Connells group

Connells Group Market Report

connellsgroup.co.uk

Quarter 1, 2016

Contents

Introduction

David Livesey,
Group Chief Executive

With strong underlying sales activity running ahead of 2015, and close to the levels seen in 2014, for most of Q1, the housing market remains well placed to meet whatever challenges it may face in the coming quarters.

The UK property market has started 2016 at breakneck speed. Traditionally, we tend to see a gradual uptick in the market at the start of the year as it shakes off the seasonal lull that occurs over the Christmas period. However, what we have witnessed this quarter is something altogether stronger and more buoyant than the positive sentiment seen during the final quarter of 2015.

Within the residential sector in Q1 we have seen the number of active buyers entering the market reaching new heights. This is, in part, being driven by the continuation of positive economic trends, such as low interest rates, tempting those currently on the fence to make their first move onto the property ladder sooner rather than later. However, with the level of available stock at historic lows, the additional demand from these new buyers combined with increased buy-to-let activity from investors looking to extend their portfolios before the higher stamp duty changes came into effect on 1st April, many of these first-time buyers faced restricted choice and additional competition as they sought to find their ideal property.

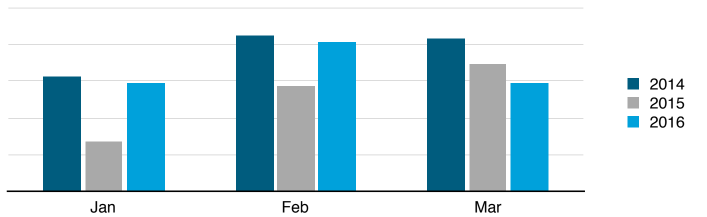
The ratio of applicants to new instructions has evened out in the short-term, while property price growth has not been as rapid as it has been in previous quarters, making climbing up – or onto – the ladder a less daunting feat for many. This slight cooling has by no means turned into a chill, with property remaining a valuable asset that will continue to increase in value for the foreseeable future. Supply side initiatives, driven by the Government's attempts to stimulate housebuilding in particular, may need further support if they are to have any meaningful impact on the level of available stock in the short term.

Landlords and tenants have also enjoyed a positive and productive start to the year. Activity from renters has grown at a healthy pace, as this group often uses the start of the New Year as an opportunity to move into new accommodation. Encouragingly, despite the fresh demand from new applicants entering the lettings market in Q1, the ratio of registered applicants to new instructions is by no means as high as it was during Q1 2015 and average agreed rents have broadly stabilised across England, in the short-term at least. An increased supply of rental stock is easing pressure on the sector, as buy-to-let landlords purchase less expensive properties, some of these new build. This may not be what the Government had in mind when it aided the construction of such properties, but it has given tenants respite nonetheless. In addition, tenants are also driving harder bargains, securing longer leases at a cheaper monthly rate – meaning they need to return to the market less often, which is also attractive to landlords.

The mortgage market has also sprung back to life this quarter – largely propelled by high activity levels in the residential and buy-to-let sectors. Home movers and first-time buyers are seeking to take advantage of the low interest rate, high LTV lending environment. The biggest story from the sector this quarter is the impact that the 3% Stamp Duty levy on second homes has had on the buy-to-let market. Certainly, there has been a pronounced short-term trend created by the artificial deadline. Buy-to-let mortgage lending spiked in January and February, before dropping noticeably in March, immediately before the looming SDLT change. However, this is not a sign that investors have lost confidence in the post-April 1st buy-to-let market, more a short term trend as they simply sought to avoid an unnecessary upfront cost. Indeed, over the long-term, the sector is more than capable of riding out the increased levy given its strong fundamentals – namely, high yields, high rental demand and accessible mortgage lending.

Looking at the national picture, the economic outlook remains strong. There are some warning lights flashing in certain areas of the global economy and the current Brexit debate is leading to a degree of business uncertainty. The uncertainty is similar to that seen in the lead up to the Scottish Referendum in 2014 and the UK General Election in 2015, and whilst this may introduce some hesitancy to the market during Q2 the fundamentals of the UK economy remain strong, with low unemployment, reasonable rates of GDP growth and rising real-term wages. This generally positive climate looks set to be maintained over the coming quarters, regardless of the result of the upcoming referendum, and with demand for housing continuing to outstrip supply, the outlook for the housing market remains positive.

Going forward, it will be interesting to see whether the Government continues to increase its income from the buy-to-let market. The silence from the Chancellor on the sector in the March budget may be an indication that he has reached his profit-raking limit. A far bigger challenge for the Government over the coming year is the perennial question of how to stimulate housing stock and ensure the benefits of any such boost reach those most in need – namely, first-time buyers. The Government has already made a start in this regard by earmarking certain properties for those setting foot on the ladder for the first time, but it may need to take more urgent action if the increasing numbers of people tempted to purchase their first home continues to rise. With strong underlying sales activity running ahead of 2015, and close to the levels seen in 2014, for most of Q1, the housing market remains well placed to meet whatever challenges it may face in the coming quarters.



Average weekly gross sales

The market has been particularly buoyant at the start of the year – but this is hardly a surprise. The fundamentals of the sector – rising house prices, low interest rates, high buyer demand, positive market sentiment and some wage inflation – have remained intact, regardless of any seasonal slips.

Looking forward, the momentum seems to be with home buyers, as they continue to take advantage of the positive economic climate in order to make their way up the property ladder.

David Plumtree,
Group Chief Executive
(Estate Agency)

The number of sales agreed in

Q1

of this year

grew by

7%

compared to Q1 2015

Estate agency

David Plumtree,
Group Chief Executive (Estate Agency)

New buyers and instructions

- After the traditional slowdown in activity in Q4, the number of new instructions recovered sharply in Q1 2016. The total number of new instructions in Q1 represented a 1% uplift on Q1 2015.
- This trend was even more pronounced for the number of new applicants registered, with the number of buyers entering the market in Q1 of this year up 31% on Q1 2015. A large proportion of the increased applicant registrations were buy-to-let purchasers looking to secure their purchase before the changes to Stamp Duty came into effect.
- After climbing steadily throughout Q4 2015, the ratio of applicants registered to new instruction has broadly plateaued in Q1 of this year, averaging 9.3 applicants to every new instruction. This figure represents a 1% uptick on the previous quarter and an increase of 30% on a 12-month basis.
- The UK property market has experienced a particularly buoyant start to the year. Enthusiasm among buyers – already strong – is growing, as the economic outlook remains healthy and support for buyers to move up, or onto, the ladder is being extended by the Government. In addition, the increased urgency amongst buy-to-let investors has helped create added impetus to the market.
- Equally, the slight rise in the number of new instructions is good news for buyers. It has contributed to a levelling off of the ratio of applicants to instructions.

