

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

Sentiment index on future house prices climbs to a three and half year high

Key headlines for September

- Households expect the sharpest increase in prices over next 12 months than at any time since January 2010
- Households perceive that the value of their property rose over the last month at the fastest rate since the index began in early 2009
- Price expectations rise to record in London, while households in Wales and North East expect the most modest rise in prices
- Those aged between 45 and 54 are most optimistic that prices will rise over the year

Change in current house prices

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

More than 21% of the 1,500 households surveyed across the UK said that the value of their home had risen over the last month, while 5.7% said the value had fallen, giving a HPSI reading of 57.9 (see figure 1).

Any figure over 50 indicates that prices are rising. The higher the figure, the stronger the

increase. Any figure under 50 indicates that prices are falling.

This is up from August's reading of 55.3, and marks the highest reading since the index began in early 2009. On the smoother three-month rolling average, the reading has risen to 56.7 in the three months to September, up from 52 in the previous quarter.

A lead indicator

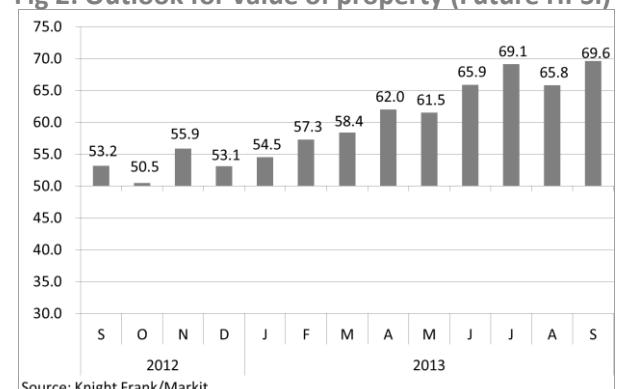
Since the inception of the HPSI, the index has been a clear lead indicator for house price trends. Figure 3 shows that the index moves ahead of mainstream house price indices, confirming the advantage of an opinion-based survey which provides a current view on household sentiment, rather than historic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

While households in every region perceived that the value of their home had increased, the rate of the increases varied. Households in the North East, who in August reported that the value of their home had fallen, are now reporting only modest rises (53.9). In contrast, households in London (67.0) and the South East (61.0) reported the biggest increases.

Fig 1: Current and future house prices



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



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

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 again in September to a its highest since January 2010, reversing the slight dip seen in August.

On the smoother three-month average basis, the future HPSI reading was 68.2, the highest level since the index began, up from 63.1 in the previous three-month period.

Regional outlook

Respondents in all regions expect the value of their property to rise over the next 12 months, but there are significant differences between many regions in the North and South. Those in London (80.1) and the South East (71.4) expect the biggest rise in prices, while households in Wales (64.3) and the North East (64.4) anticipate the most modest increase in values.

Mortgage borrowers are the most confident that prices will rise over the next year (75.8), followed by those who own their home outright (74.6). Those who are renting are the more downbeat about the future movement in house prices (55.6). Those aged between 45 and 54 (75.7) expect the biggest increase in the value of their home over the next year, followed by those aged over 55 (73.1). In contrast, those aged 18-24 (59.1) are expecting more moderate price rises.

This 'age-gap' is also mirrored in earnings data, with the highest earners (earning more than £57,800 a year) expecting the largest increases in prices over the next 12 months, with a reading of 79.9, although this is down from the record high of 81.1 seen in July.

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

"The HPSI reflects the rising confidence in the housing market which has emerged during the summer months.

"While the headline future index has reached a three-and-a-half year high, the regional picture remains mixed, with London and the South East leading from the front.

"This reflects how the market is receiving the biggest boost where there is most demand for housing. This demand is not only underpinned by the strong economic base in London and the South East, but also by the fact that there is more housing equity in these regions, which in many cases may be filtering through to the sales market via the Bank of Mum and Dad.

"The housing picture is brightening across the rest of the regions too, albeit at a slightly slower pace. The UK market has certainly been boosted by low bank rates, Funding for Lending, which has helped drive down mortgage rates, and Help to Buy. The rising levels of activity in the market are feeding back into confidence levels among households. More positive economic news will strengthen this trend."

Chris Williamson, chief economist at Markit, said:

"UK house prices look set to continue rising in the coming months. Official data already shows average UK house prices are close to their pre-crisis peak, and households' optimism about prices over the coming year surged higher in September.

"Some 47% of people expect prices to rise over the coming year compared to just 8% anticipating a decline, which is the most positive overall picture we've seen since we started collecting data back in 2009.

"While London and the South East remain the most buoyant in terms of house price sentiment, expectations of house price growth over the coming year picked up in all other regions in September, jumping to the greatest extents in the North East and North West."

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

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

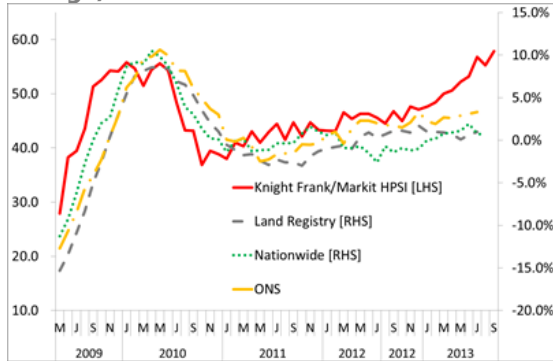


Fig 4: Regional change in current value of property



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
Sep-12	46.8	47.0	44.7	46.2	45.5	43.2	50.3	53.4	48.4	46.4	44.7	40.0
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

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

For further information, please contact

Knight Frank

Rosie Cade, PR Manager
rosie.cade@knightfrank.com
+44 20 7861 1068

Gráinne Gilmore, Head of UK Residential Research
grainne.gilmore@knightfrank.com
+44 20 7861 5102
+44 7785 527 145

Markit

Caroline Lumley, Director, Corporate
Communications
caroline.Lumley@markit.com
+44 20 7260 2047

Chris Williamson, Chief Economist
chris.williamson@markit.com
+ 44 20 7260 2329

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 1500 adults aged 18-64 across Great Britain from its online panel of respondents. Interviews were conducted online between 11th September and 16th September 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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