

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

Expectations for house price growth in London moderate for third consecutive month

Key headlines for July 2014

- Households in all 11 regions covered by the House Price Sentiment Index perceive that prices rose in July, although in most cases at a slower pace than June.
- Expectations for future price growth have moderated from recent highs, indicating that households are expecting more modest price growth than in previous months.
- In London, expectations for future house price growth eased for the third consecutive month to the lowest level since December 2013.
- Some 6.7% 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 July, according to the House Price Sentiment Index (HPSI) from Knight Frank and Markit Economics.

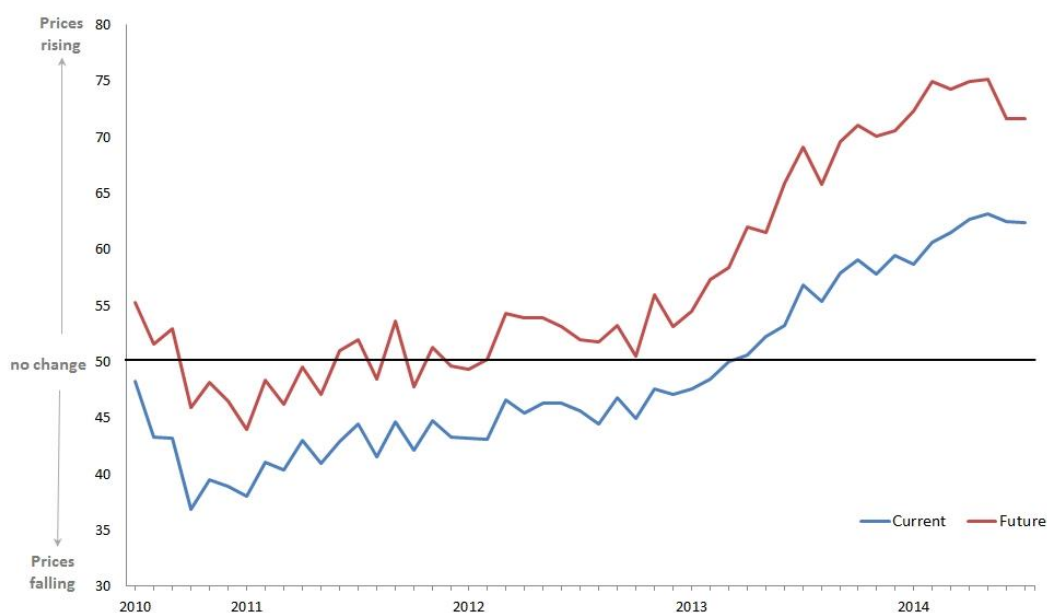
Some 29.8% of the 1,500 households surveyed across the UK said that the value of their home had risen over the last month, compared to just 5.0% who reported a fall.

This gave the HPSI a reading of 62.4 (see figure 1), the sixteenth consecutive month that the reading has been above 50. The reading was a slight decline on the 62.5 achieved in June and was the second consecutive month that households' perceptions about house price growth have moderated.

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.

Households in all 11 regions covered by the index reported that prices rose in July, with those living in London perceiving that the value of their home had risen at the strongest rate (70.5), followed closely by households in the South East (69.7) and the East of England (68.3).

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, inched up in July to 71.7, up from June's reading of 71.6.

This remains well below the recent high of 75.1 achieved in May, indicating that households are expecting more modest growth than in previous months.

Households in every region expect the value of their home to rise. However, the scale of anticipated price growth eased in five of the 11 regions. For the third consecutive month expectations in London declined, with the index reading for the Capital at 76.8 in July, down from a record high of 83.1 in April.

In Scotland, expectations for future house price growth have fallen to a 10-month low.

Those who own their home outright were the most confident that prices will rise over the next year (76.4), followed by mortgage borrowers (75.2).

Housing market activity

Some 6.7% of UK households said they planned to buy a property in the next 12 months. This is up from 6.2% in June. There were regional differences, however. Some 11% of households in the East of England said they planned to purchase a property in the next year, compared to just 2.7% in Wales and the East Midlands.

Across the UK, a further 19% of households say they plan to purchase a property within the next five years, and a further 23.8% indicate they want to buy a house or apartment in more than five years' time. Around 18.9% of households say they have no plans to buy at any stage and 31.5% of households are undecided.

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

"There is increasing evidence that momentum in the housing market may be starting to ease, with expectations for future price rises remaining near six-month lows. Around one in 13 households expect that the value of their home will have fallen by July next year – the highest proportion since December last year.

"Increased discussion about interest rate rises may be taking some of the steam out of the market, as well as new mortgage rules which are serving to slow down the lending process, and make it trickier for buyers to climb onto the housing ladder, especially in areas where house price to income ratios are at their highest."

Tim Moore, senior economist at Markit, said:

"July's survey suggests that the Bank of England's recent announcements regarding macroprudential tools aimed at the UK housing market have already started to bring down households' property price expectations from the multi-year highs seen earlier in 2014.

"Only the South East and West Midlands saw a fresh survey record-high for current property values in July, while households in ten out of eleven monitored UK regions are now less sanguine about the outlook compared with the peaks recorded in the first half of the year.

"Londoners' property price expectations are the lowest so far this year, and the gap between the capital and UK-wide house price expectations is now the narrowest since late-2011."

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

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

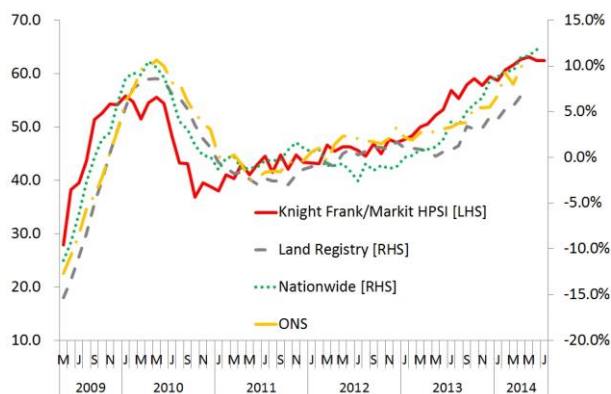
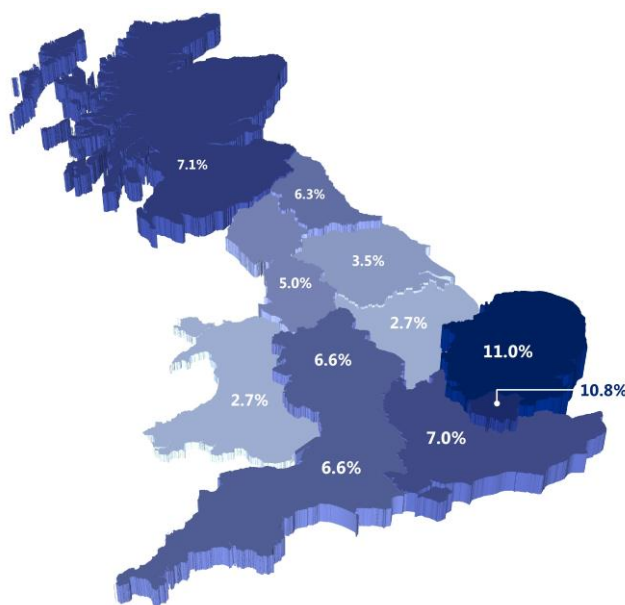


Fig 3: Proportion of households planning to buy a property in the next year



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-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
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

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-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
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

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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 (July survey)

IpsosMORI interviewed 1,500 adults aged 18-64 across Great Britain from its online panel of respondents. Interviews were conducted online between 9th – 14th July 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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