Viewings

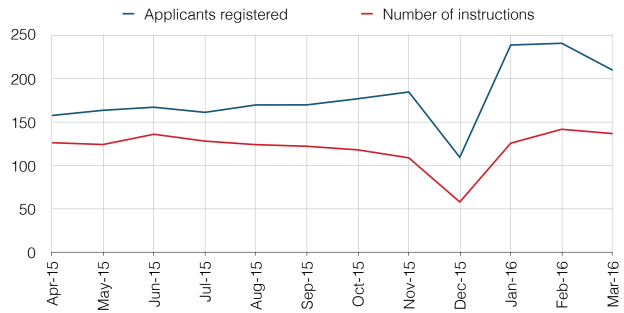
- The uptick in the number of registered applicants in Q1 has had a positive knock-on effect on the number of viewings carried out over the same period. Viewing numbers climbed by a third on a quarterly basis, as well as rising by 7% between Q1 2015 and Q1 2016.

Offers

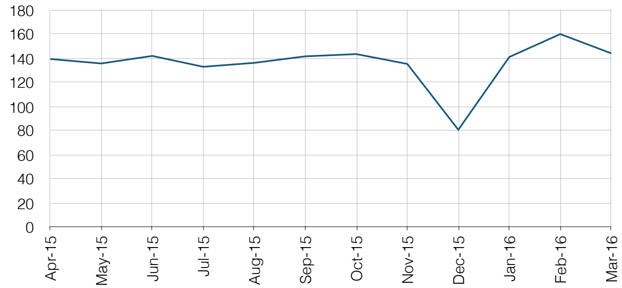
- The number of buyer offers in Q1 has also been impacted by the increase in buyers coming on to the market at the start of 2016, with the number of offers up by 24% and 12% on a quarterly and annual basis respectively.

Sales agreed

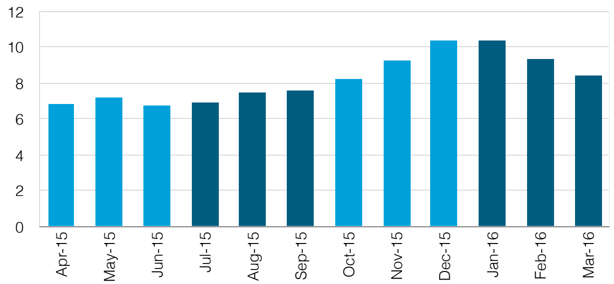
- The number of sales agreed in Q1 of this year grew by 7% compared to Q1 2015.



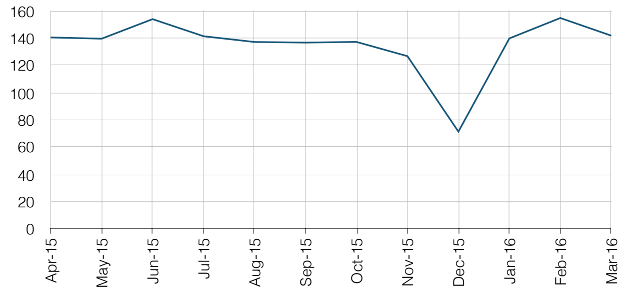
Number of applicants registered & new instructions (Indexed)



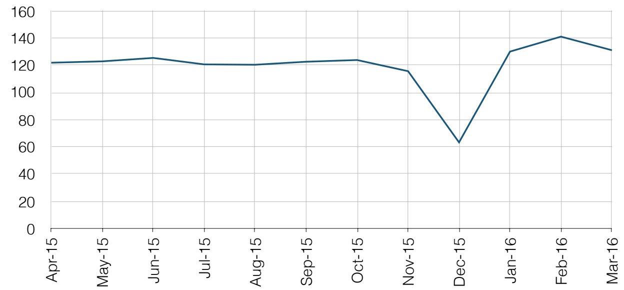
Number of buyer offers (Indexed)



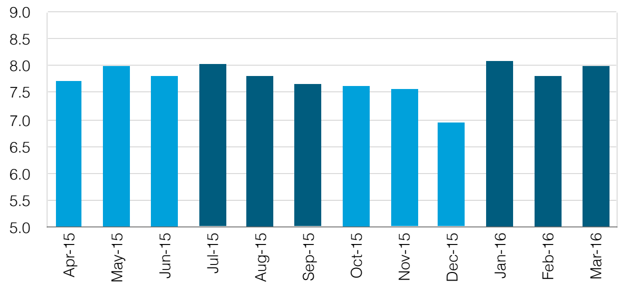
Applicants registered per new instruction



Number of sales agreed (Indexed)



Number of buyer viewings (Indexed)



Viewings per offer

Estate agency

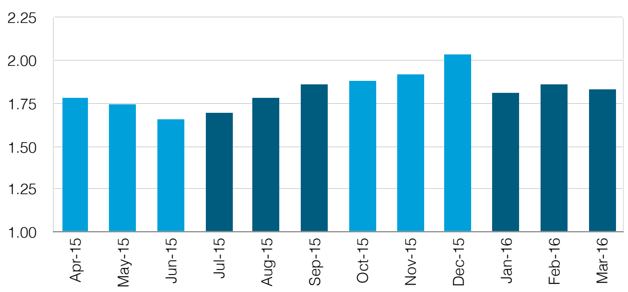
Continued

Viewings, offers and sales

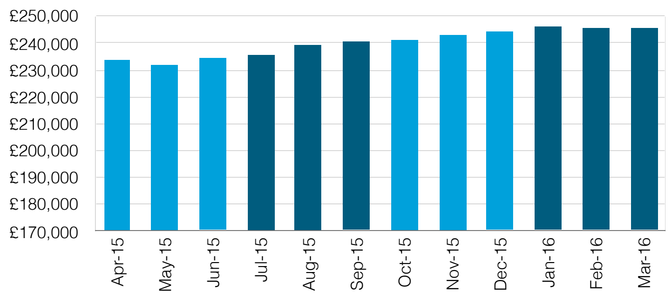
- In Q1 2016, the number of viewings for every offer stood at an average of eight, representing an 8% climb on the previous quarter.
- Homebuyers are approaching the first quarter of the year with gusto, with strong levels of buyer demand in firm evidence. They have been helped in their endeavour by a combination of real-term wage increases and a prominence of low interest rate, high LTV lending.

Prices

- Home values in the UK have risen steadily in the first three months of the year, with the average house price reaching £245,650 by March 2016. In addition, January registered the highest average home value on record, coming in at £246,103.
- March's average property value represents a 1% (£1,318) uptick on the figure from the final month of the previous quarter (£244,332), alongside a rise of 6% (£13,369) on March 2015's average of £232,281.



Offers per sale agreed



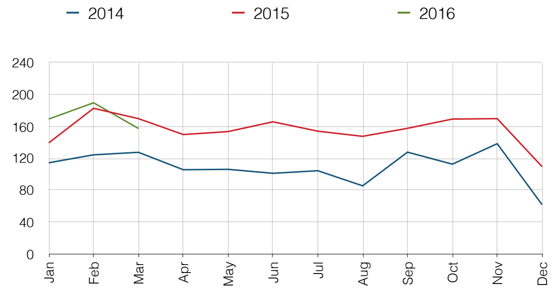
Average house price

The increased levels of demand for both new homes and development land have been maintained into Q1, a trend that is supported by the new home sales and contract numbers achieved across the Connells Group estate agency businesses. In the first quarter of 2016 new home sales have increased by 4% and in respect of contract exchanges, this is up by an impressive 41%, which reflects the considerable increase in demand that occurred in the second six months of last year and will be reflected in rising completion numbers moving forward.

