

Knight Frank/Markit House Price Sentiment Index (HPSI) – July 2013

Housing market gathers momentum as optimism over future price rises hits highest level in three and a half years

Key headlines for July

- Households in every region expect the value of their home to rise over the next 12 months
- Londoners' optimism that prices will rise over next year reaches a survey record high
- Confidence about future house prices also reaches record high in the South East and South West
- Households perceive that the value of their home rose over the last month – at the fastest pace since the index started in early 2009

Change in current house prices

Households perceived that the value of their homes climbed in July, for the fourth consecutive month, according to the latest House Price Sentiment Index (HPSI) from Knight Frank and Markit.

The proportion of the 1,500 homeowners surveyed across the UK who said that the value of their home had risen over the last month hit a new high of 19.8%, while a record low 6.3% indicated the value had fallen. This gives a HPSI reading of 56.8, the highest since the index began in February 2009.

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.

July's reading, up from 53.2 in June, marks the fourth month that the current price index has been in positive territory after 33 months of readings of 50 or under. The index indicates that after nearly three years of falling prices, households are increasingly confident that the value of their property is starting to show some sustained growth.

Households in London (65.3) reported that the value of their home had risen at the fastest rate over the last month, followed by those in the East of England (60.8) and the South East (59.4). Only households in the North West of England perceived that the value of their property had fallen (49.1) during the month.

A lead indicator

Since the inception of the HPSI, the index has been a clear lead indicator for house price trends. Figure 3 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 2), which measures what households think will happen to the value of their property over the next year, hit the highest level in three and half years.

Fig 1: Change in property values (HPSI)

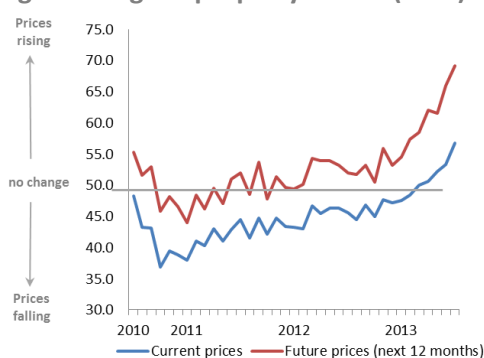
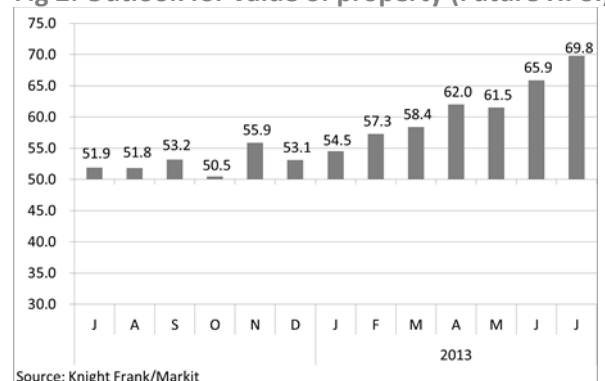


Fig 2: Outlook for value of property (Future HPSI)



NB: A score of 50 equates to no change, above or below representing growth or decline respectively.

The overall index reading for the UK was 69.1, up from 65.9 in June and 61.5 in May, and the highest reading since January 2010.

Regional outlook

Respondents in all regions expect the value of their property to rise over the next 12 months, with the biggest jump in optimism in Wales, where July's reading of 70.2 is up from 57.4 in June.

Londoners are the most confident that prices will rise over the next year, with a reading of 78.0, the highest reading since the index began in February 2009. They are closely followed by those in the South East (75.5), where households are also more optimistic than at any time since the series started.

Households in the North West are expecting the most modest rise in prices over the next 12 months, with a reading of 62.1, down from 63.7 in June.

In terms of tenure, those with a mortgage are the most upbeat about price rises (74.3). In fact they are expecting larger price rises over the next year than at any time since the series began. Those who own their home outright (70.3) are more optimistic than at any time since January 2010.

Expectations for house price rises also jumped sharply among those who privately rent a property, with the future HPSI reading rising by six points to 68.8 in July.

Echoing the optimism among homeowners, expectations for future house price rises also climbed for those in all bands above 35 years old, who are more likely to be on the housing ladder. Those aged between 45 and 54 (71.3) were the most optimistic, followed by those aged over 55 (71.2) and those aged between 35 and 44 (70.3).

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

"There is no doubt that confidence has returned to the UK housing market in some measure. This can

be attributed not only to the "Help to Buy" effect as well as signs of a strengthening economy coupled with expectations that interest rates will remain at record-low levels for several years yet.

