QUARTER/**THREE**
MARKET **REPORT**
2023

Connells group

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Connells group

MARKET **REPORT** Q3 2023

METHODOLOGY

Connells Group analyses detailed data from its estate agency, land & new homes, lettings, mortgage, survey & valuation 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 these trends to publish a quarterly report which reflects trends across the entire property spectrum. An index point of January 2019 is used where it is appropriate for figures to be indexed to show trends.

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INTRODUCTION

David Plumtree
GROUP CHIEF EXECUTIVE
(ESTATE AGENCY)

The UK housing market showed a fair degree of resilience over the summer period as activity levels remained steady and we saw a continued gradual improvement in a number of areas. As the quarter progressed, and mortgage rates started to stabilised, our branch network reported an improvement in customer sentiment but, with some buyers remaining hesitant, this failed to drive the usual uplift in activity associated with the September market.

Top-line demand remains steady and we are seeing strong interest from first-time buyers which will help drive the lower to mid-market. Stock availability is a step ahead of last year and continuing to improve, and prices have eased but the upper end of the market does remain more challenging as we enter Q4.

On the demand side, the level of portal enquiries remained fairly steady throughout the summer period, running 21% behind 2022. New applicant registrations fared slightly better, but were still down by 18% on Q3 2022. This reduced shortfall from the position seen in Q2 follows the improving trend that we have seen throughout the year. With mortgage rates now stabilising and some early signs of increased confidence from prospective purchasers we do expect see further, but potentially still modest, improvement in these leading demand indicators over the coming months.

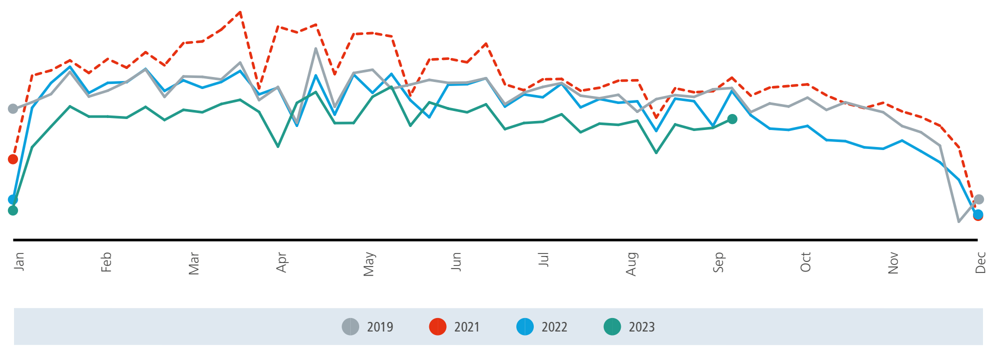
Market appraisal activity closely tracked 2022 for much of the quarter but finally stepped ahead of 2023 in the final weeks of September, market appraisal activity in Q3 1% ahead of Q3 2022. With vendors showing an increased appetite to enter the market we saw a 3% increase in new instructions when compared to Q3 2022. This increase in new instructions continued to support the improvement in available stock levels across our branch network. At the end of September the number of properties being marketed for sale was 45% ahead of September 2022, with the average number of properties available for sale across our branch network reaching 55 at the end of the quarter, up from 40 per branch at the end of September 2022.

House prices do remain sensitive, and we have seen the average house price for those properties newly listed during September 6% lower than those newly listed during June 2023. Alongside this vendors already on the market are continuing to agree meaningful price reductions to help secure their sale. Overall average house prices for 2023 look set to have fallen by between 5 and 7% by the end of this year.

Within the new homes market demand levels have been maintained as we have seem an uptick in new homes instructions, activity in Q3 was 19% ahead of Q3 2022. With the number of new site releases increasing, we have seen the number of new build properties available at the end of the quarter 31% higher than in September 2022. Whilst these are positive movements on the supply side, overall the supply of new homes is lagging behind the resale market as output remains suppressed when compare to historical norms. Whilst we do expect to see further improvements to supply in the short term, the medium-term outlook remains more uncertain as planning challenges continue to hinder progress and ongoing pressures remain on build costs and resources.

After showing signs of positive progress during Q2, viewing activity eased during the quarter as the increases in base rate made buyers understandably hesitant, the number of viewings in Q3 9% lower than Q3 2022. However, as the quarter progressed, and mortgage rates stabilised, we have seen some signs of increased confidence from buyers. Despite this, sales activity in the quarter still saw a 17% reduction on Q3 2022. With a more stable outlook for Q4, and the absence of the fallout from the mini-budget which impacted the final months of 2022, we expect to see a more positive end to the year which is likely to support an increase in sales activity as we move into 2024.

Weekly house sales



Gross house sales

Within the rental market, tenant demand remains steady with new tenant registrations level with those seen in Q3 2022. The supply of rental properties has continued to improve, the market seeing 20% more properties available for rent than in September 2022. However with demand continuing to outstrip supply, the upward pressure on rental values remains. Average rents in Q3 were 10% ahead of Q3 2022, with all regions seeing similar annual increases.

There are still no significant signs of landlords exiting the market, we are re-letting close to 80% of properties at the end of their tenancies, with 95% of these agreeing a new fixed term. There has been no increase in the level of arrears, and landlords remain keen to retain good tenants, with the average tenancy length now standing at 28 months.

Mortgage market activity during Q3 was impacted by the recent base rate increases, as we saw mortgage rates continue to rise during the quarter, only really stabilising towards the middle of September. As is to be expected against this backdrop, we saw house purchase activity decline and remortgage activity increase, the latter particularly noticeable during July. Overall activity within the residential mortgage sector saw a 11% reduction on Q2 2023, whilst the buy-to-let sector saw a larger 26% reduction.

At the end of the quarter, there were early signs that rates may have peaked as some lenders started to reduce rates on some products. This coupled with stability in pricing in the coming months will help improve confidence and no doubt prompt more purchasers to take action to secure their next property, helping to drive up transaction volumes as we enter 2024.

In summary, the market continues to face challenges but we are seeing a continuing gradual improvement in a number of areas. The base rate increases certainly caused further hesitancy from purchasers and drove an increase in remortgage activity during the quarter, but during September this position has stabilised. Top-line demand is being maintained, stock availability is good, and prices have continued to ease but many remain hesitant to commit. Some signs that we could have a more positive end to the year, but likely that this will remain a gradual process and no clear signs that the market is about to change gear.

ESTATE AGENCY

Ian Fry
NATIONAL MANAGING DIRECTOR
(ESTATE AGENCY)

Market conditions showed a fair degree of resilience over the summer months but no appreciable bounce as we moved into the September and early autumn market.

Our branch network experienced reasonable levels of demand despite uncertainty over base rates as well as the potential for further reduction in house prices and, of course, the wider economic concerns. The lower to mid-market is showing greater levels of resilience, with more hesitancy amongst buyers and sellers in the upper end of the market.

Supply remains constrained and only marginally above last year's levels. The combination of a slight uptick in supply added to a materially lower sales rate has led to circa 50% more stock being available to buyers. This, in turn, creates more hesitancy amongst buyers.

Average house prices look set to have fallen 5% by the end of this year. With base rates looking to be close to their peak and mortgage rates having fallen over recent weeks then we expect a marginal improvement in demand as we move into 2024.

