

Market Report

QUARTER FOUR 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

A year in three acts



Helen Charlesworth
Chief Executive Officer

2025 unfolded in three acts. The year opened with a burst of activity as buyers raced to complete before the stamp duty holiday came to an end - one of the busiest starts to a year we've seen in some time, and a clear example of policy pulling demand forward.

Through spring and summer, the picture steadied. Mortgage rates edged lower, lending criteria eased, and affordability improved. Activity held up, with the market moving at a calmer, more predictable pace.

The final act was more subdued. A later-than-usual Budget and the speculation that surrounded it weighed on confidence. Some buyers and sellers paused, and activity softened towards the year-end.

The bookends of 2025 were reminders of how quickly political decisions and policy uncertainty can shape behaviour. The removal of a tax break at the start of the year, and fiscal uncertainty at the end, both left a clear mark on the market.

Amid these shifts, a more stable mortgage environment did much of the heavy lifting. Mortgage applications rose, remortgaging remained strong, and first-time buyers gained better access to higher loan-to-value products. Mortgage terms also began to normalise after two years of extension. Across the UK, Connells Group sold one in ten homes, helping to keep transactions moving as conditions changed.

There were also early signs of progress in the transaction process. LMS, which has been supporting efforts to streamline conveyancing and speed up the home buying and selling process, reported positive results from its first pilot - a small but important step towards a faster, more transparent transaction journey.

Looking ahead to 2026, the backdrop is more supportive. Lower inflation and the prospect of further rate cuts should continue to ease affordability, and households that bought during the 2021 boom will start to consider their next move. But the housing market works best when its moving parts are aligned. Stability in mortgage pricing, underpinned by a steady economic backdrop, alongside a reliable supply of new homes, modest but consistent landlord investment, and sustainable house price growth, all matter.

Last year showed how easily confidence can be buffeted by policy noise. What the market needs now is clarity and visibility, backed by a coherent, long-term housing strategy, so households and the industry can plan and act with confidence.



Sales Market

Activity holds despite Q4 headwinds



Chris Rosindale
Chief Operating Officer

33.5%

Share of buyers
who were first-time
buyers in Q4 2025
(record high)

61
days

Average time
for a home to
go under offer
in Q4 2025

+3.0%

Increase in
sales agreed
in 2025
versus 2024

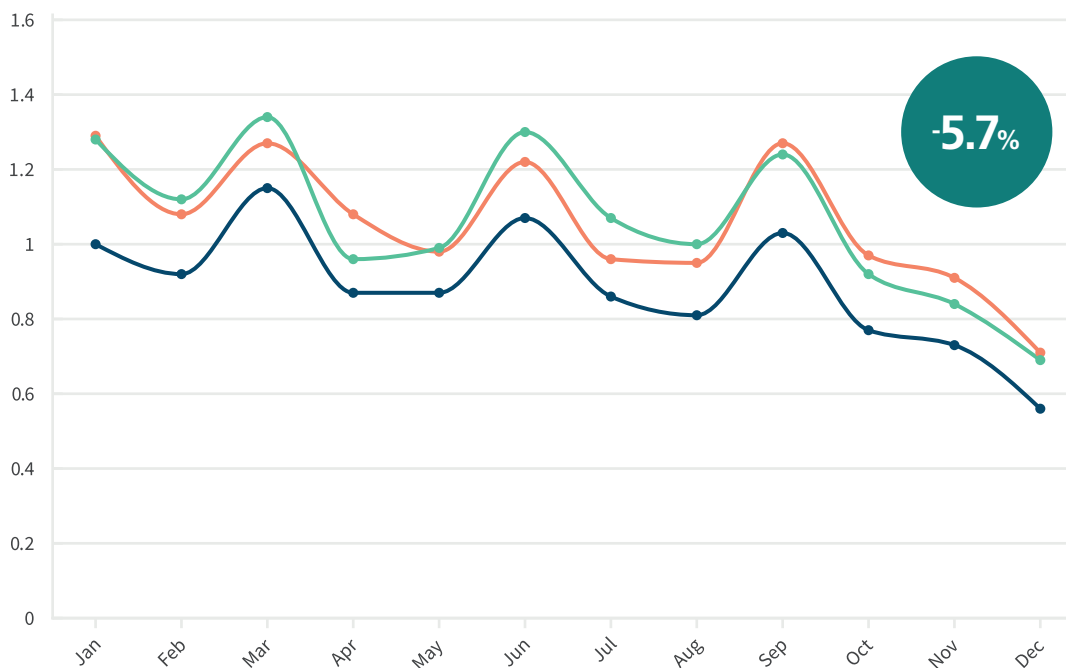
Demand holds firm - until the Budget

Despite the fairly subdued economic backdrop, buyer demand proved resilient. In 2025, we registered 0.4% more applicants than in 2024, supported by improved affordability and easing lending requirements.

But the mood shifted in Q4. Applicant volumes fell 5.7% year-on-year, with November marking the sharpest drop (-8.3% YoY) before a modest improvement in December (-3.0% YoY). The caution was most pronounced in higher-value Southern regions, where whispers of tax changes weighed more heavily. Even so, falling mortgage rates towards year-end helped steady confidence and kept buyers engaged in the process.

APPLICANT REGISTRATIONS INDEX

■ 2019 ■ 2024 ■ 2025



-5.7%

Year-on-year
fall in applicant
registrations in
Q4 2025

(indexed against January 2019) | Source: Connells Group

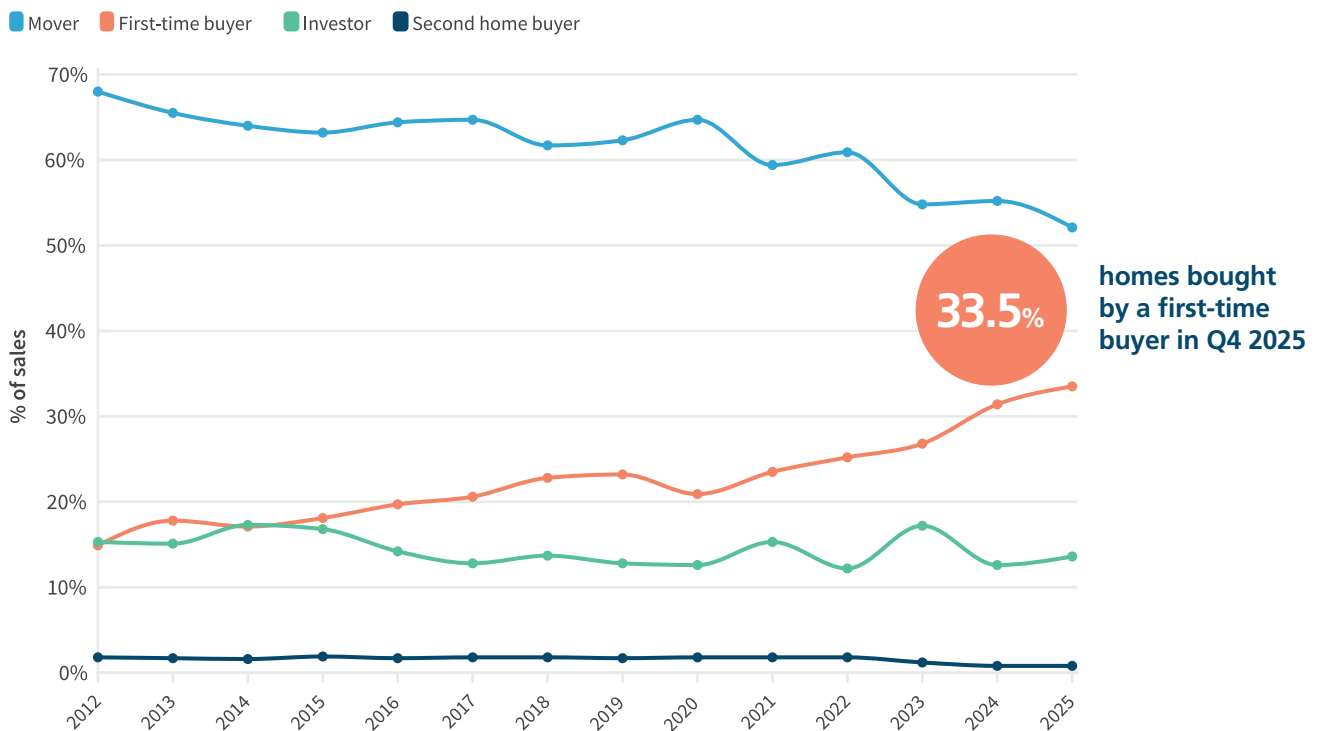
First-time buyers step up as movers retreat

Changing conditions reshaped the buyer mix. Earlier in the year, movers - particularly upszers - were making a comeback, but their share slipped back to 52.1% in Q4, down from 55.2% in the same quarter the year before.

In contrast, first-time buyers continued to gain ground. They accounted for a record 33.5% of purchases across Great Britain in Q4 2025, up from 31.4% a year earlier. For many, easing affordability tests and more competitive high-LTV mortgage deals made buying more achievable.

Buy-to-let investors also edged back in, purchasing 13.6% of homes sold in Q4, slightly higher than the 12.6% seen a year earlier. However, activity remains concentrated among larger landlords chasing higher yields in Northern markets.

