QUARTER/**TWO**
MARKET **REPORT**
2023

Connells group

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Connells group

MARKET **REPORT** Q2 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 Livesey
GROUP CHIEF EXECUTIVE

In a quarter which saw coronation celebrations add to the usual bank holiday breaks, and a number of interest rates rises, there was every chance that the UK housing market could have faltered and lost some of the momentum that we had seen start to build during Q1. However, as we have seen in recent years the market is more than accustomed to dealing with challenges and during Q2 we have seen a continual improvement in a number of key performance indicators with supply continuing to increase, sales activity closing the gap on 2022, and an uplift in mortgage activity.

There is no doubt that challenges remain as we enter Q3, however, the market continues to adapt to a new norm that in many areas remains just a step below 2022. Despite the continuing economic uncertainties we have seen some positive signs of improvement during the quarter.

On the demand side, the level of portal enquiries has remained steady throughout the quarter, and whilst new applicant registrations were down 5% on Q1, the differential against 2022 continues to narrow, with Q2 down 20% compared to the 24% reduction seen in Q1. Customer sentiment certainly showed some improvement at the start of the quarter and much of this is still evident as we move towards the summer.

Market appraisal activity has closely tracked 2022 for much of the quarter, with Q2 3% ahead of Q2 2022. However with vendors showing an increased appetite to enter the market this uplift has helped to drive a 5% increase in new instructions. The increase in new instructions is providing prospective purchasers with an increased choice and a great opportunity to more easily find their ideal property. At the end of June the number of properties currently being marketed for sale was 46% ahead of June 2022. Pricing remains sensitive with prices at instruction 3% lower than December 2022 and vendors continuing to show some flexibility on prices to help secure their sale.

Within the new homes market, demand remains strong and mirrors the resale market in many respects. New instruction activity has remained steady with Q2 1% ahead of Q2 2022, however we have seen the timing of some site releases slowing in some areas as housebuilders review the current economic environment. We continue to see incentives being offered alongside offerings such as part exchange and assisted move across the market.

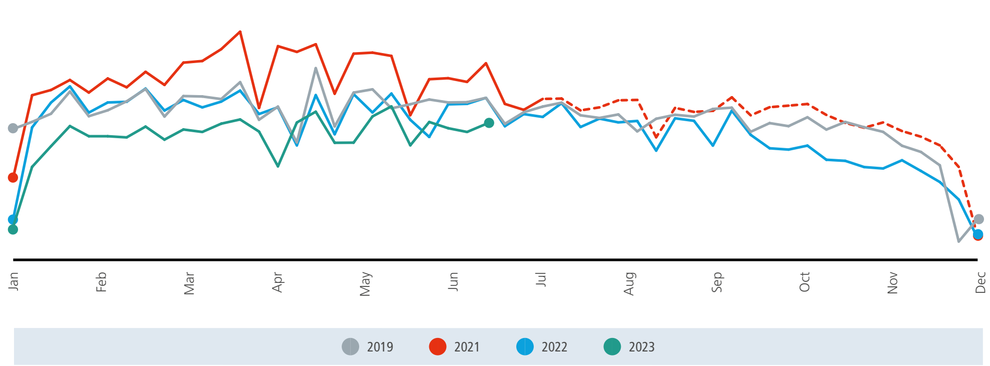
Whist viewing activity has seen a 2% increase over Q1, a comparison to Q2 2022 shows a less favourable 7% reduction in activity, this despite the significant increase in properties available for sale this year. Whilst buyer hesitancy had showed some signs of easing at the start of the quarter, the combination of base rate rises, increased cost of borrowing, continuing inflationary pressure and wider economic uncertainties has driven some prospective purchasers to again pause and consider their plans.

Gross house sales

Although some have hesitated, many are undeterred and have confidence to continue with their plans with sales activity in Q2 10% ahead of Q1, and now only 12% behind Q2 last year. Those currently in a transaction and progressing towards completion remain committed, with only a slight increase in cancellations seen during the quarter.

Within the rental market, tenant demand remains steady with new tenant registrations in the quarter up 2% on Q1. The supply of rental properties has also improved with Q2 seeing 3% more new instructions than Q2 2022,

Weekly house sales



positive but not sufficient to significantly move the dial as we move into the summer and towards the busiest time of the year for the rental market. Average rents within our core business have continued to increase, up 2% on Q1 but with stronger growth seen in the South East, Midlands and the North.

Across our business we are not seeing any significant signs that landlords are exiting the market, and at the end of the quarter we are still re-letting over 80% of properties. Where we have seen landlords look to sell their properties, some have found the market weaker than they expected and have subsequently let their property and deferred their plans for another day.

The mortgage market delivered a strong performance during the quarter supported by the improvement in house sales activity and increased demand for remortgages as the quarter progressed. The increases in base rate and actions taken by lenders to re-price products were obviously a key driver for some of this activity, and it was good to see changes managed in a much more orderly fashionthan was the case at the end of 2022, protecting the market from unnecessary disruption.

Overall residential mortgage activity levels were 14% ahead of Q1 2023, as buy-to-let activity increased by 7%. So far there are no signs that the increase in borrowing costs have significantly deterred first time buyers from entering the market, over the quarter first-time buyer activity increased by 15% on Q1 and remained level with Q2 2022. The quarter ended with an uptick in remortgage activity as latest rate increase prompted many to decide now is the time to act.

In summary, whilst the market continues to face challenges it has delivered another positive quarterly performance despite what some may have expected. Top line demand has eased but it remains steady with many still having a desire to enter the market and transact, stock levels are continuing to improve offering purchasers more choice, and pricing has eased but not collapsed. The market is still digesting the recent increase in mortgage rates and some are hesitant, however our high street branches are reporting an active market as we enter the summer period.

ESTATE AGENCY

David Plumtree
GROUP CHIEF EXECUTIVE
(ESTATE AGENCY)

Market conditions improved gradually throughout Q2, with positive sentiment amongst buyers despite economic headwinds. Affordability issues for buyers created by rising mortgage rates are tempered to an extent by some downwards movement on house prices and sellers being prepared to be flexible on price in order to secure a sale. Despite higher borrowing costs, buying remains a compelling option for first time buyers when considering record rents as the alternative.

Supply appears to have plateaued, with our branch network offering nearly 50% more stock than at this time last year. Still well below historic levels, but offering buyers more choice and therefore removing some of the urgency that has characterised the market over the last two years.

As we end the quarter the market is showing remarkable resilience despite inflationary concerns and significant increases in borrowing costs. A reasonable proportion of buyers are shrugging off these concerns and pushing on with their purchase. There are no appreciable signs of distressed sellers coming to the market in order to downsize and reduce costs, but this could well emerge in H2 as many borrowers 'roll off' their lower fixed rates and experience much higher borrowing costs.