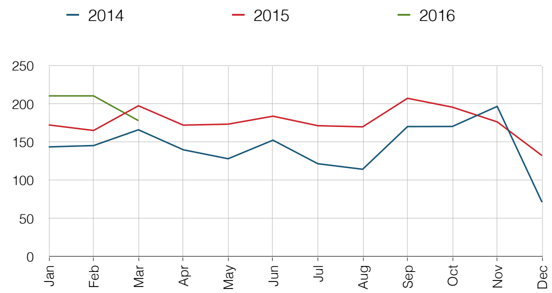
Help to Buy continues to support the house building industry and has aided in considerably increasing output since its introduction in 2013. This coupled with stability in the mortgage and finance markets would suggest that the current levels of sales growth are capable of being maintained well into 2016. There are however challenges continuing to face new home production not least of which is a career, skills and labour shortage facing the industry across all construction disciplines. On many developments construction is lagging behind sales demand which was evidenced by the fact that NHBC registrations were down 8.6% in the quarter December to February 2016 compared to the same quarter in 2014/2015.

In respect to the planning process figures released by the HBF and Glenigan's latest Housing Pipeline report show that planning permissions for 52,167 homes were granted in England during the first quarter of this year, a 19% increase on the 43,926 permissions in the corresponding quarter last year. As a result the Moving Annual Total has passed the 200,000 mark for the first time since early 2008. However, many of the homes identified in the report still have to navigate the remainder of the planning system, a process that continues to take far too long. The planning process, however, remains a significant constraint on the industry's ability to meet the higher levels of demand and deliver further increases in supply.

Roger Barrett,
Group Land Director



Average weekly sales



Average weekly instructions

Land and new homes

Roger Barrett,
Group Land Director

New homes

- Connells Group New Home sales were 4% up in the 1st quarter of 2016 compared to the same period in 2015.
- Connells Group New Home contract exchanges were 41% up in the 1st quarter of 2016 compared to the same period in 2015 reflecting the strong sales performance in the second half of 2016. New Homes instruction pipeline at the end of the 1st quarter is 21% ahead of the same point in 2015.
- Connells Group land operation continues to invest in expanding its team and market share with land and professional consultancy revenues set to increase by at least 20% in 2016.
- This coupled with a rapidly expanding New Homes operation will enhance the service and coverage we provide to the development and new homes industry.

Government initiatives

- Recent legislative changes in the buy-to-let market appears to be a 'reigning back' of the government's position whereby previously they have been 'championing' this sector. Whilst this may affect the buy-to-let market in the short term we feel that smaller investors will ultimately realise that 'bricks & mortar' will continue to be a sound long term investment.
- The stamp duty and tax policy changes have however had a significant impact upon larger investors in terms of PRS investment particularly in respect to current transactions. It is hoped that this will wash through the market in the coming months albeit that there may be a realignment of values in this sector.
- Changes to planning legislation are also programmed as Ministers have indicated that they are not going to extend the temporary provisions currently available to developers to formally apply to amend S106 agreements with regard to affordable housing contributions on the grounds of scheme viability. The relevant legislation allowing such applications is likely to come to an end on 30th April 2016.

Much like the purchase market, the rental sector has begun 2016 with a spring in its step. After keeping a relatively low profile during the Christmas period, tenants are back on the hunt for available lets and landlords are rushing to satisfy that demand. Aside from the seasonality, we're also seeing a longer term trend of growing volumes of renters and rental properties. This indicates that more people are remaining in rental accommodation for greater periods, either because it's more convenient or because purchasing property is beyond their budget.

Rents are also holding broadly steady after several quarters of fairly rapid growth. While the continuing rock-bottom rate of inflation may be partly responsible, tenants are probably the main architects of this rental cost cool-down. Renters have become increasingly savvy over the past twelve months: whether it's by securing a fixed-cost contract for more than a year or doing research in a local area to find the most cost-effective lets, this group is now more adept at getting the best value rental deal they can – and the stats are at last beginning to illustrate this. Equally, given the ratio of registered applicants to new lets beginning to fall over the longer term, an increase in stock in the rental sector – as buy-to-let landlords snap up some of the new-builds in property hot-spots – may also be a factor behind rental growth slowing from a heady to a steady pace.

Stephen Nation,
Group Lettings Managing Director

The number of **new lets** on the market rose 21% between **Q4 2015** and **Q1 2016**

Residential lettings

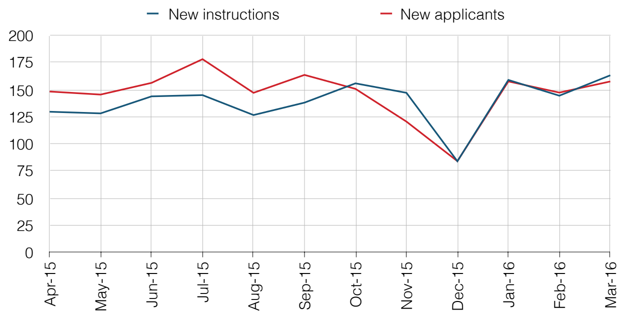
Stephen Nation,
Group Lettings Managing Director

New applicants and instructions

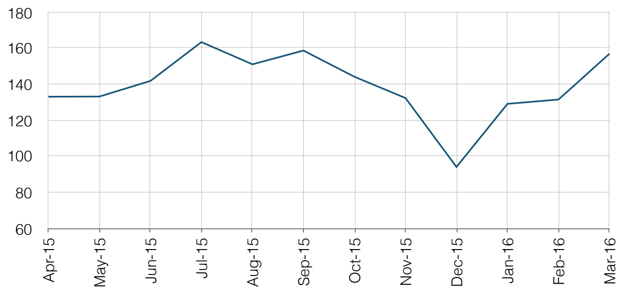
- In Q1, new instruction volumes in the lettings market bounced back from the dip the sector historically experiences in December. The number of new lets on the market rose 21% between Q4 2015 and Q1 2016, and grew by 20% on an annual basis.
- The number of new rental applications in Q1 increased by 30% on a quarterly basis, while growth compared to 12 months ago stood at 2%.
- The average ratio of registered applicants for each new instruction reached 6.5, representing a rise of 7% compared to Q4 2015, but a 15% contraction on an annual basis.

