SPECTRE

Spectre Market Report.

Q1, 2023

Product related figures and static market sales as of 31/03/23.

Contents.

Property Market Summary.

The market isn't as bad as the media is portraying.

The number of properties dropping their prices is through the roof, there's a continual decline in agreed sales and listings are taking longer to shift. In any other market, this should be a cause for concern and understandably, fear has been spreading. However, for the last few years, the property market has seen exceptional growth. These movements should be seen as market conditions normalising and returning to a more manageable baseline - rather than viewing them as drastic shifts compared to last year. The market is still healthy and for those with the right skill set, it will prove no challenge.

Agents are under pressure to overvalue property.

Consumer expectations surrounding pricing are overinflated from last year's boom, and as a result reductions are on the rise. Agents are feeling pressure to overvalue property - and while this approach may lead to more instructions, agents risk losing listings to competitors following a price reduction. If agents choose to price appropriately, it's essential they provide accurate information and data to a vendor who will likely have higher valuations. A strong prospecting strategy is also critical if that valuation is subsequently lost to a competitor.

Q1 2023 compared to the Q1 5-year average.

New Listings

-5.55%

Reductions

+36.59%

Fall Throughs

+1.23%

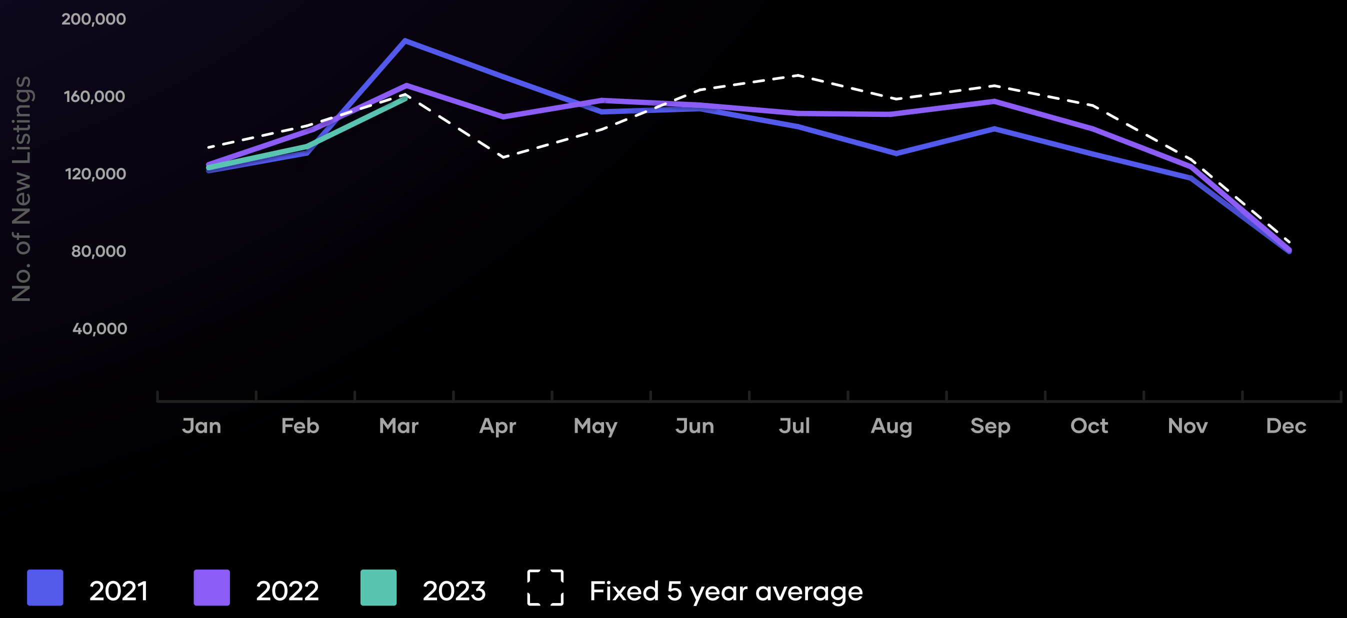
Withdrawals

-31.39%

Sales Agreed

-8.65%

New Listings.



The above depicts new listing numbers over a 12-month period for the last 2 years, as well as a 5-year average (2018-2022) to account for pre-pandemic and pandemic years.

Over the years, new listings have remained stable despite volatilities elsewhere on the market. While agents might be missing the surge in stock that was seen during the 2021 boom, the current stability of the market is to be appreciated. House prices and sales levels are rebalancing, and new stock remains a consistent factor.

In actuality, this is the ideal time to move - mortgage rates have deflated since the mini-budget and while there has been a slight rise to the base rate, it's unlikely to shift mortgage rates out of the 4-5% range. Mortgage-dependent buyers need to be realistic about the shift in the market and readjust their expectations instead of waiting for rate reductions that may never come.

In large part, this year is starting in line with 2021/22 where the flow of properties joining the market has remained at healthy levels with some natural peaks and troughs (ie. the Easter influx and Christmas slump). With new instructions this month within 2% of the average, there's no reason to expect anything different for the year ahead.

Predicted New Listings for Q2.