Sales agreed were down

17%
on
Q3 2022

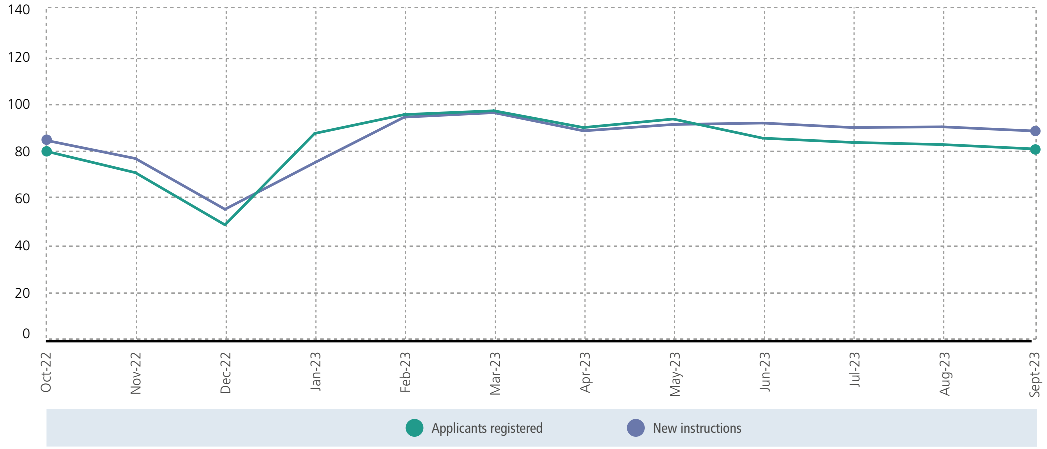
Properties available for sale up

45%
on
September
2022

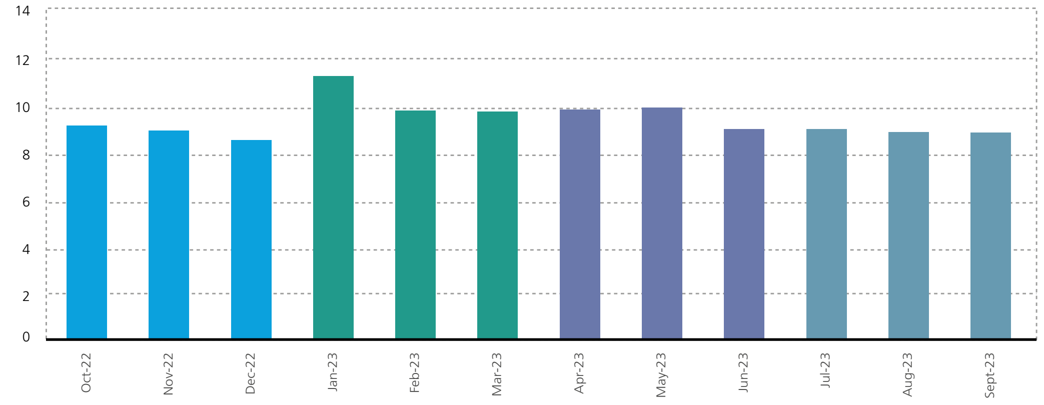
New buyers and instructions

- Overall the market has remained steady over the summer period with no significant shift in customer sentiment or behaviours following the increases in base rates that influenced Q2.
- Market appraisal activity eased slightly during the quarter but remained just ahead of last year, with Q3 up 1% on Q3 2022, this compares to the 3% uplift that was seen in Q2.
- Vendor appetite to enter the market remains healthy with the increase in new instructions outstripping the movement in market appraisal activity, this despite some of the increased uncertainty following the period of base rate increases. New instructions in Q3 were 3% ahead of Q3 2022.
- With average prices for new instructions in the quarter 6% lower than we saw in Q2, these new instructions attracted immediate interest from prospective buyers.
- Buyer demand has continued to ease following the base rate increases and impact on the availability and cost of borrowing. Whilst new applicant registrations were down 8% on Q2, these followed the normal seasonal profile and tracked consistently against 2022. Reflecting this easing of buyer demand, the ratio of applicants registered per new instruction reduced to 8.8 in Q3, a step down from the 11.0 that we saw in Q3 2022.
- The reduction in demand coupled with the improved supply are continuing to ease the imbalance that has been present in the market in recent years, with activity over the past quarter supporting our view that the market continues to slowly adjust to the new norm.

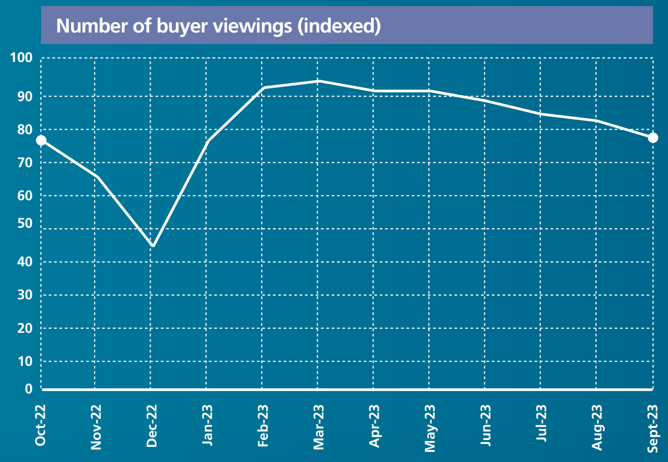
Number of applicants registered and new instructions (indexed)

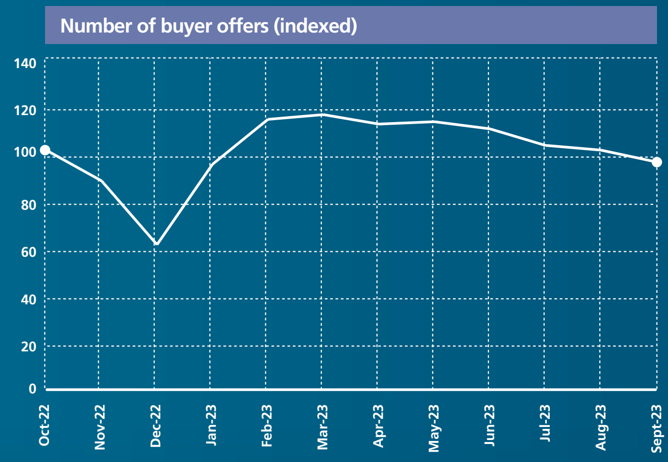


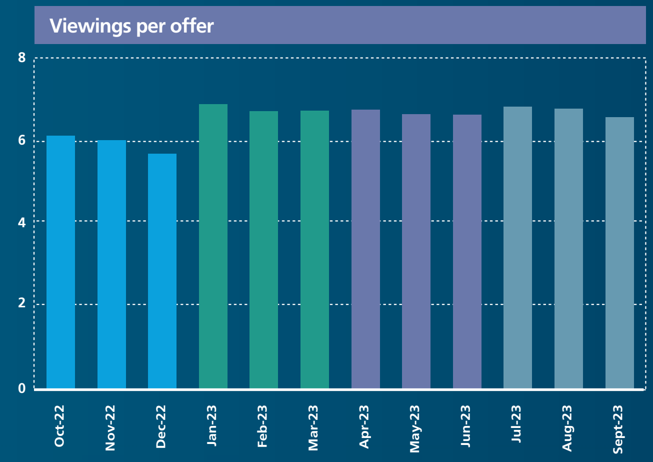
Applicants registered per new instruction



ESTATE AGENCY







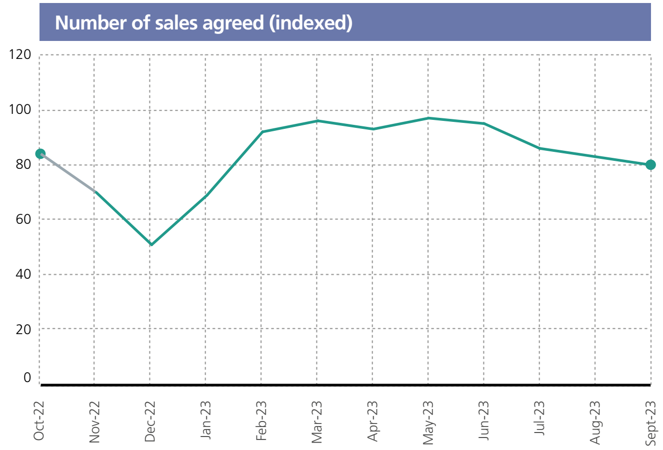
Viewings

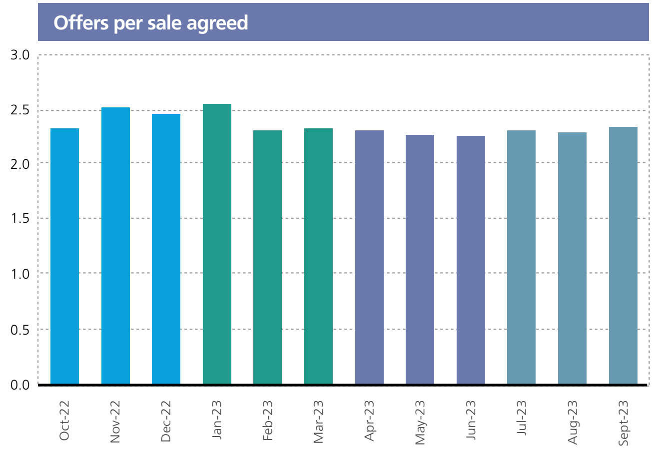
- Viewing activity showed a 9% decline on Q3 2022, despite the increased number of properties available for sale.
- At the end of the September, the number of properties available for sale was 45% ahead of September 2022.

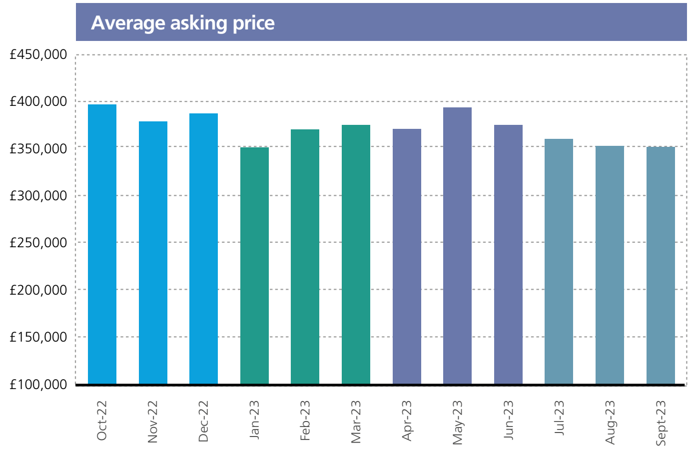
Offers

- The number of buyer offers made during Q3 was 13% below the level seen in Q3 2022 as buyers remain hesitant to commit.

- The average level of viewings per offer was 6.8 in Q3 broadly level with the figure for Q2.







Sales

- We have seen sales activity ease over the summer, with sales in Q3 17% lower than Q3 2022.
- The quarter ended more positively with September sales activity just 10% lower than September 2022.

Offers

- The average number of offers per sale agreed during Q3 remained at 2.3, the same as was seen in Q3 2022.

