

House Price Sentiment Index

House price sentiment continues to ease, but expectations pick up

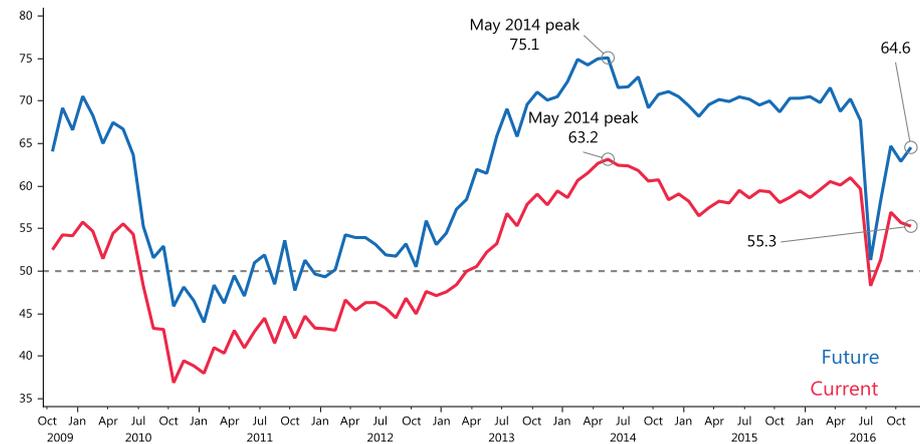
November 2016

Key findings:

- Households across the UK perceive that the value of their home rose in November.
- However, mirroring wider trends in the housing market, the perceived rate of house price growth slowed compared to last month
- Respondents in seven of the 11 regions covered by the index believe prices increased over the course of the month.
- The future HPSI rose slightly in November, compared with the previous month, with households in all regions expecting the value of their home will increase over the next 12 months.

Change in current and future HPSI

A score of 50 equates to no change with above or below representing growth or decline respectively



Change in current house prices

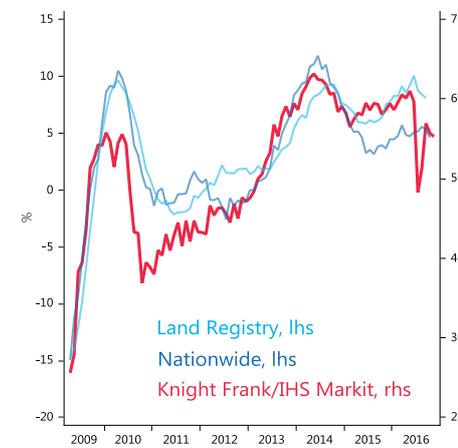
Households across the UK perceive that the value of their home rose in November, according to the latest House Price Sentiment Index (HPSI) from Knight Frank and IHS Markit.

This was the fourth consecutive month that the reading has been above 50 following the index's post-referendum low in July.

Some 16.9% of the 1,500 households surveyed across the UK said that the value of their home had risen over the last month, while 6.3% said that prices had fallen. This resulted in a HPSI reading of 55.3.

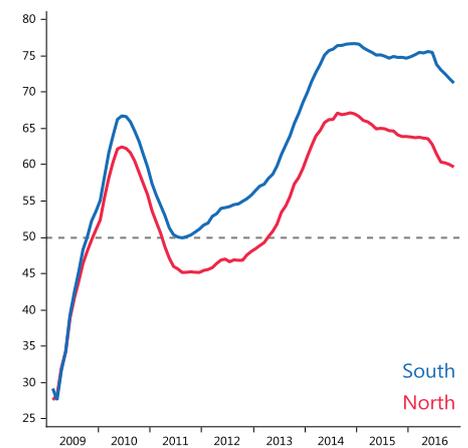
Current HPSI Vs other indices

Latest available data



Regional variations in future HPSI

12 month moving average (50=no change)



