

State of the Property Nation

 | Smarter property solutions

2017



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There has been a large increase in awareness of online agents, it's now almost universal

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Quality tenants, transparency, value and speed of let are important factors to landlords

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Portals are now used by 70% of those recently in the market, and increasingly people are using them at later stages of the process for moving and household management

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Use of online agents is increasing, with many positive experiences identified, and some areas for improvement

01

Overview



Key topics covered in the survey

Consumers and agents were surveyed about their thoughts on the following:



Economic outlook

Consumer and property professionals' view of the economy, personal finances, house prices and rentals



Consumer, landlord and renter needs

What they want, how they feel they are being served, and how these align with property professionals' views



Changing market

The impact of online agents, and how high street agents are responding

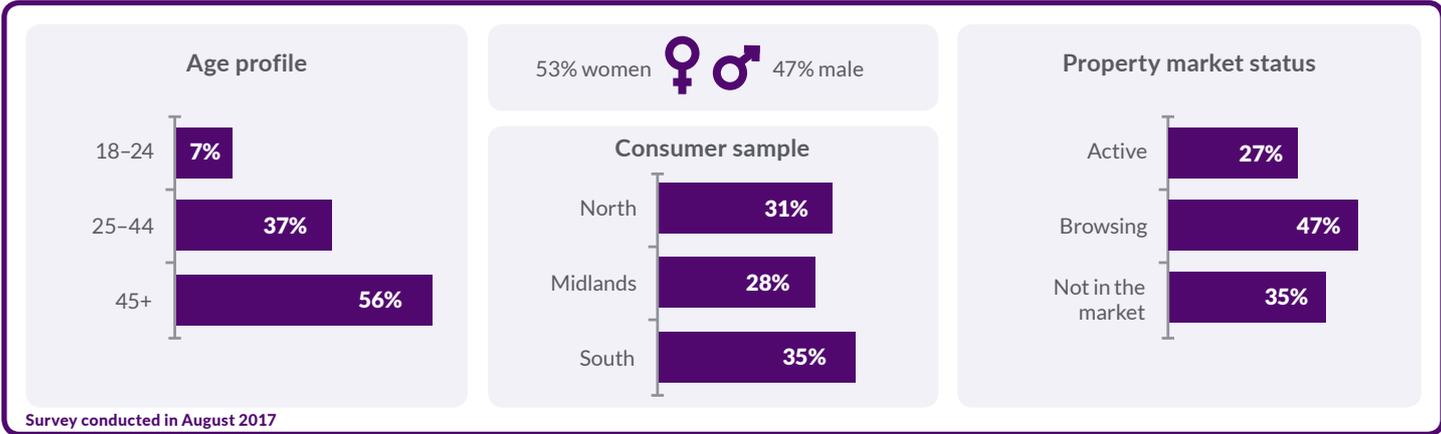


Moving home

Factors considered when moving home, portal uses, and finding suppliers

Consumer profile

A nationally representative consumer sample of over 4,000 adults who own a property, rent the property they live in, or live at home but are active in the market were surveyed. The results were compared to 2016.

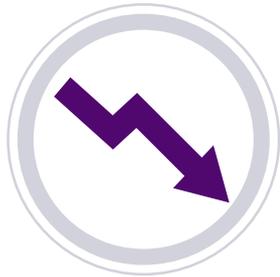


Estate and letting agent profile

A representative sample of estate and letting agents were surveyed. The results were compared to the 2016 survey.



Overview



Brexit starts to bite

- Just 31% of consumers now feel positive about the economy, an 11% decline on 2016
- Those in the North, women, people aged 45+, and home owners have shown the biggest decline in economic confidence
- However consumers' confidence in their own financial situation is greater than in that of the economy, because they are taking actions to reduce spending
- These include putting off moving home, potentially taking 22% of people out of the property market (a 10% increase on 2016)



Brexit is more challenging than acquiring stock

- There's been a sharp decline in agents' confidence in the economy. 61% feel unsure or negative about prospects for the economy compared to just 43% in 2016
- In fact, the economy is now seen as the biggest business challenge for agents (an increase of 26%), even more of a challenge than getting stock
- As a result more actions are being taken by agents this year to offset this challenge, including reviewing marketing spend, fees and the services they offer



Renters feeling the pinch

- 67% of renters believe rents will rise over the next year, an increase of 5% on 2016. This is felt especially in the South
- But perhaps the worst is yet to come; 57% of agents believe there will be more renters coming into the market, but only 30% believe there will be more rental properties coming onto the market
- With demand outstripping supply, the situation could become more challenging for renters in the near future



The property price reality check

- 50% of consumers believe property prices will increase in the next year (up by 14% from 2016) despite more negative sentiment about the economy
- However, fewer agents (just 40%) share this optimism. The number of agents believing property prices will decrease has risen by 17%
- Managing consumer expectations may be important to prevent more sellers dropping out of the property market



Help bring vendors out of the dark

- Consumers want transparency (understanding and seeing the process and service they are receiving), negotiation skills and value for money (level of service for fee) from estate agents
- Negotiation skills are being delivered well by agents, but transparency and value tends to be more unfulfilled
- Speed is also seen as very important to vendors



Landlords desire quality tenants most

- Landlords want quality tenants, transparency and speed from letting agents
- They feel they don't always get the quality tenants and transparency they'd ideally like
- Value, good valuations and dealing effectively with maintenance issues are also important
- There's also an opportunity for agents to really stand out by offering new and different services, including help and advice throughout the let, flexible packages and use of enhanced property management technology



Looking after renters today could secure more sellers tomorrow

- The key needs of renters are: being treated fairly at the end of a tenancy, transparency, and professionalism throughout the process
- There's a substantial gap between what renters want and what they feel they receive, particularly around fairness and transparency
- This is an opportunity for agent to impress renters more and potentially increase their future use



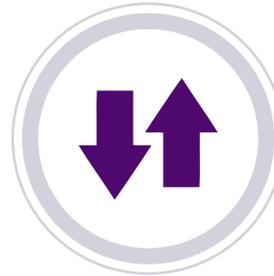
Increasing use of portals throughout the journey

- Among people who were last in the market 10 years or more ago, just 20% used portals in their search. This has now risen to 70% of those selling in the last 2 years
- There has also been a real growth among more recent sellers using portals to help finalise the deal, move and manage their new home once they're in it
- Suggesting that portals are increasingly playing a greater role in ongoing household life



Omnipresence of online agents

- Awareness has increased over the last year and is now almost universal, at 91%
- 42% find the idea of online agents appealing and say they will use them the next time they sell
- This is a small increase on last year, but is more marked amongst those aged 45+ and women
- Perhaps suggesting that the market is now starting to mature and broaden from the more niche, 'experimental' feel of previous years



Highs and lows of the online experience

- 17% of recent sellers used an online agent when they sold
- 43% of those who used them say they will again. This is likely due to the sale taking longer (4.2 months on average compared to 3 months for high street agents)
- However, users of online agents rate them highly for their help and support throughout the whole process, value, low fees, flexible packages and transparency
- Many of the strengths online agents have are filling current gaps in the market, suggesting that their appeal and use is likely to continue to grow

02

Regional property market overview



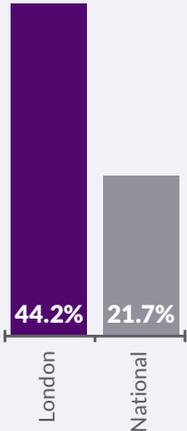
For sale property market in London

House price statistics compared to the national average.

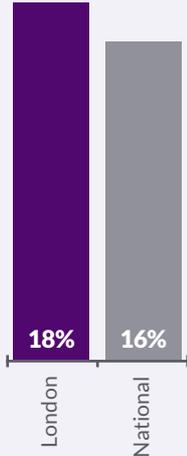
Average house price growth in the last 12 months



Average house price growth over the last 5 years



Percentage of all sales which are new build



£83,768pa

Average income required to buy a 2 bed house in London compared to the national average of £35,520pa

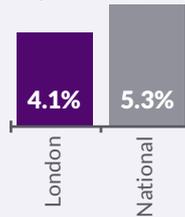
Rental property market in London

Rental property statistics compared to the national average.

Average rental growth over the last 12 months



Gross yield (annual gross rent as a percentage of property value)



Cost of buying compared to renting



£68,035pa

Average income required to rent a 2 bed house in London compared to the national average of £34,944pa

Average monthly rent

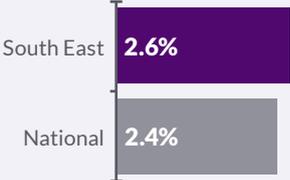


Buying is 16% cheaper than renting in London

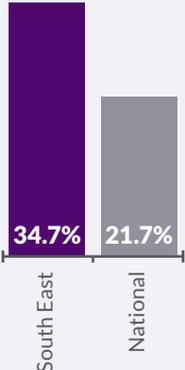
For sale property market in the South East

House price statistics compared to the national average.

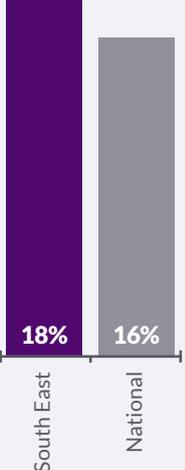
Average house price growth in the last 12 months



Average house price growth over the last 5 years



Percentage of all sales which are new build



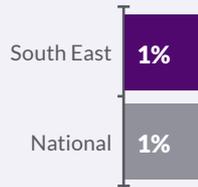
£47,876pa

Average income required to buy a 2 bed house in the South East compared to the national average of £35,520pa

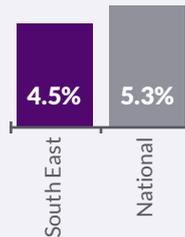
Rental property market in the South East

Rental property statistics compared to the national average.

