

Knight Frank/Markit House Price Sentiment Index (HPSI) – September 2014

Households' expectations for future house price growth ease to 13-month low

Key headlines for September 2014

- Households in all regions covered by the sentiment index perceive that prices rose in September, but at the national level growth was the slowest since January
- Expectations for future price growth dropped to their lowest level since August 2013 and are significantly lower than May's record-high
- Households in the South East expect prices to rise most strongly over the next 12 months
- In London expectations for house price growth are at their lowest level since April last year
- Some 5.7% of UK households plan to buy a property in the next year

Change in current house prices

Households perceive that the value of their home rose in September, although at the slowest rate in eight months, according to the House Price

Sentiment Index (HPSI) from Knight Frank and Markit Economics.

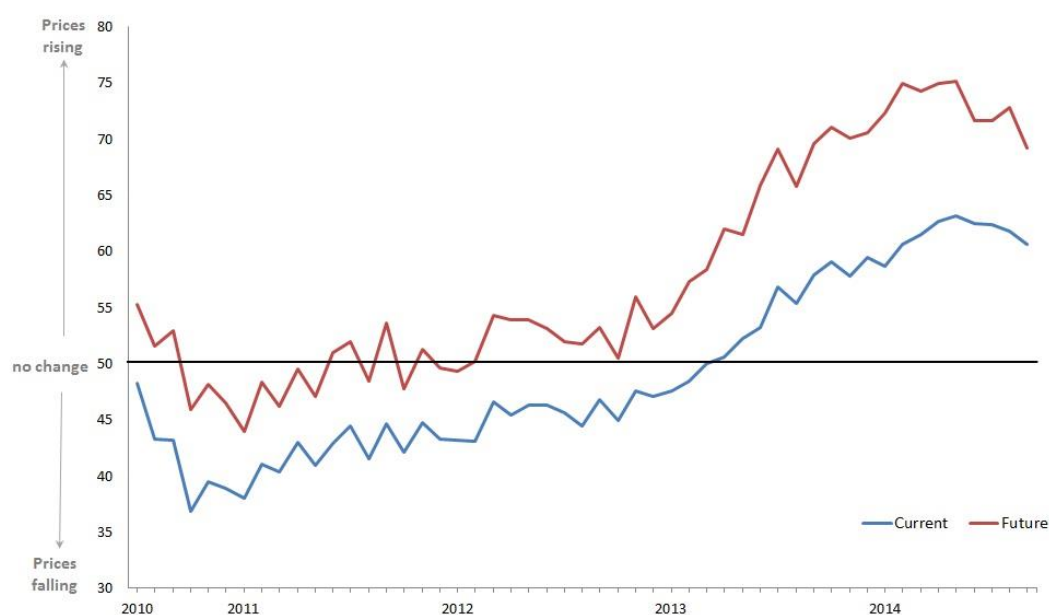
Some 26.7% of the 1,500 households surveyed across the UK said that the value of their home had risen over the last month, while 5.5% reported a fall.

This gave the HPSI a reading of 60.6 (see figure 1), the eighteenth consecutive month that the reading has been above 50. However, the reading was down on the 61.8 achieved in July and was the fourth consecutive month that households' perceptions about house price growth have moderated.

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

Households in all 11 regions covered by the index reported that prices rose in September, with those living in London perceiving that the value of their home had risen at the strongest rate (67.7), followed by households in the South East (67.5) and the East of England (64.4).

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



Source: Knight Frank/Markit

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

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, fell in September to 69.2, its lowest level since August 2013.

While households are still confident that the value of their home will rise in the next 12 months, the future HPSI is significantly below its peak of 75.1 achieved in May.

Expectations for price growth weakened in ten of the 11 regions covered by the index, with households in Wales the only ones more confident of future price rises than the previous month. In London expectations fell to a seventeen-month low.

Mortgage borrowers were the most confident that prices will rise over the next year (75.0), followed by those who own their home outright (70.8).

Housing market activity

Some 5.7% of UK households said they planned to buy a property in the next 12 months. This is down from 5.9% in August. Looking at the figures on a regional basis reveals that 9.3% of households in Yorkshire and the Humber plan to purchase a property in the next year, compared to just 3.4% in Scotland.

Men are more likely to be considering buying a home in the short term, with 6% of such respondents saying they planned to purchase a

home within the next 12 months compared to 5.4% of female respondents.

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

“House prices are rising across the UK, but our index signals a continuing slow-down in the pace of growth. The index started to ease in June and the trend is continuing. Some 46% of respondents expect the price of their home to rise over the next year, the first time this proportion has been under 50% this year.

