

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

Record regional split in house price expectations

Key headlines for February 2016

- Households in all UK regions perceive that the value of their home rose in February
- Those in London perceived the strongest rate of price growth over the course of the month, while households in Scotland reported the most modest rate of growth
- Households in all UK regions expect house prices to rise over the next 12 months, with the strongest growth expected by households in the South East
- However, the rate of growth expected over the next year eased compared to January

Change in current house prices

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

Some 23.2% of the 1,500 households surveyed across the UK said that the value of their home

had risen over the last month, while 4.1% said that prices had fallen. This resulted in a HPSI reading of 59.6 (see figure 1).

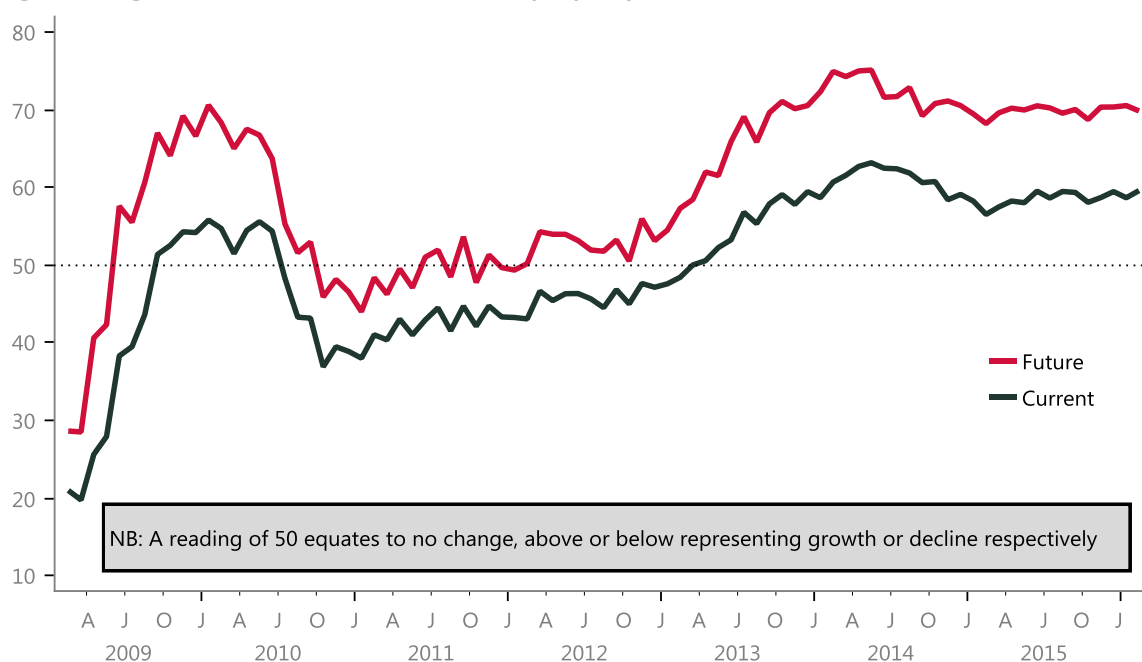
This is the thirty-fifth consecutive month that the reading has been above 50.

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.

February's reading was the highest recorded by the index since October 2014, indicating that households perceive that the value of their home rose at its strongest rate since then. However, February's reading remains well below the peak of 63.2 reached in May 2014, reflecting the easing in average UK house price growth seen since then.

Households in all of the eleven regions covered by the index reported that prices rose in February, led by households in London (68.1) and the East of England (62.3).

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



Source: Knight Frank/Markit

The current sentiment index was lowest for Scotland (51.7) and the North East (53.0), indicating that households in these regions perceived the most modest rise in prices across the UK in January.

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, fell in February to 69.8, from 70.5 in January.

While still indicating that households across the UK expect the value of their home to rise over the next 12 months, the future HPSI remains below its peak of 75.1 reached in May 2014.

There remains a clear north-south divide in terms of the outlook for house prices, with households in Southern England more confident about future growth over the coming 12 months.