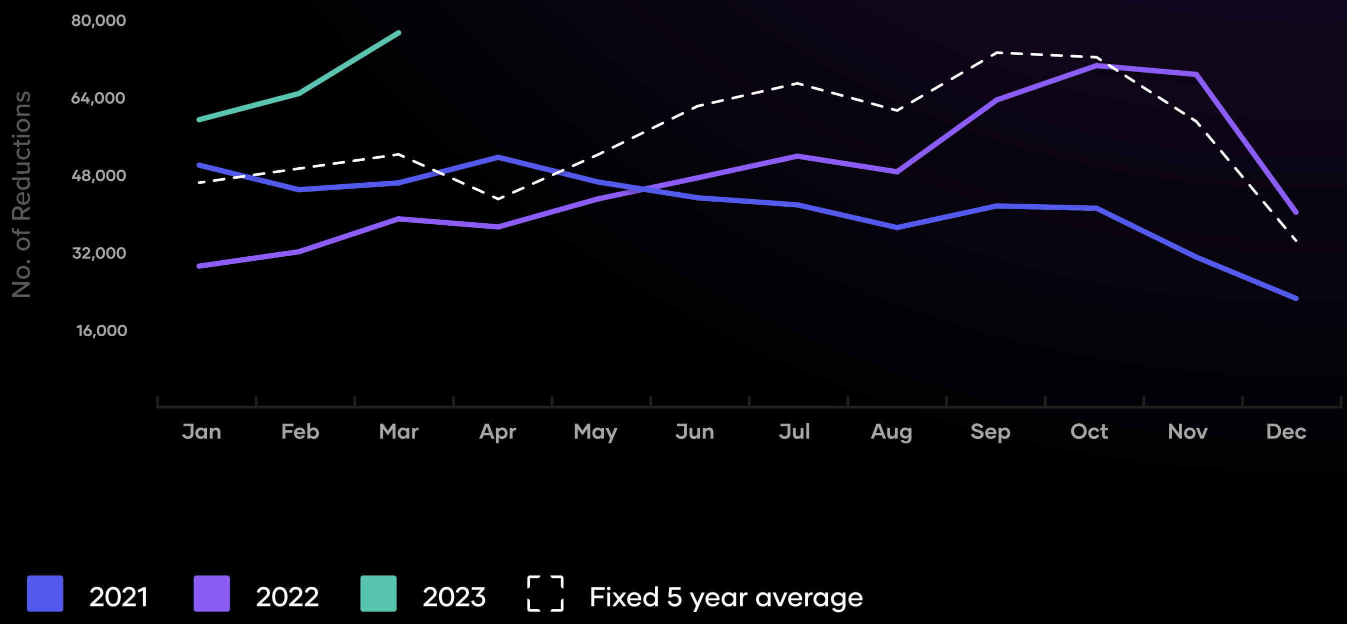
This figure depicts new listings per month up until March 2023 followed by predicted new listing levels for Q2.

Despite subtle fluctuations, this quarter is beginning in line with previous years and we can expect a similar trajectory for the year ahead. Market conditions are only one aspect of the decision to move house and the flow of new properties joining the market will likely remain level. Next quarter predictions suggest new listing levels should be 2.3% lower than last year.

While seasonality and previous outlier events have been taken into account in our modelling, the property market is highly sensitive to external factors and future unforeseen events will be excluded - therefore limiting the accuracy of our predictions.

NB: Predicted new listing levels are based on time-series modelling using daily data taken over a 5-year period.

Reductions.



The above depicts reduction numbers over a 12-month period for the last 2 years, as well as a 5-year average (2018-2022) to account for pre-pandemic and pandemic years.

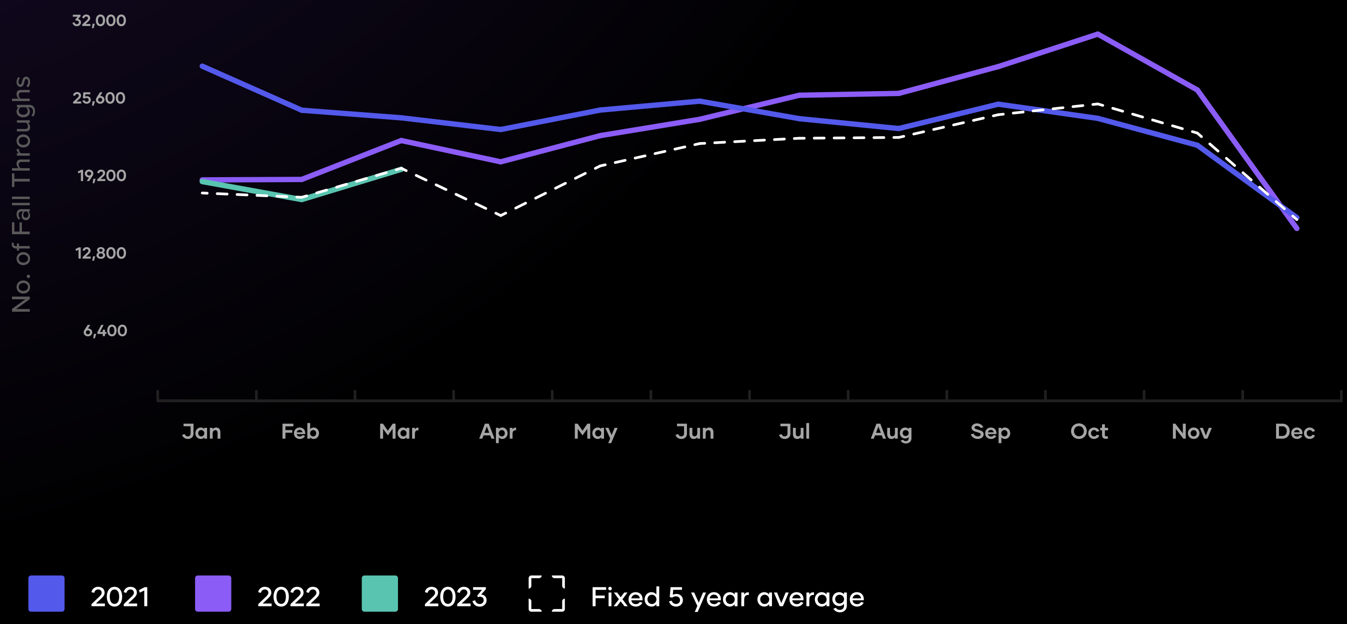
More than twice as many properties are dropping their listing price this year compared to last. While a frightening prospect, this is to be expected given the boom the property market experienced.

