

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

House price sentiment in positive territory for thirtieth consecutive month

Key headlines for September 2015

- Households in all UK regions perceive that property prices rose in September
- Londoners perceived the highest rate of house price growth over the course of the month, followed by those in the East of England
- Households in all UK regions expect house prices to rise over the next 12 months, led by households in the East and South East of England
- Some 5.9% of households expect to buy a property over the next 12 months, while a further 6.4% said that they would purchase a house within one to two years

Change in current house prices

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

Some 22.5% of the 1,500 households surveyed across the UK said that the value of their home had risen over the last month, while 3.8% said that prices had fallen. This resulted in a HPSI reading of 59.3 (see figure 1). This is the thirtieth consecutive month that the reading has been above 50.

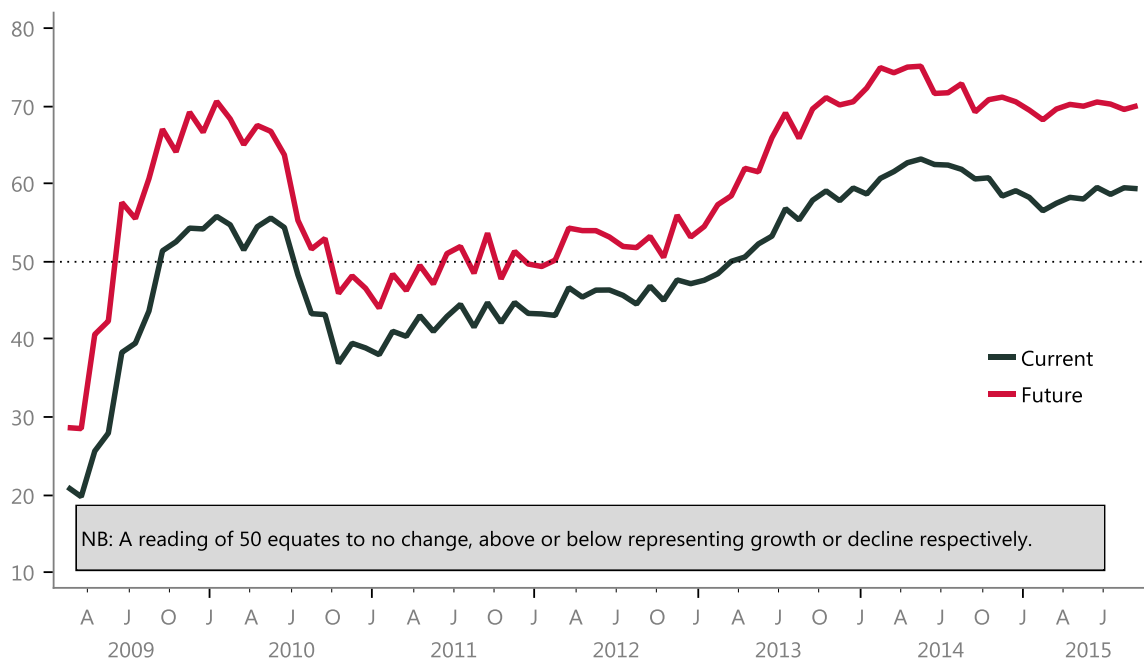
Any figure over 50 indicates that prices are rising, and the higher the figure, the stronger the increase. Any figure below 50 indicates that prices are falling.

September's reading marked a slight decrease from the 59.5 recorded in August. On a three-month rolling basis the reading was 59.1, down from 59.2 in the three months to August.

Households in all eleven regions reported that prices rose in September, with those in London (66.4) reporting the biggest rise, followed by those in the East of England (66.3), see table on page 3.

In Yorkshire and the Humber perceptions of house price growth eased notably in September after

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



Source: Knight Frank/Markit

rising for the previous three months to reach 60.4 in August (see tables on page 3). While households in the region still perceive that prices are rising, they are reporting that the pace of increases has slowed, with a reading of 54.0 this month.

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, rose in September to 70.0 from 69.5 the previous month.

However, the future HPSI remains well below its peak of 75.1 achieved in May last year.

There remains a north-south divide in terms of house price expectations, with households in the East of England (79.3), the South East (76.0), London (74.1) and the South West (74.7) more positive about the outlook for house prices than those in the North East (57.7), North West (65.6) and Yorkshire and the Humber (63.2). A full breakdown can be seen in the tables on page 3.

Those with a mortgage were the most confident that prices will rise in the coming 12 months (73.5), followed by individuals who own their home outright (71.9).

