FOUR

Connells group

MARKET REPORT 2022

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Connells group

MARKET REPORT 2022

Q FOUR

METHODOLOGY

Connells Group analyses detailed data from its estate agency, land & new homes, lettings, mortgage, survey & valuation and asset management businesses from October 2012 to today. 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. Where commercial sensitivity may be an issue, figures are indexed to show trends without publishing raw data.

CONTENTS

INTRODUCTION

David Livesey
GROUP CHIEF EXECUTIVE

In a year that saw eight increases in base rate, three Prime Ministers, four Chancellors and five Housing Ministers, it is perhaps unsurprising that the final quarter of 2022 was a somewhat traumatic experience for the UK housing market.

Whilst activity levels throughout the summer were tracking close to those seen during 2021, and with some signs of momentum building as we entered September, it is fair to say that we were expecting a positive end to 2022 and the prospect of a return to more 'normal' market conditions during 2023. However, following the disastrous mini Budget on 23 September, the market experienced one of the sharpest contractions in activity that we have seen since 2008. Although we have seen the markets steady following the new Chancellor's Autumn Statement on 17 November, the figures within this report highlight the significant impact and reduction in activity experienced during the final quarter of the year.

Mortgage interest rates spiked from circa 2% to circa 6% in the space of a few weeks.

Customer demand was quick to respond to the uncertainty introduced to the housing market by the turmoil that was seen within the wider financial markets, with the level of enquiries from property portals dropping 30% below the corresponding levels in 2021. As the quarter progressed there was some improvement, but we ended the year with enquiries around 25% lower than December 2021. House-hunter registrations in Q4 were 27% lower than during Q4 2021, with first-time buyer registrations down by 31% as they wait for things to settle down (particularly in terms of affordability) before they start house-hunting.

This reduction in demand, coupled with the improvement seen in supply, has gone some way to rebalancing the market towards the more 'normal' conditions that we last saw in 2019. However, uncertainty remained as we entered 2023, with activity levels set to be influenced by movements within the mortgage market and the range of products and rates available to prospective purchasers as rates continue to reduce and settle from the peaks seen during Q4.

Despite the obvious challenges, as the quarter progressed we saw some positive improvement in both valuation and instruction activity. With media headlines painting a picture of falling house prices and rising mortgage costs, some were prompted to bring their property to market. Many others looked to take the opportunity to align their entry to the market with the end of year uplift in enquiries that we normally see over the festive period. Market appraisals were up 7% on Q4 2021, supporting a 13% uplift in new instructions over Q4 2021, with the property portals reporting their highest ever number of new properties being launched in the post-Christmas period. As we enter the New Year we are seeing this uplift in top-line supply maintained.

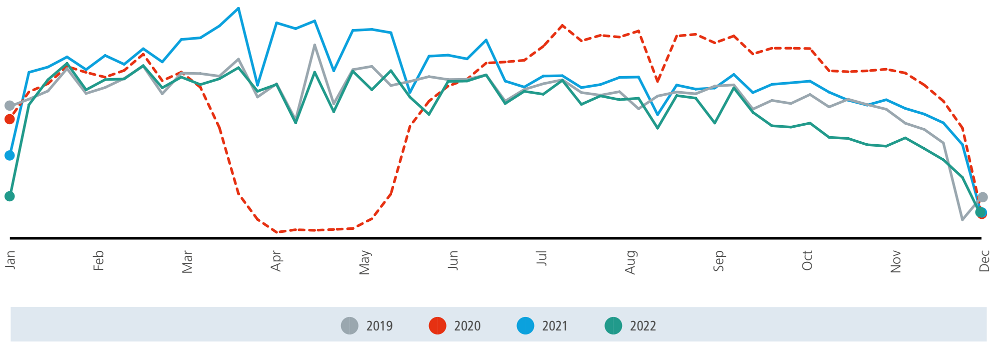
With more properties coming to the market, we ended the year with 46% more stock available than was the case at the end of 2021. Whilst this is an incredible percentage increase, which has taken our average available stock per branch from 30 to 45, the level of stock across the market remains half of what we would have seen ten years ago. With an ever-growing population that needs housing, stock is still set to remain a key constraint despite the recent positive increases. As is to be expected, the uncertainty has prompted some to withdraw from the market, and whilst this has increased slightly, it has been more than offset by the increased level of new instructions.

The new homes market is following a similar pattern, with applicant demand continuing to exceed the available supply, albeit with some additional exposure to the reduction in first-time buyer demand. The pipeline of new build stock continues to show improvements but we are still some way away from the level that is needed to help address the underlying shortage of housing stock.

Gross house sales

Viewing activity during Q4 was 19% lower than in Q4 2021, this despite the increased level of stock available, as many remained hesitant to commit whilst the markets continued to stabilise.

Weekly house sales



The graph shows the instant impact on sales levels of the mini Budget. In November, they were running 27% below the ('normal year') 2019 levels, but then showing some recovery at the end of the year with December sales 7% lower than December 2021. There remains a level of hesitation amongst buyers who are not yet ready to commit to a purchase.

On a more positive note, those buyers already in a transaction have remained committed, even though it is averaging 126 days to get from SSTC to exchange. A good sign that sentiment has not been badly damaged and that lenders have been flexible where mortgage offers have approached the end of their six-month life span.

Within the rental market we continue to see high tenant demand and a shortage of rental stock, with the Q4 uplift in new instructions following the trend that we saw in the sales market. Contrary to recent press coverage, we are not seeing any significant signs of landlords exiting the market and, with no real movement in the level of rental arrears, many remain content to retain existing good tenants. However, with strong demand continuing, and landlords facing the prospect of increased finance and running costs, the upward pressure on rental values looks set to remain, with national average rents mostly above £1,100 pcm.

The mortgage market saw a significant impact from the economic turbulence during September and October. Activity in all segments of the market reduced as a result of uncertainty following the jump in mortgage rates as borrowers remained hesitant to commit. Whilst the position started to stabilise towards the end of the year, some are still seeking additional clarity on how rates may move during 2023 before they commit.

In summary, 2022 was an extraordinary year for the UK housing market. Whilst the market has proven to be quite adept at handling the numerous challenges it has faced over the years, none would have foreseen the drastic step down in activity that followed the unexpected mini Budget in September. We have seen some stabilisation following the Autumn Statement, and as the market continues its recovery, there is every chance that 2023 will bring a return to more normal, 2019-like, activity levels.

Q4 was quite extraordinary, and very damaging to the residential property market. The good news is that following the Autumn Statement, mortgage swap rates have reduced and borrowers can now find deals around the 4% mark. The early 2023 front-end activity is starting to look promising and therefore talk of 'another 2008' and 'property price crash' both well adrift of a recovering situation - fingers crossed!

ESTATE AGENCY

David Plumtree
GROUP CHIEF EXECUTIVE
(ESTATE AGENCY)

Throughout the whole of Q4 we saw a significant reduction in buyer demand following the ill-fated mini Budget and subsequent economic headwinds. Whilst buyer interest remained at reasonable levels, there was a real reluctance to commit with buyers looking to see what lay ahead in respect of interest rates and house price falls.

Whilst there was a significant reduction in sales activity, the sales agreed pipeline remained largely intact with only a marginal uptick in cancelled sales activity. Those buyers in our sales agreed pipeline were motivated to continue with their transaction, partly as a consequence of having secured an attractive fixed rate mortgage when originally agreeing the sale prior to the mini Budget.

We continued to see an uptick in new instructions, with available stock levels approaching 50% higher than at the equivalent time last year. No material signs of 'distressed sellers' coming to the market to secure a sale ahead of their current fixed rate ending, nor any material sign of buy-to-let investors off-loading some/all of their portfolios.