"Mortgage borrowers are the most confident that prices will rise this year, and this optimism will no doubt be underpinned by expectations of even more affordable borrowing as mortgage lenders continue to cut their rates.

"Average UK house prices are still more than 10% lower than the market peak in 2007. After their lacklustre price performance in recent years, values in many areas will need to make significant headway to outstrip inflation and show growth in real terms. But the upbeat sentiment index suggests that the 'green shoots' of recovery may be emerging in the housing market."

Tim Moore, senior economist at Markit, said:

"July's house price sentiment survey is the first indication that strong rises in property values have continued into the second half of 2013. A heady mix of improved household credit availability, low mortgage rates and government incentive schemes has brought house price expectations to their strongest level for three-and-a-half years.

"House price sentiment among people aged 25-34 years can provide a useful bellwether of first time buyer demand, and this cohort saw a large jump in house price expectations since June. Within the 25-34 years of age category, around five times as many people anticipate an increase in property values over the next 12 months as those that foresee a decline.

"Overall, the latest survey is another clear indication that the wheels of the property market have been well and truly greased, and this is likely to become increasingly clear in the 'hard data' for UK house prices during the months ahead."

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

Fig 3: HPSI vs house price indices (12 mth change)

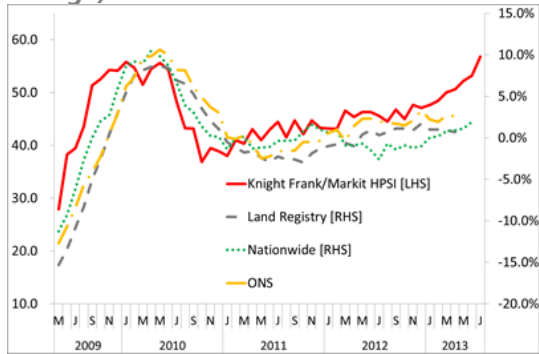
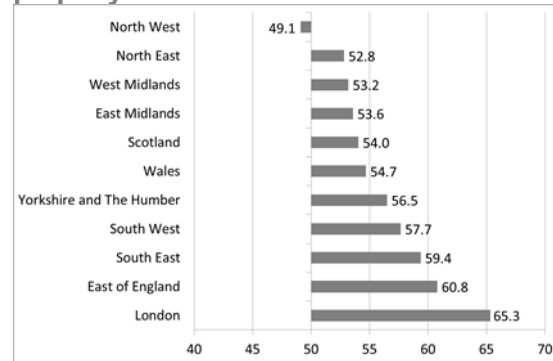


Fig 4: Regional change in current value of property



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
Jul-12	45.6	42.0	44.8	43.9	41.6	46.6	48.4	51.0	46.1	44.1	43.0	43.5
Aug-12	44.5	44.2	39.5	41.9	42.8	42.5	46.9	51.9	45.0	43.9	39.8	45.8
Sep-12	46.8	47.0	44.7	46.2	45.5	43.2	50.3	53.4	48.4	46.4	44.7	40.0
Oct-12	45.0	44.8	40.5	43.4	40.5	45.0	42.0	49.5	49.1	43.6	41.9	49.0
Nov-12	47.6	46.5	45.1	44.8	46.0	47.1	48.2	54.1	50.5	47.9	39.3	45.4
Dec-12	47.1	47.6	46.4	46.8	39.9	46.8	49.0	53.2	47.8	46.3	42.0	45.7
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

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
Jul-12	51.9	45.5	49.7	37.9	48.5	52.3	53.9	63.5	53.6	49.1	56.2	51.8
Aug-12	51.8	46.2	44.1	52.7	48.9	47.3	53.1	61.3	53.4	52.2	49.4	52.8
Sep-12	53.2	54.6	48.5	46.4	51.0	52.2	56.2	63.1	55.7	55.0	47.9	47.1
Oct-12	50.5	45.1	42.1	43.9	44.5	53.2	49.4	59.8	60.8	47.8	43.7	49.8
Nov-12	55.9	50.3	53.8	54.1	53.6	53.9	55.8	63.3	61.1	57.1	45.2	52.8
Dec-12	53.1	48.0	52.6	55.3	48.5	48.6	53.1	61.6	54.5	56.3	45.6	48.7
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

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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 (July survey)

IpsosMORI interviewed 1500 adults aged 18-64 across Great Britain from its online panel of respondents. Interviews were conducted online between 10th and 15th July 2013. 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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