
sale instructions
vs Q2 2024**

+6.2%

**increase in
available lettings
stock vs Q2 2024**

+13.4%

**increase in
first-time buyer
mortgage sign-ups
vs Q2 2024**

Estate Agency



Chris Rosindale
Chief Operating Officer



increase in market appraisals carried out vs Q2 2024



increase in offers vs Q2 2024

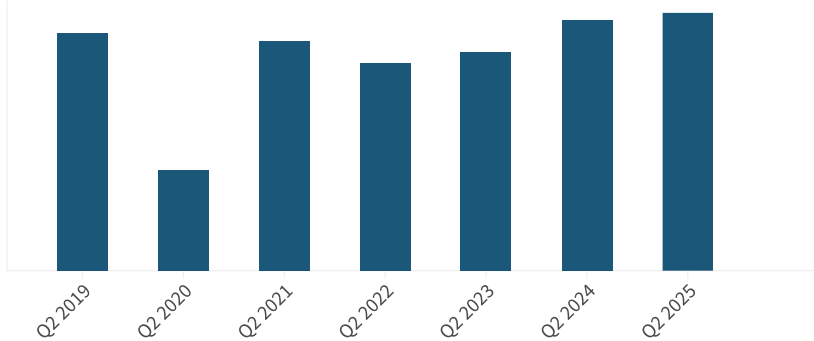


No difference in sales agreed vs Q2 2024

Sales activity has maintained stability in Q2 2025, with gross sales agreed holding steady year-on-year, but decreasing by 5.1% quarter-on-quarter. This slowdown comes as no surprise, as Q1 was an exceptional first quarter, where buyers rushed to complete their purchases before the stamp duty changes.

New instructions demonstrated positive momentum, growing by 3.0% compared to Q2 2024. This showed a similar trend to sales agreed, as the number of new instructions also slowed by 5.1% following Q1. Buyer registration levels softened slightly, with total applicants registered having decreased by 0.9% year-on-year. That said, applicant registrations experienced month-on-month growth throughout the quarter, finishing June 6.8% ahead of the end of the previous year's quarter.

NEW INSTRUCTIONS (INDEXED)

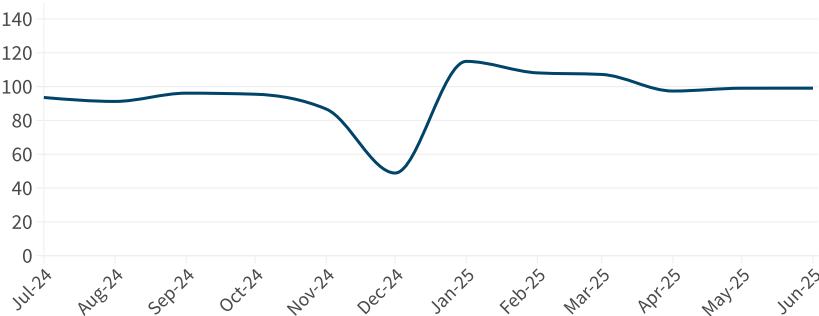


(indexed against January 2019)



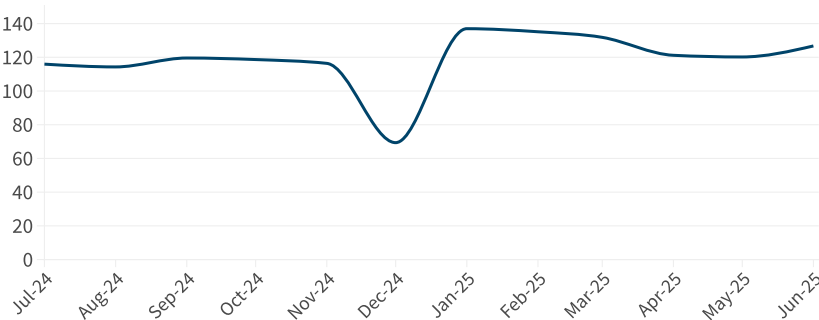
Viewing activity has remained robust despite minor adjustments, with 393,000 viewings conducted during Q2 2025, showing only a marginal decrease of 0.1% compared to the same period last year. Buyer offers, on the other hand, have increased slightly by 0.9% year-on-year, showing that, despite stamp duty changes now being in effect, buyers are still serious about looking for their first or next property.

NUMBER OF BUYER VIEWINGS (INDEXED)



(indexed against January 2019)

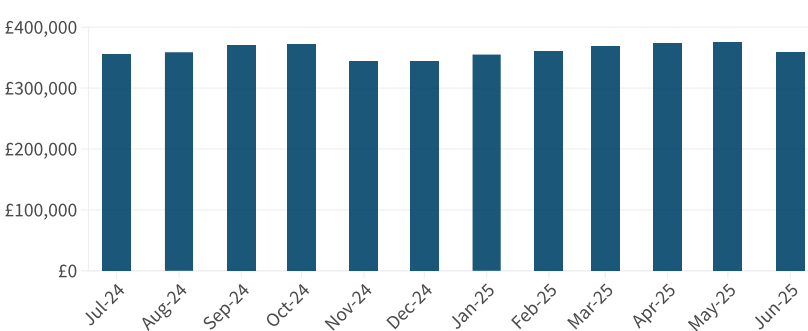
NUMBER OF BUYER OFFERS (INDEXED)



(indexed against January 2019)

Average house prices at instruction have demonstrated remarkable stability at £359,000, representing a minimal year-on-year decrease of 0.8%. This small decline demonstrates a level of price resilience that, coupled with sustained transaction levels, indicates a well-balanced market, despite broader economic pressures. The consistency in both viewing numbers and price points suggests a market characterised by steady demand and disciplined pricing strategies.

AVERAGE ASKING PRICE (INDEXED)