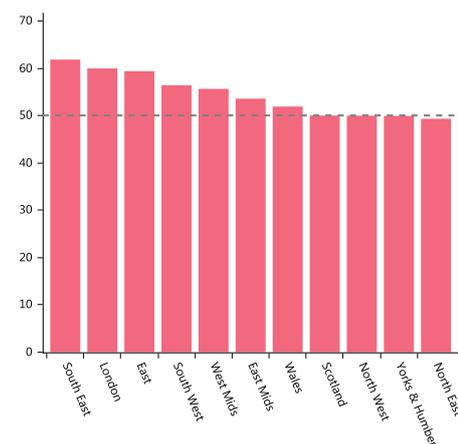
Any figure over 50 indicates that prices are rising, and the higher the figure, the stronger the increase. Any figure below 50 indicates that prices are falling.

November's reading was a slight decrease from the 55.7 recorded in October and is the second consecutive month during which household perceptions eased, which mirrors the wider trend in house price growth post-referendum.

The index remains significantly below its peak of 63.2 recorded in May 2014.

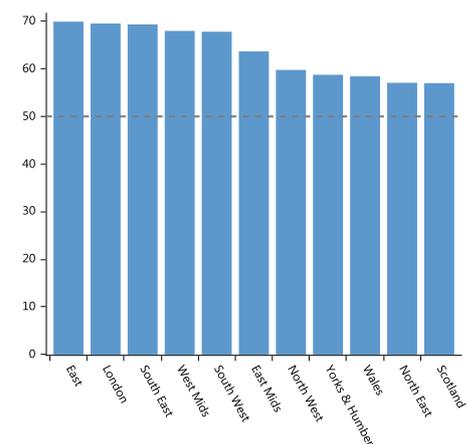
Current HPSI, regional

November 2016 (50=no change)



Future HPSI, regional

November 2016 (50=no change)



RESIDENTIAL RESEARCH

Households in seven of the 11 of the regions covered by the index perceived that the value of their property rose in November, with households in the South East (61.9) reporting the biggest rise. They were followed by those in London (60.0) and the East of England (59.4).

Households in the North East (49.3) and Yorkshire (49.9) believe that prices fell over the course of the month, while those in Scotland and the North West (50.0) perceived no change in the value of their homes over the course of the month.

The full regional breakdown is shown in the 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, moving ahead of mainstream house price indices. This confirms 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, rose in November to 64.6 from 62.9 in October.

However, while the headline index rose month-on-month, there were still significant regional variations in terms of household expectations, with those in the South of England comfortably more confident that prices will rise than those in the North, Scotland and Wales.

The index also remains well below its previous peak of 75.1 achieved in May 2014, reflecting the more uncertain economic outlook.

Mortgage borrowers (69.8) were the most confident that prices would rise, followed by those who own their home outright (67.0).

Gráinne Gilmore, head of UK residential research at Knight Frank, said: "Sentiment in the housing market is finding a post-EU vote stability. While households are confident that the value of their home is rising and will continue to do so over the next 12 months, they expect the velocity of this change to be lower than before June's vote.

"This chimes with the increased economic uncertainty as the UK starts to negotiate its way out of the EU. However, opinions on the housing market are also formed at a local level, and in many cases markets are characterised by a lack of supply of homes to purchase, which is underpinning pricing."

Tim Moore, senior economist at IHS Markit, said: "November's survey reveals another positive month for UK housing market sentiment, with optimism up sharply from its post-referendum lows.

"However, the strength of the rebound moderated since October and confidence levels are now comparable with those seen in mid-2013, when UK house price inflation was running in the low single-digits.

"Households are also relatively cautious about the outlook for house price growth in 2017, suggesting that heightened economic and political uncertainty remain headwinds to confidence.

"Meanwhile, the influence of supply constraints on house price expectations appears evident in latest figures. Most notably, people living in London and its commuter regions were far more likely to anticipate higher property values in 2017 than the rest of the UK."

