

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

UK households end 32-month period of negative sentiment on current property prices

Key headlines for March

- UK households in ten of the 11 regions expect that the value of their home will rise in 2013
- The biggest rises are expected in London and the South East, closely followed by the East of England
- Households in the North East expect a fall in the value of their property over the next 12 months
- UK households perceived that there was no change in the value of their property in March, ending a 32-month period of negative sentiment on current prices.

Change in current house prices

Knight Frank/Markit's House Price Sentiment Index (HPSI) signals that average house prices remained unchanged in March. This stabilisation in sentiment contrasted with reports of lower house prices in each month since July 2010.

The proportion of households reporting that the value of their home had risen was 11.3%, which rose from 8.5% in February and matched the proportion saying that the value of their home had declined in March. This resulted in a HPSI reading of 50.0, up from 48.4 in February.

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.

Households in London, the South East, the North West and the East of England all reported that the value of their home had risen, while the other 7 regions reported falling prices (figure 4).

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, increased again in March, indicating that on average, UK households expect prices to rise in 2013.

The overall index reading for the UK was 58.4, up from February's reading of 57.3 and the highest since June 2010. On a smoother three-month average reading, the future HPSI rose to 56.7.

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

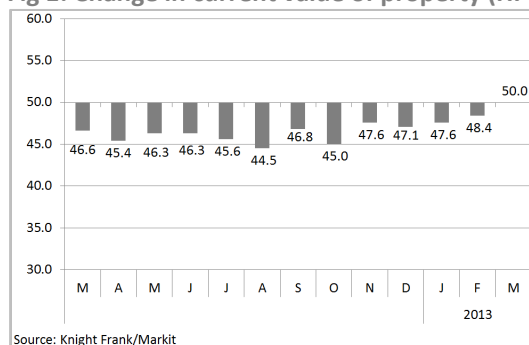
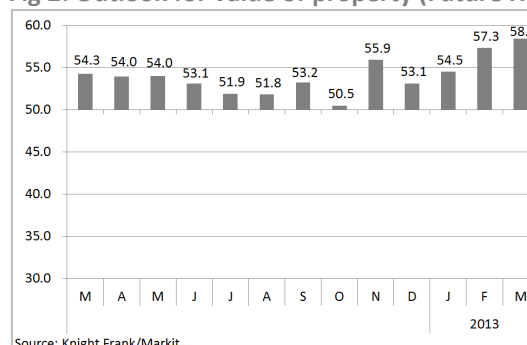


Fig 2: Outlook for value of property (Future HPSI)



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

Regional outlook

Regional differences in the outlook for prices remain, although all regions except the North East anticipate that the value of their property will rise in 2013.

Londoners (70.4) lead the way, with sentiment at its highest level since February 2010. They are followed by those in the South East (66.4) and Wales (57.1). This is the second consecutive month that households in Wales have expected property values to rise.

However, there is still a north-south divide in the extent of the price rises expected, with households in southern England on balance more optimistic about price rises than those in the north.

Those with mortgages were more upbeat about the prospect for house prices than those who own their home outright with readings of 62.6 and 58.8 respectively.

There was also a large jump in expectations of house price rises among those aged between 55 and 64 years. The reading for this group rose from 55.1 in February to 61.9 this month, the highest reading since June 2010.

Similarly, those aged between 25 and 34 years are also more likely to expect house price rises over the next 12 months than at any time since June 2010.

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

“Optimism that house prices will rise in 2013, which we saw at the start of the year, has strengthened again this month, with households

in all but one region upbeat about the outlook for house prices.

“New data out this month suggests that the wider economic picture is brightening as well. A key activity indicator for the UK’s dominant services sector rose at the fastest pace in five months in February, indicating that the economy could be on track for positive, albeit modest, growth in the first quarter of the year.

“There was disappointment in the mortgage market last week after weak initial data was released by the Bank of England on its Funding for Lending scheme (FLS). The FLS has, however, had some influence on the mortgage market as the security provided to banks by the availability of the funding has led to a fall in loan rates.”