Vendors have high price expectations and are using prices from mid-2022 as a reference point for current pricing which isn't appropriate anymore. Agents are struggling to win new instructions on appropriate pricing models due to these uneven expectations - leading to an increase in overvaluing.

More vendors will have to consider repeatedly dropping their price to remain competitive in the marketplace. This year so far, 16% of reduced properties have already dropped their price more than once.

Strategy is the most important consideration for agents at the minute. As the pressure to overvalue to win new business mounts, a strong understanding of current market conditions will put them on the right track - and in the long run, it will lead to a better sales journey for vendors.

Fall Throughs.



The above depicts fall through numbers over a 12-month period for the last 2 years, as well as a 5-year average (2018-2022) to account for pre-pandemic and pandemic years.

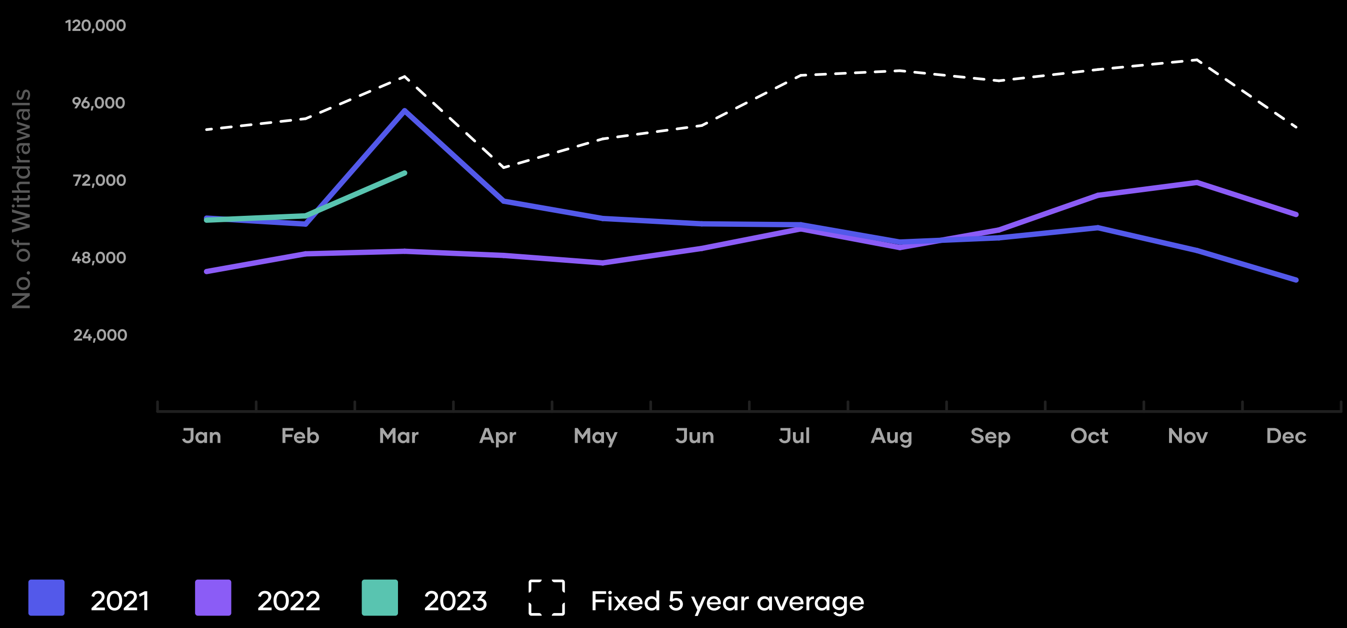
Sales falling through have remained somewhat stable over the last few years. The October 2022 peak is likely attributed to many buyers' mortgage deals being pulled or renegotiated in the aftermath of the September mini-budget.

Despite this, we've had a promising start to this year. Buyers and sellers alike are keen to reach an exchange date now that the dust has settled. Sellers want to avoid the price drops that are so prevalent right now, and buyers don't want to risk a poorer mortgage rate.

Are we likely to see another spike later this year? Maybe so. As overvalued properties move further down the line, mortgage valuations might not agree on the same inflated price points and buyers likely won't be able to make up the difference on savings alone. We don't expect to see a peak like in October, but sales falling through this year might remain above the 5 year average.

N.B. The 5-year average dip in April will have been heavily impacted by the 2020 market closure.

