

Knight Frank/Markit House Price Sentiment Index (HPSI) – April 2016

Current and future sentiment on house price growth moderates

Key headlines for April 2016

- Households in all UK regions perceive that the value of their home rose in April
- Londoners perceived the strongest rate of price growth over the course of the month, followed by those in the South East
- Households in all UK regions expect house prices to rise over the next 12 months, with the strongest growth expected by households in the South East
- However, both current and future sentiment on house prices moderated in April compared to March
- Some 5.0% of households said that they planned to buy a property in the next 12 months, down from 5.5% in December

Change in current house prices

Households across the UK perceive that the value of their home rose in April, according to the latest

House Price Sentiment Index (HPSI) from Knight Frank and Markit Economics.

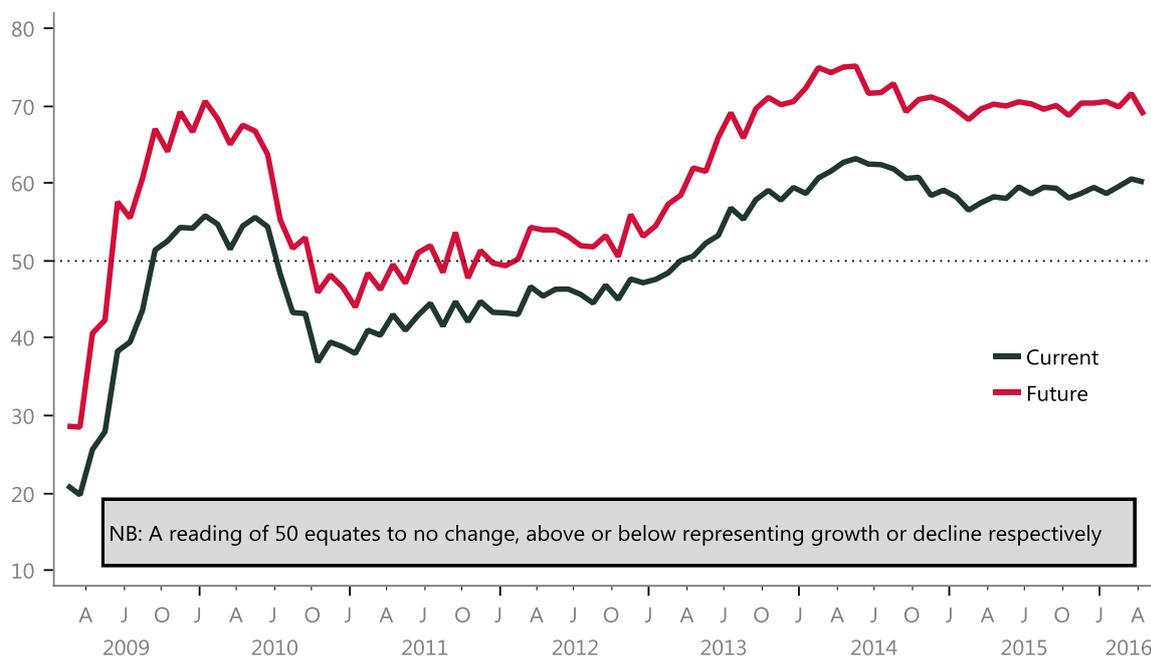
This is the thirty-seventh consecutive month that the reading has been above 50.

Some 25.0% of the 1,500 households surveyed across the UK said that the value of their home had risen over the last month, while 4.8% said that prices had fallen. This resulted in a HPSI reading of 60.1 (see figure 1).

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

While still positive, April's reading was a slight decline on the 60.5 recorded in March, and it remains below the peak of 63.2 reached in May 2014, reflecting the easing in average UK house price growth seen since then.

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



Source: Knight Frank/Markit

Households in every region perceived that the value of their home rose in April, led by those living in southern regions, mirroring wider trends in the UK housing market.

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, slipped back in April to 68.8, from 71.6 in March.

While still indicating that households across the UK expect the value of their home to rise over the next 12 months, this is the lowest reading recorded by the index so far this year.

Sentiment on future house price growth was lower in nine of the eleven regions covered by the index month-on-month, with the biggest fall in sentiment occurring in the East of England.

The full regional breakdown is shown in the tables on page 3.

Housing market activity

Some 5.0% of UK households said they planned to buy a property in the next 12 months, down from 5.5% in December.

On a slightly longer-term basis, the proportion of households across the UK planning to buy a property within the next two years was 10.8%, the lowest proportion since we started collecting this data in April 2014.

The survey suggests that demand for property from households in London will be amongst the strongest across the country within this time, with

15.6% of households there indicating their intention to buy a property in the next 24 months.

Gráinne Gilmore, head of UK residential research at Knight Frank, said:

“Slightly weaker house price sentiment follows a period of healthy market activity between January and March which was in part promoted by purchasers trying to complete purchases ahead of the April 1st introduction of the extra 3% stamp duty on additional homes.

“Activity across the market may now become more muted, and in addition, the debate around the EU Referendum may convince some buyers to adopt a wait-and-see approach, although the UK’s position in the EU will not affect one of the key fundamentals in the market – an undersupply of new homes being built and existing homes for sale when compared to demand.”

