

smoove

the way the world is moving



Home Movers Report

JULY 2022

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CEO at Smoove

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Foreword



Moving house is one of the most exciting, yet stressful events in one's life. It is emotional and fraught with hazard. According to our data, nine in ten people found the process of moving home stressful, with the length of time and lack of certainty being the main causes.

Jesper With-Fogstrup
CEO, Smoove



At a time when people were reassessing their living situations following lockdowns, one in three house purchases fell through during the stamp duty holiday-inspired house market boom of 2020-21, wasting an average of nearly £2,000 in sunk costs and dashing the dreams of many in the process. Gazumping, sealed bids, and the lack of regulation around this, along with the frenzy that ensued with the stamp duty tax break, all likely played a part in this.

Our inaugural Home Movers Report is designed to demonstrate the inefficiencies and pain points that exist through the entire system. It is going to track the cost, time and emotional impact of moving house, so we can build a picture of home moving trends and issues across the UK. Let's face it, the way we currently buy and sell property in this country is broken. It is riddled with jeopardy, a lack of transparency, confusing paperwork, vague timings, and hidden costs culminating in profound uncertainty.

At no stage in the process do people feel utterly secure that their transaction, or chain of transactions, will actually take place until contracts are exchanged. And this process can take months. In the meantime, you have invested all your hopes and dreams in moving home, spending hours of your time stressing over the experience and uncertainty until you exchange contracts. During the process you have probably had many conversations with your estate agent, conveyancer, mortgage broker, mortgage provider, removals company, surveyor and other parties too.

In an increasingly digital age, the sheer amount of time people still have to invest in phone calls and trawling through paperwork is staggering.

All participants in the home moving market are affected by the old fashioned and analogue nature of the process. Embattled estate agents try to juggle multiple parties via phone calls and emails, managing expectations, attempting to keep all parties happy and on schedule. Solicitors must deal with their counterparties and clients, going back and forth on details relating to obscure questions about the home they're selling, not to mention organising and managing the searches, and other due diligence, and dealing with the mortgage provider. Most of this is manual and time consuming, with limited automation making the room for error significant.

It is time to revolutionise home moving and bring it into the 21st century. It is time for smooth and efficient property transactions. We hope you enjoy the report.