Sales agreed were down

12%
on
Q2 2022

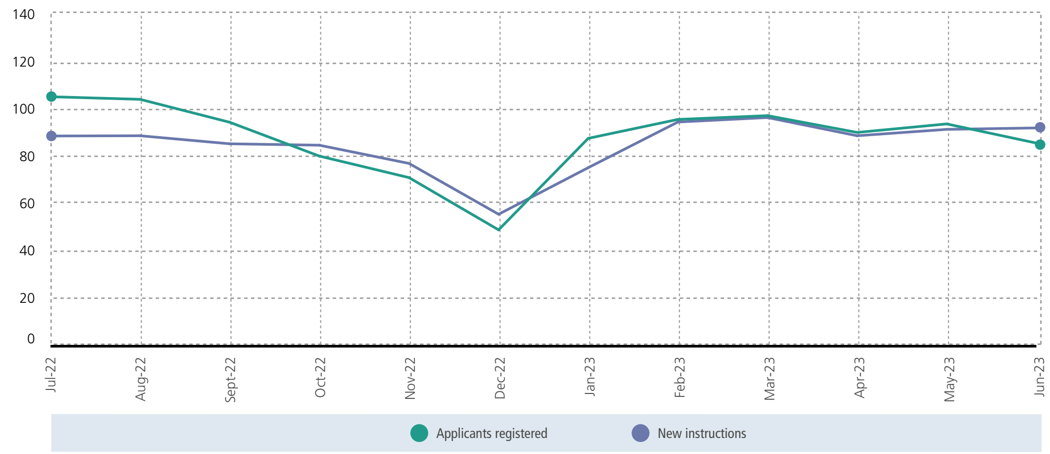
Properties available for sale up

46%
on
June 2022

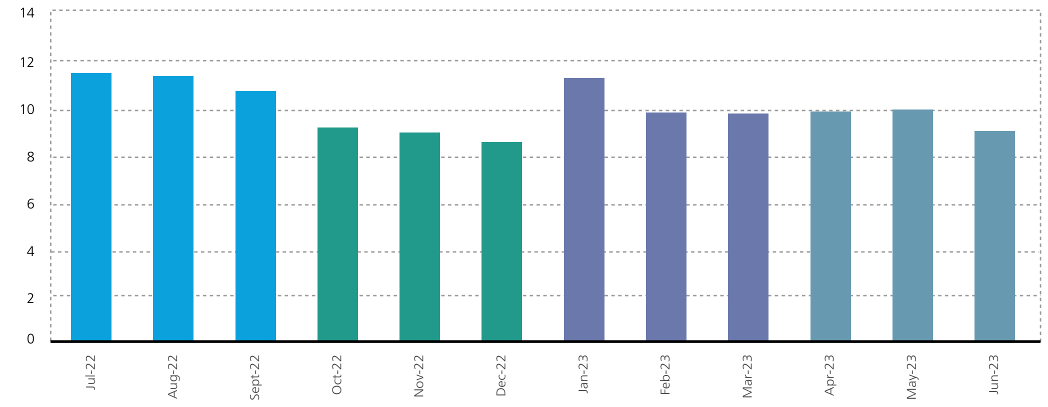
New buyers and instructions

- With bank holiday weekends and the coronation celebrations occurring alongside movements in base rates and continuing economic uncertainties, there was certainly potential for the market to lose some of its momentum during the second quarter of the year. However we have seen a continued gradual improvement in conditions throughout the quarter.
- Market appraisal activity eased slightly during the quarter but remains ahead of last year, with Q2 up 3% on Q2 2022 compared to the 5% uplift seen in Q1.
- Many prospective vendors remain keen to bring their properties to market with new instructions in Q2 5% ahead of Q2 2022. These new instructions have attracted immediate interest and supported the continued increase in the number of properties available to prospective purchasers.
- Buyer demand has eased as the availability and cost of borrowing has shifted during the quarter, with new applicant registrations down 5% on Q1. Reflecting this easing of buyer demand, the ratio of applicants registered per new instruction reduced to 9.5 in Q2, down from 10.1 in Q1 2023.
- The reduction in demand coupled with the improved supply are both continuing to ease the imbalance that was evident over the past two years and are moving us towards more normal market conditions.
- Positively we have seen sales activity continuing to improve, with sales in Q2 12% lower than Q2 2022, this a step forward from the 21% reduction seen in Q1.

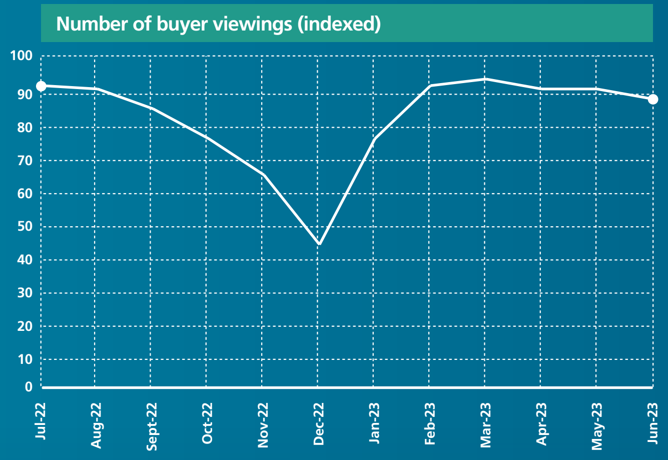
Number of applicants registered and new instructions (indexed)

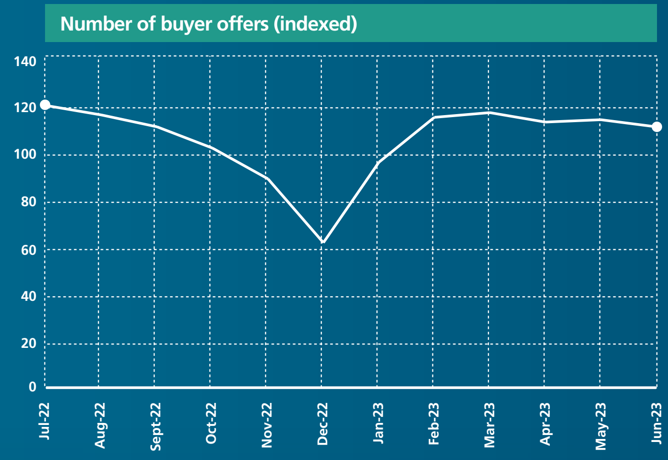


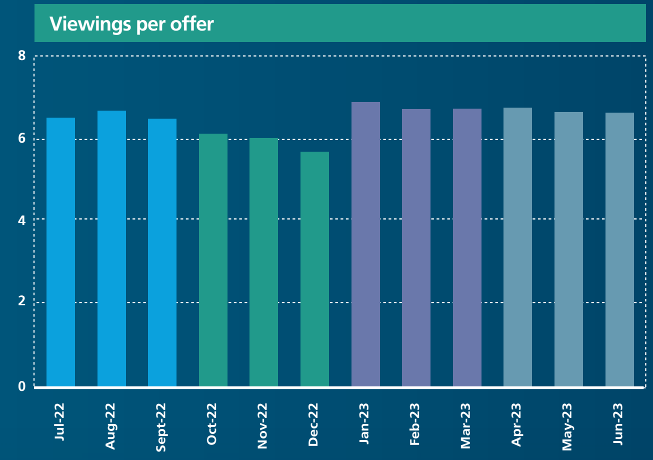
Applicants registered per new instruction



ESTATE AGENCY





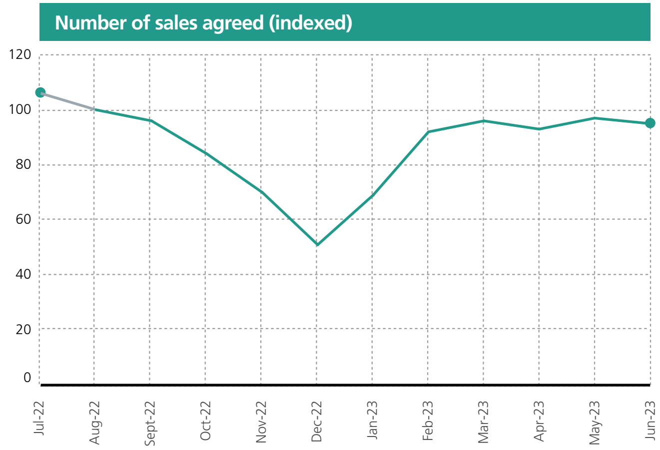


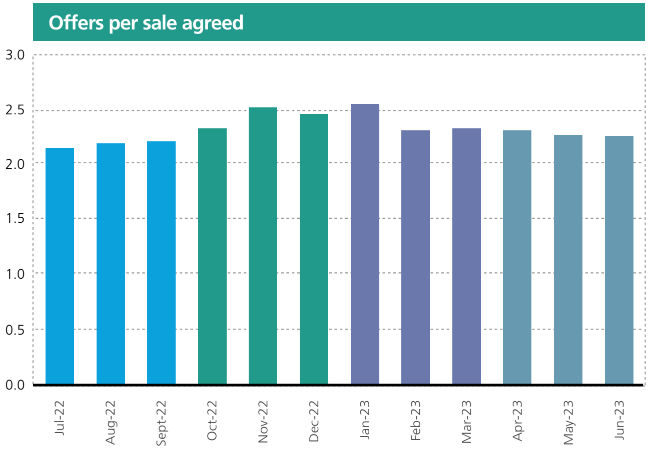
Viewings

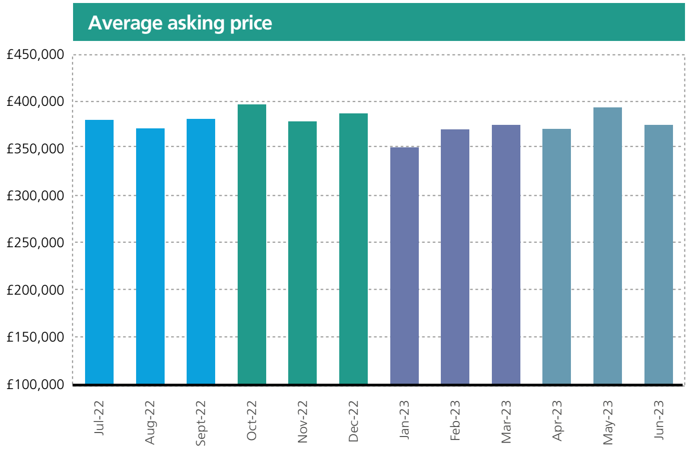
- Viewing activity showed a 2% increase on Q1, but remains 7% lower than Q2 2022 despite the increased number of properties available for sale.
- At the end of the June, the number of properties available for sale was 46% ahead of June 2022.

