

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

Household sentiment on future price growth hits record high in the South East

Key headlines for November 2015

- Households in all UK regions perceive that the value of their home rose in November
- Those in the South East and London perceived the strongest price growth over the course of the month
- Households in all UK regions expect house prices to rise over the next 12 months, led by those in the South East
- Mortgage borrowers were the most confident that prices will rise over the next year

Change in current house prices

Households across the UK perceived that the value of their home rose in November, according to the House Price Sentiment Index (HPSI) from Knight Frank and Markit Economics.

Some 21.3% of the 1,500 households surveyed across the UK said that the value of their home had risen over the last month, while 4.0% said that

prices had fallen. This resulted in a HPSI reading of 58.7 (see figure 1). This is the thirty-second consecutive month that the reading has been above 50.

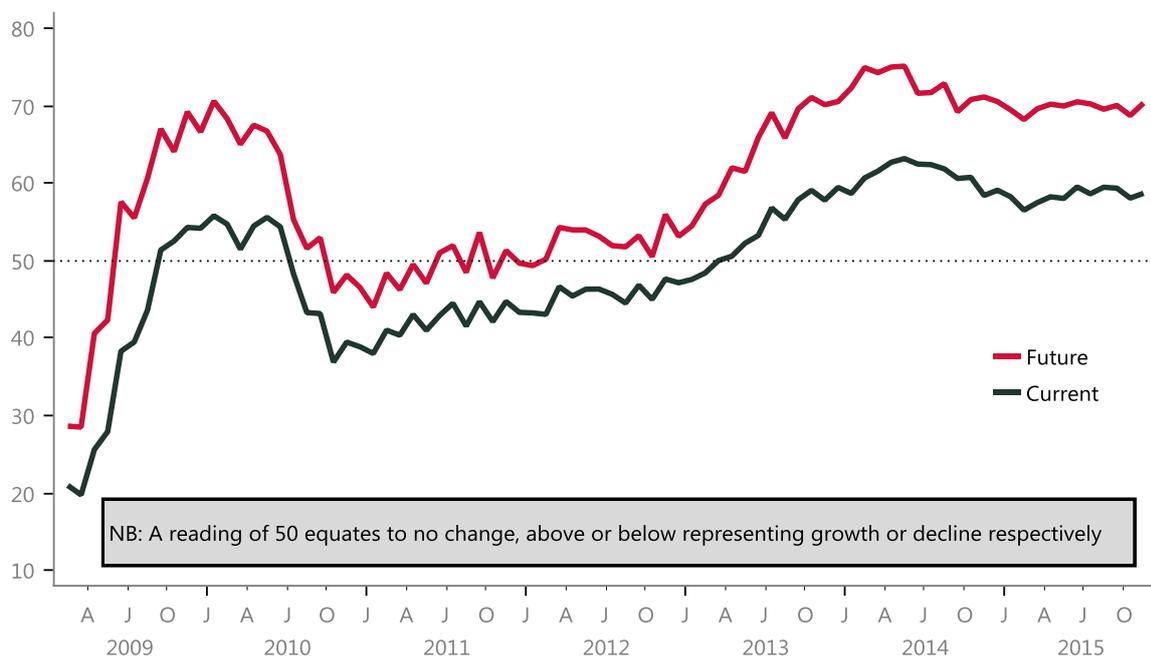
Any figure over 50 indicates that prices are rising, and the higher the figure, the stronger the increase. Any figure below 50 indicates that prices are falling.

November’s reading was a slight increase from the 58.1 recorded in October and was the fourth highest reading recorded so far in 2015. However, it remained below the peak of 63.2 achieved in May last year.

Households in all eleven regions reported that prices rose in November. Those in the South East (66.4) reported the biggest rise, followed by those in London (65.7).

While Londoners reported some of the strongest price growth over the course of the month, the

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



Source: Knight Frank/Markit

perceived rate house price growth has eased compared to October (see 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. 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, rose in November to 70.3, from 68.7 in October.

On a rolling three-monthly average the future HPSI stands at 69.7, in line with the average monthly reading for 2015.

