

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

House price expectations fall to 18 month low

Key headlines for February 2015

- Households in Scotland perceived that prices fell this month, the first time any region has reported such a decline in nearly 18 months
- Expectations for future price growth fall to the lowest level in 18 months
- Households in the South East expect the strongest price rises over the next 12 months
- Some 6.2% of UK households plan to buy a property over the next year

Change in current house prices

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

Some 19.0% of the 1,500 households surveyed across the UK said that the value of their home had risen over the last month, while 6.0% reported a fall. This gave the HPSI a reading of 56.5 (see

figure 1), the twenty-third consecutive month that the reading has been above 50.

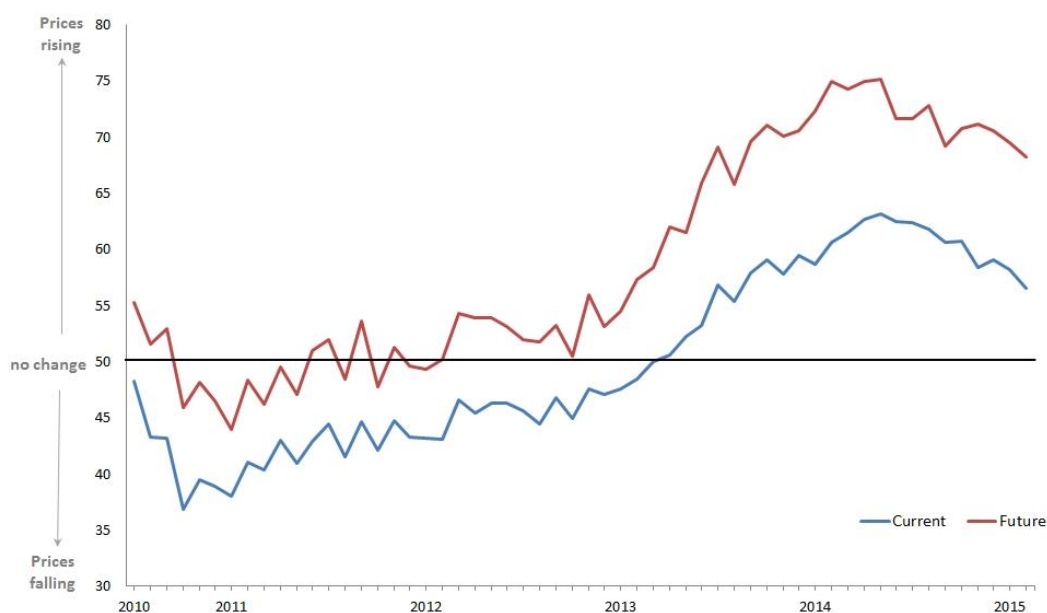
Any figure over 50 indicates that prices are rising, and the higher the figure, the steeper the increase. Any figure below 50 indicates that prices are falling.

However, while the majority of households in the UK perceive the value of their property has risen in the last month, the overall reading continues to moderate (figure 1). February's index represents the lowest perceived rate of price growth since August 2013.

Households in ten of the 11 regions covered by the index report that prices rose in February, with Scotland (49.4) the only exception. This is the first time any region within Great Britain has reported a price fall in 18 months.

Londoners reported the biggest perceived rate of house price growth in February (62.7), followed by households in the East of England (60.5) and the South East (59.1).

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.

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 again in February to 68.2, down from 69.5 in January.

This is the third consecutive monthly fall in house price expectations across the UK and the lowest reading since August 2013. The future HPSI stands well below its record high of 75.1, which was seen in May 2014.

Households in the South East (73.8) expect the strongest price rises over the next 12 months, followed by those in the East of England (72.9) and London (72.9).

Interestingly, households in Scotland still expect average prices to rise over the coming 12 months (61.0), despite a perception that prices fell in February.

Housing market activity

Some 6.2% of UK households said they planned to buy a property in the next 12 months. This is up from 5.9% in January.

On a regional basis, one in ten households in London are planning a purchase in the next 12 months, followed by the West Midlands where 9.2% of households said they would be buying a property in 2015.

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

“The easing in house price sentiment indicates that the market is in for a steadier year than 2013 or 2014. While buying intentions are relatively high, there is less conviction that prices will rise strongly this year. Just 43% of households expect the value of their home to rise over the next 12 months, compared to 55% in February last year.