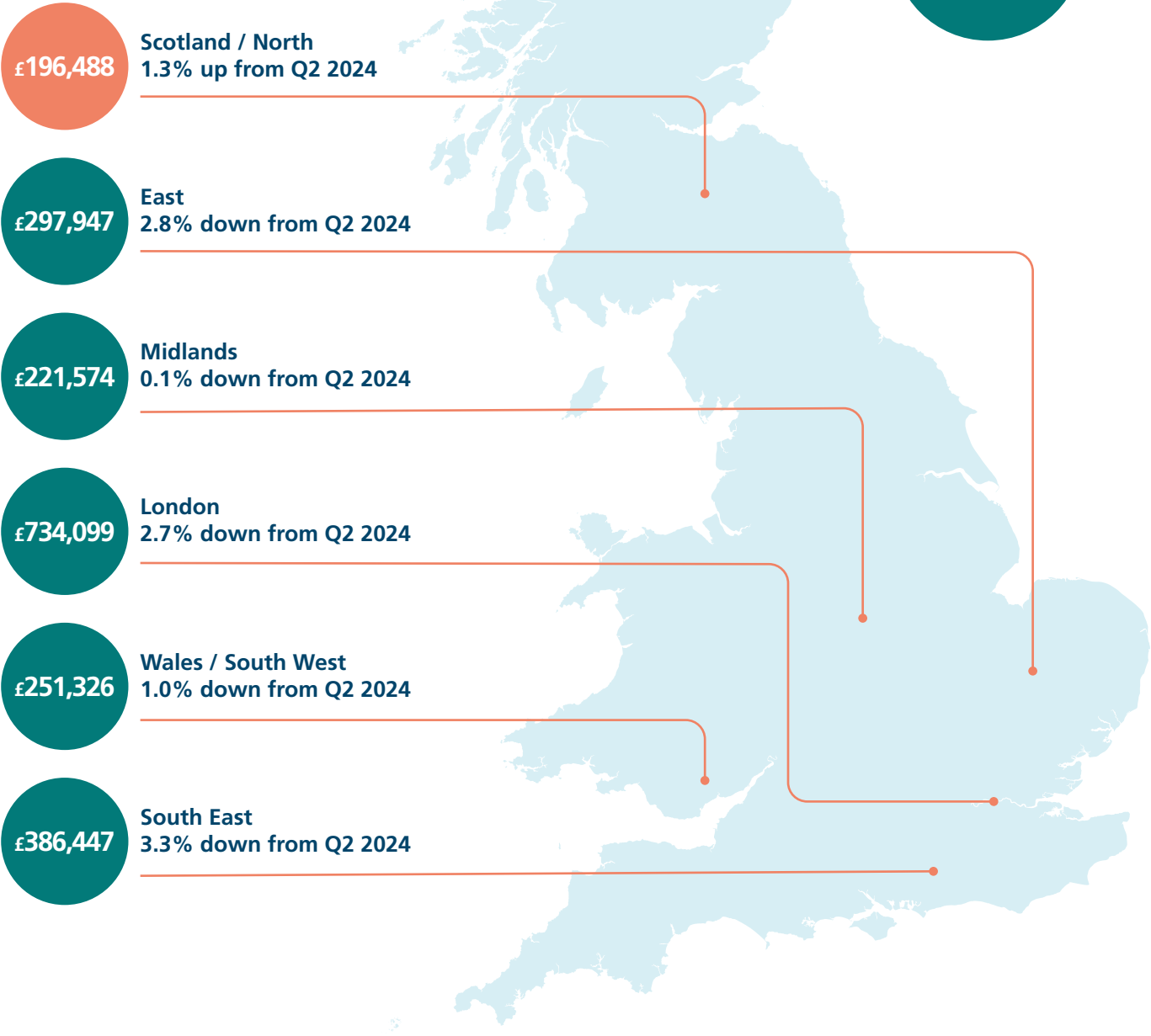
(indexed against January 2019)

Sales Market Summary

UK average house price
at exchange Q2 2025
£285,000

Regional average house
prices at completion Q2 2025

down
-4.0%
from Q2 2024



Land & New Homes



Jason Howes
Group Land & New Homes
Managing Director



**decrease in new
homes instructions
(year to date)**

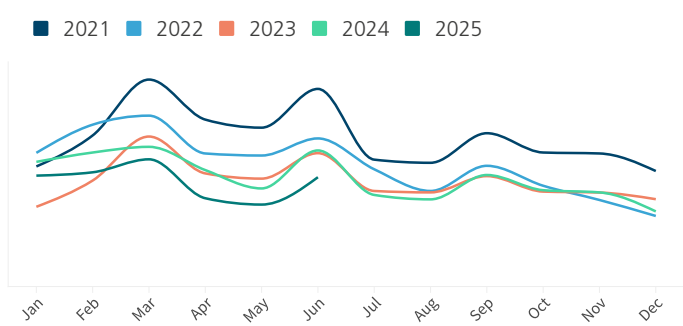


**decrease in new
homes sales agreed
(year to date)**

The Land & New Homes industry has faced significant challenges in Q2 2025, with gross sales agreed declining sharply by 16.6% year to date and showing a quarter-on-quarter decrease of 20.7%.

Alongside the headwinds in sales performance, the development pipeline has shown similar difficulties in 2025. A decrease in new home instructions of 11.6% year to date points to the restrictions in the supply of stock in the market. Further to this, the substantial gap between instructions and completed sales indicates a growing inventory of available new-build properties, suggesting a potential misalignment between current market supply and buyer demand.

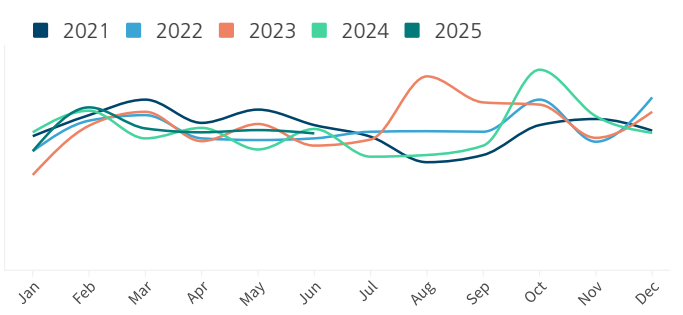
AVERAGE MONTHLY SALES



Market conditions for developers remain challenging, with rising construction costs and ongoing planning delays impacting project viability. The recent government initiative to streamline the planning process through digital submissions has yet to demonstrate a meaningful impact on approval timelines.

However, opportunities exist in the mid-market segment, where demand remains relatively stable, particularly for energy-efficient homes that align with new building regulations. The conversion rate from instruction to sale highlights the need for developers to adjust pricing strategies and product mix to meet changing market conditions. Build-to-rent developments continue to show promise, especially in regional cities where rental demand remains strong despite broader market pressures.

AVERAGE WEEKLY INSTRUCTIONS



Over the past few years - and the first half of 2025 has been no different - the new homes market has faced, and continues to face, a complex landscape of challenges shaped by several major factors, including:

- **Government policy and targets:** While the lack of initiatives such as Help to Buy has left a gap in market stimulation, there is a clear policy push to boost supply. Over the next five years, the government has pledged to deliver 1.5 million homes, thereby increasing the focus on land acquisition and development.
- **Planning system constraints:** Planning delays remain one of the most significant constraints on house building, as highlighted by the Home Builders Federation.
- **Regulatory hurdles:** Planning restrictions, including insufficient 'local plan' processes and new energy efficiency standards, are forcing developers to revise their strategies.
- **Affordability and demand:** Affordability remains stretched for many buyers due to high house prices relative to incomes. This limits the pool of potential purchasers for new homes, especially among first-time buyers.
- **Market volatility:** The start of 2025 saw a surge in transactions as buyers rushed to beat the stamp duty changes, followed by a sharp drop in activity. This volatility has affected the appetite for land deals and the timing of new home launches.
- **Geographical disparities:** Regional differences in both demand and affordability mean that land values and new home sales performance vary significantly across the country.



Residential Lettings



Ian Culbert
Group Lettings
Managing Director

+0.5%

**increase in
instructions
vs Q2 2024**

+6.2%

**increase in
available stock
vs Q2 2024**

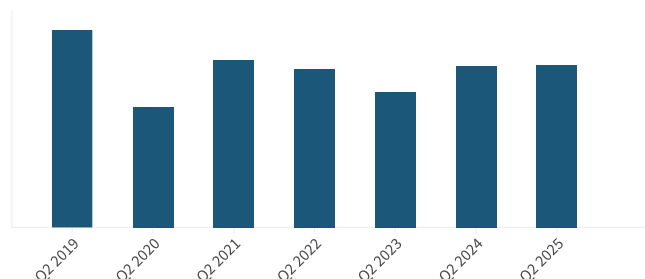
£1,447

**UK average
rent pcm for
Q2 2025**

The lettings market in Q2 2025 exhibited shifting dynamics, with changes in tenant demand patterns returning us to a more familiar market. The average number of new lettings applicants saw a modest decline of 0.8% from Q1 2025, with the average number of applicants per instruction now standing at just above five per property – a trend that has been increasing throughout the quarter and as we move into the summer season.

