

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

House price expectations remain positive, but signs of a ‘post-election bounce’ are largely confined to the capital

Key headlines for May 2015

- Households in all UK regions perceive that property prices rose in May
- Londoners perceived the biggest rate of house price growth over the course of the month
- Expectations for future house price rises accelerated to six-month high in London
- Households in the East of England expect the strongest price rises over the next 12 months
- Some 6.4% 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 May, according to the House Price Sentiment Index (HPSI) from Knight Frank and Markit Economics.

Some 20.2% 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. This gave the HPSI a reading of 58.0 (see figure 1), the twenty-sixth consecutive month that the reading has been above 50.

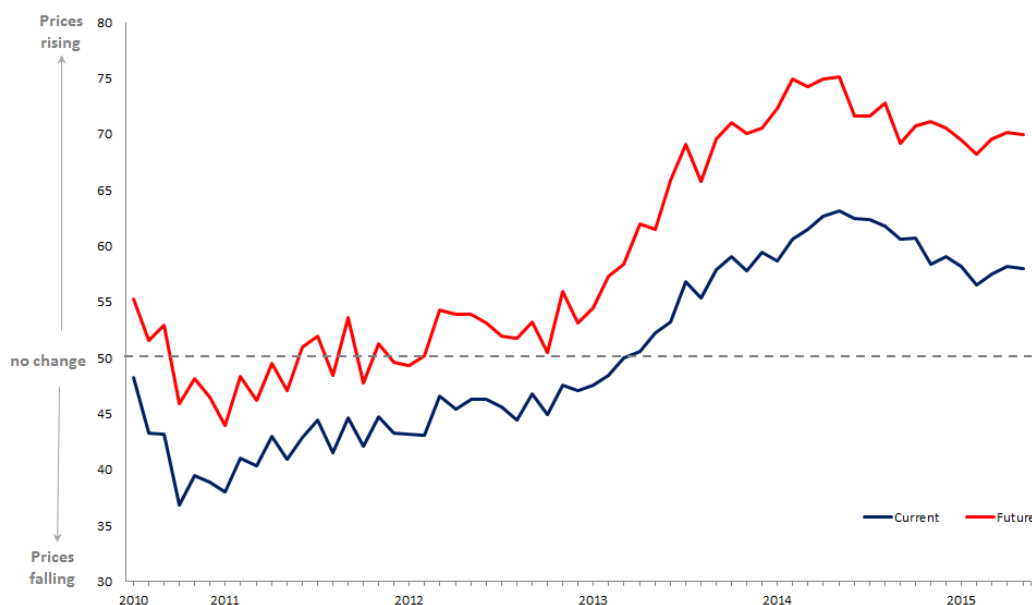
This is a slight decrease on last month’s reading of 58.2, indicating that households may have factored in the uncertainty caused by the General Election to perceived price growth.

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 well 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 (64.8) 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/Markit

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

by households in the South East (61.6) and those in the East of England (61.2). While still positive, households in Wales reported the smallest price rises.

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 in May to 70.0, slightly down from 70.2 in April.

However, in spite of the monthly decline, the proportion of households expecting prices to fall over the next 12 months (5.2%) was the lowest ever recorded since the survey began in 2009. Meanwhile, 45.1% anticipate a rise in the value of their property and 49.7% forecast no change over the year ahead.

Households in the East of England (77.8) were most confident about price rises, followed by those in London (77.7) and the South East (73.5).

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 6.4% of UK households said they planned to buy a property in the next 12 months, down from 6.5% a year previously.

On a regional basis, nearly one in ten households in the North East is planning a purchase in the next 12 months, followed by those living in London where 8.4% of households said they would be buying a property in 2015.

Individuals aged between 25 and 34 are more likely to be considering buying a home in the short term, with 10% of such respondents saying they planned to purchase a home within the next 12 months compared to 4.4% of respondents aged 55 and above.

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

"There is little evidence yet of an 'election bounce' in house price expectations, reflecting current market conditions. Activity is certainly picking up following the election of a majority government, and the certainty this has provided in the housing market. Demand is rising, but an increasing number of vendors are putting their homes on the market, and this is set to create more balance in terms of pricing.

"Londoners expectations for future price rises reached their highest level since November last year, perhaps reflecting the increased certainty in the outlook for property taxes in the Capital."

Tim Moore, senior economist at Markit, said:

"May's survey highlights positive house price expectations across the UK, although households are still much less bullish than was seen at the post-recession peak exactly one year ago.

"Tighter lending criteria and stretched affordability continue to restrain house price sentiment, while improving labour market conditions and continued low mortgage rates remain two key drivers of positive property price trends.

"The most likely area of the property market to experience an appreciable post-election bounce is the house building sector, as decision making should reaccelerate after several months of policy uncertainty. However, the long-term challenges of boosting house building volumes and the supply chains that support them are undiminished."

