

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

Households' expectations for house price rises in 2014 climb to new record high

Key headlines for January 2014

- Households in every region perceive that the value of their home will rise over the next 12 months
- The future House Price Sentiment Index hit a record high in January, indicating that prices are expected to rise at the fastest pace since the index began in early 2009
- Households in every region perceived that the value of their home rose during the month

Change in current house prices

Households perceived that the value of their home rose in January, according to the House Price Sentiment Index (HPSI) from Knight Frank and Markit Economics. This is the tenth

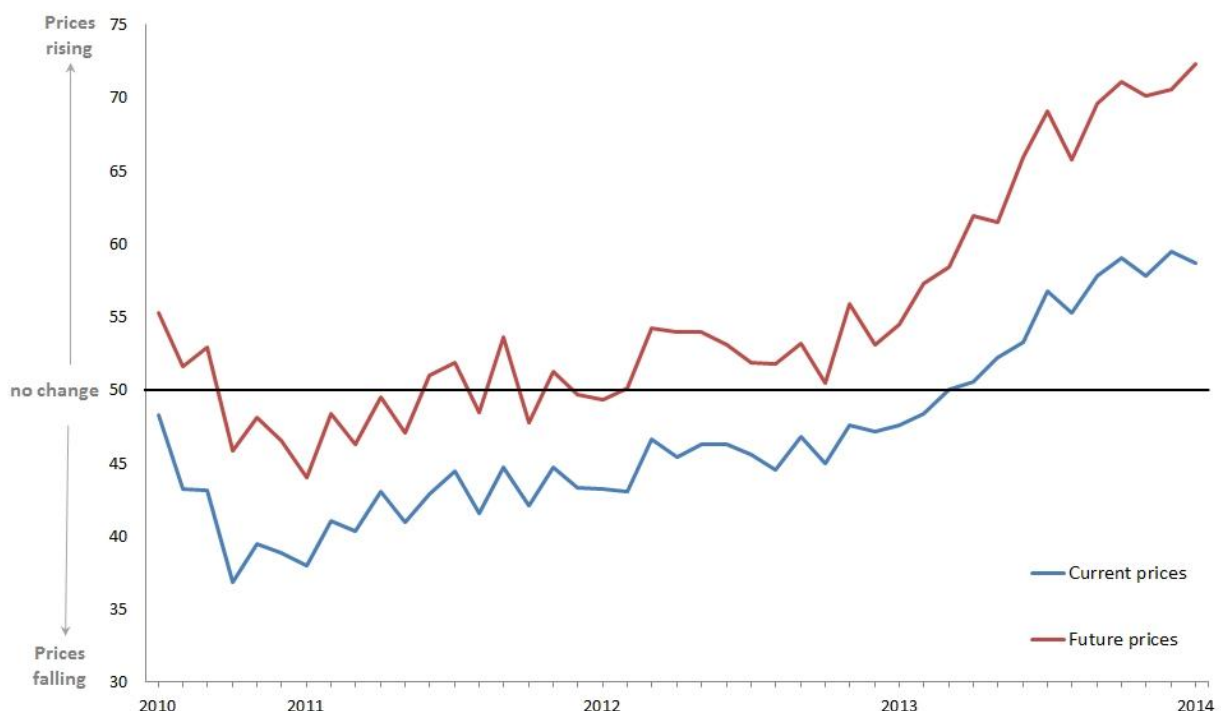
consecutive month that households reported a rise in the value of their property.

Some 22.5% of the 1,500 homeowners surveyed across the UK said that the value of their home had risen over the last month, up from 7.7% in January last year. Only 5.1% of households said the value of their home had fallen over the last month, giving a HPSI reading of 58.7 (see figure 1).

Any figure under 50 indicates that prices are falling, and the lower the figure, the steeper the decline. Any figure over 50 indicates that prices are rising.

January's reading is slightly lower than December's record high of 59.4, but the regional breakdown indicates that households throughout the UK perceive that the value of their home is on the rise.

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.

Households in London (69.2) and the East of England (64.6) reported the largest rise in prices in January, while those in the North West (53.7) indicated that their homes had experienced the most modest increase in values.