Offers

- The number of buyer offers made has remained broadly stable during the quarter but, in total, the number of offers made in Q2 were 11% below the level seen in Q2 2022.
- The average level of viewings per offer decreased to 6.9, from 9.0 in Q1. This compares to a figure of 6.6 in Q2 2022.







Sales

- Sales activity in Q2 is up 10% from Q1 as the number of sales agreed continued to show a gradual improvement as the year has progressed

- The average number of offers per sale agreed increased by 9.5% year on year, from 2.1 in Q2 2022 to 2.3 in Q2 2023, this is a marginal fall from 2.4 in Q1 this year.

Prices

- The average asking price at instruction in June was £376,263, down by 3% on December 2022.

LAND & NEW HOMES

Roger Barrett
GROUP LAND & NEW HOMES
MANAGING DIRECTOR

With the continued prospect of further increases in interest rates and general uncertainty in the mortgage market coupled with "cost of living" pressures we have moved from an encouraging Q1 in terms of new sales to a decline in our Q2 sales performance down by some 14% compared to Q2 in 2022. We continue to work closely with housebuilders to try and maintain headline property values by developing and tailoring incentives reflecting the individual needs of each new home buyer and through management of part exchange where appropriate.

We anticipate that the current conditions will prevail throughout the summer and into the autumn when hopefully the wider economy will be in better shape.

New home developers and RPs 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. AA collapse in planning permissions, a direct result of the Government's increasingly anti-development policies, and an overall negative stance on home building has resulted in 55 local authorities withdrawing their housing plans. Key issues to be resolved and considered include:

- adequately resourcing LPA's 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. However there is a clear indication that short-term consented land opportunities are being revisited to reflect geographical market changes.

Q2 New homes sales up

6%
on
Q1 2023

New homes available for sale up

32%
on
June 2022

New buyers and instructions

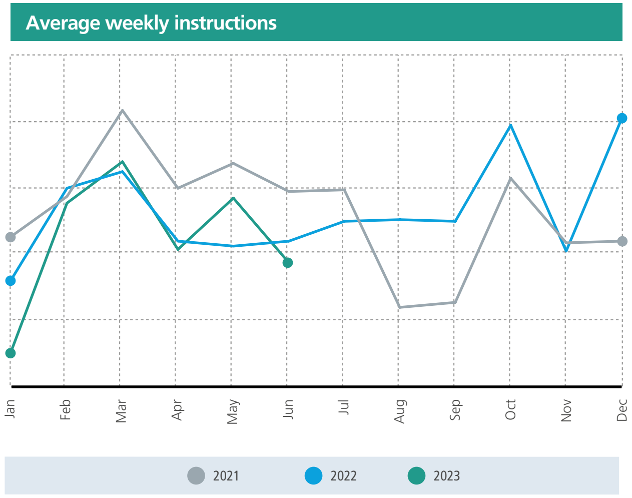
- Whilst demand for new homes remains strong, the new homes market is not immune to some of the buyer hesitancy that has been evident in the resale market, with some first-time buyers still assessing the impact that the recent increases in mortgage rates could have on their plans to step onto the property ladder.
- New instruction activity remains steady and broadly in line with recent quarters, volumes in Q2 were 1% lower than Q1 2023 but 1% ahead of Q2 2022. Whilst the pipeline of instructions remains strong, the timing of new site releases in some areas has slowed, impacting the delivery of further increases in supply.
- In light of this, the number of new homes marketed for sale at the end of June is just 1% ahead of the number seen at the end of March 2023, albeit stock levels are 32% ahead of June 2022 providing plenty of choice for those prospective purchasers seeking a new build property.

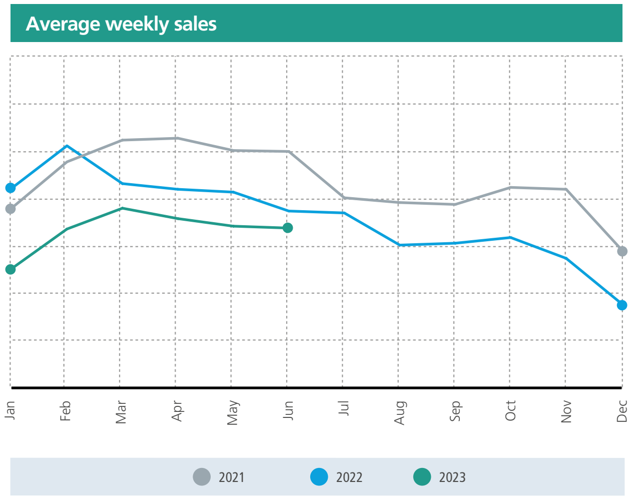
Sales activity

- Whilst some customers do remain hesitant this has not hampered progress within the new homes market, sales activity during the quarter showing a 6% increase when compared to the first quarter of 2023.
- When compared to Q2 2022, the second quarter of 2023 shows a 14% reduction in sales activity, this is a significant improvement on the 28% drop that was seen when comparing Q1 to last year. This position continues to improve with new build sales activity in June just 10% behind June 2022.

Housing supply and market activity

- Whilst housebuilders continue to face practical challenges in respect of the availability and cost of resources and materials, they are generally one of the first sectors to feel the impact of changes in the wider economy. The outlook during Q2 has not improved and, with a number of potential economic headwinds continuing to develop, we have seen signs of some easing in the release of new sites during the quarter.
- Increasing supply remains a key focus for the industry, howeverthe planning process continues to hinder delivery. It is estimated that the current challenges in nutrient neutrality rules are blocking 145,000 new homes, with the potential for this to have an increasing impact on output if the current challenges are not resolved.
- SME developers, who are a significant contributor to housing supply, have been disproportionally hard hit by current market conditions and are facing major issues on a number of fronts including:
    - securing and processing planning permission to the point where construction work can start is the major barrier to growth
    - the availability of land, a major issue for 52% of SME builders
    - rising materials and energy costs, which remain a major concern
    - the 'nutrients' issue that is restricting development in more than a quarter of England's LPAs
- In the absence of firm Government commitment to actions that would help support an increase in housing supply, it was no surprise that the latest pipeline report from the Home Builders Federation shows the trend in planning permission approvals continuing to decline. Q1 shows a 17% reduction on Q1 2022, with larger schemes of 10 units or more showing a 24% reduction.





RESIDENTIAL LETTINGS

Stephen Nation
GROUP LETTINGS
MANAGING DIRECTOR

The second quarter of 2023 has been characterised by strong tenant demand but a slowing down of rent increases, although rents are up 6% year on year. Rents, however, are showing some signs of having peaked, levels in Wales and the South West actually reduced slightly in Q2 whilst in London we saw no real increase.

Although affordability issues may have caused a slowing down of rental values we haven't seen a significant increase in landlords exiting the industry, most preferring, it seems, to sit tight. To a certain extent landlords have been cushioned by rising rents from the effects of increased cost of borrowing but are also likely to be wary of a less buoyant sales market and the prospect of crystallising any capital gain.

As we enter Q3, the detail of the Renters Reform Bill is still unknown but what appears to be clear is that for most committed landlords legislative change is not proving too much of a distraction. The rhetoric around EPC standards in the PRS seems to be edging towards a more pragmatic solution and if there are no further 'curve balls' we'd expect current conditions to remain unchanged for the remainder or 2023.

