

Knight Frank/Markit House Price Sentiment Index (HPSI) – AUGUST 2012

The North/South house price ‘expectations divide’ widens

Key headlines for August

- UK households perceive that the value of their home declined again in August, for the 26th consecutive month
- The outlook for house prices has deteriorated slightly, with households expecting the smallest rise in prices over the next 12 months since February .
- The North/South divide in outlook for prices widens, with those in the North expecting price falls and those in the South forecasting price rises (see regional outlook)

Change in current house prices

Knight Frank/Markit’s House Price Sentiment Index (HPSI) signals that average house prices fell again in August. Nearly 20% of households said the price of their home declined - the highest proportion since February this year. Some 8% said the value of their property rose, resulting in a HPSI reading of 44.5, down from 45.6 in July and 46.3 in June.

Any figure under 50 indicates that prices are falling, and the lower the figure, the steeper the decline. Any figure over 50 indicates that prices are rising.

The survey of 1,500 households across the UK showed that London (51.9) remains the only region where households felt the value of their

home rose over the past month, continuing the trend set back in March. Households in all the other 10 regions reported house price falls, with the North West (39.5) seeing the deepest declines.

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.

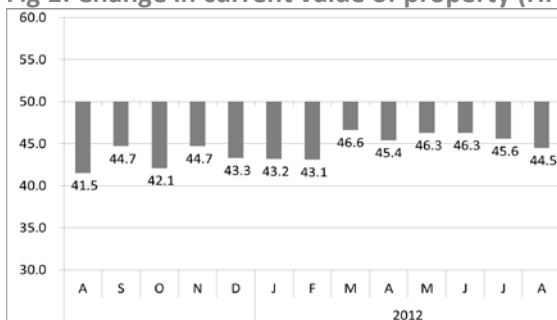
Outlook for house prices

The future HPSI (figure 2), which measures what households think will happen to the value of their property over the next year, edged down in August, although it remained in positive territory. Around 28% of households anticipate a rise in the value of their home over the next 12 months, compared with 24% expecting a decline. The resulting index reading is 51.8, down from July’s reading of 51.9 and marking the fifth monthly decline since March this year.

Regional outlook

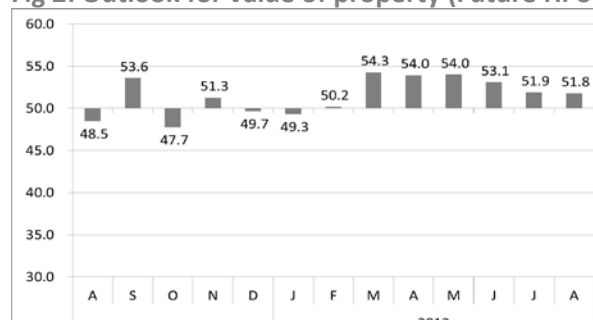
Expectations for house price rises were recorded in six of the 11 regions in August. But the gap between the northern and southern regions widened in July and August. On average,

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



Source: Knight Frank/Markit

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



Source: Knight Frank/Markit

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

households in the southern regions expect price rises (53.8) while those in the North expect prices to fall (48.7). This 'expectation gap' of 5 reverses the narrowing seen in July (4.8) and June (2.9).

The only exceptions to those expecting house price falls in the North are households in Yorkshire and the Humber, which saw a sharp bounce-back in expectations in August from 37.9 to 52.7, and households in Scotland (52.8).

London leads the way across the country, with households in the Capital expecting the biggest price rises over the next year (61.3), although this is down from 63.5 in July.

Household variations

The split between under and over-45s on their outlook for house prices narrowed slightly in August but was still pronounced.

All those aged under 45 expect house prices to rise over the next 12 months, with those in the typical first-time buyer age bracket of 25-34 expecting the biggest rises (55.9). However all those aged over 45 expect house prices to fall, indicating that established homeowners are more downbeat about the future movement of property prices. But the average gap between the over and under-45s narrowed to 4.9, down from 6 in July.

Those aged over 55 were the most downbeat about future house prices in August (48.3), chiming with additional data which shows that those who own their home outright expect the value of their property to dip by next August (46.6).

In contrast, homeowners with a mortgage (52.1) expect prices to rise in the coming year as do those in private rented property and living rent-free at home (52.3, 58.2).

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

"The overall HPSI results suggest that households perceive the housing market to be at its weakest point in six months, reflecting the downbeat economic data which has emerged recently. Only six regions out of 11 expect house prices to rise over the next 12 months and the majority of these are in the South, underlining how localised housing market movements are.

"As well as the geographical gap, there is also an 'age gap', with older households expecting house prices to fall. In contrast, younger households aged under 45 expect prices to rise, creating difficulties for those who have yet to climb onto the housing ladder.

"It is noticeable that there was a strong bounce-back in the outlook for house prices among those in Yorkshire and the Humber. It is surely only a coincidence that this came at the same time as a very strong showing by Yorkshire athletes at the Olympics!"

Tim Moore, senior economist at Markit, said:

"Households reported another drop in the value of their property in August, and were less likely to expect prices to rise over the next 12 months. The latest sentiment snapshot unsurprisingly highlights that your postcode matters most when it comes to property price expectations. However, August's survey also showed an increasingly large gap to mind between the generations, with forecasts of house price declines among the older age groups contrasting with expectations of price rises across the youngest households."