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, which measures what households think will happen to the value of their property over the next year, jumped to a new high of 72.3 this month, up from 70.5 in December, and past the previous record high of 71.1 set in October. More than a half of respondents said they expected the value of their home to rise in 2014, with only 6.4% anticipating a decline.

Regional outlook

Households in every region expect the value of their home to rise over the next 12 months, with expectations rising to a record high in South East (77.9), the East of England (76.6), the East Midlands (73.0) and the North East (71.7). Londoners (79.0) still expect stronger price growth than other areas of the country.

The full breakdown is shown in the table below (figure 3).

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

"There are widespread expectations that house prices are set to rise across the UK, with a particularly noticeable step up in house price expectations among households in the North East.

"The improving economic picture, coupled with the Government's Help to Buy scheme which is helping to boost activity levels in the market, is bolstering expectations of capital growth.

"Those who have built up most equity in their home expect prices to rise most strongly, with those aged over 55 tipping the biggest price rises over the next year. However mortgage borrowers expect slightly bigger house price rises than those who own their home outright."

Tim Moore, senior economist at Markit, said:

"UK house price expectations rose to their highest level for at least five years in January as the favourable mortgage climate, improving labour market conditions and upgrades to the economic outlook bolstered the consensus view that property values will continue to climb over the course of 2014.

"There are now eight UK households forecasting prices to rise over the year ahead for every one household that expects a reduction in their property value.

"While households in the capital continue to indicate the fastest rises in current property values, the latest survey signals that other regions are rapidly catching up with London in terms of expected price rises.

"Households in the Midlands and North East recorded the steepest jumps in price expectations since last month, helping bring down the difference between Londoners' house price forecasts and those of the rest of the UK to one of the lowest seen since late 2011."

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

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

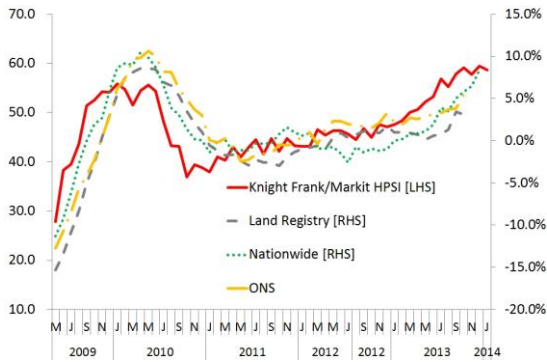
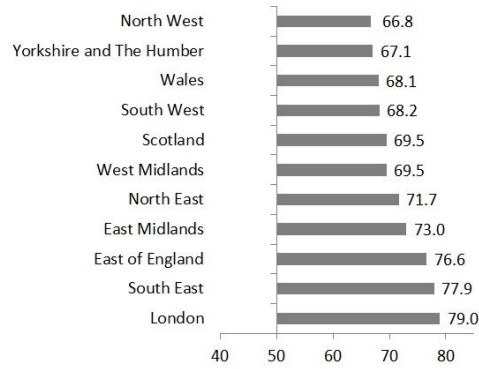


Fig 3: Change in future value of property (next 12 months)



