

## Knight Frank/Markit House Price Sentiment Index (HPSI) – DECEMBER 2012

# Households expect house prices to rise in 2013: but large regional splits in outlook

### Key headlines for December

- UK households in six of the 11 regions expect that the value of their home will rise in 2013
- The biggest rises are expected in London and the South West, closely followed by Yorkshire and the Humber
- Households in Wales expect the biggest fall in the value of their property over the next 12 months
- UK households perceived that the value of their property declined over the last month, for the 30<sup>th</sup> consecutive month

### Change in current house prices

Knight Frank/Markit's House Price Sentiment Index (HPSI) signals that average house prices fell for the 30<sup>th</sup> consecutive month in December.

The proportion of homeowners reporting that the value of their home had risen was 7.7%, which slipped from 9.1% in November, while the proportion saying that the value of their home had declined remained steady at around 14%. This resulted in a HPSI reading of 47.1, down from 47.6 in November.

**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.**

### 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 (figure 2), which measures what households think will happen to the value of their property over the next year, fell back slightly in December, but still indicated that on average, UK households expected prices to rise modestly in 2013.

The overall index reading for the UK was 53.1, down from November's reading of 55.9, but still indicating that price rises are expected. On a smoother three-month average reading, the future HPSI in December was 53.2, unchanged from November.

### Regional outlook

Despite the headline reading, there are stark regional differences for the outlook in prices. Households in six of the 11 regions expect price rises in 2013, with London leading from the front (61.6) as it has done for most of the past two years.

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

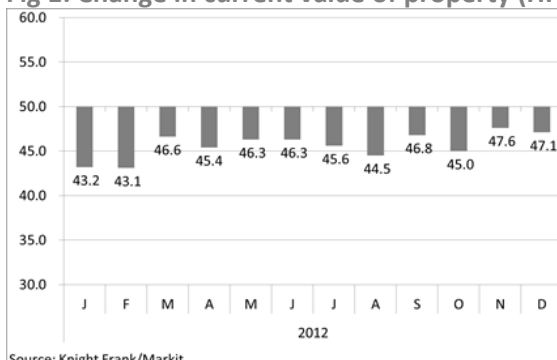
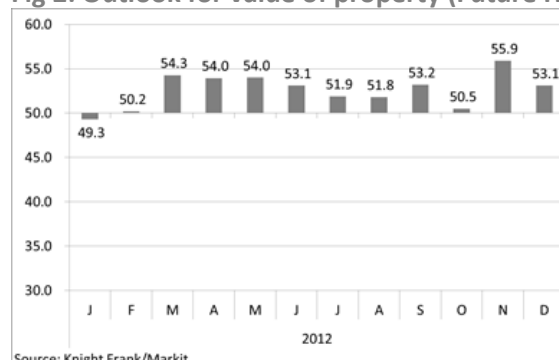


Fig 2: Outlook for value of property (Future HPSI)



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

Households are also upbeat about the future trend in house prices over the next year in the South West (56.3) – even more so that households in the South East (54.5), the first time this has happened since January 2010.

There is not a clear-cut North/South divide in house price expectations however. Households in Yorkshire and the Humber (55.3), the North West (52.6) and the East of England (53.1) also expect price increases.

Households in five regions expect prices to decline over the next year, with the sharpest declines being anticipated in Wales (45.6) and the North East (48.0).

Most types of households are optimistic that prices will edge upwards, including those who own outright or with a mortgage, and those renting a property. The exception is those living rent-free (44.5), for example at home with their parents, who are gloomy about the prospect of price rises next year.

This is also reflected in the age breakdown of respondents, which shows that all but those in the 18-24 age band (46.5) expect prices to rise next year.

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

“It is becoming increasingly clear that the housing market in the UK is not a homogenous entity. While looking at average house price movements can be useful for looking at broad trends in the market cycle, price movements are becoming more localised, a situation which is only

exacerbated by the current constrained activity in the market.

“As this data shows, it is not a simple case of North vs South when it comes to the current outlook for house prices. Indeed, households in Yorkshire and the Humber are among the most positive about the outlook for house prices in 2013.

“While the outlook for house price rises among households in the majority of regions is a positive note on which to end 2012, the large regional splits show that the housing market is far from recovered, especially heading into an economically uncertain 2013.”