Withdrawals.



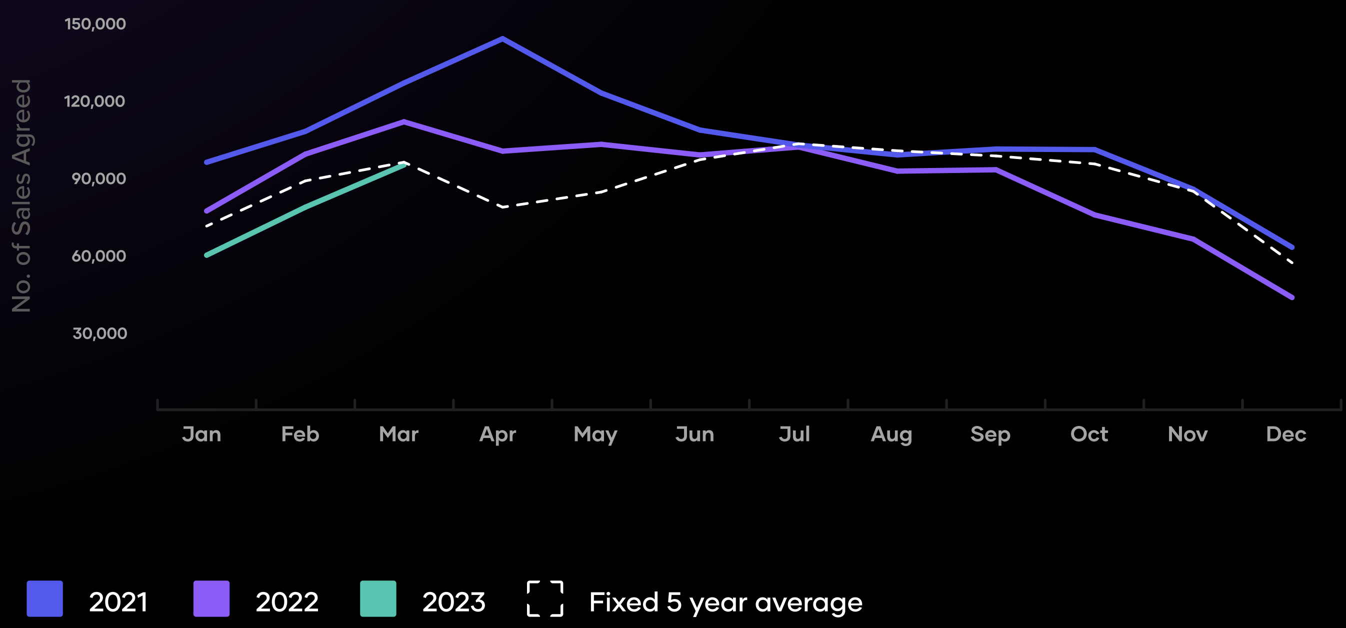
The above depicts withdrawal numbers over a 12-month period for the last 2 years, as well as a 5-year average (2018-2022) to account for pre-pandemic and pandemic years.

There's been a slow and steady increase of vendors growing fatigued as each week passes without a sale. While withdrawal numbers have been creeping up, there's a long way to go before they reach the heights of pre-pandemic years (currently 53% lower than 2019 Q1 levels).

Vendors on the market have a stronger urge to sell at present. Perhaps the rising number of reductions is motivating sellers to stand their ground - rationalising that if they leave, prices might be worse further down the line. Equally, 10% of vendors that withdrew in November 2022 have already returned to the market this quarter, suggesting consumer confidence might be improving.

Pricing right the first time will be the best strategy for a quick sale in the current climate. Agents with a proactive approach to generating interest will fare better in this market where price will be a constant sticking point.

Sales Agreed.



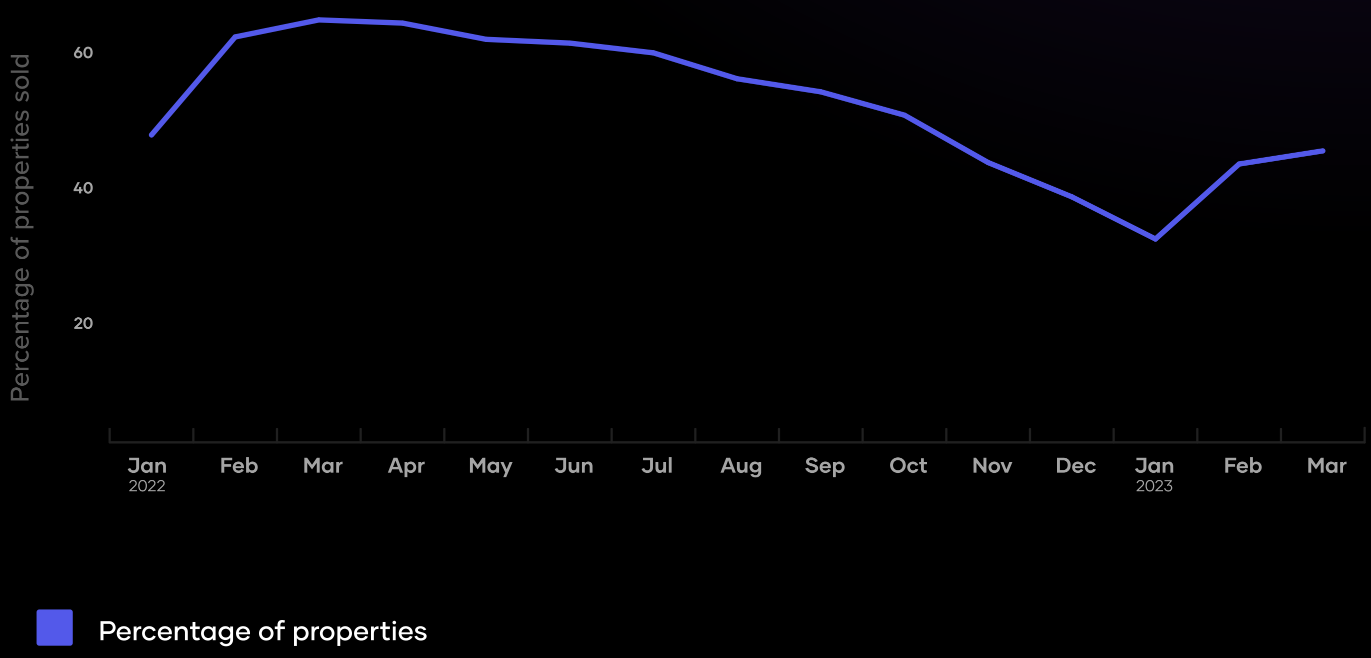
The above depicts sales numbers over a 12-month period for the last 2 years, as well as a 5-year average (2018-2022) to account for pre-pandemic and pandemic years.