Sales agreed were down

33%
on Q4 2021

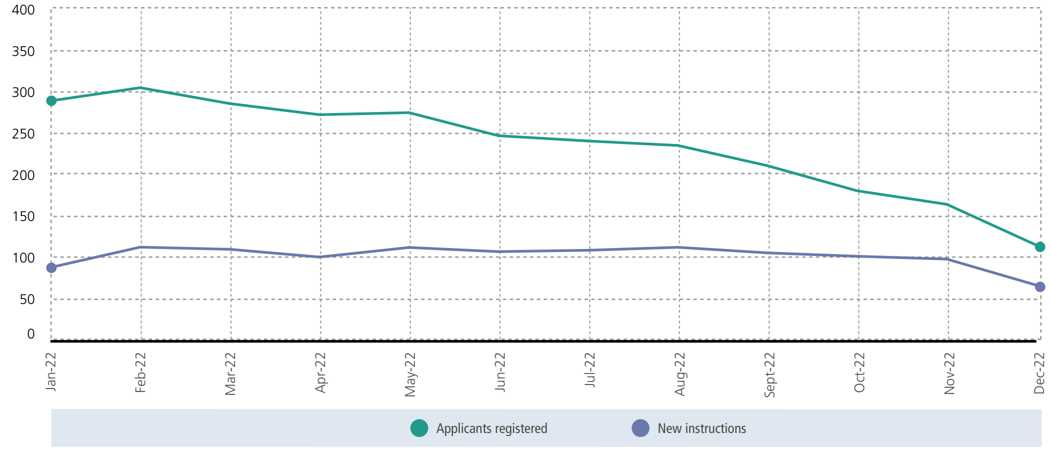
Available stock levels are now up by

46%

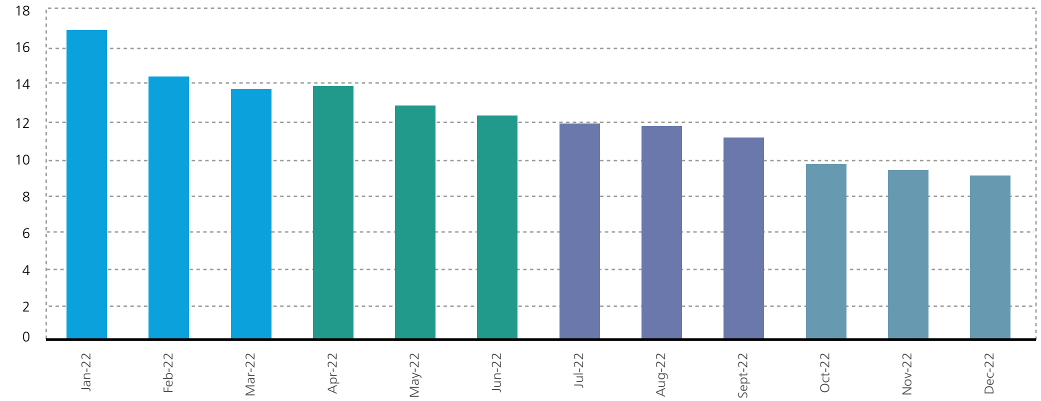
New buyers and instructions

- Almost all indicators have seen a negative trend immediately post the mini Budget in late September 2022, and whilst there have been some signs of more positive movements as the markets stabilised following the Autumn Statement, this was too late to have any meaningful impact on overall activity levels during Q4.
- Despite the distractions, market appraisal activity has proved fairly resilient. Whilst we saw the usual seasonal reduction during Q4 when compared to Q4 2021, market appraisal activity was up 7% reflecting the increased number of vendors who are actively considering bringing their properties to market.
- The level of new instructions during the quarter also offers some positive news, this being 13% ahead of Q4 2021. Despite this increase in the number of properties available to prospective purchasers, buyer demand continues to run ahead of the available supply as we enter 2023.
- Whilst buyer demand has weakened, with applicant registrations down by 35% on Q3, it continues to outstrip supply. The reduction in demand coupled with the improving supply are both helping to ease the imbalance that we have seen during the past two years and suggests that we are continuing to return to more normal market conditions that we would have seen pre-Covid.
- Reflecting the easing of buyer demand, the ratio of applicants registered per new instruction reduced to 9.3 in Q4, down from 14.3 in Q4 2021.
- With new instructions remaining positive and sales activity seeing a significant drop during the quarter, we have seen a marked improvement in the number of properties available for sale. At the end of the year we had 46% more properties available than at the end of 2021.

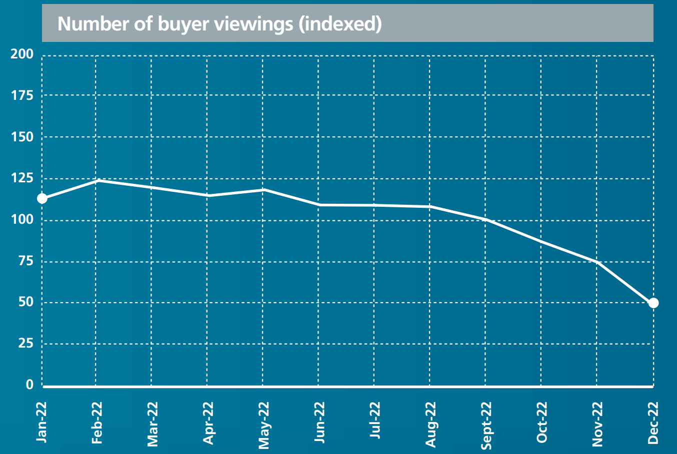
Number of applicants registered and new instructions (indexed)

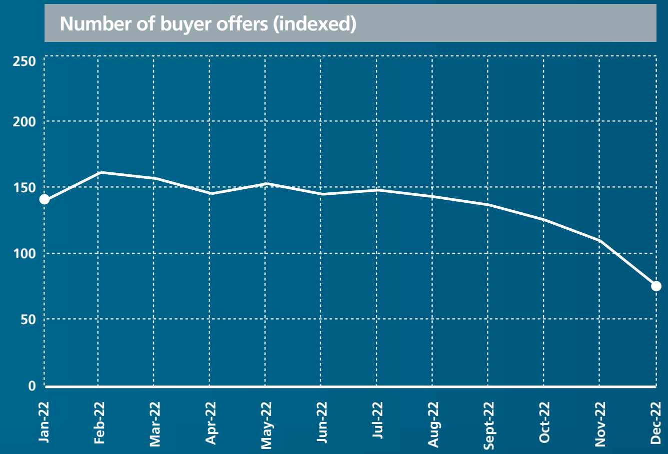


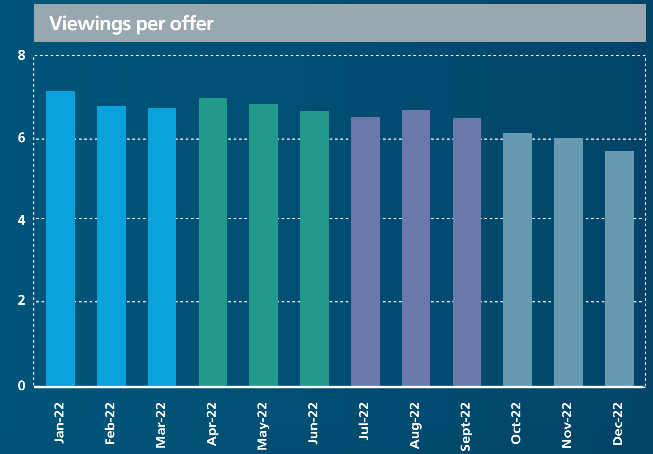
Applicants registered per new instruction



ESTATE AGENCY







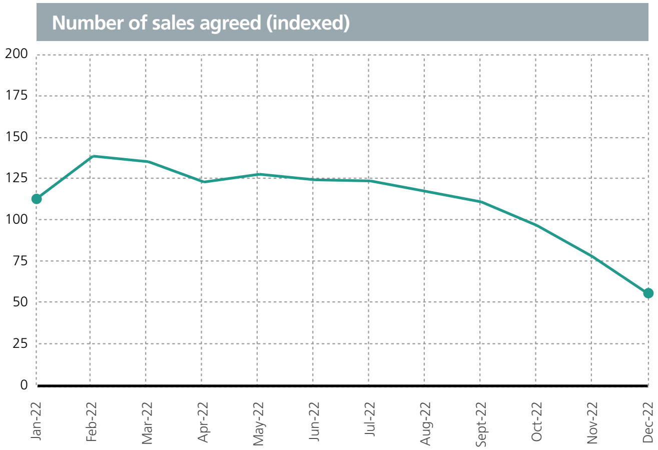
Viewings

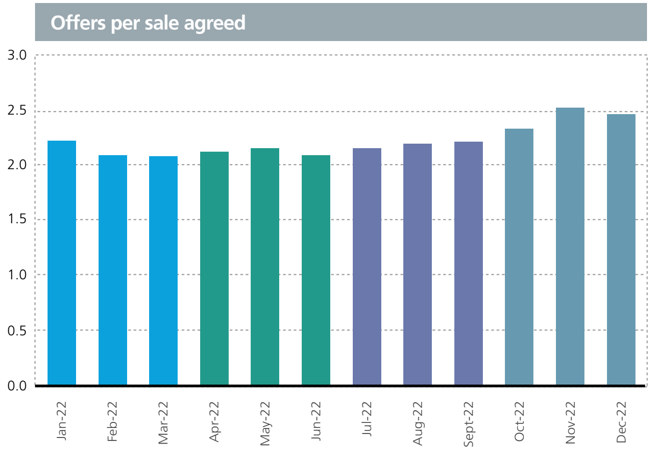
- Viewing activity showed a 33% reduction on Q3 2022. With the uncertainty introduced by the mini Budget, some prospective buyers put their plans on hold whilst the market stabilised.
- At the end of the year, the number of properties available for sale was 46% ahead of December 2021.

