

House Price Sentiment Index

Households in the South East lead on current and future sentiment

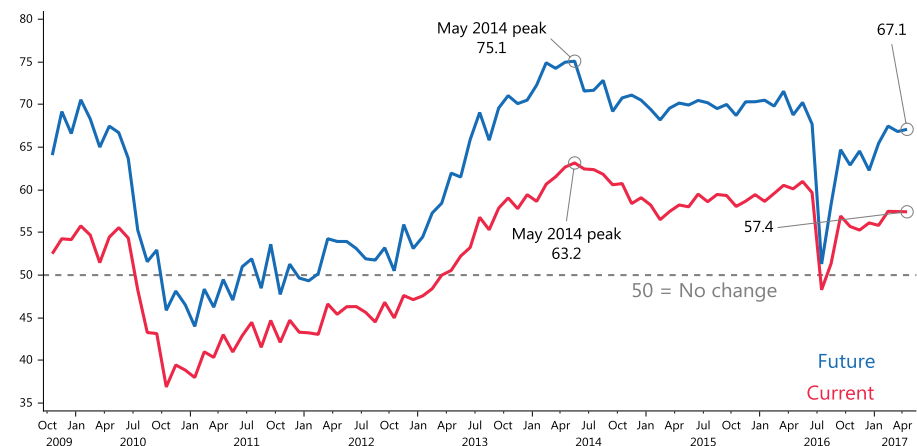
April 2017

Key findings:

- Households across the UK perceive that the value of their home rose over the last month
- The perceived rate of house price growth was marginally lower compared with March
- Respondents in ten of the 11 regions covered by the index believe the value of their home increased this month, led by those in the South East
- The future HPSI rose slightly in April and it remains comfortably higher than its post-referendum low
- Households in all regions expect the value of their home to increase over the next 12 months

Change in current and future HPSI

A score of 50 equates to no change with any reading above 50 indicating rising prices, and any reading under 50 indicating falling prices. The higher the figure, the stronger the increase



Change in current house prices

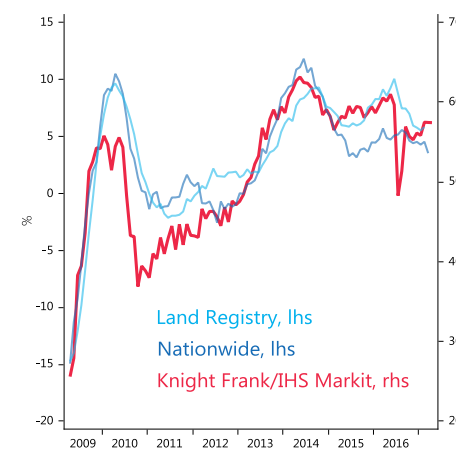
Households across the UK perceive that the value of their home has risen over the last month, according to the latest House Price Sentiment Index (HPSI) from Knight Frank and IHS Markit.

April's reading was the ninth consecutive month that the index has been in positive territory.

Some 20.6% of the 1,500 households surveyed across the UK said that the value of their home had risen over the last month, while 5.8% said that prices had fallen. This resulted in a HPSI reading of 57.4, marginally lower than the reading of 57.5 in both March and February.

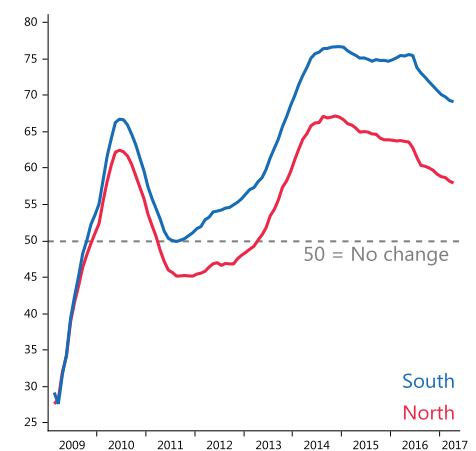
Current HPSI Vs annual house price growth

Latest available data



Regional variations in future HPSI

12 month moving average (50=no change)



