

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

House price sentiment index in positive territory for 28th consecutive month

Key headlines for July 2015

- Households in all UK regions perceived that property prices rose in July
- Londoners perceived the biggest rate of house price growth over the course of the month
- Expectations for future house price rises accelerated to a nine-month high in the South East
- Households in the South East and London expect the strongest price rises over the next 12 months
- Some 5.3% of UK households plan to buy a property in the next year

Change in current house prices

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

Some 21.4% of the 1,500 households surveyed across the UK said that the value of their home

had risen over the last month, while 4.1% reported a fall giving the HPSI a reading of 58.6 (see figure 1). This was the twenty-eighth consecutive month that the reading has been above 50.

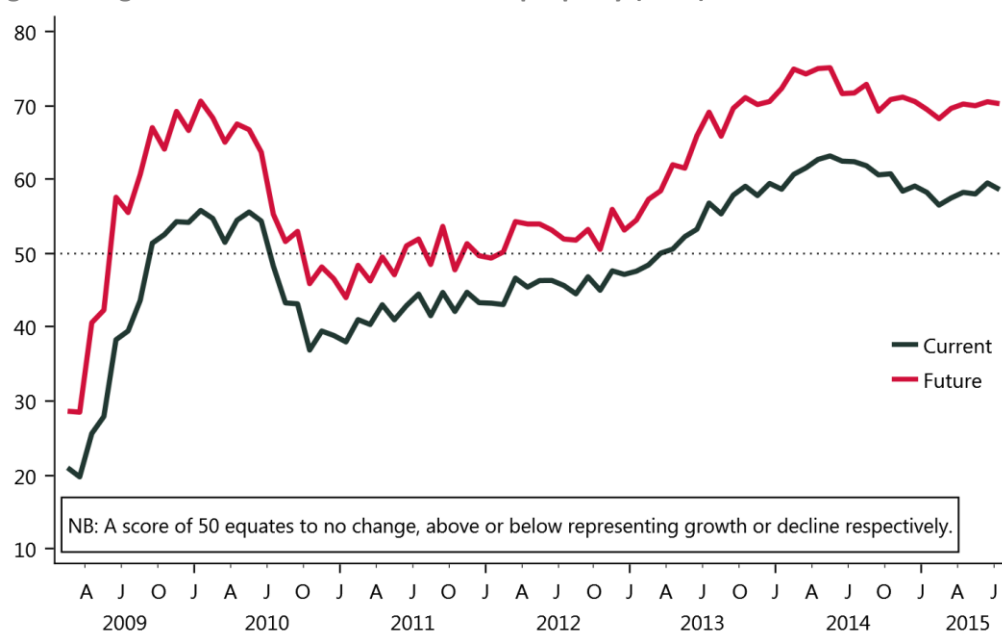
July's reading was a slight decrease on the 59.5 recorded in June, although it remained the second highest reading so far this year - an indication that households across the UK are still confident that prices are rising.

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.

The overall reading remains below its record high of 63.2 achieved in May last year.

Households in all eleven regions reported that prices rose in May, with Londoners (69.6) reporting the biggest perceived rate of house price growth over the course of the month. They were followed

Fig 1: Change in current and future value of property (HPSI)



Source: Knight Frank Research/ Macrobond

by households in the East of England (62.9) and those in the South East (61.0).

Interestingly, while all regions reported positive growth, only households in the North West, Yorkshire and London were more confident that the value of their home rose in July than the previous month. The South West saw the biggest fall of any region from 61.6 in June to 54.2 in July.

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 marginally in July to 70.2, from 70.5 in June.

On a rolling three-monthly basis to July the future HPSI is 70.2, the same as the previous three months, an indication that expectations for future house price growth have flatlined.

However, there are regional variations. As has been the case in previous months, households in the South East (78.8) and London (78.4) were the most positive about the outlook for house prices. Expectations for house price growth in these regions hit a nine and eight-month high respectively in July.

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 5.3% of UK households said they planned to buy a property in the next 12 months, down from 6.6% in June and 6.7% in July 2014.

Individuals aged between 25 and 34 are the most likely to be considering buying a home in the short term, with 9.7% of such respondents saying they planned to purchase a home within the next 12 months, followed by those aged 35 to 44 (5.6%).