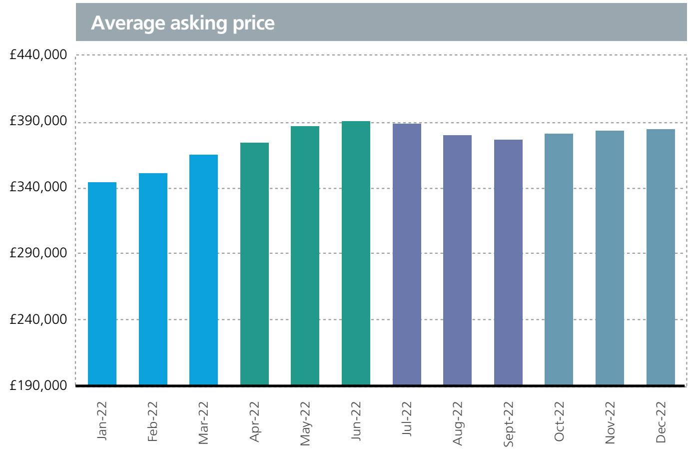
Offers

- The number of buyer offers followed a similar pattern to the number of buyer viewings and was 28% below last quarter.

- The average level of viewings per offer decreased to 6.0, from 6.6 in Q3. This compares to a figure of 6.2 for Q4 2021.







Sales

- The number of sales agreed again follows a similar trend from buyer viewings and buyer offers, whereby activity levels remained stable through to the end of Q3 before experiencing a significant reduction during the final quarter of the year. Q4 activity was 33% lower than Q3.

- The average number of offers per sale agreed increased to 2.4 during the quarter, this compared to 2.2 in both Q3 and Q4 2021.

Prices

- The average asking price at instruction in December was £384,600, down by 1.5% from the high of June 2022.

LAND & NEW HOMES

Roger Barrett
GROUP LAND & NEW HOMES
MANAGING DIRECTOR

Our overall results for the year were seriously impacted as a consequence of the turmoil that followed the mini Budget; particularly in regards to mortgage finance availability and the quickly-changing landscape in respect of development finance. This was reflected in the increase in new instructions as developers were eager to maintain their forward sales position and also secure contractual exchanges before the year end.

We are starting to see this impact upon new homes prices, however we are keen to ensure that we work closely with our developer clients to optimise value reflecting the quality of new homes that are available.

As we move forward into 2023, all developers (regardless of size) are facing an extremely challenging business environment due to ongoing economic uncertainty, the energy crisis, inflationary pressures and an increasingly anti-development planning system and policy regime. Inevitably, these issues are having a considerable impact on both the ability (and willingness) of customers to buy and the industry's ability to deliver.

Whilst there are positive indicators around growing demand, housing developers can only sell what they can build and presently the signs are that output for this year may fall by up to 14% against a continuing trend of reducing housing starts. Some of the key factors in play here are:

- Adequately resourcing LPAs
- Reassessing proposed anti-development reforms to the NPPF
- Resolving the nutrient neutrality problem that is delaying over 100k homes
- Continued rising material, labour and construction costs

New instructions
Q4 2022 up

14%
on
Q4 2021

New homes
available for sale
up

8%
on
Dec 2021

New buyers and instructions

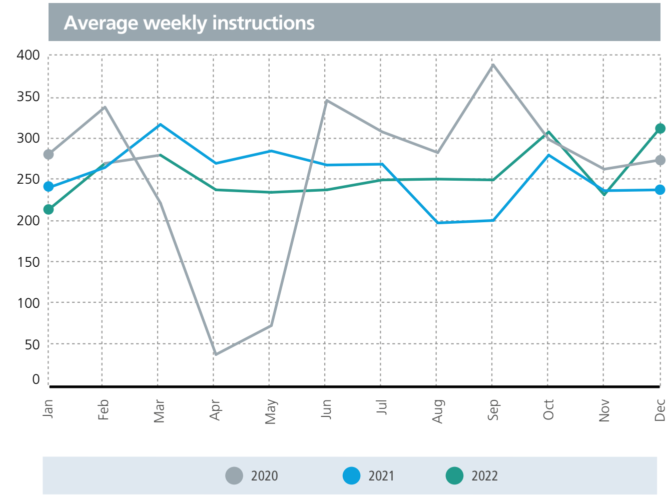
- Demand for new homes remains strong, but despite improvements to supply during the course of 2022, we are not yet seeing the same level of improvement as has been seen in the resale market.
- During the quarter we saw new instruction activity start to move forward, only to stall during October following the mini Budget. December saw a recovery and the highest level of new instructions in the year. Overall new instructions in Q4 were 14% higher than both Q3 2022 and Q4 2021.
- At the end of December, the number of new homes available for sale was 8% higher than at the end of 2021; a position that we expect to see continue to improve during the coming year.

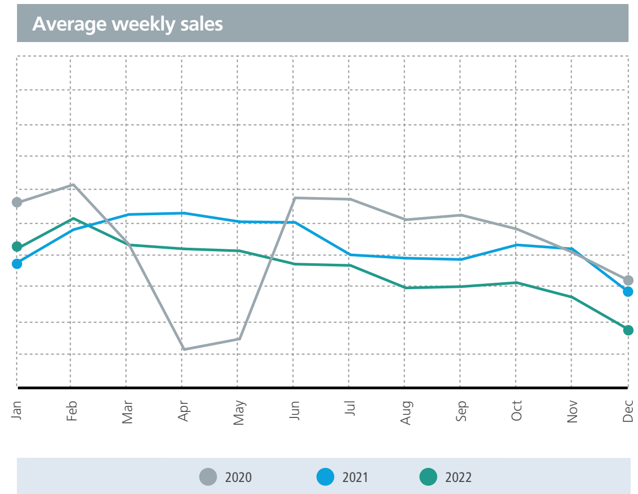
Sales activity

- New homes will always create interest, but the sector faces increased competition from the resale market where we are seeing a significant increase in the number of properties available for sale.
- The new homes market is not immune to factors that impact the wider housing market and economy, and during Q4 we saw a reduction in sales activity following the mini Budget.
- Sales activity during the quarter was 23% lower than Q3, and the lowest that we have seen for a number of years. With the financial markets starting to stabilise post the Autumn Statement, we started to see more confidence from prospective purchasers at the end of the year which should drive a positive start to 2023.

Housing supply and market activity

- Housebuilders continue to face a number of challenges as they work to help increase the supply of property across the UK. Availability of resources and materials, combined with inflationary pressures and planning challenges continue to be encountered and will impact the delivery of housing supply.
- The latest Housing Pipeline report from the Home Builders Federation highlights that the pipeline of approved units remains 25% below the levels that were seen in 2019. The report highlights a decline in the approval of smaller sites, which disproportionally hampers the efforts of the SME builders that play a key role in driving the much needed increase in supply.
- More positive news was provided by the NHBC who saw growth in new registrations across 10 of the 12 regions during Q3, despite ongoing disruption within the supply chain.
- NHBC also noted a shift in the mix of properties being registered with apartments featuring more prominently, particularly within London.





RESIDENTIAL LETTINGS

Stephen Nation
GROUP LETTINGS
MANAGING DIRECTOR

Last year ended with high tenant demand and a shortage of rental stock continuing to dominate the lettings market and Q4 saw some positive market improvements that are best demonstrated by year-on-year comparison. Contrary to much recent press coverage, we have not witnessed an exodus of landlords from the market, with many clearly sitting tight whilst an existing tenancy is in place.

A contributor to landlord confidence may well be that there has been no significant rise in rent arrears (despite rent increases) over the past 12 months and strong tenant demand remains a consistent market characteristic. There does not seem to be any change in sight for the lettings market in the short term. Rents may well be reaching their peak, as Q4's London data suggests, but the shortage of adequate housing stock in the PRS dictates that current levels of demand will continue and that we are likely to see further regional rent increases.

Finally, the lettings market is impacted by legislative uncertainty. The Renters Reform Bill is yet to be finalised and the difficult balance between granting greater security of tenure to the 4.4 million private rented tenants, whilst not forcing landlords to exit in droves, now sits on the desk of yet another Housing Minister. If experience is anything to go by, the resulting compromise will provide a framework on which we can build and the market will adapt positively to the change.