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

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

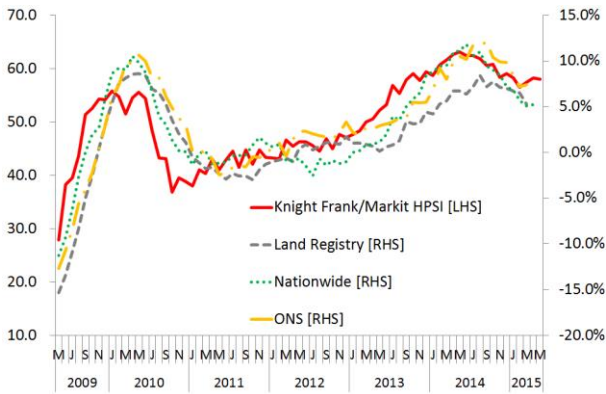
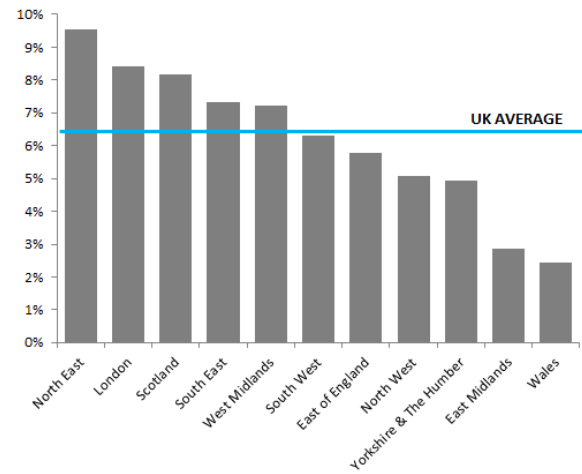


Fig 3: Percentage of buyers planning to purchase a property in the next 12 months (by region)



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
May-14	63.2	57.5	60.9	55.6	64.3	58.7	68.7	69.9	65.2	69.2	59.8
Jun-14	62.5	52.9	57.7	58.0	56.5	57.1	66.3	71.9	69.1	65.5	58.1
Jul-14	62.4	51.7	55.0	58.1	61.7	60.5	68.3	70.5	69.7	62.0	57.3
Aug-14	61.8	56.9	58.7	55.8	58.1	60.4	63.5	71.4	68.4	61.1	57.0
Sep-14	60.6	51.5	53.4	56.6	56.8	62.5	64.4	67.7	67.5	60.4	58.1
Oct-14	60.7	55.3	54.9	57.1	57.8	54.1	65.5	73.3	65.0	60.8	52.8
Nov-14	58.4	59.1	51.3	50.9	54.0	57.5	62.8	62.7	63.5	60.3	60.5
Dec-14	59.1	53.0	54.8	54.2	54.1	54.6	67.4	65.7	65.5	58.1	56.7
Jan-15	58.2	54.5	53.0	55.3	59.0	53.9	60.2	65.3	63.0	58.8	53.9
Feb-15	56.5	54.3	53.7	54.5	57.6	54.7	60.5	62.7	59.1	53.7	55.8
Mar-15	57.5	54.9	54.2	52.8	54.5	54.2	62.1	63.7	62.3	59.7	51.8
Apr-15	58.2	51.9	54.2	54.5	54.3	59.3	62.1	64.2	61.3	59.6	53.2
May-15	58.0	53.3	53.8	53.5	56.8	55.3	61.2	64.8	61.6	60.0	51.6

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
May-14	75.1	69.4	73.3	70.0	72.0	69.7	79.7	81.5	78.2	79.3	70.8
Jun-14	71.6	58.8	65.4	71.2	68.3	69.0	73.9	77.8	79.0	71.4	68.0
Jul-14	71.7	58.2	66.2	68.4	64.4	73.3	76.0	76.8	79.8	72.7	71.9
Aug-14	72.8	64.8	69.0	72.3	69.5	74.3	76.1	77.7	79.3	72.7	64.8
Sep-14	69.2	59.6	62.6	65.9	66.7	72.5	71.1	72.8	78.1	70.8	65.5
Oct-14	70.8	67.1	65.4	64.6	67.3	63.0	76.3	78.0	78.8	74.3	63.5
Nov-14	71.1	69.3	60.9	65.2	70.3	68.9	74.3	79.0	77.1	73.6	69.2
Dec-14	70.5	64.3	63.8	67.9	65.9	68.0	76.1	74.3	77.5	73.6	69.3
Jan-15	69.5	60.4	62.6	69.8	70.5	63.5	73.0	75.3	74.9	75.1	66.0
Feb-15	68.2	60.6	67.0	65.0	67.8	62.2	72.9	72.9	73.8	70.9	65.3
Mar-15	69.6	62.0	65.3	67.8	69.7	69.8	71.7	73.7	77.0	73.7	61.5
Apr-15	70.2	61.7	64.0	68.4	65.3	70.0	78.7	73.8	75.7	72.1	66.0
May-15	70.0	62.7	61.9	67.4	68.1	68.0	77.8	77.7	73.5	71.8	64.0

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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 13th May and 17th May. 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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