

Knight Frank/Markit House Price Sentiment Index (HPSI) – December 2015

London regains lead on current and future house price sentiment

Key headlines for December 2015

- Households in most UK regions perceive that the value of their home rose in December
- Those in London perceived the strongest rate of price growth over the course of the month, while households in the North East reported no change in prices
- Households in all UK regions expect house prices to rise over the next 12 months, with the strongest growth expected by households in London
- Some 11.1% of individuals said they plan to buy a house within the next two years, down from a 12 month average of 12.8%

Change in current house prices

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

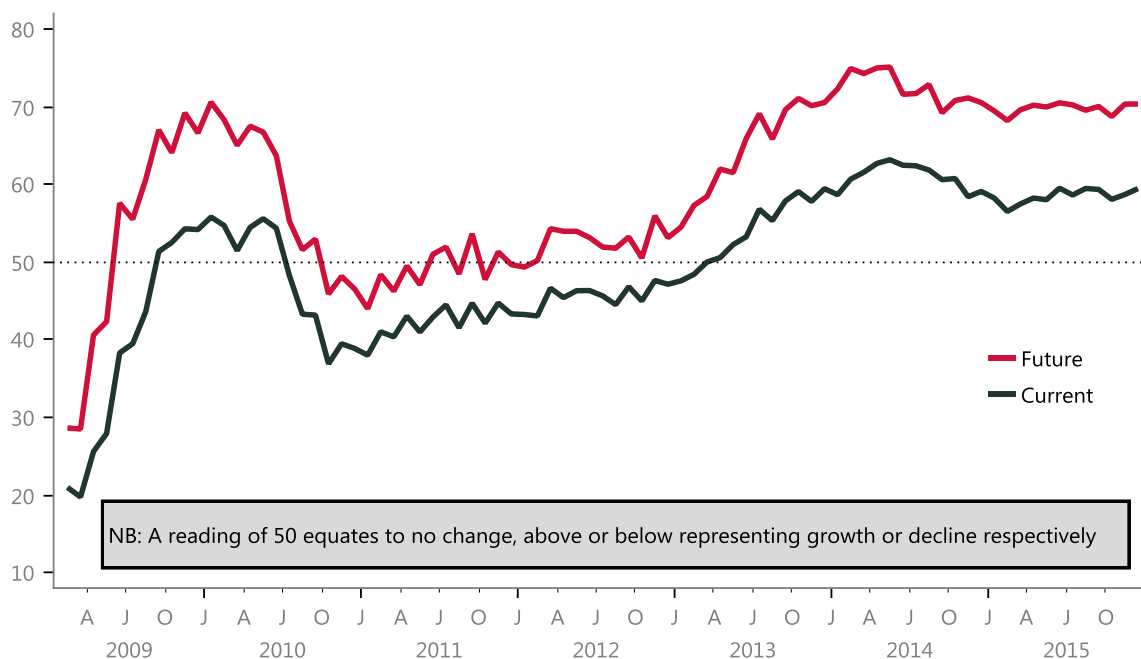
Some 22.4% of the 1,500 households surveyed across the UK said that the value of their home had risen over the last month, while 3.5% said that prices had fallen. This resulted in a HPSI reading of 59.4 (see figure 1). This is the thirty-third consecutive month that the reading has been above 50.

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.

December's reading was a slight increase from the 58.7 recorded in November and was higher than the average reading of 58.5 recorded across 2015. However, it remained below the peak of 63.2 achieved in May last year, reflecting the more modest house price growth seen across the country over the last 12 months.

Households in ten of the eleven regions covered by the index reported that prices rose in December, led by households in London (68.7). In the North East

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



Source: Knight Frank/Markit

(50.0) households perceived no change in prices over the course of the month.

This is only the third time that a region within Great Britain has reported no change or a fall in prices since August 2013 (see 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, was unchanged in December compared to the previous month.

An index reading of 70.3 was the joint-second highest of the year.

There are a number of regional differences in expectations for price growth with households in London (77.9), the South East (76.7) and the East of England (74.5) the most confident that prices will rise over the next 12 months, as shown in the tables on page 3.

Mortgage borrowers were the most confident that prices will rise over the next year (76.1), followed by those who own their home outright (74.9).

Housing market activity

Some 5.5% of UK households said they planned to buy a property in the next 12 months, up from 5.4% in November and 4.6% in October.

However, while the number of households planning to buy in the next year has risen, the number saying they plan to buy a property within the two years (11.1%) and the next five years

(21.9%) is at the lowest level ever recorded by our index.

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

“The localised nature of the housing market is highlighted in the index, with the regional difference between households’ perceptions of house price changes in December at its greatest for nearly 18 months. This regionalised picture is expected to continue next year, with households’ in London expecting the strongest growth in prices in 2016.

“The supply of housing coming onto the market has dipped to record lows in recent months - affecting the ability of families to move up and down the housing ladder. The survey suggests this trend is also set to continue, with a lack of available housing also likely to continue to underpin pricing in many areas.”

