

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

Households’ sentiment on property prices reaches 5-year high

Key headlines for December 2013

- Households perceive that the value of their home has risen in December, with the index reaching a new record high
- Those in London, the East of England and the South West were most positive about price rises over the course of the last month
- Expectations about future prices also picked up, falling just shy of the post-crisis peak seen back in October
- Households in the South East expect the biggest rise in prices over the next year
- Those with mortgages expect stronger price growth than those who own their home outright or in the private rented sector

Change in current house prices

Households perceived that the value of their homes rose in December, according to the House Price Sentiment Index (HPSI) from Knight Frank

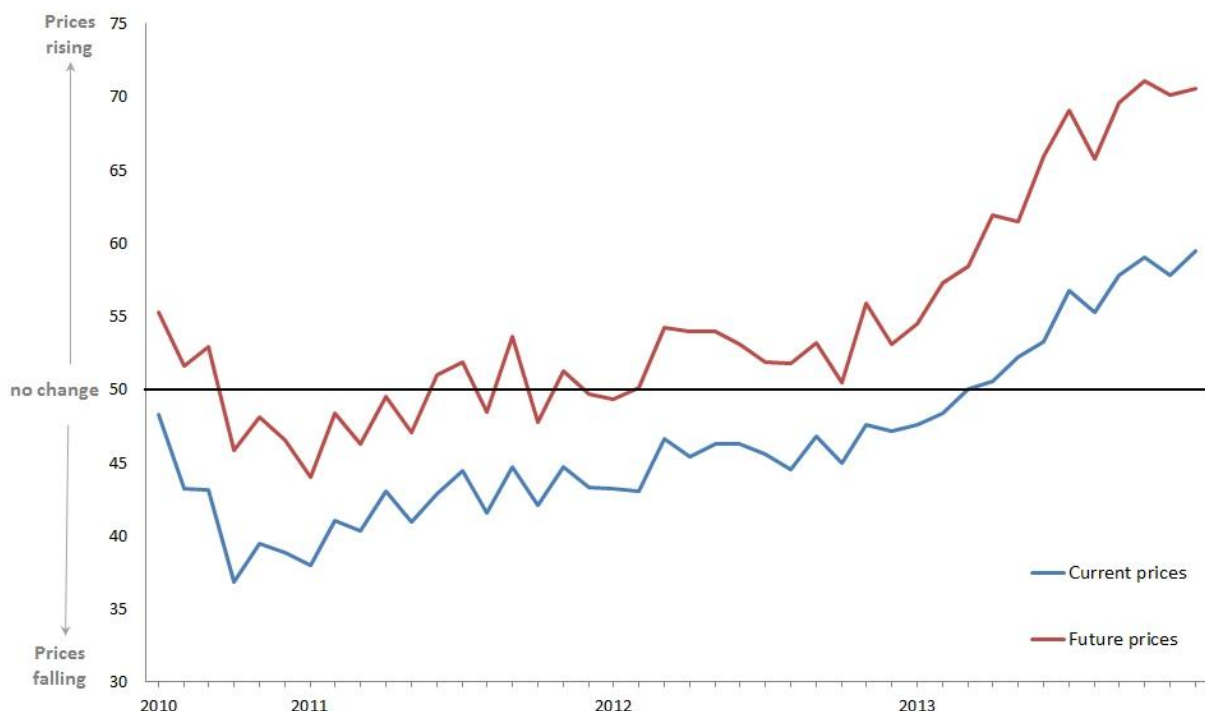
and Markit Economics. This is the ninth consecutive month that households across the UK report that the value of their home has increased.

More than 24% of the 1,500 homeowners surveyed across the UK said that the value of their home had risen over the last month, up from 7.7% in December last year. Only 5.6% of households said the value of their home had fallen over the last month, giving a record HPSI reading of 59.4 (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 higher than October’s previous record reading of 59.1, and up significantly on the 47.1 reading recorded in December 2012.

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.