National average agreed rents are now consistently over **£1,100** pcm

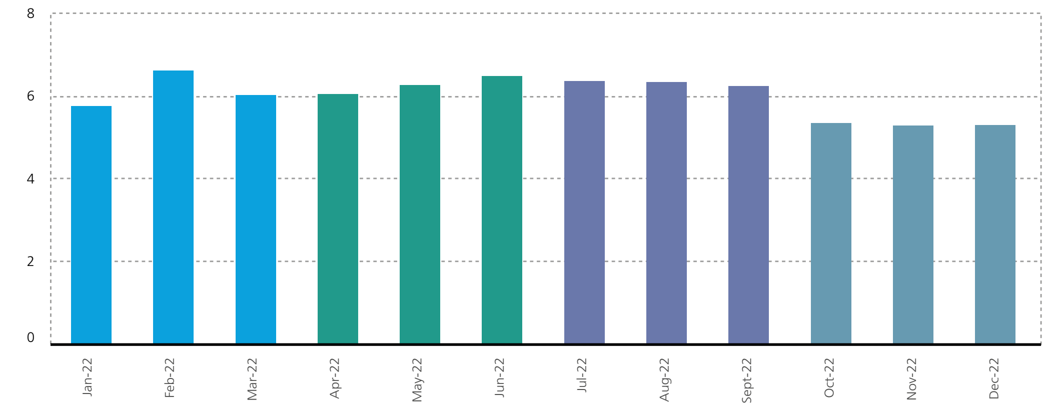
Q4 new instructions **9%** up on previous year

New applicants and instructions

- Applicant demand remains strong, and whilst new applicant registrations have dropped back during Q4, this masks the level of inbound enquiries from those who are unable to find the right property due to the short supply of stock in the market.
- The ratio of registered applicants to new instructions stood at 5.3 in Q4 2022, down from 5.8 in Q4 2021.
- Whilst the number of new instructions experienced a sharp drop in the quarter (10% down on Q3) when compared to Q4 2021, new instructions were up by 9%.
- Overall the number of properties available for rental eased back by 1% on the number at the end of Q3. However, as we enter 2023 the position is continuing to gradually improve. With new properties attracting immediate interest and letting quickly, increasing the number of available properties remains a key focus for the market.
- The mini Budget introduced further uncertainty, however we are not seeing any major shift in the profile of our landlords. Whilst some will no doubt be reviewing their financing arrangements and taking a view on house prices, most remain keen to secure or retain good tenants and maintain their current portfolios.

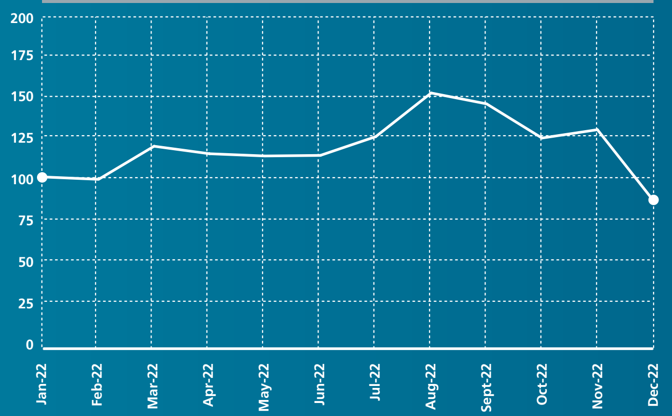
Number of applicants registered and new instructions (indexed)

Applicants registered per new instruction

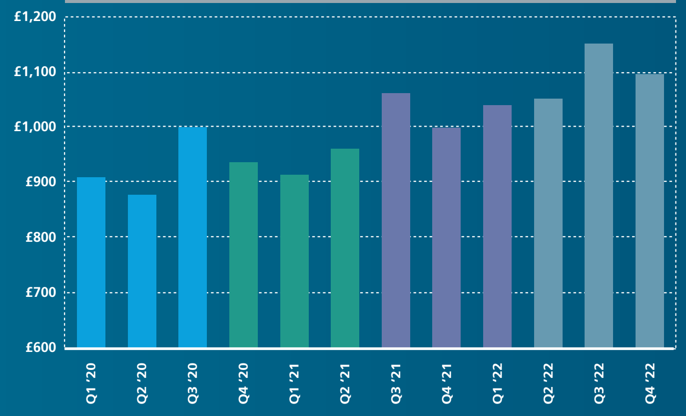


RESIDENTIAL LETTINGS

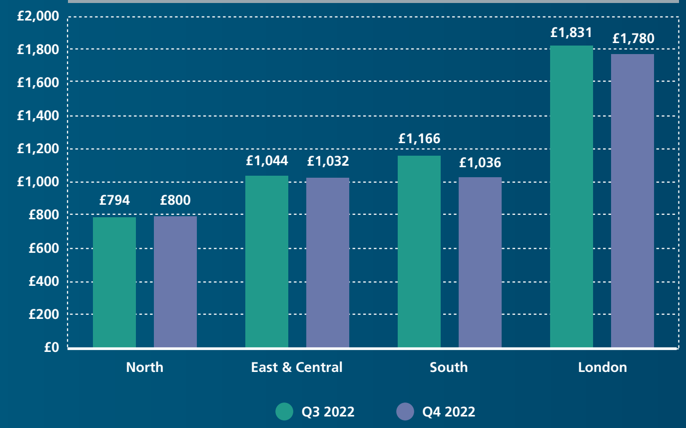
Number of agreed tenancies (indexed)



Monthly average agreed rents (UK)

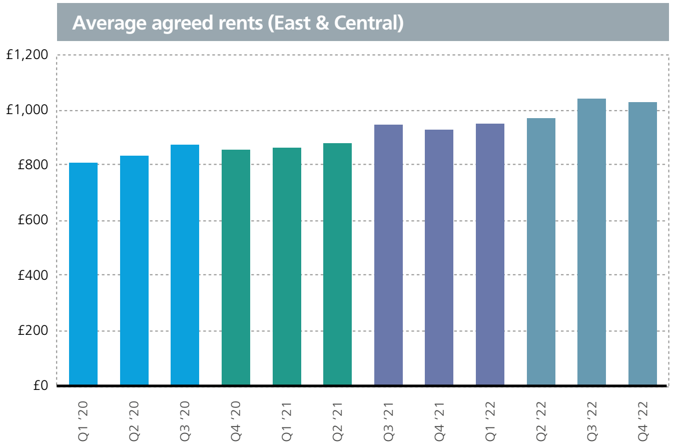


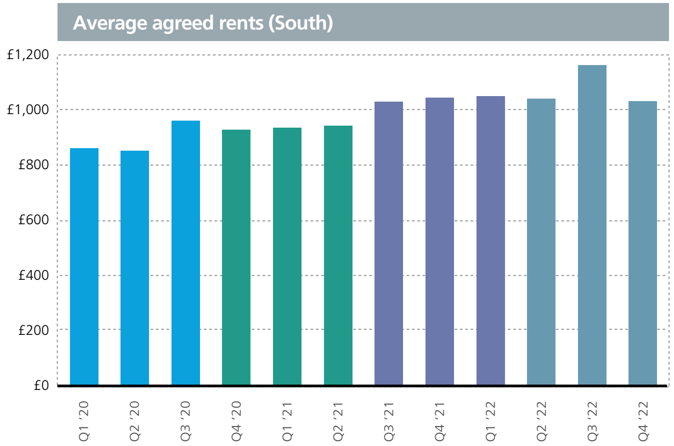
Average agreed rents (regional)

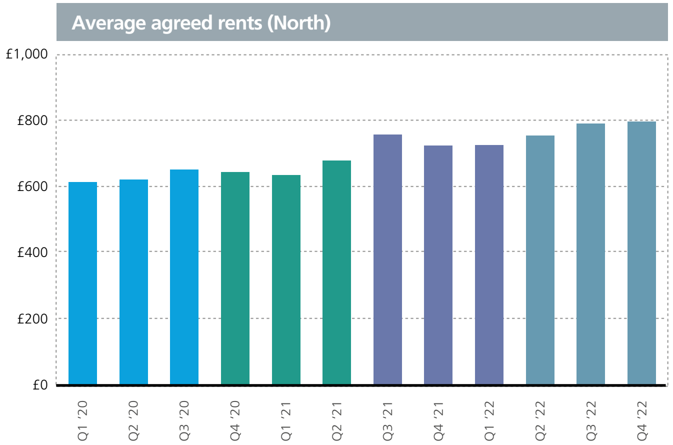


Agreed tenancies and average rents

- Whilst we see the usual seasonal dip in agreed tenancies, this metric was up by 8.8% on the previous year, which follows the positive performance of new instructions.
- Monthly agreed rents reached an all-time high of £1,199 in September 2022 and in December, reduced marginally by 7% to an average value of £1,112 pcm.
- Upward pressure on rents is easing, with regional rents reducing during Q4 following the increases that were seen in Q3.