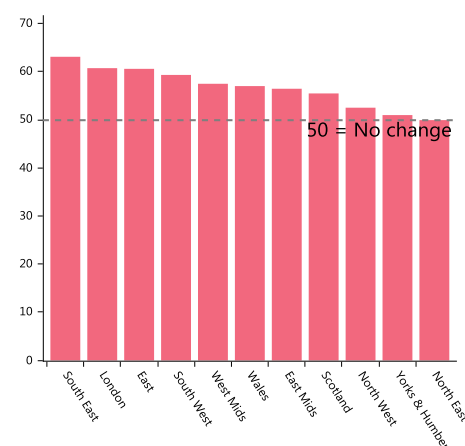
Any figure over 50 indicates that prices are rising, and the higher the figure, the stronger the increase. Any figure below 50 indicates that prices are falling.

While still positive, house price sentiment remains below its peak of 63.2 reached in May 2014.

There remain fairly large regional variations. Households in ten of the 11 regions covered by the index perceived that the value of their property rose in April.

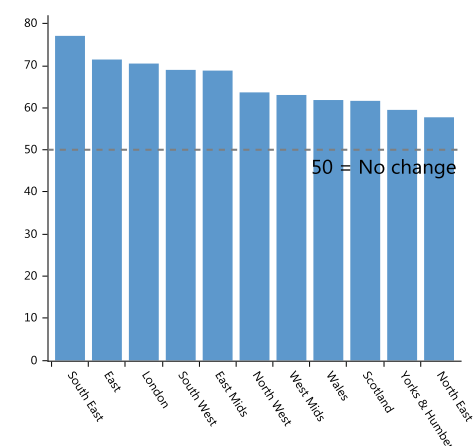
Current HPSI, regional

April 2017 (50=no change)



Future HPSI, regional

April 2017 (50=no change)



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Mirroring the findings from the previous month, households in the South East (63.1) reported the biggest rise over the course of the month, followed by Londoners (60.7).

For the second consecutive month, those living in the North East (49.9) reported a slight fall in prices in April. The full regional breakdown is shown in the tables on page 3.

A lead indicator

Since the inception of the HPSI, the index has been a clear lead indicator for house price trends, moving ahead of mainstream house price indices. This confirms 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 67.1 in April, up from 66.8 in March.

But whilst the headline index rose month-on-month, there remain quite large regional variations in terms of household expectations.

Similarly to the headline HPSI, households in the South East (77.1) remain the most confident about future price rises. They are followed by those in the East of England (71.5) and in London (70.5).

While still positive, households in North East are expecting the smallest gains (57.7), as shown in the tables on page 3.

Looking at households by tenure, those who own their own home were the most confident that prices would rise (72.4), followed by mortgage borrowers (70.9).

Oliver Knight, an Associate in Knight Frank's Residential Research team, said: "UK household sentiment was relatively unchanged in April compared with March, and it currently sits at a level which suggests steady, rather than spectacular growth. However, sentiment remains polarised across the regions, led by households in the South East, reflecting the current 'multi-speed' nature of the market.

"The trend over the last few years has been for those aged over 55 to expect larger increases in the value of their home than those aged between 25 and 34. However, this reversed in April, only the fourth time this has happened in the last 24 months which may reflect ongoing affordability concerns among this age group."

Tim Moore, senior economist at IHS Markit, said: "April's survey reveals that UK households' confidence regarding the outlook for their property value remains close to its highest since the EU referendum, despite a recent loss of momentum in mainstream house price indices.

"Relatively upbeat house price sentiment also contrasts with a renewed squeeze on real incomes from rising inflation. This suggests that the resilient economic backdrop and ultra-low mortgage rates have been key factors behind the rebound in confidence since last summer.

"Looking at regional house price expectations since the EU referendum, the main development has been a far narrower gap in confidence between London and the rest of the UK. Meanwhile, people in the South East have reported the largest bounce in sentiment from the low point seen in July 2016, followed by those in the East Midlands."

KNIGHT FRANK

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

Jamie Obertelli
PR Manager
+44 20 7861 1104
jamie.obertelli@knightfrank.com

Oliver Knight
Associate, Residential Research
+44 20 7861 5134
oliver.knight@knightfrank.com

IHS MARKIT

Tim Moore
Senior Economist
+44 14 9146 1067
tim.moore@ihsmarkit.com

Joanna Vickers
Corporate Communications
+44 20 7260 2234
joanna.vickers@ihsmarkit.com



HOUSE PRICE SENTIMENT INDEX

Regional change in House Price Sentiment (current and future)

April 2017

Current: Compared to one month ago, how do you think the value of the property/dwelling in which you live has changed?