Regional rents

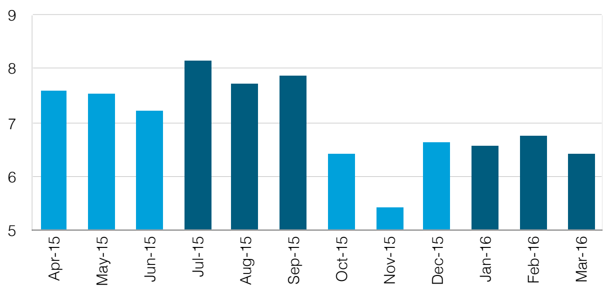
- Rents across all regions of England dipped on a three-month basis in the first quarter of the year, but have experienced moderately strong growth compared to Q1 2015.
- Average agreed rents in London now stand at £1,568, a 2% (£32) drop compared to the final quarter of last year, when the capital's average rent stood at £1,600. However, Q1's figure also represented a 12% (£170) uptick on Q1 2015's average of £1,398.
- In the Eastern & Central region, average rents remained virtually unchanged on a quarterly basis – increasing from £742 to £744 over three months – while rising 5% (£38) compared to the average rent in the first quarter of 2015 (£706).
- Average rents in the North declined from £609 to £594 between Q4 2015 and Q1 2016 – a dip of 3% (£15). However on a year-on year basis they rose by 5% (£29).
- Rental prices in the South followed a similar pattern to those in the North, decreasing by an average of 2% (£19) compared to Q4 2015's figure (£863) to stand at £844. Over a 12-month period, however, this average still represents growth of 8% (£60).
- After steadying in Q4 2015, rental costs have begun the year by falling slightly on a quarterly basis. While the news will be well received by tenants, most landlords will not feel too concerned, given rents are continuing to grow over the long term.
- With tenants becoming more astute when it comes to negotiating lettings contracts, many landlords are finding that they are having to compromise by establishing an arrangement that delivers value for money for themselves.



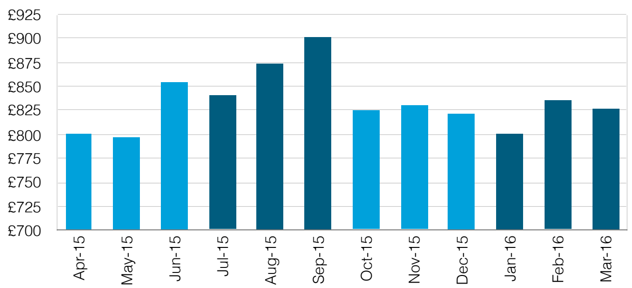
New applicants registered and new instructions (Indexed)



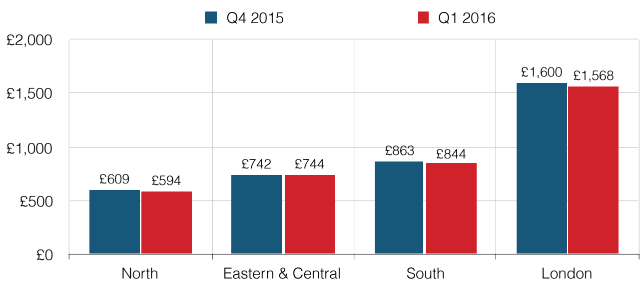
Number of agreed tenancies (Indexed)



Applicants registered per new instruction



Average agreed rents (UK)

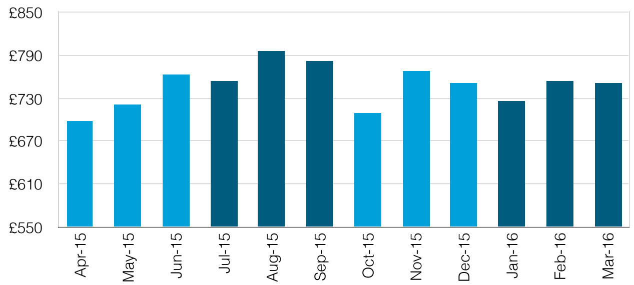


Average agreed rents

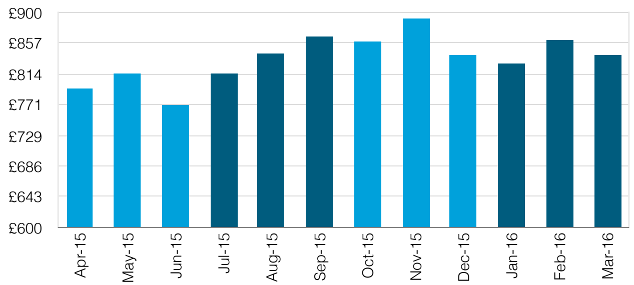
Residential lettings *Continued*

Agreed tenancies and average rents

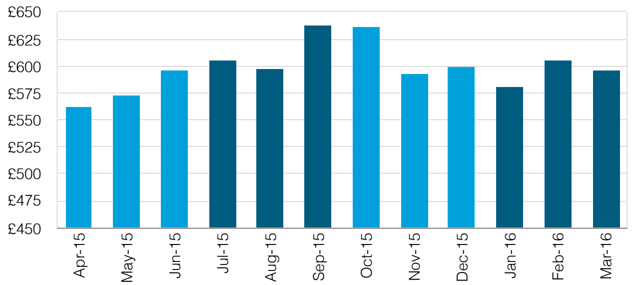
- The number of agreed tenancies increased month-on-month in Q1, averaging a total quarterly figure that was 13% higher than that of Q4 2015 and 8% greater than that of Q1 2015.
- Average nationwide rents in Q1 represented no significant movement on either a quarterly basis, but experienced moderate upward annual movement. The average UK monthly rent for the first three months of the year stood at £821. This figure reflects a 1% (£5) drop on the previous quarter's average rent (£826) and an increase of 5% (£36) on rental costs in Q1 2015 (£785).



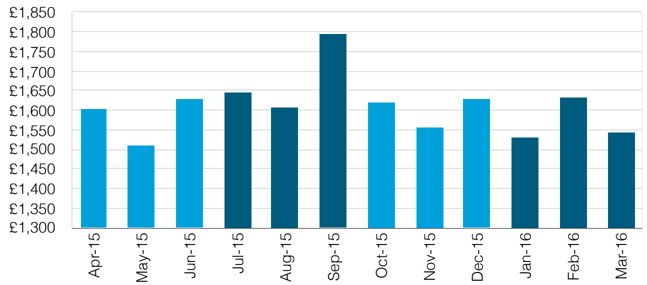
Average agreed rents (Eastern & Central)



Average agreed rents (South)



Average agreed rents (North)



Average agreed rents (London)

The mortgage market has started the year at a high tempo, with all sectors enjoying strong expansion. In the buy-to-let market, this trend can largely be explained by investors getting off the fence and acquiring buy-to-let mortgages in January and February to be sure of expanding their portfolios before the new 3% Stamp Duty levy on additional homes kicked in on 1st April.

However, the surge across the market more widely illustrates not only that people are turning their attention back to climbing the property ladder again after the traditional festive lull, but that there is a vigorous confidence in the property market. Potential first-time buyers, home movers and remortgagors all believe the current conditions are right for them. Remortgagors see the current rock-bottom interest rates as an opportunity to get a better mortgage deal, while home movers feel tempted by rising home values and a positive economic outlook to move up the ladder. In addition, first-time buyers are satisfied that the support available to them is sufficient to help them onto the ladder.

The uptick in average mortgage values will also be welcomed. Mortgage sizes are broadly keeping pace with home values, which is crucial for allowing those on modest incomes to scale the property ladder. Meanwhile, the fact mortgage terms have held steady at their relatively high rates suggests increased lender confidence in both their own liquidity and the economic climate. This lender confidence matches the customer need resulting from their increased affordability challenges due to higher loans sizes.

