

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

Households' expectations for house price growth reach new survey high

Key headlines for October

- Households' perceptions of house price growth reach highest levels on record
- Households in every region expect the value of their home to rise over next 12 months
- Only one in fourteen households expect the value of their home to decline over next 12 months
- Those in London and South East expect the biggest increase in prices
- Mortgage borrowers and those who own their home outright anticipate the largest rise in the value of their home in the next year

Change in current house prices

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

More than 23% of the 1,500 homeowners surveyed across the UK said that the value of their home had risen over the last month, up from 6.3% in October last year. Only 5% of households said the value of their home had fallen over the last month, giving a HPSI reading of 59.1 (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.

This is up from last month's record reading of 57.9 and marks the highest reading since the index began in February 2009. This is the most sustained period of upward price movements in three years.

Households in all 11 regions reported that the value of their home had risen in October, with the index readings also reaching record highs in every region except the North East, the East Midlands, the East of England and Wales.

A lead indicator

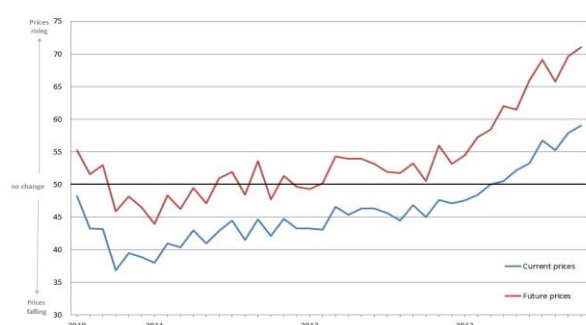
Since the inception of the HPSI, the index has been a clear lead indicator for house price trends. Figure 3 shows that the index moves ahead of mainstream house price indices, confirming the advantage of an opinion-based survey which provides a current view on household sentiment, rather than historic evidence from transactions or mortgage market evidence.

Outlook for house prices

The future HPSI, which measures what households think will happen to the value of their property over the next year, rose to a new high in October.

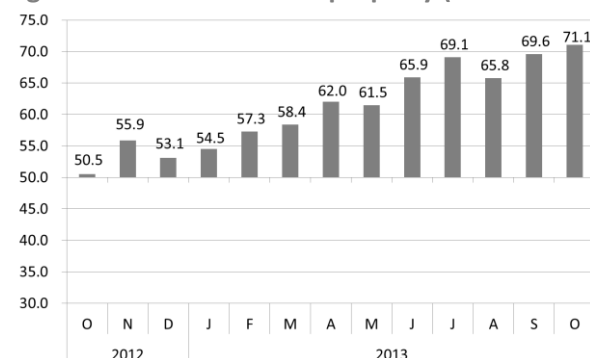
The overall index reading climbed to 71.1, up from 69.6, in September, and marking a new record high. On a smoother three-month average basis, the

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



Source: Knight Frank/Markit

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



Source: Knight Frank/Markit

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

future HPSI reading was 68.8, up from 68.2 in the previous three month period.

Regional outlook

Households in every region expect the value of their home to rise over the next 12 months, but the pace of growth differs markedly. Those in London (81.4) and the South East (76.7) lead the way, while households in the North East (59.0) and Wales (60.4) expect more modest increases in the value of their property.

Those aged over 55 (76.1) predict the sharpest rise in the value of their property, followed by those aged 35 to 44 (72.6). Those aged between 18 and 24 (64.8) also expect the value of the property in which they live to rise, but at a slower pace. This 'age-gap' is also mirrored in earnings data, with the highest future HPSI reading for those earning more than £57,800 a year (80.6), which is also a record high.

Homeowners who have a mortgage loan, and those who own their home outright both expect the largest increase in property values, with future HPSI readings of 75.9 and 74.9 respectively.

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

"The momentum in house price expectations gained over the past few months continued this month, with households across the country expecting the value of their home to rise over the next 12 months.

"This is the latest evidence of increased confidence in the market, which has been boosted by the Government's Help to Buy mortgage guarantee scheme, introduced at the start of the month.

"The difference in the rate of growth expected in the regions is quite pronounced however, reflecting the localised nature of the housing market at present. Households in London and the South East expect the largest rise in prices over the next year, an indication of the strength of the housing market in the Capital and in surrounding areas within easy commuting distance."

Tim Moore, senior economist at Markit, said:

"October's survey is the first taken since the Government brought forward the second phase of its Help to Buy scheme and, while the jump in price perceptions since September was relatively muted, the overall level of confidence about house price gains remains at unprecedented levels in the survey history.

"Looking ahead, only one-in-fourteen households forecast a decline in their property value over the next 12 months. In London, the number of respondents expecting a price fall between now and October 2014 stands at around one-in-thirty households, and across the wider South East this proportion has reached just one-in-twenty."

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

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

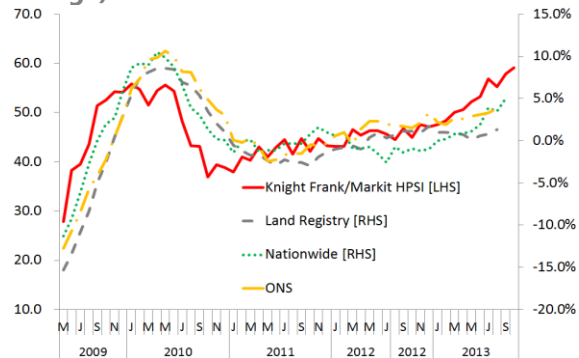


Fig 4: Regional change in current value of property



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
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
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

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
Sep-12	53.2	54.6	48.5	46.4	51.0	52.2	56.2	63.1	55.7	55.0	47.9	47.1
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

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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.

IpsosMORI technical details (October survey)

IpsosMORI interviewed 1500 adults aged 18-64 across Great Britain from its online panel of respondents. Interviews were conducted online between 10th – 14th October 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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