

Knight Frank/Markit House Price Sentiment Index (HPSI) – August 2013

Households expect further house price growth, although anticipated pace of rises slows in August

Key headlines for August

- Households perceive that the value of their property rose over the last month – but at a slightly slower rate than in July
- Households expect the value of their home will rise over the next 12 months, but at less sharp rate than in July
- Those in South East overtake Londoners as the most upbeat about the outlook for prices over the next year
- Those who own their homes outright are the most optimistic about prices rises

Change in current house prices

Households perceived that the value of their homes rose in July for the fifth consecutive month, according to the House Price Sentiment Index (HPSI) from Knight Frank and Markit.

More than 18% of the 1,500 homeowners surveyed across the UK said that the value of their home had risen over the last month, while 7.4% said the value had fallen, giving a HPSI reading of 55.3 (see figure 1).

Any figure under 50 indicates that prices are falling, and the lower the figure, the steeper the decline. Any figure over 50 indicates that prices are rising.

This is slightly down from last month’s record reading of 56.8, but still marks the second highest reading since the spring of 2010. The data signals that households feel that the value of their home has risen every month in the last five months, the longest period of positivity on prices in nearly three years.

Households in nine of the eleven regions reported that the value of their home had risen in April, with the exception of Wales (47.6) and the North East (47.9) (figure 4).

A lead indicator

Since the inception of the HPSI, the index has been a clear lead indicator for house price trends. Figure 3 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, which measures what households think will happen to the value of their property over the next year, dipped slightly in August from July’s series high, but it signals that there are still sustained levels of confidence that house prices will climb over the next 12 months.

Fig 1: Current and future prices (HPSI)

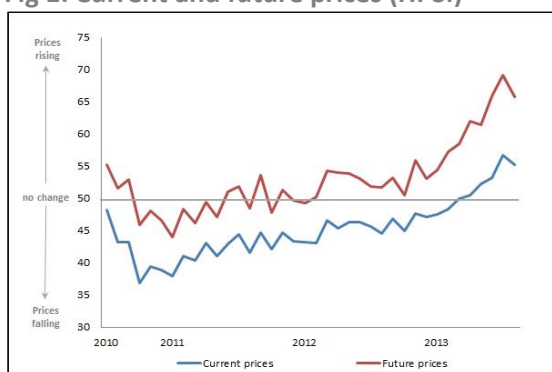
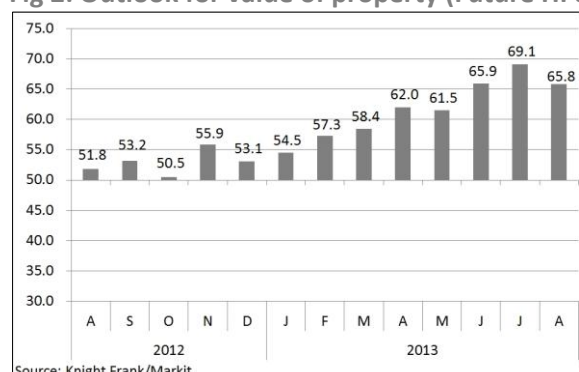


Fig 2: Outlook for value of property (Future HPSI)



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

The overall index reading slipped to 65.8 from 69.1 in July. But on a smoother three-month average basis, the future HPSI reading was 66.9, the highest level since April 2010, up from 65.5 in the previous three-month period.

Regional outlook

There are striking regional differences in the outlook for prices, but respondents in all regions expect the value of their property to rise over the next 12 months, with those in the South East (74.7) leading the way, ahead of Londoners (73.0) and those in the East of England (67.5). Although the future index readings dipped slightly in most regions compared to July, the exception was the East Midlands, where the index reading rose by 1.9 points to 66.2.

Those aged 55 and over (74.1) were the most upbeat about the prospect of future house price rises, in fact more so than at any time since November 2011. In contrast, those aged 18-24 (58.8) while still expecting house prices to rise, anticipate a slower increase in values.

Homeowners who have paid off their mortgage and those living rent-free at home both became more upbeat that prices would rise during the next 12 months, with the future HPSI reading climbing from 70.3 to 70.7 and 60.5 to 61.7 respectively in August.

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

"House price expectations have gained momentum in recent months, indicating a deeper confidence in the housing market.

"August's future HPSI reading suggests a slight easing in price expectations even after of the Bank of England's 'forward guidance'. This suggests that the effect of Dr Carney's announcement on the bank rate on households was more benign than

many may have thought, perhaps because the idea had been so well trailed.

"There are still many factors acting to underpin the market, including Funding for Lending, which has helped drive down mortgage rates, the Help to Buy equity loan and the anticipation of the Help to Buy mortgage guarantee which will start in January. This is feeding through to rising activity, with mortgage lending for house purchases starting to climb. Rising levels of activity are feeding back into confidence levels among households.

"The more positive news on the UK economy is also feeding into a 'feel-good' factor which is reflected in households' increased optimism that the value of their home is set to rise."

