

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

Household sentiment on current and future prices picks up

Key headlines for March 2015

- Households in all monitored UK regions perceive that property prices rose in March
- Londoners reported the biggest perceived rate of house price growth over the course of the month
- Expectations for future price growth also rose, reversing three months of softening expectations
- Households in the South East expect the strongest price rises over the next 12 months
- Some 5.7% of UK households plan to buy a property in the next year

Change in current house prices

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

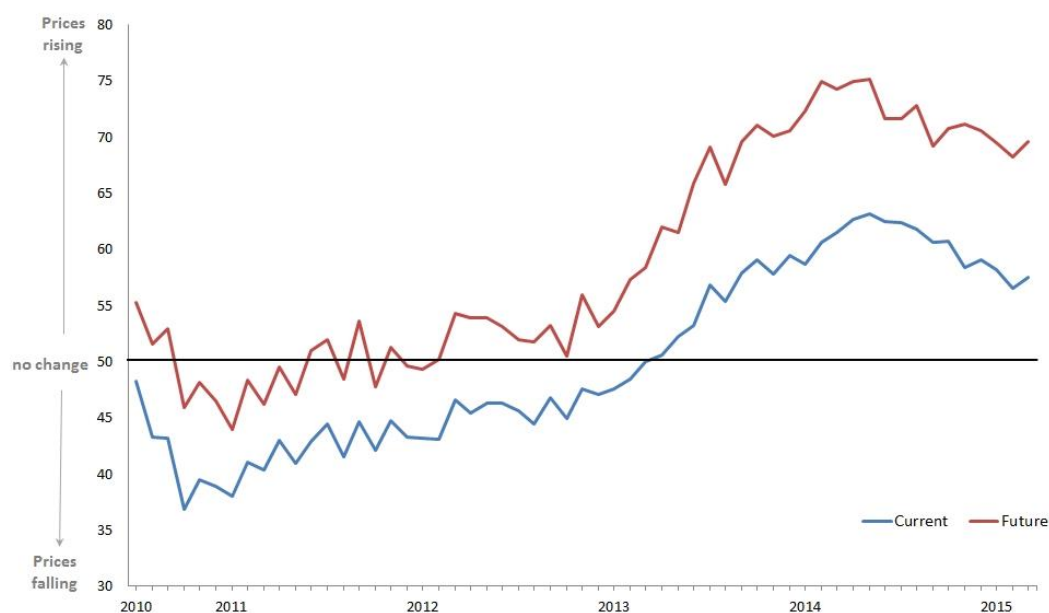
Some 19.4% of the 1,500 households surveyed across the UK said that the value of their home had risen over the last month, while 4.4% reported a fall. This gave the HPSI a reading of 57.5 (see figure 1), making this the twenty-fourth consecutive month that the reading has been above 50.

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.

While the majority of households in the UK perceive the value of their property has risen in the last month, the overall reading remains well below its record high of 63.2 achieved in May last year (figure 1).

Households in all eleven regions covered by the index report that prices rose in March, with Londoners reporting the biggest perceived rate of house price growth over the course of the month (63.7), followed by households in the South East (62.3) and the East of England (62.1).

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, rose in March to 69.6, up from 68.2 in February.

Households in the South East were most confident about price rises (77.0), followed by those in the South West and London (73.7). The West Midlands saw the biggest monthly jump in household sentiment with an index reading of 69.8 in March, up from 62.2 in February.

Mortgage borrowers were the most confident that prices will rise over the next year (75.1), followed by those who own their home outright (72.0).

But, while households are confident that the value of their home will rise in the next 12 months, the headline future HPSI remains below its peak of 75.1 achieved in May last year.

Housing market activity

Some 5.7% of UK households said they planned to buy a property in the next 12 months. This is down from 6.2% in January.

On a regional basis, nearly one in ten households in the South East are planning a purchase in the next 12 months, followed by the West Midlands where 6.7% of households said they would be buying a property in 2015.

Individuals aged between 25 and 34 are more likely to be considering buying a home in the short term, with 7.8% of such respondents saying they planned to purchase a home within the next

12 months compared to 3.7% of respondents aged 55 and above.

Liam Bailey, Global Head of Residential Research at Knight Frank, said:

"Against the backdrop of improving economic conditions an improvement in household sentiment towards the property market is not surprising. However, in spite of the rise, we remain of the view that new mortgage rules announced last year combined with affordability constraints in some parts of the country are likely to weigh on price growth in the short term."

"The Help to Buy ISA, announced in Wednesday's Budget is welcome boost for first time buyers and we expect it will have a positive impact on sentiment."