BUYER TYPES



Source: Connells Group

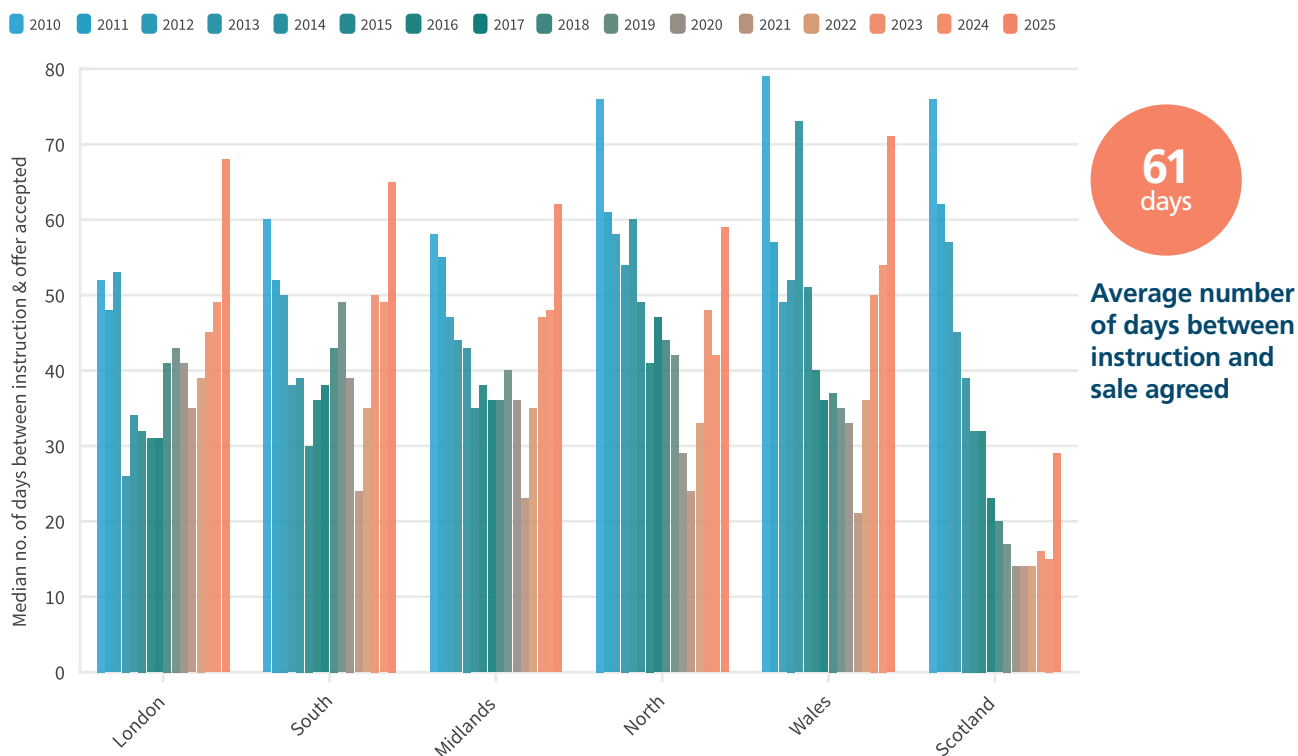


Supply builds, selling times stretch

Seller confidence held firm throughout the year. New instructions rose 2.8% year-on-year in 2025, and December listings were broadly unchanged from the previous year (-0.1% YoY). The growth in supply gave buyers more choice, with the number of available homes 5.2% higher in Q4 than a year earlier.

More stock, combined with softer demand, lengthened selling times. The average home in Great Britain went under offer in 61 days in 2025, 15 days slower than a year ago, and the slowest Q4 since 2010. London saw the biggest increase, with properties taking an additional 19 days to secure a buyer - more than twice as long as a decade ago. Generally, these higher-value markets have proved more sensitive to high interest rates and shifts in economic and political sentiment.

AVERAGE NUMBER OF DAYS TO SELL IN Q4



Source: Connells Group

Sales agreed and prices under pressure

Despite the quieter finish, 2025 still delivered growth in agreed sales. Across Great Britain, agreed sales rose 3.0% compared with 2024 and were 1.6% above 2019 levels.

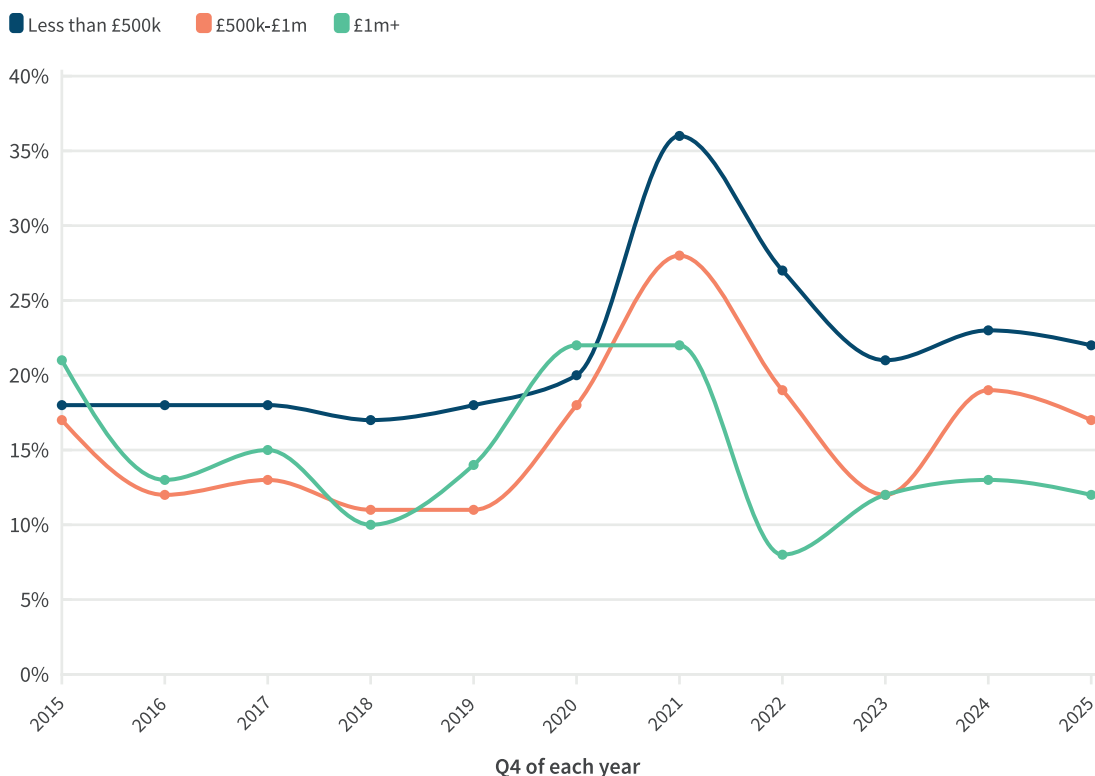
However, Q4 saw a step back, with agreements down 5.1% year-on-year, reflecting the impact of Budget-related uncertainty, which will affect completion numbers in early 2026. Even so, activity remained 18% higher than in Q4 2019, a period marked by political uncertainty during the December election when Boris Johnson ultimately secured his decisive victory.

Price trends mirrored this slowdown. Agreed prices have been falling annually since May, shortly after the stamp duty holiday ended. In Q4, the average agreed price on a property in Great Britain was 4.5% lower than a year earlier, compared with a 0.6% decline in Q3.

Despite this, discounts have remained stable: 22% of homes in England and Wales sold above their final asking price in Q4 2025, broadly unchanged from last year. The average discount held at 1.6%, still below the pre-Covid norm of 2.0%. At the top end, pricing was more sensitive: only 12% of £1m-plus homes sold above asking, with an average discount of 4.1%.

Exchange prices, which lag agreed prices by around three months, were 1.3% lower year-on-year in Q4, reflecting deals agreed earlier in the autumn.

SHARE OF HOMES SOLD ABOVE THEIR FINAL ASKING PRICE



Source: Connells Group

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What's Next for 2026?

The outlook for 2026 is steady rather than spectacular.

Falling inflation and the prospect of further base rate cuts should help average mortgage rates settle around 4%, improving affordability and supporting modest price growth.

We expect house prices across Great Britain to rise by around 2.5% in the year to Q4 2026, with the Midlands and the North set to see slightly stronger performance.

Prime markets, particularly in London, are likely to remain subdued as tax changes and political uncertainty temper buyer appetite. More broadly, regional differences look set to widen as the market continues to shift away from London towards more affordable parts of the country.

Transaction volumes should hold at around 1.15 million over the year, driven primarily by households who need to move rather than discretionary activity.

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Land & New Homes

Pipeline conditions: stabilising,
but still stretched



Jason Howes

Group Land & New Homes
Managing Director

57%

2025 launch-
to-sales ratio

-34%

decrease in
planning consents
Q3 2025 vs Q3 2024

The challenges that have beset the UK's housebuilding sector over recent years persisted into the latter half of 2025. Falling mortgage rates helped widen the pool of potential new-build buyers, but sentiment remained subdued. Elevated material and labour costs, a convoluted planning system and high development finance rates continued to restrain both activity and decision-making - and all of this showed clearly in the data.

The latest House Builders Federation (HBF) data points to the scale of the challenge: residential units approved in Q3 2025 were down 34% year-on-year, the lowest quarterly total since 2012, with the number of schemes falling 45% over the same period. While starts on site recorded by the Ministry of Housing, Communities and Local Government (MHCLG) have rallied over the year to September 2025, rising by 12% over the equivalent period in 2024, activity remains 31% lower than the first nine months of 2023. In other words, momentum has stabilised from last year's lows but remains well below historic norms.

Firm-level stress and the post-Help-to-Buy gap

Additional stresses are evident in firm-level data. Analysis of Companies House records shows that in the year to September, 12,904 housebuilders were either in administration or in the process of being wound up - 63% (4,994) more than in September 2022, and 240% more than in September 2019. The void left by Help-to-Buy has played a part: 71% of companies in administration over the latest period were founded between April 2013 and 2023, when the scheme was in operation.

However, Connells Group data points to resilience at the point of release. New home launches fell by just 1% in 2025, suggesting developers are broadly holding their positions. This indicates that pressures lie further back in the pipeline at the planning and construction stage.

Delivery against ambition

Against this backdrop, the Government's ambition of delivering 1.5 million net additional homes during this parliament looks increasingly challenging. The latest estimates from the MHCLG suggest that around 208,600 net additional dwellings were created over the financial year 2024/25, some 12,810 fewer than in the previous year. At this rate, annual delivery would need to rise to an average of 322,850 per year through to 2028/29 - 55% more than the number delivered in 2024/25, which underlines the scale of the task.

