

Knight Frank/Markit House Price Sentiment Index (HPSI) – December 2014

Londoners’ lower their expectations for house price growth

Key headlines for December 2014

- Households in all regions covered by our sentiment index perceive that prices rose in December
- Expectations for future price growth fell back across the UK in December, and are well below May’s record-high
- Londoners expectations for house price growth over the next 12 months moderated sharply in December
- Some 6.1% of UK households plan to buy a property in the next 12 months

Change in current house prices

Households perceive that the value of their home rose in December, according to the House Price Sentiment Index (HPSI) from Knight Frank and Markit Economics.

Some 22.9% of the 1,500 households surveyed across the UK said that the value of their home

had risen over the last month, while 4.7% reported a fall. This gave the HPSI a reading of 59.1 (see figure 1), the twenty-first consecutive month that the reading has been above 50.

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

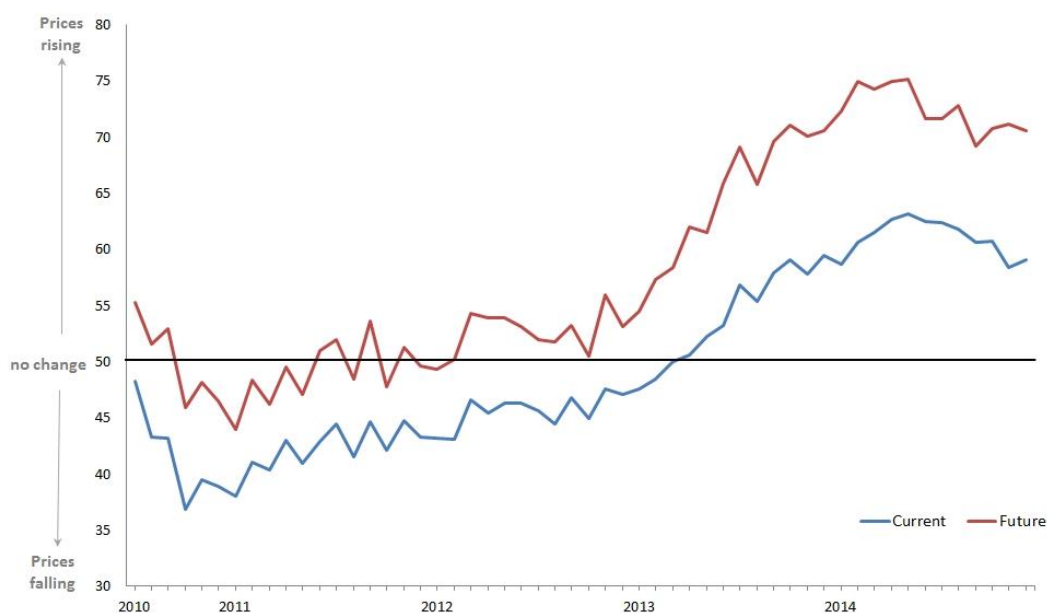
But while the index rose slightly in December, it remains below the yearly average for 2014 of 61.0, highlighting the general downward trend the index has been on for most of the second half of the year (figure 1).

Households in all 11 regions covered by the index reported that prices rose in December, led by those in the East of England (67.4). This was followed by Londoners (65.7), and households in the in the South East (65.5).

A lead indicator

Since the inception of the HPSI, the index has been a clear lead indicator for house price

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.

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, fell in December to 70.5, down from 71.1 the previous month.

Expectations of future price growth among households in London fell from 79.0 in November to 74.3 this month, the second lowest reading in 16 months.

Households in the South East (77.5) expected the biggest price rises over the next 12 months, followed by those in the East of England (76.1).

Expectations of price growth are highest among mortgage borrowers and those who own their home outright with readings of 75.6 and 72.3 respectively, followed by those renting from a private landlord (67.6).

Housing market activity

Some 6.1% of UK households said they planned to buy a property in the next 12 months. This is up from 5.5% in November.

Grainne Gilmore, Head of UK Residential Research at Knight Frank, said:

“The reform in stamp duty has not delivered an immediate boost to sentiment across the UK housing market as a whole, but Londoners seems to be feeling the impact.

“There has been a notable drop in the rate of house price growth expected by those living in the capital, perhaps a combination of slower house price growth seen recently and the fact that a higher proportion of buyers and home movers in the capital will now pay more in stamp duty under the new rules than those based elsewhere in the country.”

Tim Moore, senior economist at Markit, said:

“The latest survey reaffirms that UK housing market sentiment has drifted down throughout the second half of 2014, after reaching a high watermark early this summer. Moreover, views on year-ahead house prices softened in December, despite a boost from stamp duty reform.

