

Knight Frank/Markit House Price Sentiment Index (HPSI) – April 2015

Pre-election bounce in house price sentiment

Key headlines for April 2015

- Households in all monitored UK regions perceive that property prices rose in April
- Londoners perceived the biggest rate of house price growth over the course of the month
- Expectations for future price growth also rose, the second consecutive month they have done so
- Households in the East of England expect the strongest price rises over the next 12 months
- Some 6.5% of UK households plan to buy a property in the next year

Change in current house prices

Households perceive that the value of their home rose in April, according to the House Price Sentiment Index (HPSI) from Knight Frank and Markit Economics.

Some 20.9% of the 1,500 households surveyed across the UK said that the value of their home had risen over the last month, while 4.5% reported a fall. This gave the HPSI a reading of 58.2 (see

figure 1), the twenty-fifth consecutive month that the reading has been above 50.

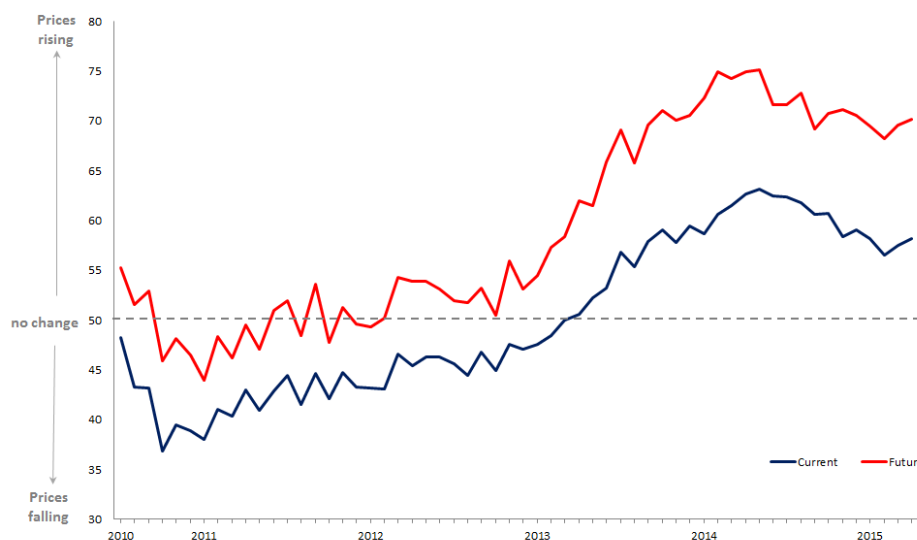
This is a slight increase on last month's reading of 57.5, suggesting that households believe prices continued to rise in spite of the uncertainty surrounding the outcome of next month's General Election.

Any figure over 50 indicates that prices are rising, and the higher the figure, the steeper the increase. Any figure below 50 indicates that prices are falling.

However, while the majority of households in the UK perceive the value of their property has risen in the last month, the overall reading remains well below its record high of 63.2 achieved in May last year.

Households in all eleven regions covered by the index report that prices rose in April, with Londoners reporting the biggest perceived rate of house price growth over the course of the month (64.2), followed by households in the East of England (62.1) and the South East (61.3).

Fig 1: Change in current and future value of property (HPSI)



Source: Knight Frank/Markit

NB: A score of 50 equates to no change, above or below representing growth or decline respectively.

A lead indicator

Since the inception of the HPSI, the index has been a clear lead indicator for house price trends. Figure 2 shows that the index moves ahead of mainstream house price indices, confirming the advantage of an opinion-based survey which provides a current view on household sentiment, rather than historic evidence from transactions or mortgage market evidence.

Outlook for house prices

The future HPSI (figure 1), which measures what households think will happen to the value of their property over the next year, rose in April to 70.2, up from 69.6 in March and the highest reading so far this year.

Households in the East of England were most confident about price rises with the sentiment index rising to 78.7 in April, from 71.7 in March. They were followed by those in the South East (75.7) and London (73.8).

Households in Scotland and Wales also saw a notable monthly jump in sentiment in April with households more confident that prices will rise than at any time so far this year.

But, while households are confident that the value of their home will rise in the next 12 months, the headline future HPSI remains below its peak of 75.1 achieved in May last year.

Housing market activity

Some 6.5% of UK households said they planned to buy a property in the next 12 months, up from 5.7% in March.

On a regional basis, nearly one in ten households in Wales is planning a purchase in the next 12 months, followed by those in the East of England where 9.5% of households said they would be buying a property in 2015.