Chris Williamson, chief economist at Markit, said:

"Households' views on house prices - both current and future - fell back slightly compared to the post-recession record highs seen in July, but remain elevated. This time last year, one-in-four people thought house prices would fall over the next 12 months. That figures has now fallen to just 10%, with over 40% expecting prices to rise. There's clearly a lot of optimism across the country in terms of property values.

"A housing market recovery will stimulate the building of more homes and boost activity, with knock-on effects for the services sector, all of which should help the economy.

"However, further significant increases in house prices over the coming year will also fuel fears that the government's recent stimulus measures could stoke a bubble, the bursting of which will inevitably act as a shock to the economy and could set the recovery back significantly."

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

Fig 3: HPSI vs house price indices (12 mnth change)

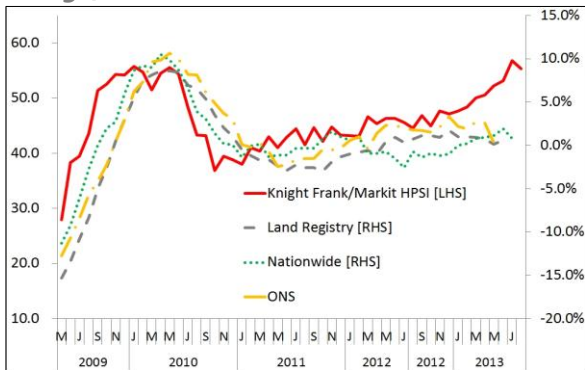


Fig 4: Regional change in current value of property



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	
Aug-12	44.5	44.2	39.5	41.9	42.8	42.5	46.9	51.9	45.0	43.9	39.8	45.8
Sep-12	46.8	47.0	44.7	46.2	45.5	43.2	50.3	53.4	48.4	46.4	44.7	40.0
Oct-12	45.0	44.8	40.5	43.4	40.5	45.0	42.0	49.5	49.1	43.6	41.9	49.0
Nov-12	47.6	46.5	45.1	44.8	46.0	47.1	48.2	54.1	50.5	47.9	39.3	45.4
Dec-12	47.1	47.6	46.4	46.8	39.9	46.8	49.0	53.2	47.8	46.3	42.0	45.7
Jan-13	47.6	45.5	45.9	47.8	47.5	43.6	48.7	54.5	47.8	50.6	42.7	42.0
Feb-13	48.4	43.4	46.0	46.4	47.3	49.4	48.3	54.1	49.3	46.5	49.4	47.1
Mar-13	50.0	41.6	52.2	48.3	44.8	45.9	51.2	58.0	53.8	47.8	45.2	46.5
Apr-13	50.6	50.1	47.9	47.6	47.2	45.7	51.3	56.8	56.2	49.9	52.3	45.1
May-13	52.2	46.6	51.1	50.5	48.6	50.6	50.7	64.7	52.4	51.5	47.7	48.4
Jun-13	53.2	47.4	49.6	50.5	55.2	53.4	56.5	59.5	53.4	52.3	46.5	53.2
Jul-13	56.8	52.8	49.1	56.5	53.6	53.2	60.8	65.3	59.4	57.7	54.7	54.0
Aug-13	55.3	47.9	51.6	53.3	50.6	55.1	56.5	64.0	57.7	57.0	47.6	54.4

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	
Aug-12	51.8	46.2	44.1	52.7	48.9	47.3	53.1	61.3	53.4	52.2	49.4	52.8
Sep-12	53.2	54.6	48.5	46.4	51.0	52.2	56.2	63.1	55.7	55.0	47.9	47.1
Oct-12	50.5	45.1	42.1	43.9	44.5	53.2	49.4	59.8	60.8	47.8	43.7	49.8
Nov-12	55.9	50.3	53.8	54.1	53.6	53.9	55.8	63.3	61.1	57.1	45.2	52.8
Dec-12	53.1	48.0	52.6	55.3	48.5	48.6	53.1	61.6	54.5	56.3	45.6	48.7
Jan-13	54.5	45.7	50.3	51.5	51.5	50.8	56.4	65.5	59.8	55.9	45.2	49.7
Feb-13	57.3	52.2	53.2	52.9	55.6	54.0	58.4	64.2	62.2	56.2	60.5	53.8
Mar-13	58.4	45.7	54.9	52.4	54.3	54.3	61.6	70.4	66.4	53.6	57.1	53.6
Apr-13	62.0	62.1	59.0	60.2	54.7	56.5	64.5	70.8	66.1	60.1	63.3	57.4
May-13	61.5	52.2	59.6	61.9	55.8	60.4	59.5	76.3	62.9	58.4	52.6	59.3
Jun-13	65.9	56.2	63.7	61.1	72.9	64.9	68.4	73.1	68.2	62.8	57.4	63.7
Jul-13	69.1	62.3	62.1	66.9	64.4	64.3	68.4	78.0	75.5	73.4	70.2	64.5
Aug-13	65.8	53.0	58.2	63.4	66.2	62.6	67.5	73.0	74.7	67.2	61.8	61.5

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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 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 (August survey)

IpsosMORI interviewed 1500 adults aged 18-64 across Great Britain from its online panel of respondents. Interviews were conducted online between 7th – 12th August 2013. 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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