National average agreed rents
in Q2

£1,060
pcm

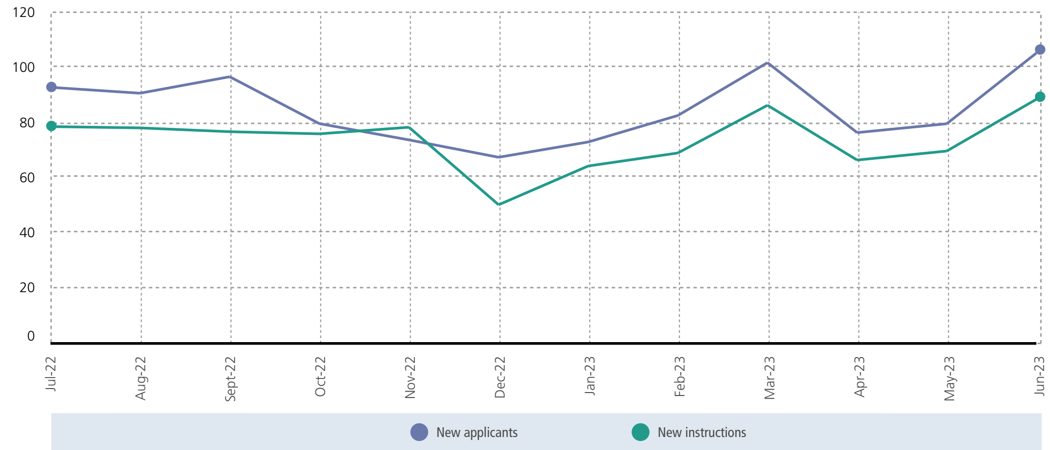
Q2 New instructions

3%
up on Q2 2022

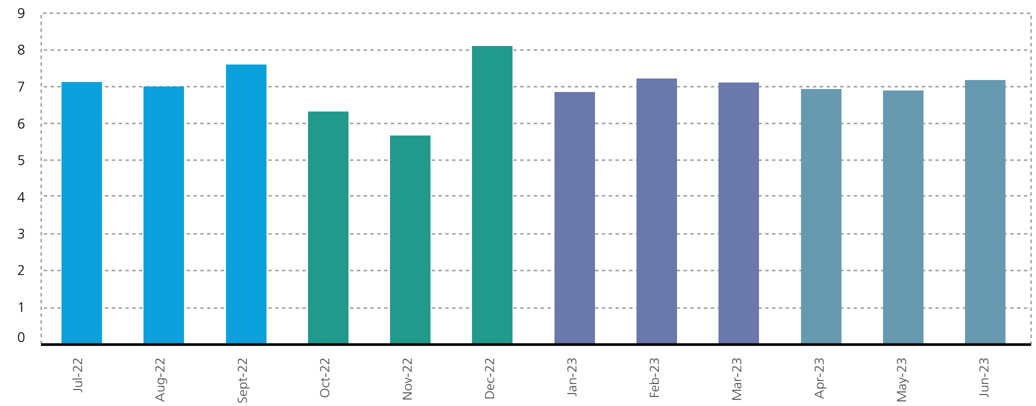
New applicants and instructions

- Applicant demand has remained steady, with new applicant registrations in the quarter up 2% on the first quarter of the year, albeit enquiry levels are consistently higher with some applicants only looking to register where properties that meet their needs are immediately available.
- Whilst overall supply remains low when compared to previous years, we have seen some gradual improvement during the quarter with Q2 instructions up 3% on Q2 2022, just slightly ahead of the increase seen during Q1.
- Overall the number of properties available for rental at the end of June was 8% ahead of March 2023, and 9% ahead of December 2022. These are positive figures, however increasing the number of properties available as we enter the summer period remains a key focus for the market.
- Whilst some landlords will no doubt be reviewing their financing arrangements as a result of the recent interest rate increases, we are not seeing any major shift in the profile of our landlord clients. Where some have considered disposal of their properties we have seen a number revert to renting as the sales market remains subdued.

Number of applicants registered and new instructions (indexed)

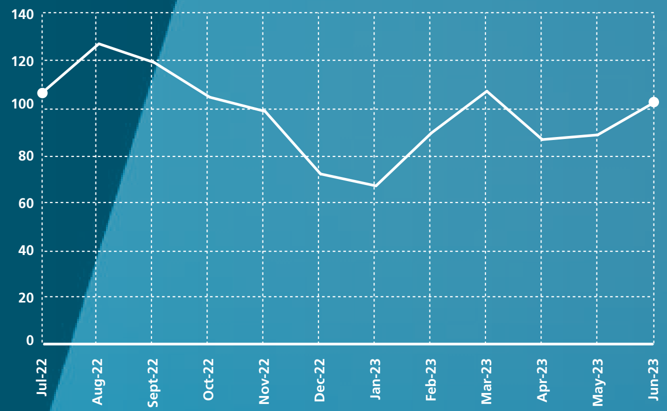


Applicants registered per new instruction

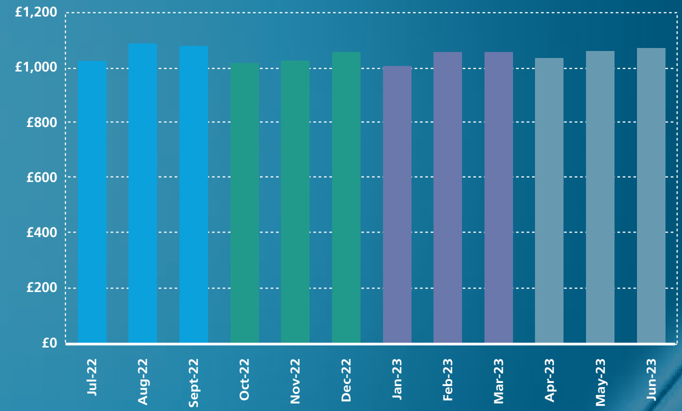


RESIDENTIAL LETTINGS

Number of agreed tenancies (indexed)



Monthly average agreed rents (UK)



Average agreed rents (regional)

Agreed tenancies and average rents

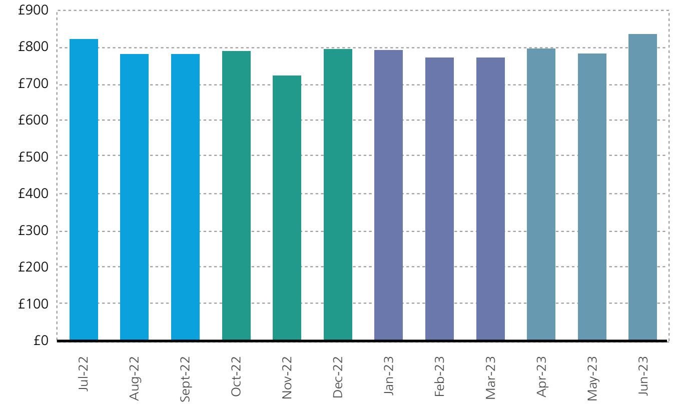
- With stock levels running ahead of last year we have seen the number of new tenancies during the quarter running 5% ahead of Q1 and 2% ahead of Q2 2022.
- Monthly agreed rents in June were £1,075 pcm, 6% ahead of June 2022 but up just 1% on May 2023.

Regional rents

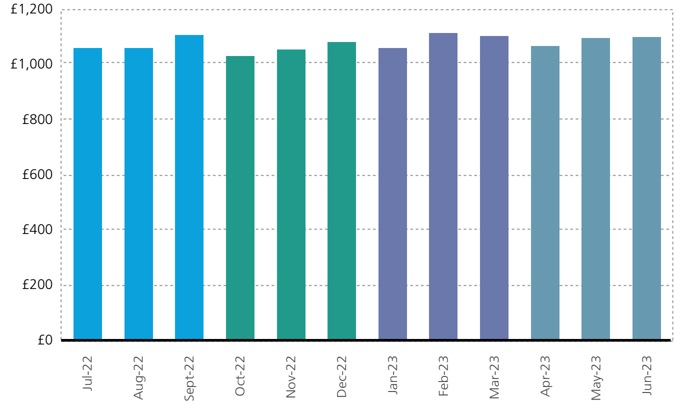
- Pressure on rental prices has eased in some regions but across the Midlands, the South East and the North we continue to see increases of close to 4% during the quarter.

RESIDENTIAL LETTINGS

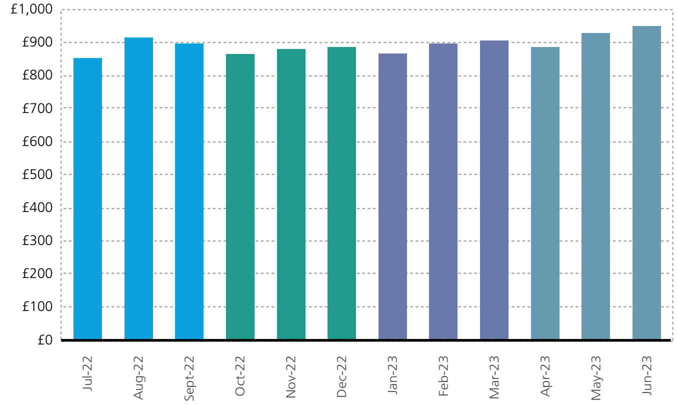
Average agreed rents (Scotland/North)



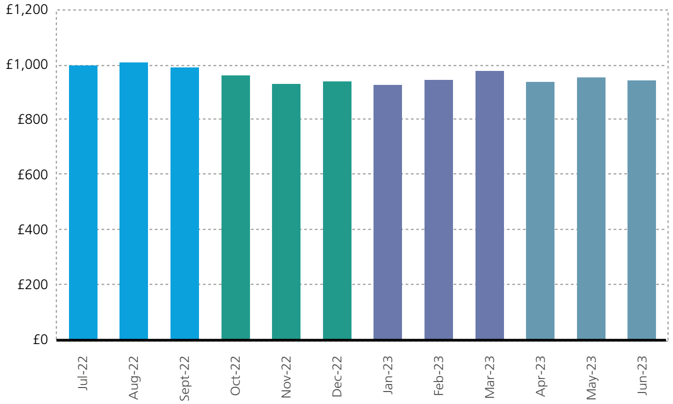
Average agreed rents (East)