Overall, the market maintains operational efficiency, with the applicants-per-instruction ratio showing a quarter-on-quarter improvement of 3.2%, suggesting more effective matching of tenants to properties.

NEW INSTRUCTIONS (INDEXED)

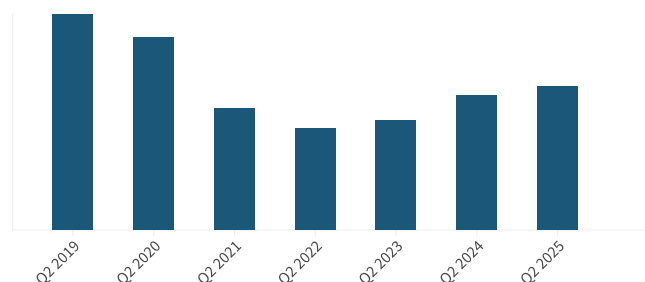


(indexed against January 2019)

Landlord activity shows varied signals, with lettings instructions demonstrating modest year-on-year growth of 0.5%, though experiencing a quarter-on-quarter decline of 3.9%. On the other hand, available lettings stock has increased, rising by 6.2% compared to Q2 2024, with some seasonal adjustment quarter-on-quarter. This indicates continued investment in the rental sector despite market headwinds. The combination of increased available stock and decreased applicant numbers points to a market normalisation that may provide tenants with greater choice.

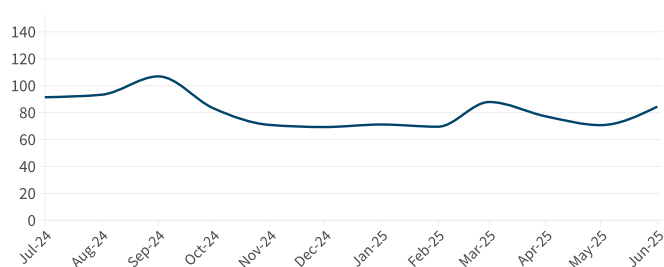
At this point, it would be remiss not to mention the Renters' Rights Bill, which is due to receive royal assent later in the year, the full impact of which is yet to be seen.

AVAILABLE STOCK (INDEXED)



(indexed against January 2019)

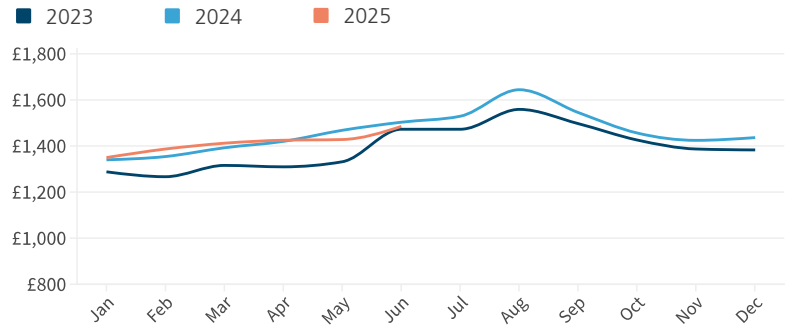
NUMBER OF AGREED TENANCIES (INDEXED)



(indexed against January 2019)

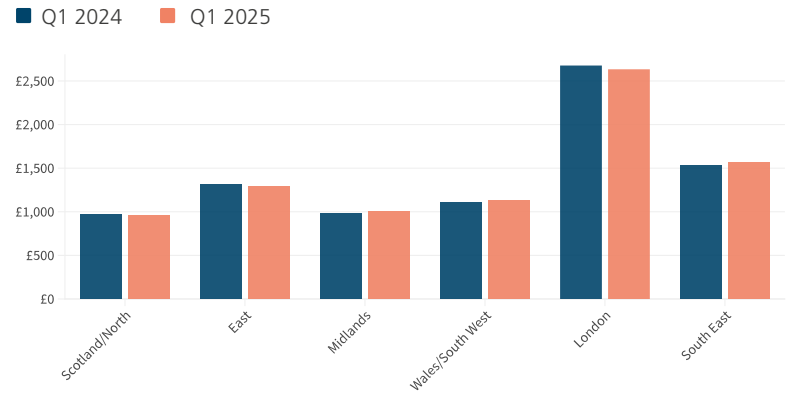
Average rents have been increasing month-on-month; however, when comparing Q2 2025 to Q2 2024, the average agreed rent across the UK has decreased by 1.2%, which can be viewed as a correction following the steeper increases seen in 2024. When excluding London, as it tends to have its own microclimate, average rents across the UK have, in fact, increased marginally by 0.2%.

MONTHLY AGREED RENTS (UK)



Having a closer look at the regions, London continues to command the highest average rent, now standing at £2,634 – following this quarter's month-on-month upward trend. Additionally, the Midlands saw a 2.7% increase in average agreed rents to £1,004, followed by Wales/South West with a 1.9% increase, and the South East with a 1.8% increase.

AVERAGE AGREED RENTS (REGIONAL)