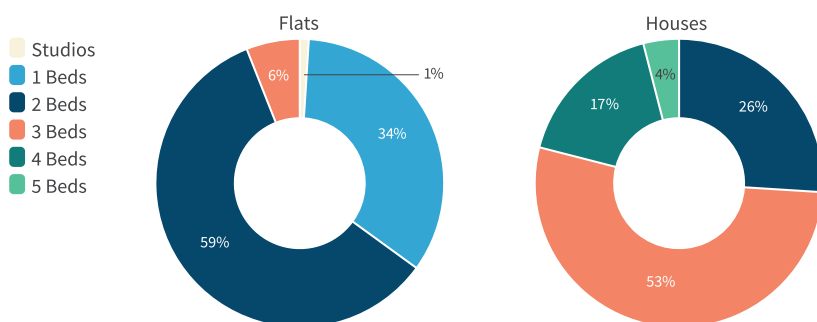
What's converting (launch-to-sales): the clearest demand signal

Amid the wider challenges facing the sector, the underlying demand for new homes persists, particularly for certain property types. Connells Group data reveals that while buyers remain active, they are concentrating on homes that offer the right balance of affordability, space and long-term value.

Smaller houses continue to be the most dependable part of the market. Two-bed houses remained one of the strongest converting unit types last year, with around 65% of launched homes securing a buyer in 2025. However, they accounted for only 26% of the sales mix, pointing to lower supply rather than weaker demand for this type.

Three-bed houses showed similar resilience and accounted for just over half (53%) of all new home sales in 2025, underlining both their popularity and the depth of demand from first-time buyers and young families. These homes offer future-proofed space and manageable running costs, qualities that have become increasingly important as affordability has begun to improve.

SALES MIX IN 2025



Source: Connells Group

Flats present a more mixed picture. Demand for smaller, more affordable apartments remains steady. One-bed flats converted at around 57%, while two-bed flats were close behind. But larger apartments struggled to keep pace. Three-bed flats, with a conversion rate of around 60%, underperformed their smaller counterparts, reflecting a continued shift among space-seekers towards houses rather than bigger flats.

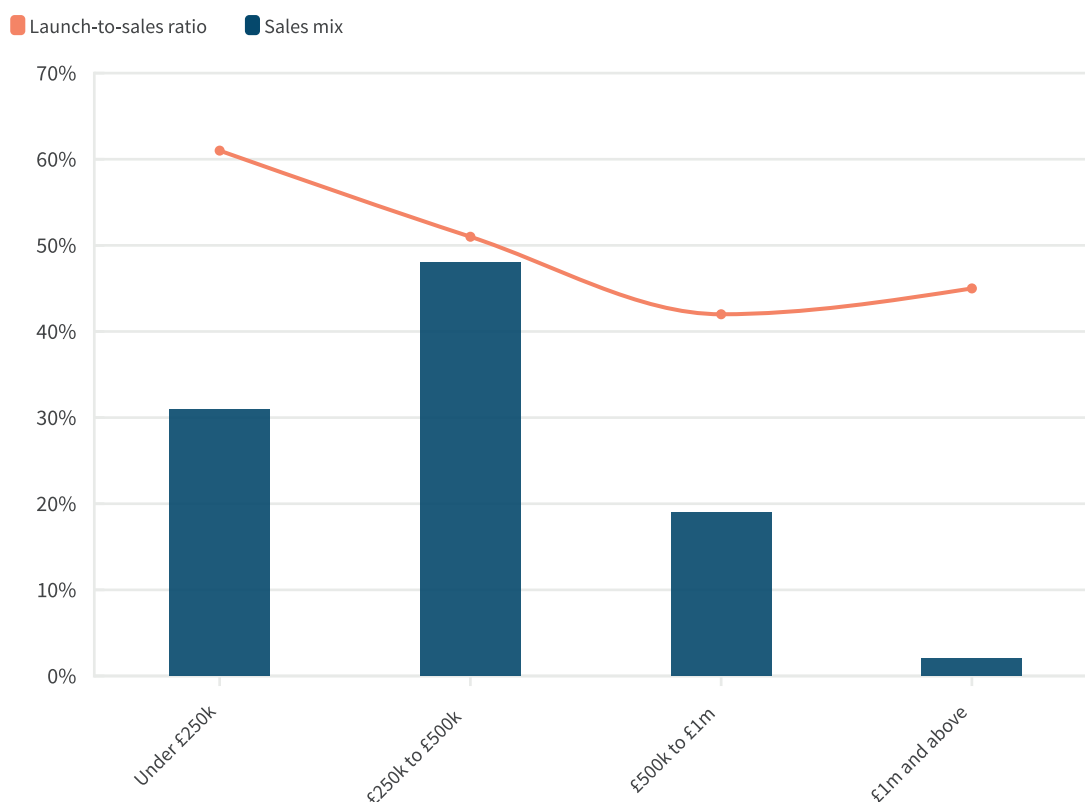
At the upper end of the ladder, demand has tapered. Four-bed houses converted at 48%, falling to 41% for homes with five or more bedrooms. These more discretionary purchases rely heavily on upsizers, a group that has remained cautious through 2025. As a result, larger homes accounted for a smaller share of activity last year, comprising just 21% of all new build house sales.

Affordability remains the clearest driver of demand. Homes priced under £250,000 posted the strongest conversion rate at around 61%. Meanwhile, the mid-market - properties between £250,000 and £500,000 - dominated the sales mix, making up 48% of transactions.

At the top end, where new builds priced above £1 million represented just 2% of sales, conversions softened to around 45%, reflecting slower activity in prime locations where buyers became more cautious.

Regionally, performance depended as much on supply pipelines as on demand. The North East stood out as the only English region to record significant annual growth in gross new-home sales, rising 24% year-on-year. The South West also edged into positive territory at 0.7%, while activity elsewhere remained more muted, reflecting both weaker demand and constrained supply pipelines.

SALES MIX AND LAUNCH-TO-SALES RATIO BY PRICE POINT IN 2025



Source: Connells Group

Off-plan: investor-led strength in Northern cities

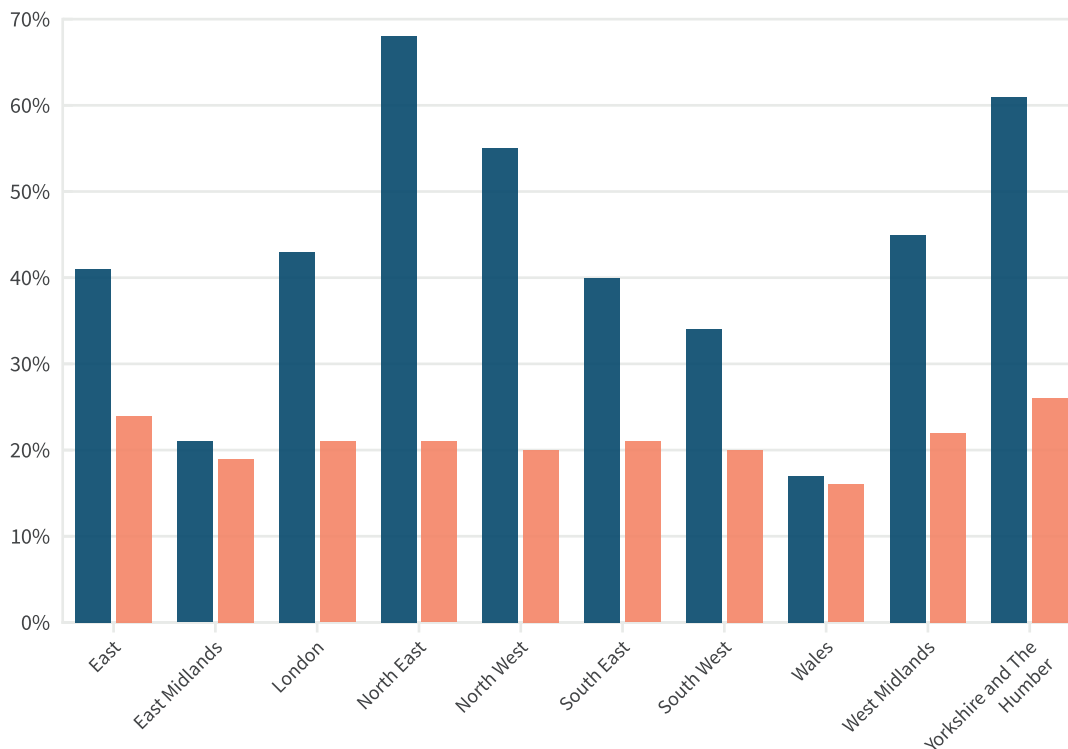
Off-plan sales remain an important indicator of confidence and are a crucial component of developers' cash flow. The share of properties estimated to have sold before practical completion fell to 29% in 2025, down from 35% the previous year and well below the pre-Covid average of 46%. This predominantly reflects reduced investor activity amid tax changes and economic headwinds, as well as slower house price growth.

Even so, off-plan sales held up in pockets of the country - notably Northern city-centre apartment markets - where an estimated 68% of flats in the North East and 55% in the North West sold before completion. These sales are predominantly investor-led, and the prospect of higher yields means buy-to-let demand remains firm in these regions. In fact, the North East is the only region where landlords bought a higher share of homes than in 2016.

For houses, off-plan demand was more modest, with the highest levels found in Yorkshire & the Humber (26%) and the East of England (24%). As the chart shows, flats were more likely to sell off-plan than houses in every region. The mix helps explain why: off-plan buyers are predominantly investors who typically favour cheaper apartments popular with renters. Movers, by contrast, are more likely to buy houses and are far less likely to purchase off-plan, not least because their equity is typically tied up in an existing home, making a simultaneous sale and onward off-plan purchase harder to sequence.