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HOUSE PRICE SENTIMENT INDEX

Regional change in House Price Sentiment (current and future)

November 2016

Current: Compared to one month ago, how do you think the value of the property/dwelling in which you live has changed?

	East Mids	East	London	North East	North West	Scotland	South East	South West	Wales	West Mids	Yorks & Humber
Nov-15	57.8	62.2	65.7	52.6	53.4	53.3	66.4	60.1	56.7	54.6	51.3
Dec-15	58.5	58.5	68.7	50.0	54.7	54.5	65.4	58.1	55.5	58.9	57.2
Jan-16	52.3	62.8	68.1	53.3	51.3	54.8	64.3	57.2	53.8	60.7	54.0
Feb-16	60.9	62.3	68.1	53.0	55.5	51.7	61.9	60.9	58.6	56.5	57.5
Mar-16	56.4	66.3	71.7	56.4	54.0	53.3	67.4	59.8	54.2	55.1	57.1
Apr-16	58.8	62.4	70.0	52.7	56.0	50.1	65.6	60.7	53.7	59.2	58.0
May-16	58.6	64.6	70.8	52.5	56.3	56.9	66.9	59.4	60.5	53.4	58.5
Jun-16	55.3	62.7	69.6	48.5	56.5	54.6	66.3	57.7	57.0	60.1	51.6
Jul-16	44.5	50.2	49.5	45.0	46.8	49.3	50.2	49.8	43.3	49.8	46.7
Aug-16	49.0	58.5	53.1	44.3	50.8	45.6	54.5	55.0	48.4	50.2	47.3
Sep-16	58.1	59.9	63.0	54.2	52.9	51.8	60.4	57.7	53.2	55.7	52.2
Oct-16	54.5	58.1	60.9	51.4	51.9	50.0	59.4	57.9	51.2	56.3	53.0
Nov-16	53.6	59.4	60.0	49.3	50.0	50.0	61.9	56.4	51.9	55.7	49.9

Future: How do you think the value of the property/dwelling in which you live will have changed 12 months from now?

	East Mids	East	London	North East	North West	Scotland	South East	South West	Wales	West Mids	Yorks & Humber
Nov-15	68.2	74.6	78.3	60.5	63.8	65.4	82.9	68.9	63.4	66.0	63.0
Dec-15	62.7	74.5	77.9	60.1	67.5	65.8	76.7	66.8	64.9	72.0	68.5
Jan-16	65.4	81.1	79.1	61.9	62.3	61.8	76.1	71.6	64.5	71.3	66.4
Feb-16	67.4	72.8	77.8	60.6	64.1	62.0	78.7	74.1	62.5	67.3	64.4
Mar-16	71.5	80.3	78.9	61.4	63.6	61.4	81.0	71.6	62.2	66.4	72.1
Apr-16	66.6	68.4	77.2	57.6	62.8	57.2	79.3	71.7	59.6	67.9	69.4
May-16	66.3	77.9	78.2	61.8	61.5	62.3	79.5	74.8	67.6	63.3	66.0
Jun-16	63.3	71.0	78.2	50.4	62.4	60.8	76.0	72.8	66.9	67.1	56.8
Jul-16	46.4	53.2	56.3	48.9	47.1	51.9	54.5	51.7	48.2	52.4	46.9
Aug-16	55.7	68.3	61.5	54.5	52.7	52.2	63.0	64.7	56.9	55.7	49.9
Sep-16	66.3	64.6	71.0	61.5	62.4	57.9	75.2	65.8	56.3	58.3	58.7
Oct-16	65.6	61.5	68.6	58.3	55.3	57.0	69.3	70.8	54.5	65.3	55.7
Nov-16	63.7	69.9	69.5	57.0	59.7	57.0	69.3	67.8	58.4	67.9	58.7

HOUSE PRICE SENTIMENT INDEX

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 IHS 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 IHS 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 (September survey)

IpsosMORI interviewed 1,500 adults aged 18-64 across Great Britain from its online panel of respondents. Interviews were conducted online between 9th and 13th 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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