

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

Households enter 2013 with renewed optimism on property prices

Key headlines for January

- UK households perceived that the value of their property declined over the last month, for the 31st consecutive month, albeit at the joint-slowest rate since July 2010
- But UK households in eight of the 11 regions expect that the value of their home will rise in 2013
- Londoners more optimistic about prices rises over next 12 months than at any time since June 2010
- Households in Wales expect the biggest fall in the value of their property over the next 12 months

Change in current house prices

Knight Frank/Markit's House Price Sentiment Index (HPSI) signals that average house prices fell for the 31st consecutive month in January.

The proportion of homeowners reporting that the value of their home had risen was 7.7%, the same as in December, while 13% said the value of their home had fallen, compared to 14% last month.

This resulted in a HPSI reading of 47.6, matching the reading in November, and which together are the highest readings since July 2010, indicating that house prices fell more modestly during these months than any time over the last two and a half years.

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.

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

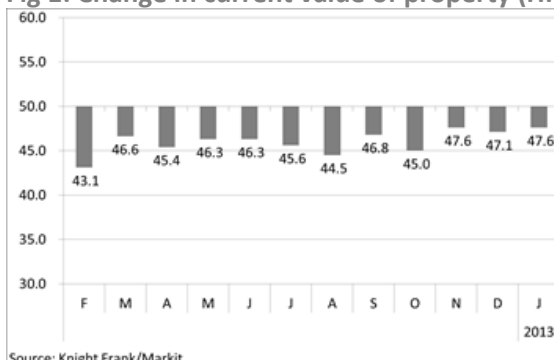
The future HPSI (figure 2), which measures what households think will happen to the value of their property over the next year, rose this month, showing an increased confidence that prices would rise modestly in 2013.

The overall index reading for the UK was 54.5, up from 53.1 in December. On a smoother three-month average, the future HPSI in January was 54.5, up from 53.2 in December and the highest since August 2010.

Regional outlook

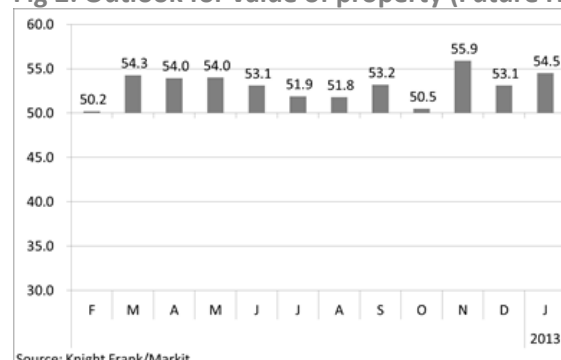
As ever, there are regional differences for the outlook in prices, although the number of regions expecting price rises this year has risen to eight, up from six in December.

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.

Londoners (65.5) once again lead the way, and now expect the biggest lift in the value of their homes over the next 12 months than at any time since June 2010.

The North-South divide is evident to an extent as households in the South East (59.8) and the South West (55.9) are also very upbeat about the outlook for house prices. In contrast, those living in Wales (45.2), the North East (45.7) and Scotland (49.7) expect prices to fall.

Households in the North West (50.3), Yorkshire and the Humber (51.5), the East Midlands (51.5) and the West Midlands (50.8) all expect prices to remain stable or rise very modestly.

Those renting from private landlords (57.7) expect the biggest rise in prices over the next year, while those living rent free (50.0) are the most dubious about potential price rises.

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

“Households have started the New Year with optimism over the outlook for house prices in their area, shrugging off gloomy news over the economy which has emerged this week.

“There has been some good news from the housing market however, with a modest pick-up in mortgage lending and signs that mortgage rates are starting to recede, especially on deals available to those with modest deposits.

“There are hopes that the Bank of England’s multi-billion Funding for Lending scheme will lead to a further rise in mortgage lending and larger declines in mortgage rates, but there is little evidence of this so far.

“London has stood out in terms of house prices in recent years, but there are signs that the market could be picking up outside the capital, especially in the South West and South East, boosted by outperformance in those regional economies.”

Tim Moore, senior economist at Markit, said:

“January’s survey suggests households are increasingly conscious that the Bank of England’s Funding for Lending Scheme has the potential to boost the UK property market in 2013. Year-ahead expectations for house prices are now much stronger than was the case at the announcement of the scheme last summer. Indeed, people living in private rented accommodation, who are perhaps the cohort most likely to be waiting on improved access to mortgage finance, were also the most likely to anticipate property price rises in 2013.

“However, with such a deep regional chasm in the UK property market, the rising mortgage tide is not expected to lift all boats. Forecasts of house price rises are strongest in London and the South of England, while people in Wales and the North East are the most likely to anticipate that their property values will decline through 2013.”

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

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

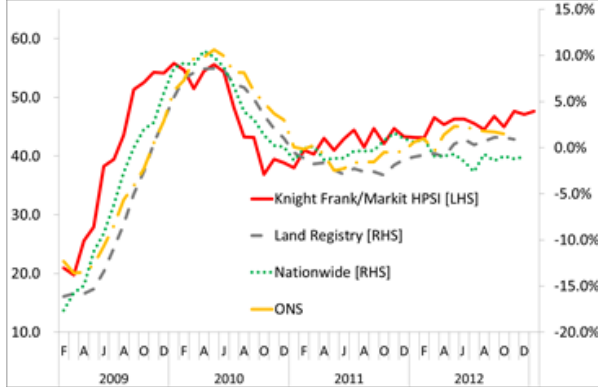
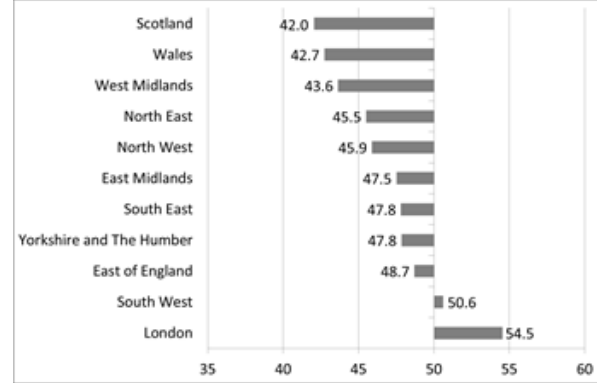


Fig 4: Regional change in current value of property



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
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
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

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
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
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

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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.

Ipsos MORI technical details (January survey)

Ipsos MORI interviewed 1500 adults aged 18-64 across Great Britain from its online panel of respondents. Interviews were conducted online between 9th - 14th January 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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