**Chris Williamson, chief economist at Markit, said:**

“Households still perceive the current value of their properties to be falling on average, although sentiment over the last two months has been the least negative for two and a half years, suggesting the housing market is at least moving in the right direction. Hopefully the Funding for Lending Scheme will help to perk the market up further in coming months, meaning 2013 will be a better year for the housing market in terms of both prices and the volume of sales.

“We should also see the market start to improve outside of London and the South East, led by the South West, Yorkshire and the Humber and – to lesser extents – the North West and East of England. However, the capital still looks likely to remain very much the UK’s housing market hot-spot for the foreseeable future.”

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

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

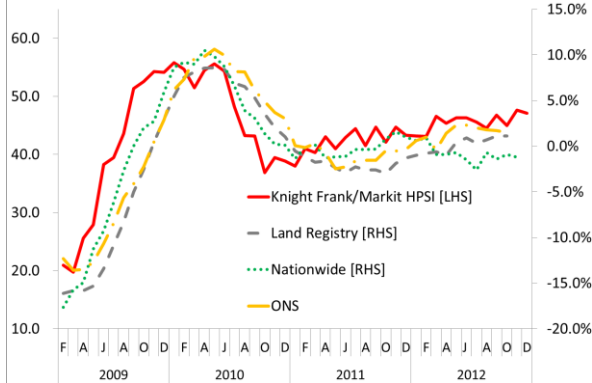
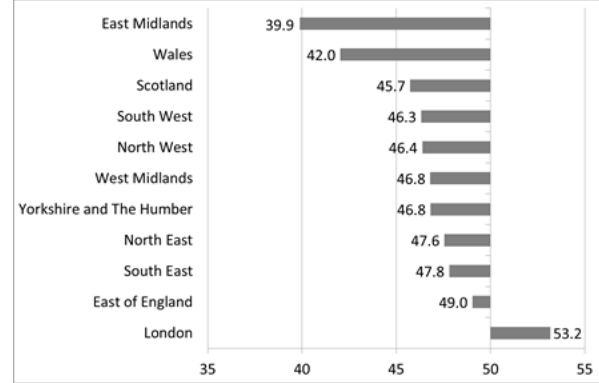


Fig 4: Regional change in current value of property



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	
Dec-11	43.3	38.5	40.8	40.0	39.4	43.3	46.0	49.8	45.5	43.0	38.8	42.0
Jan-12	43.2	38.6	43.2	40.6	40.4	42.1	40.9	47.7	45.8	43.6	40.2	44.5
Feb-12	43.1	45.2	43.5	38.2	40.6	42.1	41.1	49.5	44.2	44.3	35.7	42.4
Mar-12	46.6	43.1	41.4	44.9	41.4	45.8	49.6	55.1	48.4	47.9	43.0	43.8
Apr-12	45.4	39.1	43.3	41.0	41.4	45.8	42.1	53.6	48.8	47.3	39.2	45.6
May-12	46.3	44.5	41.0	44.0	46.8	42.5	48.9	50.9	49.2	47.8	45.3	44.3
Jun-12	46.3	41.9	47.4	46.9	47.7	44.3	47.2	50.7	44.3	45.0	40.4	47.4
Jul-12	45.6	42.0	44.8	43.9	41.6	46.6	48.4	51.0	46.1	44.1	43.0	43.5
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

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	
Dec-11	49.7	40.9	48.8	49.0	53.4	50.4	50.7	58.7	48.0	44.9	42.9	47.9
Jan-12	49.3	41.7	46.0	46.0	45.3	47.6	45.7	57.8	54.3	48.8	42.6	52.9
Feb-12	50.2	50.4	48.5	43.7	49.0	52.2	50.8	59.9	50.4	50.2	45.4	44.0
Mar-12	54.3	43.6	46.2	48.7	46.7	47.5	56.2	65.2	60.2	58.1	55.1	56.3
Apr-12	54.0	45.1	52.6	53.6	55.7	51.2	51.0	62.2	56.4	53.4	48.0	52.3
May-12	54.0	49.1	47.0	51.3	56.1	47.2	61.0	62.8	57.1	48.6	53.8	52.1
Jun-12	53.1	45.5	47.7	52.0	52.6	52.6	55.4	60.2	55.3	46.7	54.3	54.8
Jul-12	51.9	45.5	49.7	37.9	48.5	52.3	53.9	63.5	53.6	49.1	56.2	51.8
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

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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 (December survey)*

Ipsos MORI interviewed 1500 adults aged 18-64 across Great Britain from its online panel of respondents. Interviews were conducted online between 13<sup>th</sup> – 17<sup>th</sup> December 2012. 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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