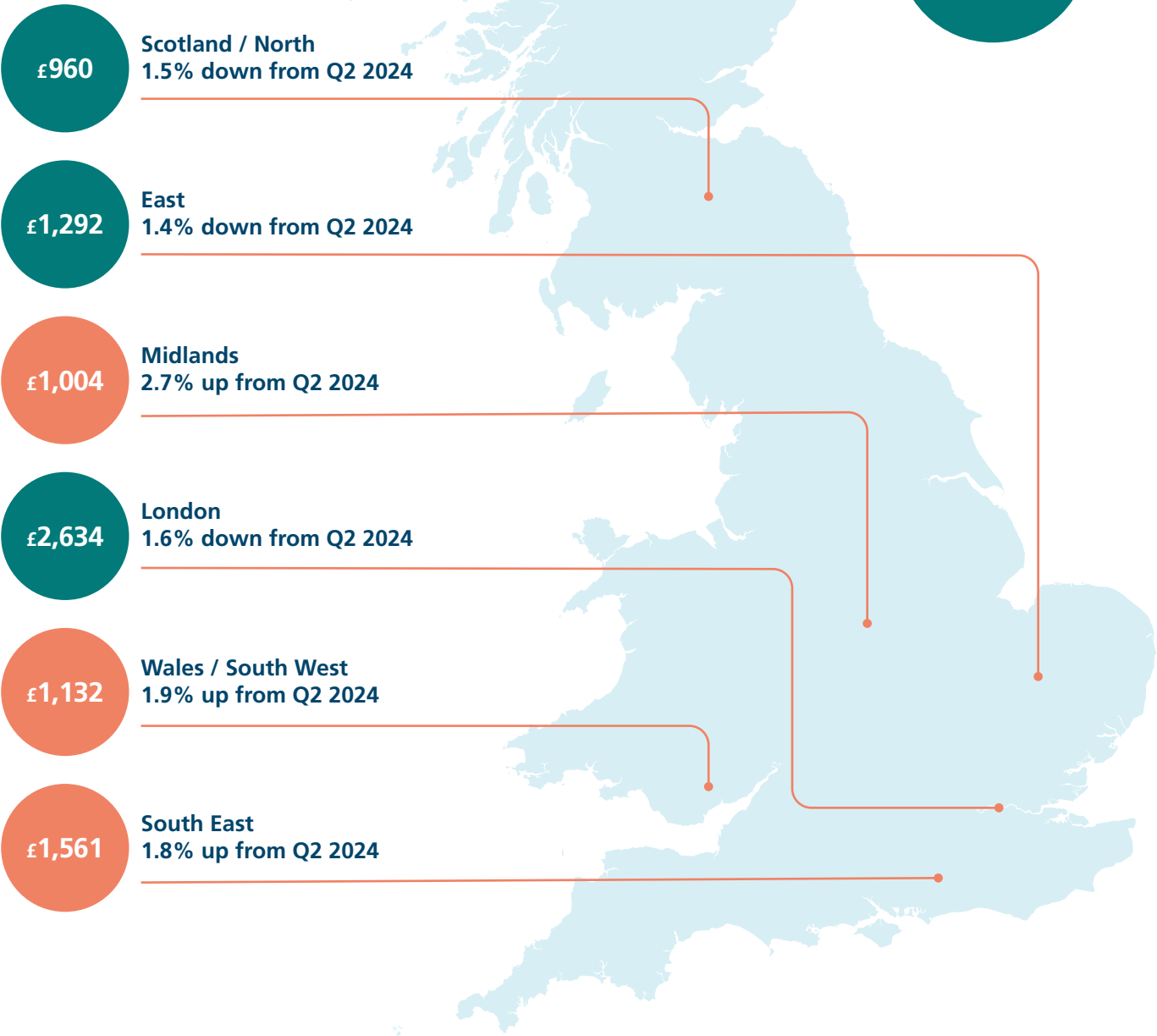


Lettings Market Summary

UK average rent
Q2 2025
£1,447pcm

down
-1.2%
from Q2 2024

Regional average rents Q2 2025



Mortgage Services



Graham Closier
Group Mortgage
Development Director

+13.4%

increase in
first-time
buyer activity
vs Q2 2024

+28.4%

increase in number
of residential
remortgages
vs Q2 2024

+7.7%

increase
in average
mortgage value
vs Q2 2024

Following an exceptional first quarter, positive momentum has carried through to Q2, with June 2025 setting a new all-time high for mortgage submissions. This latest milestone surpasses the previous record established in March 2025.

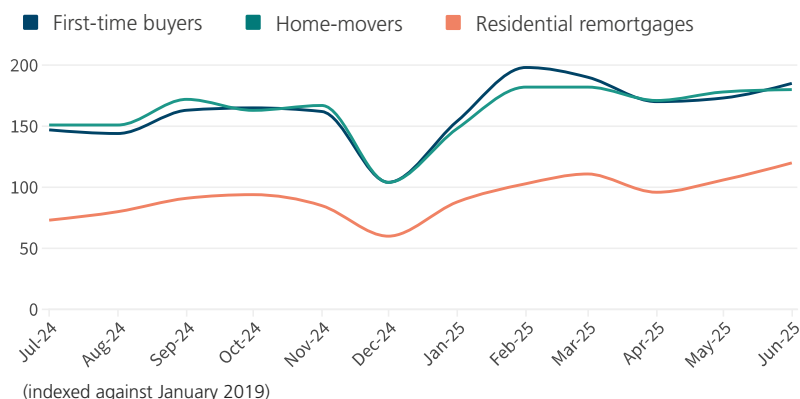
Overall, the total number of mortgages has increased by 14.2% year-on-year and 1.1% quarter-on-quarter, further highlighting the continued buyer confidence, aided by this quarter's initial base rate decrease to 4.25%.

First-time buyer activity continues to show exceptional resilience in Q2 2025, with a robust 13.4% year-on-year increase. Homemover mortgages also performed strongly, showing healthy growth of 6.0% compared to Q2 2024. The buy-to-let sector presents a mixed picture, with purchase mortgages declining 7.6% year-on-year, reflecting ongoing challenges in the investment property market. However, this decline has moderated to just 3.1% quarter-over-quarter, suggesting potential stabilisation in the buy-to-let purchase segment.

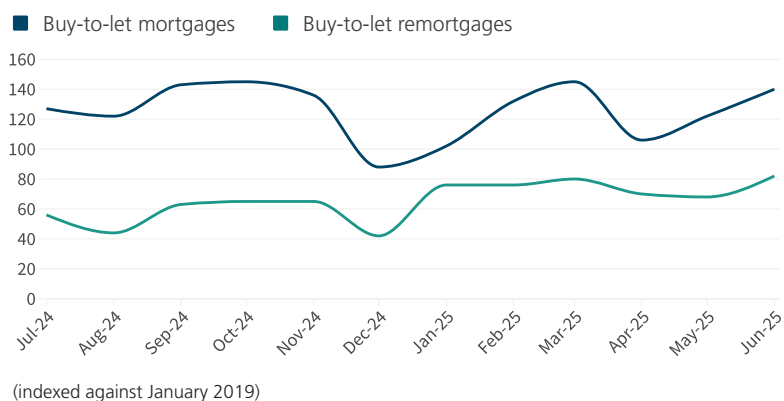
Remortgage activity emerged as the standout performer, with total residential remortgage completions surging by an impressive 28.4% increase year-on-year and maintaining momentum with 6.8% growth from Q1.

Buy-to-let remortgages also showed particularly strong results, growing 28.5% compared to Q2 2024.

NUMBER OF RESIDENTIAL MORTGAGES BY TYPE

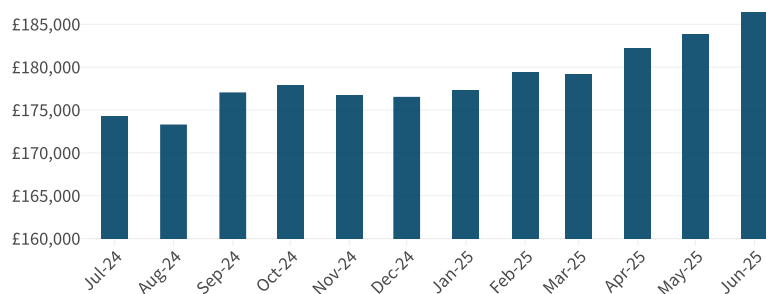


NUMBER OF BUY-TO-LET MORTGAGES BY TYPE



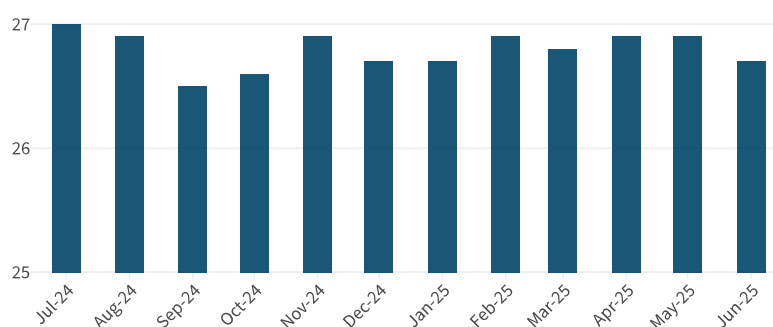
Average mortgage values continued their upward trajectory, increasing 7.7% year-on-year to £186,439, with a further 4.1% growth from the previous quarter. This not only reflects the rising property values and sustained borrower confidence, but also the positive impact of lenders' improved affordability calculations on the mortgage market. The robust performance across the remortgage sector indicates successful retention strategies and effective response to the current interest rate environment.