Tim Moore, senior economist at Markit, said:

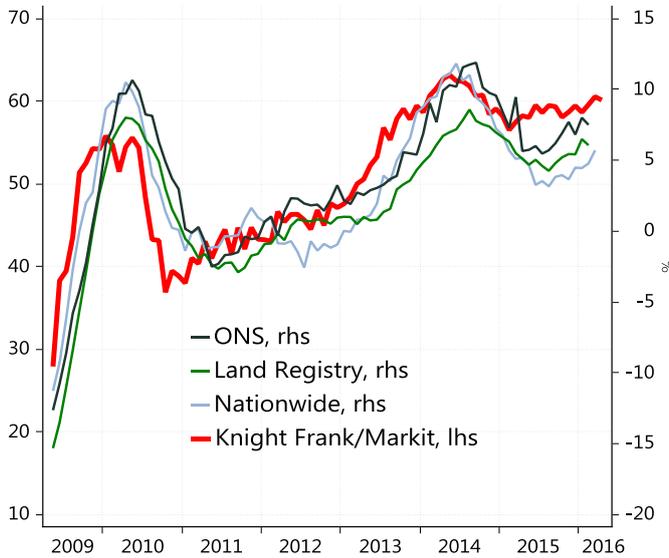
“After a strong start to the year, UK property market conditions appear slightly more subdued in April, especially in relation to households’ expectations for price growth.

“While perceptions of current price growth are still firmer than at any time in 2015, expectations for the next 12 months moderated in April and were among the lowest recorded over the past three years.

“This divergence between relatively brisk current price momentum and softer expectations ahead in part reflects heightened uncertainty about the near-term economic outlook. Moreover, the latest survey highlights another brake on the number of UK households intending to purchase a property over the next two years, with this index down appreciably from its peak in February 2015.”

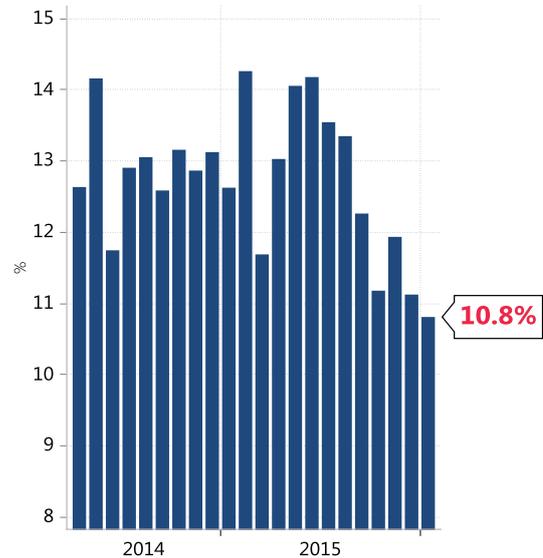
Knight Frank/Markit House Price Sentiment Index (HPSI) – Data Summary

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



Source: Knight Frank Research

Fig 3: Households planning to purchase (within two years)



Source: Knight Frank Research

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-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
May-15	58.0	53.3	53.8	53.5	56.8	55.3	61.2	64.8	61.6	60.0	51.6	56.1
Jun-15	59.5	53.0	51.4	56.4	56.8	56.9	65.7	66.6	64.0	61.6	53.7	57.7
Jul-15	58.6	51.6	55.1	57.4	54.9	56.0	62.9	69.6	61.0	54.2	53.7	55.4
Aug-15	59.5	54.5	55.3	60.9	52.8	60.5	61.8	63.4	64.3	63.4	50.6	55.3
Sep-15	59.3	52.0	55.6	54.0	55.4	57.8	66.3	66.4	63.1	60.6	54.3	55.1
Oct-15	58.1	52.0	51.8	52.9	55.2	51.2	63.5	69.0	64.3	58.0	52.9	54.0
Nov-15	58.7	52.6	53.4	51.3	57.8	54.6	62.2	65.7	66.4	60.1	56.7	53.3
Dec-15	59.4	50.0	54.7	57.2	58.5	58.9	58.5	68.7	65.4	58.1	55.5	54.5
Jan-16	58.7	53.3	51.3	54.0	52.3	60.7	62.8	68.1	64.3	57.2	53.8	54.8
Feb-16	59.6	53.0	55.5	57.5	60.9	56.5	62.3	68.1	61.9	60.9	58.6	51.7
Mar-16	60.5	56.4	54.0	57.1	56.4	55.1	66.3	71.7	67.4	59.8	54.2	53.3
Apr-16	60.1	52.7	56.0	58.0	58.8	59.2	62.4	70.0	65.6	60.7	53.7	50.1

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
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
May-15	70.0	62.7	61.9	67.4	68.1	68.0	77.8	77.7	73.5	71.8	64.0	65.8
Jun-15	70.5	67.3	63.2	67.9	69.3	66.6	75.0	78.2	78.3	72.3	60.0	64.3
Jul-15	70.2	56.6	67.4	66.5	65.0	71.0	72.5	78.4	78.8	66.4	62.8	66.9
Aug-15	69.5	60.8	65.9	70.0	61.8	67.8	67.8	76.2	77.0	71.8	63.8	67.1
Sep-15	70.0	57.7	65.6	63.2	65.8	67.2	79.3	74.1	76.0	74.7	61.4	69.6
Oct-15	68.7	53.6	62.1	62.0	67.1	63.2	74.8	78.4	75.8	72.1	60.7	66.9
Nov-15	70.3	60.5	63.8	63.0	68.2	66.0	74.6	78.3	82.9	68.9	63.4	65.4
Dec-15	70.3	60.1	67.5	68.5	62.7	72.0	74.5	77.9	76.7	66.8	64.9	65.8
Jan-16	70.5	61.9	62.3	66.4	65.4	71.3	81.1	79.1	76.1	71.6	64.5	61.8
Feb-16	69.8	60.6	64.1	64.4	67.4	67.3	72.8	77.8	78.7	74.1	62.5	62.0
Mar-16	71.6	61.4	63.6	72.1	71.5	66.4	80.3	78.9	81.0	71.6	62.2	61.4
Apr-16	68.8	57.6	62.8	69.4	66.6	67.9	68.4	77.2	79.3	71.7	59.6	57.2

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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 YouGovplc 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 13th and 18th 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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