The aftermath of the mini-budget is still clear in the downward trend of sales at the end of 2022 and as the inflated market settles, a slowing of sales is expected. While levels are below last year, sales are starting to climb again reaching within 1% of the 5 year average in March. The first quarter of the year is showing promise, and with the influx of new listings in March, we can hopefully expect this trend to continue in line with pre-pandemic levels.

We've been in a good or great market for the best part of a decade, and the movements we're seeing aren't a bad market - just comparatively bad to recent years. Estate agents are more essential than ever to help sellers navigate this market, investing in the right strategy and approach will lead to success.

First time buyers (FTB) remain cautious of the current market. Given the positive coverage in recent years, buyers unfamiliar with the property market are understandably fearful of the current commentary in the media. Yet, industry professionals know FTBs should be running to the market, as rents are continuing to soar and savings are dwindling. Mortgage rates are lower than in past months and likely to remain level for future months, now is the time for first-time buyers to get out of the competitive rental market and onto the property ladder.

Property Sold Within 4 Weeks.



The figure depicts the percentage of properties selling (STC) within 4 weeks from January 2022 to February 2023.

Compared to the same month last year, properties are staying on the market longer. Last March saw 62.4% of sales agree within 4 weeks of listing, compared to only 43.1% of sales this March. Finding a viable buyer now will be tougher than this time last year when demand was so high and many agents had to restrict viewings to within a week of listing.

That being said, we saw a shift this February and more properties were sold within 4 weeks of listing than in January. There are two potential explanations for this shift. This could have been a seasonal dip over the Christmas period and the market is restabilising this month. Alternatively, low demand at the backend of last year might have driven prices down. Those lower prices are now attracting buyers back to the market and slowly leading to more demand which, in turn, is leading to a faster sale as expected.

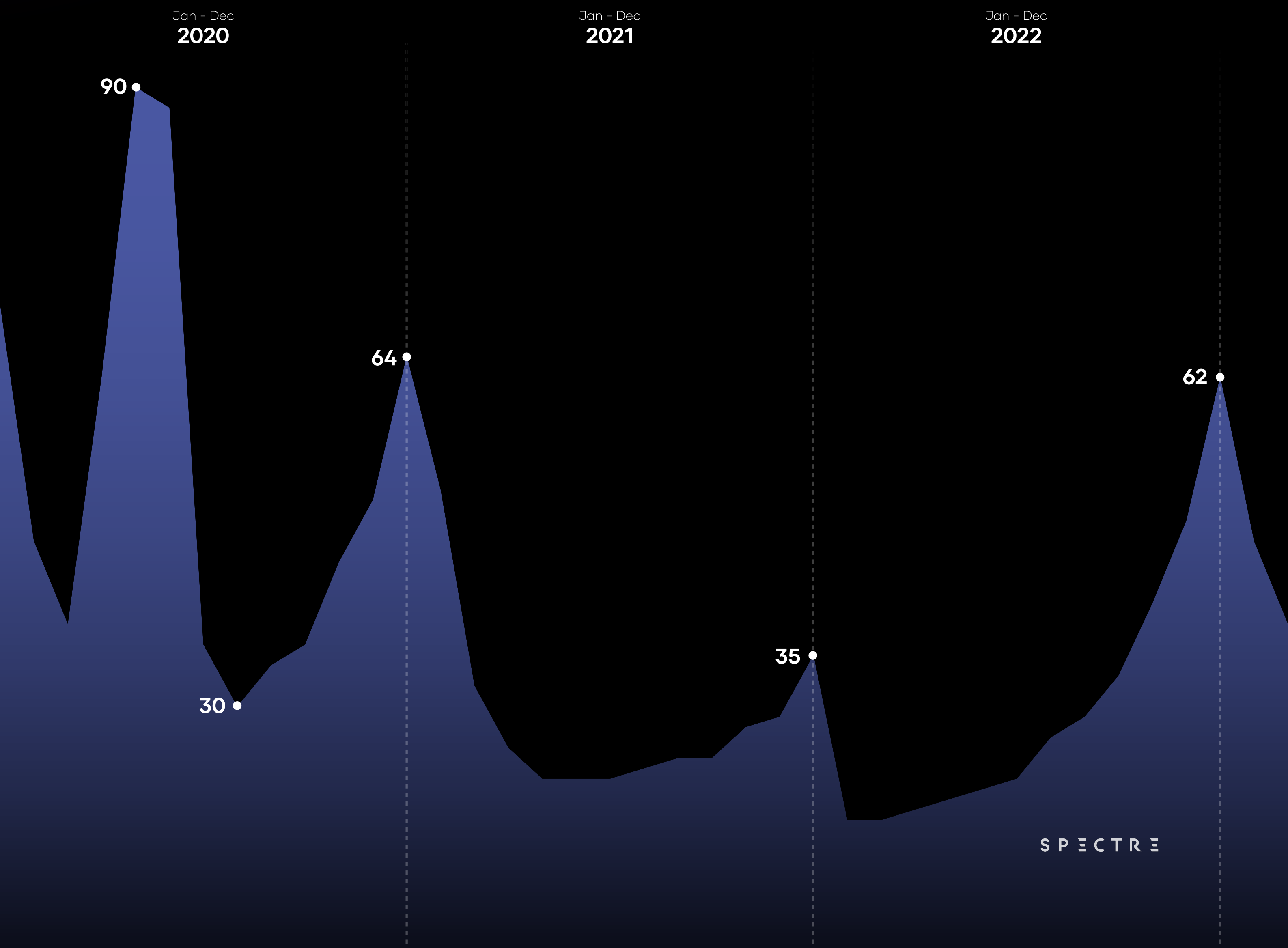
Days On The Market.