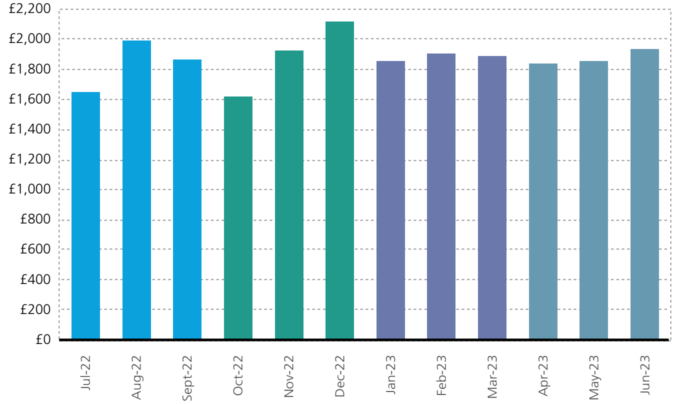
Average agreed rents (Midlands)



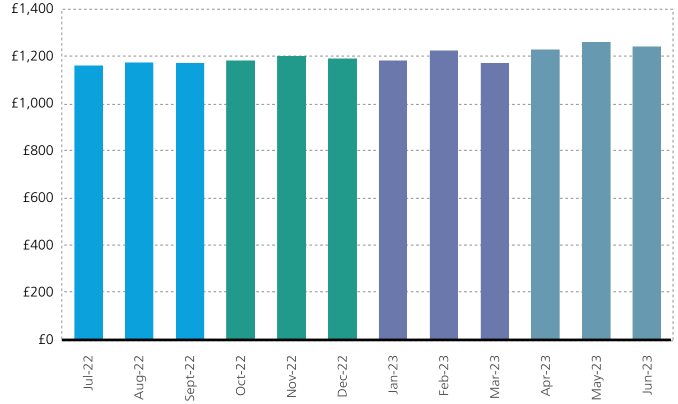
Average agreed rents (Wales/South West)



Average agreed rents (London)



Average agreed rents (South East)



MORTGAGES

Adrian Scott
GROUP LENDER SERVICES
MANAGING DIRECTOR

Overall, Q2 was a strong period for mortgage application volumes. Purchasers steadily increased, continuing the upward trend started in January. Remortgages dominated as the leading segment with June being the best month in the last year.

First-time buyers ended the quarter with an impressively strong month in June, this reflects a robust desire for homeownership and an improving purchase market which is benefitting from more choice for buyers as stock levels increase.

June was a busy month for remortgage applications, an unsurprising trend that reflects how the increase in mortgage rates has encouraged many customers to make, and bring forward, decisions. However, the tail end of the quarter saw mortgage rates increase further and so we go into Q3 closely monitoring the market reaction.

Residential mortgages were up by

14%
on
Q1 2023

The average mortgage value stands at

£172,071
up 4%
on March 2023

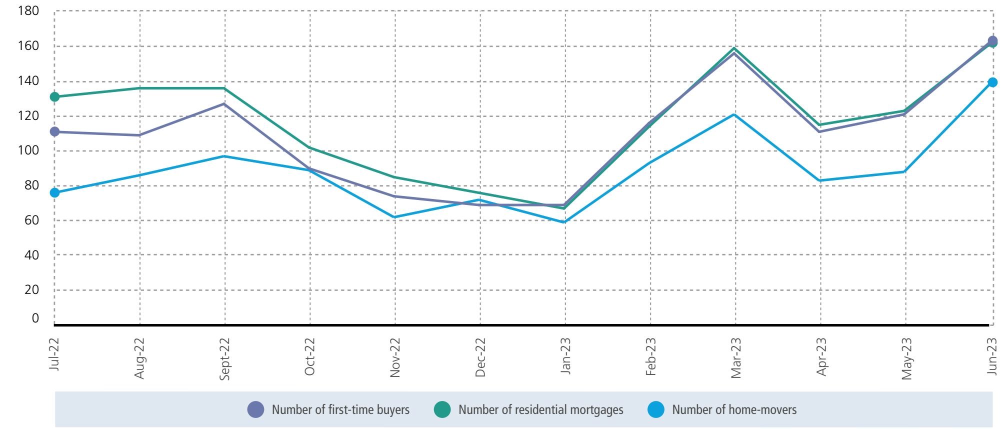
Residential

- Despite the response that we have seen to the recent increases in base rates, activity levels within the residential mortgage market have remained steady during Q2 and it was positive to see activity in all sectors of the residential market move forward during the quarter.
- Overall, residential mortgage activity in Q2 was 14% ahead of the first quarter of the year, reflecting the continuing improvement in home purchase activity during the quarter.
- Homemover activity has continued its recovery but remains suppressed when compared to recent years, with Q2 seeing a 13% reduction on Q2 2022. Whilst many homemovers will have a need and desire to move, many remain uncertain about committing to their next move at a time when headlines set an expectation of a significant fall in house prices and continued upward movement in mortgage rates.
- As is the norm in times of uncertainty, many are prompted to review their financial arrangements with remortgage a key consideration. Remortgage activity in Q2 saw a 13% increase on the first quarter of the year and accounted for 41% of all residential mortgage activity. The shift is more significant when compared to last year as Q2 shows a 40% increase in Q2 2022.
- First-time buyers remain active in the market, and despite increasing mortgage rates, the loss of HelpToBuy and some reduction in new build first-time buyer properties, many remain keen to take their first step on the property ladder. Q2 saw a 6% uplift in first-time buyer mortgages on Q2 2022, and a 15% increase on Q1 2023.

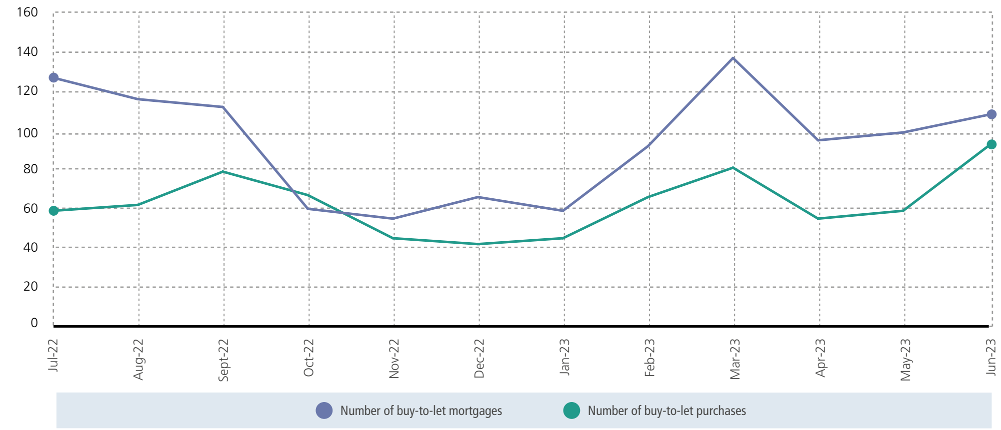
Buy-to-let

- Activity within the buy-to-let purchase market has been subdued as investors continue to assess their portfolios. However, remortgage activity increased as investors turn their attention to refinancing rather than extending their portfolios.
- Overall the buy-to-let sector saw activity increase by 7% when compared to Q1 2023, however activity levels in the quarter were still 7% lower than Q2 2022. This can be attributed to a slowdown in purchase activity.
- Buy-to-let purchase activity has dropped by 33% when compared to Q2 2022, with June showing a 37% reduction on June 2022. Within our lettings business we are not seeing a significant shift towards disposal, or landlords exiting the market, but many are looking at their finance costs alongside the level of rents achievable.
- The shift towards remortgage business with the sector has continued, with remortgage activity accounting for 70% of business in Q2, up from the 52% seen in Q2 2022.
- The share of mortgage activity accounted for by the buy-to-let sector in Q2 stood at 13%, down 2 points on Q2 2022.