Individuals aged between 25 and 34 are more likely to be considering buying a home in the short term, with 9.3% of such respondents saying they planned to purchase a home within the next

12 months compared to 3.1% of respondents aged 55 and above.

Grainne Gilmore, Head of UK Residential Research at Knight Frank, said:

"The outcome of the election may be uncertain, but there are some key factors underpinning house prices at present. Confidence in the economy continues to grow while the cost of living has stopped rising. Mortgage rates have dipped to a new low, making owning a home - for those who can clinch a mortgage deal - cheaper than at any time before. The cost of buying a home for the majority of purchasers has also fallen after the reform of stamp duty in December last year. A lack of supply of homes for sale in recent months has also boosted prices."

"There are still headwinds in the market, not least the hurdles facing first-time buyers to climb onto the property ladder with affordability levels still high in some areas of the country, but the sentiment index suggests that households are looking to the summer with the expectation that house prices will be moving upwards."

Tim Moore, senior economist at Markit, said:

"The UK housing market showed resilience in the face of upcoming election uncertainty, with April's survey highlighting the first back-to-back monthly rise in house price sentiment for almost a year."

"Reduced pressure on household finances, improving labour market conditions and low mortgage rates continued to support house price sentiment in April. However, stretched affordability and tighter lending conditions are keeping a lid on house price momentum."

"On a regional basis, people living in the East of England are the most likely to anticipate rising property values over the next 12 months, followed by those living in the South East. Meanwhile, the gap between UK-wide house price growth expectations and those in the capital fell to its joint-lowest since the start of 2011."

Knight Frank/Markit House Price Sentiment Index (HPSI) – Data Summary

Fig 2: Current HPSI vs house price indices (12 month change)

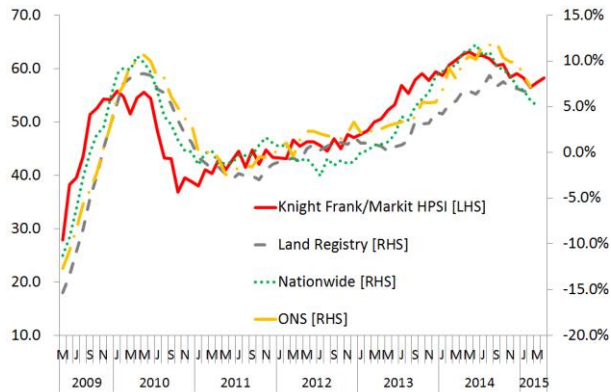
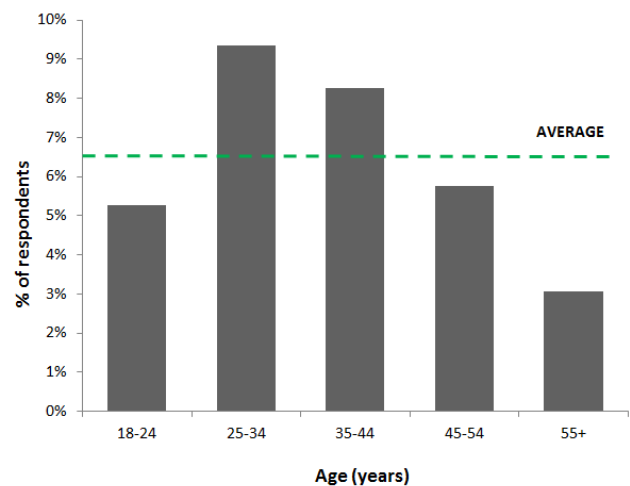


Fig 3: Percentage of buyers planning to purchase a property in the next 12 months (by age)



Current: Compared to one month ago, how do you think the value of the property/dwelling in which you live has changed?