PROPORTION OF HOMES SOLD OFF-PLAN BY PROPERTY TYPE & REGION IN 2025

■ Flats ■ Houses



Source: Connells Group

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Outlook: costs easing, demand firming - gradually

Looking ahead, easing inflation should start to relieve pressure on housebuilding costs, bringing some predictability back into viability modelling. At the same time, falling mortgage rates are likely to lift buyer demand, supporting reservations into the spring and improving the sales environment for new schemes.

Nevertheless, sluggish house price growth in recent years has eaten into developers' profit margins, exacerbated by diminished demand from housing associations for affordable housing within private schemes.

The National Housing Policy Framework, published late last year, promised a suite of measures to support residential development, but meaningful progress towards the Government's housebuilding aspirations will hinge not only on streamlining planning and tackling structural barriers that constrain supply, but also on exploring targeted demand-side measures to support buyer affordability and absorption.

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Residential Lettings

A decade of change, five strong years, and a 2025 reset



Ian Culbert
Group Lettings
Managing Director

-0.7%

**New let rent down
year-on-year in 2025**

+3.3%

**Renewal rent up
year-on-year in 2025**

-8.0%

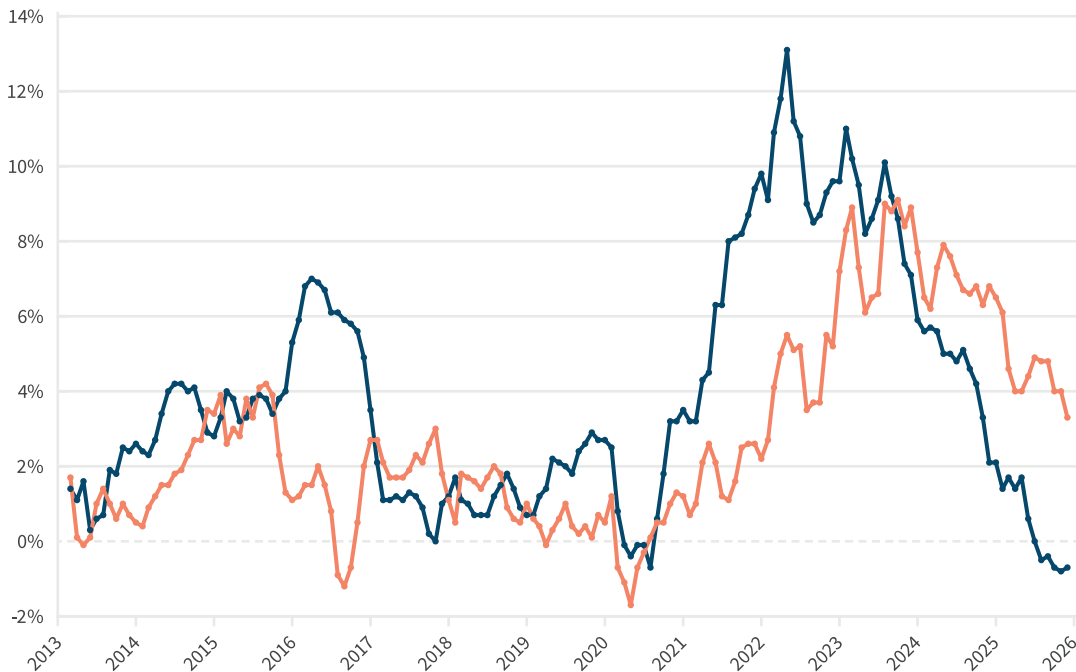
**Decrease in the
number of tenant
registrations in 2025
versus 2024**

+6.2%

**Year-on-year
increase in available
stock in 2025
versus 2024**

YEAR-ON-YEAR RENTAL GROWTH ACROSS GREAT BRITAIN

■ New Let ■ Renewal



Source: Connells Group

The private rented sector has changed markedly over the past decade. Landlord costs and regulations increased, gradually reshaping supply by reducing the pace of new investment. At the same time, working patterns shifted, household formation picked up after the pandemic, and higher mortgage costs kept more would-be first-time buyers in the rental market for longer. Together, those factors set the scene for a sustained period of strong rental growth, particularly in 2022 and 2023.

Rents on newly let homes rose quickly, with renewals catching up more gradually. Over the last five years, new let rents rose by an average of 33.7% or £318 per month across Great Britain, and renewal rents increased by 28.3% as landlords used tenancy anniversaries to bring existing contracts closer to open-market levels.

2025: why growth slowed

Last year, however, marked a shift towards more normal conditions. Through 2025 - and particularly into Q4 - rental growth cooled as affordability tightened and choice improved.

Connells Group data shows new instructions were up 3.8% year-on-year in 2025, while new applicants looking to rent fell by 8.0%. That brought the market from scarcity to a better balance, with an average of 4.5 applicants per new instruction in Q4 2025, down from a peak of 7.7 in January 2022. With more homes to choose from and fewer active applicants, asking prices on newly marketed properties softened.

By the end of 2025, new let rents in Great Britain were 0.7% lower year-on-year, with London down 2.7% and which took average values back to mid-2023 levels. Even so, rents remain high: the average tenant in Great Britain paid £1,371 per month, only £10 less than a year earlier - evidence of slower growth rather than a material step down in rents.

Regionally, 2025 began with just one area in decline (London); by December, five of 11 regions across the country were showing negative annual growth on new lets. Rents continue to rise in most of the Midlands and the North of England, with the North West posting the strongest rental growth (+2.5%) in 2025.

APPLICANTS REGISTERED PER NEW RENTAL INSTRUCTION



Source: Connells Group

New lets vs renewals: the gap narrows

While pricing on new lets cooled in Q4, renewal rents continued to grow (+3.3% YoY). That's consistent with a normalising market: fewer sharp increases on new listings, but steady catch-up within existing tenancies.

Over five years, renewals have now increased by 28.3%, compared with a 33.7% uplift in new lets, narrowing the gap between what sitting tenants and new movers pay for similar homes.

Operationally, activity held up well. Despite the softer backdrop, Connells Group facilitated 1% more move-ins than in 2024 - helped by greater choice, but restrained by weaker demand.



New lets = 33.7%
Renewals = 28.3%

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Outlook: How the Renters' Rights Act may shape 2026

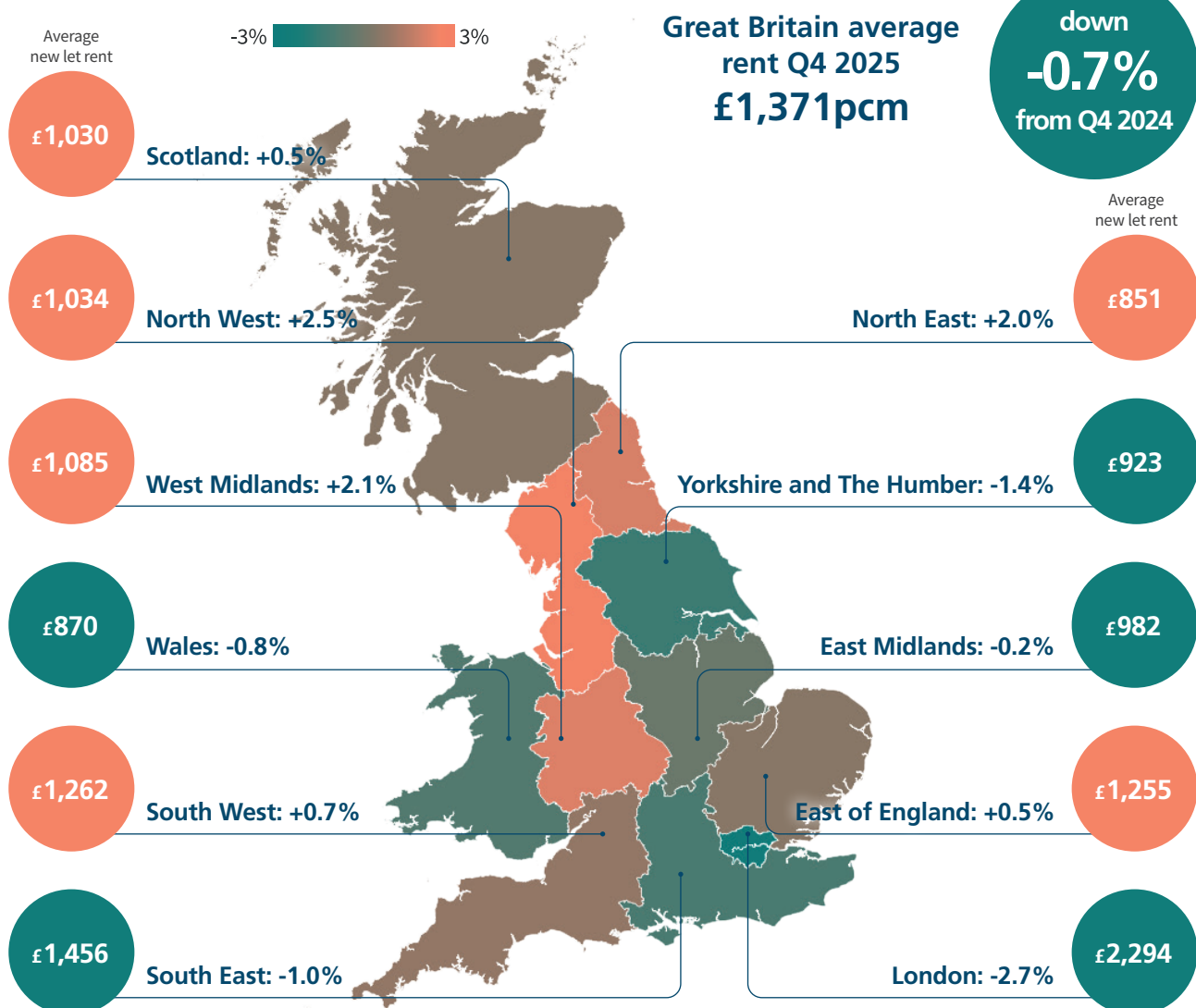
The next major turning point for the rental market arrives in May, when the Renters' Rights Act comes into force. One of the most significant changes is the ban on tenants offering above the advertised asking rent. This is likely to reshape the relationship between asking and achieved rents, at least in the short term. Landlords may respond by setting slightly higher asking prices, while achieved rents could initially adjust more gradually as tenants test where the new boundaries lie.

