

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

Household sentiment on current and future house prices moderates

Key headlines for January 2015

- Households in all regions covered by our sentiment index perceive that prices rose in January
- Expectations for future price growth fell back across the UK in January, and are well below last May’s record-high
- Londoners expectations for house price growth over the next 12 months rose in January
- Some 5.9% of UK households plan to buy a property in the next 12 months

Change in current house prices

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

Some 19.5% of the 1,500 households surveyed across the UK said that the value of their home

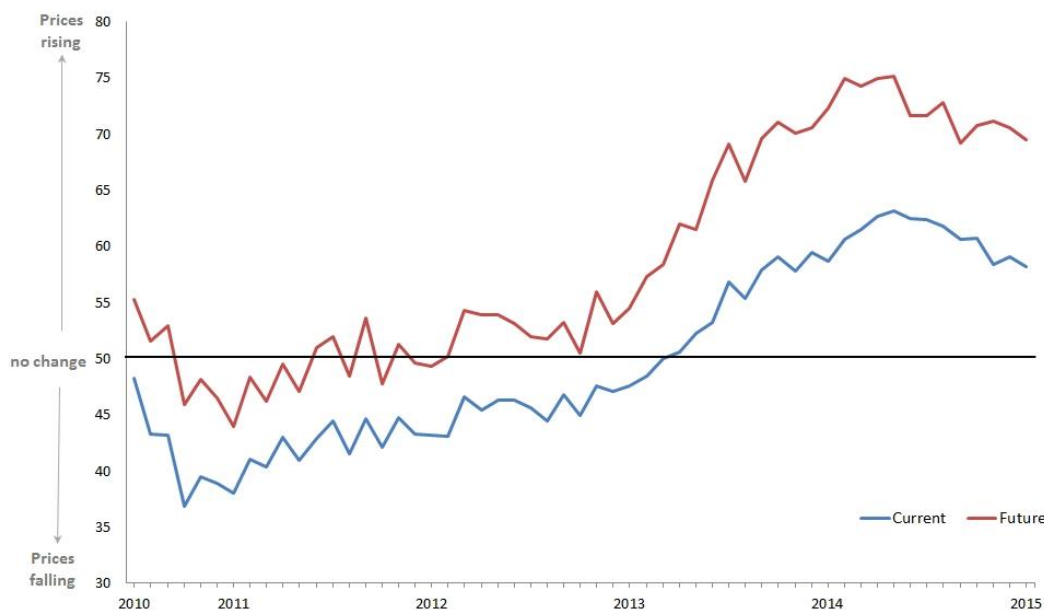
had risen over the last month, while 3.1% reported a fall. This gave the HPSI a reading of 58.2 (see figure 1), the twenty-second consecutive month that the reading has been above 50.

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.

The HPSI was on a general downward trend for most of the second half of 2014 (figure 1). January’s reading of 58.2, the lowest in 14 months, was a continuation of this trend and well below the average reading for last year of 61.0.

In spite of the month-on-month fall, households in all 11 regions covered by the index reported that prices rose in January, led by Londoners (65.3) and households in the South East (63.0). Meanwhile, households in the North West (53.0) and Wales (53.9) perceived the slowest rates of price growth over the course of the month.

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



Source: Knight Frank/Markit

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

In London, perceptions of house price growth moderated compared to the previous month and stand well below the previous high of 74.9 in April last year, suggesting that households are less confident that the value of their property has risen than previously.

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, fell in January to 69.5, down from 70.5 the previous month.

This was the second consecutive monthly fall in house price expectations across the UK. The future HPSI stands well below its record high of 75.1, which was seen in May 2014.

Households in London (75.3) are the most likely to expect price rises over the next 12 months, followed by those in the South West (75.1) and the South East (74.9).

Expectations of price growth are highest among mortgage borrowers and those who own their home outright with readings of 75.8 and 71.3 respectively, followed by those living rent free (66.8).

Housing market activity

Some 5.9% of UK households said they planned to buy a property in the next 12 months. This is down from 6.1% in December.

On a regional basis, some 10.6% households in the South West are planning a purchase in the

next 12 months, followed by the West Midlands where 8.2% of households said they would be buying a property in 2015.