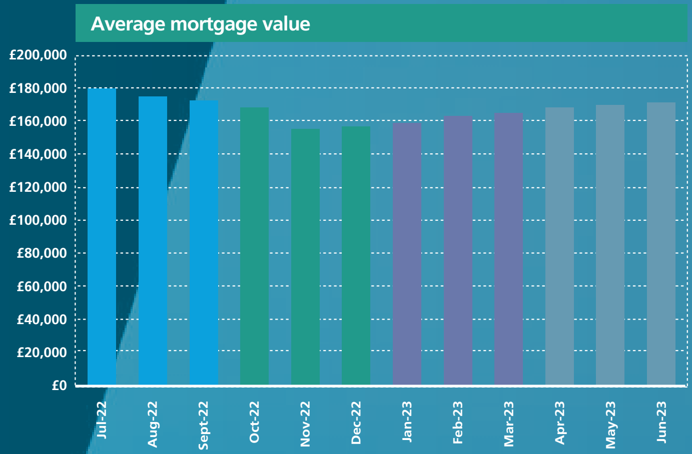
Number of residential mortgages by type (indexed)

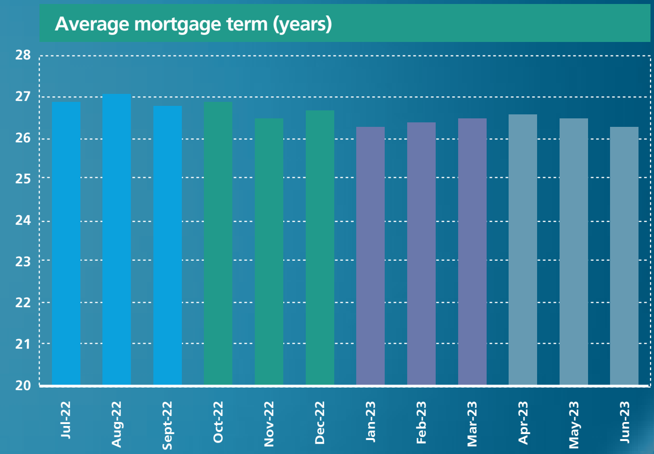


Number of buy-to-let mortgages by type (indexed)

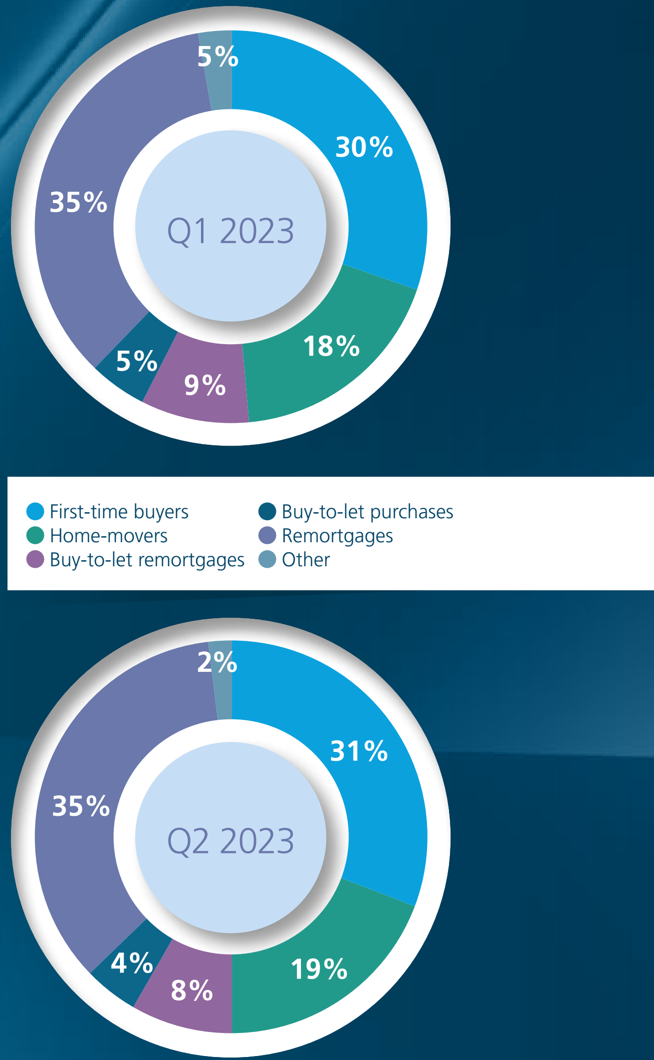


MORTGAGES





UK MORTGAGE TYPE SPLIT

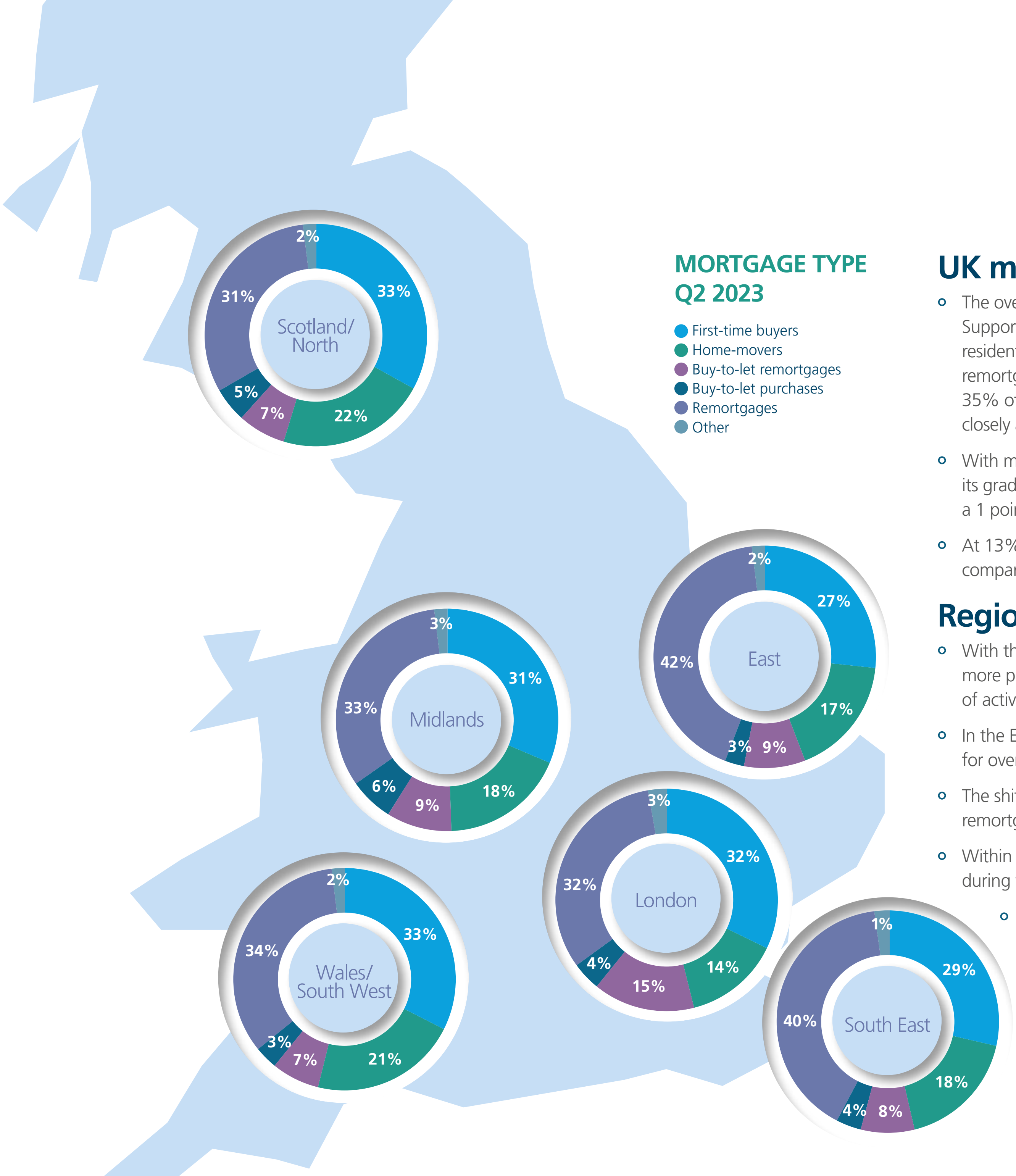


Mortgage values

- The average mortgage value at the end of the quarter was £172,071, this a 4% on March 2023. When compared to December 2022 the average mortgage value has increased by 9%.

Mortgage terms

- The average mortgage term has continued to ease slightly, standing at 26.3 years at the end of Q2.



UK mortgage type split

- The overall mix of activity has remained stable when compared to Q1. Supported by first-time buyer and homemover activity we have seen the residential mortgage market increase its share of activity by 1 point. Residential remortgages continue to account for the largest share of activity, remaining at 35% of overall activity during the quarter, with first-time buyer activity following closely at 31%.
- With more properties marketed for sale, and residential sales activity continuing its gradual improvement, purchase activity accounted for 55% of overall activity, a 1 point increase on Q1 2023.
- At 13%, the buy-to-let sector accounted for a lower share of activity when compared to Q2 2023 when its share stood at 15%.

Regional picture

- With the exception of London and the North, where first-time buyers were more prevalent, residential remortgage activity accounted for the largest share of activity across the 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 evident across all regions as remortgages gained at the expense of homemover activity.
- Within London, buy-to-let remortgage activity accounted for 15% of activity during the quarter.
  - In the East, residential and buy-to-let remortgage activity accounted for 51% of all activity, whereas in the North the combined share was only 38%.

ASSET MANAGEMENT

Simon Matthews
MANAGING DIRECTOR,
AMG

The most recent possession figures released by UK Finance provides details of market activity during the first quarter of 2023, this ahead of the recent base rate increases and support measures to be introduced to assist struggling homeowners facing increasing mortgage costs.