Seasonality plays a big part in how long it takes for a property to sell (STC). The properties that sell in January experience a longer time on the market with peaks at 64, 35, and 62 days. This is because in the run up to Christmas, buyers' priorities shift and house hunting is put on hold.

The lower peak at 35 days last January is likely due to the kickstart of last year's boom where almost half of listings were selling within 2 weeks. The obvious outlier is May 2020 where properties sold (STC) in this month were on the market for an average of 90 days, heavily impacted by the start of the pandemic and the industry standstill.

Spring and summer remain the optimal time to move and properties spend less time on the market as a result. In the red-hot market of last year, properties were selling in as little as 19 days. This year will show similar seasonal trends but with demand not as high, properties will likely take longer to sell. For example, properties sold (STC) this month have been on the market for almost 20 days longer than last March.

This figure depicts the average number of days from listing date until sold (STC) since the start of 2020, and within which month a sale was agreed.



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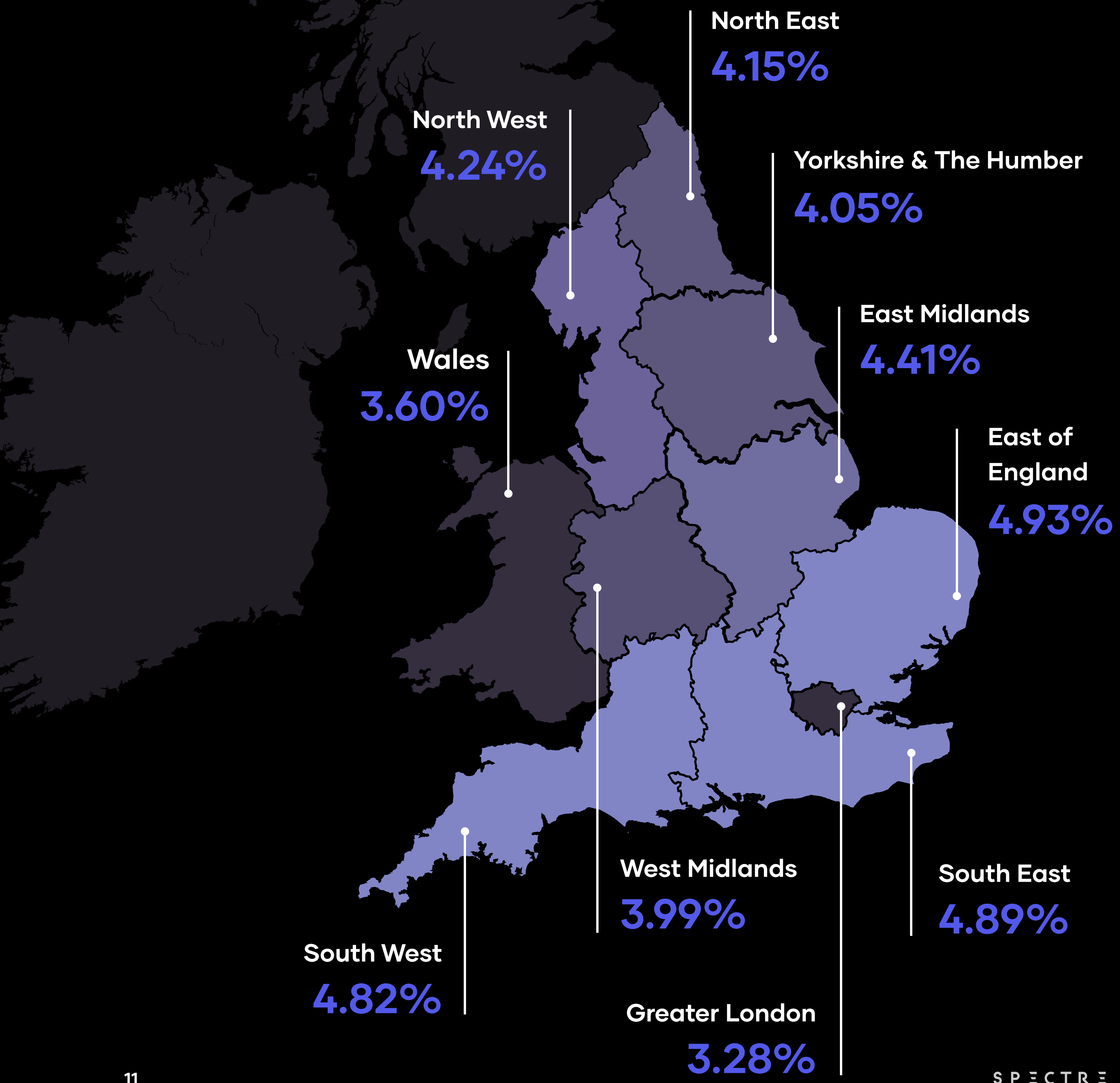
Sold Property By Region.