AVERAGE MORTGAGE VALUE (£)



The average mortgage term is steadily decreasing, currently lying at 26.7 years, marking a 0.6% decline from Q2 last year and a 0.5% decline quarter-on-quarter. This indicates that although customers are applying for higher loan amounts, they aren't substantially lengthening their repayment terms to keep monthly payments manageable. Such behaviour demonstrates a responsible approach to borrowing, with both customers and lenders maintaining sensible risk boundaries despite changing market conditions.

AVERAGE MORTGAGE TERM (YEARS)

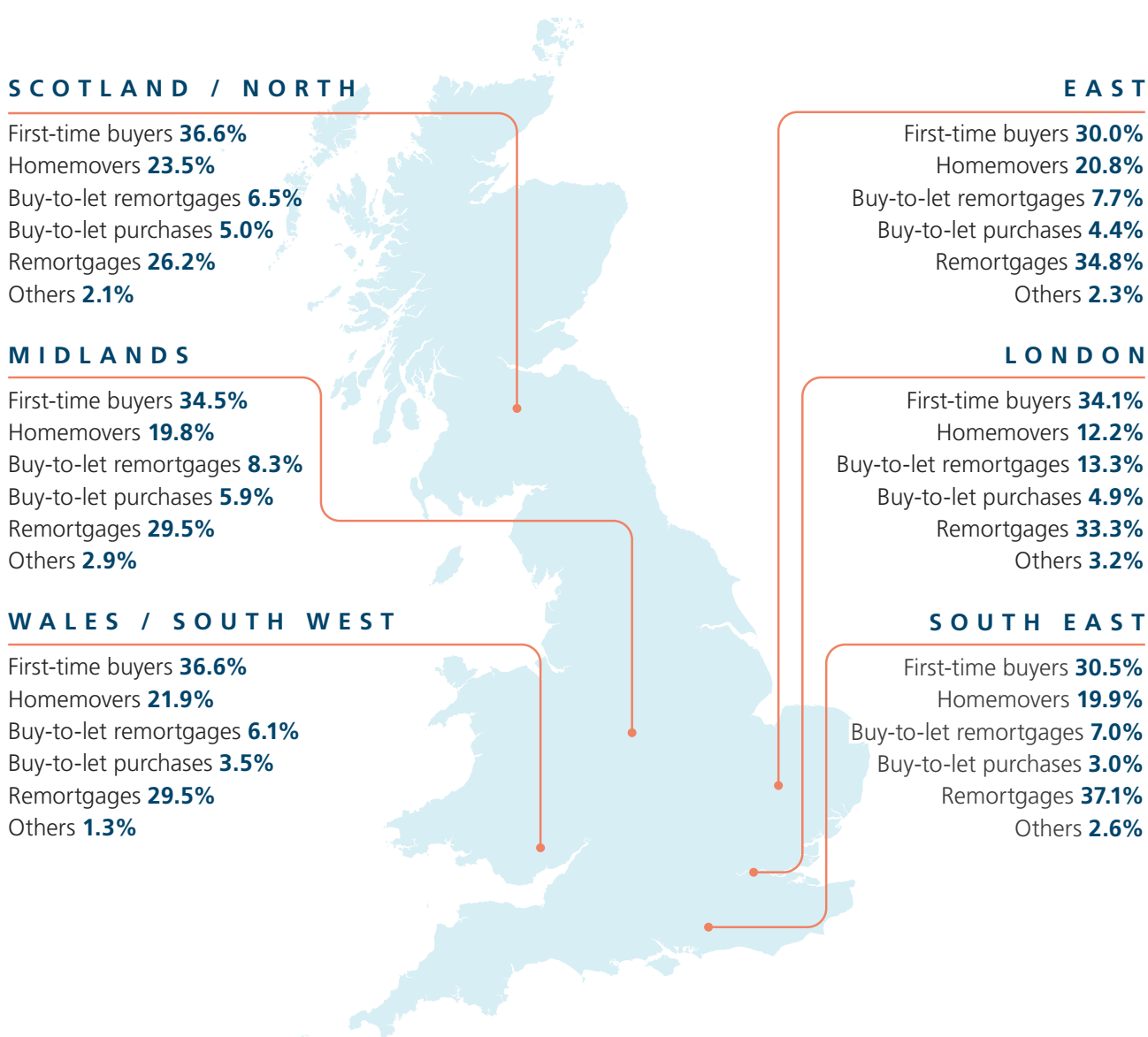


Mortgage Services

REGIONAL OVERVIEW

First-time buyers and remortgages continued to make up most of the transactions in Q2's mortgage market. Overall, first-time buyers accounted for 34.3% and remortgages for 30.5%. When having a closer look at each region, first-time buyers also tend to account for the largest share, for example, in both Scotland/North and Wales/South West, 36.6% of mortgage borrowers are first-time buyers. However, remortgages exceed first-time buyer mortgages in the East, with 34.8% and in the South East, with 37.1%.

Meanwhile, over the last year, there has been a consistent rise in homemover numbers, accounting for 21.0% of all the mortgage activity in Q2. This represents a slight increase from Q1 2025, with homemovers remaining the third most common customer category this quarter.



Asset Management



Grahame Pritchard
Corporate Property Services
Managing Director



Simon Matthews
Asset Management Group
Managing Director



decrease in homeowner mortgages with 2.5% arrears or more



decrease in buy-to-let mortgages with 2.5% arrears or more

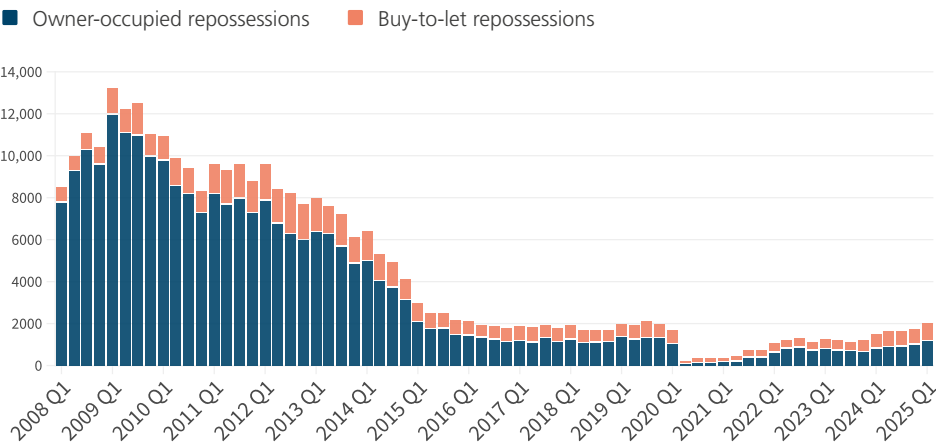


total number of possessions in Q1 2025

Asset management operations show continued, albeit slower, increased activity in Q1 2025, with total owner-occupied and buy-to-let repossessions rising by 37.2%. While these figures are increasing, UK Finance indicated that these are significantly lower than the long-term average. In fact, current total possession figures are 85% lower than they were in Q1 2009.