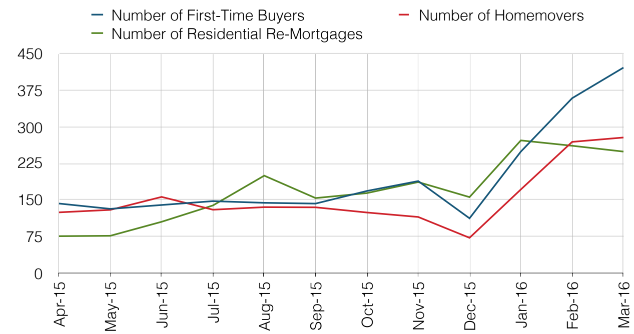
Adrian Scott,
Group Mortgage Services Director

Mortgages

Adrian Scott,
Group Mortgage Services Director

Residential

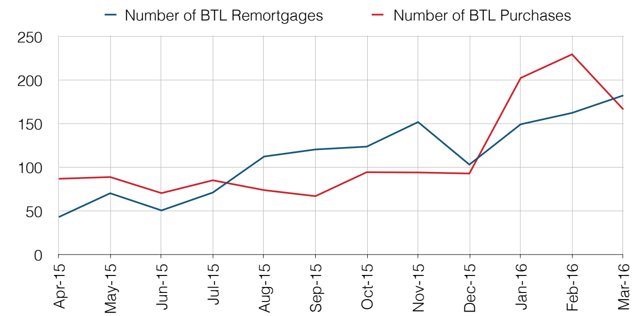
- The mortgage market has experienced a significant quarterly and annual uplift during the first three months of the year.
- Home-mover mortgage activity grew by 132% between Q4 2015 and Q1 2016 and by 107% on an annual basis. January and February 2016 saw steep rises in activity, while March represented steadier growth.
- Mortgage activity in the first-time buyer market followed a similar pattern, with the sector posting growth of 126% and 112% on a quarterly and annual basis respectively. The market also experienced steep increases in activity every month during Q1.
- The remortgaging sector in Q1 saw the smallest quarterly activity uplift out of three mortgage sectors, expanding by 89%, as well as the largest annual rise – of 162%. Remortgaging activity expanded sharply in the first month of 2016, before steadying during February and March.



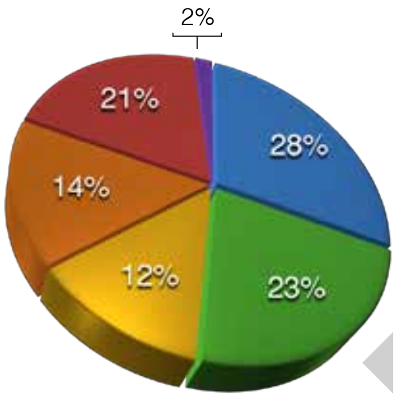
Number of residential mortgages by type (Indexed)

Buy to let

- Like the wider mortgage market, buy-to-let activity in Q1 has increased sharply on both a quarterly and annual basis.
- Buy-to-let purchase activity increased by 122% between Q4 2015 and Q1 2016, and 106% compared to Q1 2015.
- Similarly, the number of buy-to-let remortgages expanded by 74% over a three-month period, and by 128% over a twelve-month period.



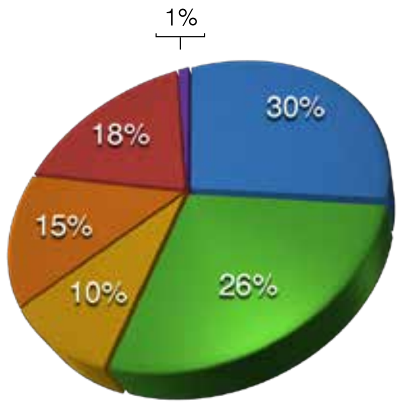
Number of BTL mortgages by type (Indexed)



Mortgage type split
UK Q4 2015

- FTB
- Home Mover
- BTL Remortgages
- BTL Purchases
- Remortgages
- Other

Mortgage type split
UK Q1 2016

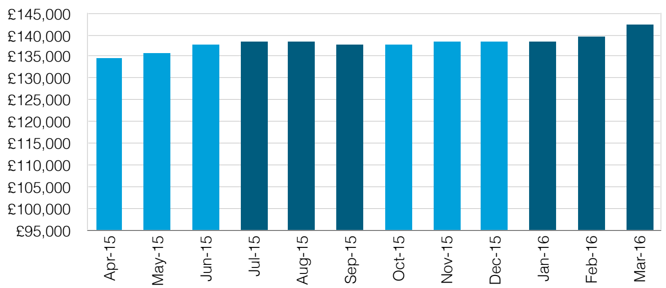


Mortgage values

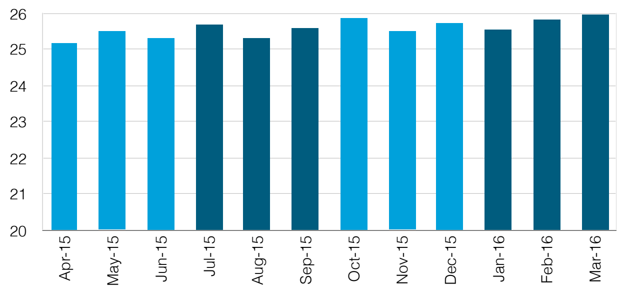
- Mortgage values across England averaged £142,433 in the first quarter of the year – an increase of 3% (£3,931) compared to the previous quarter (£138,502) and a rise of 7% (£9,489) on Q1 2015.

Mortgage terms

- The typical mortgage length has steadied in Q1. The quarter's average, 25.8 months, is 1% down on the previous quarter's average and 1% up on an annual basis.