Prices

- The average asking price at instruction in September was £353,446, down by 6% on June 2023.

LAND & NEW HOMES

Roger Barrett
GROUP LAND & NEW HOMES
MANAGING DIRECTOR

The impact effects from the disastrous 'mini budget' last September are still with us, albeit to a lesser extent and with the continued uncertainty around interest rates coupled with 'cost of living' pressures, sales volumes are likely to remain challenging. In terms of the number of new homes available for sale, this is up 31% in comparison to September 2022.

Despite competition from increasing volumes of property for sale in the second hand market, we continue to work closely with housebuilders to try and maintain headline property values which are under pressure. This includes developing and tailoring incentives that reflect the individual needs of each new home buyer and through management of 'part exchange' and 'assisted move' initiatives where appropriate.

New home developers and registered providers are also facing numerous challenges around the ongoing supply of new housing with a number of the larger house builders indicating reduced housing numbers in the thousands. A collapse in planning permissions, down 17% in H1 compared to 2022 is a direct result of the Government's increasingly anti-development policies and an overall negative stance on home building. Many local authorities have now in fact withdrawn their housing plans and with planning departments in disarray there are no signs of a cohesive plan to improve housing supply.

Key issues to be resolved and considered include:

- adequately resourcing LPAs and understanding how far the local plan housing target meets the local housing need plus any unmet housing need from neighbouring areas
- reassessing proposed anti-development reforms to the NPPF
- resolving the nutrient neutrality problem that is delaying over 145,000 homes
- re-emergence of 'Help to Buy' in some form

In respect of land transactions, we continue to experience strong activity in regards to medium and longer-term strategic land and the emergence of partnerships between developers, registered providers and investors. However there is a widely acknowledged shortage of short-term 'oven ready' consented sites across the majority of UK regions.

Q3 New homes instructions up

19%
on
Q3 2022

New homes available for sale up

31%
on
September 2022

New buyers and instructions

- Whilst demand for new homes has remained strong, we again saw buyers sitting on the fence, uncertain as to whether or not they should be entering the market to start their search or whether they should put their plans on hold in the hope that both mortgage rates and house prices might reduce.
- First-time buyers are a key segment of the new homes market and, whilst many are still assessing the impact of recent mortgage rate increases, it was pleasing to see first-time buyers continuing to account for a third of mortgage activity in Q3. Supporting this sector by enabling them to secure the right property is a key focus for many house builders.
- New instruction activity saw a 19% uplift when compared to Q3 2022 as the timing of new site releases improved and moved ahead of what had been seen in the previous quarter.
- Supported by the uptick in new instructions, the number of new homes marketed for sale at the end of September was 31% ahead of September 2022.

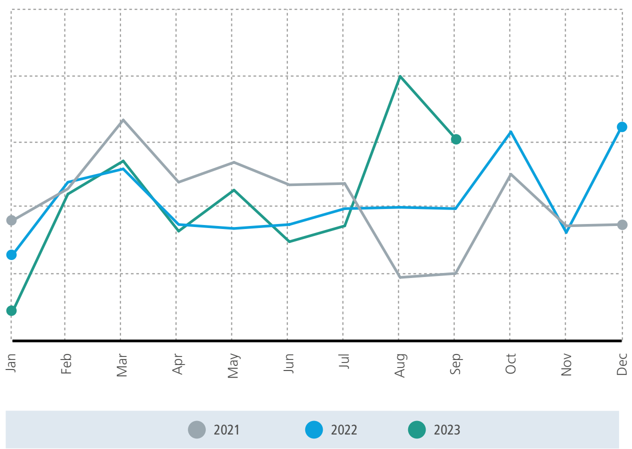
Sales activity

- Whilst we have seen some additional stability in the mortgage markets, rates are at a 15 year high and the sharp increase in recent months made many prospective purchasers more hesitant to commit at the start of the quarter. This reflected in the 10% reduction in sales activity seen in Q3 when compared to Q3 2022.
- With an expectation that rates may have peaked and are likely to remain close to current levels for the foreseeable, there were some signs during August and September that purchasers are starting to become accustomed to the new level of mortgage rates and are ready to take decisive action to secure their next property.

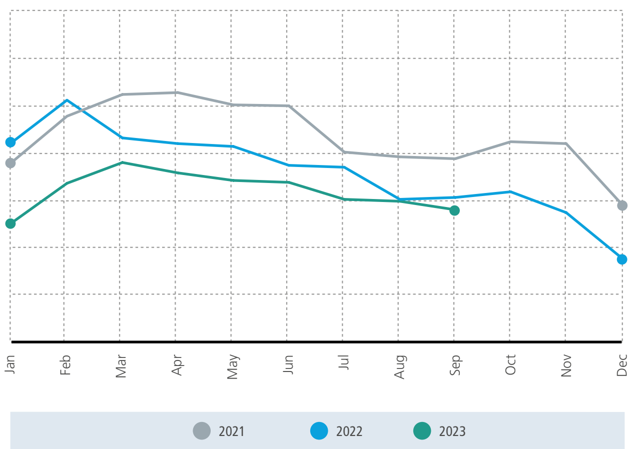
Housing supply and market activity

- Whilst we have seen a short-term improvement in the number of new build properties marketed for sale, the medium-term outlook remains bleak, with no sign of the step change in output that is desperately needed to start to address the underlying shortage of housing stock in the UK.
- House builders of all sizes are keen to rise to the challenge however with housing targets abolished, the planning process continuing to hinder, ongoing resource constraints and the general availability of land all hampering progress, we do not currently have the environment to support delivery.
- The latest pipeline report from the Home Builders Federation shows the trend in planning permission approvals continuing to decline, with Q2 showing a 10% reduction on Q1 2023 and a 20% reduction on Q2 2022. H1 also shows a similar 17% decline on H1 2022.
- The latest NHBC figures paint a similarly depressing picture, with new home registrations down 42% on Q2 2022 and new home completions down by 11% on Q2 2022 as consumer demand eased due to uncertainty in the mortgage market.

Average weekly instructions



Average weekly sales



RESIDENTIAL LETTINGS

Stephen Nation
GROUP LETTINGS
MANAGING DIRECTOR

The third quarter of any year is traditionally strong for the lettings market and 2023 was no exception. Tenant demand remained robust, keeping an upward pressure on rental values throughout the country.

On the whole existing landlords remain committed to the rental market despite a raft of negative press attention. No doubt rising rents have helped sustain existing investments but, as an indicator that existing rental values are sustainable, our experience indicates that rent arrears remain relatively low.

Q3 also saw some positive noises coming from government regarding the PRS. An indication that S21 notices will remain until a new court process is in place feels like the effects of the Renters Reform Bill look set to be watered down and any requirement for rental property to have a ‘C’ rated EPC are no longer imminent.

As we enter Q4 it doesn’t feel like anything is changing. Tenant demand remains a constant and whilst tenancy lengths grow there remains a constant pressure on finding that next landlord instruction.