Tim Moore, senior economist at Markit, said:

"March's survey highlights the first improvement in UK house price sentiment so far in 2015, although the upturn represents only a partial reversal of the slowdown since last summer."

"Improving economic conditions and positive labour market trends continue to support UK housing demand, while supply remains tight and there are signs that the revival in new housing starts has paused for breath in recent months."

"Moreover, the expectation of low interest rates for longer remains a key factor supporting UK house price sentiment. However, stretched affordability and more stringent mortgage lending rules have helped to lower UK house price growth expectations from the post-crisis peaks recorded in 2014."

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

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

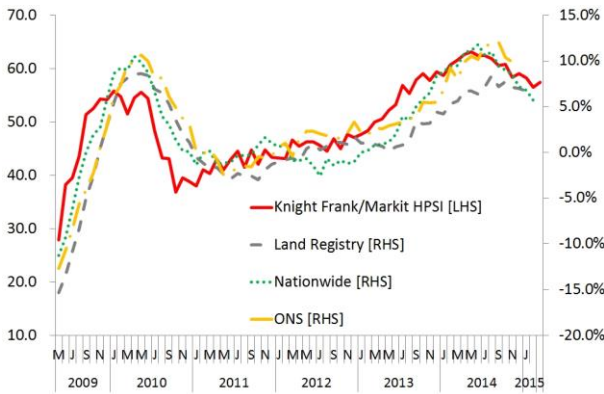


Fig 3: Change in future value of property (next 12 months)



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
Mar-14	61.5	50.4	59.4	54.3	58.6	59.8	61.1	74.7	66.4	61.1	59.0
Apr-14	62.7	50.0	57.9	60.9	60.7	57.8	68.2	74.9	67.7	62.6	53.8
May-14	63.2	57.5	60.9	55.6	64.3	58.7	68.7	69.9	65.2	69.2	59.8
Jun-14	62.5	52.9	57.7	58.0	56.5	57.1	66.3	71.9	69.1	65.5	58.1
Jul-14	62.4	51.7	55.0	58.1	61.7	60.5	68.3	70.5	69.7	62.0	57.3
Aug-14	61.8	56.9	58.7	55.8	58.1	60.4	63.5	71.4	68.4	61.1	57.0
Sep-14	60.6	51.5	53.4	56.6	56.8	62.5	64.4	67.7	67.5	60.4	58.1
Oct-14	60.7	55.3	54.9	57.1	57.8	54.1	65.5	73.3	65.0	60.8	52.8
Nov-14	58.4	59.1	51.3	50.9	54.0	57.5	62.8	62.7	63.5	60.3	60.5
Dec-14	59.1	53.0	54.8	54.2	54.1	54.6	67.4	65.7	65.5	58.1	56.7
Jan-15	58.2	54.5	53.0	55.3	59.0	53.9	60.2	65.3	63.0	58.8	53.9
Feb-15	56.5	54.3	53.7	54.5	57.6	54.7	60.5	62.7	59.1	53.7	55.8
Mar-15	57.5	54.9	54.2	52.8	54.5	54.2	62.1	63.7	62.3	59.7	51.8

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
Mar-14	74.3	60.4	75.3	66.4	70.9	73.1	76.5	82.8	79.6	73.8	74.8
Apr-14	75.0	62.8	71.7	74.2	75.6	70.6	74.2	83.1	82.0	74.9	73.8
May-14	75.1	69.4	73.3	70.0	72.0	69.7	79.7	81.5	78.2	79.3	70.8
Jun-14	71.6	58.8	65.4	71.2	68.3	69.0	73.9	77.8	79.0	71.4	68.0
Jul-14	71.7	58.2	66.2	68.4	64.4	73.3	76.0	76.8	79.8	72.7	71.9
Aug-14	72.8	64.8	69.0	72.3	69.5	74.3	76.1	77.7	79.3	72.7	64.8
Sep-14	69.2	59.6	62.6	65.9	66.7	72.5	71.1	72.8	78.1	70.8	65.5
Oct-14	70.8	67.1	65.4	64.6	67.3	63.0	76.3	78.0	78.8	74.3	63.5
Nov-14	71.1	69.3	60.9	65.2	70.3	68.9	74.3	79.0	77.1	73.6	69.2
Dec-14	70.5	64.3	63.8	67.9	65.9	68.0	76.1	74.3	77.5	73.6	69.3
Jan-15	69.5	60.4	62.6	69.8	70.5	63.5	73.0	75.3	74.9	75.1	66.0
Feb-15	68.2	60.6	67.0	65.0	67.8	62.2	72.9	72.9	73.8	70.9	65.3
Mar-15	69.6	62.0	65.3	67.8	69.7	69.8	71.7	73.7	77.0	73.7	61.5

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 (March survey)

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

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