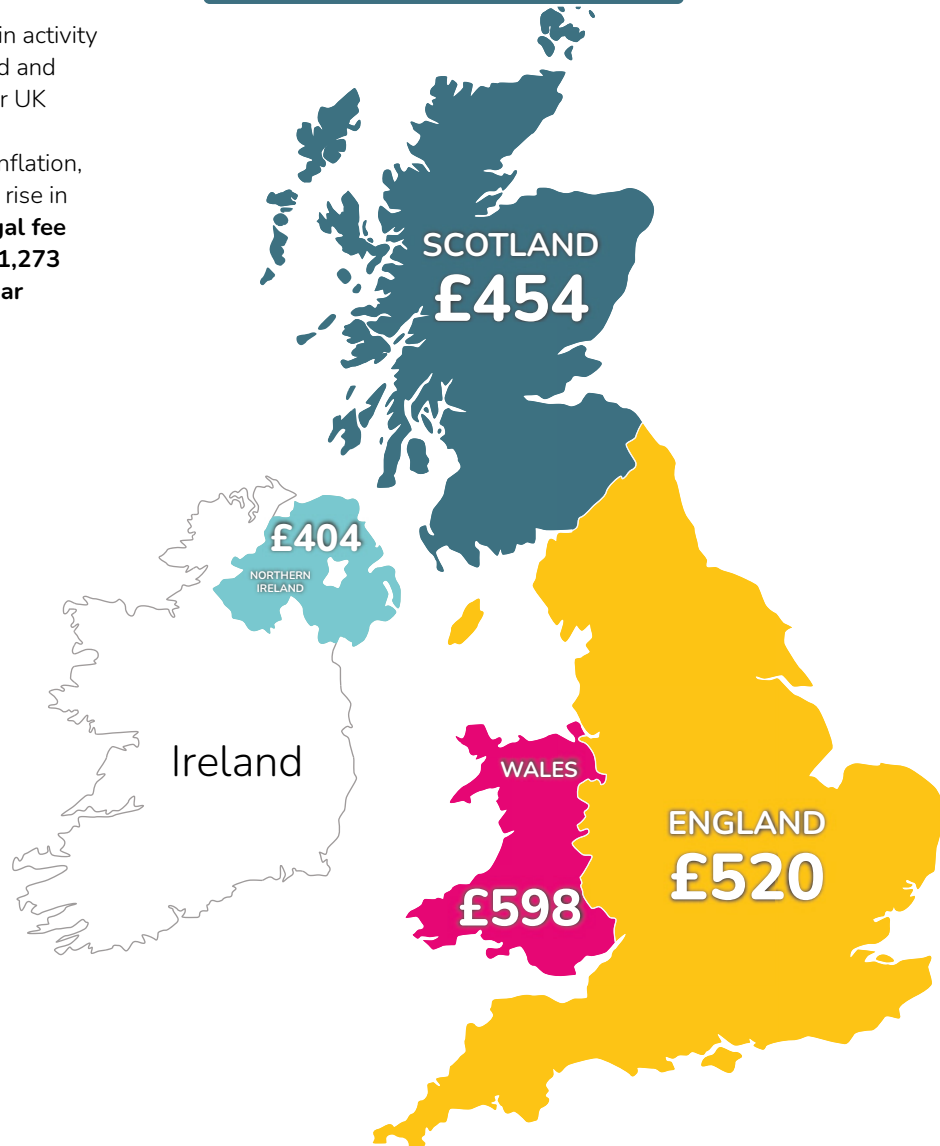
Executive Summary

Booming activity, rising prices

- According to our data, home buying activity has risen significantly in the last 12 months; **new conveyancing instructions (the first stage in the legal process of buying a home) are up by more than a third (36%) year-on-year.**
 - Broken down by first-time buyer activity, this number has risen even higher by 54%.
- However, an increase in activity means greater demand and capacity constraints for UK soliciting firms, which, combined with rising inflation, has ultimately led to a rise in costs; **the average legal fee has increased from £1,273 to £1,413 year-on-year - an 11% rise.**
- This has also led to a rise in additional expenses, such as **homebuyer surveys, which now cost £525 on average, up from £465 the previous year.**

Broken down by country, Wales is the most expensive (see below);

Homebuyer surveys costs, by country



Stress and collapse – market still plagued with inefficiencies and issues

- The rise in home moving activity has led to more transactions falling through – according to Smoove data, **more than a third of (34%) property transactions have fallen through** within the last year.
- Buying a home is considered one of life's most stressful experiences - as **nine in ten people found the process of moving home stressful (90%)**.
 - Of those who found it stressful, the **sheer length of time it took to complete the process (40%)**, the **lack of certainty during the process (34%)** and **waiting for exchange and completion dates to be finalised (33%)** were some of the main reasons.
- As a result of the home moving experience, **one in two homeowners (55%) would be unlikely to move again within the next five years**, signalling the whole process puts homebuyers off from moving frequently and potentially staying in homes that may be unsuitable in later life when considering downsizing; those unlikely to move again was highest among over 55-year-olds.
- **Just a quarter (26%) said they will likely move again after the experience.**
- In addition, **the average amount of time between instruction and completion remains long at over five months (153 days)**, up from 144 days the previous year. Compared to 2019, **before the pandemic, this number was 124 days – an increase of 23%**.
- **Almost two-thirds (64%) rely on savings to help pay for moving costs**, followed by **equity raised from the previous sale (36%)**, while one-fifth rely on the **Bank of Mum and Dad (20%)**.

The legal side – a mixed picture

- Overall, homeowners were satisfied with their soliciting firm; 61% would recommend the firm to friends and family. As we know, word of mouth is crucial for generating business. And most homeowners relied on a friend or family recommendation for finding their **chosen firm (33%)**, followed by **estate agent referral (31%)** and a **mortgage broker recommendation (23%)**.
- The length of time filling out forms, such as property title deeds, EPCs, local authority searches, transaction and conveyancing forms (TA), is a particular aggravation for homeowners.



Housing market overview

Pricing and activity boom under threat

The UK housing market has been running hot, continuing its extraordinary growth in price and activity, which was kickstarted in 2020, with the stamp duty holiday introduced by The Treasury to prop up the market.

At the time of writing, **the average price of UK properties has risen to £281,000, an annual increase of 12.4%**, according to the Office of National Statistics (ONS).

Average house prices increased over the year in England to £299,000 (11.9%), in Wales to £212,000 (16.2%), in Scotland to £188,000 (16.2%) and in Northern Ireland to £165,000 (10.4%).