Quarter-on-quarter, owner-occupied possessions increased by 18.4% and year-on-year by 43.5%. In comparison, buy-to-let possessions rose at a slower rate, with increases of 15.7% quarter-on-quarter and 28.6% year-on-year. Additionally, buy-to-let possessions have accounted for a decreasing proportion of the total number of possessions since Q4 2024.

NUMBER OF POSSESSIONS, BUY-TO-LET AND OWNER OCCUPIED



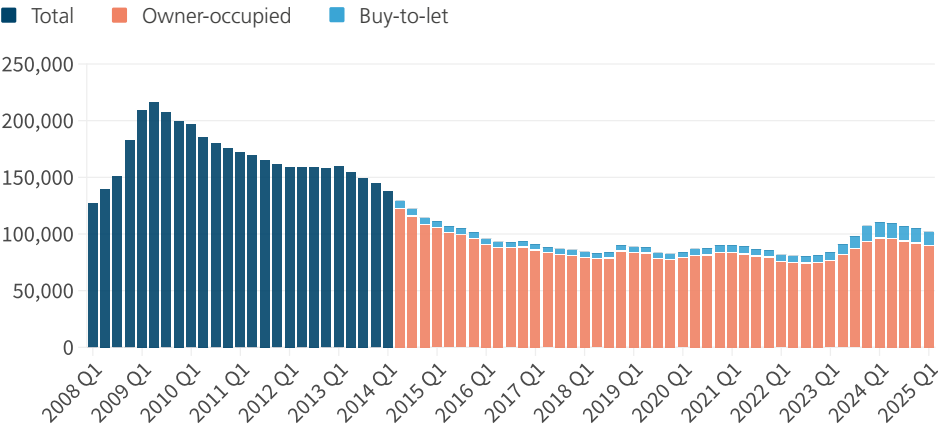
(UK Finance data)

The number of homeowner mortgages with arrears of 2.5% or more has been steadily decreasing since Q1 2024. Compared to Q4 2024, they are down by 2.2%, and compared to the same period last year, homeowner arrears of 2.5% or more are down by 6.5%.

Buy-to-let mortgages with arrears of 2.5% or more have also been decreasing, but only since Q2 2024. However, the decreases here have been more pronounced, with a quarter-on-quarter decline of 6.2% and a year-on-year drop of 12.4% compared to Q2 2024.

The decrease in arrears could, in part, be attributed to the base rate cuts made by the Bank of England. Additionally, UK Finance points out that the overall percentage of mortgages in arrears remains low, with 1.0% of homeowner mortgages and only 0.6% of buy-to-let mortgages affected.

ARREARS ON MORTGAGES, 2.5% OR MORE BALANCE OUTSTANDING



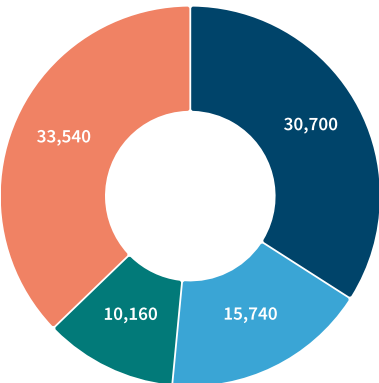
(UK Finance data)

As already mentioned, buy-to-let mortgages with arrears between 2.5% and 5% have decreased from 4,810 to 4,370 (-9.1%), those with arrears between 5% and 7.5% have reduced from 2,490 to 2,260 (-9.2%), and those with arrears between 7.5% and 10% have also decreased from 1,780 to 1,520 (-14.6%). In the buy-to-let sector, only mortgages with arrears of 10% or more have experienced a slight rise, from 3,530 to 3,680 - a 4.3% increase compared to the previous quarter.

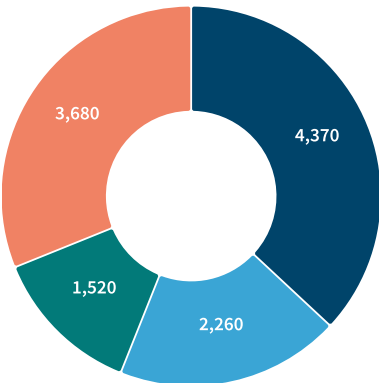
The homeowner sector shows a very similar outlook, as only mortgages with arrears of 10% or more increased from 33,450 to 33,540 – a 0.3% rise. All other arrears bands have seen quarter-on-quarter declines. Mortgages with arrears from 2.5% to 5% saw a 3.2% (31,720 to 30,700) decrease, mortgages with arrears between 5% and 7.5% saw a 4.2% (16,430 to 15,740) decrease, and mortgages with arrears between 7.5% and 10% saw a 3.9% (10,570 to 10,160) decrease.

ARREARS BY THE BANDS AS A PROPORTION OF TOTAL BALANCE

Owner-occupied arrears



Buy-to-let arrears



- Between 2.5% and 5%
- Between 5% and 7.5%
- Between 7.5% and 10%
- Greater than 10%

(UK Finance data)

Surveys & Valuations



Ross Bowen
Managing Director,
Connells Survey
& Valuation

98%

service quality,
9% ahead of
the market

5.2
days

average servicing
speed, 1.4 days
faster than
the market

“

Increased demand for Connells Survey & Valuation services continued over Q2 despite a backdrop of uncertainty on underlying housing market transactions, and following the stamp duty increase in April. This included levels of physical RICS mortgage valuations, private surveys and digital valuation reports.

We monitor transactions throughout the UK market, and it is pleasing to see growth in first-time buyer, remortgage and buy-to-let activity. In some locations, market transactions for mid-upper value properties are more subdued and continue to track behind other property sectors. Anecdotally, buyer activity is being held back due to mortgage rates not falling as far or as quickly as previously anticipated, higher living costs and an increased tax burden. The jury is out on whether the landscape for the mid-upper sector will improve over the months ahead given weak domestic economic results and the prospect of further tax rises.

Strong service levels were delivered across both quality and efficiency metrics, alongside securing excellent Feefo 5-star ratings from our customers. Integral to our business strategy, ongoing innovation resulted in launching new automated solutions to further streamline the end-to-end customer journey, including automated handling of post-valuation queries with our Securelink tool. With an extensive change programme pipeline, investment in digital transformation solutions will continue to augment our servicing capabilities.

”



Matthew Cumber
Managing Director,
Countrywide
Surveying Services

£388,244

average
valuation price
in Q2 2025

16.9%

of valuations
were buy-to-let

“

Valuations and surveys performed well in Q2 2025, with all sectors experiencing an increase from Q1 2025. Survey activity decreased slightly by 3.6% compared to Q2 2024, but rose by 5.4% versus Q1 2025. This indicates that customers continue to see the benefits of using a RICS (Royal Institution of Chartered Surveyors) Chartered Surveyor in the home-buying process.

The number of valuations increased by 15.2% quarter-on-quarter, with buy-to-let valuations making up for 16.9% of the pie. Mortgage valuations still account for the largest share, at over 70%.