National average agreed rents in Q3

£1,162 pcm

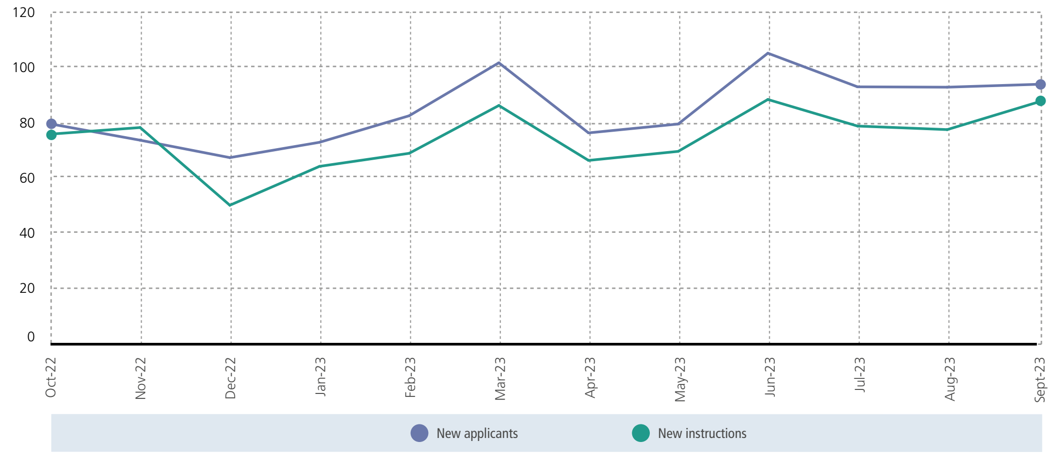
Q3 New instructions

4% up on Q3 2022

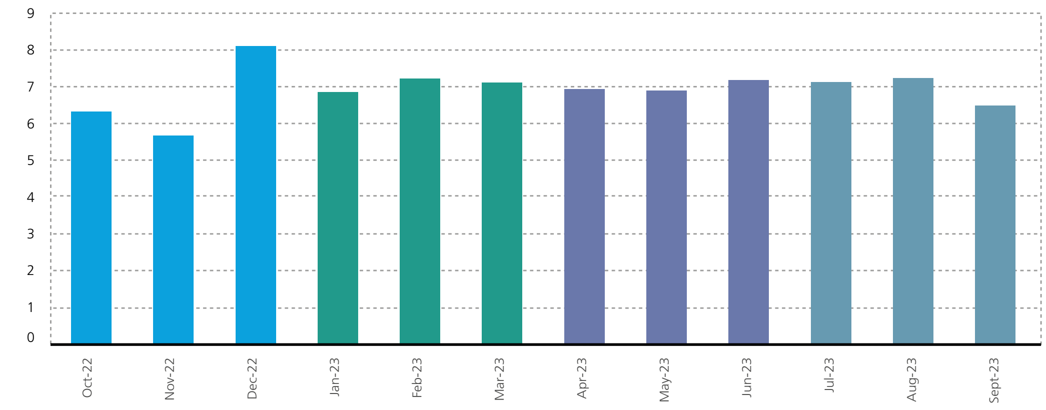
New applicants and instructions

- Whilst new tenant registrations have increased during Q3, up 7% on Q2 2023, when compared to Q3 2022 new registrations are flat. However this masks the uptick in registrations that were seen at the end of the quarter, with registrations in September 16% higher than September 2022.
- As we enter Q4 we are seeing tenant demand sustained at higher levels reflecting the strong appetite from many to rent. Tenants are keen to register and ensure that they are in the best position to secure new properties as they come available.
- Positively we have seen the number of properties available for rent gradually increase throughout the summer, ahead of the usual annual peak in lettings transactions. At the end of September the number of properties available to rent was 20% ahead of September 2022. When compared to September 2019 current stock levels are 37% lower, overall stock levels remaining a key challenge for the market.
- Whilst there has been much talk about landlords exiting the market this is not something that we have seen to any significant level across our portfolio of managed properties, the percentage of landlords looking to sell their property remaining flat over the course of the year and at a level which is lower than in previous years.
- Landlords will continue to review their financing arrangements at the end of their current deals, but with good tenants in situ, continued growth in rental values and a slower residential sales market, many are choosing to continue to remain in the market.

Number of applicants registered and new instructions (indexed)

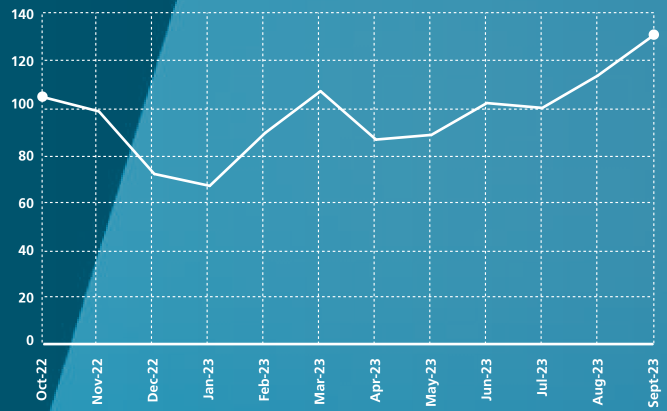


Applicants registered per new instruction

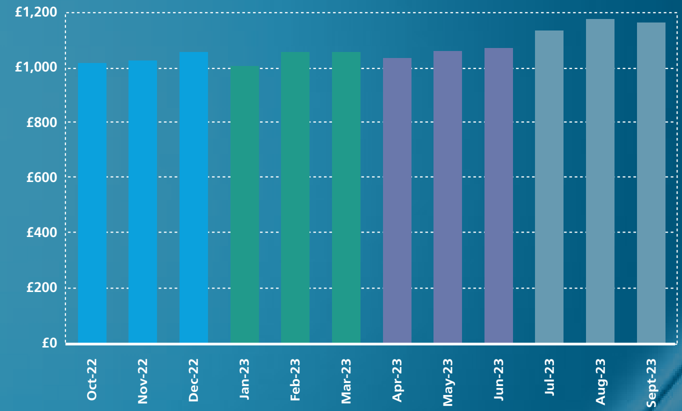


RESIDENTIAL LETTINGS

Number of agreed tenancies (indexed)



Monthly average agreed rents (UK)



Average agreed rents (regional)

Agreed tenancies and average rents

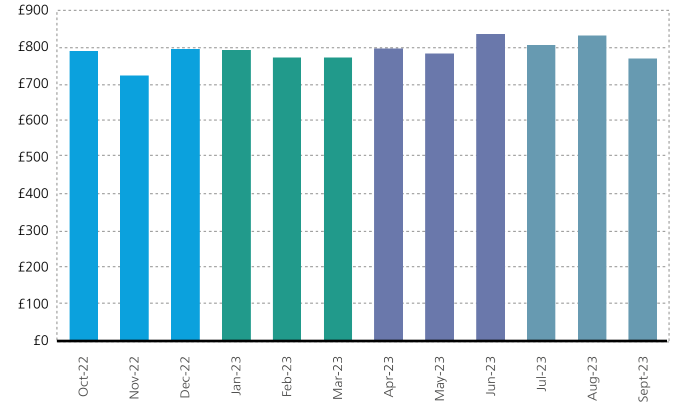
- With increased stock levels and positive tenant demand, the number of tenancies agreed in Q3 was 24% ahead of Q2 2023 as activity increased during the summer period. Many landlords are agreeing new fixed terms at renewal and our average tenancy length is now 28 months.
- Monthly agreed rents in September were £1,166 pcm, 8% ahead of September 2022.

Regional rents

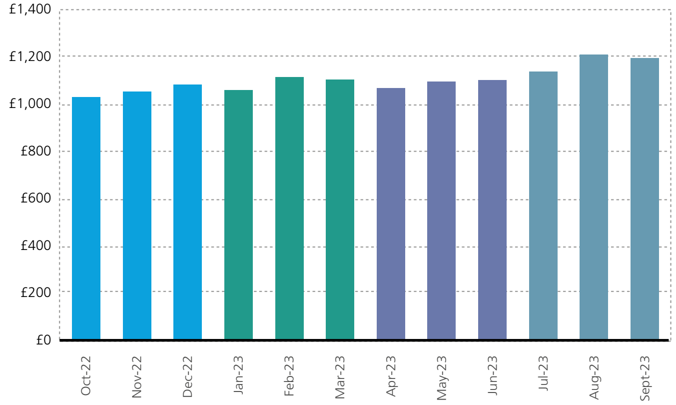
- Pressure on rental prices has eased slightly but we continue to see increases in average rents across all regions.
- Whilst tenant demand is now running in line with 2022, and there are more properties available for rental, we are continuing to see upwards pressure on rental values.
- Across the UK the average monthly rent has increased by 8% over the past year.
- The largest increases are being seen in London and the East of England where growth exceeds 10%.
- Despite the increases in rental values there are no signs that affordability concerns are hampering those looking to find their next rental property. With stock levels continuing to increase this should help temper future increases.

RESIDENTIAL LETTINGS

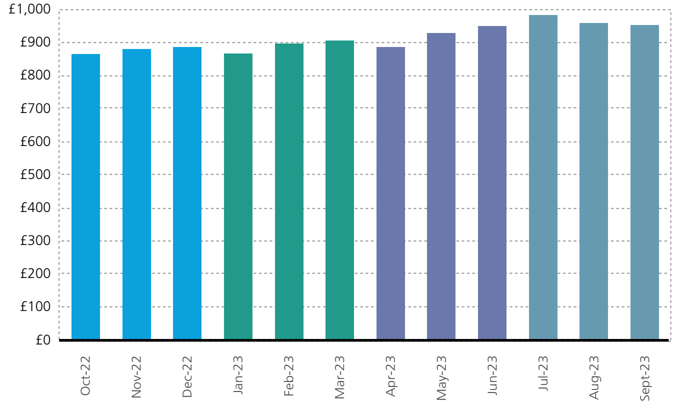
Average agreed rents (Scotland/North)



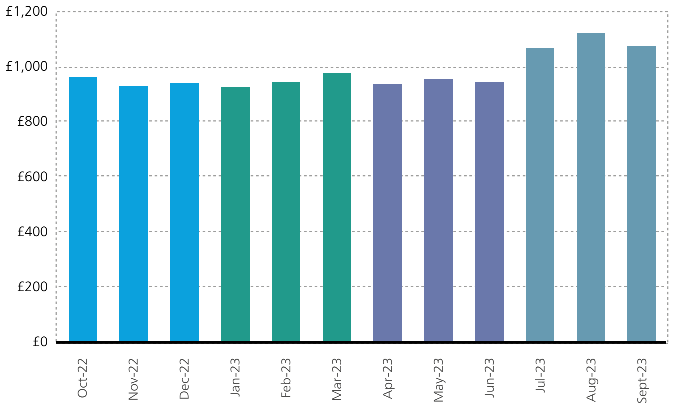
Average agreed rents (East)



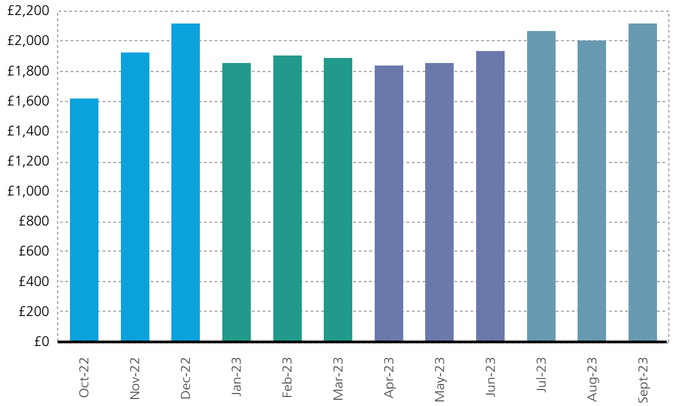
Average agreed rents (Midlands)