“The moderation in sentiment comes despite the prospect of a prolonged period of ultra-low rate inflation and low unemployment. However new mortgage rules and affordability constraints in some parts of the country are likely to weigh on price growth. In the shorter-term, many households are focussing on the election, the outcome of which could change some household finances if taxes or benefits are reformed.”

Tim Moore, senior economist at Markit, said:

“UK house price sentiment continued to cool in February, with both the current and future property value indices falling further below the peaks seen in 2014.

“Despite a sustained retreat in recent months, the latest survey indicates that overall house price sentiment remains at an elevated level by historical standards.

“Around six times as many UK households forecast a rise in their property value during the year ahead as those that expect a decline.

“Improving mortgage availability, rising consumer confidence and a reduced likelihood of impending interest rate rises all look set to support UK property prices over the course of 2015.”

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

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

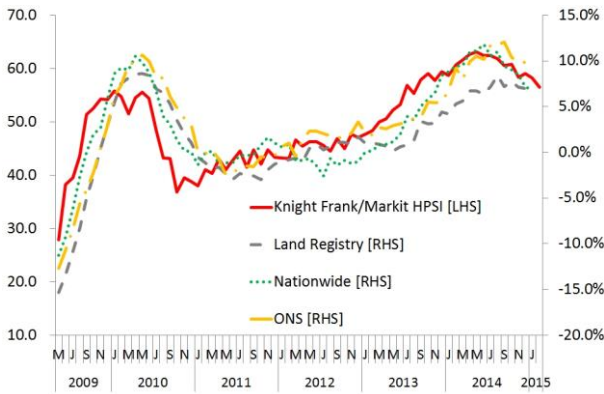


Fig 3: Change in future value of property (next 12 months)



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	
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
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

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-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
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

For further information, please contact

Knight Frank

Freddy Fontannaz, PR Manager
freddy.fontannaz@knightfrank.com
+44 20 7861 1132

Gráinne Gilmore, Head of UK Residential Research
grainne.gilmore@knightfrank.com
+44 20 7861 5102
+44 7785 527 145

Oliver Knight, Residential Research
oliver.knight@knightfrank.com
+44 20 7861 5134

Markit

Joanna Vickers, Corporate Communications
Telephone: +44 207 260 2234
Email: joanna.vickers@markit.com

Tim Moore, Senior Economist
tim.moore@markit.com
+44 1491 461067

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 (February survey)

IpsosMORI interviewed 1,500 adults aged 18-64 across Great Britain from its online panel of respondents. Interviews were conducted online between 11th – 15th February 2015. 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.

About Knight Frank

Knight Frank LLP is the leading independent global property consultancy. Headquartered in London, Knight Frank and its New York-based global partner, Newmark Knight Frank, operate from 244 offices, in 43 countries, across six continents. More than 6,840 professionals handle in excess of US\$755 billion (£521 billion) worth of commercial, agricultural and residential real estate annually, advising clients ranging from individual owners and buyers to major developers, investors and corporate tenants. For further information about the Company, please visit www.knightfrank.com.

For the latest news, views and analysis on the world of prime property visit Knight Frank's new website Global Briefing at <http://www.knightfrankblog.com/global-briefing/>. And follow us on twitter @kfglobalbrief and @knightfrank.

About Markit

Markit is a leading global diversified provider of financial information services. We provide products that enhance transparency, reduce risk and improve operational efficiency. Our customers include banks, hedge funds, asset managers, central banks, regulators, auditors, fund administrators and insurance companies. Founded in 2003, we employ over 3,000 people in 10 countries. Markit shares are listed on NASDAQ under the symbol "MRKT". For more information, please see www.markit.com

The intellectual property rights to the HPSI provided herein is owned by Markit Economics Limited. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without Markit's prior consent. Markit shall not have any liability, duty or obligation for or relating to the content or information ("data") contained herein, any errors, inaccuracies, omissions or delays in the data, or for any actions taken in reliance thereon. In no event shall Markit be liable for any special, incidental, or consequential damages, arising out of the use of the data. Markit and the Markit logo are registered trademarks of Markit Group Limited.