

## Knight Frank/Markit House Price Sentiment Index (HPSI)

# House price expectations rise to highest levels in nearly two years

### Key headlines for March

- Households expect house prices to rise over the next 12 months, at the strongest rate since July 2010
- All but one region reported that prices fell this month
- UK house prices are perceived to have fallen again in March, for the 21st consecutive month

### Change in current house prices

Knight Frank/Markit's March House Price Sentiment Index (HPSI) shows that house price declines continued, although at a less rapid rate. Around 11% of households believed that the value of their home had risen since February, while around 18% reported a fall. The resulting HPSI figure of 46.6 is up from 43.1 in February and 43.2 in January.

**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.**

Property values were perceived to have fallen in ten of the 11 regions this month, but most of these regions reported a slowing in price declines, according to the survey of 1,500 households. The sharpest declines were in the North West (41.4)

and the East Midlands (41.4). But those living in London reported that the value of their property had risen (55.1).

### 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.**

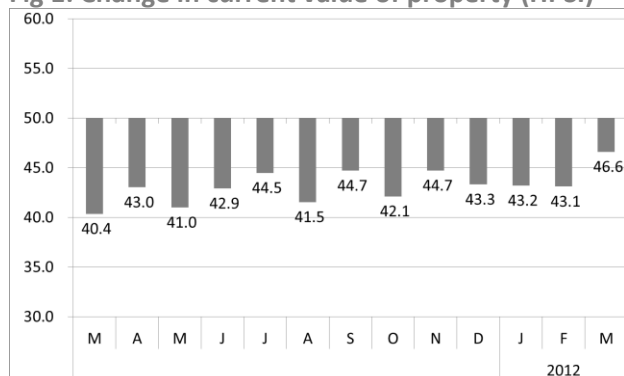
### Outlook for house prices

The future HPSI (figure 2), which measures what households think will happen to the value of their property over the next year, climbed strongly in March, hitting the highest reading since July 2010. Nearly a third of households expect the value of their home to rise this year, up from 26% in February. Some 23% of households said they anticipate a fall, giving a reading of 54.3.

### Regional outlook

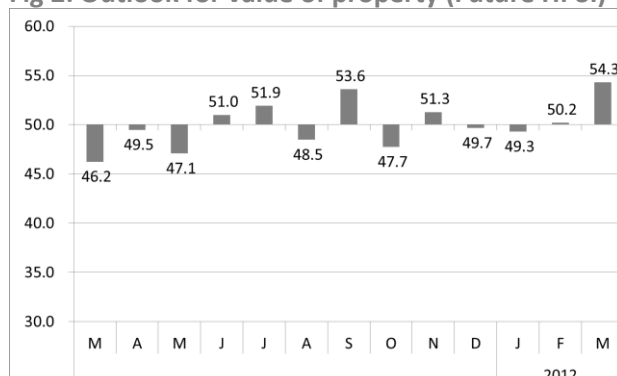
Households in six of the 11 regions expect the value of their homes to rise over the next year. Households in London (65.2) expect the strongest rises, with those in the East of England (56.2), the South East (60.2) and the South West (58.1) also

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



Source: Knight Frank/Markit

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



Source: Knight Frank/Markit

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

expecting prices to climb. Sentiment about future house prices has also risen sharply in Wales (55.1) and Scotland (56.3). But households in the Midlands and the north of England are more downbeat, with those in the North East (43.6) expecting the biggest falls in the value of their home over the next 12 months.

#### Household variations

Those working in the private sector (56.1) are much more upbeat about the prospect of house prices rises over the next year than those working in the public sector (51.4), although this is the first time that the index for public sector workers has risen above 50 in six months.

There was a sharp bounce-back in the outlook for house prices among those who work in the financial and business services sector. They expect the biggest house rises over the next year, with a reading of 65.9, up from a record low of 43.1 in January. Those working in the construction sector (60.2) are also expecting prices to rise appreciably over the next 12 months. Those working in the retail sector (44.2) are the least optimistic about house price movements, expecting bigger falls in the next 12 months than in February, when the reading was 49.7.

Both homeowners and those living in the rental sector (as well as those living rent-free at home), expect prices to rise over the next year. Those who have a mortgage on their home expect the biggest rise (55.3) followed by those who own their homes outright (54.5).

**Gráinne Gilmore, head of UK residential research at Knight Frank**, said: "The overall outlook among households for property prices over the next 12 months has picked up strongly, with the highest future HPSI reading in nearly two years. This coincides with economic news hinting at some 'green shoots' of growth, and positive mortgage lending figures, signalling at a slight loosening in the constricted mortgage market.

"But behind the figures, there is still evidence of the 'multi-speed housing market'. Households in the Midlands and the north of England still expect the price of their home to fall over the next year.

"This trend reflects that seen in the latest unemployment figures, indicating how perceptions of regional employment prospects are interlinked with confidence about the future movement in house prices.

"There was a noticeable bounce-back in optimism among those working in the banking and financial sectors in March, in contrast to the slump seen in January. This coincides with announcements of bank profits and bonus payments, which, in contrast to speculation in January, were healthier than expected.

**Chris Williamson, chief economist at Markit**, said: "The recent air of gloom hanging over the housing market appears to have lifted further in March. People's views on the likely value of their properties in 12 months' time were the most optimistic since July 2010, with sentiment rising markedly compared with February.

