

# House Price Sentiment Index

## House price sentiment ticks up in August

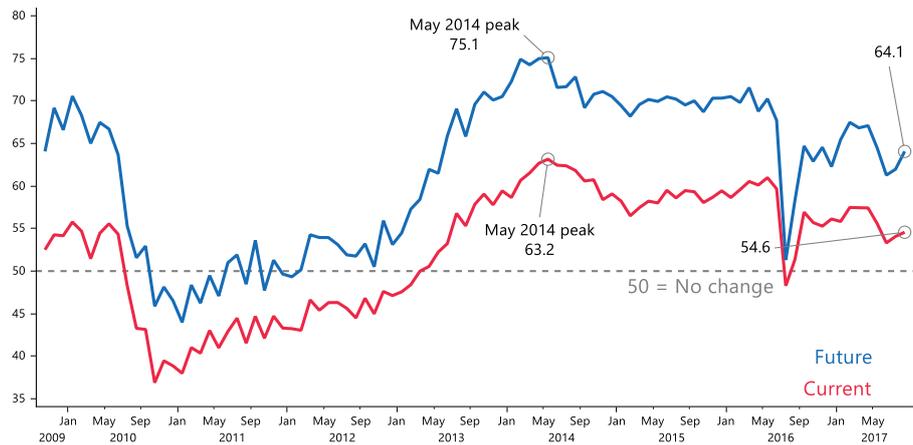
August 2017

### Key findings:

- Households across the UK perceive that the value of their home rose over the last month
- The perceived rate of house price growth was higher than in July
- Respondents in ten of the 11 regions said the value of their home rose over the course of the month
- Households in all regions expect the value of their home to increase over the next 12 months, according to the future HPSI
- The future HPSI reading rose slightly in August, with households in the South East and East of England the most confident about price growth

### Change in current and future HPSI

A score of 50 equates to no change with any reading above 50 indicating rising prices, and any reading under 50 indicating falling prices. The higher the figure, the stronger the increase



### Change in current house prices

Households across the UK perceive that the value of their home rose over the last month, according to the latest House Price Sentiment Index (HPSI) from Knight Frank and IHS Markit.

August's reading was the thirteenth consecutive month that the index has been in positive territory, following the post-referendum low in July 2016.

The perceived rate of growth was slightly higher than in July, which suggests that households perceive the rate of house price growth has risen compared with the previous month.

Some 16.2% of the 1,500 households surveyed across the UK said that the value of their home had risen over the last month, while 7.0% said that prices had fallen. This resulted in an HPSI reading of 54.6.

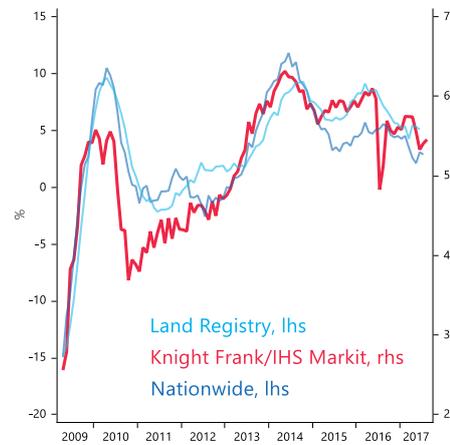
On a slightly longer three-month rolling basis, the index stands at 54.0, just below the overall average for 2017 of 55.7.

**Any figure over 50 indicates that prices are rising, and the higher the figure, the stronger the increase. Any figure below 50 indicates that prices are falling.**

Households in ten of the 11 regions covered by the index perceived that the value of their property rose over the past month, with households in the North East

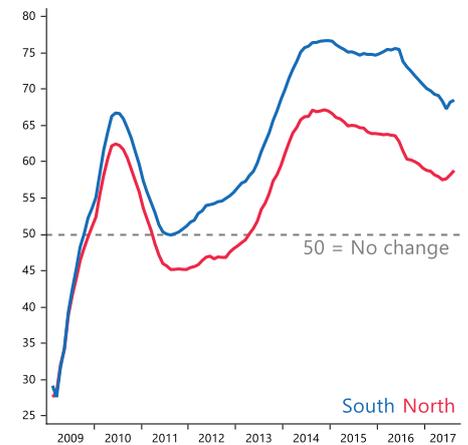
### Current HPSI Vs annual house price growth