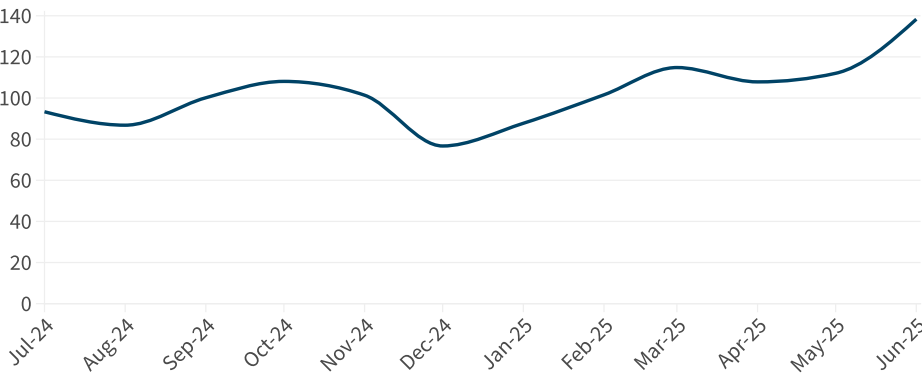
We are continuing to explore innovative methods of valuations with our clients, offering accuracy, speed and efficiency - all with backing of PI insurance. Service delivery is still our number one priority and we have invested in bringing new surveyors into our business through our pioneering academy qualifying an additional 25 surveyors this quarter.

”

Survey and valuation activity in Q2 2025 continued to demonstrate robust performance. Mortgage valuations accounted for 75.7% of the total surveys and valuations mix, marking a small increase from Q1.

The number of mortgage valuations specifically rose by 17.8% from Q1 and by 31.9% from the same time last year.

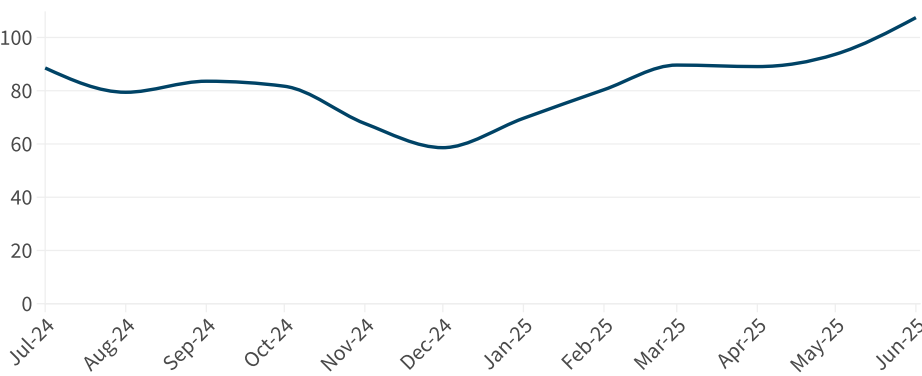
NUMBER OF MORTGAGE VALUATIONS (INDEXED)



(indexed against January 2019)

Following the trend set in Q1, the total number of surveys requested has been steadily rising. In comparison to Q2 2024, the number of surveys increased by 13.5% and by 21.1% quarter-on-quarter.

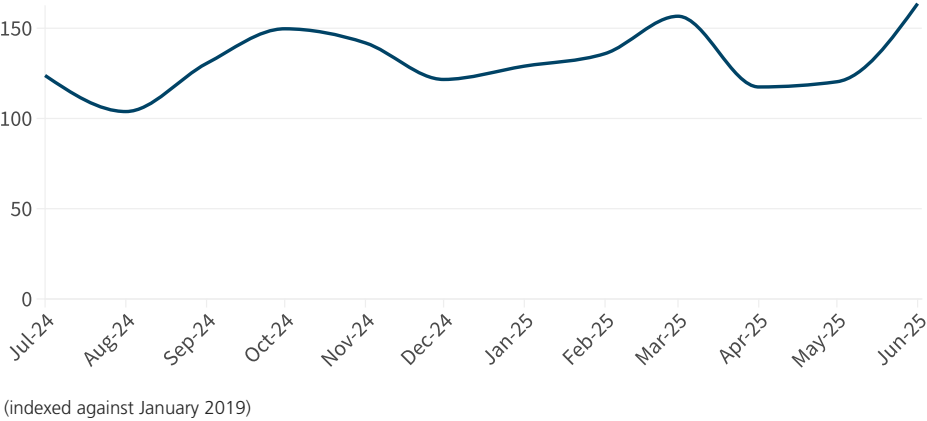
NUMBER OF SURVEYS (INDEXED)



(indexed against January 2019)

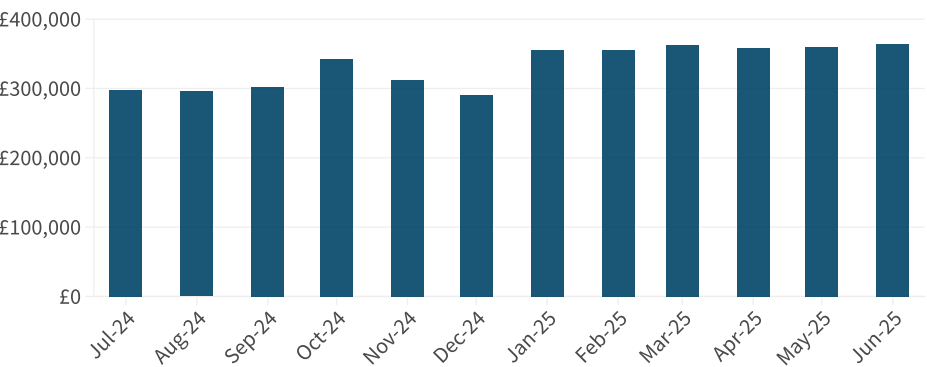
The average number of buy-to-let valuations rose by 5.8% year-on-year, which is a positive sign for the lettings industry. Furthermore, when looking at the end-of-quarter months, the total number of buy-to-let valuations increased by 21.3% year-on-year.

NUMBER OF BUY-TO-LET VALUATIONS (INDEXED)



Average valuations increased slightly by 0.2% quarter-on-quarter and by 3.4% year-on-year. Consequently, in the last month of the quarter, the average valuation price reached £363,480.