“Heightened political and economic uncertainty may be dragging on households’ expectations for their property values over the course of 2015. However, recent falls in consumer price inflation will boost household budgets in the New Year and should reduce the likelihood of imminent base rate rises from the Bank of England.”

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

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

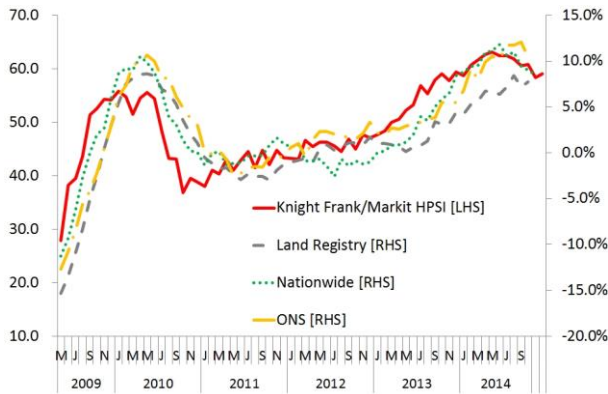


Fig 3: Change in future value of property (next 12 months)



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-13	59.4	56.2	55.8	55.4	55.6	56.3	61.5	67.3	67.1	57.0	54.7	54.5
Jan-14	58.7	56.1	53.7	55.9	55.1	53.7	64.6	69.2	61.1	56.7	55.7	54.1
Feb-14	60.7	57.2	57.3	53.4	58.3	57.1	64.8	68.4	66.9	61.4	54.4	56.0
Mar-14	61.5	50.4	59.4	54.3	58.6	59.8	61.1	74.7	66.4	61.1	59.0	55.4
Apr-14	62.7	50.0	57.9	60.9	60.7	57.8	68.2	74.9	67.7	62.6	53.8	55.9
May-14	63.2	57.5	60.9	55.6	64.3	58.7	68.7	69.9	65.2	69.2	59.8	56.4
Jun-14	62.5	52.9	57.7	58.0	56.5	57.1	66.3	71.9	69.1	65.5	58.1	58.5
Jul-14	62.4	51.7	55.0	58.1	61.7	60.5	68.3	70.5	69.7	62.0	57.3	56.6
Aug-14	61.8	56.9	58.7	55.8	58.1	60.4	63.5	71.4	68.4	61.1	57.0	55.3
Sep-14	60.6	51.5	53.4	56.6	56.8	62.5	64.4	67.7	67.5	60.4	58.1	55.1
Oct-14	60.7	55.3	54.9	57.1	57.8	54.1	65.5	73.3	65.0	60.8	52.8	57.1
Nov-14	58.4	59.1	51.3	50.9	54.0	57.5	62.8	62.7	63.5	60.3	60.5	56.8
Dec-14	59.1	53.0	54.8	54.2	54.1	54.6	67.4	65.7	65.5	58.1	56.7	54.1

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	
Dec-13	70.5	64.9	68.4	68.3	63.7	61.7	76.3	76.0	77.2	70.9	65.8	70.0
Jan-14	72.3	71.7	66.8	67.1	73.0	69.5	76.6	79.0	77.9	68.2	68.1	69.5
Feb-14	74.9	70.3	76.1	65.5	71.4	72.7	79.6	81.8	78.7	74.4	69.0	72.0
Mar-14	74.3	60.4	75.3	66.4	70.9	73.1	76.5	82.8	79.6	73.8	74.8	67.4
Apr-14	75.0	62.8	71.7	74.2	75.6	70.6	74.2	83.1	82.0	74.9	73.8	67.9
May-14	75.1	69.4	73.3	70.0	72.0	69.7	79.7	81.5	78.2	79.3	70.8	72.0
Jun-14	71.6	58.8	65.4	71.2	68.3	69.0	73.9	77.8	79.0	71.4	68.0	70.0
Jul-14	71.7	58.2	66.2	68.4	64.4	73.3	76.0	76.8	79.8	72.7	71.9	66.4
Aug-14	72.8	64.8	69.0	72.3	69.5	74.3	76.1	77.7	79.3	72.7	64.8	67.1
Sep-14	69.2	59.6	62.6	65.9	66.7	72.5	71.1	72.8	78.1	70.8	65.5	63.4
Oct-14	70.8	67.1	65.4	64.6	67.3	63.0	76.3	78.0	78.8	74.3	63.5	67.5
Nov-14	71.1	69.3	60.9	65.2	70.3	68.9	74.3	79.0	77.1	73.6	69.2	67.6
Dec-14	70.5	64.3	63.8	67.9	65.9	68.0	76.1	74.3	77.5	73.6	69.3	66.3

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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 1,500 adults aged 18-64 across Great Britain from its online panel of respondents. Interviews were conducted online between 10th – 14th December 2014. 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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