There are a number of regional differences in expectations for price growth with households in the South East and London the most confident that prices will rise over the next 12 months and households in northern regions and Wales less confident about price growth over the same period.

In fact, the index rose to a record high in the South East (82.9), signifying that households here are more confident that the value of their home will rise in the next 12 months than any time since the inception of the index in early 2009.

[Knight Frank has forecast](#) that cumulative house price growth in the South East over the next five years will be among the strongest of any UK region.

Expectations of price growth eased slightly in London month-on-month giving the future HPSI for the region a reading of 78.3. A full regional breakdown can be seen in the tables on page 3.

Mortgage borrowers were the most confident that prices will rise over the next year (76.4), followed by those who own their home outright (74.5).

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

“The UK’s housing market continues to be supported by low interest rates and good economic fundamentals, and pricing in some areas is underpinned by a shortage of stock. While the HPSI has ticked up in November, the overall trend is a gradual slowdown in the pace of growth, with the average reading this year at 58.4, compared to 61.0 last year.

“Households across all tenures expect house prices to continue to rise over the next year, although homeowners expect stronger growth than those in the rented sector. The survey also highlights the regional variations in future house price expectations, with the future HPSI for households in the South East overtaking London by the largest margin in more than a year.”

Tim Moore, senior economist at Markit, said:

“UK house price sentiment remains firmly in positive territory, with around five times as many households suggesting a rise in their property value as those that noted a decline during November.

“At the same time, there was a rebound in households’ confidence about property values for the next 12 months, with this index close to its highest seen so far in 2015.

“Improving job market conditions and an expectation that interest rates will remain low for longer appear to have boosted households’ confidence regarding property values.

“Housing market sentiment continued to vary widely across the UK regions, reflective of local demand conditions and supply dynamics. Most notably, latest data indicated that people in the South East are more likely to expect a rise in their house price over the year ahead than at any time since the survey began in 2009.”

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

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

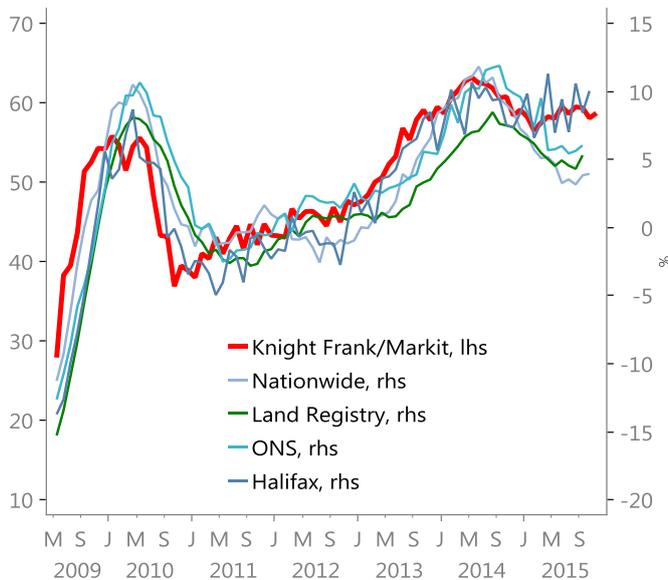
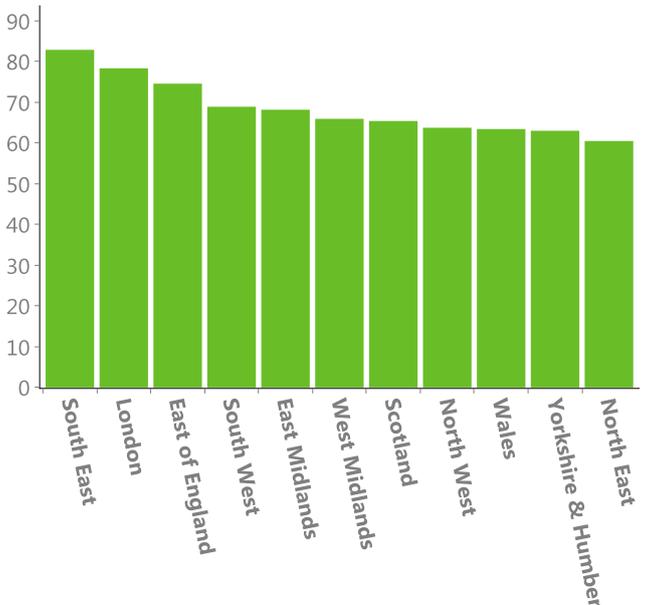