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

“Overall expectations for future house price growth remain firm, underpinned by a strengthening labour market, improving economy and ultra-low mortgage rates. There is now more discussion about possible interest rate rises, but this, as well as the property tax announcements in the Summer Budget, has had little impact on average expectations for the direction of travel for house prices.

“However, there are regional differences in the data, with the widest spread between the future HPSI reading in the North East and London than at any time since March last year, reflecting the differing dynamics of housing markets across the country, with local economic factors leading to a disparity in the levels of house price growth.”

Tim Moore, senior economist at Markit, said:

“UK house price sentiment remained positive in July, and comfortably above the year-and-a-half lows seen during February. A gradual rebound in households’ property value perceptions has been underpinned by strong demand conditions so far this summer, alongside an underlying lack of supply and the continued low mortgage rate environment.

“These factors are likely to support house price momentum through the second half of 2015, although tighter mortgage lending rules and stretched affordability have brought down UK households’ expectations of future house price growth from last year’s record highs.”

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

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

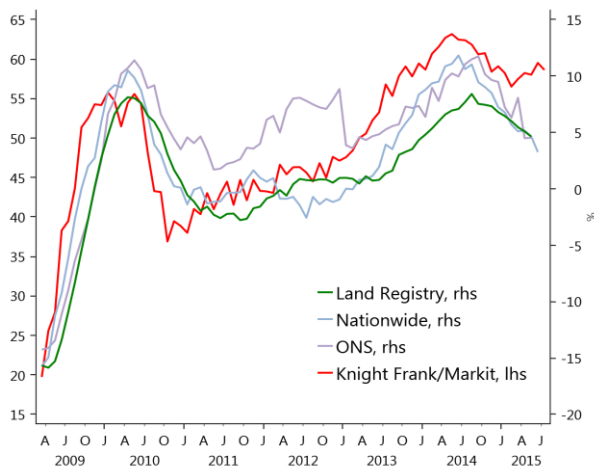
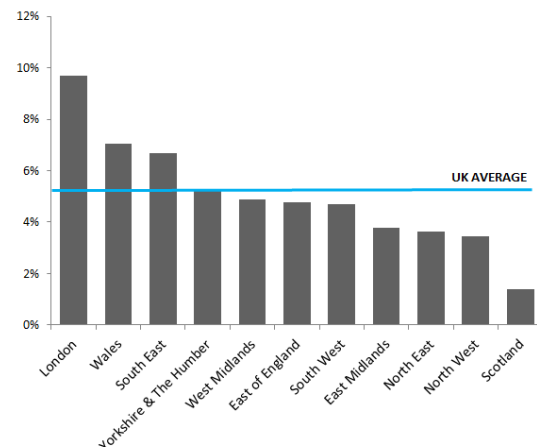


Fig 3: Percentage of buyers planning to purchase a property in the next 12 months (by region)



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-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
Mar-15	57.5	54.9	54.2	52.8	54.5	54.2	62.1	63.7	62.3	59.7	51.8	52.1
Apr-15	58.2	51.9	54.2	54.5	54.3	59.3	62.1	64.2	61.3	59.6	53.2	55.7
May-15	58.0	53.3	53.8	53.5	56.8	55.3	61.2	64.8	61.6	60.0	51.6	56.1
Jun-15	59.5	53.0	51.4	56.4	56.8	56.9	65.7	66.6	64.0	61.6	53.7	57.7
Jul-15	58.6	51.6	55.1	57.4	54.9	56.0	62.9	69.6	61.0	54.2	53.7	55.4

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
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
Mar-15	69.6	62.0	65.3	67.8	69.7	69.8	71.7	73.7	77.0	73.7	61.5	60.3
Apr-15	70.2	61.7	64.0	68.4	65.3	70.0	78.7	73.8	75.7	72.1	66.0	65.5
May-15	70.0	62.7	61.9	67.4	68.1	68.0	77.8	77.7	73.5	71.8	64.0	65.8
Jun-15	70.5	67.3	63.2	67.9	69.3	66.6	75.0	78.2	78.3	72.3	60.0	64.3
Jul-15	70.2	56.6	67.4	66.5	65.0	71.0	72.5	78.4	78.8	66.4	62.8	66.9

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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 (March survey)

IpsosMORI interviewed 1,500 adults aged 18-64 across Great Britain from its online panel of respondents. Interviews were conducted online between 10th June and 14th June. 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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