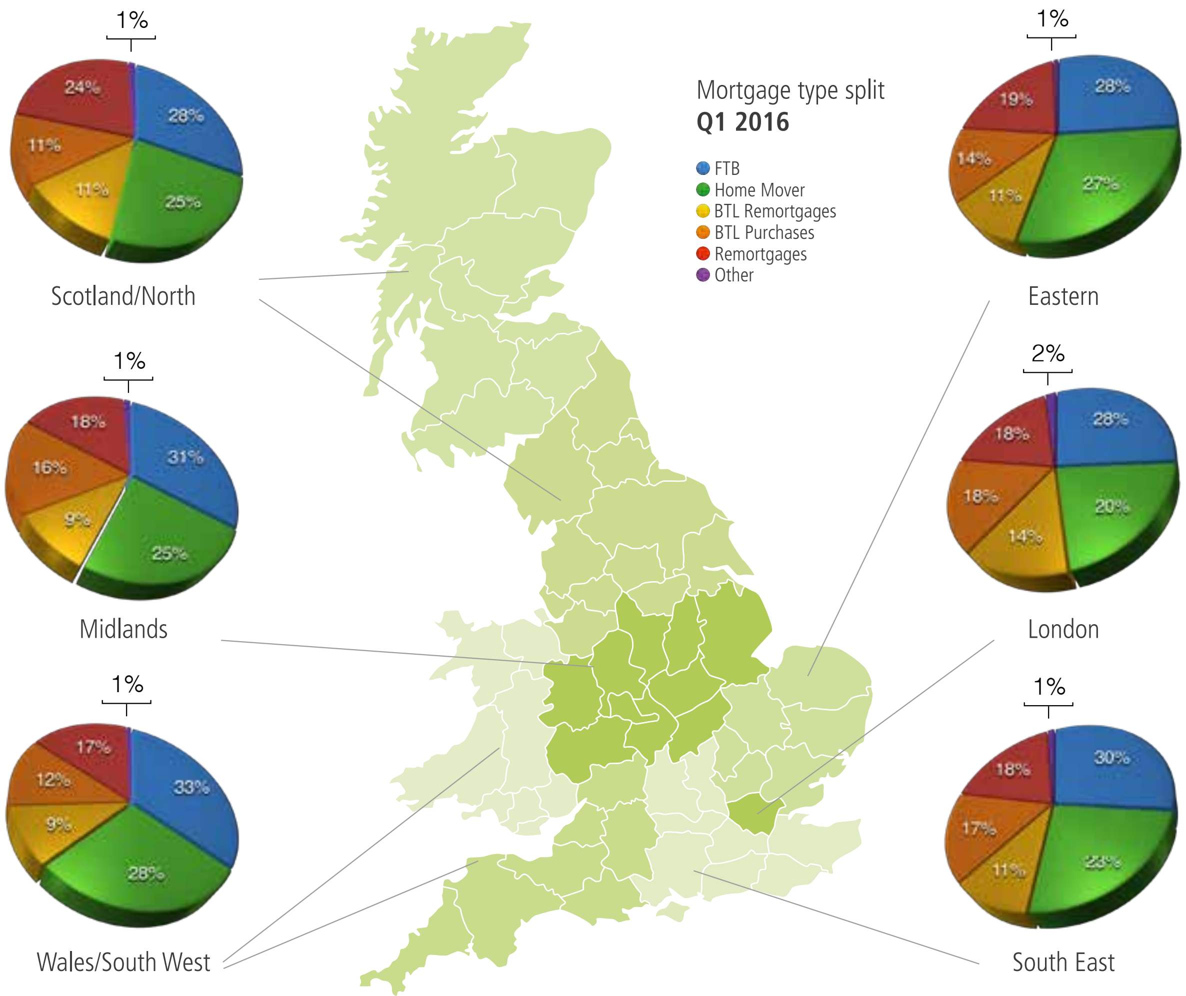
Average mortgage value



Average mortgage term (Years)

Mortgages

Continued



UK mortgage type split

- The first-time buyer sector accounted for the largest proportion of housing market activity in the first quarter of 2016. With wages rising in real-terms, rock bottom mortgage rates and a range of support options for those hoping to set foot onto the property ladder, many in this group have realised that such a favourable climate will not last indefinitely and so are realising their ambitions sooner rather than later. Home movers were the second-most prominent players in the mortgage market – a sign that, after the festive lull, climbing the housing ladder is still a tempting prospect for many with property and the financial security to sustain mortgage and deposit costs.

Regional picture

- In Q1, first-time buyer activity was strongest in the South West (33%) and weakest in London and the East (28%); the South West also had the highest proportion of home mover activity (28%), with the smallest proportion located in London (20%). For those seeking to remortgage, the North had the highest relative amount of activity (24%), while the South West possessed the quietest remortgaging sector (17%). London continues to lead the buy-to-let boom, with the capital boasting the highest proportion of buy-to-let remortgages (14%) and buy-to-let purchases (18%). The buy-to-let purchase market was weakest in the North (11%), while the Midlands and the South West were the regions where the buy-to-let remortgaging market was least pronounced (9%).

At the end of last year it was predicted that the level of repossessions would rise in 2016 and 2017 once the legal challenge faced by some lenders taking possession was resolved. At the time of writing, the numbers for Q1 have not yet been published by the CML, but our own figures suggest there has been no increase so far and volumes have levelled out. We expect this trend to continue in the coming months.

Last year less than 1% of all mortgages were in arrears, the lowest rate for more than 10 years. In 2015 10,200 properties were taken into possession, less than half the 20,900 in the previous year. Whilst the volumes were affected by the previously mentioned legal challenge, the trend continues to be downwards for the time being.

The EU membership referendum in June could have an impact on arrears and repossessions. The UK Government and some financial experts are predicting that mortgage interest rates will increase if we have a Brexit, whilst the "Leave" campaign disagree. A Brexit could also affect the wider economy, which in turn, could eventually impact on arrears and repossessions.

March saw an unusually high number of completions as a result of the changes in Stamp Duty rates for buyers purchasing additional homes.

Simon Matthews,
Managing Director of AMG

In **Q1 of this year**, flats made up

24%

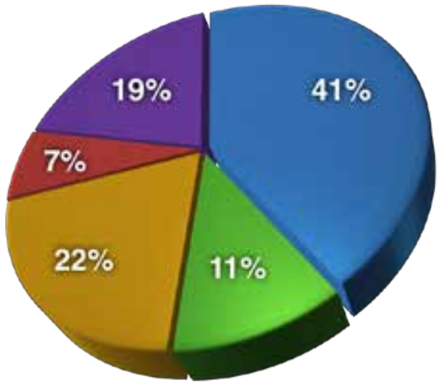
of the new instructions market – **up 1%** from the final quarter of **2015**

Asset management

Simon Matthews,
Managing Director of AMG

New instructions

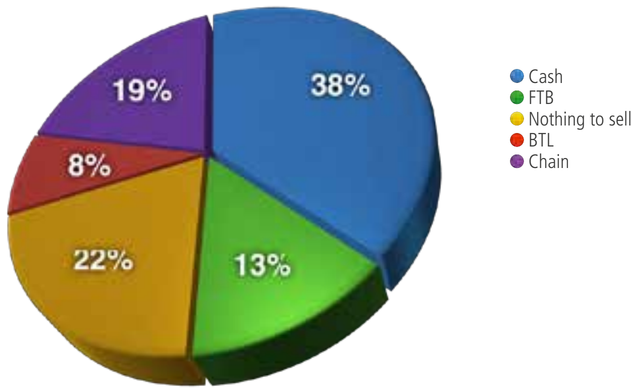
- The proportion of new instructions accounted for by houses decreased from 70% in Q4 2015 to 69% in Q1 2016.
- The proportion of new instructions accounted for by bungalows remained static between Q4 2015 and Q1 2016, standing at 7%.
- As the dominance of houses over the new instructions market continues to loosen, apartments have come to account for an increasingly large share of the property coming up for sale in the repossessions market. In Q1 of this year, flats made up 24% of the new instructions market – up 1% from the final quarter of 2015.



Completions by purchaser type **(Q1 2016)**

Purchase type

- Cash continues to account for the largest proportion of distressed completions in Q1, with 41% of all repossessed properties purchased by cash buyers – up 3% from Q4 2015.
- Those with nothing to sell made up the second-largest proportion of completed sales in the quarter, representing 22% of all buyers in the repossessions market, representing no change on the previous quarter.
- Buy-to-let investors accounted for the smallest proportion of completed purchases (7%).