Despite economic challenges in the shape of soaring inflation, rising cost of living and higher interest rates, activity in the year to date has remained strong.

Based on Smoove's transaction data, the number of properties being purchased has risen significantly, as **home buying transactions are up by more than a third (36%)** year-on-year.

And while we know 2021 was far from normal, broken down by first-time buyer activity, the number has risen even higher, by 54% year-on-year.

Average house prices



Despite the house price boom and the surge in activity, rising interest rates are likely to curb house price inflation – in June 2022, the Bank of England voted to increase interest rates from 1% to 1.25%; the highest it's been for 13 years, although still low compared to typical historical levels.

For those coming to the end of a fixed mortgage rate deal soon, inevitably, the recent interest rate hikes are likely to put pressure on monthly repayments when it comes to remortgaging or changing to a new deal with the existing lender. Or, for prospective first-time buyers, the affordability of purchasing a home.

However, on the plus side for first-time buyers, the Bank of England is removing affordability stress tests, which should enable a larger borrowing limit.

Finally, there is evidence to suggest that house prices may begin to fall, at least to a degree.

However, we expect limited supply to keep a lid on any major price falls, as the UK is still not building enough homes each year to keep up with demand.

There is also evidence that surveyors are starting to down value properties in some cases, essentially restricting the loan amount that can be used to purchase the property, particularly in higher loan-to-value cases.

In any case, a fall in activity is likely to merely bring the market down to pre-pandemic levels, which were buoyant.

¹ <https://www.ons.gov.uk/economy/inflationandpriceindices/bulletins/housepriceindex/april2022>



Moving mountains: the uphill struggle of moving home

As home moving increases, so too, unfortunately, has stress levels and collapsed transactions. In light of this, it is perhaps unsurprising that **nine in ten homebuyers found the process of moving home stressful (90%)**. Of those who found it stressful, some of the main reasons were the sheer length of time it took to complete the process (40%), the lack of certainty during the process (34%) and waiting for exchange and completion dates to be finalised (33%). One in four said that they found dealing with their solicitor to be stressful.

► Statistics

Some of the main reasons of house moving stress



- Length of time it took to complete the process **40%**
- Lack of certainty during the process **34%**
- Time for exchange and completion dates to be finalised **33%**

A shocking number of transactions also fell through last year – more than a third (34%) failed to complete. Such a figure masks countless tales of woe. It also illustrates the fundamental uncertainty that hovers over every property transaction, especially in England, Wales and Northern Ireland, and the lack of protection for buyers against gazumping.

The length of time from instruction to completion is, sadly, creeping up too. In the last six months the average was 153 days, up from 144 days in the 12 months preceding that.

On the whole, the data suggests that women find the home moving process more stressful than men. In particular, women seem to be significantly more stressed by the uncertainty and length of time of the transaction, whereas men appear to be more stressed when dealing with solicitors, finding potential buyers and the threat of gazumping.

There is no discernible difference in stress levels across age ranges, suggesting that even experienced movers find the whole process extremely challenging.

As a result of a negative home moving experience, one in two homeowners (55%) would be unlikely to move again within the next five years. Only a quarter (26%) said they will likely move again after their experience. The group most unlikely to move again was over 55-year-olds. This could have ramifications on downsizing and therefore the supply of family homes.

The length of time filling out documentation, such as mortgage applications, property title deeds, Energy Performance Certificates (EPCs), waiting for local authority searches to be received, transaction (TA) and conveyancing forms, is a particular aggravation for homeowners. **Of the forms that took the longest to wait for and complete, these included mortgage applications/agreements in principle (22%), ID checks (18%) and local authority property searches (16%).**





Home moving can often be an agonising, horribly stressful experience. The fact that few would argue with this speaks to a failed system.

One in three transactions should not be falling through. This figure represents tens of thousands of broken dreams and huge sums of money essentially poured down the drain. Creating more certainty around property transactions is essential. It will probably require legislative reform, to provide greater protection to buyers and sellers once offers have been accepted.

However, in the meantime there are many things the industry could do to reduce stress levels and the proportion of transactions falling through. As we've seen, the sheer length of time is a major driver of stress and uncertainty.

The entire process requires significant digitisation and automation, expediting paperwork and alleviating pain points. People should be able to engage with the transaction process entirely online or via an app, providing digital IDs, signatures and form filling and see its progression in real time. This could really help modernise the industry and transform the home moving experience.