All UK		North East	North West	Yorkshire and The Humber	East Midlands	West Midlands	East of England	London	South East	South West	Wales	Scotland
Apr-14	62.7	50.0	57.9	60.9	60.7	57.8	68.2	74.9	67.7	62.6	53.8	55.9
May-14	63.2	57.5	60.9	55.6	64.3	58.7	68.7	69.9	65.2	69.2	59.8	56.4
Jun-14	62.5	52.9	57.7	58.0	56.5	57.1	66.3	71.9	69.1	65.5	58.1	58.5
Jul-14	62.4	51.7	55.0	58.1	61.7	60.5	68.3	70.5	69.7	62.0	57.3	56.6
Aug-14	61.8	56.9	58.7	55.8	58.1	60.4	63.5	71.4	68.4	61.1	57.0	55.3
Sep-14	60.6	51.5	53.4	56.6	56.8	62.5	64.4	67.7	67.5	60.4	58.1	55.1
Oct-14	60.7	55.3	54.9	57.1	57.8	54.1	65.5	73.3	65.0	60.8	52.8	57.1
Nov-14	58.4	59.1	51.3	50.9	54.0	57.5	62.8	62.7	63.5	60.3	60.5	56.8
Dec-14	59.1	53.0	54.8	54.2	54.1	54.6	67.4	65.7	65.5	58.1	56.7	54.1
Jan-15	58.2	54.5	53.0	55.3	59.0	53.9	60.2	65.3	63.0	58.8	53.9	54.8
Feb-15	56.5	54.3	53.7	54.5	57.6	54.7	60.5	62.7	59.1	53.7	55.8	49.4
Mar-15	57.5	54.9	54.2	52.8	54.5	54.2	62.1	63.7	62.3	59.7	51.8	52.1
Apr-15	58.2	51.9	54.2	54.5	54.3	59.3	62.1	64.2	61.3	59.6	53.2	55.7

Future: How do you think the value of the property/dwelling in which you live will have changed 12 months from now?

All UK		North East	North West	Yorkshire and The Humber	East Midlands	West Midlands	East of England	London	South East	South West	Wales	Scotland
Apr-14	75.0	62.8	71.7	74.2	75.6	70.6	74.2	83.1	82.0	74.9	73.8	67.9
May-14	75.1	69.4	73.3	70.0	72.0	69.7	79.7	81.5	78.2	79.3	70.8	72.0
Jun-14	71.6	58.8	65.4	71.2	68.3	69.0	73.9	77.8	79.0	71.4	68.0	70.0
Jul-14	71.7	58.2	66.2	68.4	64.4	73.3	76.0	76.8	79.8	72.7	71.9	66.4
Aug-14	72.8	64.8	69.0	72.3	69.5	74.3	76.1	77.7	79.3	72.7	64.8	67.1
Sep-14	69.2	59.6	62.6	65.9	66.7	72.5	71.1	72.8	78.1	70.8	65.5	63.4
Oct-14	70.8	67.1	65.4	64.6	67.3	63.0	76.3	78.0	78.8	74.3	63.5	67.5
Nov-14	71.1	69.3	60.9	65.2	70.3	68.9	74.3	79.0	77.1	73.6	69.2	67.6
Dec-14	70.5	64.3	63.8	67.9	65.9	68.0	76.1	74.3	77.5	73.6	69.3	66.3
Jan-15	69.5	60.4	62.6	69.8	70.5	63.5	73.0	75.3	74.9	75.1	66.0	62.8
Feb-15	68.2	60.6	67.0	65.0	67.8	62.2	72.9	72.9	73.8	70.9	65.3	61.0
Mar-15	69.6	62.0	65.3	67.8	69.7	69.8	71.7	73.7	77.0	73.7	61.5	60.3
Apr-15	70.2	61.7	64.0	68.4	65.3	70.0	78.7	73.8	75.7	72.1	66.0	65.5

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Notes to editors

About the HPSI

The Knight Frank/Markit House Price Sentiment Index (HPSI) survey was first conducted in February 2009 and is compiled each month by Markit.

The survey is based on monthly responses from approximately 1,500 individuals in Great Britain, with data collected by Ipsos MORI from its panel of respondents aged 18-64. The survey sample is structured according to gender, region and age to ensure the survey results accurately reflect the true composition of the population. Results are also weighted to further improve representativeness.

Prior to September 2010, the Household Finance Index was jointly compiled by YouGov and Markit based on monthly responses from over 2,000 UK households, with data collected online by YouGov plc from its representative panel of respondents aged 18 and above. The panel was structured according to income, region and age to ensure the survey results accurately reflected the true composition of the UK population. Results were also weighted to further improve representativeness.

Index numbers

Index numbers are calculated from the percentages of respondents reporting an improvement, no change or decline. These indices vary between 0 and 100 with readings of exactly 50.0 signalling no change on the previous month. Readings above 50.0 signal an increase or improvement; readings below 50.0 signal a decline or deterioration.

IpsosMORI technical details (April survey)

IpsosMORI interviewed 1,500 adults aged 18-64 across Great Britain from its online panel of respondents. Interviews were conducted online between 15th April and Sunday 19th April. A representative sample of adults was interviewed with quota controls set by gender, age and region and the resultant survey data weighted to the known GB profile of this audience by gender, age, region and household income. Ipsos MORI was responsible for the fieldwork and data collection only and not responsible for the analysis, reporting or interpretation of the survey results.

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