Longer-term effects will take time to bed in. Some landlords may find the added administrative requirements more onerous, and a small minority may consider scaling back their portfolios, gently reducing stock. For most, however, the reforms are unlikely to prompt a fundamental shift in behaviour; longer-term landlords are expected to remain in the sector, even as they adapt to a framework that may feel more complex.

What is more likely to evolve is the approach landlords take to pricing. Rising costs and a heightened sense of risk will encourage closer alignment between asking rents and prevailing market values. If investment levels remain subdued, any slow erosion of supply could place renewed upward pressure on rents over time. Taken together, these forces suggest a period of subdued growth in the first half of 2026, with the potential for rents to firm up again towards the end of the year as the market adjusts to the new rules.

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YEAR-ON-YEAR RENTAL GROWTH BY REGION IN 2025



Source: Connells Group

Mortgage Services

Remortgages lead as purchases weaken late in the year



Graham Closier
Group Mortgage
Development Director

+19.0%

**growth in
remortgage
applications
in 2025 v 2024**

22.0%

**first-time buyers using
90%+ LTV in Q4 2025,
the highest proportion
since 2007**

+24.5%

**growth in buy-to-
let remortgages
year-on-year
in 2025**

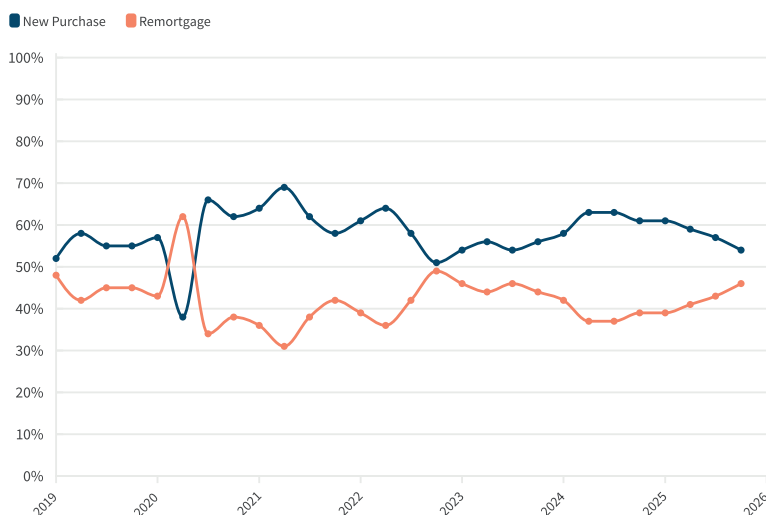
Mortgage borrowing increased in 2025, though the pattern shifted as the year progressed. Overall applications were 7.8% higher than in 2024, supported by easing mortgage rates and regulatory changes that modestly increased how much households could borrow.

Meanwhile, new purchase applications broadly tracked the sales market. They were firmer through spring and summer, then weakened in Q4 when the later-than-usual Budget introduced uncertainty and prompted some buyers to wait.

Remortgages drove growth

Most of the uplift in activity came from remortgaging, powered by two clear borrower cohorts. First, the strength of the 2020 market - when many buyers locked into competitive five-year fixes - fed through into 2025 as those loans reached maturity and borrowers refinanced. Alongside this, a wave of customers who chose two-year fixes in 2023 were keen to remortgage as rates fell back from their peaks, reducing monthly costs.

SHARE OF MORTGAGE APPLICATIONS: NEW PURCHASES V REMORTGAGES



Source: Connells Group

Together, these effects lifted remortgage applications by 19.0% year-on-year, compared with a 3.0% rise in new purchase applications.

In Q4, as purchase demand softened ahead of the Budget, remortgage activity was 24.5% higher than a year earlier, helping steady overall volumes. By December, purchases accounted for 53% of new applications, down from 59% a year earlier and well below the 69% peak in May 2021 during the Covid-induced stamp duty holiday surge.

First time buyers: borrowing capacity and product mix

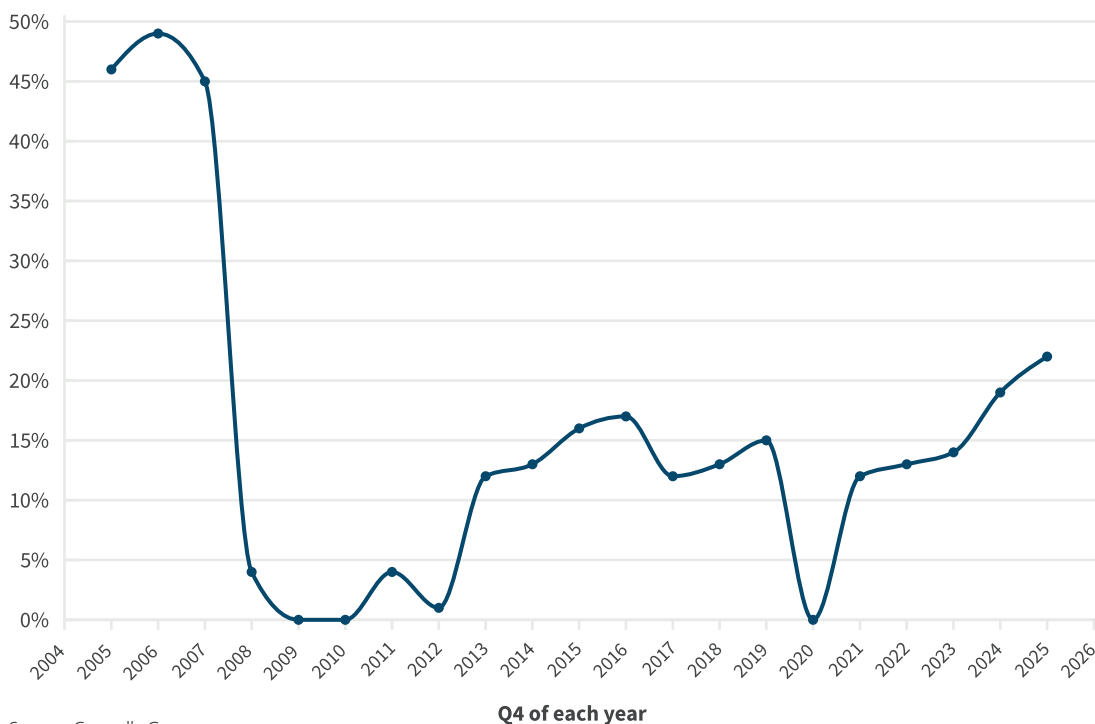
Affordability improved through a combination of lower mortgage rates, changes to loan-to-income limits and softer stress tests. Lenders varied in how fully these adjustments were fed through to product availability, but many first-time buyers found they could borrow a little more than a year earlier.

Access to higher LTV products improved too. Twenty-two per cent of first-time buyers used a 90%+ LTV mortgage in Q4 2025, the highest share in any quarter since 2007, and up from 19% in Q4 2024. This helped underpin demand from new buyers, with purchase applications up 4.8% over the year, compared with 1.7% for movers.

Loan terms are telling a similar story. As pressures eased, the share of first-time buyers taking long mortgages began to retreat towards historic norms. In Q4 2025, 50% of first-time buyers opted for a 30-year or longer term, down from 58% in Q4 2022 when rates peaked. The shift was even more pronounced in London, where, for the first time since 2017, less than half of first-time buyers took out terms of exceeding 30 years.

Consistent with this, the average first-time buyer term across Great Britain fell to 30.7 years in Q4 2025, down from 31.3 years at the height of rate pressures in Q3 2023.

SHARE OF FIRST-TIME BUYERS TAKING OUT 90%+ LTV MORTGAGES



Source: Connells Group

Investors: refinancing up, new purchases still cautious

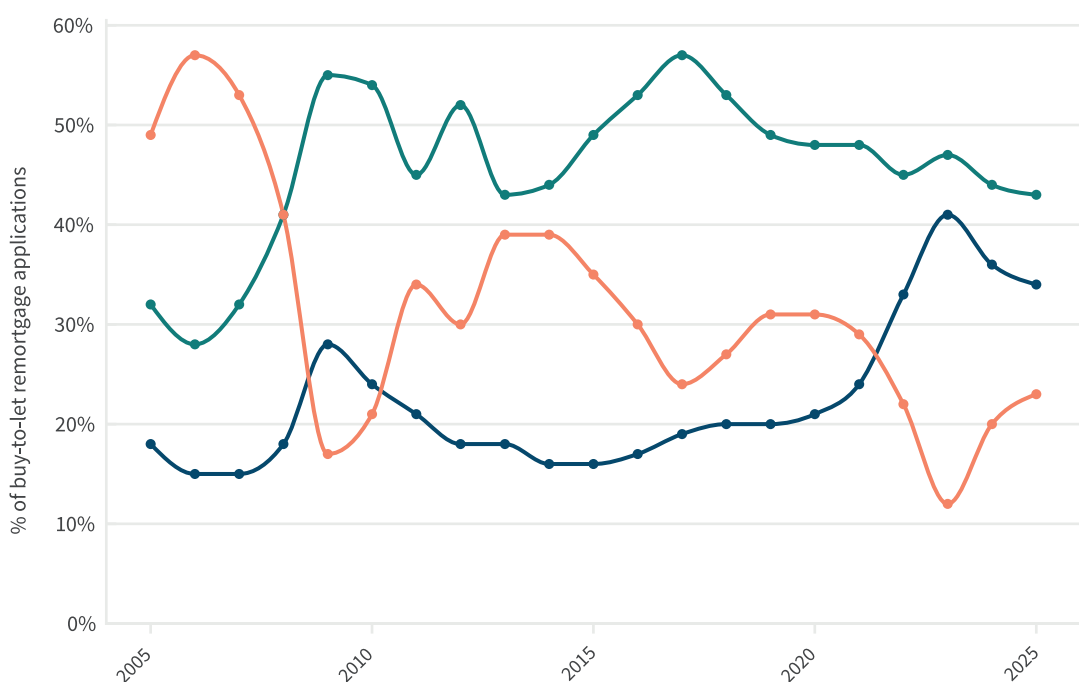
Investor activity was split between refinancing and acquisitions. Buy-to-let remortgage applications were 24.5% higher than a year earlier as landlords sought to refix at lower rates, which suggests many are reshaping portfolios rather than exiting. By contrast, new buy-to-let purchase applications fell 3.2% over the year, including a 5.1% decline in Q4. Even with rates edging down, product fees and higher stamp duty kept upfront costs elevated, so new investments remained harder to justify.