Ends

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

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

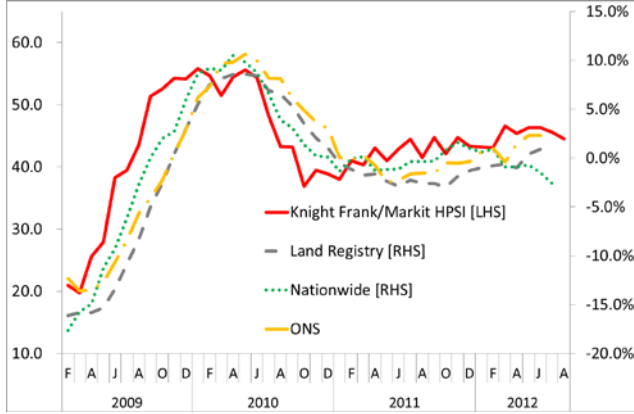
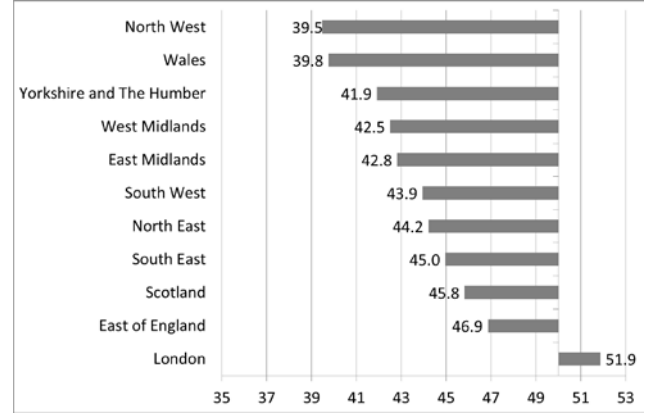


Fig 4: Regional change in current value of property



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	
Aug-11	44.5	36.3	39.9	39.4	36.2	39.1	40.1	45.1	46.0	44.6	36.7	43.8
Sep-11	44.7	41.3	43.1	41.3	38.8	43.1	47.5	49.6	46.2	42.5	45.6	46.8
Oct-11	42.1	40.2	40.3	38.6	41.5	36.8	43.8	46.4	45.2	43.2	37.6	43.1
Nov-11	44.7	39.9	41.7	41.7	47.0	42.2	46.0	48.7	46.3	45.3	44.6	44.3
Dec-11	43.3	38.5	40.8	40.0	39.4	43.3	46.0	49.8	45.5	43.0	38.8	42.0
Jan-12	43.2	38.6	43.2	40.6	40.4	42.1	40.9	47.7	45.8	43.6	40.2	44.5
Feb-12	43.1	45.2	43.5	38.2	40.6	42.1	41.1	49.5	44.2	44.3	35.7	42.4
Mar-12	46.6	43.1	41.4	44.9	41.4	45.8	49.6	55.1	48.4	47.9	43.0	43.8
Apr-12	45.4	39.1	43.3	41.0	41.4	45.8	42.1	53.6	48.8	47.3	39.2	45.6
May-12	46.3	44.5	41.0	44.0	46.8	42.5	48.9	50.9	49.2	47.8	45.3	44.3
Jun-12	46.3	41.9	47.4	46.9	47.7	44.3	47.2	50.7	44.3	45.0	40.4	47.4
Jul-12	45.6	42.0	44.8	43.9	41.6	46.6	48.4	51.0	46.1	44.1	43.0	43.5
Aug-12	44.5	44.2	39.5	41.9	42.8	42.5	46.9	51.9	45.0	43.9	39.8	45.8

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	
Aug-11	48.5	39.8	46.5	47.0	42.4	43.1	48.0	56.0	53.1	49.9	41.7	51.2
Sep-11	53.6	51.0	49.4	51.1	47.9	53.5	57.3	57.4	59.0	52.2	54.2	50.4
Oct-11	47.7	39.8	49.0	42.5	45.0	46.5	52.1	52.7	53.3	42.1	44.3	44.9
Nov-11	51.3	44.5	48.9	38.6	51.1	43.8	52.4	62.0	56.1	49.6	45.9	57.3
Dec-11	49.7	40.9	48.8	49.0	53.4	50.4	50.7	58.7	48.0	44.9	42.9	47.9
Jan-12	49.3	41.7	46.0	46.0	45.3	47.6	45.7	57.8	54.3	48.8	42.6	52.9
Feb-12	50.2	50.4	48.5	43.7	49.0	52.2	50.8	59.9	50.4	50.2	45.4	44.0
Mar-12	54.3	43.6	46.2	48.7	46.7	47.5	56.2	65.2	60.2	58.1	55.1	56.3
Apr-12	54.0	45.1	52.6	53.6	55.7	51.2	51.0	62.2	56.4	53.4	48.0	52.3
May-12	54.0	49.1	47.0	51.3	56.1	47.2	61.0	62.8	57.1	48.6	53.8	52.1
Jun-12	53.1	45.5	47.7	52.0	52.6	52.6	55.4	60.2	55.3	46.7	54.3	54.8
Jul-12	51.9	45.5	49.7	37.9	48.5	52.3	53.9	63.5	53.6	49.1	56.2	51.8
Aug-12	51.8	46.2	44.1	52.7	48.9	47.3	53.1	61.3	53.4	52.2	49.4	52.8

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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 (July survey)

Ipsos MORI interviewed 1500 adults aged 18-64 across Great Britain from its online panel of respondents. Interviews were conducted online between 9th – 13th August 2012. 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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