

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

Expectations for future house price growth ease

Key headlines for October 2015

- Households in all UK regions perceive that the value of their home rose in October
- Those in London and the South East 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, but the future house price index slipped to its lowest level since February this year
- Some 4.6% of households expect to buy a property over the next 12 months, down from 5.9% in September

Change in current house prices

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

Some 20.9% of the 1,500 households surveyed across the UK said that the value of their home

had risen over the last month, while 4.8% said that prices had fallen. This resulted in a HPSI reading of 58.1 (see figure 1). This is the thirty-first consecutive month that the reading has been above 50.

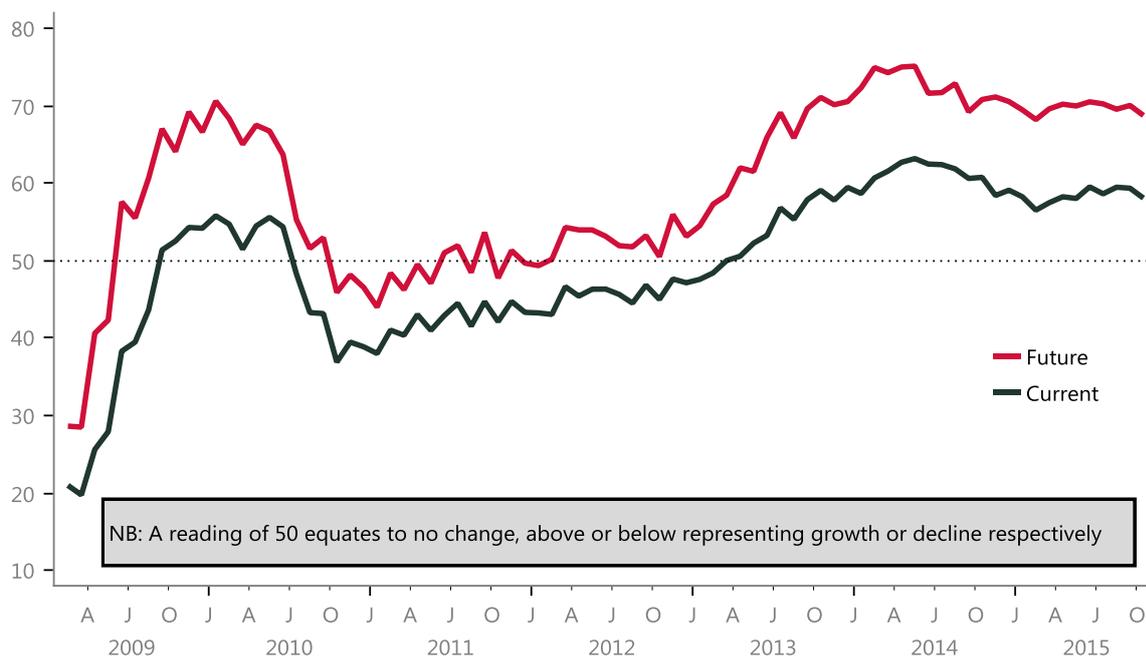
Any figure over 50 indicates that prices are rising, and the higher the figure, the stronger the increase. Any figure below 50 indicates that prices are falling.

October's reading was a decrease from the 59.3 recorded in September and it remains firmly below the peak of 63.2 achieved in May last year.

Households in all eleven regions reported that prices rose in October, with those in London (69.0) reporting the biggest rise, followed by those in the South East (64.3).

However, the perceived rate of house price growth eased in all areas except London and the South East, compared to September (see tables on page 3).

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



Source: Knight Frank/Markit

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, dropped slightly in October to 68.7 from 70.0 in September.

While still indicating that the majority of households expect price growth to continue, the future HPSI remains below its peak of 75.1 achieved in May last year.

Londoners (78.4) and those in the South East (75.8) expect the strongest rate of price growth, while respondents from the North East (53.6) and Wales (60.7) are expecting more modest price rises. A full breakdown can be seen in the tables on page 3.

Mortgage borrowers were the most confident that prices will rise over the next year (73.4), perhaps buoyed by current low mortgage rates and the possibility that interest rates may remain at current low levels for longer.

They were followed by those who own their home outright (73.2).

Housing market activity

Some 4.6% of UK households said they planned to buy a property in the next 12 months, down from 5.9% in August and the lowest level ever recorded by our survey.