Regional rents

- The lettings market continues to be impacted by the low level of property stock whilst demand remains high. Whilst the improving supply within the resale market would normally have helped ease some pressure within the lettings market, the uncertainties on finance and house prices are likely to lead to more prospective purchasers sticking with their current rented accommodation.
- Monthly agreed rents across the North region have reached a high of £800 pcm, presenting a growth of 10% compared to Q4 2021, with similar achieved across East & Central where average rents were £1,032 pcm.
- Monthly agreed rents across the London region have reached £1,780 pcm, a 3% decrease on Q3.

MORTGAGES

Adrian Scott
GROUP LENDER SERVICES
MANAGING DIRECTOR

Following the political and then economic turbulence in September and into October, there was a significant impact on the mortgage market. All segments of the market fell, primarily as a result of the jump in mortgage rates, and the resulting lack of confidence of both buyers and borrowers. First-time buyers, home-movers and remortgagors all held back from making decisions, unless their circumstances caused them to, and as a result, the overall market eased materially.

As well as impacting on the volumes of transactions, there has been a big drop in the average mortgage value which has reduced by 13% from a high in July 2022. This drop reflects the mortgage interest rate increases, some purchase price adjustments, and most significantly, an increase in the remortgage share of business written.

As always, the commentary is based on business written activity, so right at the earliest measurable stage of the process and therefore a strong reflection of the trading environment in Q4. However, alongside this assessment, it is worth noting that pipeline customers who were in the process of purchasing a property continued to do so and indeed, completions were strong in December.

Overall residential mortgages were down by

24%

compared to Q3

The average mortgage value stands at

£158,600

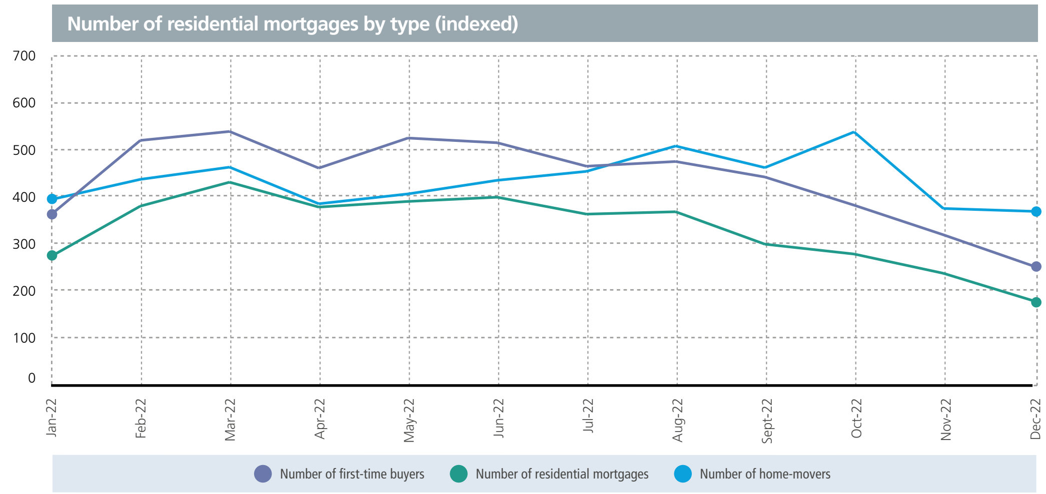
the lowest value since April 2021

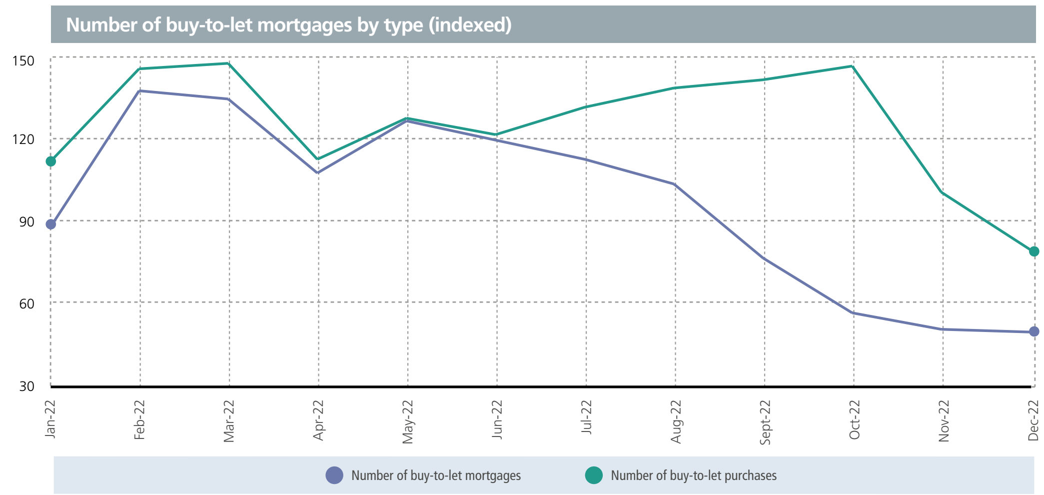
Residential

- Overall residential mortgages were down by 24% compared to Q3. This was driven by the reduction in the residential sales market, with home-movers and first-time buyers showing the largest quarter-on-quarter decrease.
- The uncertainty introduced to the housing market following the mini Budget had an immediate and significant impact on house sales activity. As a result, home-mover purchases were 33% lower than we saw during Q3. The impact was seen in a drop in new sales activity, however, with lenders taking a pragmatic approach to those deals already agreed, we have seen the pipeline of existing transactions continue to progress successfully towards completion.
- First-time buyer activity during the quarter was 24% lower than Q4 2021. This drop reflects the challenges now faced by first-time buyers, with increased interest rates, the reduced availability of products and general affordability considerations all now featuring more heavily than the lack of available stock that had hampered so many over the past couple of years.
- Whilst remortgage activity had followed an upward trend for most of the year, Q4 saw a 10% reduction in volumes on Q3 following the mini Budget. With a greater reduction in purchase business, remortgage activity accounted for 44% of residential activity during the quarter, this compares to 37% in Q4 2021.

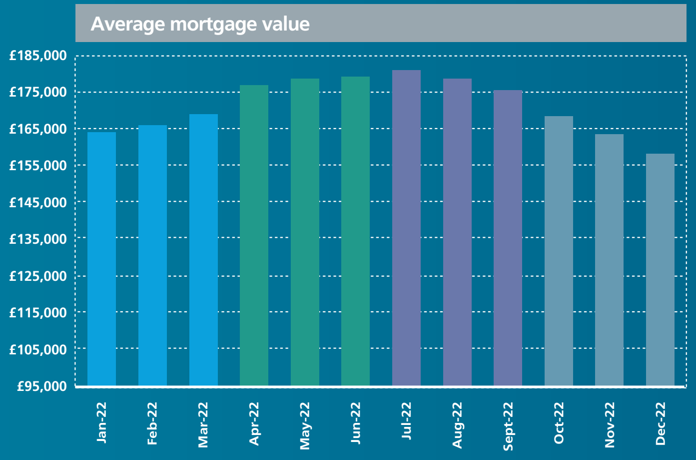
Buy-to-let

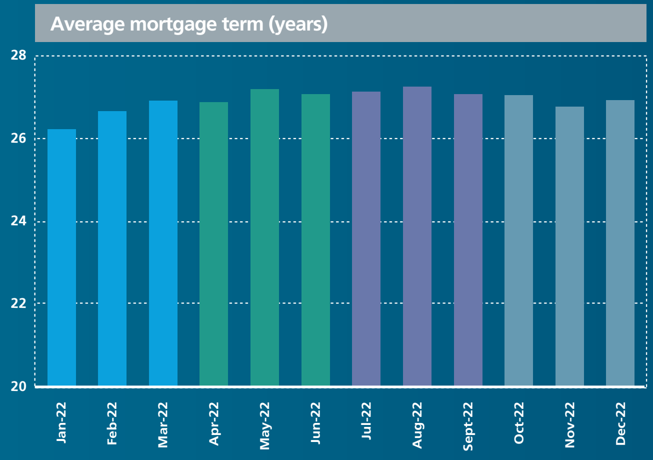
- In a movement similar to the residential market, the buy-to-let sector saw overall activity 32% below Q4 2021, however the drop in purchase activity was more pronounced and the key feature of this reduction.
- Buy-to-let purchase activity dropped by 46% when compared to Q3, and was 51% lower than Q4 2021. With investors already feeling the pressure, many have taken the decision to pause their current plans whilst the market stabilises and the outlook for house prices becomes clearer.
- The share of mortgage activity accounted for by the buy-to-let sector in Q4 stood at 14%, down 3 points on Q4 2021. During the second half of the year, the mix of buy-to let business has continued its shift towards remortgage activity, accounting for 67% of business in Q4.



