

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

Sentiment rebounds but household expectations remain muted

Key headlines for August 2016

- Households across the UK perceive that the value of their home rose in August.
- Respondents in six of the 11 regions covered by the index believe prices increased over the course of the month.
- Households in the East of England perceived the biggest price growth in August, followed by those in the South West and South East.
- The future HPSI picked up in August with households still confident that the value of their home will rise over the next 12 months – albeit at a slower pace than before the EU Referendum.
- Households in the South of England are more confident about price rises than those in the North of England, Scotland or Wales.

Some 15.2% of the 1,500 households surveyed across the UK said that the value of their home had risen over the last month, while 12.4% said that prices had fallen. This resulted in a HPSI reading of 51.4 (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.

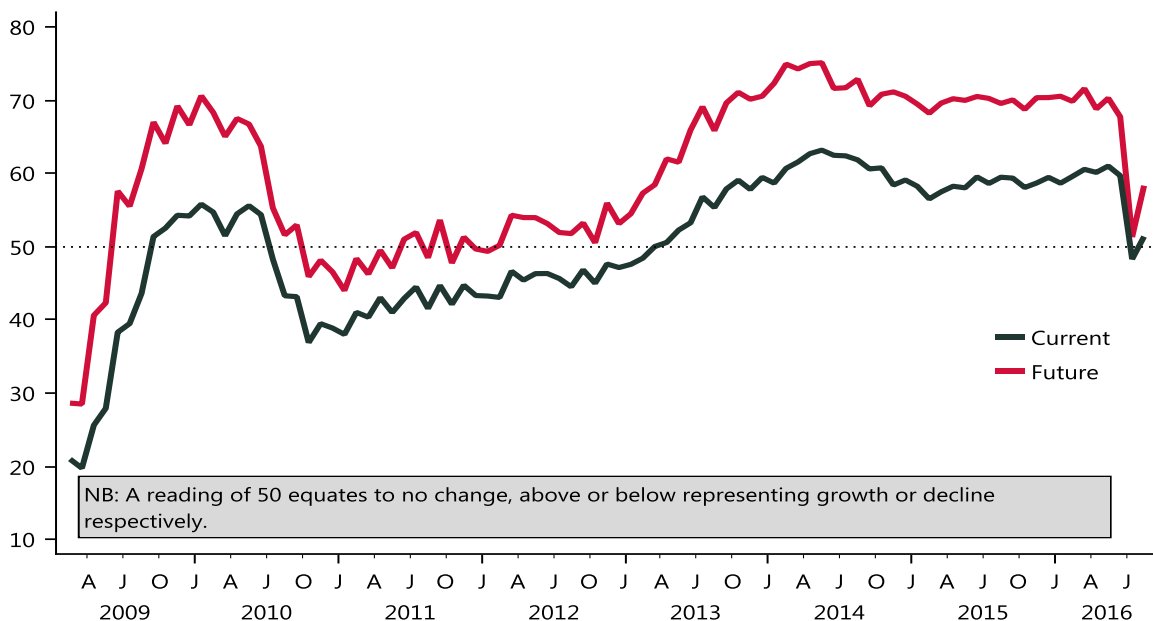
August’s reading was an increase from the 48.3 recorded last month following the EU Referendum – and takes the index back into 50+ territory, indicating prices rose on the month. However, it remains notably below the average HPSI reading for the first six months of the year before the vote (59.9). It is also significantly lower than the peak of 63.2 recorded in May 2014.

Change in current house prices

Households across the UK perceive that the value of their home rose in August, according to the latest House Price Sentiment Index (HPSI) from Knight Frank and IHS Markit.

Households in six of the 11 regions covered by the index perceived that the value of their property rose in August, with those in the East of England reporting the biggest rises (58.5), followed by those in the South West (55.0) and the South East (54.5).

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



Scotland and the North East were the only two regions where sentiment fell month-on-month from 49.3 and 45.0 to 45.6 and 44.3 respectively.

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

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 to 58.3 in August from 50.3 in July.

However, while the sentiment index has risen month-on-month, it remains subdued on a longer term basis. The last time the future sentiment index was below 60.0 for two consecutive months was back in March 2013.

This suggests that while households are still positive, they are expecting more modest growth in property prices over the next 12 months.

There remain regional variations in future house price sentiment, mirroring trends in the wider housing market. Households in the East of England are the most confident that prices will rise over the next year (68.3) followed by those in the South West (64.7) and the South East (63.0).

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

“The greater political confidence instilled after Brexit by the swift appointment of a new Prime Minister, coupled with the Bank of England’s base rate cut have provided some reassurance to markets in recent weeks.

“This is reflected in a tick up in the HPSI, although uncertainty about the medium-term outlook is weighing on sentiment overall.

“The regional variations in the index are striking in August, with households in several regions expecting a stronger rate of price growth over the next 12 months than those in London, a reversal of the trend seen in recent years.”

Tim Moore, senior economist at IHS Markit, said:

“August data highlights a modest rebound in house price sentiment from the post-EU referendum low seen in July. Perceptions of current property values inched up during the latest survey period, although remain weak in comparison to those seen in the past three years.