Average rental growth over the last 12 months



Gross yield (annual gross rent as a percentage of property value)



Cost of buying compared to renting



£44,122pa

Average income required to rent a 2 bed house in the South East compared to the national average of £34,944pa

Average monthly rent

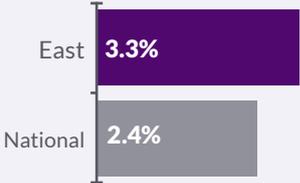


Buying is 5% cheaper than renting in the South East

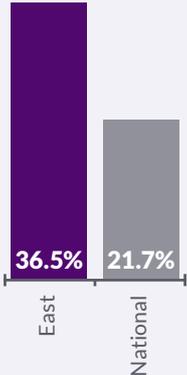
For sale property market in the East

House price statistics compared to the national average.

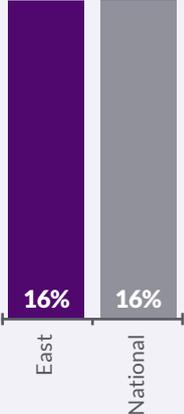
Average house price growth in the last 12 months



Average house price growth over the last 5 years



Percentage of all sales which are new build



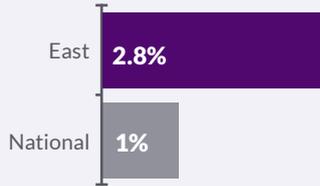
£40,946pa

Average income required to buy a 2 bed house in the East compared to the national average of £35,520pa

Rental property market in the East

Rental property statistics compared to the national average.

Average rental growth over the last 12 months



Gross yield (annual gross rent as a percentage of property value)



Cost of buying compared to renting



£38,388pa

Average income required to rent a 2 bed house in the East compared to the national average of £34,944pa

Average monthly rent

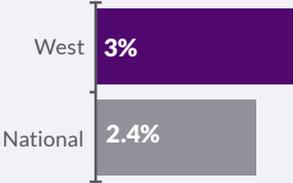


Buying is 3% cheaper than renting in the East

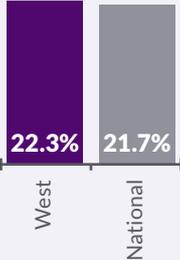
For sale property market in the West

House price statistics compared to the national average.

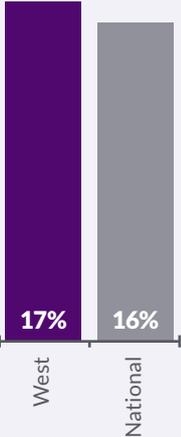
Average house price growth in the last 12 months



Average house price growth over the last 5 years



Percentage of all sales which are new build



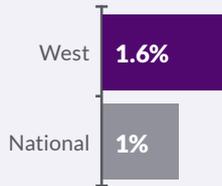
£31,337pa

Average income required to buy a 2 bed house in the West compared to the national average of £35,520pa

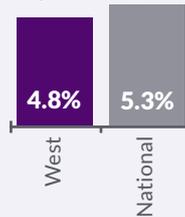
Rental property market in the West

Rental property statistics compared to the national average.

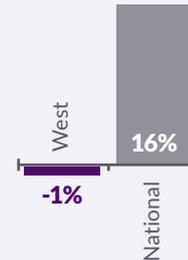
Average rental growth over the last 12 months



Gross yield (annual gross rent as a percentage of property value)



Cost of buying compared to renting



£31,141pa

Average income required to rent a 2 bed house in the West compared to the national average of £34,944pa

Average monthly rent

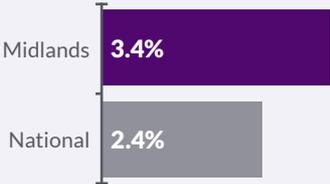


Buying is 1% cheaper than renting in the West

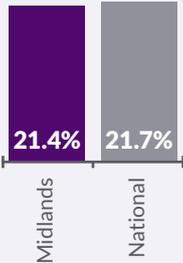
For sale property market in the Midlands

House price statistics compared to the national average.

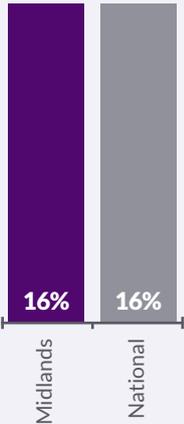
Average house price growth in the last 12 months



Average house price growth over the last 5 years



Percentage of all sales which are new build



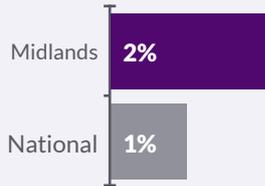
£22,322pa

Average income required to buy a 2 bed house in the Midlands compared to the national average of £35,520pa

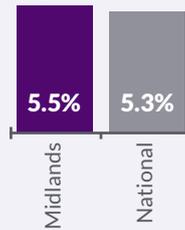
Rental property market in the Midlands

Rental property statistics compared to the national average.

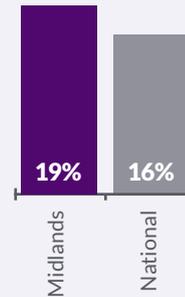
Average rental growth over the last 12 months



Gross yield (annual gross rent as a percentage of property value)



Cost of buying compared to renting



Buying is 19% more expensive than renting in the Midlands

£25,743pa

Average income required to rent a 2 bed house in the Midlands compared to the national average of £34,944pa

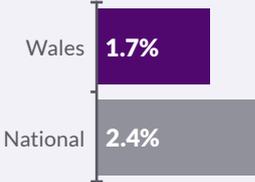
Average monthly rent



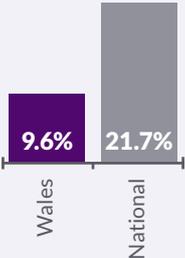
For sale property market in Wales

House price statistics compared to the national average.

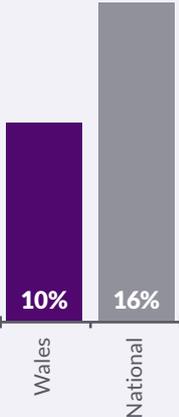
Average house price growth in the last 12 months



Average house price growth over the last 5 years



Percentage of all sales which are new build



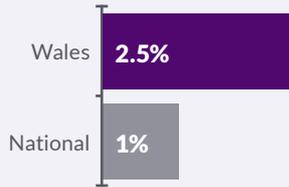
£18,480pa

Average income required to buy a 2 bed house in Wales compared to the national average of £35,520pa

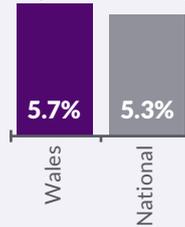
Rental property market in Wales

Rental property statistics compared to the national average.

Average rental growth over the last 12 months



Gross yield (annual gross rent as a percentage of property value)



Cost of buying compared to renting



£22,645pa

Average income required to rent a 2 bed house in Wales compared to the national average of £34,944pa

Average monthly rent



Buying is 26% more expensive than renting in Wales

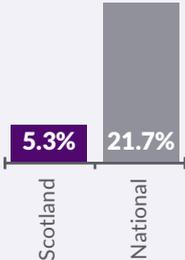
For sale property market in Scotland

House price statistics compared to the national average.

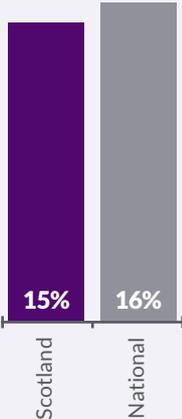
Average house price growth in the last 12 months



Average house price growth over the last 5 years



Percentage of all sales which are new build



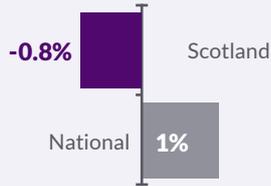
£18,035pa

Average income required to buy a 2 bed house in Scotland compared to the national average of £35,520pa

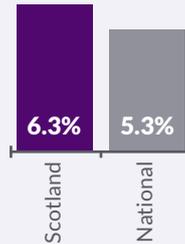
Rental property market in Scotland

Rental property statistics compared to the national average.

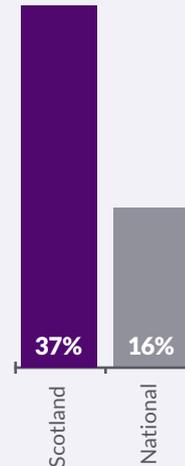
Average rental growth over the last 12 months



Gross yield (annual gross rent as a percentage of property value)



Cost of buying compared to renting



Buying is 37% more expensive than renting in Scotland

£24,668pa

Average income required to rent a 2 bed house in Scotland compared to the national average of £34,944pa

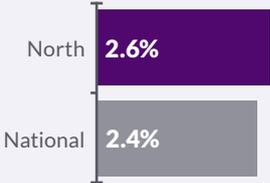
Average monthly rent



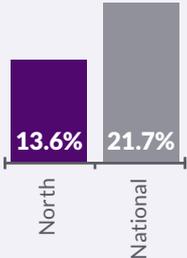
For sale property market in the North

House price statistics compared to the national average.

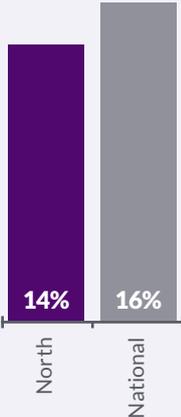
Average house price growth in the last 12 months



Average house price growth over the last 5 years



Percentage of all sales which are new build



£17,168pa

Average income required to buy a 2 bed house in the North compared to the national average of £35,520pa

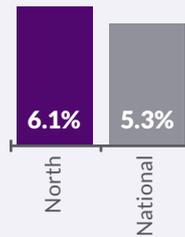
Rental property market in the North

Rental property statistics compared to the national average.

