

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

Households expect value of their home to rise strongly over next 12 months

Key headlines for November

- Households expect that the value of their home will rise over the next 12 months, but at a slightly slower pace than anticipated in October
- Three month rolling average of future HPSI hits a new series record high between September and November
- Londoners expect the biggest rise in prices over the next year
- Those who own their homes outright expect stronger price growth than those with mortgages or in the private rented sector
- Households perceive that the value of their home has risen over last month, at the third-strongest pace since 2009, with the index reaching record highs in the East of England, the South West and London

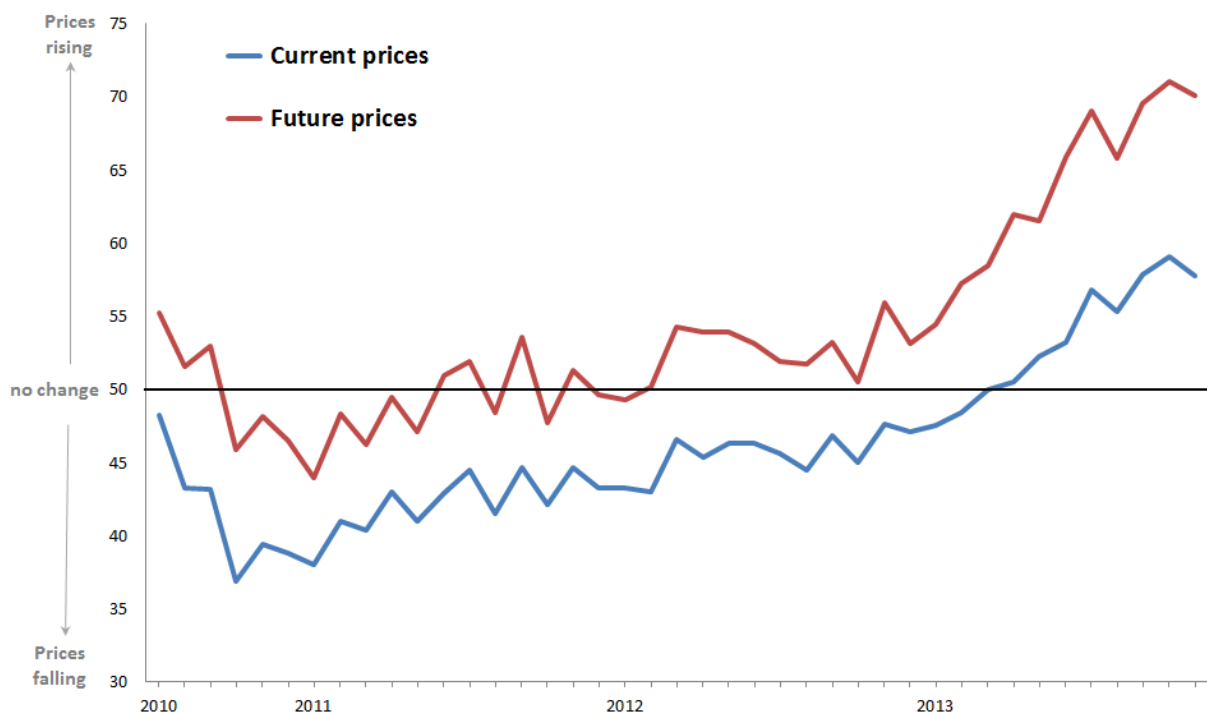
Change in current house prices

Households perceived that the value of their homes rose in November for the eighth consecutive month, according to the House Price Sentiment Index (HPSI) from Knight Frank and Markit Economics.

More than 20% of the 1,500 homeowners surveyed across the UK said that the value of their home had risen over the last month, up from 9.1% in November last year. Only 5.2% of households said the value of their home had fallen over the last month, giving a HPSI reading of 57.8 (see figure 1).

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.

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.

This is slightly lower than last month's record reading of 59.1, which was the highest reading since the index began in February 2009.

Households in all 11 regions reported that the value of their home had risen in November, with the index readings reaching record highs in London, the South West and the East of England.