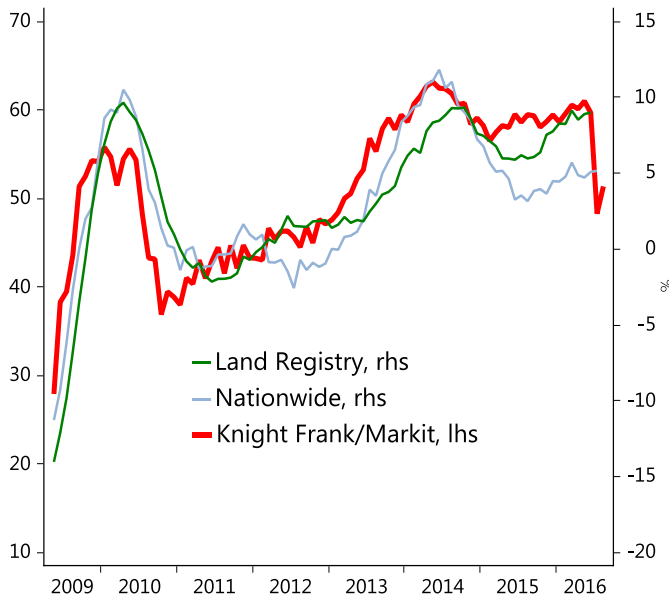
“While the rebound in current price perceptions was only modest, there was an appreciable bounce in property value expectations for the next 12 months. Almost twice as many survey respondents (35%) expect a rise in their property value over the year ahead as those that anticipate a fall (19%). As a result, the index measuring future price expectations has recovered almost half of the ground lost in July. In line with the current price index, it also sits at a level last seen in early-2013.

“It is still too early to evaluate the full impact of the EU referendum on the UK property market, both at the national and local level. However, the latest survey data serves as an early indication that the aggressive policy action announced by the Bank of England in August has had a stabilising influence on overall property price expectations.

“It will take until early-Autumn to better gauge the short-term direction of travel for household sentiment, but for the time being it seems that the post-Brexit jolt to confidence has paused for breath at least.”

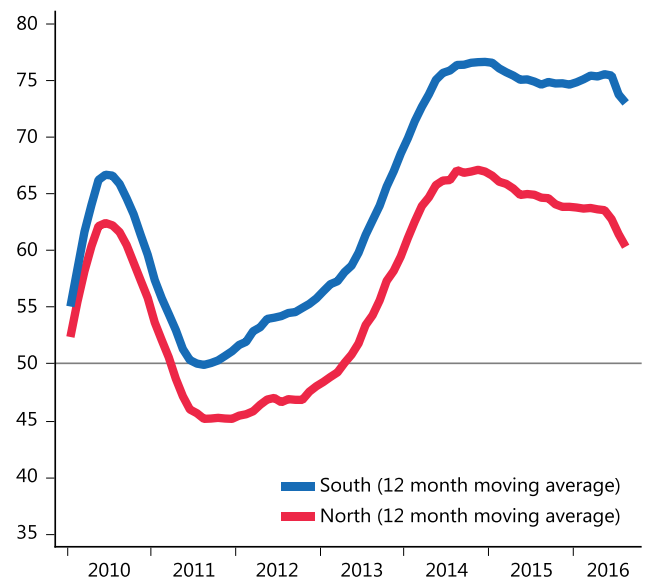
Knight Frank/Markit House Price Sentiment Index (HPSI) – Data Summary

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



Source: Knight Frank Research / IHS Markit

Fig 3: Regional variations in future HPSI



Source: Knight Frank Research / IHS Markit

NB A reading of 50 equates to no change, above or below represents growth

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-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
May-16	61.0	52.5	56.3	58.5	58.6	53.4	64.6	70.8	66.9	59.4	60.5	56.9
Jun-16	59.7	48.5	56.5	51.6	55.3	60.1	62.7	69.6	66.3	57.7	57.0	54.6
Jul-16	48.3	45.0	46.8	46.7	44.5	49.8	50.2	49.5	50.2	49.8	43.3	49.3
Aug-16	51.4	44.3	50.8	47.3	49.0	50.2	58.5	53.1	54.5	55.0	48.4	45.6

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	
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
May-16	70.3	61.8	61.5	66.0	66.3	63.3	77.9	78.2	79.5	74.8	67.6	62.3
Jun-16	67.7	50.4	62.4	56.8	63.3	67.1	71.0	78.2	76.0	72.8	66.9	60.8
Jul-16	51.3	48.9	47.1	46.9	46.4	52.4	53.2	56.3	54.5	51.7	48.2	51.9
Aug-16	58.3	54.5	52.7	49.9	55.7	55.7	68.3	61.5	63.0	64.7	56.9	52.2

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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 IHS 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 IHS 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 (July survey)

IpsosMORI interviewed 1,500 adults aged 18-64 across Great Britain from its online panel of respondents. Interviews were conducted online between 8th and 12th August. 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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