

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

Households' confidence over property prices hits three year high

Key headlines for June

- Households in every region expect the value of their home to rise over the next 12 months
- Optimism over future price rises is at its highest level in three years
- Londoners are the most optimistic about house price rises over the next year, closely followed by those in the East Midlands
- Households in North East expect the most modest increase in values
- Households perceive that the value of their home rose over the last month – at the fastest pace in three years

Change in current house prices

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

Around 15% of the 1,500 homeowners surveyed across the UK said that the value of their home had risen over the last month, while only 8.6% indicated the value had fallen. This gives a HPSI reading of 53.2, the highest since June 2010.

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.

June's reading, which is up from 52.2 in May, marks the third month that the current price index has been in positive territory after 33 months of readings of 50 or under. The index signals that after three years of falling prices, households are increasingly confident that the value of their property has started to rise.

Households in London (59.5) reported that the value of their home had risen at the fastest rate over the last month, although the pace of increase was perceived to be slower than in May (64.7). Households in eight other regions also reported price rises (figure 4), while three reported price falls, with the biggest declines in Wales (46.5).

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, remained in positive territory for the 17th consecutive month.

Fig 1: Change in property values (HPSI)

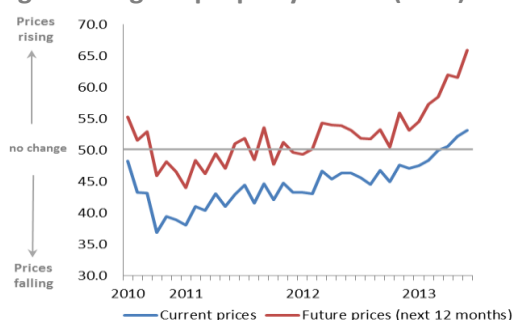
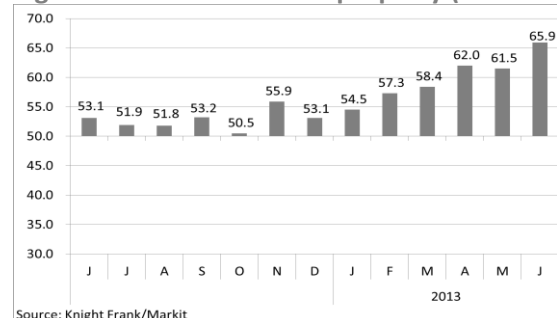


Fig 2: Outlook for value of property (Future HPSI)



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 65.9, a jump from May's reading of 61.5, and the highest reading since May 2010. On a smoother three-month average basis, the future HPSI reading was 63.1, in the three months to June 2013, up from 60.6 in the previous three-month period.

Regional outlook

While there are regional differences in the outlook for prices, respondents in all regions expect the value of their property to rise over the next 12 months. Londoners still lead from the front, with an index reading of 73.1, although this is down from 76.3 in May. London is closely followed by the East Midlands, with a reading of 72.9, up from 55.8 in May and marking the biggest monthly uplift in expectations since the index started.

Households in the North East are expecting the most modest rise in prices over the next 12 months, with a reading of 56.2, although this was up from 52.2 in May.

Expectations for future house price rises rose strongly among the over-55s (70.3) making them the most confident that the value of their home will climb by June 2014.

This is echoed in the rise in the index reading for those who own their home outright, which rose from 60.7 to 69.3, indicating that older homeowners who have built up equity in their property are now strongly expecting a turnaround in the direction of house prices.

However, households with a mortgage are even more upbeat about the possibility of price rises over the next year, with a reading of 70.3, up from 65.2 in May.

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

"After three years of fairly bleak housing sentiment, June's data suggests that the market has turned a corner. London leads in terms of house price expectations, but it is interesting to note the increase in confidence across most other regions. This coincides with initial evidence of some 'green shoots' of recovery in regional economic activity in the UK.

"It seems clear that more upbeat economic data coupled with the Government's multi-billion pound plans targeted at the housing market and record-low interest rates, have contributed to a sustained improvement in households' expectations for property values."

Tim Moore, senior economist at Markit, said:

"House price expectations were already on the up when the Government's 'Help to Buy' scheme was launched in the spring, but this survey is another signal that the scheme has turned on the afterburners for UK property values. Highlighting a huge shift in sentiment since the Budget, now four times as many UK households expect house prices to rise over the coming year as those that anticipate a fall, up from twice as many in March and an evenly balanced outlook as recently as last October.

"Buoyant expectations have spread across the UK amid an upturn in current house prices and improving mortgage availability since the spring. Households reported the strongest increase in their property values for three years in June. Looking to the regional trends, while London was alone in seeing higher house prices at the end of 2012, the latest survey showed perceptions of higher property values in around two-thirds of all UK regions."

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

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

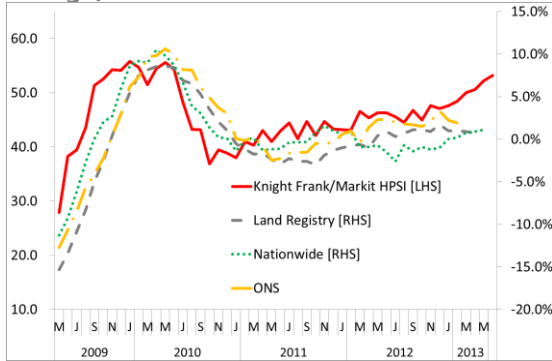
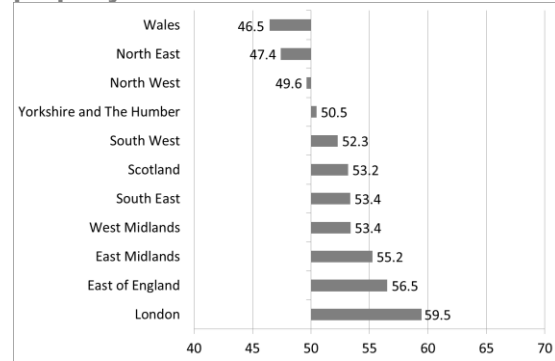


Fig 4: Regional change in current value of property



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
Jun-12	46.3	41.9	47.4	46.9	47.7	44.3	47.2	50.7	44.3	45.0	40.4	47.4
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

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
Jun-12	53.1	45.5	47.7	52.0	52.6	52.6	55.4	60.2	55.3	46.7	54.3	54.8
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

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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.

IpsosMORITECHNICAL DETAILS (June survey)

IpsosMORI interviewed 1500 adults aged 18-64 across Great Britain from its online panel of respondents. Interviews were conducted online between 6th and 10th June 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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