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

“House price sentiment has slowed across the country despite the cut in stamp duty introduced by the Chancellor in December. Households in London and the South East signal slower annual rises in house prices this month than last month, an important development as these areas have been the engines of high house price growth over the last year.

“Even the prospect of record-low interest rates being in place for longer than anticipated has not been enough to lift expectations for house price growth on a monthly basis in January, however this, coupled with an expected rise in wage growth will likely result in modest price uplifts over 2015.”

Tim Moore, senior economist at Markit, said:

“UK house price sentiment cooled again in January, with the survey’s gauge of current property values the least positive for over a year. All regions have seen a sharp moderation in house price sentiment from its highest point in 2014, with London and the South West experiencing the greatest slowdown from recent peaks.

“January’s gradual drift in UK house price sentiment hints at slower trends for property values over the coming months, reinforced by stretched affordability and slow wage growth.

“That said, the balance of households forecasting a rise in their property value this year is still high by the survey’s historical levels, suggesting that subdued interest rate expectations and falling consumer price inflation could limit the scale of any retreat in UK house price sentiment during 2015.”

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

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

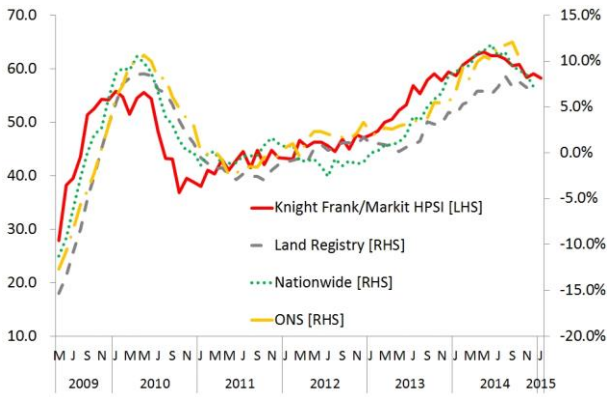


Fig 3: Change in future value of property (next 12 months)



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-14	58.7	56.1	53.7	55.9	55.1	53.7	64.6	69.2	61.1	56.7	55.7	54.1
Feb-14	60.7	57.2	57.3	53.4	58.3	57.1	64.8	68.4	66.9	61.4	54.4	56.0
Mar-14	61.5	50.4	59.4	54.3	58.6	59.8	61.1	74.7	66.4	61.1	59.0	55.4
Apr-14	62.7	50.0	57.9	60.9	60.7	57.8	68.2	74.9	67.7	62.6	53.8	55.9
May-14	63.2	57.5	60.9	55.6	64.3	58.7	68.7	69.9	65.2	69.2	59.8	56.4
Jun-14	62.5	52.9	57.7	58.0	56.5	57.1	66.3	71.9	69.1	65.5	58.1	58.5
Jul-14	62.4	51.7	55.0	58.1	61.7	60.5	68.3	70.5	69.7	62.0	57.3	56.6
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

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-14	72.3	71.7	66.8	67.1	73.0	69.5	76.6	79.0	77.9	68.2	68.1	69.5
Feb-14	74.9	70.3	76.1	65.5	71.4	72.7	79.6	81.8	78.7	74.4	69.0	72.0
Mar-14	74.3	60.4	75.3	66.4	70.9	73.1	76.5	82.8	79.6	73.8	74.8	67.4
Apr-14	75.0	62.8	71.7	74.2	75.6	70.6	74.2	83.1	82.0	74.9	73.8	67.9
May-14	75.1	69.4	73.3	70.0	72.0	69.7	79.7	81.5	78.2	79.3	70.8	72.0
Jun-14	71.6	58.8	65.4	71.2	68.3	69.0	73.9	77.8	79.0	71.4	68.0	70.0
Jul-14	71.7	58.2	66.2	68.4	64.4	73.3	76.0	76.8	79.8	72.7	71.9	66.4
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

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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 (January survey)

IpsosMORI interviewed 1,500 adults aged 18-64 across Great Britain from its online panel of respondents. Interviews were conducted online between 14th – 19th January 2015. 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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