Housing market activity

Some 5.9% of UK households said they planned to buy a property in the next 12 months, down from 6.6% in August. A further 6.4% said that they would purchase a house within one to two years.

In terms of possible housing market activity, households in the South West (8.1%) are most

likely to be planning a move in the next year followed by those in Wales (7.0%) and the East Midlands (6.8%).

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

“UK price sentiment remains in positive territory, and has stayed broadly stable since the election in May. However the north-south divide is evident, with the average reading for the north of England in September at 54.9 and the south of England at 64.1. This is the second widest gap between the two readings this year.

“Overall, households expect prices to rise over the next 12 months, with eight times as many households anticipating a rise in the value of their home as anticipating a decline. Sentiment is being underpinned by the improving economy, with positive employment data as well as wage growth boosting buyer confidence.

“At the same time a shortage of stock on the market is serving, in some cases, to put upward pressure on prices. Again the north-south divide is evident in the outlook for prices, with the average future house price index for the south of England at 76.0, compared to 63.9 for the north.”

Tim Moore, senior economist at Markit, said:

“September’s positive outturn for UK house price sentiment marks two-and-a-half years of recovery. While perceptions of rising property values peaked in the first half of 2014, the index is still consistent with sustained house price growth across all UK regions.

“Rising wage rates, sustained economic growth and an element of pent-up demand have combined with greater mortgage availability and stretched housing supply to support UK property prices this summer.

“Meanwhile, households appear relatively positive about future property values, despite the prospect of a Bank of England rate hike in the first half of 2016, with almost half expecting rise in their house prices over the next 12 months and only 6% anticipating a fall.”

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

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

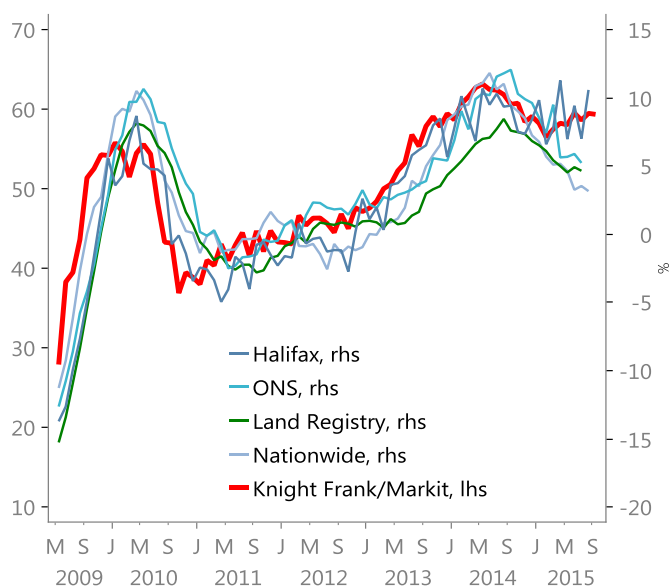
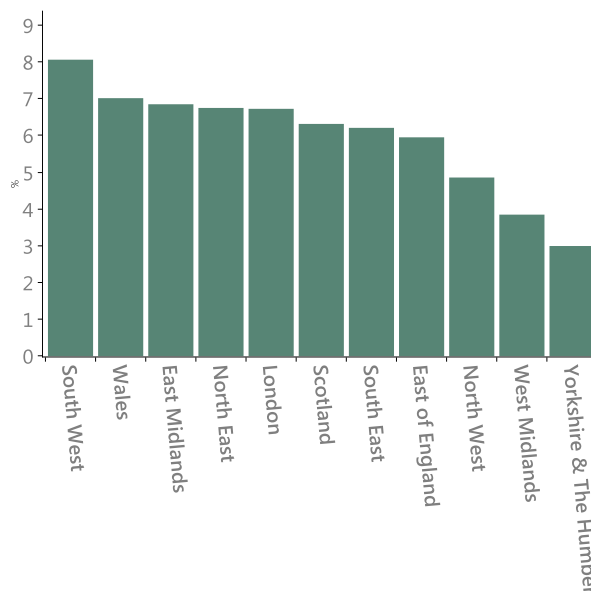


Fig 3: Percentage of buyers planning to purchase a property in the next 12 months (by region)



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
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
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	53.0	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	59.5	53.0	51.4	56.4	56.8	56.9	65.7	66.6	64.0	61.6	53.7	57.7
Aug-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

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
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
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
Aug-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

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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 9th September and 13th September. 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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