

Knight Frank/Markit House Price Sentiment Index (HPSI) – February 2013

Households' optimism on property prices hits highest level since June 2010

Key headlines for February

- Households in all 11 monitored UK regions expect that the value of their home will rise over the next 12 months
- First time that all regions expect price growth for more than two and a half years
- Londoners remain the most upbeat about prices, followed by those in South East and Wales
- Households perceive that the value of their property declined over the last month - but at the slowest rate since June 2010

Change in current house prices

Households perceived that the value of their homes fell in February, but the pace of decline was the slowest since June 2010, according to the House Price Sentiment Index (HPSI) from Knight Frank and Markit Economics.

Some 8.5% of the 1,500 homeowners across surveyed across the UK said that the value of their home had risen over the last month, while 11.7% said the value of their home had fallen, giving a HPSI reading of 48.4 (see figure 1).

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 reading of 48.4 is up from 47.6 in January, and marks the highest reading since June 2010,

indicating that prices fell at the slowest pace over the last month than at any time since then.

Households in London reported that the value of their home had risen, while all other 10 regions reported falling prices (figure 4).

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, climbed again this month, to the highest level since June 2010, showing a new level of confidence that house prices would rise in 2013.

The overall index reading for the UK jumped to 57.3, up from 54.5 in January. On a smoother three-month average basis, the future HPSI in February was 55.0, up from 54.5 in January and the highest since August 2010.

Regional outlook

While there are regional differences in the outlook for prices, respondents in all regions expect the

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

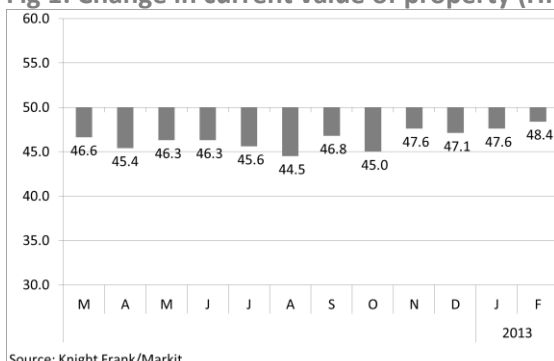
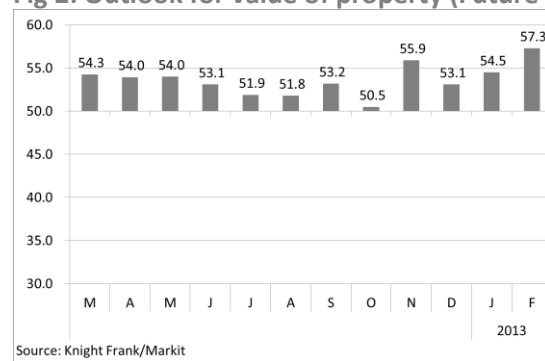


Fig 2: Outlook for value of property (Future HPSI)



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

value of their property to rise over the next 12 months, the first time this has happened in more than two and a half years.

Londoners (64.2) lead the way, but are closely followed by those in the South East (62.2) and, perhaps more surprisingly, Wales (60.5). This marks the first month that households in Wales have reported that they are expecting property values to rise since July last year.

Households in Scotland and the North East are also expecting prices to rise for the first time in three months.

The extent of the price rises expected however still shows a north-south divide, with households in the southern regions more optimistic about prices rises than those in the north.

There was also a large jump in optimism about house price rises among those who own a home with a mortgage. The reading for this group rose from 56.0 in January to 62.3 this month, the highest reading since June 2010.

Likewise those aged between 35 and 44 are also more upbeat about possible house price rises over the next 12 months than at any time since June 2010.

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

“The optimism over house prices seen at the start of the year has strengthened sharply this month, with households now more upbeat about the outlook for house prices than at any time since June 2010.

“Households in every region expect prices to rise, reflecting a real change in outlook across the country.

“The data suggests that households have brushed off the rather gloomy economic news, and instead have been buoyed by positive signals emanating from the mortgage market in recent weeks, with lending rates falling sharply and lending to new buyers picking up. Indeed the HPSI readings show that mortgage borrowers are among those who are most optimistic about house prices. Likewise, the outlook of those aged between 35 and 44 has become much more positive, and it is these buyers, who will typically be buying their first or second property, who are set to benefit from the looser mortgage lending conditions.