	East Mids	East	London	North East	North West	Scotland	South East	South West	Wales	West Mids	Yorks & Humber
Apr-16	58.8	62.4	70.0	52.7	56.0	50.1	65.6	60.7	53.7	59.2	58.0
May-16	58.6	64.6	70.8	52.5	56.3	56.9	66.9	59.4	60.5	53.4	58.5
Jun-16	55.3	62.7	69.6	48.5	56.5	54.6	66.3	57.7	57.0	60.1	51.6
Jul-16	44.5	50.2	49.5	45.0	46.8	49.3	50.2	49.8	43.3	49.8	46.7
Aug-16	49.0	58.5	53.1	44.3	50.8	45.6	54.5	55.0	48.4	50.2	47.3
Sep-16	58.1	59.9	63.0	54.2	52.9	51.8	60.4	57.7	53.2	55.7	52.2
Oct-16	54.5	58.1	60.9	51.4	51.9	50.0	59.4	57.9	51.2	56.3	53.0
Nov-16	53.6	59.4	60.0	49.3	50.0	50.0	61.9	56.4	51.9	55.7	49.9
Dec-16	52.4	61.9	60.8	53.9	50.2	51.7	58.5	58.9	53.8	53.7	56.5
Jan-17	54.6	58.9	60.1	50.2	53.4	49.9	59.8	57.3	54.3	55.9	52.0
Feb-17	56.8	62.0	65.2	51.6	55.2	52.9	60.3	57.0	47.9	57.6	53.0
Mar-17	57.9	59.6	64.0	48.2	53.1	52.0	64.4	58.9	49.3	59.1	50.8
Apr-17	56.5	60.6	60.7	49.9	52.5	55.5	63.1	59.3	57.0	57.5	51.0

Future: How do you think the value of the property/dwelling in which you live will have changed 12 months from now?

	East Mids	East	London	North East	North West	Scotland	South East	South West	Wales	West Mids	Yorks & Humber
Apr-16	66.6	68.4	77.2	57.6	62.8	57.2	79.3	71.7	59.6	67.9	69.4
May-16	66.3	77.9	78.2	61.8	61.5	62.3	79.5	74.8	67.6	63.3	66.0
Jun-16	63.3	71.0	78.2	50.4	62.4	60.8	76.0	72.8	66.9	67.1	56.8
Jul-16	46.4	53.2	56.3	48.9	47.1	51.9	54.5	51.7	48.2	52.4	46.9
Aug-16	55.7	68.3	61.5	54.5	52.7	52.2	63.0	64.7	56.9	55.7	49.9
Sep-16	66.3	64.6	71.0	61.5	62.4	57.9	75.2	65.8	56.3	58.3	58.7
Oct-16	65.6	61.5	68.6	58.3	55.3	57.0	69.3	70.8	54.5	65.3	55.7
Nov-16	63.7	69.9	69.5	57.0	59.7	57.0	69.3	67.8	58.4	67.9	58.7
Dec-16	58.5	66.1	69.0	57.0	56.5	54.1	68.6	63.4	55.3	61.4	63.0
Jan-17	64.3	70.8	71.2	56.5	61.3	60.7	71.0	67.7	63.5	61.2	60.8
Feb-17	68.6	74.5	73.4	61.7	61.5	62.2	76.4	64.0	58.2	65.9	61.7
Mar-17	70.8	72.8	68.5	54.1	61.3	51.0	75.6	71.6	59.8	72.2	63.7
Apr-17	68.8	71.5	70.5	57.7	63.7	61.6	77.1	69.0	61.8	63.0	59.5

HOUSE PRICE SENTIMENT INDEX

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 IHS 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 IHS 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 (April survey)

IpsosMORI interviewed 1,500 adults aged 18-64 across Great Britain from its online panel of respondents. Interviews were conducted online between 12th and 13th April. 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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