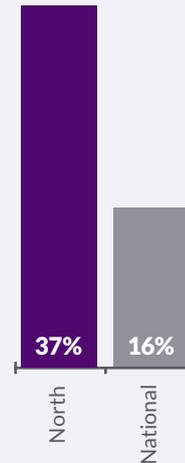
Average rental growth over the last 12 months



Gross yield (annual gross rent as a percentage of property value)



Cost of buying compared to renting



Buying is 37% more expensive than renting in the North

£22,161pa

Average income required to rent a 2 bed house in the North compared to the national average of £34,944pa

Average monthly rent



03

**Brexit starts
to bite**

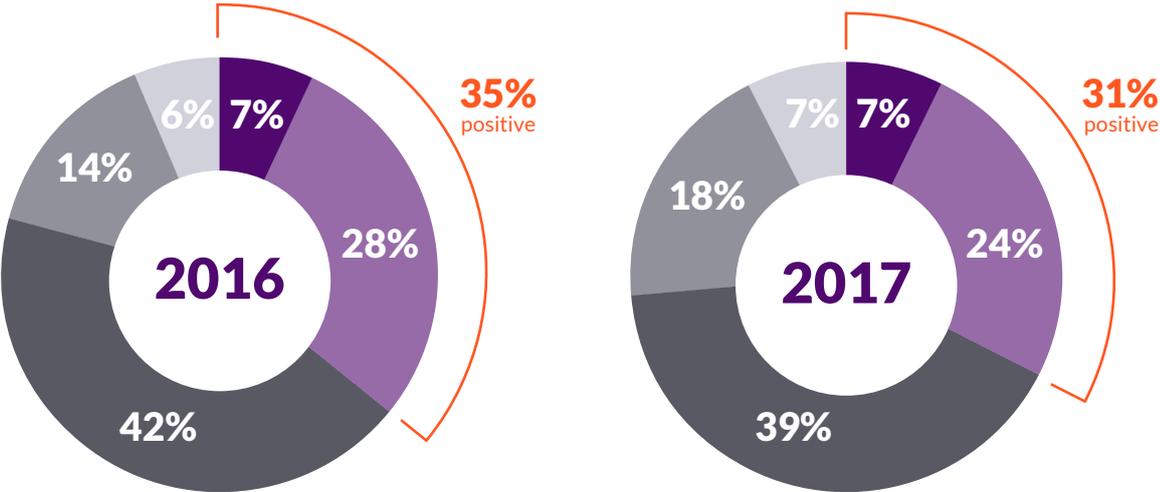


Consumer confidence in the economy has decreased

The number of people feeling confident in the economy has dropped by 4 percentage points since 2016.

Feelings about the economy over the year ahead

Very positive Somewhat positive Unsure Somewhat negative Very negative

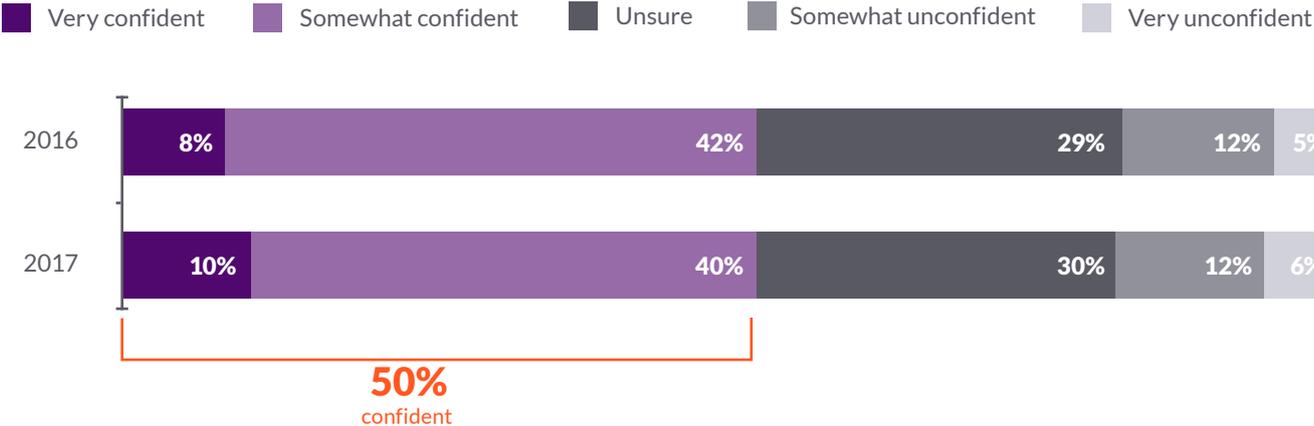


Source: ZPG research conducted by Monkey See, August 2017 | Q1 – Thinking about the year ahead, which of the following best describes how you feel about the growth of the economy of the UK? Base: Nat Rep 2016: n=2000, 2017: n=4017 1262 1126 1415

However, confidence in personal finances is stable

More people are optimistic about their finances than the economy, suggesting they feel greater control over this.

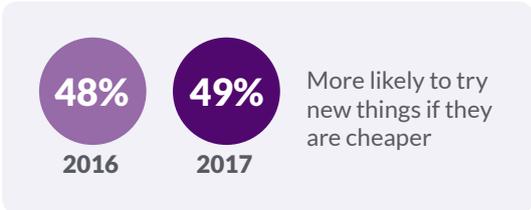
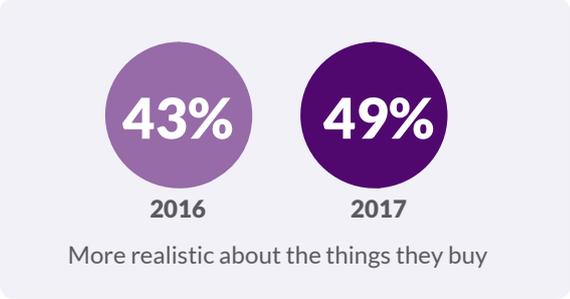
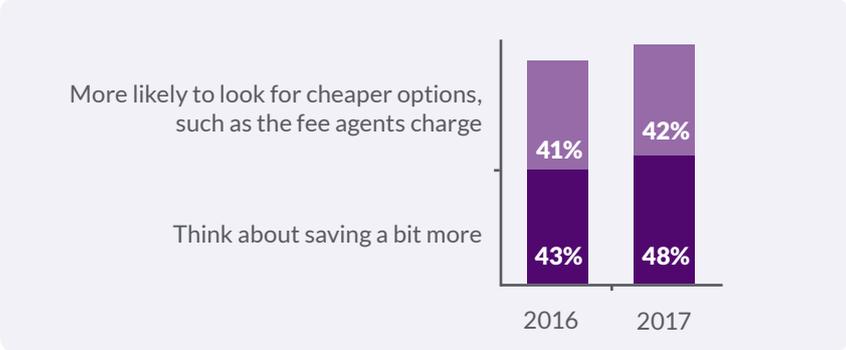
Feelings about personal finances over the year ahead



People are feeling in control of personal finances as they are making changes to their behaviour

Often only spending what they absolutely need to, and saving more. There's also been a 10% increase in the number who have put off buying or selling a property.

Impact of Brexit, economic and political climate



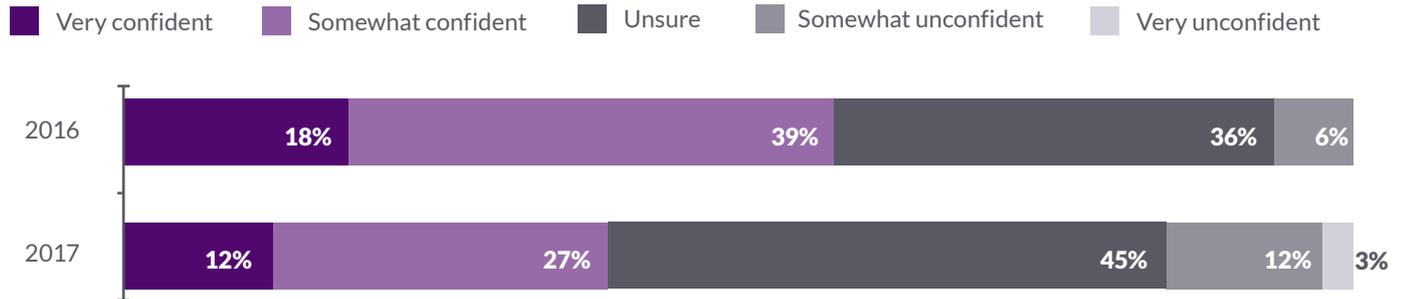
04

**Brexit is more
challenging than
acquiring stock**



Agents are feeling much less positive about the economy

Feelings about the economy over the year ahead



"I think everyone feels uneasy and really unsure as to what to expect"

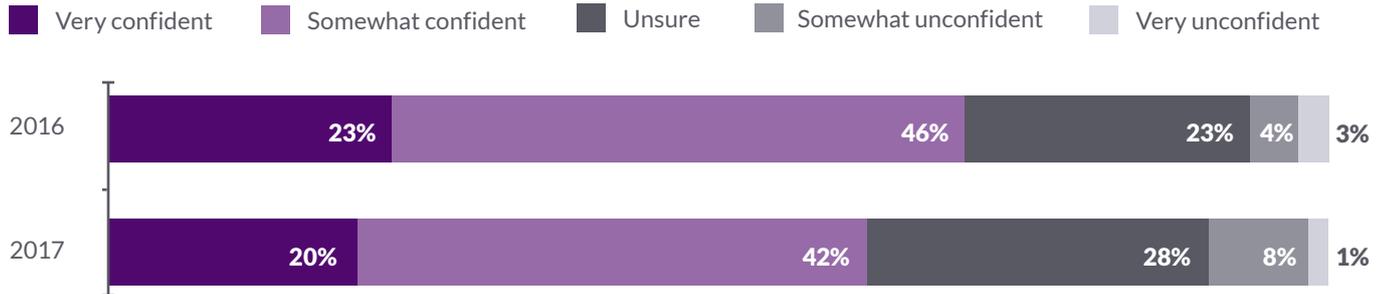
"We are seeing panic over the economy and it's affecting our business"

18%↓
Overall confidence in the economy 18 percentage points down on 2016

And less positive about the property market and their own business

However, agents feel more in control of their own business than they do the economy.