Lower rates, however, did increase what investors could borrow compared with the year before. The average loan-to-value (LTV) on a buy-to-let mortgage rose to 55% in Q4 2025, back in line with 2022 levels, before the mini-Budget. Even so, it remains below the 60%+ LTV average seen before 2020, when mortgage interest could be fully offset in personal ownership.

Among new buy-to-let purchases, whilst still relatively scarce, the average LTV returned to 72%, up from 68% in 2023 when higher rates constrained borrowing. Regional differences are clear. In the North, higher yields allowed new investors to stretch LTV's further, whereas in the South, larger deposits are still typically required to make the sums stack up.

LOAN-TO-VALUE PROFILE FOR BUY-TO-LET REMORTGAGES

■ <50% LTV ■ 51%-70% LTV ■ 70%+ LTV



Source: Connells Group

Structure matters: more incorporations and company lending

Landlords also continued to adapt how they hold property. 2025 was a record year for the number of new buy-to-let companies set up, reflecting a shift towards incorporation in response to the tax environment, particularly for higher-rate taxpayers, for whom company ownership can be more efficient.

Lending patterns mirror this change. Three quarters of our buy-to-let new mortgage business is now written through limited companies, underlining the growing demand for specialist products in this space.

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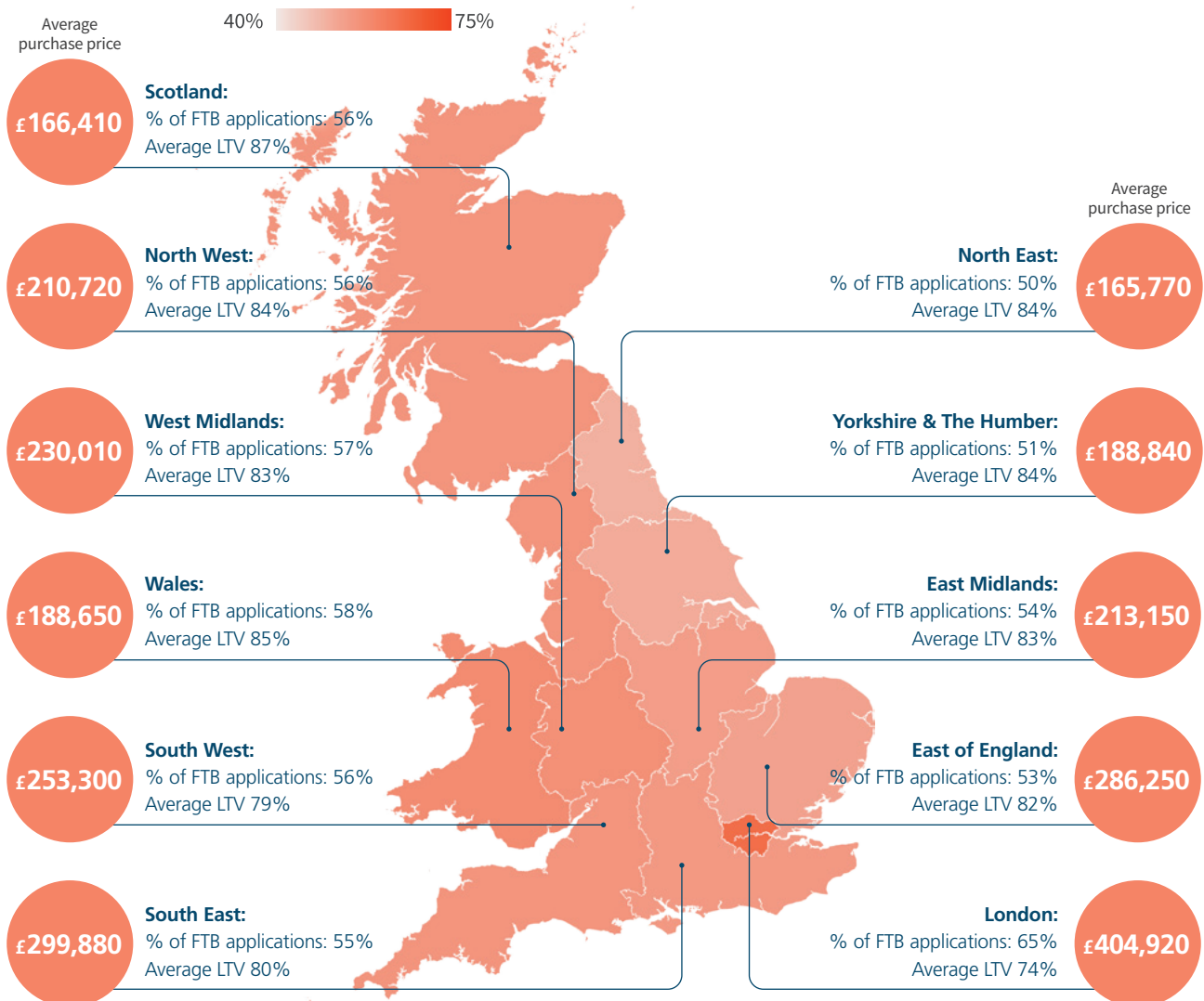
Outlook

2026 is likely to be a busy year for remortgaging. The post-Covid housing boom in 2021 - the strongest year for transactions in more than a decade - means a large cohort of borrowers on five-year fixes will come to the end of their deals. This means that we are close to the point where the last households on ultra-low five-year rates roll off, so the pass-through from higher base rates is largely complete for this group.

As markets price in lower inflation, mortgage rates should continue to ease in early 2026. We expect to see more sub 3.5% deals for lower-risk borrowers with higher deposits, improving affordability at the margin and supporting a more consistent flow of purchase applications. Together, these shifts point to a steadier and more predictable mortgage market in early 2026, with affordability gradually improving and activity supported by calmer pricing.

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SHARE OF NEW PURCHASE APPLICATIONS FROM FIRST-TIME BUYERS



Source: Connells Group

Asset Management

Arrears volumes cool as affordability pressures ease



Grahame Pritchard
Corporate Property Services
Managing Director



Simon Matthews
Asset Management Group
Managing Director

0.97%

of homeowner
mortgages in arrears
by at least 2.5% in
Q3 2025

-10.1%

fall in the number of
homeowner mortgages
with +2.5% arrears
(Q3 2025 v Q3 2024)

-19.8%

decline in buy-to-let
mortgages with
+2.5% arrears
(Q3 2025 v Q3 2024)

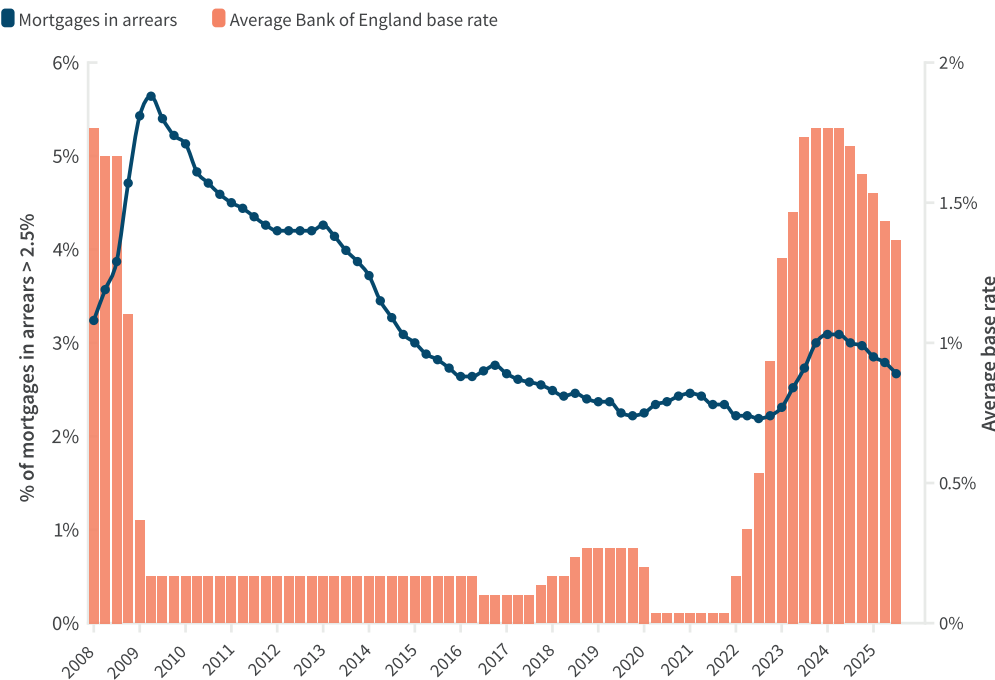
2,290

total number
of possessions
in Q3 2025

Mortgage arrears have fallen over the past year, pointing to a steadier backdrop for borrowers. This improvement largely reflects better affordability, as interest rate cuts have eased monthly payment pressures and given households and landlords some breathing space.

UK Finance data shows that just 0.97% of homeowner mortgages were in arrears of 2.5% or more in Q3 2025, down from a recent peak of 1.1% in Q2 2024. Arrears rates have almost returned to pre-Budget 2022 levels, when rates started to rise, and are broadly in line with those seen a decade ago. Among buy-to-let borrowers, the share was even lower at 0.54%, compared with 0.67% a year ago. Together, these changes point to growing borrower resilience as lower mortgage costs filter through the market.