The Q1 figures show the general upward trend seen during 2022 continuing with 1,160 possessions completed, an 18% increase on Q1 2022 and the highest quarterly total since Q1 2020.

In Q1 2023, the total number of mortgages with arrears representing 10% or more of the balance outstanding showed a 1% reduction when compared to Q4 2022, and were 4% lower than Q1 2022.

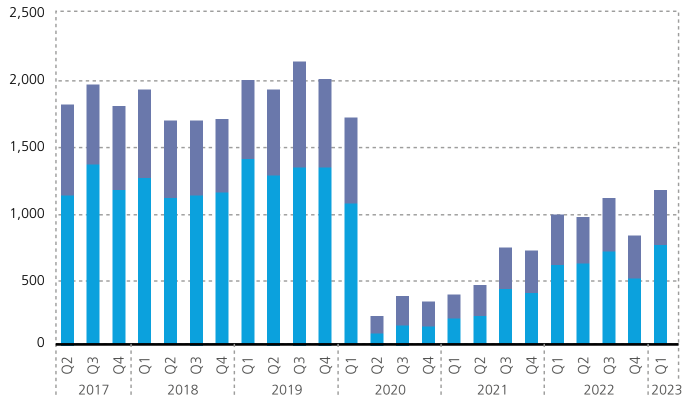
Total number of possessions
in Q1 2023

1,160

Number of mortgages with arrears >10%
down

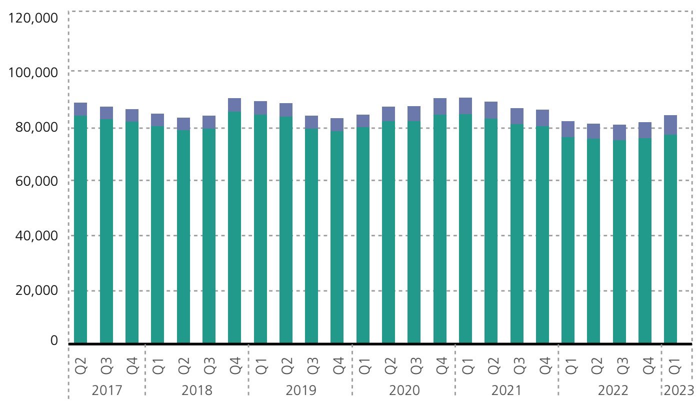
4%
on
Q1 2022

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



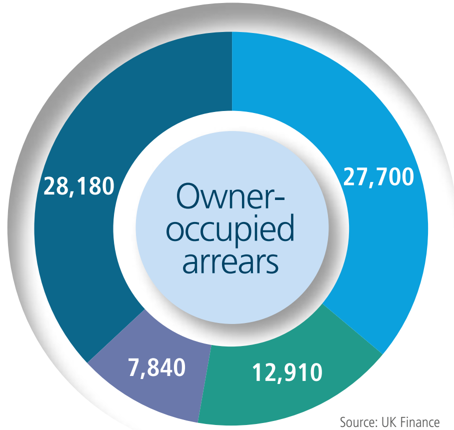
Source: UK Finance

Arrears on mortgages, 2.5% or more of balance outstanding



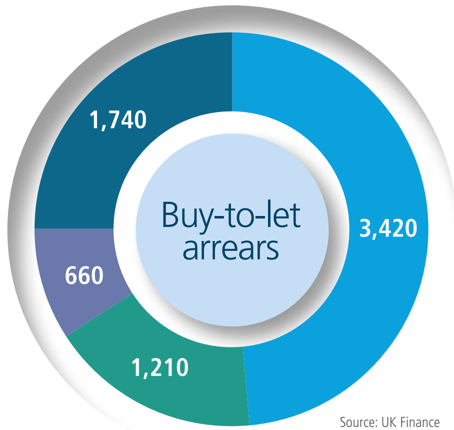
Source: UK Finance

ARREARS BANDING Q2 2023



Source: UK Finance

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



Source: UK Finance

Possessions

- At 1,160, the total number of possessions during Q1 2023 showed a 41% increase on Q4 2022. Owner-occupier possessions increasing by 50% whilst buy-to-let possessions saw a 28% increase.
- When compared to Q1 2022, the number of possessions completed in Q1 2023 reflect an 18% increase in activity.
- The percentage of possessions accounted for by the buy-to-let sector stood at 35% in Q1 2023, a 4 point reduction on the 39% share seen in Q4 2022.

Possession sales

- The average sale price for June 2023 was £165,280, a 2% reduction on the average price in December 2022.
- Houses continued to account for 63% of completions during Q2 as they did in Q1 2023.

Arrears

- Owner-occupiers, with arrears of 2.5% or more of the total balance remaining, totalled 76,630 in Q1 2023, 2% ahead of the previous quarter and 1% ahead of Q2 2022.
- At 7,030, arrears of 2.5% or more of the total balance within the buy-to-let sector in Q1 2023 were 16% higher than in Q4 2022.
- The total number of mortgages with arrears of 10% or more of the balance in Q1 2023 was 1% lower than Q4 2022.

SURVEY & VALUATION

Ross Bowen
MANAGING DIRECTOR,
CONNELLS SURVEY & VALUATION

The second quarter brought increasing activity to the sector, reflecting improving levels of property moves and remortgage business.

Whilst momentum built throughout Q2, as forecast overall transactions remained well behind 2022. We also saw a little more stability with mortgage pricing, helping consumers and resulting in less volatile weekly activity levels.

Rising transactions edged out servicing speed over the quarter but still within a prompt timeframe and tracking the long-term norm.

Of great significance is the continued delivery of high quality valuation reporting; this was sustained throughout Q2 ensuring clients are able to make informed and robust lending decisions.

The stronger end to Q2 has been in stark contrast to July. Following the surprise 50bp increase in base interest rates, we have seen a return to the choppy-waters of Q4 2022 to Q1 2023 with extraordinary mortgage changes across the market. Unsurprisingly, this has hit discretional transaction levels and motivated homemovers have needed to adjust to material increases in mortgage rates. The short-term landscape remains challenging to call.

Mortgage valuations up

12%
on
Q1 2023

Average servicing speed holding up well at

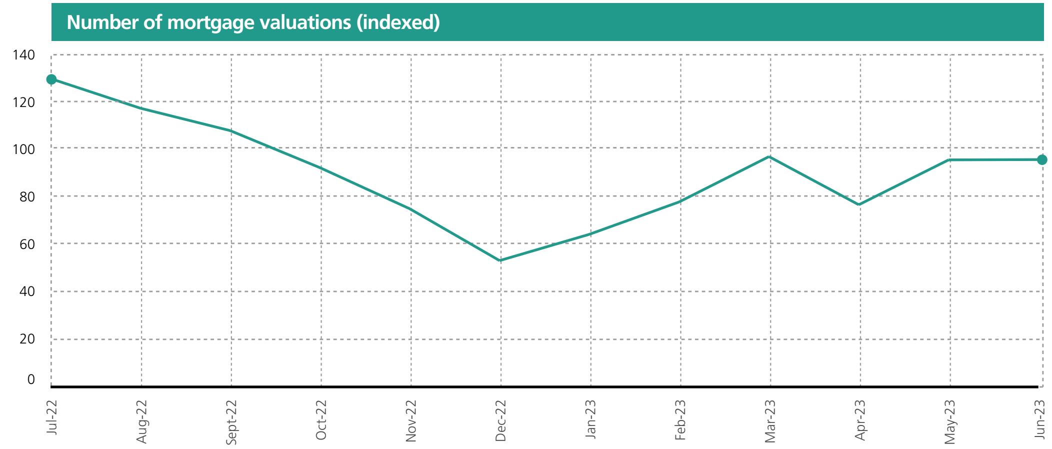
3.6
days alongside high quality valuation delivery

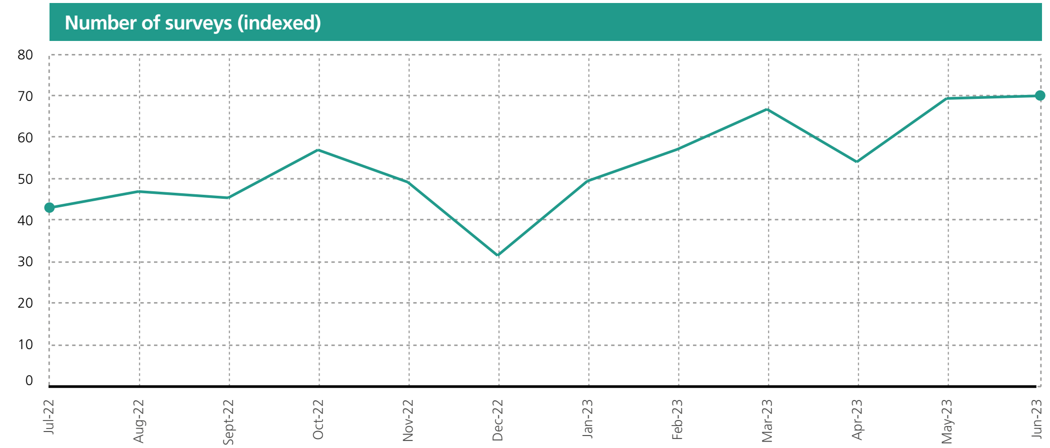
Mortgage valuations

- Following the base rate increases there was some disruption to product availability during the quarter but mortgage valuation activity saw a 12% increase on the first quarter of 2023. This increase was largely driven by the continued improvement in residential sales activity with mortgage valuations accounting for 85% of all activity in Q2.
- The number of mortgage valuations in Q2 dropped 28% compared to the frenetic market in Q2 2022.
- Remortgage activity remains a key feature of the market with our mortgage business reporting a 13% increase in residential remortgage activity during the quarter as many homeowners continue to review their current arrangements triggered by rising mortgage rates.