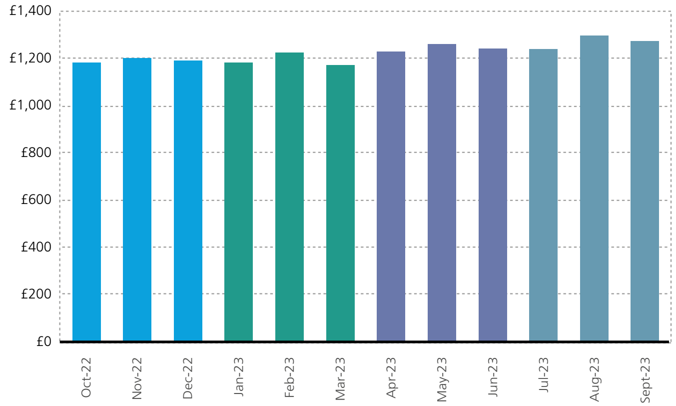
Average agreed rents (Wales/South West)



Average agreed rents (London)



Average agreed rents (South East)



MORTGAGES

Adrian Scott
GROUP LENDER SERVICES
MANAGING DIRECTOR

Mortgage rates increased again during Q3 and didn't stabilise until mid-September, as a result remortgage activity was very busy in early July as remortgage business was pulled forward. Remortgage activity then levelled off for the rest of Q3.

First-time buyer activity remained steady, just 1% down on Q3 2022, despite lower new build activity. Increased second hand stock and price reductions are helping first-time buyers maintain activity levels.

Whilst buy-to-let is a smaller sector of the market, the reduction in overall activity is steady. This is an area to monitor and potentially for lenders to support with improved stress rates.

Residential mortgages were up by **13%** on Q3 2022

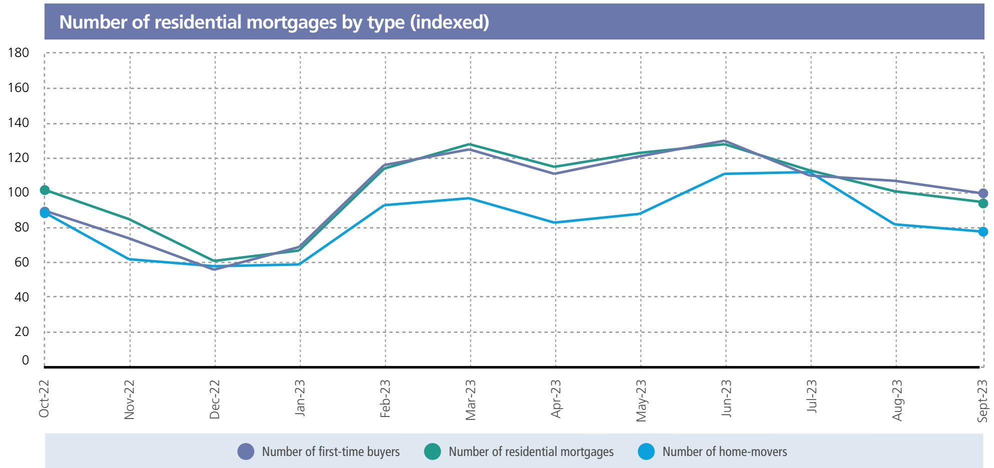
The average mortgage value in September stands at **£166,581** down 4% on June 2023

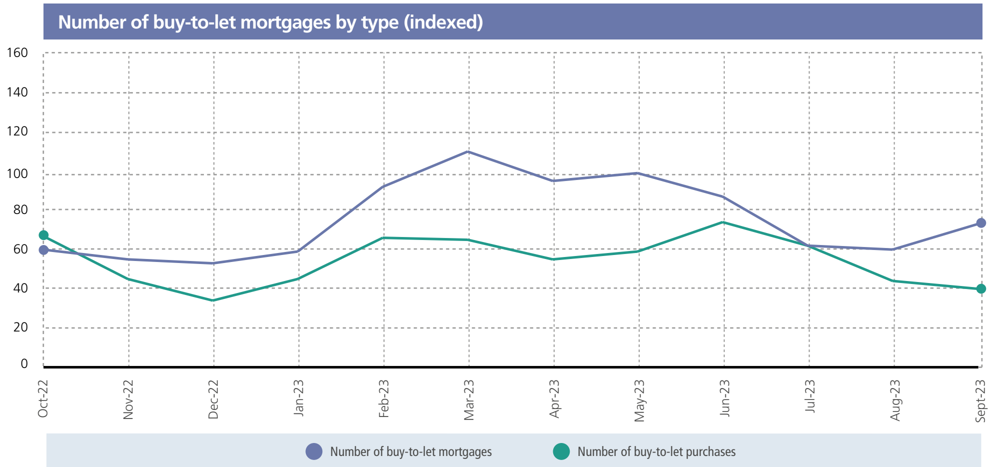
Residential

- Overall activity levels within the residential mortgage market during Q3 reflect the reduction of house sales activity over the summer and a period when mortgages rates were starting to stabilise, these factors driving an 11% reduction in activity when Q3 is compared to Q2 2023.
- Whilst residential mortgage activity saw a 6% reduction on Q2 2023, this sector of the market remains active as many continue to review their current arrangements in light of the increased mortgage rates. When compared to the same quarter last year, Q3 2023 showed a 13% uplift in activity.
- Homemovers have remained subdued with activity levels dropping further behind last year. In Q2, activity was 13% lower than Q2 2022, but in Q3 this comparison widened with Q3 seeing an 18% reduction on Q3 2022. In line with commentary from our branch network, we did see some signs of improvement towards the end of the quarter, with September activity down by 12% on September 2022. A period of continued stability will hopefully help maintain buyer confidence during the final quarter of the year.
- First-time buyers remain eager to take their first step onto the property ladder and have proved to be a more resilient sector of the market. Activity levels in Q3 were just 1% lower than Q3 2022. With the number of properties available for sale continuing to improve and house prices easing as vendors seek to secure their sale, some first-time buyers are showing increased confidence.
- As is to be expected during a period of increasing mortgage rates, homeowners have shown an increased appetite for remortgage products, with Q3 activity showing a 13% increase on Q3 2022 and accounting for 44% of all residential mortgage activity in the quarter.

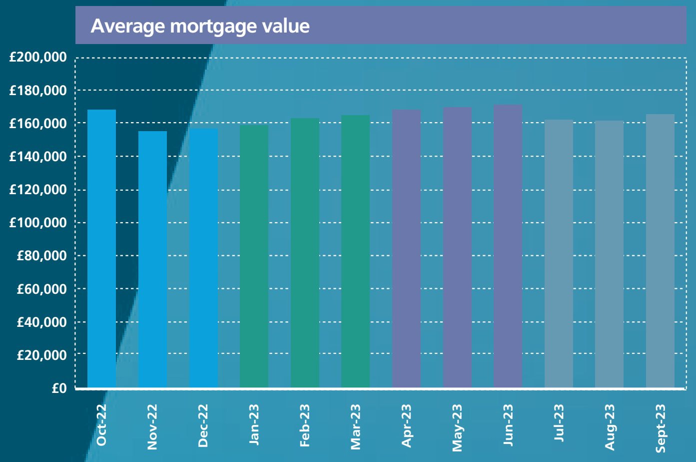
Buy-to-let

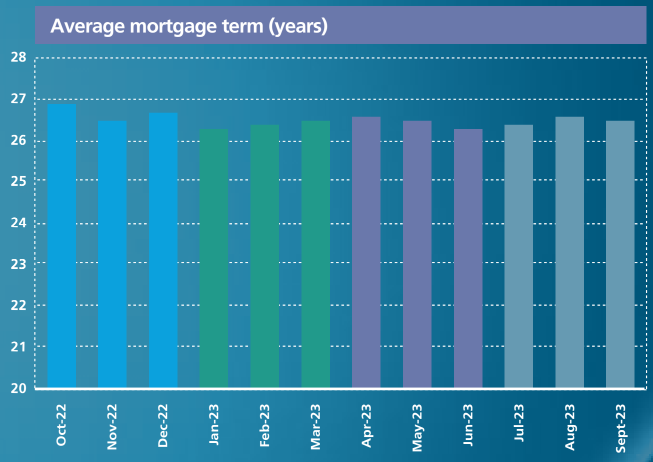
- Activity within the buy-to-let purchase market has remained subdued as investors continue to assess and hold off extending their portfolios. Overall, the sector saw a 26% reduction in activity on Q2 2023.
- This reduction in activity has been driven by the continuing slowdown in purchase activity. Buy-to-let purchase activity showed a 30% reduction when compared to Q2 2023, and a 40% reduction on Q3 2022.
- More widely, our lettings business is not seeing any significant shift towards disposal, or landlords exiting the market, however many landlords are reviewing their finance costs, with this supporting the continued shift towards remortgage activity within the sector. Remortgage activity accounted for 75% of business in Q3.
- The share of overall mortgage activity accounted for by the buy-to-let sector in total in Q3 stood at 11%, down 2 points on Q2 2023.