Fig 3: How do you think the value of the property/dwelling will have changed 12 months from now? (50=no change)



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-14	58.4	59.1	51.3	50.9	54.0	57.5	62.8	62.7	63.5	60.3	60.5	56.8
Dec-14	59.1	53.0	54.8	54.2	54.1	54.6	67.4	65.7	65.5	58.1	56.7	54.1
Jan-15	58.2	54.5	53.0	55.3	59.0	53.9	60.2	65.3	63.0	58.8	53.9	54.8
Feb-15	56.5	54.3	53.7	54.5	57.6	54.7	60.5	62.7	59.1	53.7	55.8	49.4
Mar-15	57.5	54.9	54.2	52.8	54.5	54.2	62.1	63.7	62.3	59.7	51.8	52.1
Apr-15	58.2	51.9	54.2	54.5	54.3	59.3	62.1	64.2	61.3	59.6	53.2	55.7
May-15	58.0	53.3	53.8	53.5	56.8	55.3	61.2	64.8	61.6	60.0	51.6	56.1
Jun-15	59.5	53.0	51.4	56.4	56.8	56.9	65.7	66.6	64.0	61.6	53.7	57.7
Jul-15	58.6	51.6	55.1	57.4	54.9	56.0	62.9	69.6	61.0	54.2	53.7	55.4
Aug-15	59.5	54.5	55.3	60.9	52.8	60.5	61.8	63.4	64.3	63.4	50.6	55.3
Sep-15	59.3	52.0	55.6	54.0	55.4	57.8	66.3	66.4	63.1	60.6	54.3	55.1
Oct-15	58.1	52.0	51.8	52.9	55.2	51.2	63.5	69.0	64.3	58.0	52.9	54.0
Nov-15	58.7	52.6	53.4	51.3	57.8	54.6	62.2	65.7	66.4	60.1	56.7	53.3

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
Nov-14	71.1	69.3	60.9	65.2	70.3	68.9	74.3	79.0	77.1	73.6	69.2	67.6
Dec-14	70.5	64.3	63.8	67.9	65.9	68.0	76.1	74.3	77.5	73.6	69.3	66.3
Jan-15	69.5	60.4	62.6	69.8	70.5	63.5	73.0	75.3	74.9	75.1	66.0	62.8
Feb-15	68.2	60.6	67.0	65.0	67.8	62.2	72.9	72.9	73.8	70.9	65.3	61.0
Mar-15	69.6	62.0	65.3	67.8	69.7	69.8	71.7	73.7	77.0	73.7	61.5	60.3
Apr-15	70.2	61.7	64.0	68.4	65.3	70.0	78.7	73.8	75.7	72.1	66.0	65.5
May-15	70.0	62.7	61.9	67.4	68.1	68.0	77.8	77.7	73.5	71.8	64.0	65.8
Jun-15	70.5	67.3	63.2	67.9	69.3	66.6	75.0	78.2	78.3	72.3	60.0	64.3
Jul-15	70.2	56.6	67.4	66.5	65.0	71.0	72.5	78.4	78.8	66.4	62.8	66.9
Aug-15	69.5	60.8	65.9	70.0	61.8	67.8	67.8	76.2	77.0	71.8	63.8	67.1
Sep-15	70.0	57.7	65.6	63.2	65.8	67.2	79.3	74.1	76.0	74.7	61.4	69.6
Oct-15	68.7	53.6	62.1	62.0	67.1	63.2	74.8	78.4	75.8	72.1	60.7	66.9
Nov-15	70.3	60.5	63.8	63.0	68.2	66.0	74.6	78.3	82.9	68.9	63.4	65.4

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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 1,500 adults aged 18-64 across Great Britain from its online panel of respondents. Interviews were conducted online between 11th November and 15th November. 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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