Latest available data



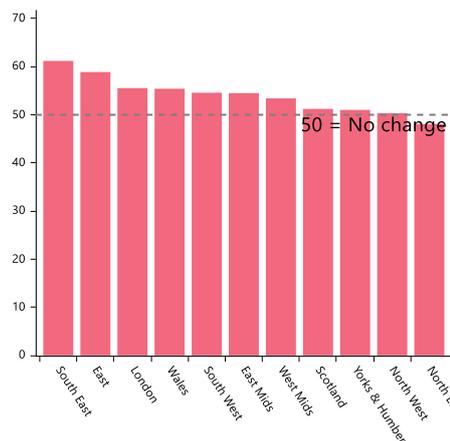
### Regional variations in future HPSI

12 month moving average (50=no change)



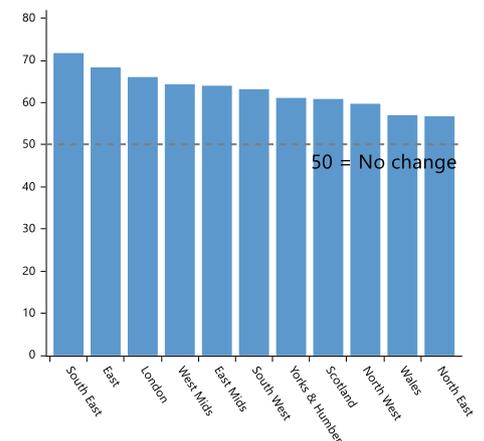
### Current HPSI, regional

August 2017 (50=no change)



### Future HPSI, regional

August 2017 (50=no change)



## RESIDENTIAL RESEARCH

(48.1) the exception.

Households in the South East (61.2) reported the biggest rise over the course of the month, followed by those in the East of England (58.9). In London, there was a softening in sentiment to 55.5 from 57.7 the previous month, mirroring the slowdown in the capital reported by other housing market indicators.

The full regional breakdown is shown in the tables on page 3.

### A lead indicator

**Since the inception of the HPSI, the index has been a clear lead indicator for house price trends, moving ahead of mainstream house price indices. This confirms 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, rose to 64.1 in August's survey, up from 62.0 in July.

While households in every region believe that prices will continue to rise over the next 12 months, those in the South East (71.8) and the East of England (68.4) are the most confident about future price rises.

They were followed by those living in London (66.1), and those living in the West Midlands (64.4).

The full regional breakdown is shown in the tables on page 3.

Mortgage borrowers (68.0) were the most confident of future price rises, followed by those living rent free (64.5).

Oliver Knight, an Associate in Knight Frank's Residential Research team, said: "Despite a slight pick-up in both current and future house price sentiment in August, the HPSI still remains subdued across all regions when compared with its peak in April 2014. This is consistent with wider housing market indicators, all of which point to a continued slowdown in house price growth.

"Indeed, the housing market is characterised by constrained activity at present, as uncertainty over the country's economic path and the burden of property taxes at the top end of the market weigh on transactions. However, low mortgage rates and a lack of homes coming onto the market for sale are underpinning pricing."

Alex Gill, economist at IHS Markit, said: "House price sentiment in the UK edged-up for the second successive month in August, with the strongest perceived rise evident in commuter belt areas such as the South East and the East of England. Nonetheless, sentiment remained subdued relative to the last four years of data.

"Household expectations about future property price rises also strengthened, but remained well below the levels seen throughout 2014-2015. In line with the trend for current prices, sentiment regarding future house price growth weakened in the capital, perhaps indicative of affordability constraints and London's greater exposure to Brexit uncertainty, although Londoners are still expecting prices to rise over the next 12 months.

"The slight rebound in household confidence regarding house price growth can, at least in part, be attributed to expectations that interest rates will stay low for longer. This follows the release of weaker than expected inflation data which adds to the argument that the Bank of England will be more focused on stimulating economic growth than curbing inflation."