MORTGAGES





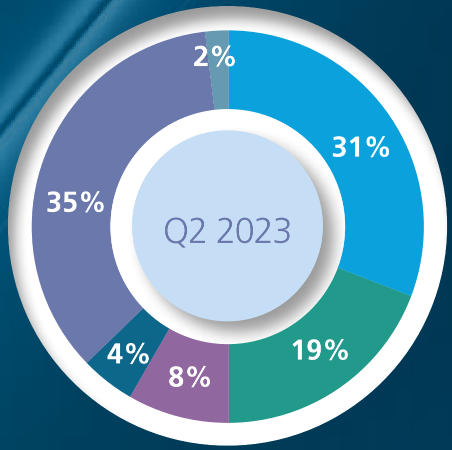
Mortgage values

- The average mortgage value at the end of the quarter was £166,581, this a 4% reduction on June 2023. When compared to September 2022 the average mortgage value has decreased by 3%.

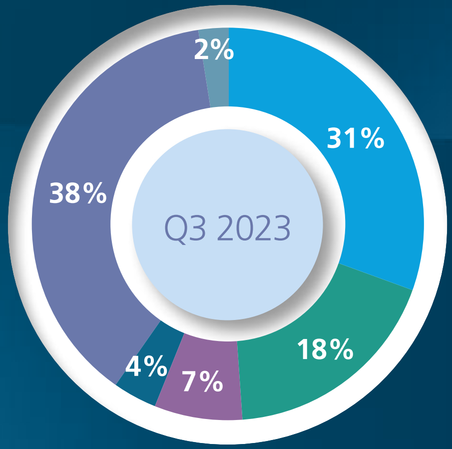
Mortgage terms

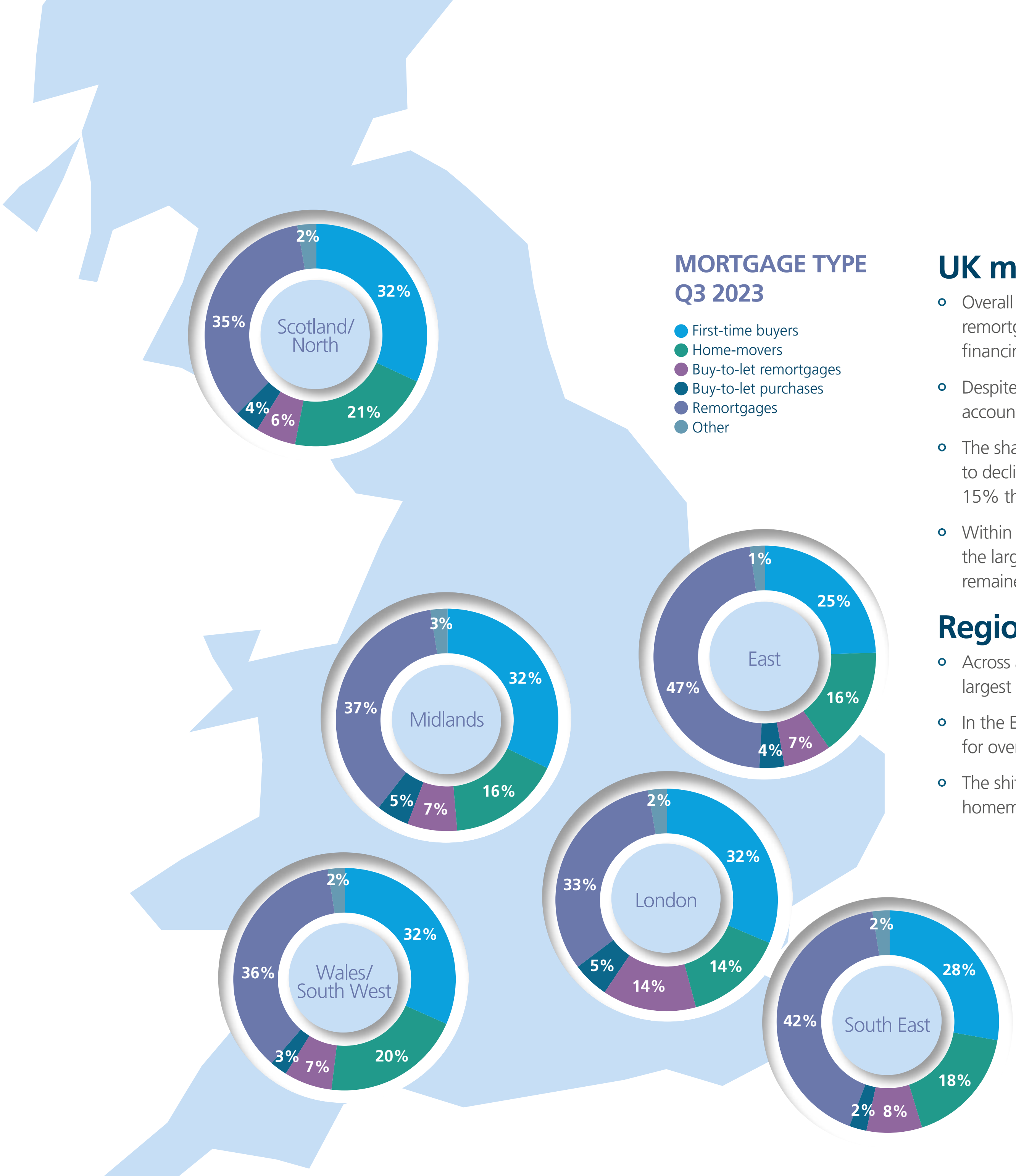
- The average mortgage term has increased slightly, standing at 26.5 years at the end of Q3, up from the 26.3 at the end of Q2.

UK MORTGAGE TYPE SPLIT



First-time buyers
Home-movers
Buy-to-let remortgages
Buy-to-let purchases
Remortgages
Other





UK mortgage type split

- Overall the mix of activity in Q3 reflects the continued prominence of remortgage business, with homeowners particularly keen to review their financing options.
- Despite the increase in properties marketed for sale, purchase activity only accounted for 53% of overall activity, a 2 point decrease on Q2 2023.
- The share of the market accounted for by the buy-to-let sector has continued to decline with Q3 business accounting for 11% of all activity compared to the 15% that was seen in Q3 2022.
- Within the residential market, remortgage business continued to account for the largest share of activity at 38%, 7 points ahead of first-time buyers who remained steady at 31%.

Regional picture

- Across all regions of the UK, residential remortgage activity accounted for the largest share of activity, ahead of first-time buyer activity, in all regions.
- In the East and South East regions, homeowner remortgage activity accounted for over 40% of activity in the quarter.
- The shift towards remortgage activity was generally driven by the decline in homemover activity.
    - Within London, buy-to-let remortgage activity accounted for 19% of activity during the quarter, up 4 points on Q2 2023.
    - In the East, residential and buy-to-let remortgage activity accounted for 54% of all activity, whereas in the North the combined share was only 41%.

ASSET MANAGEMENT

Simon Matthews
MANAGING DIRECTOR,
AMG

The most recent possession figures released by UK Finance provide details of market activity during the second quarter of 2023, this as we saw the UK base rate continue its upward trend, the two rate increases during the quarter leading to a UK base rate of 5.00% at the end of June.

Driven by the reduction in owner-occupied possessions, we saw a 9% reduction in the total number of possessions completed during Q2 when compared to Q1 2023, lenders continuing to offer support measures to those homeowners facing increased mortgage costs, albeit when compared to Q2 2022 the total number of possessions rose by 9%.

In Q2 2023, the total number of mortgages with arrears representing 10% or more of the balance outstanding showed a 1% reduction on Q2 2022, and a 2% increase when compared to Q1 2023.