The figure depicts the properties sold (STC) as a percentage of all houses in the region (excluding social housing) since the beginning of 2022.

The healthiest sales markets are shown in brighter colours, and slower sales markets are shown in deeper colours.



Regional Analysis.

The table shows regions ranked in order of sales percentage.

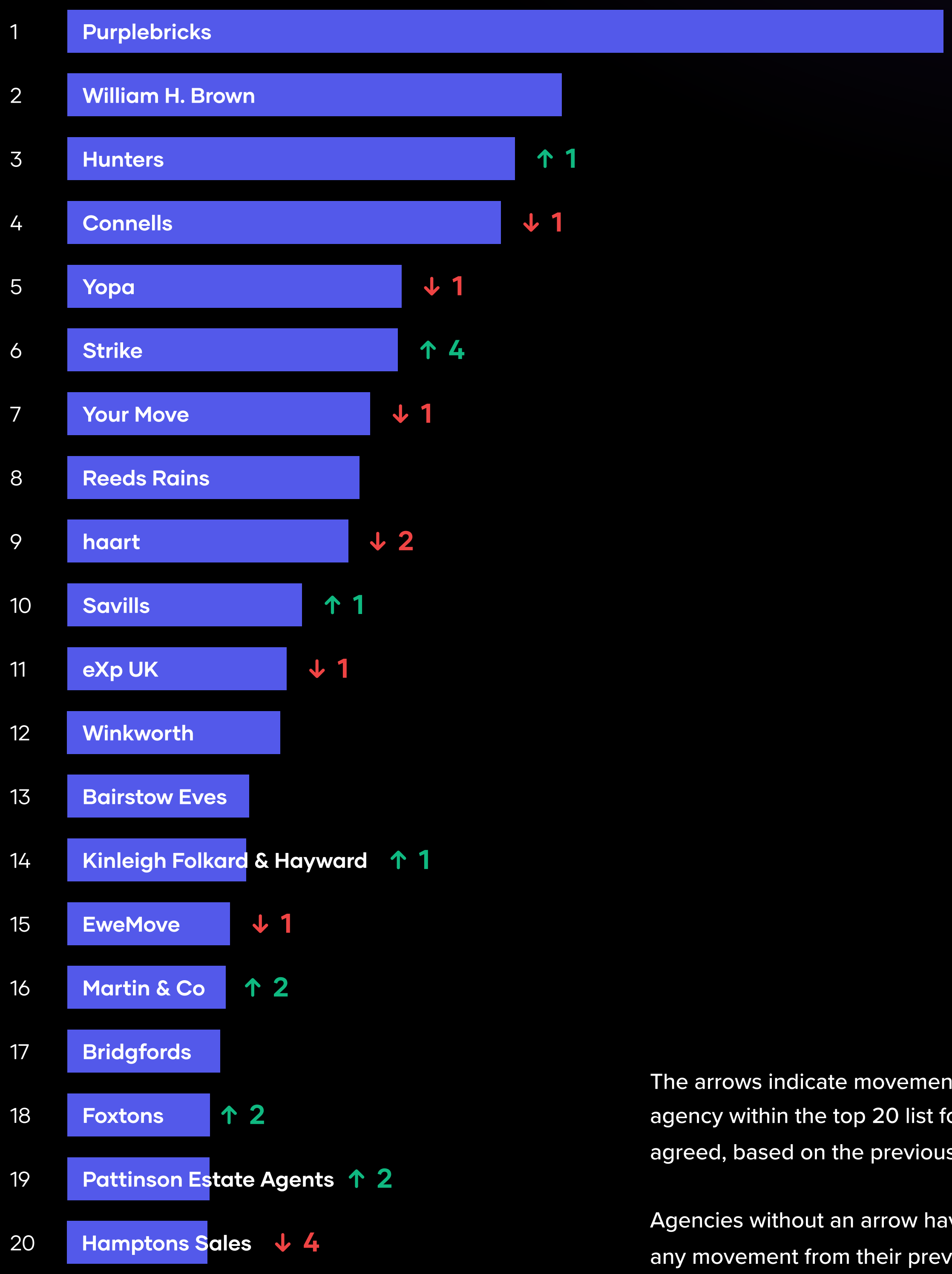
1	East of England	4.93%
2	South East	4.89%
3	South West	4.82%
4	East Midlands	4.41%
5	North West	4.24%
6	North East	4.15%
7	Yorkshire & The Humber	4.05%
8	West Midlands	3.99%
9	Wales	3.60%
10	Greater London	3.28%

The healthiest sales markets include the East of England, South East and South West. Demand in these areas has been high over the past year as more London renters were relocating to the outer regions in search of space and greenery.