Chris Williamson, chief economist at Markit, said:

“House price sentiment has risen steadily throughout the first three months of the year and is now the highest we’ve seen since the combination of austerity-focused domestic policy and the eurozone crisis caused confidence to slide in mid-2010.

“The data suggest that policy initiatives, including the FSL, may be having a positive impact on the housing market.

“Importantly, perceptions of rising house prices will help homeowners feel more financially secure, meaning the improvement in housing market sentiment can have a beneficial knock-on effect on consumer spending, which will in turn help to support economic growth.”

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

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

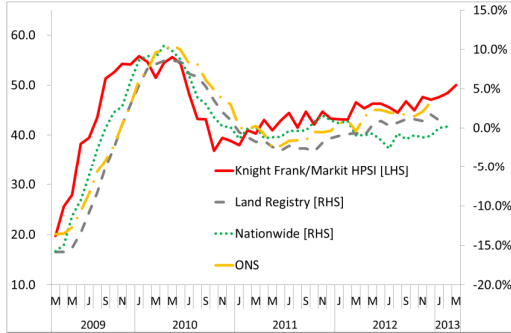
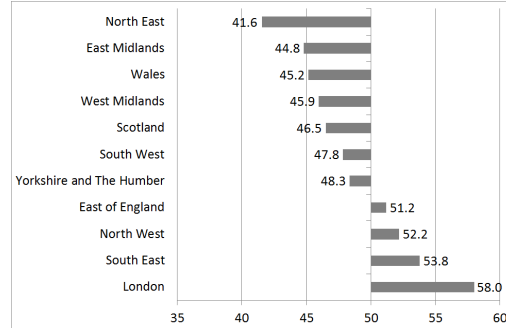


Fig 4: Regional change in current value of property



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-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
Apr-12	45.4	39.1	43.3	41.0	41.4	45.8	42.1	53.6	48.8	47.3	39.2	45.6
May-12	46.3	44.5	41.0	44.0	46.8	42.5	48.9	50.9	49.2	47.8	45.3	44.3
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

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-12	55.3	43.6	46.2	48.7	46.7	47.5	56.2	65.2	60.2	58.1	55.1	56.3
Apr-12	55.3	45.1	52.6	53.6	55.7	51.2	51.0	62.2	56.4	53.4	48.0	52.3
May-12	53.4	49.1	47.0	51.3	56.1	47.2	61.0	62.8	57.1	48.6	53.8	52.1
Jun-12	56.9	45.5	47.7	52.0	52.6	52.6	55.4	60.2	55.3	46.7	54.3	54.8
Jul-12	53.1	45.5	49.7	37.9	48.5	52.3	53.9	63.5	53.6	49.1	56.2	51.8
Aug-12	52.1	46.2	44.1	52.7	48.9	47.3	53.1	61.3	53.4	52.2	49.4	52.8
Sep-12	53.9	54.6	48.5	46.4	51.0	52.2	56.2	63.1	55.7	55.0	47.9	47.1
Oct-12	54.4	45.1	42.1	43.9	44.5	53.2	49.4	59.8	60.8	47.8	43.7	49.8
Nov-12	56.1	50.3	53.8	54.1	53.6	53.9	55.8	63.3	61.1	57.1	45.2	52.8
Dec-12	54.9	48.0	52.6	55.3	48.5	48.6	53.1	61.6	54.5	56.3	45.6	48.7
Jan-13	56.0	45.7	50.3	51.5	51.5	50.8	56.4	65.5	59.8	55.9	45.2	49.7
Feb-13	62.3	52.2	53.2	52.9	55.6	54.0	58.4	64.2	62.2	56.2	60.5	53.8
Mar-13	62.6	45.7	54.9	52.4	54.3	54.3	61.6	70.4	66.4	53.6	57.1	53.6

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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 6th – 11th March 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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