Total number of possessions in Q2 2023

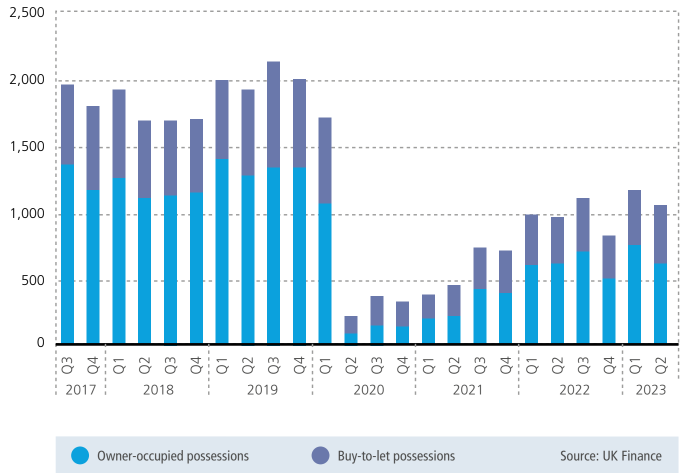
1,050

Number of mortgages with arrears >10% up

2% on Q1 2023

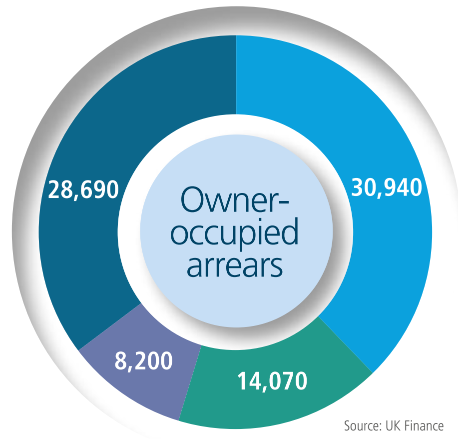
ASSET MANAGEMENT

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

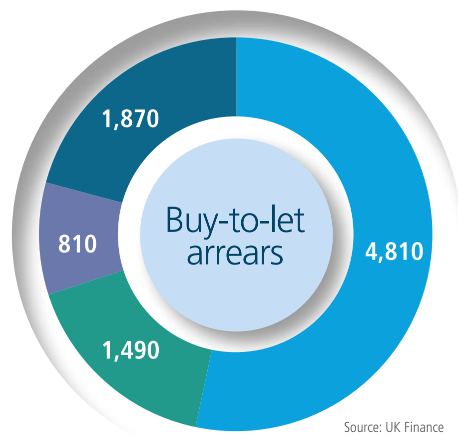


Arrears on mortgages, 2.5% or more of balance outstanding

ARREARS BANDING Q2 2023



- 2.5% < 5%
- 5% < 7.5%
- 7.5% < 10%
- >= 10%



Possessions

- At 1,050, the total number of possessions during Q2 2023 showed a 9% decrease on Q1 2023. Owner-occupier possessions decreasing by 19% whilst buy-to-let possessions saw a 7% increase.
- When compared to Q2 2022, the number of possessions completed in Q2 2023 reflect an 9% increase in activity.
- The percentage of possessions accounted for by the buy-to-let sector stood at 42% in Q2 2023, a 7 point increase on the 35% share seen in Q1 2023.

Possession sales

- The average sale price for September 2023 was £173,191, a 5% increase on the average price in June 2023.
- Houses continued to account for 63% of completions during Q3 as they did in Q2 2023.

Arrears

- Owner-occupiers, with arrears of 2.5% or more of the total balance remaining, totalled 81,900 in Q2 2023, 7% ahead of the previous quarter.
- At 8,980, arrears of 2.5% or more of the total balance within the buy-to-let sector in Q2 2023 were 28% higher than in Q1 2023.
- The total number of mortgages with arrears of 10% or more of the balance in Q2 2023 was 2% higher than Q1 2023.

SURVEY & VALUATION

Ross Bowen
MANAGING DIRECTOR,
CONNELLS SURVEY & VALUATION

Following successive and material increases in the base interest rate and the usual peak holiday impact, there was a marked deterioration in transactions across the market in Q3. Whilst there were signs of mortgage pricing reaching its peak, this had only a nominal impact on stimulating incremental activity in the valuation sector. Remortgage activity improved albeit with a significant level of this being product transfers, there was little demand for RICS valuations.

The peak summer months normally infer an extension to servicing speed as property owners juggle holiday and leisure activities, therefore delaying surveyors the access needed to carry out property inspections. Our experience bucked this trend, with Connells' servicing speed improving further over Q2, even though activity levels were higher then. Improved service speed was not at the expense of service quality, which was sustained at market-leading levels across a range of metrics.

With predictably little to cheer about from the quarter, the hopes for a major uplift in activity levels in September failed to materialise, although it is encouraging that late September and October started to show an uplift in activity. Improved sentiment and top line housing activity is pointing to a stronger period ahead compared to 2022, nevertheless short term trading conditions remain challenging as demonstrated by several small and medium-sized surveying businesses exiting the market, reducing headcount or cutting back investment plans. In contrast, Connells remains committed to the sector, market share is growing and our long-term investment plans continue.

Market-leading service quality remained at

98%

14% ahead of the market in Q3 2023

Servicing speed averaged

3.7

days in September 2023, a full 1 day faster than the market

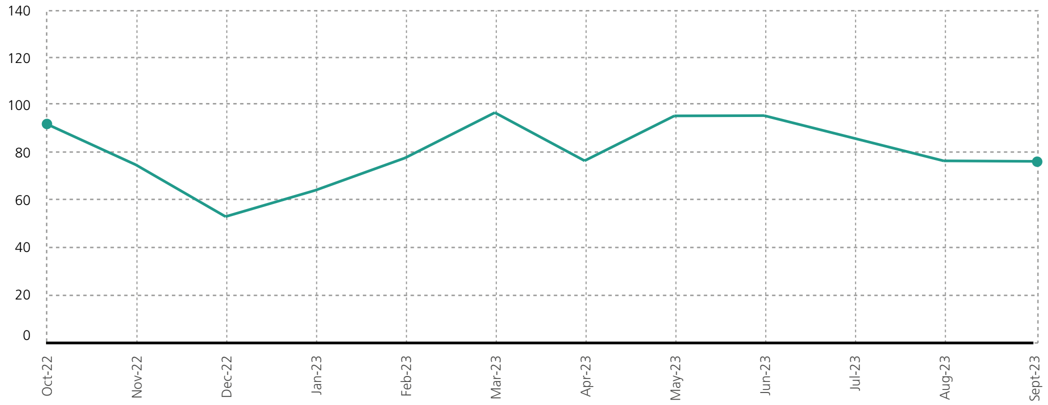
Mortgage valuations

- Whilst Q3 only saw one base rate change during the quarter, this, combined with the level of increases over Q2, put the brakes on transactions in Q3, as many discretional transactions evaporated, with prospective buyers pausing activity.
- Accordingly, sales activity eased back over the summer with mortgage valuation levels falling 11% on Q2 2023. However, this position improved during the quarter with September activity just 1% lower than September 2022.
- Remortgage activity continues to drive a significant share of valuation activity. When compared to Q3 2022, our Group mortgage businesses report a 13% increase in residential remortgage activity as many continue to review their current arrangements following the recent increases in mortgage rates.

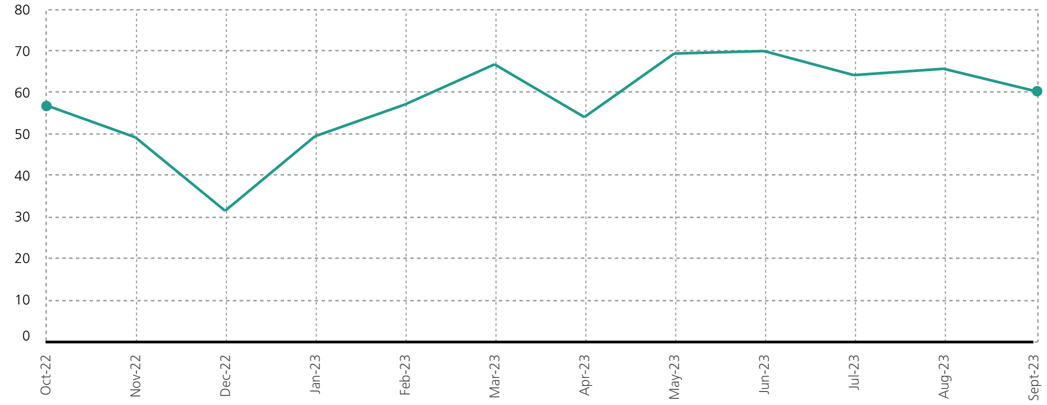
Surveys

- After several months of increased activity the number of surveys undertaken in Q3 eased back, with levels down 2% on Q2 2023.
- However, when compared with Q3 2022, this quarter showed a 41% uplift in survey activity as homebuyers continue to value the benefit offered by a comprehensive property survey.
- Surveys accounted for 7% of overall activity, just over double the level in Q3 2022.

Number of mortgage valuations (indexed)



Number of surveys (indexed)



SURVEY & VALUATION

Buy-to-let

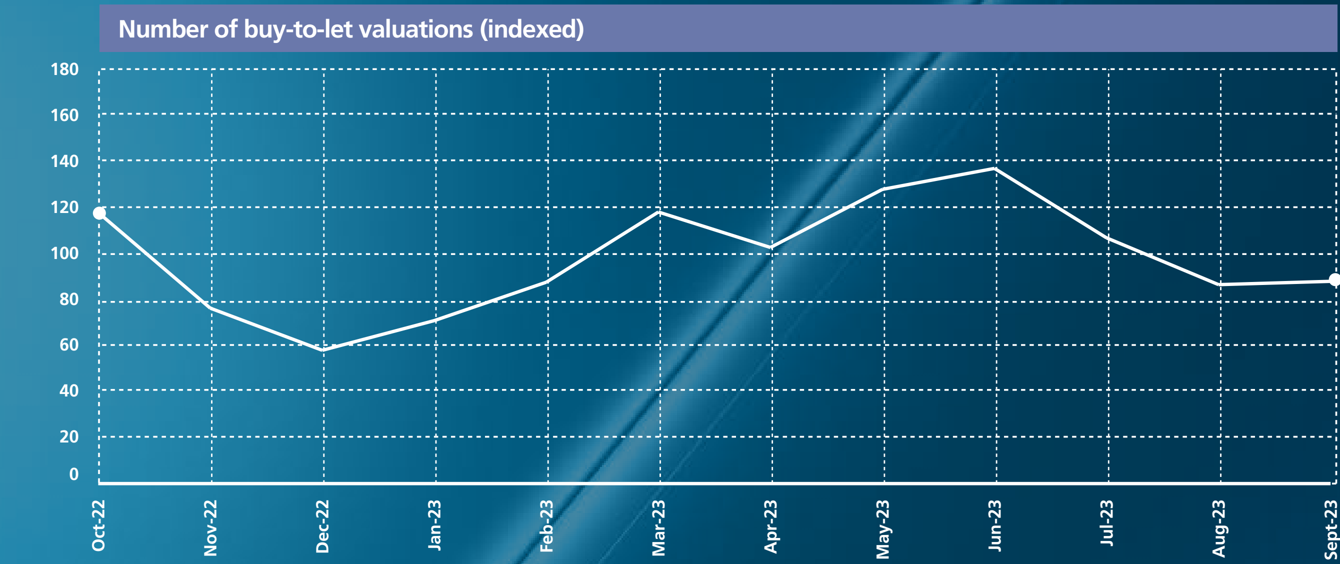
- With lower buy-to-let investor activity over the quarter, the number of buy-to-let mortgage valuations saw a 24% reduction on Q2 2023. The reduction in buy-to-let purchase activity a key driver of this movement.
- Activity within the buy-to-let sector accounted for 17% of all activity during Q3, down from 20% seen in Q3 2022.