SHARE OF MORTGAGES IN +2.5% ARREARS



Source: UK Finance & Bank of England

Owner-occupiers

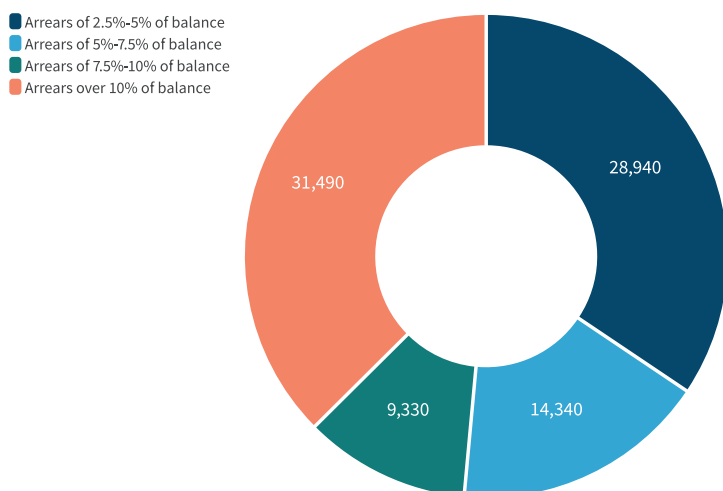
Among owner-occupiers, the number of mortgages in arrears of at least 2.5% fell by 10.1% year-on-year and 3.8% on the quarter. The improvement reflects a shift in affordability, as interest rate cuts earlier in the year reduced monthly payments and eased financial strain for many households.

The decline spans all severity bands. Mid-range arrears fell sharply, with balances of 5–7.5% down 15.3% and those in the 7.5–10% band down 13.2% year-on-year. Even the most serious cases - over 10% of the balance - recorded annual and quarterly declines after holding flat last quarter. This suggests that households under the greatest pressure are finally starting to benefit from lower borrowing costs and a more stable rate environment.

Despite improvements in arrears, possessions among owner-occupiers are still edging up. In Q3 2025, possessions increased by 3.7% quarter-on-quarter, continuing the upward trend that began in late 2023 when mortgage rates were at their peak. This lag reflects the time it takes for severe arrears to progress through lender processes. Missed payments accumulate, repayment plans fail, and only then do cases move toward legal action and, ultimately, possession. So even as affordability improves today, earlier arrears are still working their way through the system. According to the Ministry of Justice, the median duration from a claim to possession is 46.1 weeks. Given that claims themselves are typically made some time after arrears first emerge, elevated possession levels are likely to continue in the near term, even as arrears continue to improve.

Even so, the pace of possessions has slowed. After an 18% jump between Q4 2024 and Q1 2025, followed by a 10% rise in the next quarter, the latest increase is far more modest. In total, 2,290 properties were taken into possession in Q3 2025 - the highest quarterly figure since Q3 2015. However, we're likely close to the peak. As the backlog of historic arrears clears and improved affordability eases pressure, possession activity should begin to level off.

NUMBER OF HOMEOWNER MORTGAGES IN ARREARS (Q3 2025)



Source: UK Finance

Buy-to-let

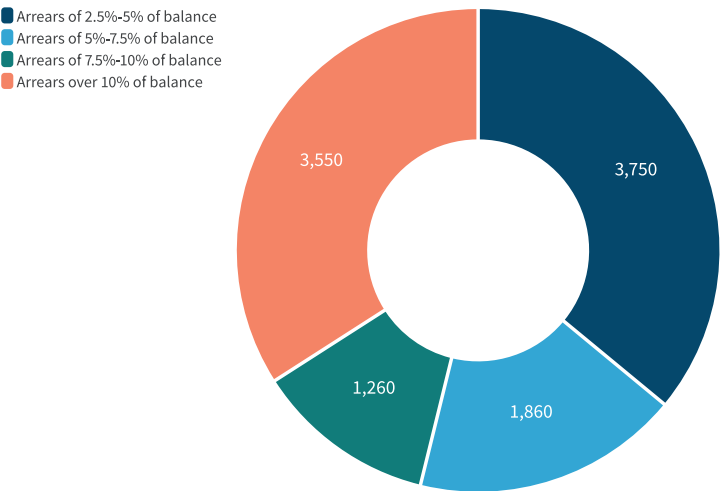
The buy-to-let sector has seen even sharper improvements than the homeowner market. Mortgages in arrears of 2.5% or more fell by 19.8% year-on-year in Q3 2025 and by 7.5% on the quarter. This reflects a combination of improving rental yields, stabilising interest rates, weaker cost inflation and perhaps a more proactive approach by landlords in managing their portfolios.

The biggest gains were seen in the mid-to-high arrears bands. Arrears of 5–7.5% fell by 33.3% year-on-year, while those in the 7.5–10% band dropped by 37.0%. However, the most serious arrears - over 10% - bucked

the trend, rising by 13.1% year-on-year. This divergence suggests that while most landlords are recovering, those with heavy leverage or properties in weaker rental markets remain under strain. Even so, quarterly declines across all bands indicate that, conditions may be starting to ease, even for the hardest-hit cases.

Mirroring the owner-occupier market, repossession activity among buy-to-let landlords is still climbing, despite falling arrears. In Q3 2025, possessions rose by 13.9% on the quarter and stand 28.5% higher than a year ago. Many of these cases stem from financial stress during the 2023-2024 higher-rate environment, even as most landlords are now benefiting from improved conditions.

NUMBER OF BUY-TO-LET MORTGAGES WITHIN ARREARS BANDS IN Q3 2025



Source: UK Finance

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Outlook

The outlook for the mortgage market is far steadier than a year ago. Arrears continue to fall across both homeowner and buy-to-let sectors, supported by lower interest rates, which have eased affordability pressures and reduced the risk of new arrears forming. Yet the picture isn't uniform. Possessions remain elevated, shaped by cases that originated during the high-rate period over the last couple of years and are only now reaching completion. Many of these legacy cases will take time to clear, even as conditions improve.

The coming months will hinge on how quickly this backlog works through the system and whether rate stability helps prevent further stress. With arrears trending down and affordability improving, the signs point to a gradual recovery rather than an immediate resolution. Overall, the market is moving in the right direction - just at a measured pace.

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Surveys & Valuations



Ross Bowen
Managing Director,
Connells Survey
& Valuation

98.4%

service quality,
10% ahead of
the market

5.4
days

service speed,
1.5 days faster
than the market
(*3.6 days excluding
access delays)

“

Activity usually eases into year-end, and this time the delayed Budget - alongside months of policy speculation - added an extra layer of caution that showed up in Q4 trading. Even so, demand for our Survey & Valuation services finished ahead, with volumes up 12% year-on-year, led by physical surveys and valuations.

We continued to invest in capability. The latest phase of our digital valuation solutions, augmented surveying tools and improvements to the end-to-end customer journey went live during the year. Those upgrades are reflected in stronger customer feedback, including reviews on Feefo and Trustpilot.

Looking to 2026, the outlook has improved. The Budget was relatively benign for housing and lending, the pre-Christmas base rate cut was a constructive signal, and further easing remains possible. That said, material headwinds persist, and the higher tax burden has yet to fully feed through. We are cautiously optimistic for 2026, mindful of the risks but confident that activity can build from here.

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Matthew Cumber
Managing Director,
Countrywide
Surveying Services

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Overall, we ended 2025 in a stronger place. Transactions were up on the year - about 375,000 versus 357,000 in 2024. Q4 was a little subdued with the Budget in the air, but December finished well, and we're heading into 2026 with momentum.

Our focus has been simple: capability and consistency. We've kept investing in people and technology - we trained over 30 new surveyors in 2025, and we're aiming for 50-plus in 2026. That brings fresh talent into the industry and gives our customers and clients the capacity they need in an ever-changing marketplace.

We also embedded our GeoConnect platform across the business. Several clients are already using it to make quicker, better evidenced valuation decisions, powered by Connells Group's unique data. Looking ahead into the year, GeoConnect will move into its next phase, with new features that will be announced soon.

Finally, surveys continued to grow throughout the year. Lenders and homebuyers are leaning into the value of an independent view in the purchase journey. Our job is to keep that experience clear, timely and predictable, so customers can make confident decisions, even when the market is moving around them.

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A steadier year overall, with a typical year-end easing

Following a relatively volatile few years, survey and valuation activity moved onto firmer ground in 2025. Total volumes were up 17.1% on 2024, as lower mortgage rates and a clearer lending backdrop encouraged more customers to progress valuations across both purchase and refinancing routes.

However, as is normal, the transition from Q3 2025 to Q4 2025 saw a 14.5% decline in survey and valuation activity, reflecting the seasonal slowdown ahead of the festive period and weaker purchase activity in the run-up to the Budget. Even so, Q4 2025 activity was 4.9% higher year-on-year, indicating a stronger final quarter than in 2024, despite the seasonal dip and a more uncertain backdrop.

Remortgaging: the primary engine of growth

The rebound in 2025 was led by remortgage-related valuations, which rose 14.9% compared with 2024 and 31.9% year-on-year in Q4. Two borrower cohorts drove this: a large pool of borrowers who took out five-year fixes in 2020 whilst interest rates were low, and those rolling off two-year deals in 2023 as rates have drifted down from their peaks. With the large 2021 transaction cohort approaching five-year maturities, this pipeline should continue to support volumes into 2026.

Purchase valuations: firmer than a year ago, if softer than remortgages

New purchase-driven valuations rose by 10% between 2024 and 2025. However, quarterly year-on-year figures point to a loss of momentum, with Q4 2025 ending only 1.9% above Q4 2024. The more modest uplift in Q4 reflects sales agreed towards the end of summer when rates were easing, before activity tailed off as Budget-related uncertainty hampered demand from new buyers. Overall, new purchase valuations have not risen as fast as remortgage valuations.