Completions by purchaser type **(Q4 2015)**

Pleasingly, the slowdown at the end of the final quarter of 2015 was less than expected, and this supported stronger momentum being carried into the start of 2016. In line with established market trends, strong home purchase and rental demand combined with increasing lender appetites continued to fuel market growth.

Alongside this, evidence of valuer capacity constraints in some locations in the surveying market began to materialise towards the end of the quarter with all firms under pressure to deliver the usual speedy reporting times. So far however, we have shielded lenders and other clients from this having any material adverse impact on application to offer times at the same time as maintaining high quality advice levels.

We have also seen the success of many new entrant lenders recently launched into the residential mortgage market, as they gain traction through offering alternative propositions and increased choice to the sector. This is forecast to gather pace over the remainder of 2016 with lenders seeking to secure robust survey and valuation servicing arrangements to ensure they can maintain a competitive edge.

Ross Bowen,
Managing Director,
Connells Survey & Valuation

The **average valuation price** has **continued to rise in Q1**, **growing** from £244,020 in Q4 2015 to **£253,601 this quarter** – an **increase** of

4%

(£9,581)

Survey and valuation

Ross Bowen,
Managing Director,
Connells Survey & Valuation

Mortgage valuations

- In the first quarter of the year, the number of mortgage valuations rose steadily month-on-month, resulting in the total figure rising 8% for the quarter and 5% annually.
- Due to an extraordinary spike in January, the number of repossession valuations in Q1 increased 15% compared to Q4 2015. On an annual basis, this quarter's figure represents a fall of 44% on Q1 2015. Overall numbers however remained extremely low.
- The mortgage sector has grown at a healthy rate over the first three months of the year, as investors, first-time buyers and home movers embrace the positive conditions both in the property market and the wider economy.

Surveys

- In parallel to the mortgage valuation trend, the number of surveys carried out rose throughout the first three months of Q1. However, due to the sharp drop in survey volumes at the end of Q4 2015, Q1's figure is down 5% on a quarterly basis and 2% annually.

Buy to let

- Valuation numbers in the buy-to-let sector have experienced a seismic shift over Q1, the net result being that, between Q4 2015 and Q1 2016 valuation activity in the sector grew by 21%.
- The growth the buy-to-let sector experienced this quarter also reflects an 83% uplift compared to the same quarter a year ago.

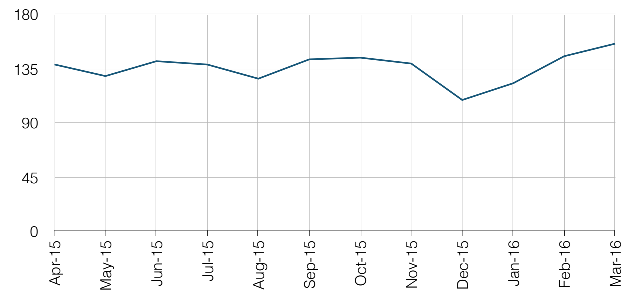
Average valuation

- The average valuation price has continued to rise in Q1, growing from £244,020 in Q4 2015 to £253,601 this quarter – an increase of 4% (£9,581). Q1's valuation price also represents a 7% (£16,506) increase on the figure for Q1 in 2015 (£237,095).

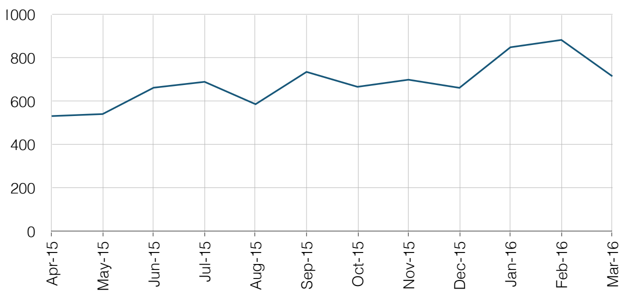
Survey and valuation report types

- With the expectation of the buy-to-let business there were some small shifts compared to the first quarter in 2015. Q1's survey type split has remained reasonably steady on a quarterly and yearly basis, with mortgage and remortgage valuations continuing to account for the vast majority of surveys carried out.
- Mortgage valuations accounted for 71% of the survey market in Q1 – a figure which represents a 1% uptick on the previous quarter and a 5% drop on Q1 2015.

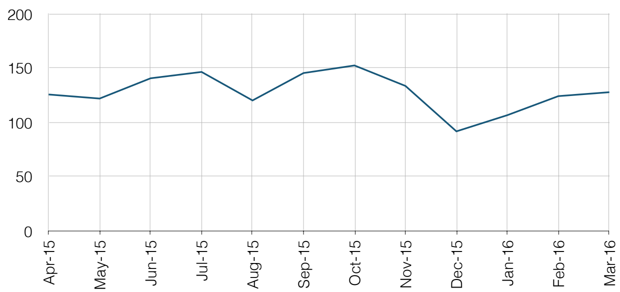
Continued



Number of mortgage valuations (Indexed)



Number of BTL valuations (Indexed)

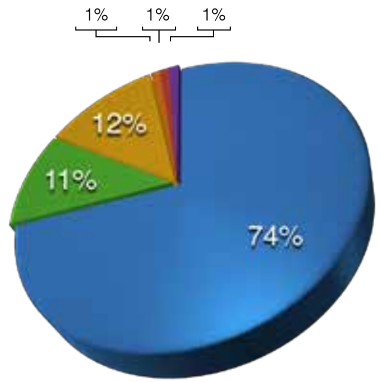


Number of surveys (Indexed)

Survey and valuation report types

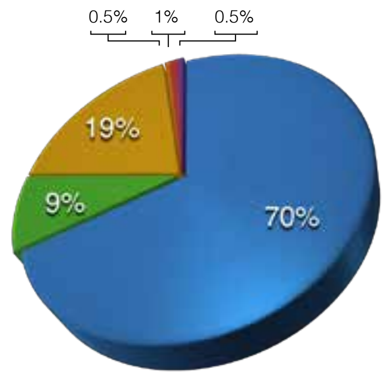
(continued)

- The proportion of surveys carried out for buy-to-let valuations stood at 19%, reflecting a 3% increase on Q4 2015's proportion and a 7% increase on the figure from the same quarter a year ago.
- Having remained static for several quarters, the proportion of the survey market taken up by homebuyer and condition reports dropped from 11% to 9% between Q4 2015 and Q1 of this year. The sector also experienced a 2% fall on a yearly basis.
- Besides miscellaneous surveys, building surveys and repossession surveys make up the smallest proportion of the market in this quarter, with each accounting for 0.35%.