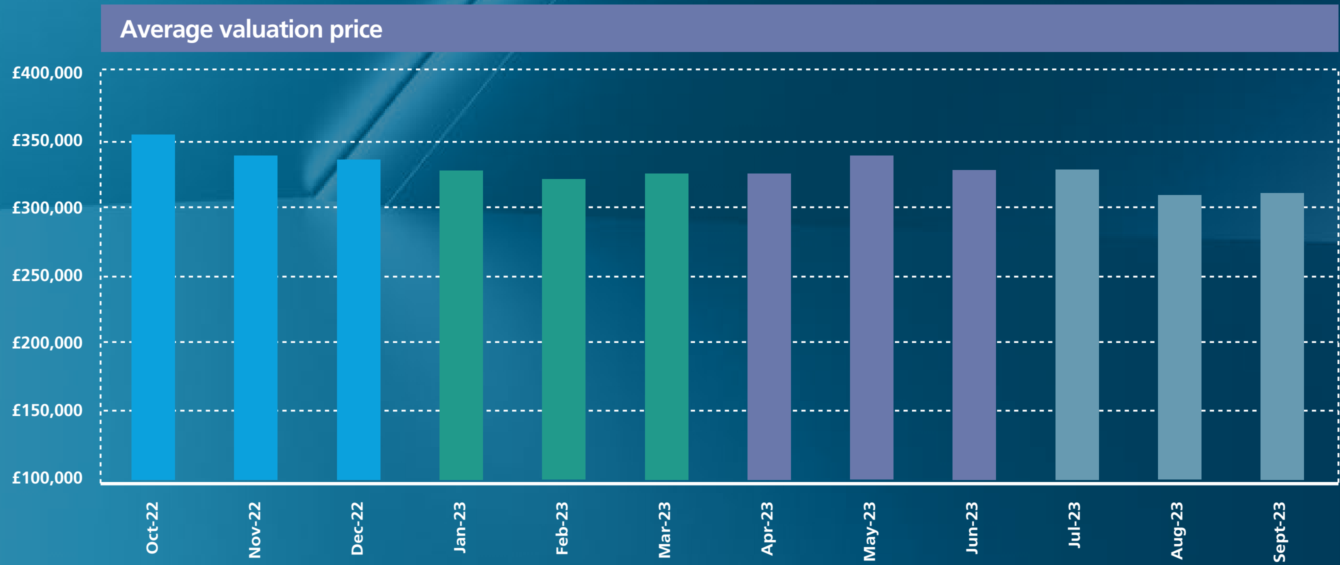
Average valuation

- The average valuation price has fallen 2% over the quarter, averaging £323,587.

Service delivery

- With activity levels subdued, the average reporting time was 3.7 days by the end of the quarter, and excluding delays outside our control reporting time averaged only 2.8 days.
- High service quality has been maintained throughout the quarter, with report quality hitting 98% in Q3.





MARKET SUMMARY

UK average house price at completion Q3 2023

£303,446

down

7.5%

from Q3 2022

(£327,960)

up 1.2%
from Q2 2023
(£299,710)

REGIONAL AVERAGE HOUSE PRICE AT COMPLETION Q3 2023

Scotland/North	**2.7% down** from Q3 2022	£199,348
East	**5.5% down** from Q3 2022	£331,299
Midlands	**5.2% down** from Q3 2022	£238,536
London	**7.7% down** from Q3 2022	£784,626
Wales/South West	**5.2% down** from Q3 2022	£282,818
South East	**11.2% down** from Q3 2022	£462,868

MARKET SUMMARY

REGIONAL AVERAGE RENT Q3 2023

Scotland/North
1% up from Q2 2023
£805

East
10% up from Q2 2023
£1,185

Midlands
8% up from Q2 2023
£967

London
11% up from Q2 2023
£2,069

Wales/South West
9% up from Q2 2023
£1,093

South East
9% up from Q2 2023
£1,166

UK average rent Q3 2023

£1,162

up
10%
from Q2 2023
(£1,060)

UK average mortgage value Q3 2023

£164,226

down
4%
from Q2 2023
(£170,811)

ABOUT CONNELLS GROUP

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

Founded in 1936 and 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 including new homes, mortgage services, conveyancing, EPC provision, surveying, corporate lettings, PRS, Built to Rent, asset management, land and planning, LPA receivers, commercial real estate and auctions.

Alongside the Connells estate agency brand, the Group trades under well-known and trusted local names.

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.

10% market share

over **1,200** branches

over **15,000** colleagues

Committed to developing our people and providing opportunities for all

80 local estate agency brands

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

115,000 property sales a year

Largest agency for new homes sales in the UK

over **9,000** new homes sold per year

100 land specialists nationwide

Connells group

The largest and most successful estate agency & property services provider in the UK

One of the UK's largest commercial property consultancies

Multi-award winning service

One of the largest volume residential property auctioneers in the UK

£36bn mortgage lending

1,250 employed Mortgage Consultants

One of the UK's largest conveyancing businesses

150,000+ tenancies managed

UK's **largest** survey and valuation business

700+ Chartered Surveyors

ISO 9001:2015 panel and risk manager of valuations

UK's leading EPC provider

Figures quoted for full year 2022 or correct as at February 2023, based on internal data. V10, CG February 2023.

OUR BUSINESS TO BUSINESS BRANDS

LAND, NEW HOMES AND PLANNING

- Connells
- Countrywide Land & Planning
- Countrywide New Homes
- sequence

COMMERCIAL PROPERTY

- ikon
- Lambert Smith Hampton

PROPERTY AUCTIONS

- Countrywide Property Auctions
- sequence

ASSET MANAGEMENT

- AMG
- Connells Living
- Connells
- Countrywide Corporate Property Services
- Countrywide Estate Management
- sequence
- The New Homes Group

STRATEGIC INVESTMENTS

- Hearthstone
- lms

EPCS AND INVENTORIES

- Vibrant Your Property Partner

LEGAL SERVICES

- Conveyancing Direct Property Lawyers
- Redstone Wills

SURVEYS AND VALUATIONS

- Connells Survey & Valuation
- Countrywide Surveying Services
- Harvey Donaldson & Gibson
- HomeReport Scotland.scot

OUR ESTATE AGENCY BRANDS

Brands with 10 or more branches

Abbotts, allen & harris, Austin & Wyatt, Bairstow eves, barnard marcus, Beresford Adams, blundells, bridgfords, brown & merry, burchell edwards, Connells

Countrywide, DIXONS, Entwistle Green, fox & sons, Frank Innes, fulfords, Gascoigne Halman, Gascoigne-Pees, Hamptons, John D Wood & Co, John Francis

jones & chapman, King & Chasemore, MANN, Miller Countrywide, Palmer Snell, peter alan, Rook Matthews Sayer, Sharman Quinney, shipways, Slater Hogg & Howison, TAYLORS, william h brown

and over 45 well-known, local names across the country

Accord Lets, Alan de Maid, anderson, andrew reeves, APW, Ashby Lowery, ashley adams, ashton burkinshaw, Atkinson Stilgoe, bagshaws residential, barnfields, bulmersletting, Chappell & Matthews, chattings, CHK Mountford

CityLetsYork, Clive Watkin, cm rent & sales, Country & Waterside, cryers, FindersKeepers, Freeman Forman, Geering & Colyer, hall & benson, Harfords, holroyds, Kevin Henry, Knight, Lighthouse Property Services, manners & harrison, midcornwall

Morris Dibben, Pattison Lane, Paul Dubberley, RA Bennett, Regal, roger platt, Spencers, Stratton Creber, SuttonKersh, swetenhams, TuckerGardner, urbanspaces, Watson Bull & Porter, wilson peacock, woods

KEY CONTACTS

Estate Agency

Ian Fry
National Managing Director (Estate Agency)
01525 218669
ian.fry@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 Lender Services Managing Director
01525 244237
adrian.scott@connellsgroup.co.uk

Asset Management

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

Connells Survey & Valuation

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

Connells group

MARKET **REPORT** Q3 2023

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