

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

No ‘quiet summer’ on House Price Sentiment Index

Key headlines for August 2015

- House Price Sentiment Index rises in August for first time in six years
- Households in all UK regions perceived that house prices rose in August, with households in the South East perceiving the highest rate of house price growth over the course of the month
- Households in all UK regions expect house prices to rise over the next 12 months, although the rate of expected increases eased in many regions including London and the South East
- Some 6.6% of households expect to buy a home over the next 12 months, up from 5.3% in the previous month and the joint-highest since July 2014

Some 23.6% of the 1,500 households surveyed across the UK said that the value of their home had risen over the last month, the second highest reading since October last year. Just over 4% said that prices had fallen, resulting in a HPSI reading of 59.5 (see figure 1). This is the twenty-ninth consecutive month that the reading has been above 50.

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.

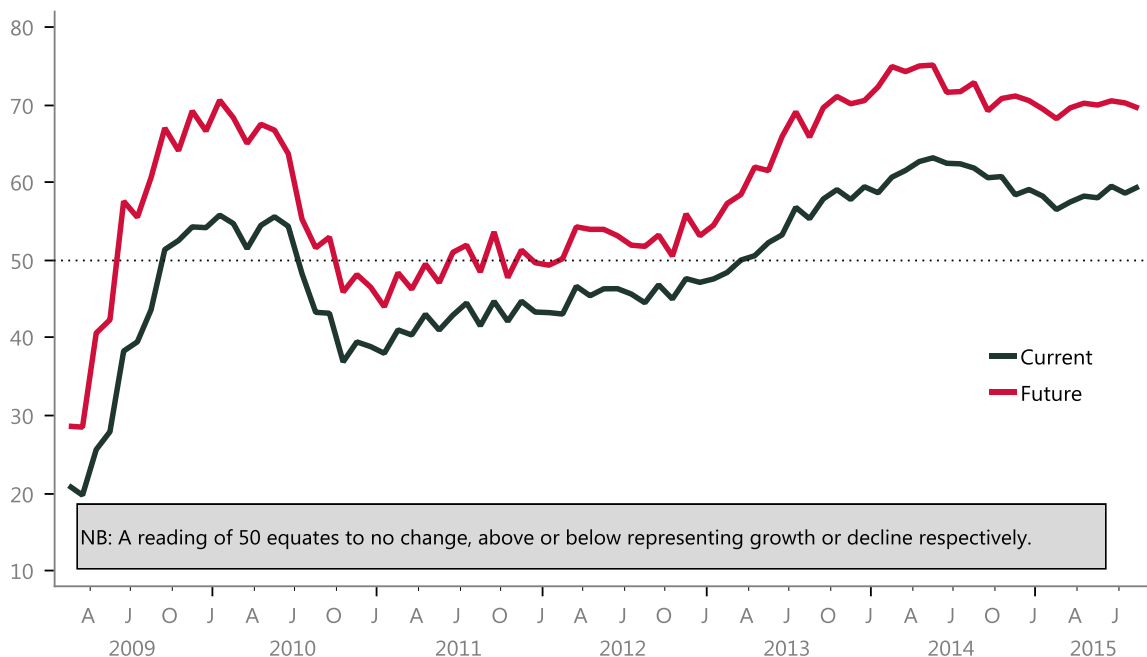
August’s reading marked a rise from the 58.6 recorded in July, and while matching June’s reading, it remains well below the record high of 63.2 achieved in May last year.

Change in current house prices

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

Households in all eleven regions reported that prices rose in May, with those in the South East (64.3) reporting the biggest rise. This is only the second time in the last four years that the perceived increase in South East prices has outstripped that in London.

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



Source: Knight Frank/Markit

In fact, the reading for London eased notably after a spike in July, dipping from 69.6 to 63.4, the second largest monthly drop since late 2010. While Londoners still perceive that prices are rising, they are reporting that the pace of increases has eased.

While all regions reported price growth during the month, London was not the only region where the pace of increases was perceived to have slowed. The HPSI readings for Wales, the East of England and the East Midlands all declined, with a 0.1 drop in Scotland too (see 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. 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, dipped modestly for the second month in August, to 69.5, down from 70.2 in July and 70.5 in June. This is the second lowest reading since the peak of 75.1 seen in May last year.

There are wide regional variations in evidence however. Households in the South East (77.0) and London (76.2) are the most positive about the outlook for house prices. In general however, the expectations for price rises have eased in many areas, with lower readings in August in the East and West Midlands, the North West, the East of England, London and the South East.