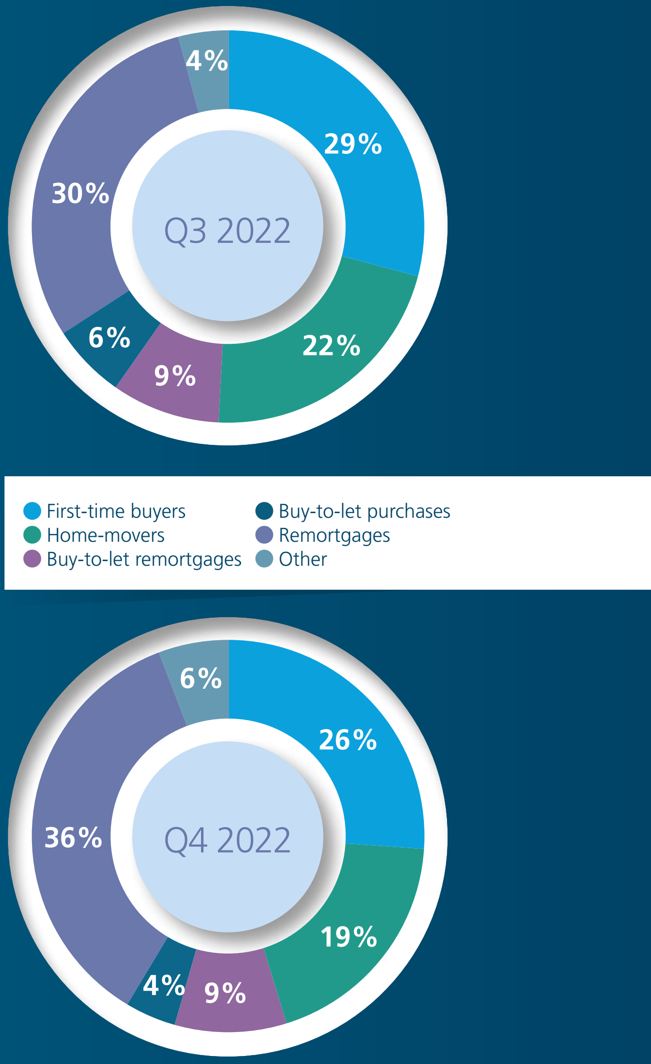


MORTGAGES





UK MORTGAGE TYPE SPLIT

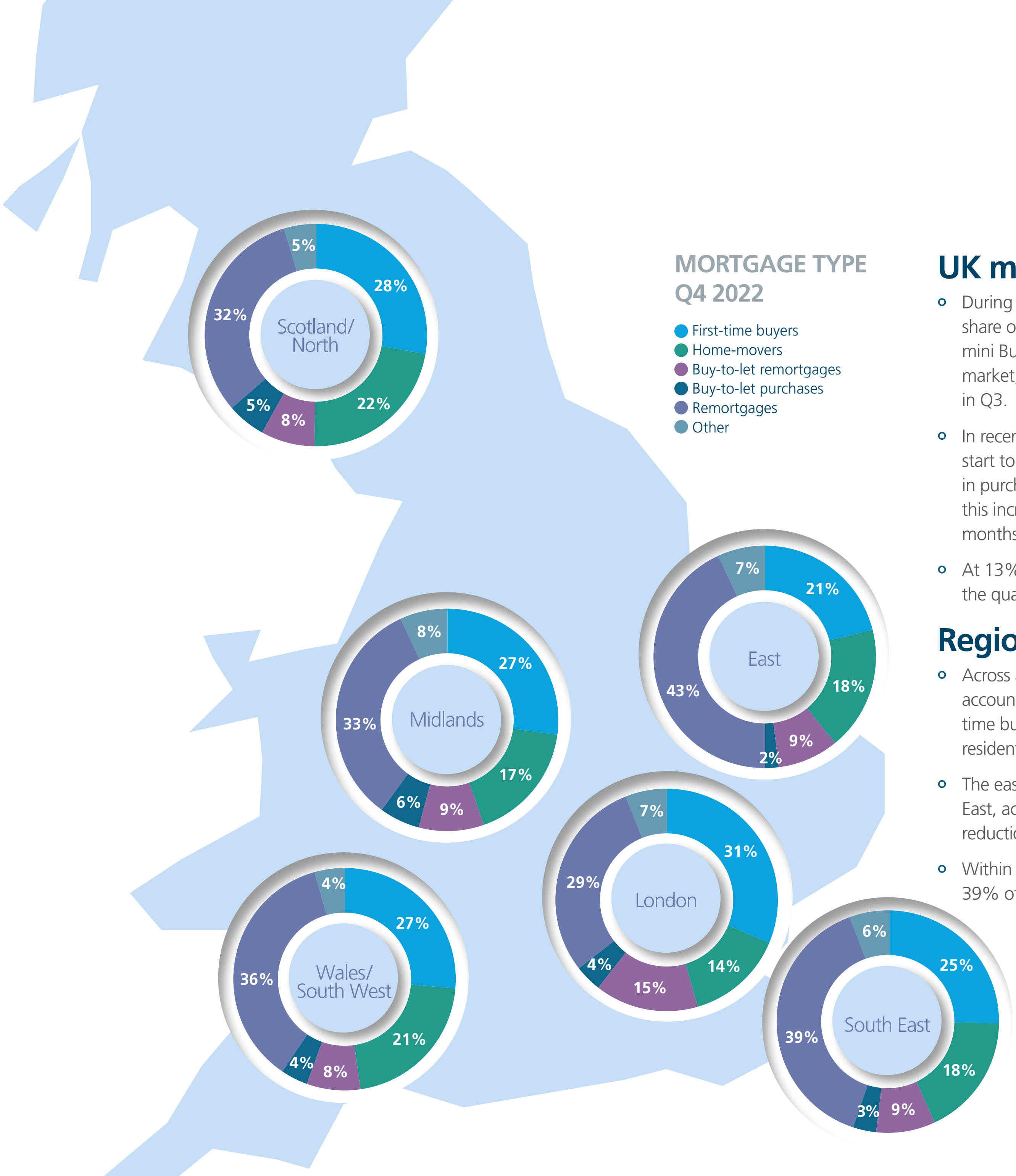


Mortgage values

- The average mortgage value stands at £158,600; the lowest value since April 2021. This has reduced by 13% from a high of £181,400 in July 2022. The recent base interest rate increases, which have seen rates rise from 0.25% at the start of the year to 3.5% in December 2022, would have contributed to the fall in value.

Mortgage terms

- The average mortgage term is steady at a new norm of 27 years, which we have seen for several months now. Before January 2022, this was hovering at 26 years, however buyers are having to adjust their monthly expenditures in light of higher living costs, leading to the increase in mortgage term.



UK mortgage type split

- During the quarter, we have seen residential remortgage activity increase its share of overall activity to 36% as the purchase market stumbled following the mini Budget. First-time buyer activity remained the next largest portion of the market, 5 points behind at 26%. This a 3 point reduction on its share of activity in Q3.
- In recent months we have seen stock levels start to improve and house prices start to ease, both of which we would normally expect to drive an increase in purchase activity. As we enter 2023 and the market continues to stabilise, this increase is something that we will be looking out for during the first few months of the year.
- At 13%, the buy-to-let sector accounted for a slightly lower share of activity in the quarter, down 2 points on Q3 and 4 points on Q4 2021.

Regional picture

- Across all areas of the UK (excluding London), residential remortgage activity accounted for the most significant mortgage market share, followed by first-time buyers. Across London, first-time buyers led the way, 2 points ahead of residential remortgage activity.
- The easing of first-time buyer activity in the quarter was most noticeable in the East, across the Midlands and in the South West, with each seeing a 4 point reduction in the share of activity.
- Within the South East, the shift in activity saw remortgages now accounting for 39% of activity in the region.
  - Whilst the North followed most other regions with a shift towards remortgage activity, the movements were less severe and more evenly distributed than was experienced elsewhere.
  - Within the buy-to-let sector the shift in activity towards remortgage rather than purchase was broadly consistent across all regions.