Costs climbing across the board

The rising cost of housing has had a noticeable knock-on effect – direct and indirect – on associated expenses; namely, stamp duty, solicitor costs, and surveys. The rise in energy, fuel and commodity prices has also impacted home moving services and furnishings.

Stamp duty: back with a vengeance

Following the stamp duty holiday, house price growth has led to an increase in stamp duty for many.

Average stamp duty costs have risen, albeit marginally, from £5,302 to £5,502 year-on-year. Broken down by region, there's an almost £4,000 difference in stamp duty costs – a significant variable when considering additional expenditures in the home moving process.

The average stamp duty costs

ENGLAND
£5,468.70

WALES
£3,315.34

SCOTLAND
£1,874.77

NORTHERN IRELAND
£1,075.57



Solicitor and other home moving costs surge

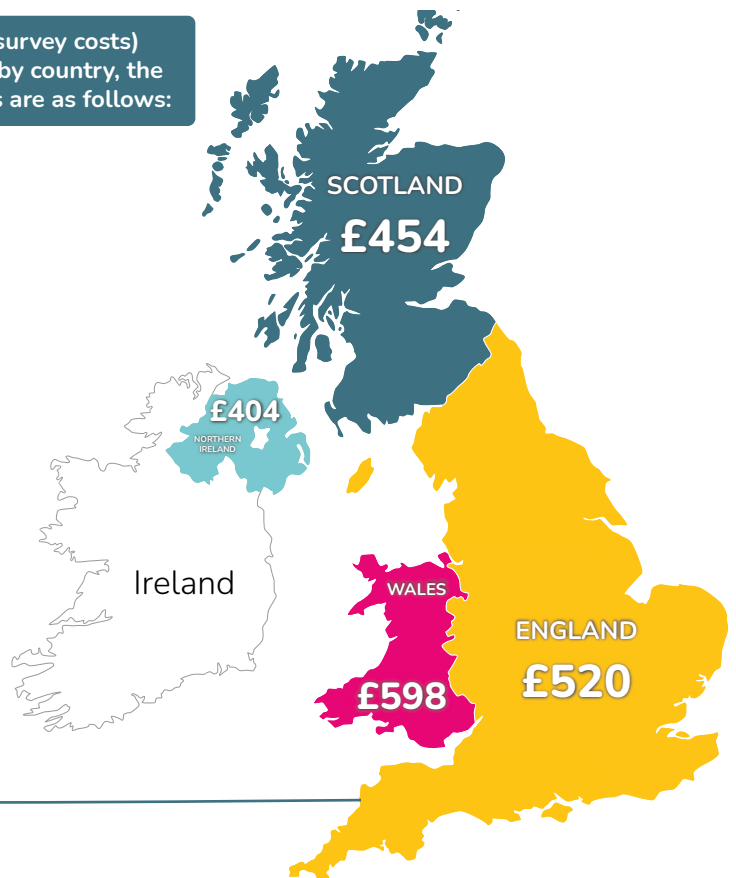
As referenced, house price inflation has led to a rise in additional expenses. Excluding stamp duty, deposit and estate agency fees, some of the biggest costs homeowners found when moving are solicitor fees (46%), buying new furniture (44%) and mortgage product fees (32%).

Solicitor costs are also on the rise. This is partly due to supply and demand dynamics, with conveyancers in high demand as market activity has boomed. **The year-on-year average solicitor fee has risen by 11% or £140, from £1,273 to £1,413.** Solicitor costs vary across the UK, with the highest solicitor costs in Northern Ireland (£1,568) and the lowest in Wales (£1,263). This trend has remained constant over the last two years.

Homebuyer survey costs have risen a small amount year on year. These now cost £525 on average, up from £465 the previous year. There is no discernible rationale for the increase, bar broader inflationary pressures which are causing many to increase prices.



(Home buyer survey costs) Broken down by country, the average prices are as follows:





The combination of a buoyant housing market, driven by a lack of supply, pent up demand from Covid-19, and spiralling inflation is leading to price increases at each point of the home moving process. This is putting a strain on people's finances and adding further stress to moving.

The reality is that while demand for conveyancing is increasing, we are not seeing a material growth in solicitor numbers to service that demand. Therefore, time delays and cost increases are more commonplace, as solicitor firms try to juggle more and more clients with limited technological support.