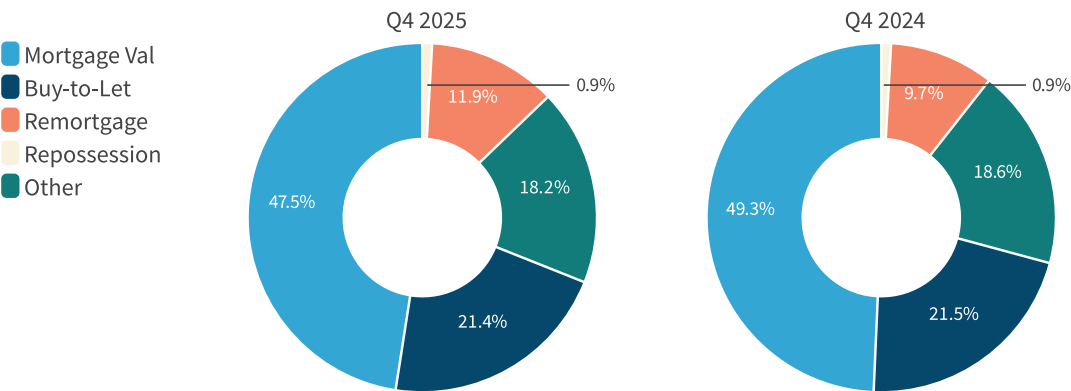
Buy-to-let: a step back amid policy change

In the buy-to-let sector, valuation activity fell 7.6% in 2025, reflecting a period of adjustment as investors respond to growing tax and policy developments. The 2% property income tax announced in November and the forthcoming Renters’ Rights Act together increased perceived risk and costs. Meanwhile, longer-term changes have reduced demand for new investment.

Repossessions: a lagging effect now coming through

Repossession-related valuations rose by 11% year-on-year, aligning with the earlier increase in completed possessions as arrears cases from the mid-2022 to 2024 higher-rate period work through lender processes. Given the lag from arrears to legal action and possession, this channel is likely to remain elevated in the near term before easing as affordability improves and the backlog clears as we move through 2026.

SURVEY AND VALUATION MIX: Q4 2024 VS Q4 2025



Source: Connells Group

About Connells Group

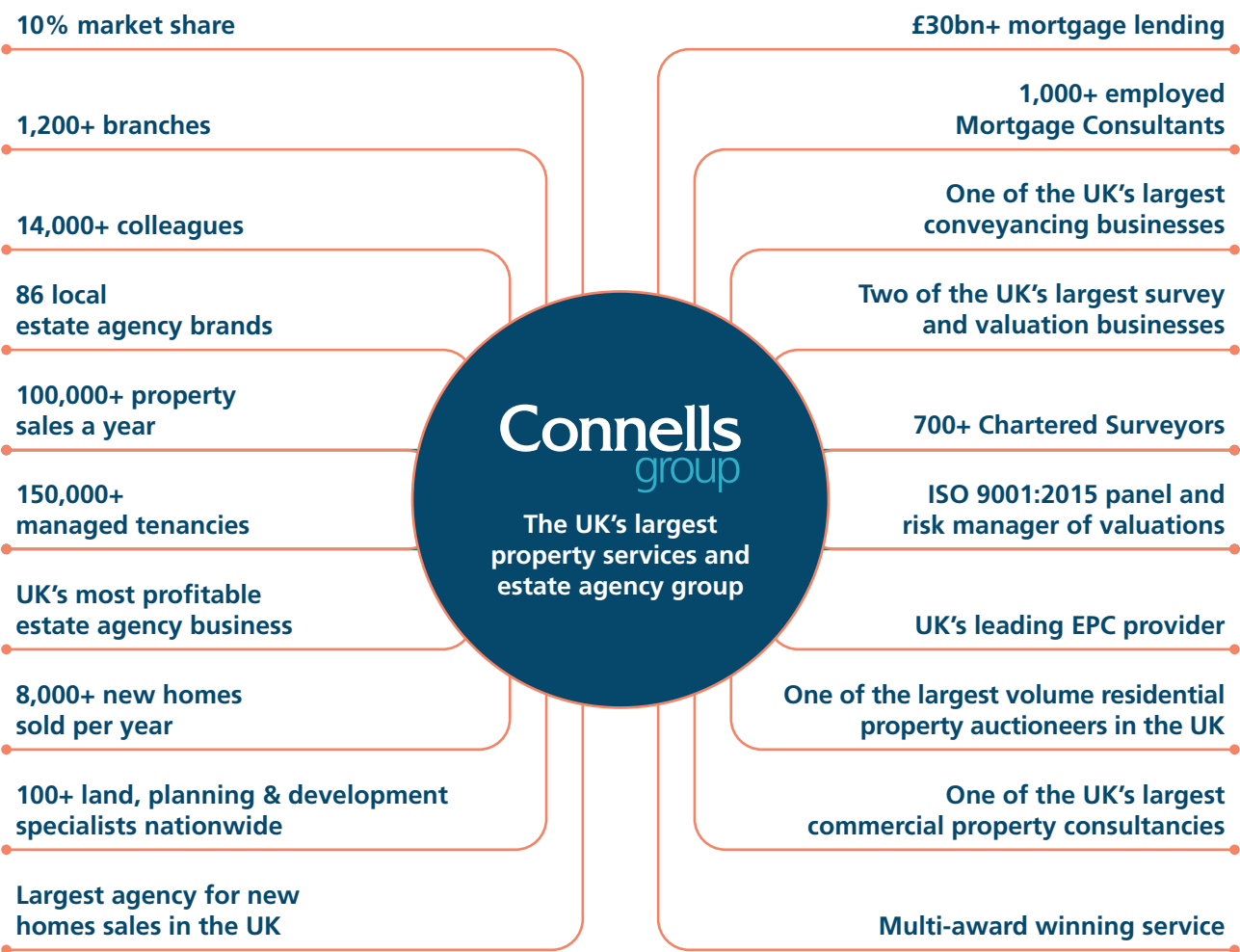
Connells Group is the largest estate agency and property services provider in the UK.

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.

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Property Auctions



Asset Management



Strategic Investments



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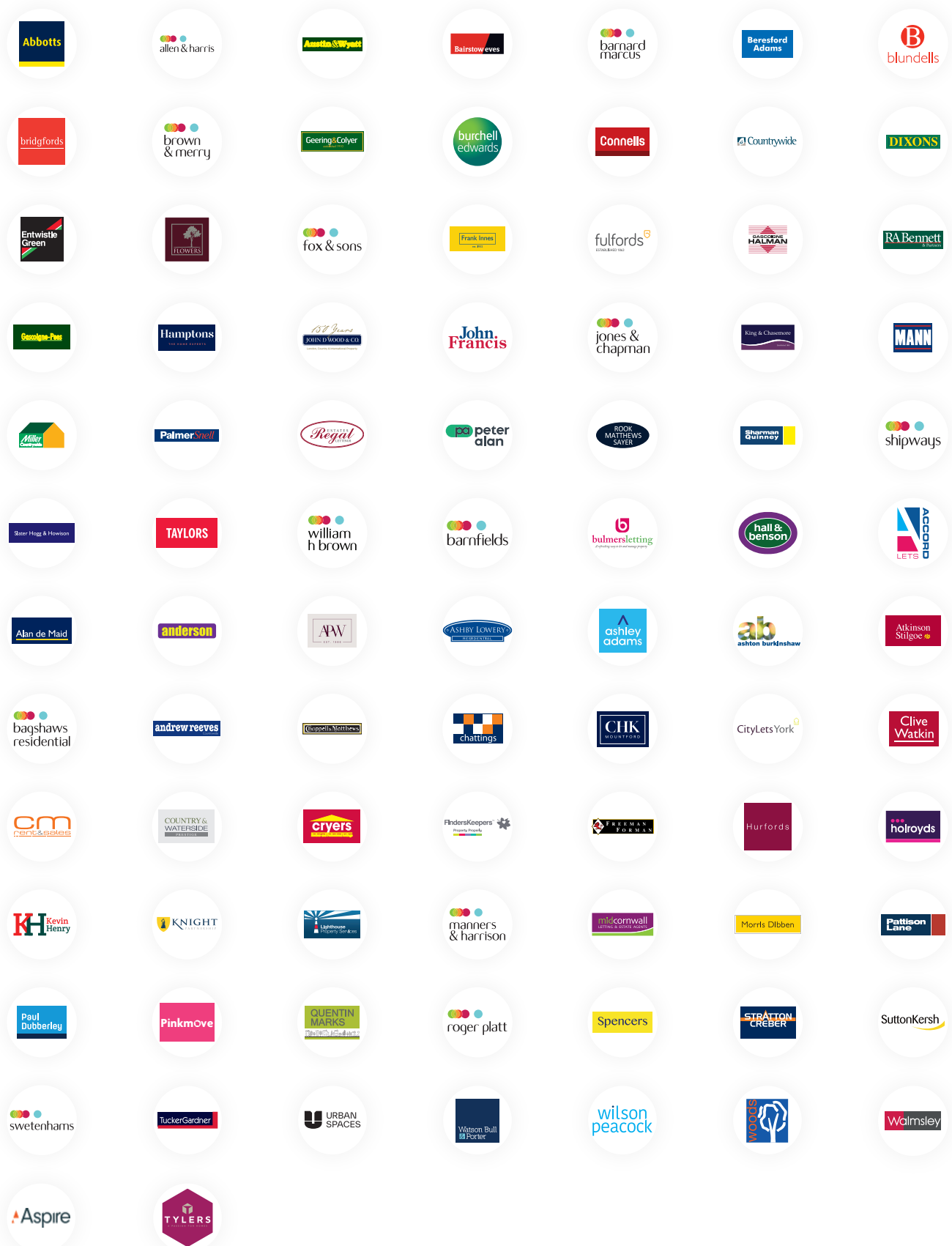
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Surveys & Valuations



Our High Street Estate Agency Brands



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