AVERAGE VALUATION PRICE



About Connells Group

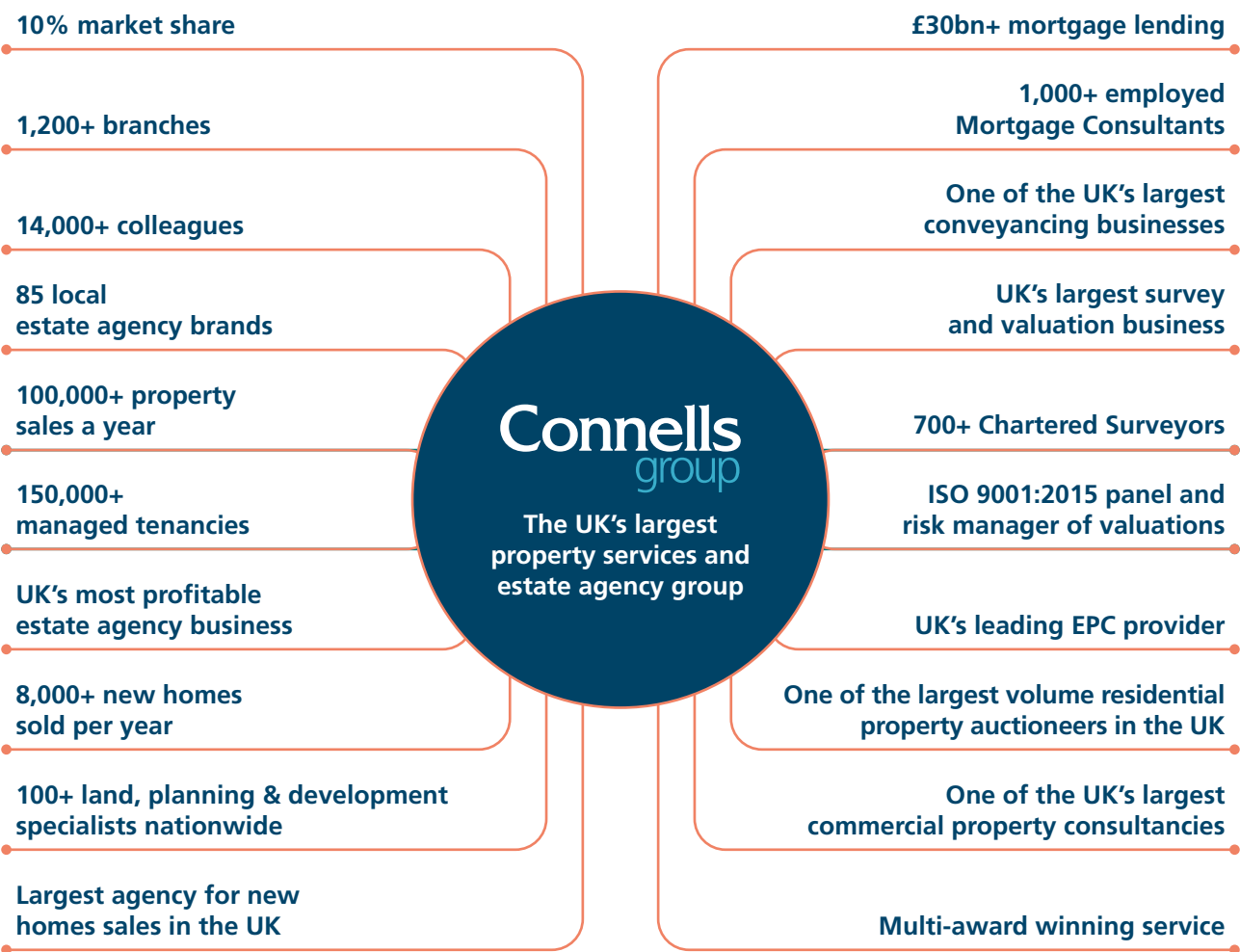
Connells Group is the largest estate agency and property services provider in the UK.

Founded in 1936, with a network of over 1,200 branches nationwide, the Group combines residential sales and lettings expertise with a range of consumer and corporate services. This includes: mortgage services, new homes, conveyancing, EPC provision, survey and valuations, corporate lettings, private rented sector, build to rent, asset management, land and planning, LPA receivers, commercial property, and auctions.

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 land acquisition and disposal, asset management, mortgage sales and distribution, corporate lettings, auctions, conveyancing, and surveying services.

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



Figures quoted for full year 2024, correct as at February 2025, based on internal data.

Our Business to Business Brands

Land, New Homes & Planning



Commercial Property



Property Auctions



Asset Management



Strategic Investments



EPCs & Inventories



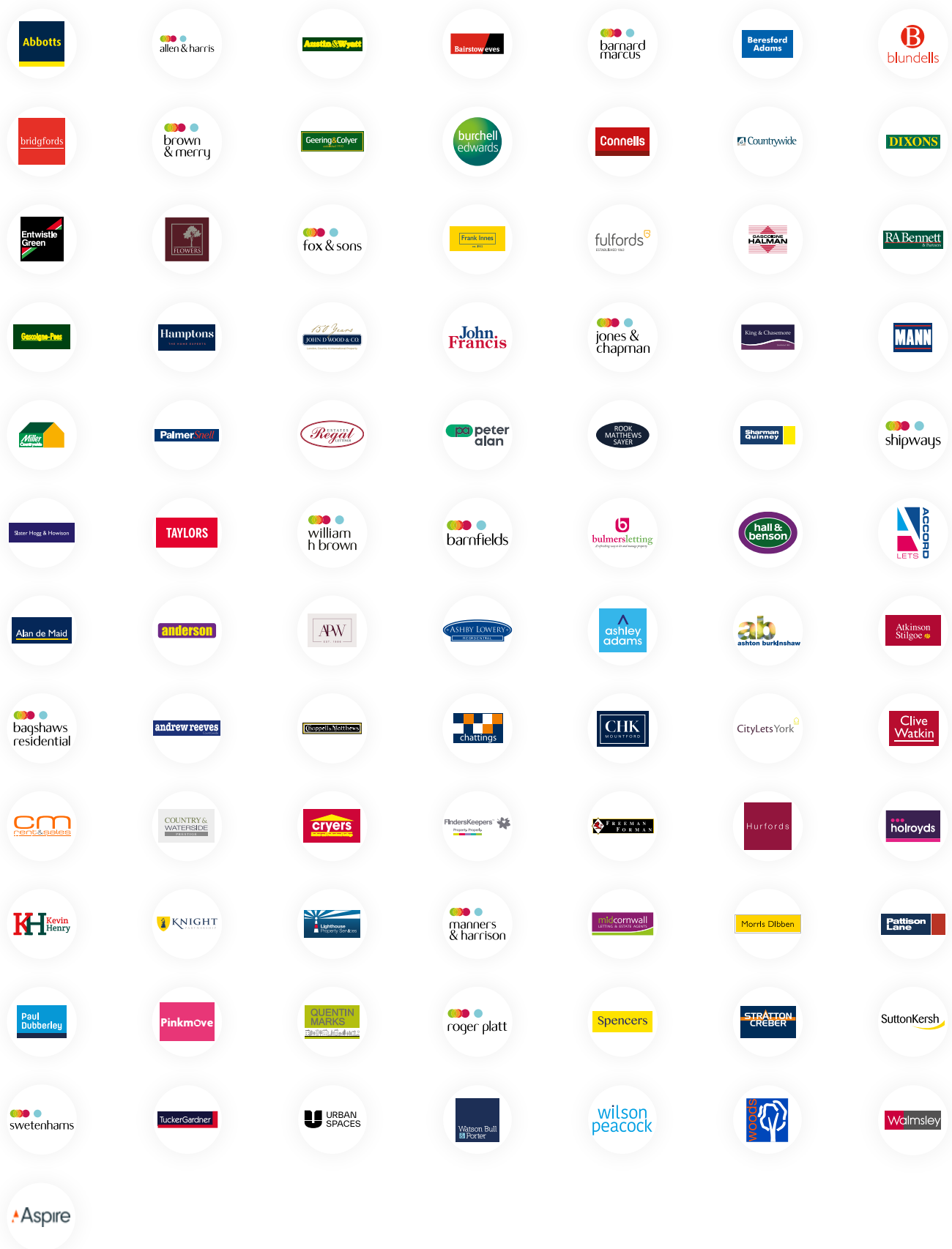
Legal Services



Surveys & Valuations



Our High Street Estate Agency Brands



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