Looking at the results on a regional basis, households in all 11 regions reported that the value of their home had risen in December, with those in London (67.3) and the South East (67.1) reporting the strongest growth over the last month.

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, which measures what households think will happen to the value of their property over the next year, rose slightly month-on-month in December, but remained just shy of October's record high of 71.1. The overall index reading was 70.5.

However, on a smoother three-month average basis, the future HPSI reading rose to a new series high of 70.6, up from 70.3 in the previous three month period.

Regional outlook

Households in every region expect the value of their home to rise over the next 12 months, with those in the South East (77.2) expecting the biggest rise in prices, followed by those in the East of England (76.3) where the index reached a new high. While still positive, households in the West Midlands (61.7), the East Midlands (63.7) and the North East (64.9) expect more modest increases. The full breakdown is shown in the table below (figure 3).

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

"Expectations that house prices will rise over the next year are becoming more entrenched across the country. Households in the South East and the East of England now expect the value of their properties to increase at a sharper rate than households in London. This in some part reflects the "doughnut" effect that we are seeing in prices outside the central London market, with some regions now starting to see the most significant growth in residential property values since before the financial crisis.

"The increasing confidence in the market has been bolstered by policy, not least Help to Buy, to which the Chancellor re-affirmed his commitment in last week's Autumn Statement."

Chris Williamson, chief economist at Markit, said:

"Households views on the value of their homes increased again in December, hitting the highest we've seen since during the recovery from the financial crisis. Expectations about future prices also picked up further, falling just shy of the post-crisis peak seen back in October, with households seemingly shrugging off the news that the mortgage element of the Funding for Lending Scheme will be withdrawn next year.

"Clearly the housing market and the potential risk to financial stability from sharply rising prices is likely to remain high on the agenda of the Bank of England's Financial Policy Committee for some time. What's reassuring to see, however, is that developers are responding to the upturn, with PMI survey data indicating the largest surge in house building for ten years. Controlling the increase in house prices and boosting the supply of new homes will be an important key to the sustainability of the UK economic recovery in 2014."

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

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

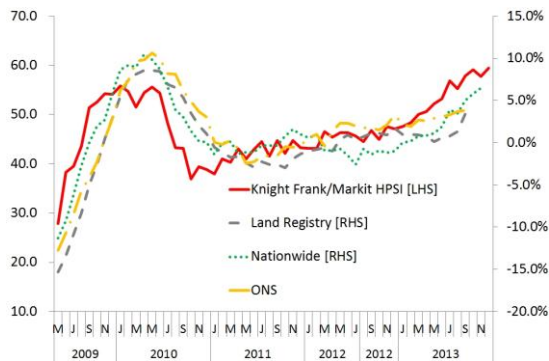


Fig 3: Change in future value of property (next 12 months)



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-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
Sep-13	57.9	53.9	54.8	52.4	54.9	56.9	57.4	67.0	61.0	57.0	57.2	55.2
Oct-13	59.1	51.0	56.8	59.5	51.8	58.3	59.5	67.2	62.3	59.3	50.7	58.7
Nov-13	57.8	53.1	55.6	51.6	56.3	52.3	62.7	68.2	57.5	59.6	56.7	53.9
Dec-12	59.4	56.2	55.8	55.4	55.6	56.3	61.5	67.3	67.1	57.0	54.7	54.5

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-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
Sep-13	69.6	64.4	65.4	66.8	68.8	68.9	70.4	80.1	71.4	69.9	64.3	64.7
Oct-13	71.1	59.0	68.4	65.9	67.8	71.5	69.9	81.4	76.7	71.1	60.4	69.9
Nov-13	70.1	57.4	65.7	66.7	67.7	64.6	75.7	79.0	73.8	72.8	67.4	66.5
Dec-12	70.5	64.9	68.4	68.3	63.7	61.7	76.3	76.0	77.2	70.9	65.8	70.0

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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)

IpsosMORI interviewed 1500 adults aged 18-64 across Great Britain from its online panel of respondents. Interviews were conducted online between 4th December and 10th December 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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