Feelings about your business and property market over the year ahead



"We have adapted so we can react accordingly"

"More proactive and being up to date on changes in the market place"

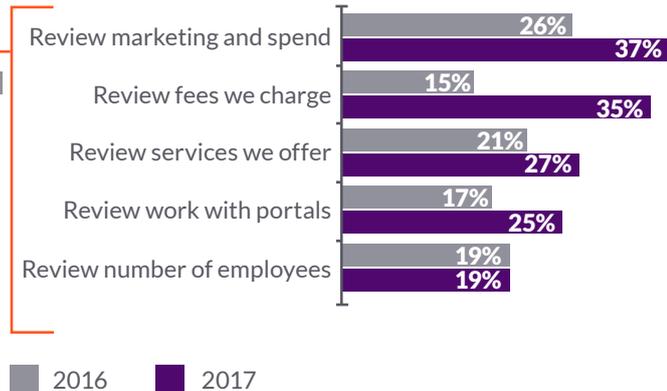
Brexit, and the economic and political situation, is now as much of a challenge as acquiring stock

Agents are taking more actions to compensate this year, including reviewing their marketing, fees and services.

Biggest challenges to agents' businesses



Effects of Brexit, economic and political climate



05

Renters feeling the pinch



More renters believe rents will increase in the next year

Consumer view of rents over next 12 - 18 months

■ Increase a lot ■ Increase a little ■ Stay the same ■ Decrease a little ■ Decrease a lot



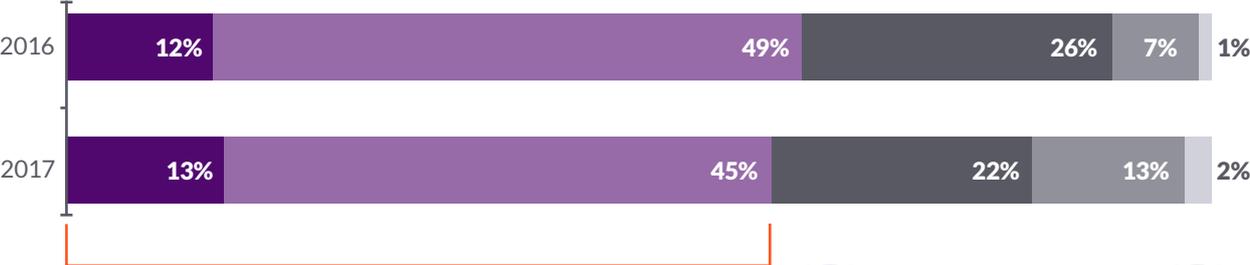
64%
believe rents
will increase

Among renters
this rises to
67%

Over half of agents believe rents will increase, but the bigger issue may be that demand could outstrip supply

Agent view of rents over next 12 – 18 months

■ Increase a lot ■ Increase a little ■ Stay the same ■ Decrease a little ■ Decrease a lot



58%
believe rents
will increase

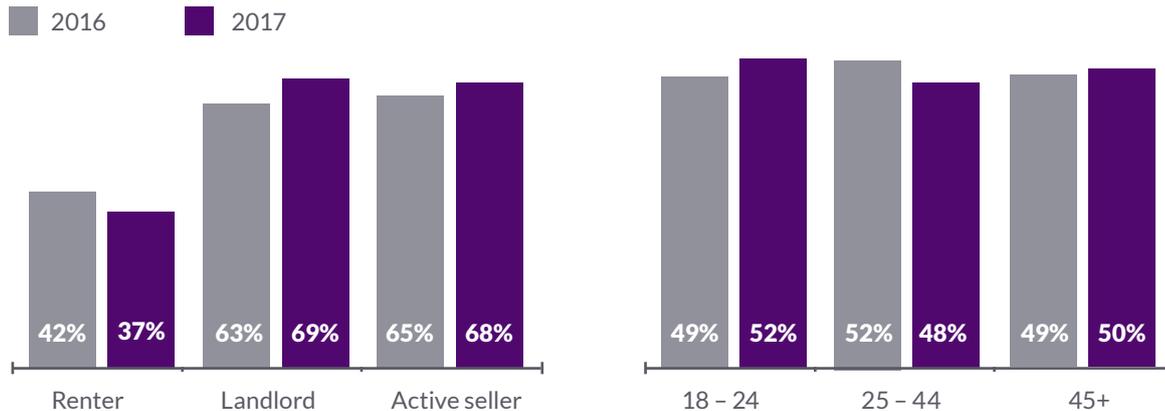
30%
believe there will be an
increase of property
on the market

57%
believe there will be
an increase in people
renting

More renters this year are concerned about their personal financial situation

This may be because they feel less in control of their future outgoings, compared to other groups.

Feelings around personal finances, by demographic (net 'confident')



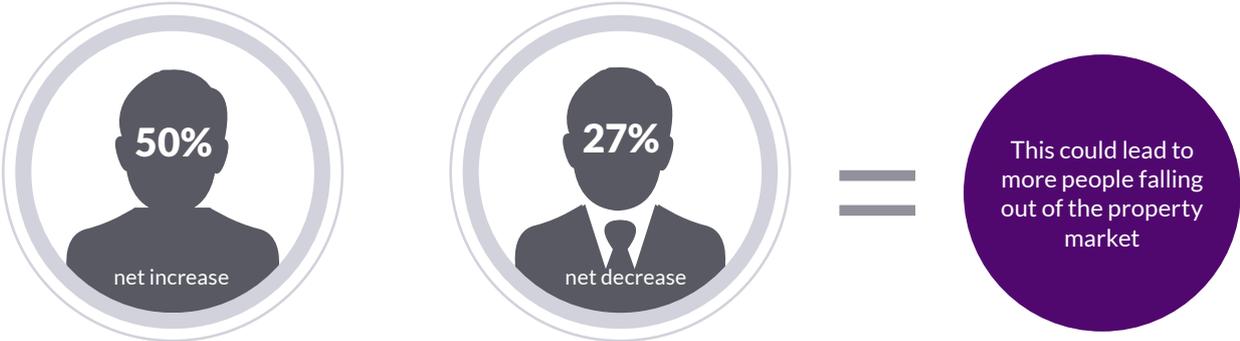
06

The property price reality check



More consumers believe property prices will rise over the next year

Despite more negative feelings about the economy, consumers don't believe this is going to impact property prices.



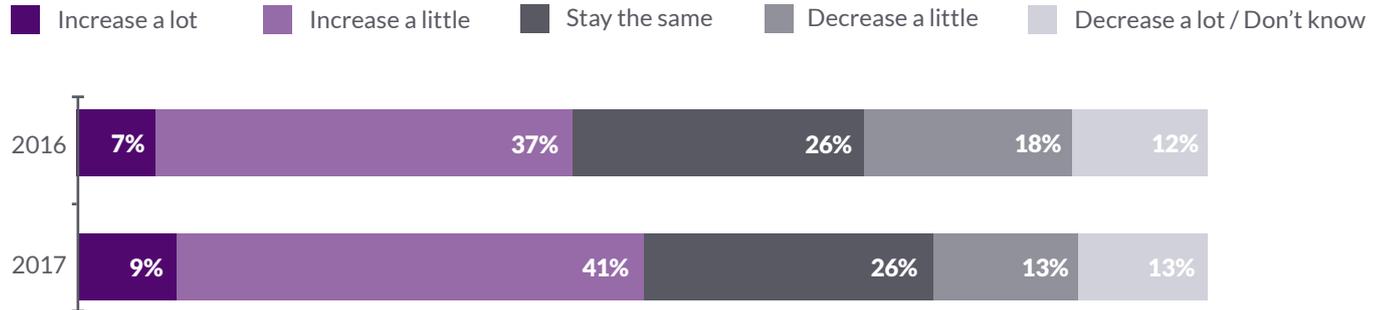
↑ Consumers

Half of consumers think property prices will rise over the next year (an increase of 6 percentage points since 2016)

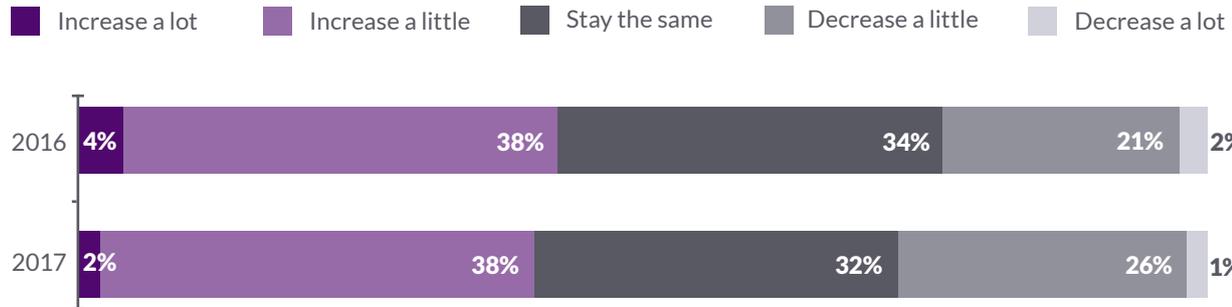
↓ Agents

But 27% of agents think property prices will decrease (a rise of 4 percentage points since 2016)