"The brighter outlook for house prices is probably attributable to a number of factors, including the recent improved news-flow on the domestic economy and the euro area debt crisis. Recent data has indicated a reduced likelihood of the UK facing a double-dip recession, while the positive news on the Greek debt crisis has helped restore some confidence to the financial markets and banking system. These developments should help improve both the demand for housing and the availability of mortgages.

"The upbeat mood is by no means universal, however, with optimism about prices biased heavily towards London and the South East. In contrast, pessimism remains widespread in the north of England and the Midlands, where unemployment remains high and property markets typically see less interest from overseas buyers."

Ends

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

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

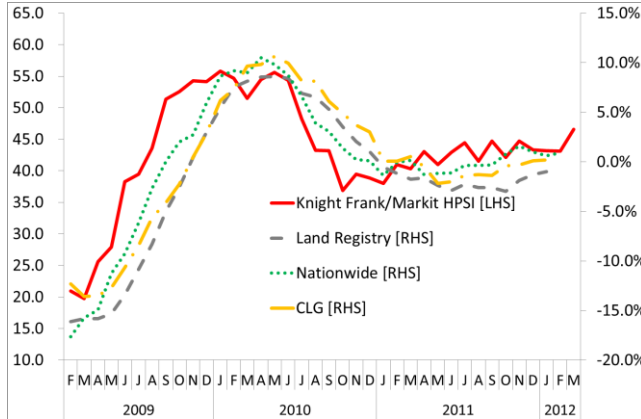


Fig 4: Regional change in current value of property



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
Mar-11	40.4	36.4	38.6	39.2	38.5	39.3	42.3	45.7	41.6	39.5	30.1	42.6
Apr-11	43.0	40.7	38.2	44.3	40.3	40.6	42.5	49.6	41.5	42.8	40.8	48.2
May-11	41.0	39.4	39.6	37.9	39.3	40.0	44.4	43.7	42.1	38.3	39.2	43.1
Jun-11	42.9	39.2	43.1	39.8	37.3	40.1	36.2	50.0	46.4	42.1	40.6	47.8
Jul-11	44.5	41.7	40.7	41.9	44.3	44.0	42.8	50.5	45.9	44.1	45.3	44.1
Aug-11	41.5	36.3	39.9	39.4	36.2	39.1	40.1	45.1	46.0	44.6	36.7	43.8
Sep-11	44.7	41.3	43.1	41.3	38.8	43.1	47.5	49.6	46.2	42.5	45.6	46.8
Oct-11	42.1	40.2	40.3	38.6	41.5	36.8	43.8	46.4	45.2	43.2	37.6	43.1
Nov-11	44.7	39.9	41.7	41.7	47.0	42.2	46.0	48.7	46.3	45.3	44.6	44.3
Dec-11	43.3	38.5	40.8	40.0	39.4	43.3	46.0	49.8	45.5	43.0	38.8	42.0
Jan-12	43.2	38.6	43.2	40.6	40.4	42.1	40.9	47.7	45.8	43.6	40.2	44.5
Feb-12	43.1	45.2	43.5	38.2	40.6	42.1	41.1	49.5	44.2	44.3	35.7	42.4
Mar-12	46.6	43.1	41.4	44.9	41.4	45.8	49.6	55.1	48.4	47.9	43.0	43.8

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
Mar-11	46.2	42.9	41.5	44.7	42.1	43.9	43.9	57.0	47.7	46.4	35.5	50.9
Apr-11	49.5	41.6	42.7	46.2	50.5	48.0	49.5	58.3	50.5	47.8	47.0	53.8
May-11	47.1	46.7	41.3	42.7	44.7	44.2	44.4	56.0	49.9	43.9	48.9	50.7
Jun-11	51.0	44.9	50.8	44.4	42.4	48.6	46.2	62.1	52.9	51.2	48.1	56.7
Jul-11	51.9	44.7	47.0	54.9	54.2	46.7	49.9	62.3	53.7	47.4	52.2	49.8
Aug-11	48.5	39.8	46.5	47.0	42.4	43.1	48.0	56.0	53.1	49.9	41.7	51.2
Sep-11	53.6	51.0	49.4	51.1	47.9	53.5	57.3	57.4	59.0	52.2	54.2	50.4
Oct-11	47.7	39.8	49.0	42.5	45.0	46.5	52.1	52.7	53.3	42.1	44.3	44.9
Nov-11	51.3	44.5	48.9	38.6	51.1	43.8	52.4	62.0	56.1	49.6	45.9	57.3
Dec-11	49.7	40.9	48.8	49.0	53.4	50.4	50.7	58.7	48.0	44.9	42.9	47.9
Jan-12	49.3	41.7	46.0	46.0	45.3	47.6	45.7	57.8	54.3	48.8	42.6	52.9
Feb-12	50.2	50.4	48.5	43.7	49.0	52.2	50.8	59.9	50.4	50.2	45.4	44.0
Mar-12	54.3	43.6	46.2	48.7	46.7	47.5	56.2	65.2	60.2	58.1	55.1	56.3

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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.

##### *Ipsos MORI technical details (March survey)*

Ipsos MORI interviewed 1500 adults aged 18-64 across Great Britain from its online panel of respondents. Interviews were conducted online between 7<sup>th</sup> – 13<sup>th</sup> March 2012. 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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