“There are hopes that the Bank of England’s Funding for Lending scheme will further boost lending this year, and signals from the new Bank of England Governor that the base rate may be kept on hold for a prolonged period will only help those trying to climb onto the property ladder.”

Chris Williamson, chief economist at Markit, said:

“House price optimism has perked up to its highest level in over two and a half years in February, providing encouraging evidence that the property market has seen a strong start to the year. The improvement in sentiment about current and future house prices provides firm evidence that the Funding for Lending Scheme is already having a noticeable beneficial impact on the market, via the improved availability of mortgages and the simple fact that people perceive that the new initiative will drive a recovery of the housing market.

“With rising housing market sentiment adding to the news from the PMI surveys of a return to growth of business activity in January, the picture for the UK economy has brightened considerably since late last year.”

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

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

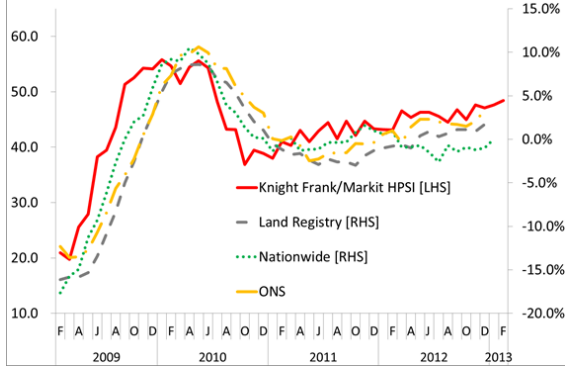
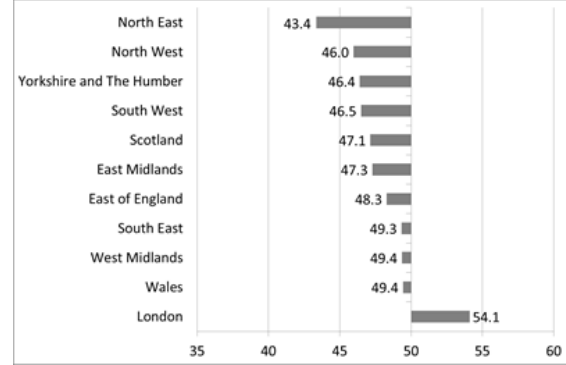


Fig 4: Regional change in current value of property



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
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
Sep-12	46.8	47.0	44.7	46.2	45.5	43.2	50.3	53.4	48.4	46.4	44.7	40.0
Oct-12	45.0	44.8	40.5	43.4	40.5	45.0	42.0	49.5	49.1	43.6	41.9	49.0
Nov-12	47.6	46.5	45.1	44.8	46.0	47.1	48.2	54.1	50.5	47.9	39.3	45.4
Dec-12	47.1	47.6	46.4	46.8	39.9	46.8	49.0	53.2	47.8	46.3	42.0	45.7
Jan-13	47.6	45.5	45.9	47.8	47.5	43.6	48.7	54.5	47.8	50.6	42.7	42.0
Feb-13	48.4	43.4	46.0	46.4	47.3	49.4	48.3	54.1	49.3	46.5	49.4	47.1

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
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
Sep-12	53.2	54.6	48.5	46.4	51.0	52.2	56.2	63.1	55.7	55.0	47.9	47.1
Oct-12	50.5	45.1	42.1	43.9	44.5	53.2	49.4	59.8	60.8	47.8	43.7	49.8
Nov-12	55.9	50.3	53.8	54.1	53.6	53.9	55.8	63.3	61.1	57.1	45.2	52.8
Dec-12	53.1	48.0	52.6	55.3	48.5	48.6	53.1	61.6	54.5	56.3	45.6	48.7
Jan-13	54.5	45.7	50.3	51.5	51.5	50.8	56.4	65.5	59.8	55.9	45.2	49.7
Feb-13	57.3	52.2	53.2	52.9	55.6	54.0	58.4	64.2	62.2	56.2	60.5	53.8

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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 (February survey)

IpsosMORI interviewed 1500 adults aged 18-64 across Great Britain from its online panel of respondents. Interviews were conducted online between 6th - 8th February 2013. 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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