Survey type split
UK Q1 2015

- Mortgage/Remortgage Valuation/House
- Homebuyer/Condition Report/Flat
- BTL Mortgage Valuation/Bungalow
- Repossession Valuation/Apartment
- Building Survey
- Other



Survey type split
UK Q1 2016

Average house prices, mortgage values and rents: Q1 2016

Average mortgage value Q1 2016

£142,433

Up 3% from Q4 2015 (£138,502)

Up 7% from Q1 2015 (£132,944)

Average house price Q1 2016

£245,650

Up 1% from Q4 2015 (£244,332)

Up 6% from Q1 2015 (£232,281)

Average rent (North)

£594

Average rent (East & Central)

£744

Average rent (London)

£1,568

Average rent (South)

£844

Economic outlook

The UK continued to benefit from a strong overall economic performance in the first quarter of 2016. GDP growth, despite being revised down at the time of the Chancellor's March budget, remains solid. In addition, wages have continued to rise above inflation; while that may not be a significant achievement given the currently record low rate of inflation (0.5%), the feel-good factor has fed through into strong and sustained consumer confidence.

The biggest change affecting the property market – and, in particular, the buy-to-let sector – in Q1 was the looming introduction of the 3% Stamp Duty charge on additional homes that came into effect on 1st April. The incoming legislation has, in the short term, thrown the buy-to-let market off its previously strong and steady stride. Instead, the sector has experienced very high volumes of activity in January and February – as investors in the sector rush to complete their purchases before April – followed by a lull in March. However, behind this headline shake-up, a number of positive economic measures and trends have been slowly and steadily aiding other parts of the property market. For first-time buyers, the continuation of the Help to Buy mortgage scheme has helped make potentially daunting deposit costs seem manageable. Equally, the introduction of Government-sponsored discounts on specially earmarked first-time buyer properties has made homeowning more accessible to lower income individuals who perhaps lack familial or other forms of support. Furthermore, home movers, as well as benefitting from the generally positive economic climate, have been buoyed in their activity by relatively cheap lending – something which shows no sign of abating given the Bank of England's determination to maintain the base rate for the foreseeable future.

Looking further into 2016, the supply of housing, especially at the less expensive end of the housing market, will continue to be an issue. In addition, questions will be raised about who gets any newly-built properties that come to market, since the Government faces the problem that many of the more affordable homes it helps build are snapped up by investors, rather than the people they were intended for. Ringfencing property has already begun – for instance, some new-build developments can only be purchased by first-time buyers – and the Government may face pressure to broaden this principle to include other groups, such as low-income families, a policy which some may argue will ultimately lead to potential distorting of the market.

Methodology

Connells Group analyses detailed data from its estate agency, land & new homes, lettings, mortgage, survey and valuation and asset management businesses from between October 2012 to today. Each month, the researchers analyse tens of thousands of registrations, instructions, applications, approvals and valuations and use these trends to publish a quarterly report which reflects trends across the entire property spectrum. Where commercial sensitivity may be an issue, figures are indexed to show trends without publishing raw data.

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About us

Connells Group is one of the largest and most successful estate agency and property services providers in the UK. Founded in 1936 and with a network of over 540 branches nationwide, the Group combines residential sales and lettings expertise with a range of consumer and corporate services including new homes, mortgage services, conveyancing, EPC provision, surveying, corporate lettings, asset management, land & planning, LPA receivers and auctions.

Alongside the Connells brand, the Group trades under other well-known and trusted local names including Allen & Harris, Bagshaws Residential, Barnard Marcus, Brown & Merry, Fox & Sons, Jones & Chapman, Manners & Harrison, Roger Platt, Shipways, Swetenhams, William H Brown, Sharman Quinney, Pattison Lane, Burchell Edwards, Ashley Adams, Peter Alan, Rook Matthews Sayer and Gascoigne Halman. Our branches cover most of the UK so whether you need estate agency services in Scotland or on the South-East coast, we can help.

Corporate clients benefit from Connells' broad range of award-winning services and depth of experience and expertise.

No surprise then that 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.

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

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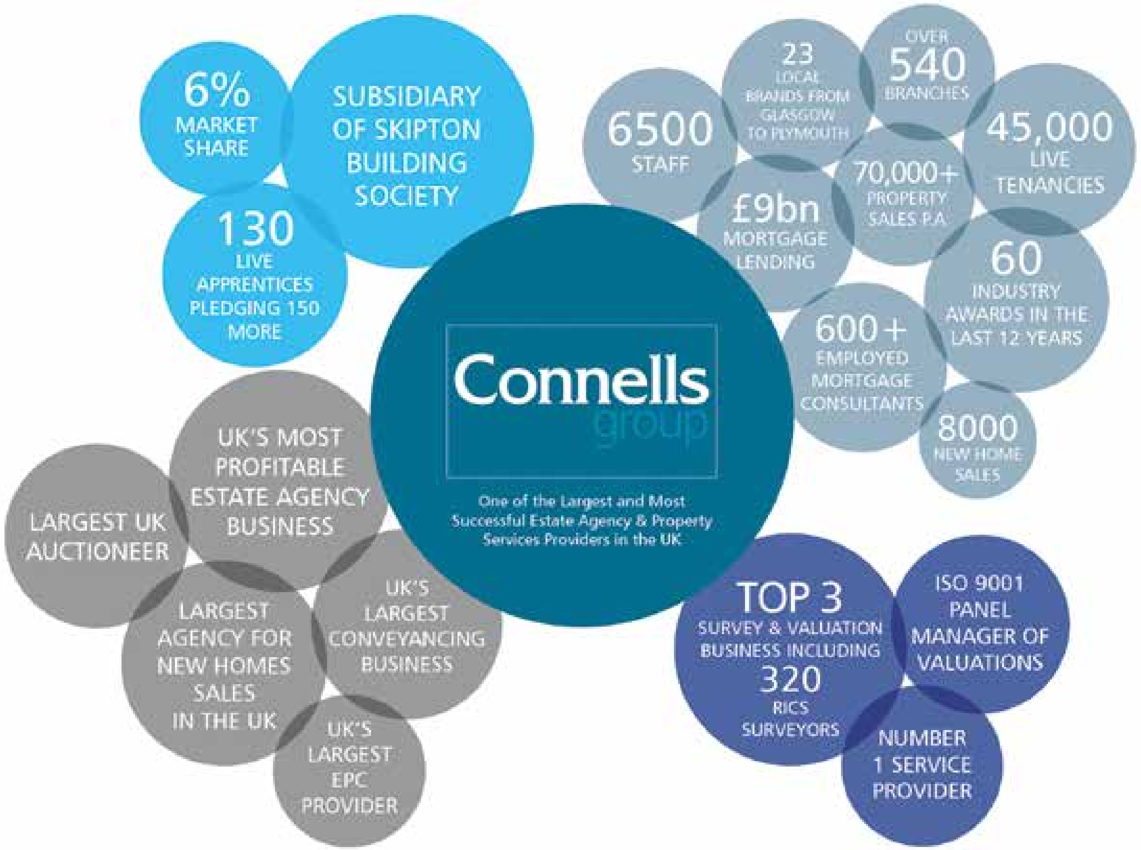

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AMG

Connells SURVEY & VALUATION

Conveyancing Direct PROPERTY LAWYERS

Vibrant Energy Matters Home Energy, Property & Eco Services

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