Surveys

- Reflecting the uplift in activity that we have seen in recent months, the number of surveys completed during Q2 saw a 12% increase over Q1 2023.
- Compared with 2022, Q2 activity levels were also 10% higher as homebuyers continue to seek greater surety when making their property purchase.
- Surveys accounted for 7% of overall activity, nearly double the level in Q2 2022.





SURVEY & VALUATION

Buy-to-let

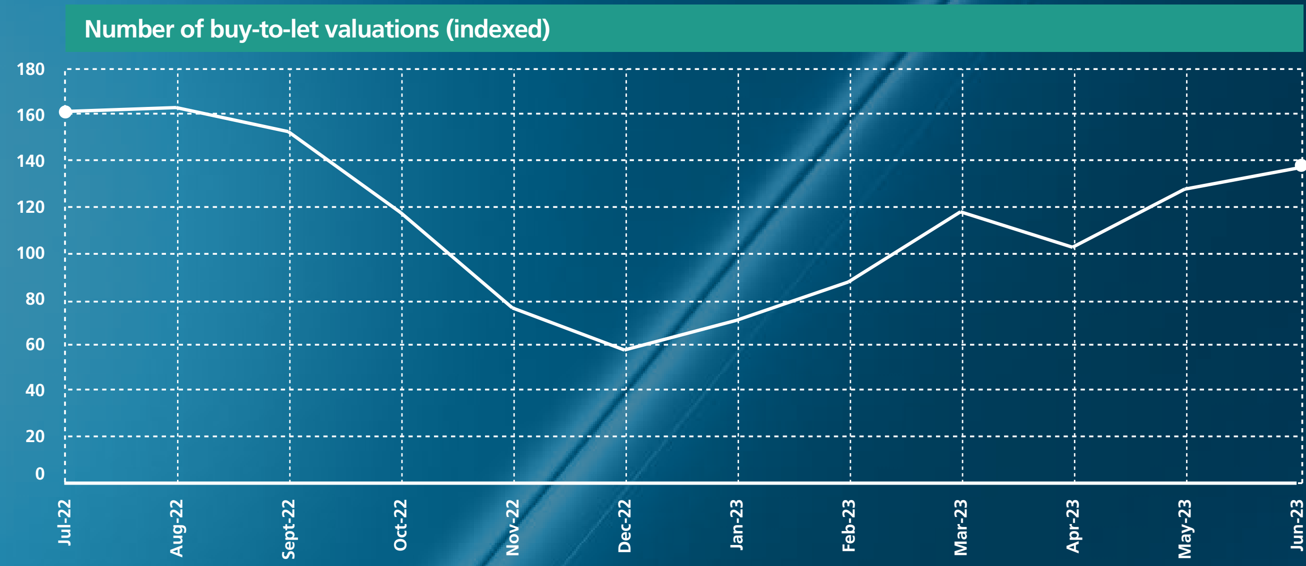
- Whilst buy-to-let valuations have been a driver of the overall increase in activity in the quarter, volumes were still 38% lower than Q2 2022. This reflects the lower level of investor activity in the market this year.
- Activity within the buy-to-let sector accounted for 23% of all activity during Q2, up from 17% in Q1 2023, although on a par to Q2 2022.

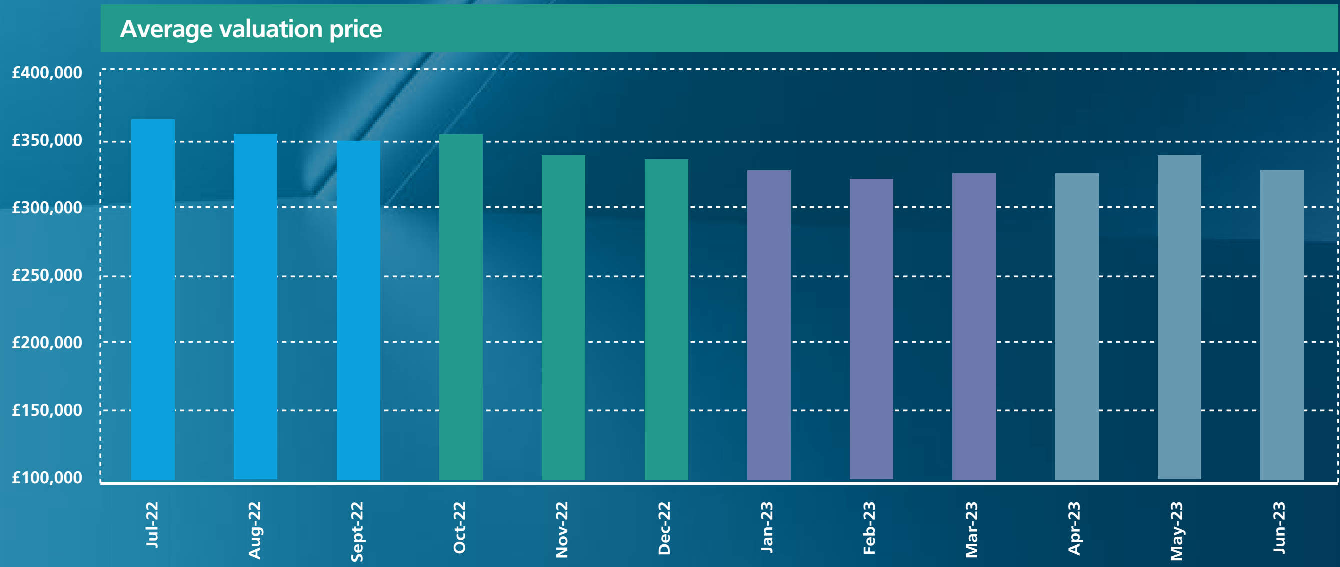
Average valuation

- The average valuation price has seen a 1% increase during the quarter reaching £329,188 in June, albeit 14% lower than June 2022.

Service delivery

- With activity levels increasing during the quarter, we have seen the market average for report delivery increase from 3.9 days in March to 5.0 days in June. Excluding delays outside valuers' control, the average reporting time was still a creditable 3.6 days.
- Despite increased uncertainty in the wider economy, with knock-on effects to the housing and lending markets, strong service quality continued to be delivered, with reporting hitting 98% at quarter end.





MARKET SUMMARY

UK average house price at completion Q2 2023

£299,710

down

4.4%

from Q2 2022 (£313,544)

down 3.6% from Q1 2023 (£289,251)

REGIONAL AVERAGE HOUSE PRICE AT COMPLETION Q2 2023

Scotland/North	**0.8% down** from Q2 2022	£191,515
East	**1.4% down** from Q2 2022	£318,058
Midlands	**3.6% down** from Q2 2022	£231,799
London	**7.8% down** from Q2 2022	£792,554
Wales/South West	**4% down** from Q2 2022	£271,712
South East	**4.8% down** from Q2 2022	£451,205

MARKET SUMMARY

REGIONAL AVERAGE RENT Q2 2023

Scotland/North
3% up from Q1 2023
£805

East
No change from Q1 2023
£1,091

Midlands
4% up from Q1 2023
£925

London
No change from Q1 2023
£1,883

Wales/South West
1% down from Q1 2023
£947

South East
4% up from Q1 2023
£1,247

UK average rent Q2 2023

£1,060

up
2%
from Q1 2023
(£1,043)

UK average mortgage value Q2 2023

£170,811

up
4%
from Q1 2023
(£163,890)

ABOUT CONNELLS GROUP

Connells Group is the largest and most successful estate agency and property services providers 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

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

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Statistics and extrapolations obtained from various sources.These are not always referenced and may not be comprehensive. E&O excepted.

Connells group

MARKET **REPORT** Q2 2023