ASSET MANAGEMENT

Simon Matthews
MANAGING DIRECTOR,
AMG

The most recent possession figures released by UK Finance provide details of market activity during the fourth quarter of 2022. Whilst possessions levels have continued their upward trend during the first nine months of the year, this reversed during the final quarter of the year with a total of 820 possessions completed - a 25% reduction on Q3 2022.

There was a total of 3,840 possessions during 2022, presenting a 70% increase on 2021, where levels were still suppressed due to the possession moratorium that was in place between March 2020 and 1 April 2021.

In Q4 2022, the total number of homeowner mortgages with arrears representing 10% or more of the balance outstanding showed a slight reduction, ending the year 2% lower than Q3 2022, and 5% lower than Q2 2021.

Total number of possessions in 2022

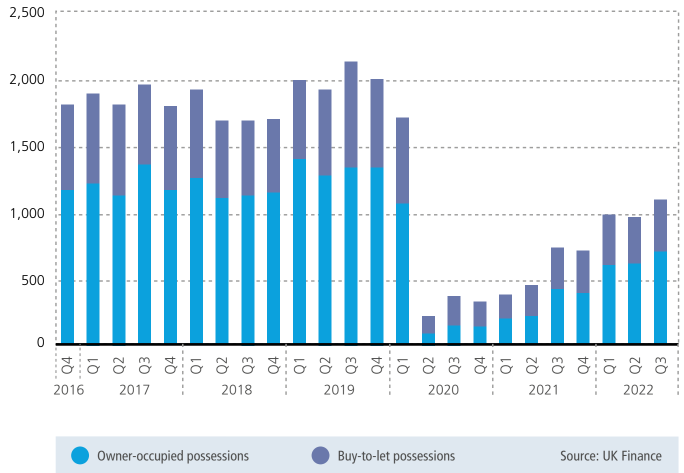
3,840

Number of mortgagees with arrears >10% down

2%
on Q3 2022

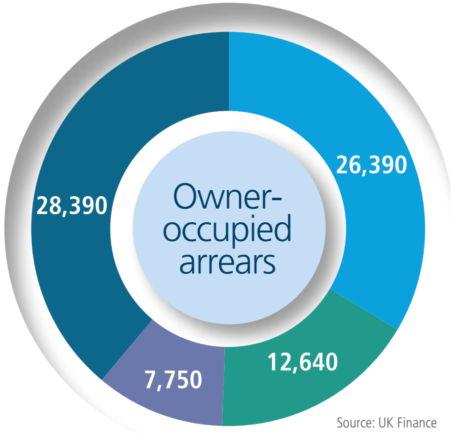
ASSET MANAGEMENT

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

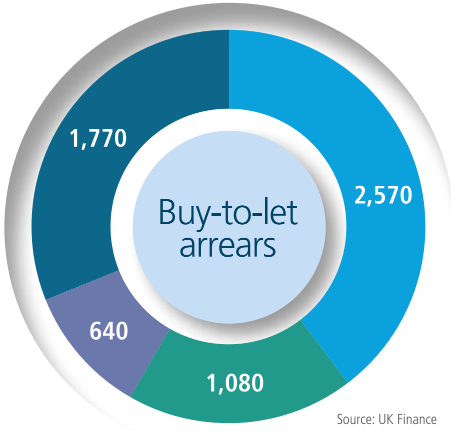


Arrears on mortgages, 2.5% or more of balance outstanding

ARREARS BANDING Q4 2022



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



Possessions

- At 820, the total number of possessions during Q4 2022 showed a 15% increase on Q4 2021.
- When compared to Q4 2019, the number of possessions during Q4 2022 reflect a 59% reduction in activity.
- On a full-year basis, the percentage of possessions accounted for by the buy-to-let sector stood at 38%. This sector saw activity in Q4 2022 24% lower than Q3 2022, this compares to the 29% decrease seen in owner-occupied possessions over the same period.

Possession sales

- The average sale price for December 2022 was £168,729.
- Houses accounted for 62% of completions during Q4, slightly down on the 63% seen in Q3.

Arrears

- Owner-occupiers with arrears of 2.5% or more of the total balance remaining, totalled 75,170 in Q4 2022, 1% ahead of the previous quarter and 6% below Q4 2021.
- At 6,060, arrears of 2.5% or more of the total balance within the buy-to-let sector in Q4 2022 were 1% higher than in Q4 2021.
- The total number of mortgages with arrears of 10% or more of the balance in Q3 2022 was 2% lower than Q3 2021.

SURVEY & VALUATION

Ross Bowen
MANAGING DIRECTOR,
CONNELLS SURVEY & VALUATION

Following the frenetic housing market seen in H1 2022 and an easing in trading in Q3, results for the final quarter reflected the hiatus in activity caused by rising living costs, interest rates and political uncertainty.

In recent weeks, lower mortgage rates, resurgent financial markets and a slightly more positive outlook domestically, are starting to fuel a cautious optimism. Nevertheless, consumer confidence remains fragile and the mortgage affordability challenge continues to impact the market.

The valuation sector experienced a more pronounced peak to trough in terms of demand for physical reports from RICS chartered surveyors over the period. With increased market risks and less pressure on servicing pipeline work, it is evident that many lenders have been seeking greater reliance on physical property valuations. Similarly, more surveys have been commissioned by private clients for better peace of mind. Over Q4, reporting speed improved significantly and whilst not quite at pre-Covid levels, returned to an average five days including delays outside surveyors' control.

Crucially, despite the major changes in market conditions, the focus on maintaining high quality professional advice remained sacrosanct, and through our employed surveyors we are pleased this was sustained at 98% across all reports carried out.

Looking ahead, with short term housing and lending activity likely to remain subdued, we do not anticipate a marked step back up in the valuation sector in Q1.

Given ongoing economic constraints and labour market tension, we believe it will be Q2 before a realistic outlook can be reached on 2023 overall market prospects.

High quality service delivery sustained at

98%

through in-house surveyors, well ahead of the market

Significantly improved service speed averaging

5 days

(< 3 days excluding third party delays) through employed surveyors

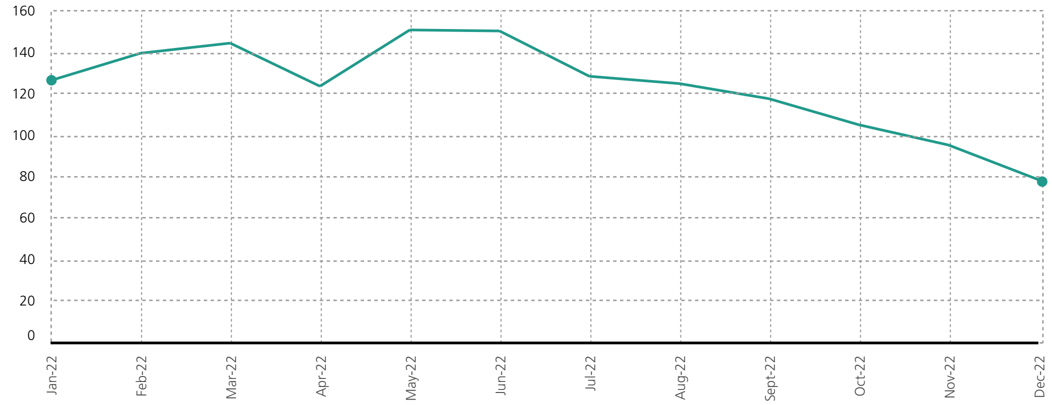
Mortgage valuations

- The number of mortgage valuations saw a sharp reduction during the final quarter of the year, as activity within the residential sales market reduced and lenders took stock following the mini Budget and market unrest.
- The impact on the sector was significant with the number of mortgage valuations undertaken down 40%, compared with Q4 2021.
- Our mortgage business reported a smaller reduction in remortgage activity during the quarter, with activity 7% lower than Q4 2021. The prospect of higher mortgage rates prompted many to review their current arrangements.