Consumer view on property prices over next 12 – 18 months



Agent view on property prices over next 12 – 18 months



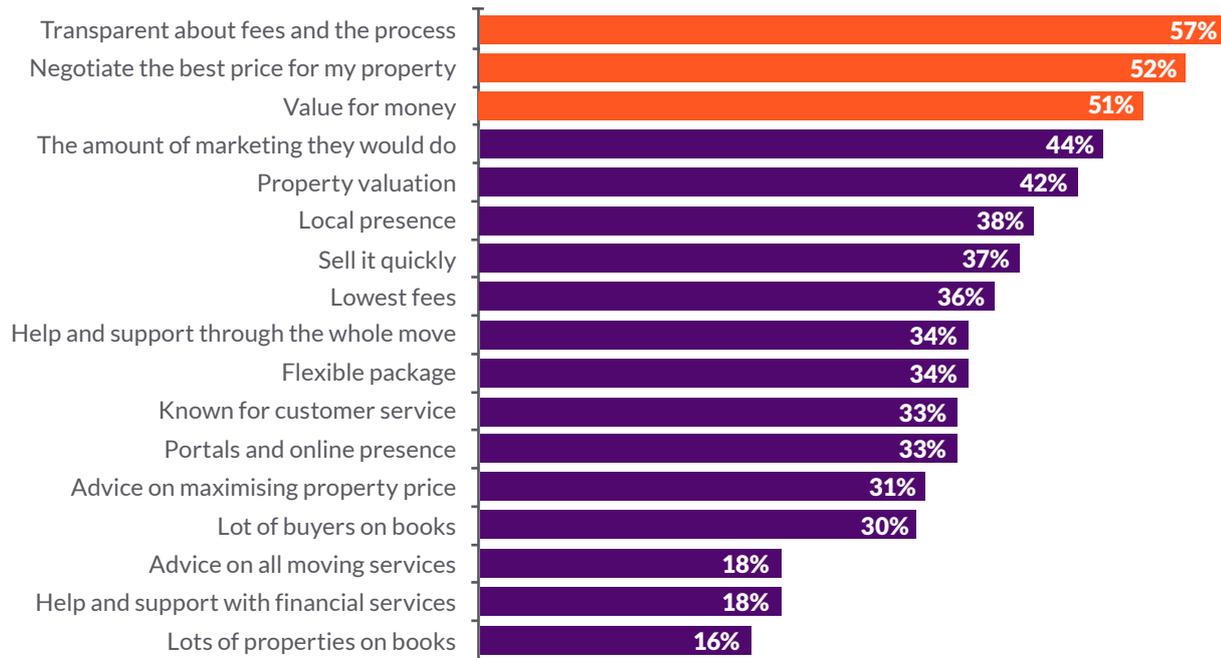
07

**Help bring
vendors out of
the dark**



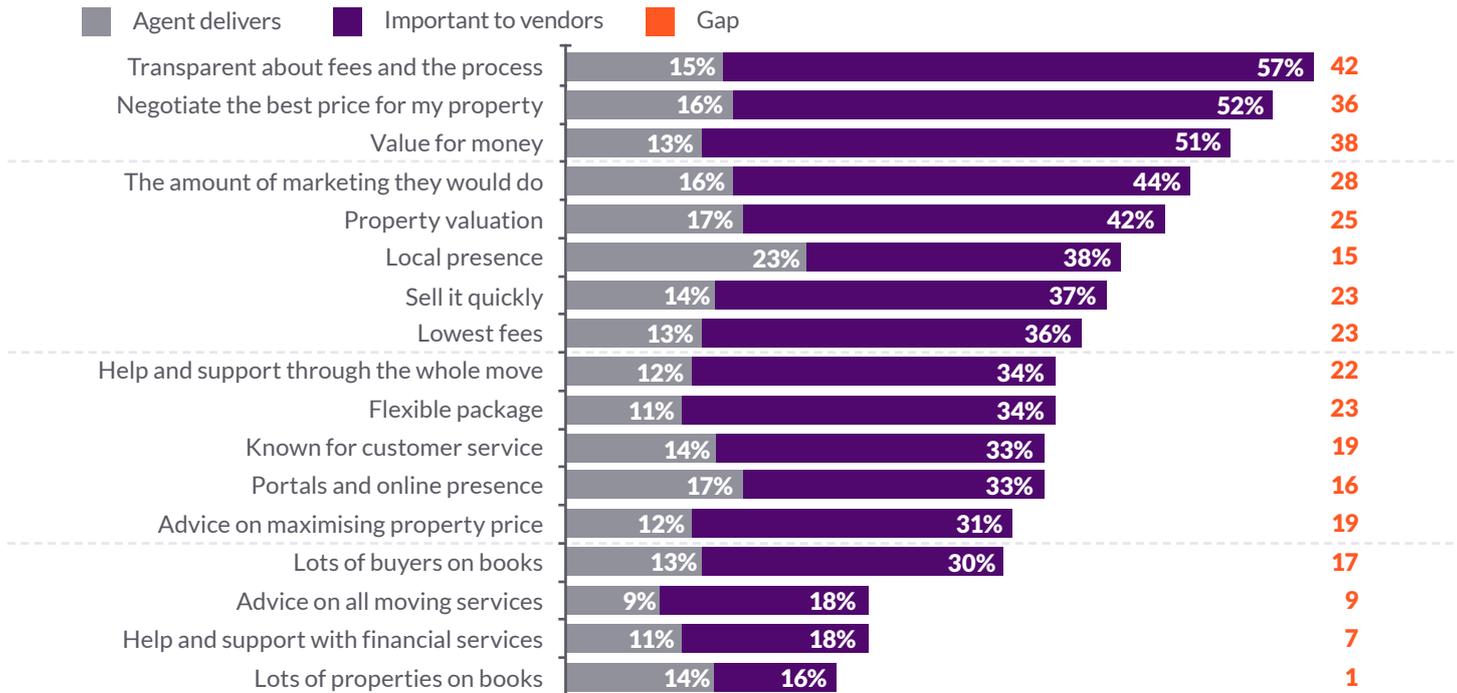
Transparency, negotiation skills and value for money are vendors' most important needs from estate agents

Important factors in selling a house



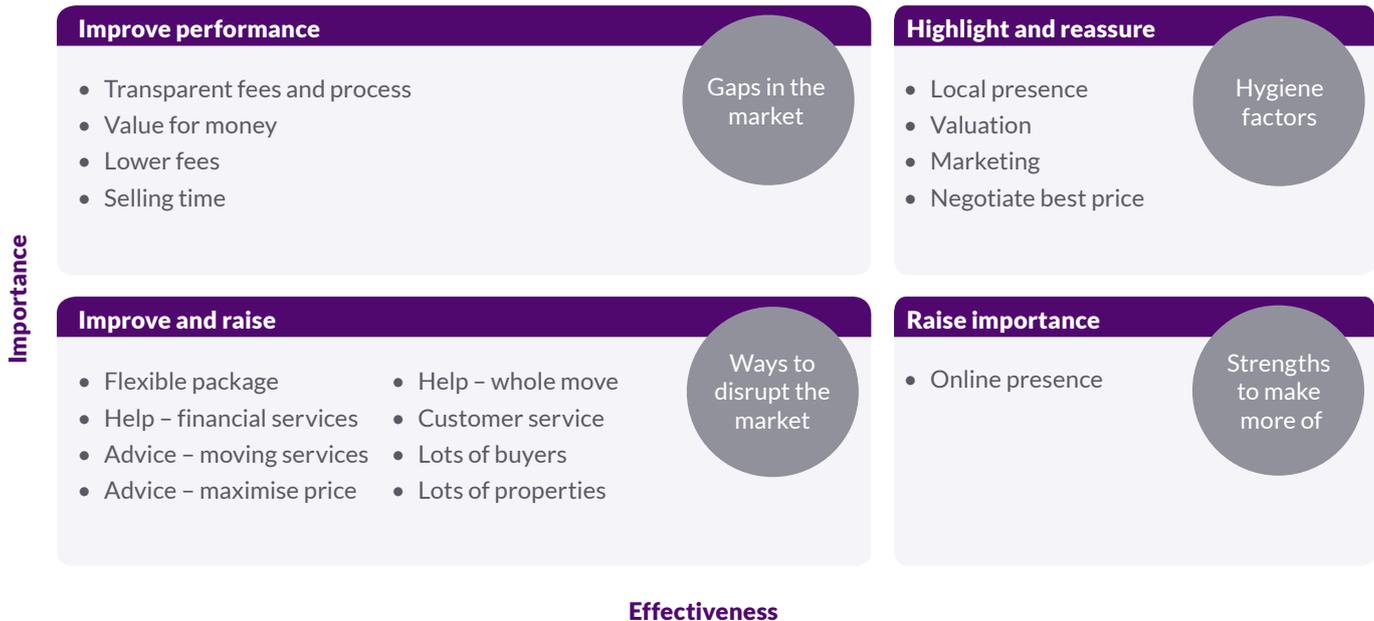
And there are gaps between what is important to vendors and what they feel agents deliver

Delivery of high street agents vs importance to vendors



Transparency, value (service relative to fee) and speed are opportunity areas

There is also an opportunity for agents around offering more help, advice and support through all stages, as well as in providing more flexible packages.