One way to reduce costs and stress for all parties would be to digitise some of the legal processes, giving back time to conveyancers to focus on legal insight and client support.



Conveying confidence: moving in the right direction

Inevitably, with the number of home moves rising significantly has come with a spike in solicitor requirements. As we have seen, this surge in demand has caused a supply crunch, which has impacted pricing. **The average legal fee has increased from £1,273 to £1,413 year-on-year - an 11% rise.**

The process in its current form can be confusing, containing complex terminology and legal definitions. As a result, client queries are fairly commonplace. On average, conveyancers receive four queries per instruction. Evidently, many of these queries require detailed responses, which can hold up the transaction process.

When asked about the key things people look for in their solicitor (also known as a 'conveyancer'), **the cost of service (42%), quality (38%) and length of time to complete (36%) emerge** as the top three considerations. Also important are **speed of communication (35%), clarity of communication (31%), reputation (25%) and ease of process (22%)**, e.g. using technology to streamline the process. This last point suggests that home movers are unaware of the potential to digitally revolutionise the legal process.

Women are particularly price conscious buyers, believing the cost of service to be significantly more important than men (45% for women compared to 33% for men). Whereas men are much more concerned with the ease of process, and having the service more tech enabled (28% for men versus 19% for women). These considerations are consistent across all age groups.

Key factors people look for in their conveyancer	Percentage (In order of importance)
Cost of Service	42%
Quality	38%
Length of time to complete	36%
Speed of communication	35%
Clarity of communication	31%
Reputation	25%
Ease of process	22%

In spite of pain points, people are generally satisfied with their solicitor experience. The fact that 61% would recommend the firm they used to friends and family further underlines this broad level of satisfaction. However, one in four (26%) were unsatisfied, so clearly there remains the opportunity to improve services.

This dissatisfaction means that some would vote with their feet and go with another supplier in future. Almost a fifth (19%) would choose a different solicitor firm or estate agent when they next move home.

In terms of how people source their solicitor requirements, word of mouth is the most common. Most homeowners relied on a friend or family recommendation for finding their chosen solicitor firm (33%), followed by estate agent referral (31%) and a mortgage broker recommendation (23%).



Conclusions

Our research shows just how stressful and complicated the process is for those who decide to embark on the home moving journey. Considering how most save up for many years and put a lot of aspiration on buying their dream home means the process should not be as nail biting as it currently stands. It's putting people off ever doing it again, hampering mobility and affecting housing supply.

Insights from our survey data also suggest that there are more fundamental systemic issues with the home moving market. In particular, the lack of certainty and the fact that one in three transactions fails to complete.

Aside from the considerable monetary and time wastage, this is a scandalous figure which speaks to a fundamentally broken model of buying and selling homes.

And why is this all important? **We need to digitise the whole home moving process.** Bar the actual moving of furniture and goods, there is no reason why all the forms and search documents involved in moving home should not be at the click of a mouse or the tap of an app. We are determined to modernise the home moving process and use these research insights to shape our products and services, helping everyone in the home moving chain to deliver better, more efficient outcomes.

We need to look closely at the underlying issues behind this crippling uncertainty and market failure and will be addressing this via policy recommendations and introducing our own product innovations. We believe that more could, and should, be done to tackle this market jeopardy creating an easier and more certain home moving experience for everyone.

We need to
digitise the
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moving process



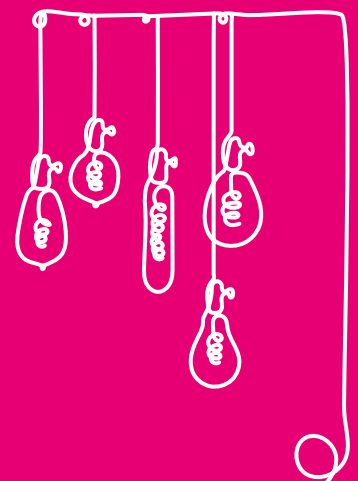
Our methodology

Smoove's Home Movers Report is designed to demonstrate the inefficiencies and pain points that run through the entire housing market system. It tracks the cost, time and emotional impact of moving house to help build a picture of home moving trends and issues across the UK. It is released twice yearly.

New instructions, mortgage values, associated home moving costs, completion times all sourced from Smoove data.

All other consumer survey data sourced from a Censuswide poll of 1,000 homeowners aged 25+ who have moved in the last 6-24 months conducted between 14.04.22 and 19.04.22

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