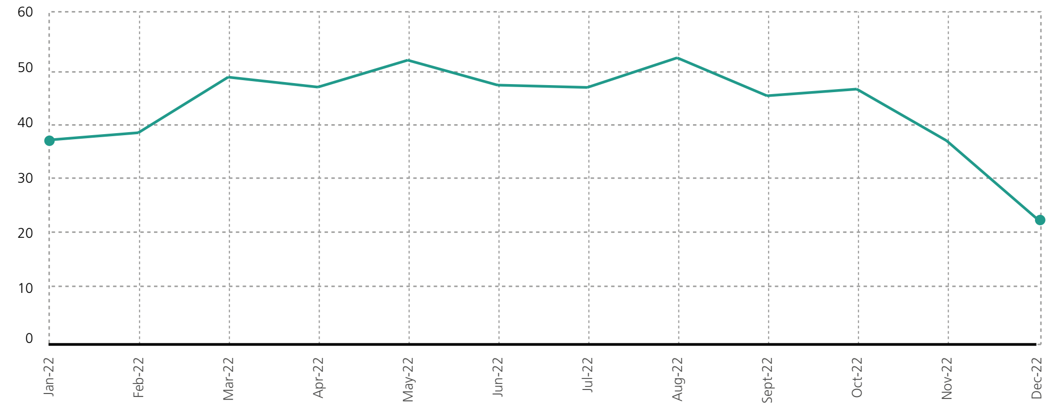
Surveys

- The number of surveys followed a similar trend to mortgage valuations and residential mortgages, with activity levels 31% lower than Q4 2021.
- Despite the challenges within the market, survey activity in Q4 was 2% ahead of Q3 2022, suggesting that home-movers were seeking greater surety on properties prior to purchase.
- Surveys accounted for 6% of overall activity, 1 point ahead of the 5% managed in Q4 2021.

Number of mortgage valuations (indexed)



Number of surveys (indexed)



SURVEY & VALUATION

Buy-to-let

- Buy-to-let valuations followed a similar trend but saw a more significant reduction, down 45% on Q4 2021, as investors paused their activity until the markets stabilised.
- Activity within the buy-to-let sector accounted for 17% of all activity during Q4, down from 20% in Q3 2022.

Average valuation

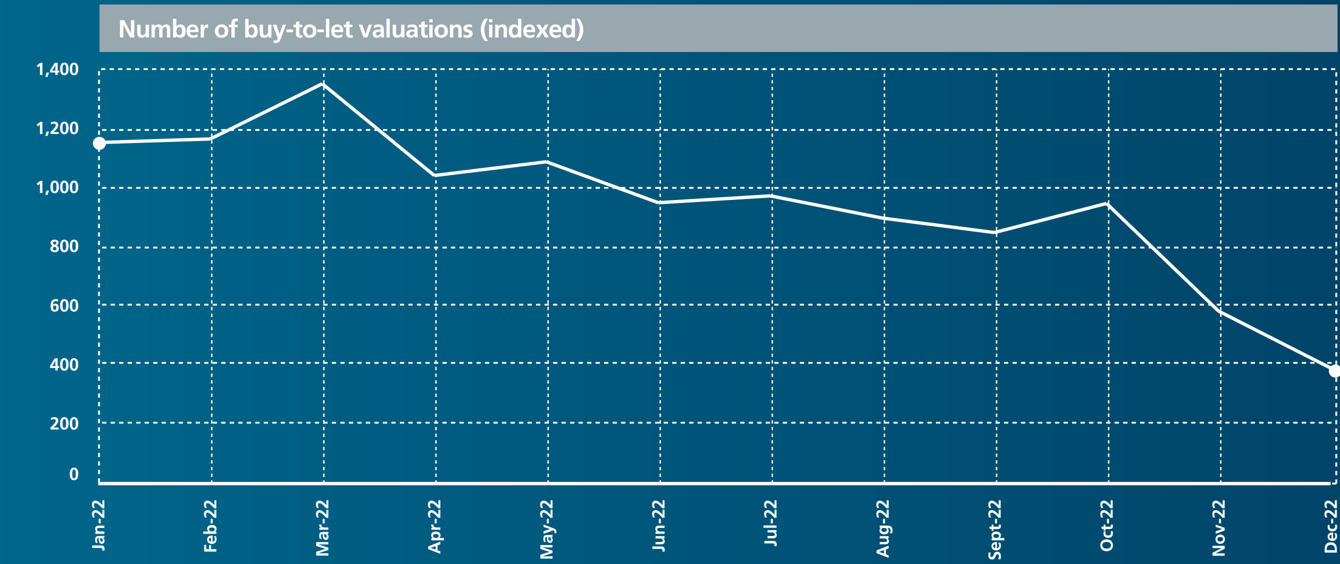
- The average valuation price has decreased by 12% from a high of £384,200 in Jun 22 to a current value of £337,100.

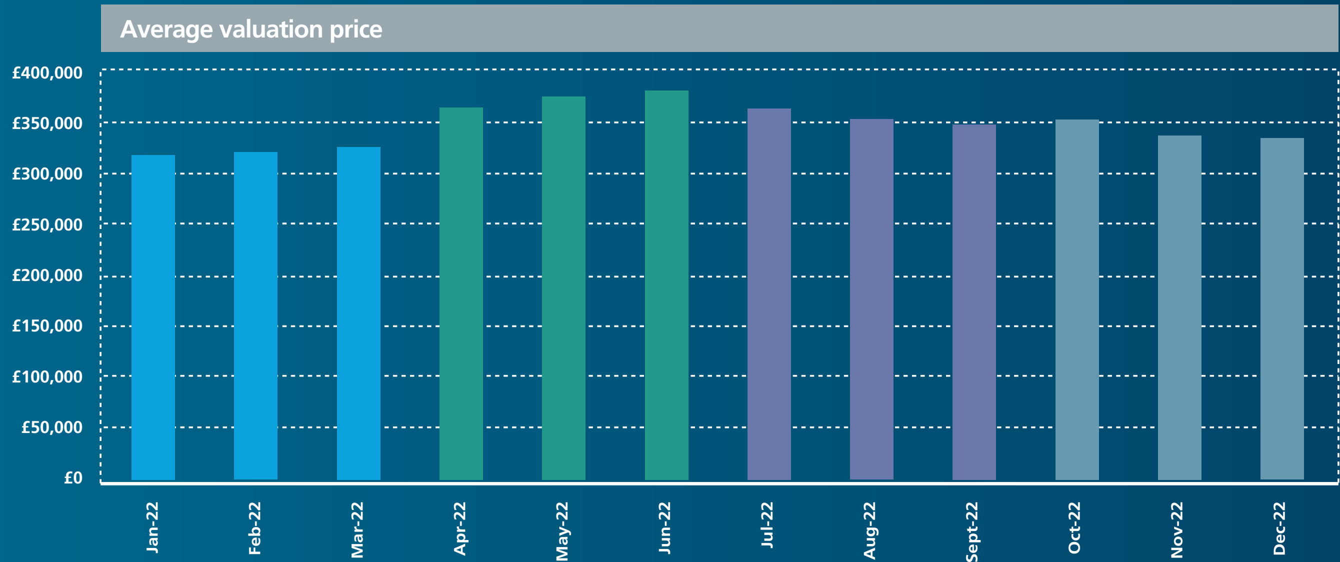
Overall market activity

- With the turmoil in the financial markets following the mini Budget, it is no surprise that activity within the housing market, and in turn the survey and valuation sector, were heavily impacted during Q4. The reduction in activity was swift as lenders reassessed their products, rates and criteria. Many purchasers and investors followed suit, hesitant to commit until more certainty returns.

Service delivery

- With the reduced level of activity in the market, Q4 saw the speed of report delivery improve across the market.
- During the final quarter of the year we have seen the reporting quality score for the market improve to 94.9%, a level that we have not seen since May 2020.





MARKET SUMMARY

UK average house price at completion Q4 2022

£317,208

down

3%

from Q3 2022 (£327,960)

up 8% from Q4 2021 (£292,506)

REGIONAL AVERAGE HOUSE PRICE AT COMPLETION Q4 2022

Scotland/North	**9% up** from Q4 2021	£198,773
East	**8% up** from Q4 2021	£326,811
Midlands	**8% up** from Q4 2021	£234,358
London	**4% up** from Q4 2021	£737,317
Wales/South West	**10% up** from Q4 2021	£281,857
South East	**3% up** from Q4 2021	£443,775

MARKET SUMMARY

REGIONAL AVERAGE RENT Q4 2022

North £800
10% up from Q4 2021

East & Central £1,032
11% up from Q4 2021

London £1,780
9% up from Q4 2021

South £1,036
1% down from Q4 2021

UK average rent Q4 2022

£1,098

up **10%** from Q4 2021 (£1,000)

UK average mortgage value Q4 2022

£158,612

down **7%** from Q4 2021 (£170,627)

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

Multi-award winning service

One of the largest volume residential property auctioneers in the UK

£36bn mortgage lending

1,350 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

One of the UK's largest commercial property consultancies

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

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

Countrywide Conveyancing Services

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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Connells group

MARKET **REPORT** 2022

Q FOUR