Indeed, households in the South East were the most confident that prices will rise (78.7), followed by Londoners (77.8) and those in the South West (74.1).

In Scotland (62.0), the North East (60.6) and Wales (62.5), expectations for future price growth remain positive, but are more subdued. The full regional breakdown is shown in the tables on page 3.

Those who own their home outright are the most confident that prices will rise over the next year (75.4), followed by mortgage borrowers (75.2).

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

"The HPSI indicates that house prices are set to continue to tick up modestly in the coming months. The market is being underpinned by the solid economic recovery and ultra-low interest rates – which now look as if they will stay put for some time to come. However a key dynamic of the UK housing market is that it is highly regionalised in terms of price movements, something which is highlighted by the HPSI.

"The average annual spread of future HPSI readings – the difference between the lowest and highest readings across the regions – reached a new high this month, with households in the South of England expecting stronger growth than those in the North. This signals that the regionalised nature of the market is unlikely to unwind in the short term."

Tim Moore, senior economist at Markit, said:

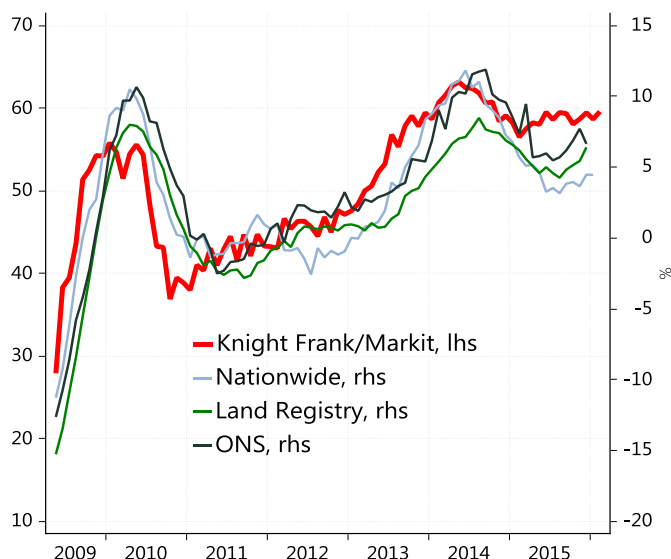
"February's survey highlights a continuation of the steady upward trend in UK house price sentiment from the pre-election lows seen in early 2015.

"While pay growth has been sluggish and the economic outlook weakened in recent months, a resultant expectation that interest rates will stay low for longer seems to have boosted UK house price perceptions at the start of 2016.

"In fact, survey data from Markit indicates that less than half of UK households (46%) expect a Bank of England rate rise over the next 12 months, down sharply from 71% in January and the lowest proportion since October 2013."

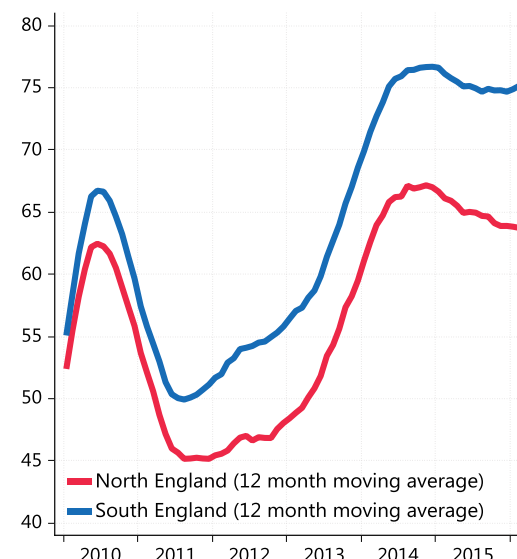
Knight Frank/Markit House Price Sentiment Index (HPSI) – Data Summary

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



Source: Knight Frank Research

Fig 3: Regional variations in future HPSI (unweighted)



Source: Knight Frank Research

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
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
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

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
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
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

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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 YouGov plc 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 (February survey)

IpsosMORI interviewed 1,500 adults aged 18-64 across Great Britain from its online panel of respondents. Interviews were conducted online between 10th and 14th February. 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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