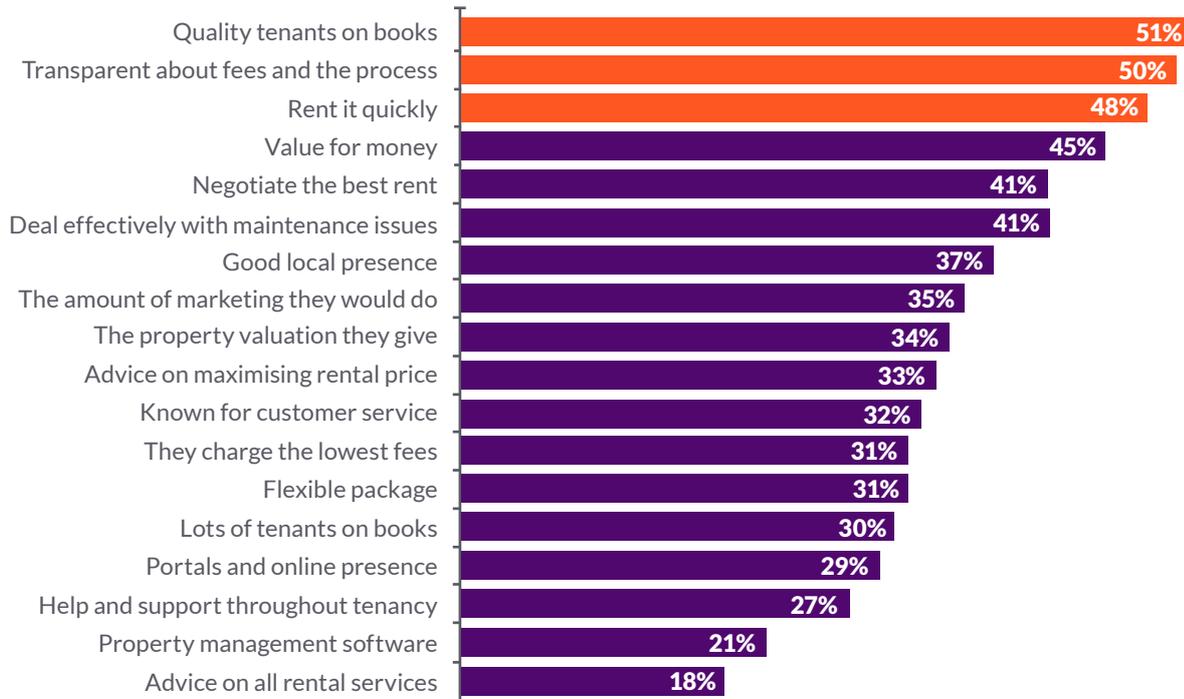
08

**Landlords desire
quality tenants most**



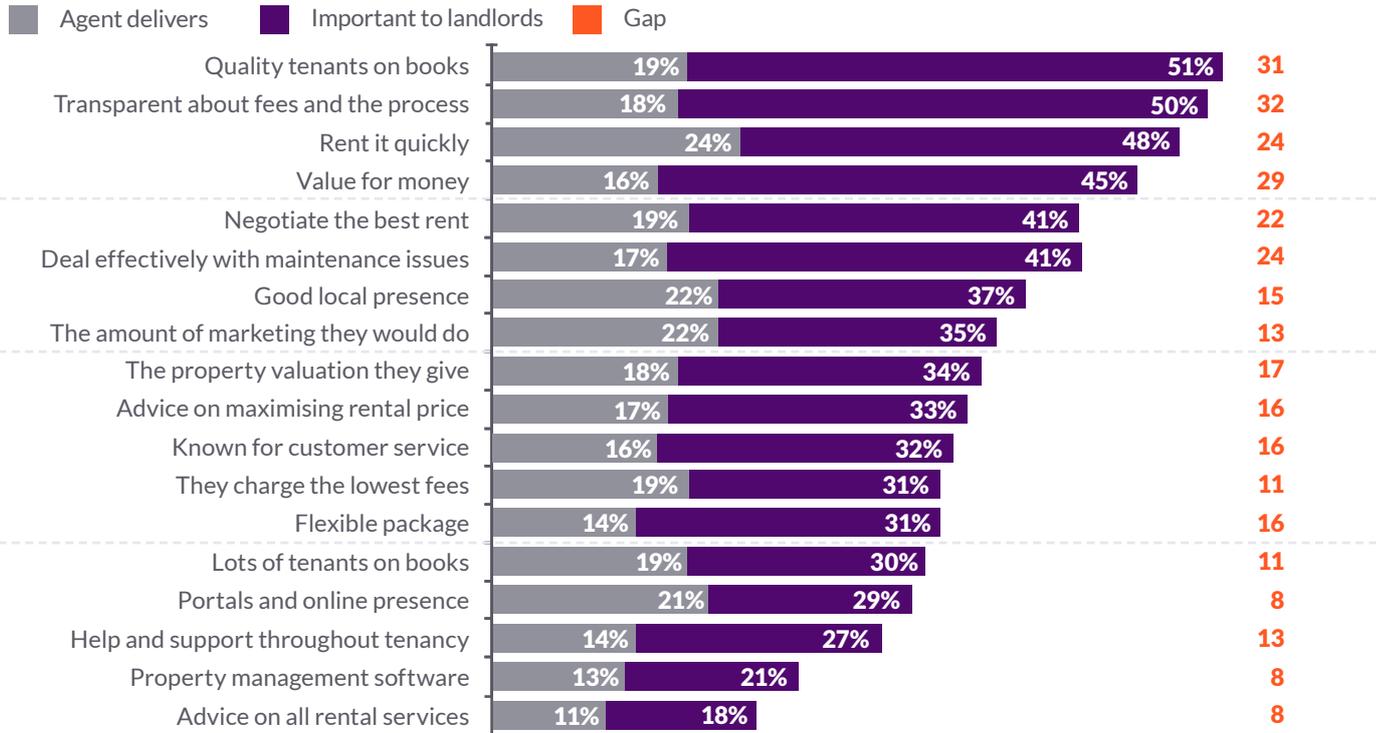
Quality tenants, transparency and speed are landlords' top needs

Important factors in letting out a property



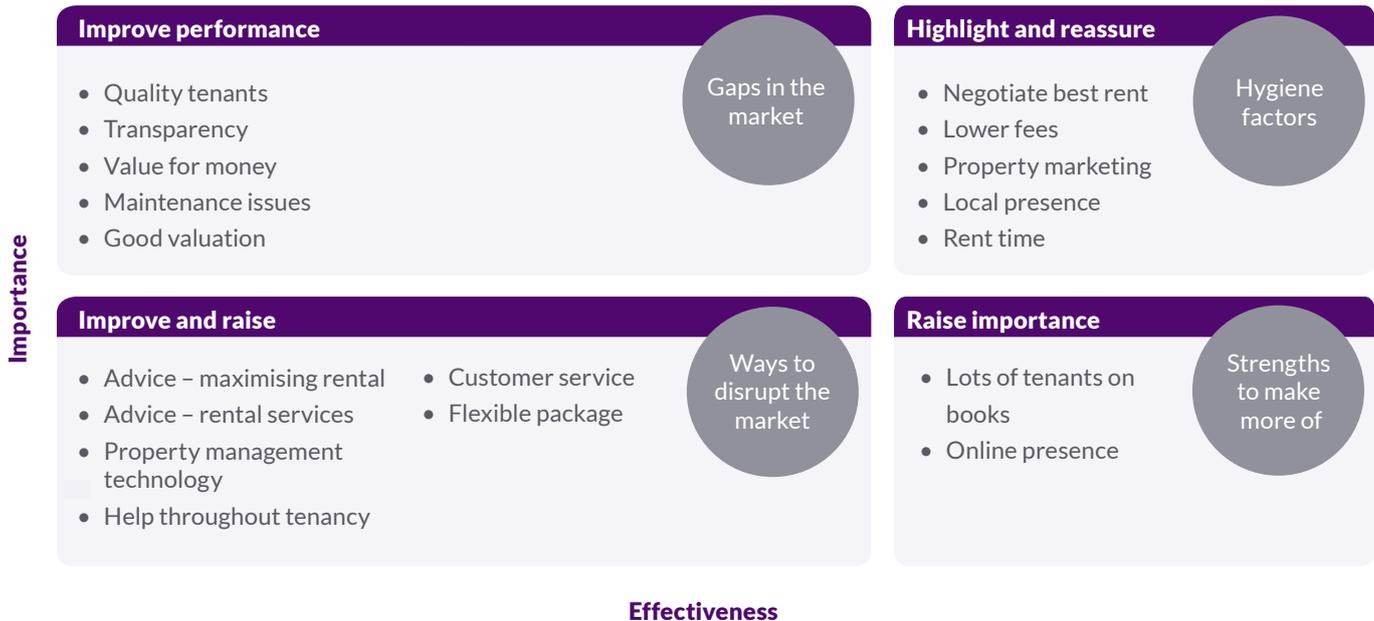
And there are gaps between what is important to landlords and what they feel agents deliver

Delivery of letting agents vs importance to landlords



Quality tenants, transparency, value and speed are opportunity areas

There is also an opportunity for agents around better dealing with maintenance issues.



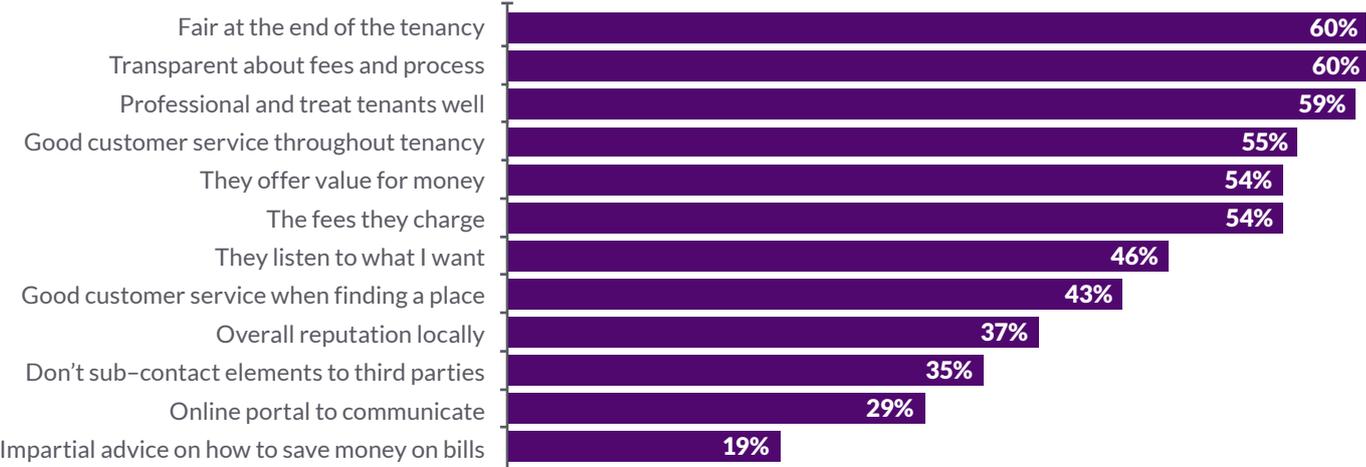
09

**Looking after renters
today could secure
more sellers tomorrow**



Fair treatment and transparency around fees and process are key needs among renters