Tim Moore, senior economist at Markit, said:

“UK households seem to anticipate little fundamental change in prevailing supply and demand dynamics over the course of 2016. Buoyant forecasts were reported for property values over the next 12 months, with expectations at a remarkably similar level to those seen at the end of 2013 and 2014.

“At the same time, the proportion of UK households expecting to purchase a property over the short-to-medium term has drifted down again in December, reaching its lowest since at least the spring of 2014.

“Existing mortgage holders and owners opting to stay put are among those driving the trend. As a result, the survey provides an advance signal that the flow of property coming on to the market will remain depleted in 2016, which in some areas could amplify the supply squeeze from stunted house building levels and historically insufficient new build volumes.”

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

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

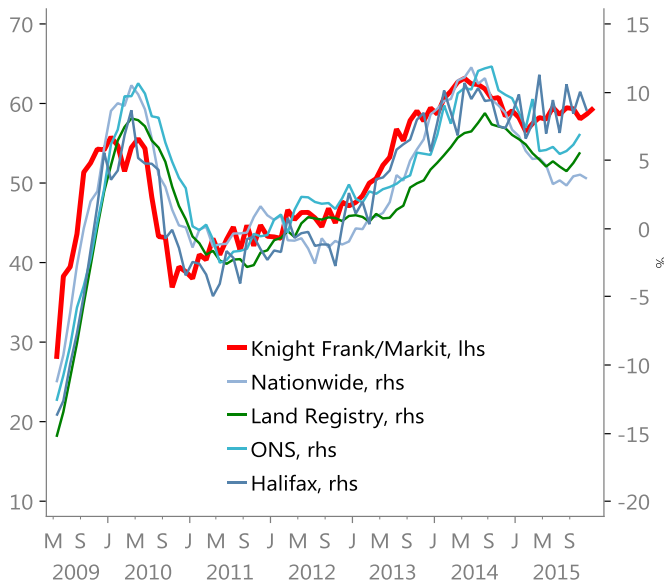
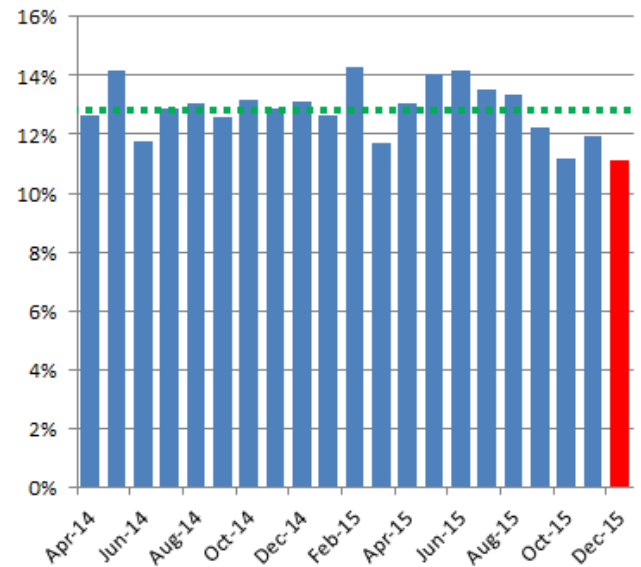


Fig 3: Percentage of buyers planning to buy a property in the next 2 years



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-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
Jan-15	58.2	54.5	53.0	55.3	59.0	53.9	60.2	65.3	63.0	58.8	53.9	54.8
Feb-15	56.5	54.3	53.7	54.5	57.6	54.7	60.5	62.7	59.1	53.7	55.8	49.4
Mar-15	57.5	54.9	54.2	52.8	54.5	54.2	62.1	63.7	62.3	59.7	51.8	52.1
Apr-15	58.2	51.9	54.2	54.5	54.3	59.3	62.1	64.2	61.3	59.6	53.2	55.7
May-15	58.0	53.3	53.8	53.5	56.8	55.3	61.2	64.8	61.6	60.0	51.6	56.1
Jun-15	59.5	53.0	51.4	56.4	56.8	56.9	65.7	66.6	64.0	61.6	53.7	57.7
Jul-15	58.6	51.6	55.1	57.4	54.9	56.0	62.9	69.6	61.0	54.2	53.7	55.4
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

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-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
Jan-15	69.5	60.4	62.6	69.8	70.5	63.5	73.0	75.3	74.9	75.1	66.0	62.8
Feb-15	68.2	60.6	67.0	65.0	67.8	62.2	72.9	72.9	73.8	70.9	65.3	61.0
Mar-15	69.6	62.0	65.3	67.8	69.7	69.8	71.7	73.7	77.0	73.7	61.5	60.3
Apr-15	70.2	61.7	64.0	68.4	65.3	70.0	78.7	73.8	75.7	72.1	66.0	65.5
May-15	70.0	62.7	61.9	67.4	68.1	68.0	77.8	77.7	73.5	71.8	64.0	65.8
Jun-15	70.5	67.3	63.2	67.9	69.3	66.6	75.0	78.2	78.3	72.3	60.0	64.3
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

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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 9th November and 13th December. 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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