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, which measures what households think will happen to the value of their property over the next year, fell slightly in November, but remained near October's record high.

The overall index reading dropped to 70.1 from 71.1 in October.

On a smoother three-month average basis however, the future HPSI reading rose to a new series high of 70.3, up from 68.8 in the previous three month period.

Regional outlook

While households in every region expect the value of their home to rise over the next 12 months, the expectations for the strength of price growth differ across the country. Londoners (79.0) expect the biggest rise in prices, followed by those in the East of England (75.7) and the South East (73.8). Households in the West Midlands (64.6) and the North East (57.4) expect the most modest increases. The full breakdown is shown in the table below (figure 3).

Homeowners who have 100% equity in their property expect the strongest rise in prices in the

next 12 months (75.0), followed by mortgage borrowers (74.4) and those renting privately (70.0).

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

"The sharp rise in the HPSI since the start of the year has been reflected, with some time lag, in recent house price indicators for the UK.

"Confidence across the housing market has been lifted by brighter economic conditions and government interventions in the mortgage market. While households across all regions expect price rises into next year, those in the North are anticipating more modest increases compared to those in the south, with households in the North East and West Midlands expecting the smallest increases in the value of their property."

"Those holding some or all of the equity in their home are the most confident that prices will rise, but households in the private rented sector also expect price growth over the next year – which could impact hopes they may have of home ownership."

Tim Moore, senior economist at Markit, said:

"The latest data suggests a small amount of froth has come off house price expectations since the survey reached a record high in October this year.

"However, with just one-in-fourteen households anticipating a drop in property values over the 12 months ahead, there is a widespread belief that UK house prices will continue on an upward path in 2014.

"Looking at the regional picture, Londoners are still by far the most likely to forecast increases in their property values, while the East of England replaced the South East in second spot for expected house price growth."

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

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

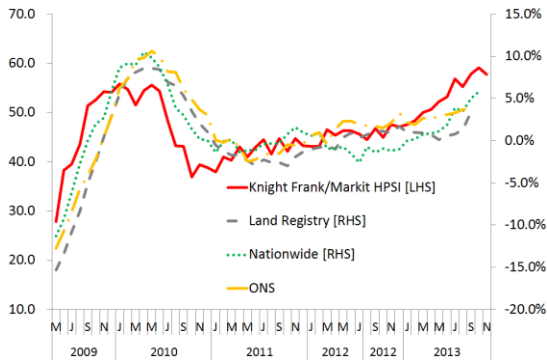


Fig 3: Change in future value of property (next 12 months)



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	
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
Jul-13	56.8	52.8	49.1	56.5	53.6	53.2	60.8	65.3	59.4	57.7	54.7	54.0
Aug-13	55.3	47.9	51.6	53.3	50.6	55.1	56.5	64.0	57.7	57.0	47.6	54.4
Sep-13	57.9	53.9	54.8	52.4	54.9	56.9	57.4	67.0	61.0	57.0	57.2	55.2
Oct-13	59.1	51.0	56.8	59.5	51.8	58.3	59.5	67.2	62.3	59.3	50.7	58.7
Nov-13	57.8	53.1	55.6	51.6	56.3	52.3	62.7	68.2	57.5	59.6	56.7	53.9

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	
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
Jul-13	69.1	62.3	62.1	66.9	64.4	64.3	68.4	78.0	75.5	73.4	70.2	64.5
Aug-13	65.8	53.0	58.2	63.4	66.2	62.6	67.5	73.0	74.7	67.2	61.8	61.5
Sep-13	69.6	64.4	65.4	66.8	68.8	68.9	70.4	80.1	71.4	69.9	64.3	64.7
Oct-13	71.1	59.0	68.4	65.9	67.8	71.5	69.9	81.4	76.7	71.1	60.4	69.9
Nov-13	70.1	57.4	65.7	66.7	67.7	64.6	75.7	79.0	73.8	72.8	67.4	66.5

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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 (November survey)

IpsosMORI interviewed 1500 adults aged 18-64 across Great Britain from its online panel of respondents. Interviews were conducted online between November 6th and November 11th 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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