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 |
|--------|--------|------------|------------|--------------------------|---------------|---------------|-----------------|--------|------------|------------|-------|----------|
| Jan-13 | 47.6 | 45.5 | 45.9 | 47.8 | 47.5 | 43.6 | 48.7 | 54.5 | 47.8 | 50.6 | 42.7 | 42.0 |
| Feb-13 | 48.4 | 43.4 | 46.0 | 46.4 | 47.3 | 49.4 | 48.3 | 54.1 | 49.3 | 46.5 | 49.4 | 47.1 |
| Mar-13 | 50.0 | 41.6 | 52.2 | 48.3 | 44.8 | 45.9 | 51.2 | 58.0 | 53.8 | 47.8 | 45.2 | 46.5 |
| Apr-13 | 50.6 | 50.1 | 47.9 | 47.6 | 47.2 | 45.7 | 51.3 | 56.8 | 56.2 | 49.9 | 52.3 | 45.1 |
| May-13 | 52.2 | 46.6 | 51.1 | 50.5 | 48.6 | 50.6 | 50.7 | 64.7 | 52.4 | 51.5 | 47.7 | 48.4 |
| Jun-13 | 53.2 | 47.4 | 49.6 | 50.5 | 55.2 | 53.4 | 56.5 | 59.5 | 53.4 | 52.3 | 46.5 | 53.2 |
| Jul-13 | 56.8 | 52.8 | 49.1 | 56.5 | 53.6 | 53.2 | 60.8 | 65.3 | 59.4 | 57.7 | 54.7 | 54.0 |
| Aug-13 | 55.3 | 47.9 | 51.6 | 53.3 | 50.6 | 55.1 | 56.5 | 64.0 | 57.7 | 57.0 | 47.6 | 54.4 |
| Sep-13 | 57.9 | 53.9 | 54.8 | 52.4 | 54.9 | 56.9 | 57.4 | 67.0 | 61.0 | 57.0 | 57.2 | 55.2 |
| Oct-13 | 59.1 | 51.0 | 56.8 | 59.5 | 51.8 | 58.3 | 59.5 | 67.2 | 62.3 | 59.3 | 50.7 | 58.7 |
| Nov-13 | 57.8 | 53.1 | 55.6 | 51.6 | 56.3 | 52.3 | 62.7 | 68.2 | 57.5 | 59.6 | 56.7 | 53.9 |
| 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 |

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 |
|--------|--------|------------|------------|--------------------------|---------------|---------------|-----------------|--------|------------|------------|-------|----------|
| Jan-13 | 54.5 | 45.7 | 50.3 | 51.5 | 51.5 | 50.8 | 56.4 | 65.5 | 59.8 | 55.9 | 45.2 | 49.7 |
| Feb-13 | 57.3 | 52.2 | 53.2 | 52.9 | 55.6 | 54.0 | 58.4 | 64.2 | 62.2 | 56.2 | 60.5 | 53.8 |
| Mar-13 | 58.4 | 45.7 | 54.9 | 52.4 | 54.3 | 54.3 | 61.6 | 70.4 | 66.4 | 53.6 | 57.1 | 53.6 |
| Apr-13 | 62.0 | 62.1 | 59.0 | 60.2 | 54.7 | 56.5 | 64.5 | 70.8 | 66.1 | 60.1 | 63.3 | 57.4 |
| May-13 | 61.5 | 52.2 | 59.6 | 61.9 | 55.8 | 60.4 | 59.5 | 76.3 | 62.9 | 58.4 | 52.6 | 59.3 |
| Jun-13 | 65.9 | 56.2 | 63.7 | 61.1 | 72.9 | 64.9 | 68.4 | 73.1 | 68.2 | 62.8 | 57.4 | 63.7 |
| Jul-13 | 69.1 | 62.3 | 62.1 | 66.9 | 64.4 | 64.3 | 68.4 | 78.0 | 75.5 | 73.4 | 70.2 | 64.5 |
| Aug-13 | 65.8 | 53.0 | 58.2 | 63.4 | 66.2 | 62.6 | 67.5 | 73.0 | 74.7 | 67.2 | 61.8 | 61.5 |
| Sep-13 | 69.6 | 64.4 | 65.4 | 66.8 | 68.8 | 68.9 | 70.4 | 80.1 | 71.4 | 69.9 | 64.3 | 64.7 |
| Oct-13 | 71.1 | 59.0 | 68.4 | 65.9 | 67.8 | 71.5 | 69.9 | 81.4 | 76.7 | 71.1 | 60.4 | 69.9 |
| Nov-13 | 70.1 | 57.4 | 65.7 | 66.7 | 67.7 | 64.6 | 75.7 | 79.0 | 73.8 | 72.8 | 67.4 | 66.5 |
| 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 |

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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 (January survey)

IpsosMORI interviewed 1500 adults aged 18-64 across Great Britain from its online panel of respondents. Interviews were conducted online between 13th January - 17th January 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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