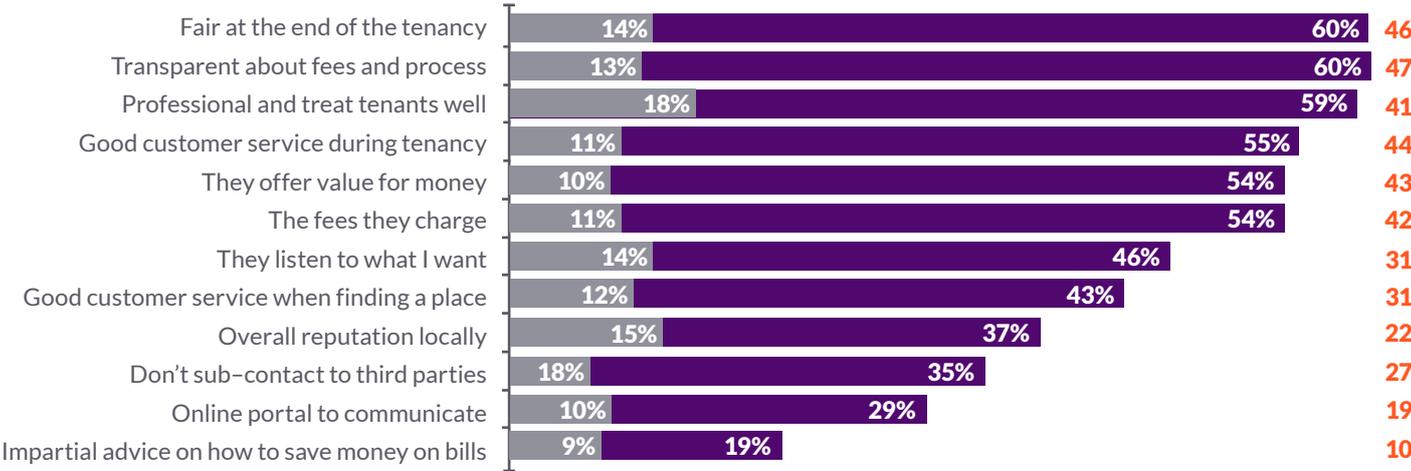
Important factors when choosing a letting agency



Not all tenants feel they receive this

Delivery of letting agents vs importance to tenants

Agent delivers
 Important to tenants
 Gap



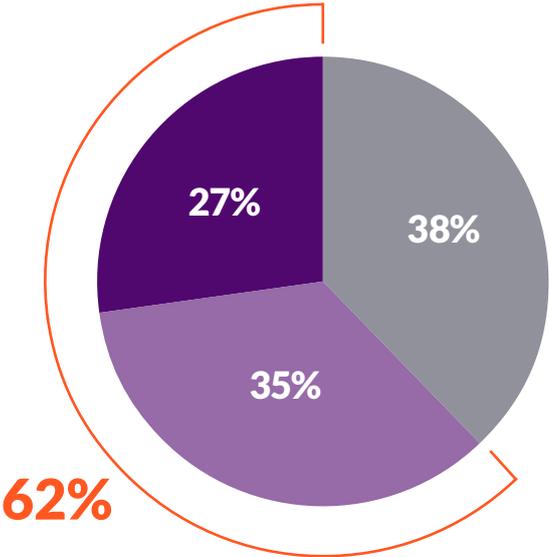
Source: ZPG research conducted by Monkey See, August 2017 | Q33 – When using a letting agency, how important are each of the following factors to you? Q34 – And how effective do you feel letting agents are at each of the following? Base: Renters who have used letting agents among Nat Rep n=527

Fair treatment, transparency about fees and better service are opportunity areas

There's an opportunity for agents to impress renters more and potentially increase future use.

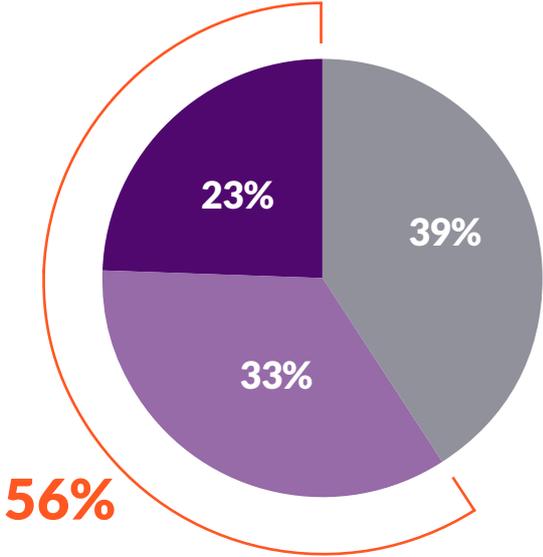
Opinion of letting agent

■ Poor ■ Ok ■ Good



Likelihood to use letting agents for sales if buying

■ Unlikely ■ Unsure ■ Likely



10

**Increasing use of
portals throughout
the journey**

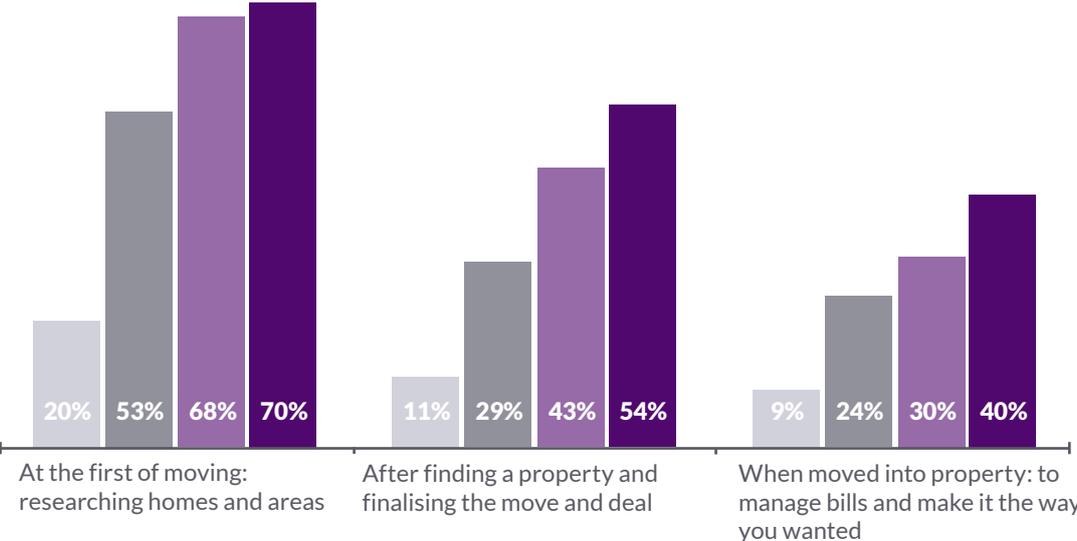


Majority of recent movers used portals to search for properties

Over half now also use them at later stages of finalising the deal and moving, and 40% use them to help manage their property once they've moved in.

Usage of portals (by stages of the move)

Last sold a property: Over 10 years 6 - 10 years 3 - 5 years In last 2 years



Why portals are useful, in movers' own words

"To see what properties had sold for in the past"

"So easy to do from home. Not having to worry about traffic, parking etc"

"It helped me find a new location that we hadn't thought of yet"

"Ability to research areas and property prices without initial commitment"

"I liked that they provided a number of pictures and Zoopla in particular provided information about the area"

"Getting an idea of prices in different areas to narrow search as we were moving 350 miles and didn't know the area"

"They make it easy to compare different properties and agencies"

"It is a good way to understand the market in general"

"They are a one stop shop, showing what's available, similar prices, time advertised, and new builds"

"To compare prices so that I knew whether I was getting good value"

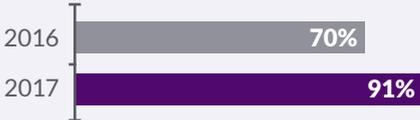
11

Omnipresence of online agents



Awareness of online agents has increased by over a quarter this year

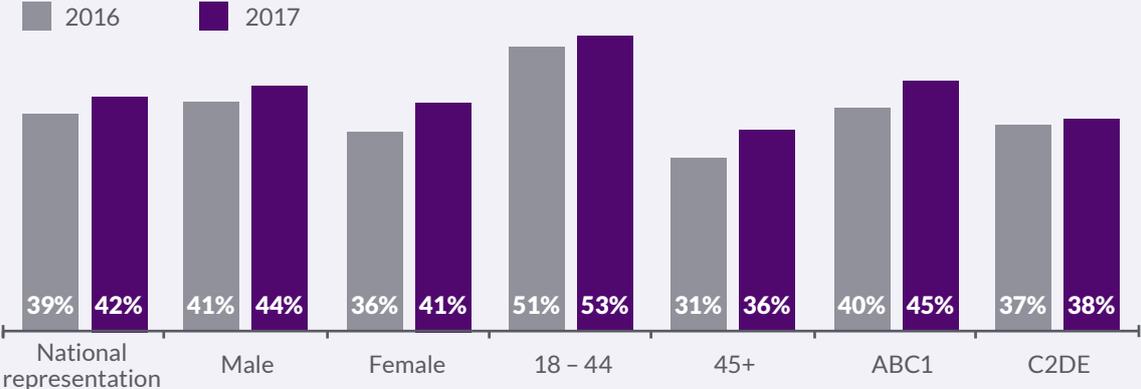
People who have heard of online agents



↑ rising to **97%**

among active property seekers in the market

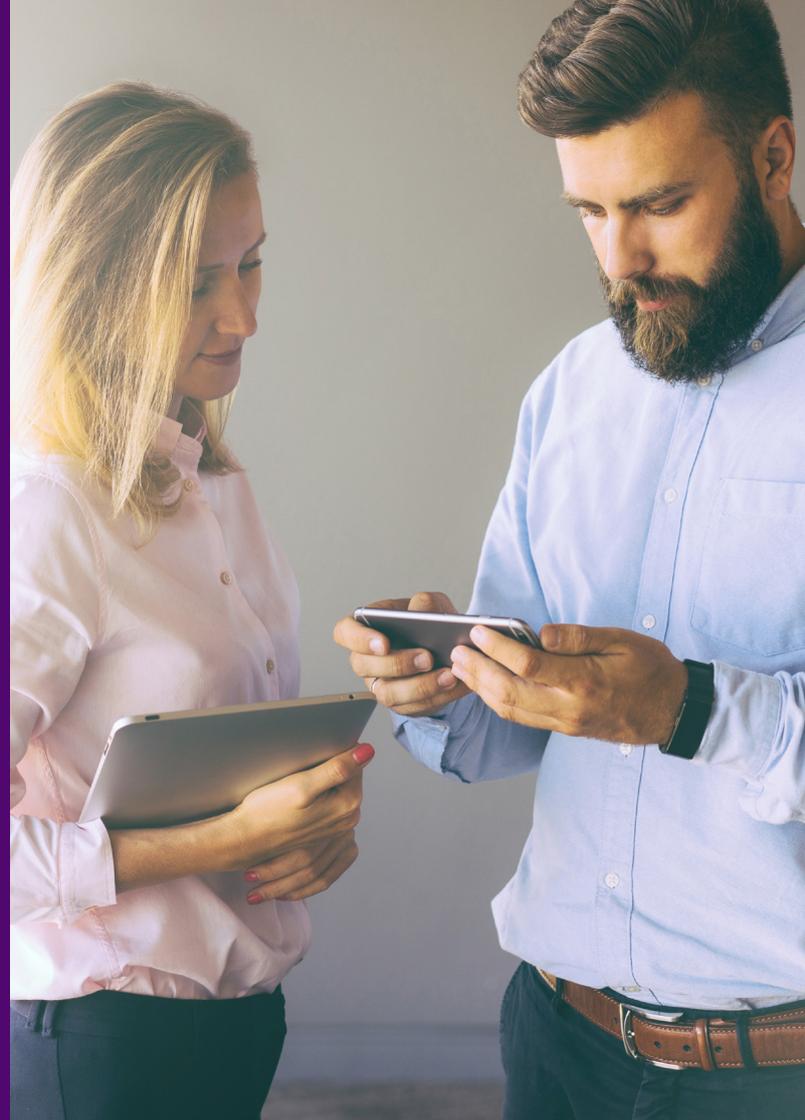
Likely to use an online agent to sell next time