“The strengthening economy, job creation and low base rates are helping underpin property values, but there are signs that households across the board are becoming more circumspect about the scale of price growth they expect.

Jack Kennedy, senior economist at Markit, said:

“These figures continue to lead other indicators and point to ongoing evidence of a cooling in the UK housing market, with the index tracking property price expectations easing to a 13-month low in September. Expectations weakened across all regions with the exception of Wales.

“The prospect of higher borrowing costs next year, tougher rhetoric from policymakers and stretched affordability particularly in those regions which have seen strong price gains all seem to be causing households to rein in their house price expectations.”

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

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

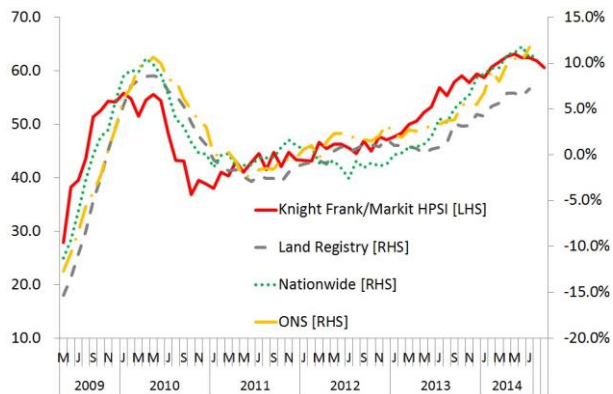


Fig 3: Change in future value of property (next 12 months)



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-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
Nov-13	57.8	53.1	55.6	51.6	56.3	52.3	62.7	68.2	57.5	59.6	56.7	53.9
Dec-13	59.4	56.2	55.8	55.4	55.6	56.3	61.5	67.3	67.1	57.0	54.7	54.5
Jan-14	58.7	56.1	53.7	55.9	55.1	53.7	64.6	69.2	61.1	56.7	55.7	54.1
Feb-14	60.7	57.2	57.3	53.4	58.3	57.1	64.8	68.4	66.9	61.4	54.4	56.0
Mar-14	61.5	50.4	59.4	54.3	58.6	59.8	61.1	74.7	66.4	61.1	59.0	55.4
Apr-14	62.7	50.0	57.9	60.9	60.7	57.8	68.2	74.9	67.7	62.6	53.8	55.9
May-14	63.2	57.5	60.9	55.6	64.3	58.7	68.7	69.9	65.2	69.2	59.8	56.4
Jun-14	62.5	52.9	57.7	58.0	56.5	57.1	66.3	71.9	69.1	65.5	58.1	58.5
Jul-14	62.4	51.7	55.0	58.1	61.7	60.5	68.3	70.5	69.7	62.0	57.3	56.6
Aug-14	61.8	56.9	58.7	55.8	58.1	60.4	63.5	71.4	68.4	61.1	57.0	55.3
Sep-14	60.6	51.5	53.4	56.6	56.8	62.5	64.4	67.7	67.5	60.4	58.1	55.1

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	East	West	East of	London	South East	South West	Wales	Scotland
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
Nov-13	70.1	57.4	65.7	66.7	67.7	64.6	75.7	79.0	73.8	72.8	67.4	66.5
Dec-13	70.5	64.9	68.4	68.3	63.7	61.7	76.3	76.0	77.2	70.9	65.8	70.0
Jan-14	72.3	71.7	66.8	67.1	73.0	69.5	76.6	79.0	77.9	68.2	68.1	69.5
Feb-14	74.9	70.3	76.1	65.5	71.4	72.7	79.6	81.8	78.7	74.4	69.0	72.0
Mar-14	74.3	60.4	75.3	66.4	70.9	73.1	76.5	82.8	79.6	73.8	74.8	67.4
Apr-14	75.0	62.8	71.7	74.2	75.6	70.6	74.2	83.1	82.0	74.9	73.8	67.9
May-14	75.1	69.4	73.3	70.0	72.0	69.7	79.7	81.5	78.2	79.3	70.8	72.0
Jun-14	71.6	58.8	65.4	71.2	68.3	69.0	73.9	77.8	79.0	71.4	68.0	70.0
Jul-14	71.7	58.2	66.2	68.4	64.4	73.3	76.0	76.8	79.8	72.7	71.9	66.4
Aug-14	72.8	64.8	69.0	72.3	69.5	74.3	76.1	77.7	79.3	72.7	64.8	67.1
Sep-14	69.2	59.6	62.6	65.9	66.7	72.5	71.1	72.8	78.1	70.8	65.5	63.4

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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 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 (August survey)

IpsosMORI interviewed 1,500 adults aged 18-64 across Great Britain from its online panel of respondents. Interviews were conducted online between 10th – 15th September 2014. 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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