Housing market activity

Some 6.6% of UK households said they planned to buy a property in the next 12 months, up from 5.3% in July. On a three-month rolling basis the reading held steady at 6.1%.

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

“The strength of the UK economy, rising wages and an undersupply of housing stock on the market are combining to underpin UK house prices. This has resulted in the first rise in the House Price Sentiment Index in August, usually a quieter summer period, seen since 2009.

“However the expectation of future interest rate rises, something about which the Bank of England rate-setters are issuing more frequent warnings, is having an impact on the expectations for future house price increases. While households still expect the value of their home to rise over the next 12 months, the pace of the expected rise has eased in recent months.”

Tim Moore, senior economist at Markit, said:

“UK house price sentiment has now strengthened considerably from the year-and-a-half low reached in February. While still below the high-water mark reached last May, the latest survey indicates that perceptions of rising property values are more widespread than at any time seen during the five years leading up to 2014.

“The uptick confounds the usual seasonal summer lull and comes in spite of heightened expectations of a Bank of England rate rise next year. In particular, August’s spike in current price perceptions across the South of England suggests that an acute shortage of supply remains the major factor driving up property values. Looking ahead, the prospect of a rate hike next year does appear to have dampened households’ views on the property price outlook, but so far only marginally.”

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

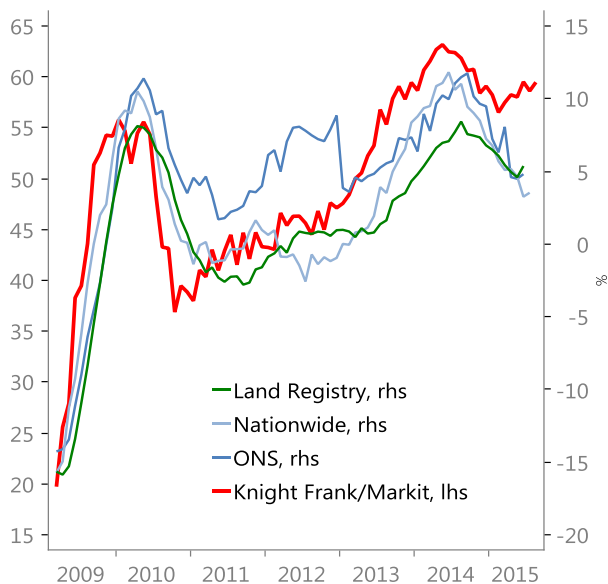
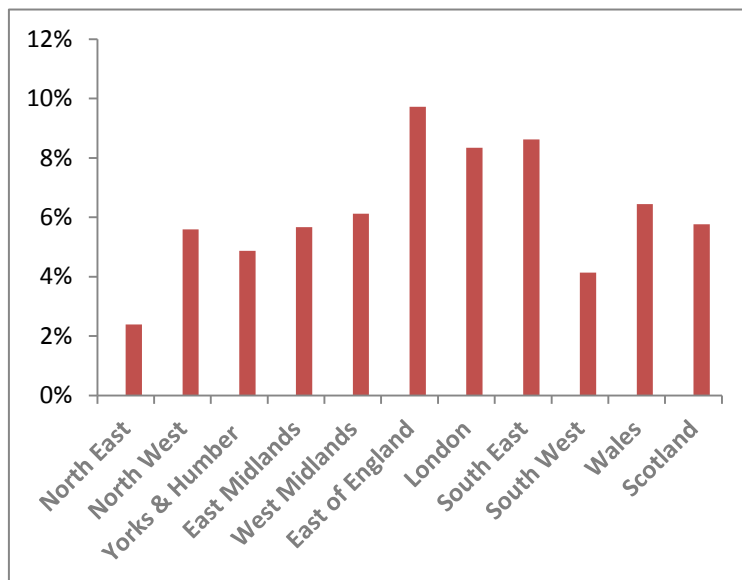


Fig 3: Percentage of buyers planning to purchase a property in the next 12 months (by region)



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	
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	58.6	51.6	55.1	57.4	54.9	56.0	62.9	69.6	61.0	54.2	53.7	55.4
Aug-15	59.5	54.5	55.3	60.9	52.8	60.5	61.8	63.4	64.3	63.4	50.6	55.3

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-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
Jul-15	70.2	56.6	67.4	66.5	65.0	71.0	72.5	78.4	78.8	66.4	62.8	66.9
Aug-15	69.5	60.8	65.9	70.0	61.8	67.8	67.8	76.2	77.0	71.8	63.8	67.1

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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 (March survey)

IpsosMORI interviewed 1,500 adults aged 18-64 across Great Britain from its online panel of respondents. Interviews were conducted online between 10th June and 14th June. 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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