Source: ZPG research conducted by Monkey See, August 2017 | Q9. Have you heard of online estate agents (e.g. Purple Bricks, emooov, Housesimple, Tepilo)? (Asked in 2016) Q9a. Have you heard of any of the following online estate agents? (Asked in 2017) Base: Owners, landlords and renters who have previously bought or sold a property among Nat Rep 2016: n=1434, 2017: n=2920 Q10. How likely would you be to use an online estate agent next time you sold a property? Base: Home owners/ landlords and renters who have previously bought/ sold a property aware of online agents – Nat Rep 2016 n=1002 520 482 402 600 308 339 355 640 362. 2017 n=2920 1455 1465 1038 1882 930 819 1018 1768 1152

12

Highs and lows of the online experience

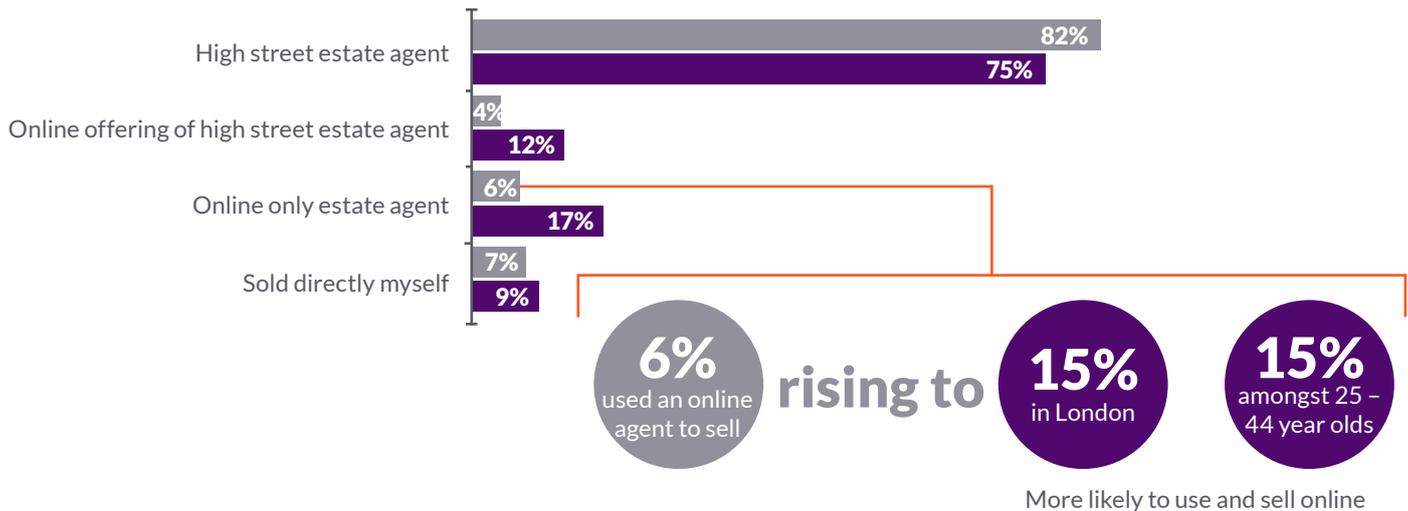


While just 6% of all sellers have used an online agent, this increases to 17% amongst those selling in the last 2 years

Use may be starting to take off and is currently highest in London, and among 25 – 44 year olds, likely due to the flat fee.

Channel(s) used to try to sell last property

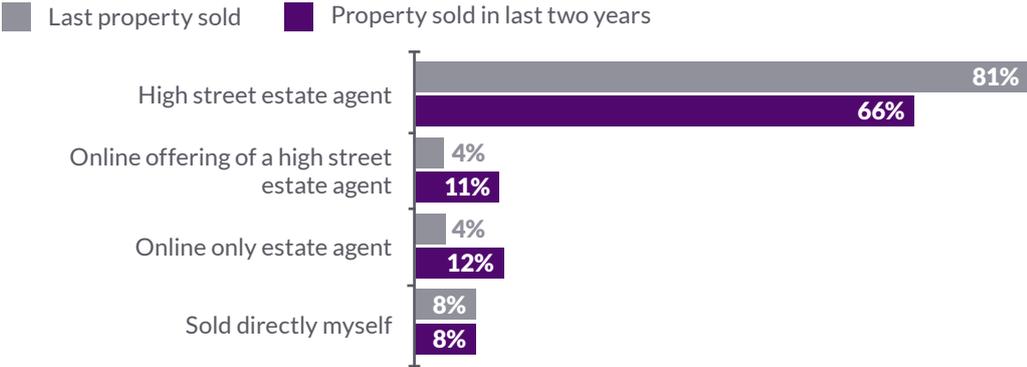
■ Last property sold ■ Property sold in last two years



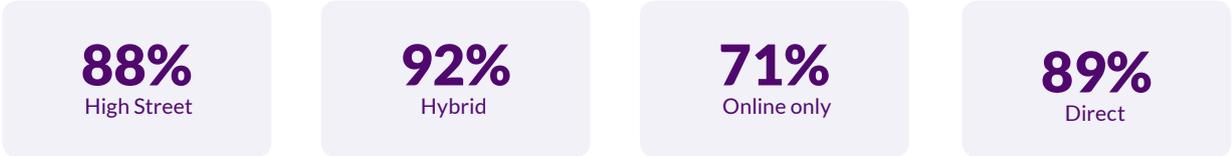
Of the 17% of recent sellers who used an online only agent, 71% actually sold through them

Currently a slightly lower conversion from listing to sale than other routes.

Channel last property sold through



Conversion rate of channel amongst recent sellers



Online agents are rated highly by users for their help and support, value, fees and transparency

High street agents' strengths are more around local knowledge, valuation, customer service and advice on maximising property value.



Strengths of high street agents

- Local presence
- Portals
- Valuations
- Customer service
- Advice – maximising price
- Advice – financial services
- Advice – moving services
- Selling time



Strengths of online agents

- Help and support throughout whole move
- Value for money
- Low fees
- Transparent fees and process
- Lots of buyers on books
- Flexible package

Currently 43% of users intended to use the online channel again

Although this may increase over time and with greater conversion rates and speed of sale.



42%

Of all sellers say they will use an online agent next time



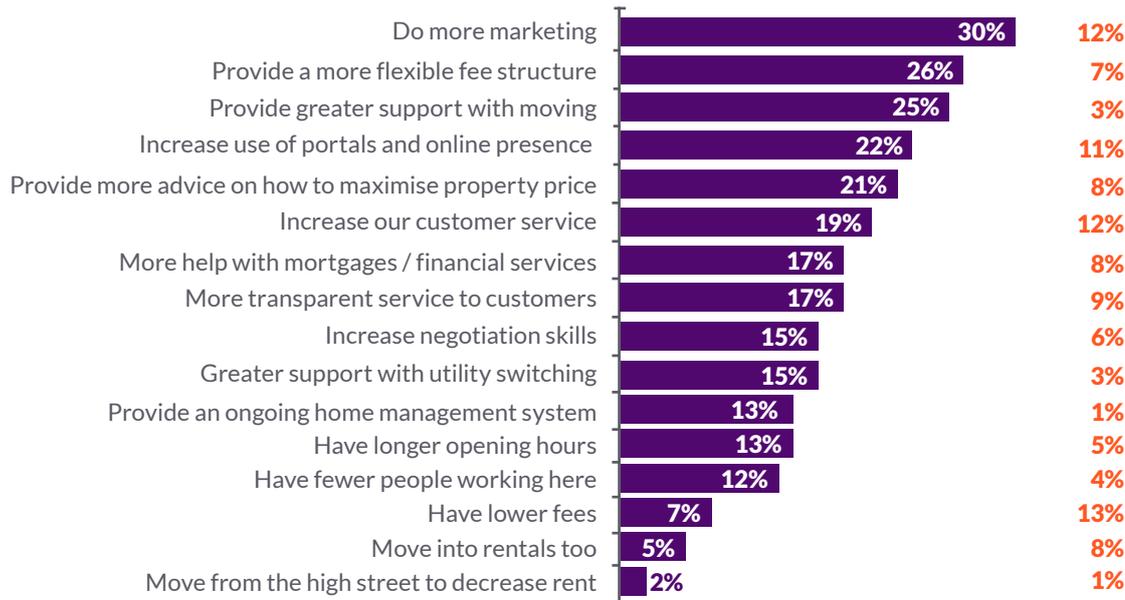
43%

Of those who used an online agent last time say they will again

To adapt, high street agents are planning to increase marketing, provide more flexible fees, and offer greater support with moving

What agents are likely to do if more people use online agents in the future

■ Agents who have already started doing this



“More online integration, support and transparency for landlords through IT innovation”

“It is quite possible that we may investigate a two tier service, traditional and online”