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## HOUSE PRICE SENTIMENT INDEX

### Regional change in House Price Sentiment (current and future)

August 2017

**Current: Compared to one month ago, how do you think the value of the property/dwelling in which you live has changed?**

	East Mids	East	London	North East	North West	Scotland	South East	South West	Wales	West Mids	Yorks & Humber
<b>Aug-16</b>	49.0	58.5	53.1	44.3	50.8	45.6	54.5	55.0	48.4	50.2	47.3
<b>Sep-16</b>	58.1	59.9	63.0	54.2	52.9	51.8	60.4	57.7	53.2	55.7	52.2
<b>Oct-16</b>	54.5	58.1	60.9	51.4	51.9	50.0	59.4	57.9	51.2	56.3	53.0
<b>Nov-16</b>	53.6	59.4	60.0	49.3	50.0	50.0	61.9	56.4	51.9	55.7	49.9
<b>Dec-16</b>	52.4	61.9	60.8	53.9	50.2	51.7	58.5	58.9	53.8	53.7	56.5
<b>Jan-17</b>	54.6	58.9	60.1	50.2	53.4	49.9	59.8	57.3	54.3	55.9	52.0
<b>Feb-17</b>	56.8	62.0	65.2	51.6	55.2	52.9	60.3	57.0	47.9	57.6	53.0
<b>Mar-17</b>	57.9	59.6	64.0	48.2	53.1	52.0	64.4	58.9	49.3	59.1	50.8
<b>Apr-17</b>	56.5	60.6	60.7	49.9	52.5	55.5	63.1	59.3	57.0	57.5	51.0
<b>May-17</b>	57.2	58.8	54.6	51.8	56.4	51.9	59.1	55.3	59.5	54.1	50.4
<b>Jun-17</b>	52.4	55.5	54.6	45.5	52.8	50.7	56.0	50.7	53.2	54.0	54.5
<b>Jul-17</b>	51.8	57.7	57.7	50.8	47.7	55.4	56.9	55.1	50.4	54.2	51.4
<b>Aug-17</b>	54.5	58.9	55.5	48.1	50.3	51.2	61.2	54.6	55.4	53.4	51.0

**Future: How do you think the value of the property/dwelling in which you live will have changed 12 months from now?**

	East Mids	East	London	North East	North West	Scotland	South East	South West	Wales	West Mids	Yorks & Humber
<b>Aug-16</b>	55.7	68.3	61.5	54.5	52.7	52.2	63.0	64.7	56.9	55.7	49.9
<b>Sep-16</b>	66.3	64.6	71.0	61.5	62.4	57.9	75.2	65.8	56.3	58.3	58.7
<b>Oct-16</b>	65.6	61.5	68.6	58.3	55.3	57.0	69.3	70.8	54.5	65.3	55.7
<b>Nov-16</b>	63.7	69.9	69.5	57.0	59.7	57.0	69.3	67.8	58.4	67.9	58.7
<b>Dec-16</b>	58.5	66.1	69.0	57.0	56.5	54.1	68.6	63.4	55.3	61.4	63.0
<b>Jan-17</b>	64.3	70.8	71.2	56.5	61.3	60.7	71.0	67.7	63.5	61.2	60.8
<b>Feb-17</b>	68.6	74.5	73.4	61.7	61.5	62.2	76.4	64.0	58.2	65.9	61.7
<b>Mar-17</b>	70.8	72.8	68.5	54.1	61.3	51.0	75.6	71.6	59.8	72.2	63.7
<b>Apr-17</b>	68.8	71.5	70.5	57.7	63.7	61.6	77.1	69.0	61.8	63.0	59.5
<b>May-17</b>	61.5	69.3	70.7	56.5	59.3	60.5	70.8	63.1	65.7	63.9	57.8
<b>Jun-17</b>	64.2	61.1	69.1	54.0	59.6	53.8	63.7	52.8	58.9	65.7	61.4
<b>Jul-17</b>	58.1	63.3	68.7	53.2	52.9	62.1	67.2	61.6	64.7	64.8	56.7
<b>Aug-17</b>	64.0	68.4	66.1	56.8	59.7	60.9	71.8	63.2	57.0	64.4	61.1

# HOUSE PRICE SENTIMENT INDEX

## 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 IHS 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 IHS 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 (August survey)*

IpsosMORI interviewed 1,500 adults aged 18-64 across Great Britain from its online panel of respondents. Interviews were conducted online between 9<sup>th</sup> and 13<sup>th</sup> July. 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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