In terms of possible housing market activity, households in Yorkshire (7.1%) are most likely to be planning a move in the next year followed by those in London (6.9%).

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

"The slowdown in the house price sentiment index mirrors the easing in average house prices across the country, but the regional breakdown also underlines the regional and localised nature of the market, with households in London reporting much stronger growth than elsewhere in the country. The HPSI for London is some 17 points higher than the West Midlands.

"The number of people saying they are planning to buy a home within the next year fell to the lowest level recorded since we first starting asking this question in April 2014. This may not only be reflecting affordability concerns, but also the availability of stock on the market, as houses listed with estate agencies across the country remains close to record lows."

Tim Moore, senior economist at Markit, said:

"October's survey indicates a modest slowdown in house price sentiment since last month, with only London and the South East bucking the overall trend. Across the UK as a whole, perceptions of house price growth are the lowest since May, but still well above the levels seen prior to autumn 2013.

"Looking at expectations for future house prices, the North-South divide in England has reached its widest since the survey began in early 2009.

"On average in the North, around 28% of households anticipate a rise in their property value over the year ahead, while 9% expect a decline. By contrast, in the South more than half (57%) predict an increase in their house price during the coming 12 months and only 4% expect a decline."

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

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

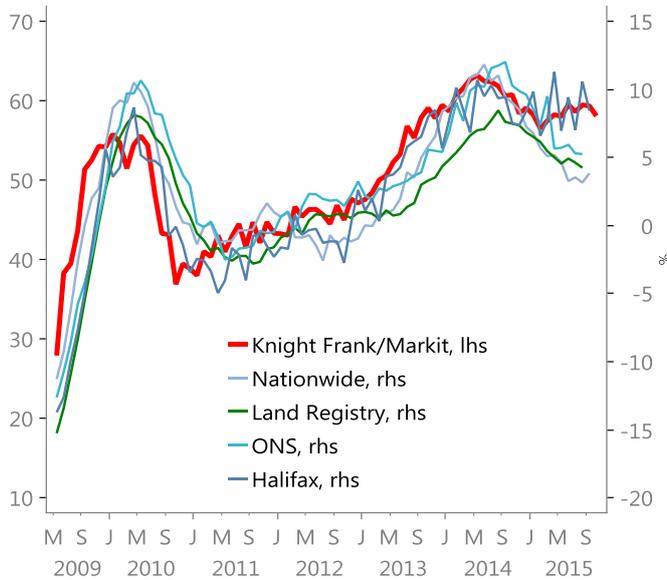


Fig 3: Percentage of buyers planning to purchase a property in the next 12 months (by region)

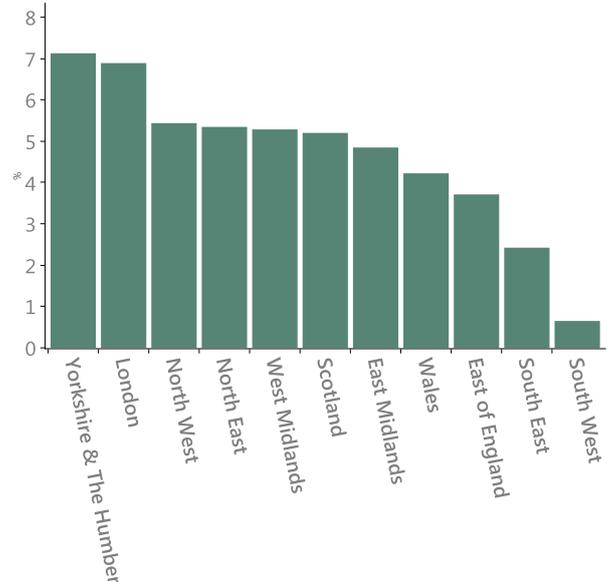


Fig 4: Regional breakdown of responses

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-14	60.7	55.3	54.9	57.1	57.8	54.1	65.5	73.3	65.0	60.8	52.8	57.1
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	59.0	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

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-14	70.8	67.1	65.4	64.6	67.3	63.0	76.3	78.0	78.8	74.3	63.5	67.5
Nov-14	71.1	69.3	60.9	65.2	70.3	68.9	74.3	79.0	77.1	73.6	69.2	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

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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 (September survey)

IpsosMORI interviewed 1,500 adults aged 18-64 across Great Britain from its online panel of respondents. Interviews were conducted online between 7th October and 12th October. 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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