The appeal to live in London is lowering each year with more seeing the costs associated with cladding and building expenses as a deterrent to buying flats. There was also a greater demand for second homes in the South West as holidays have become more UK-centric.

Wales saw the lowest sales out of the properties in the area at just 3.60%. This could be due to longer and stricter lockdowns than implemented across England, and this might have deterred buyers from moving into the area. Conversely, those in Wales saw less crowded tourist spots, large green spaces and access to the coast during these lockdowns. This meant there were fewer reasons to relocate in 2022, as they had all the amenities Londoners were in search of.

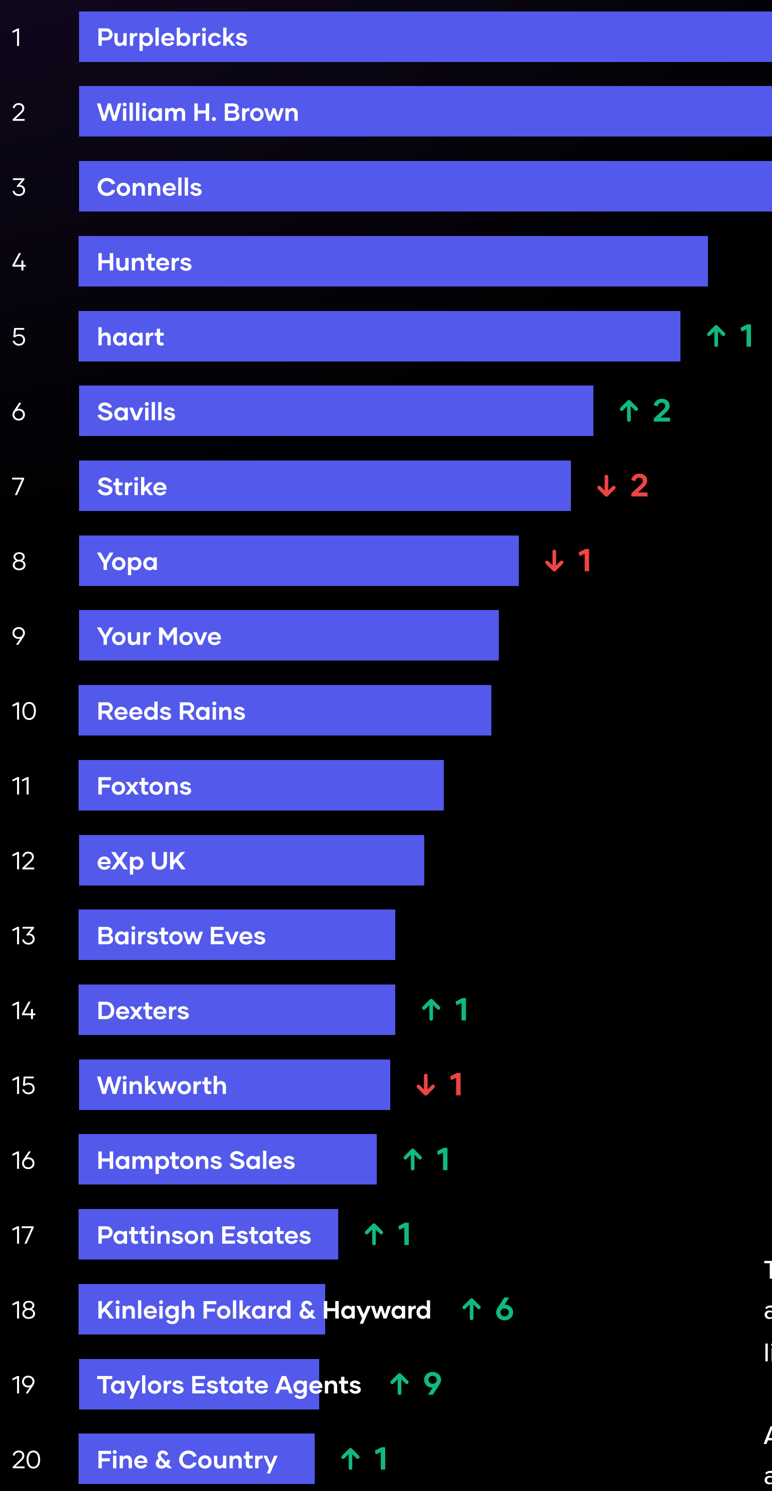
Top 20 UK Brands By Sales Agreed In March.



The arrows indicate movement of that agency within the top 20 list for sales agreed, based on the previous month.

Agencies without an arrow haven't seen any movement from their previous position.

Top 20 UK Brands By New Listings in March.



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