

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

House prices fall in June, but households in most regions optimistic about price rises over next 12 months

Key headlines for June

- UK households perceive a decline in value of their homes in June
- Prices have fallen every month for two years, households say
- But outlook for house prices upbeat for fifth consecutive month, with 8 regions expecting price rises over next 12 months

Change in current house prices

Knight Frank/Markit's House Price Sentiment Index (HPSI) signals that average house prices fell again in June. Some 15% of households said the prices of their home declined, while 7.6% said the value of their property rose. The resulting HPSI figure is 46.3, unchanged from May, and marking the 24th consecutive month that households perceive the value of their property to have fallen.

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 sentiment about current house prices was weakest in Wales (40.4) and the North East (41.9). Only London bucked the trend, remaining the only region where residents said that prices had advanced modestly in June.

However the pace of growth was slower than in May (50.7 down from 50.9).

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, remained in positive territory for the fifth consecutive month in June, the longest period of upbeat expectations since mid-2010. Some 30% 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 53.1, slightly down from May's reading of 54.

Regional outlook

Expectations for house price rises were recorded in eight of the 11 regions in June. Respondents in London remain the most upbeat (60.2), followed by those in the East of England (55.4) and the South East (55.3). Households are most pessimistic

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

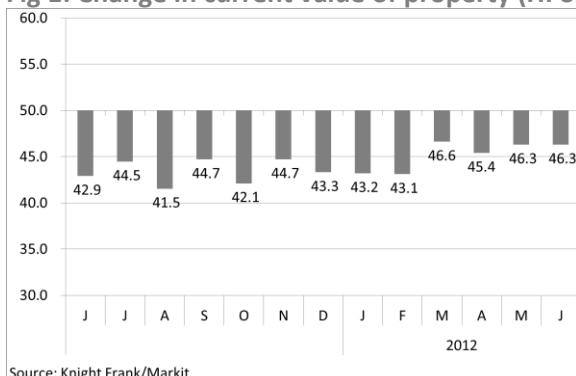
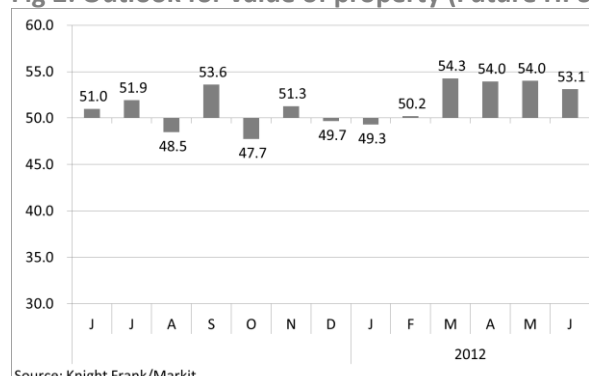


Fig 2: Outlook for value of property (Future HPSI)



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

about prices in the North East (45.5) and the South West (46.7).

Household variations

Confidence about future house price rises among those working in the public sector climbed to the highest level in 2 years (56.2). In a reversal of the prevailing trend since 2009, public sector workers are much more upbeat about the prospect of price rises than those in the private sector (52.9).

Respondents working in the Media/Culture/Entertainment sector forecast the sharpest rise in the value of their home (67.6). Sentiment is also strong in the Utilities/Energy/Transport sector (58.3). The weakest sentiment is in the Retail sector (44.3), the fourth month this has been the case.

Increased house prices over the coming year are forecast by homeowners, although those with mortgages (56.9) are much more upbeat than those who own their home outright (51.7). In fact mortgage borrowers are more upbeat about price rises over the next 12 months than at any time since July 2010. Those renting privately also expect modest price rises over the next year (51.9), but those living rent-free at home predict that prices will fall (48.6), the first negative reading for four months.

Gráinne Gilmore, head of UK residential research at Knight Frank, said: “House price sentiment has now been negative for two years, but the index shows the localised nature of the market. There are wide regional variations across the UK in terms of price performance, with London leading the way, underlining the economic strength of the capital compared to many other areas of the country.

“Looking forward, the regional split is even more pronounced, with households in London, the South East and East of England expecting healthy rates of growth over the next year, in contrast to those in the North who expect price falls. But in a departure from the traditional north-south divide in the property market, residents in the South West are also preparing for house price declines.

“While homeowners are generally more upbeat than renters about the outlook for house prices rises between now and June next year, it is notable that mortgage borrowers are significantly more optimistic than those who own their home outright. This may well be a reflection of recent signals from the Bank of England that interest rates will remain on hold at a record low of 0.5% for a significant period of time, and may even be cut further.”

Chris Williamson, Chief Economist at Markit, said, ““Households are downbeat about the current value of their properties but expect values to rise over the coming year, suggesting an overall air of modest optimism continues to prevail despite the growing raft of disappointing economic headlines. However, the survey is consistent with national prices rising by a meagre 2-3%, and optimism is largely confined to the south of England, notably London.

“High unemployment, high levels of job insecurity and low pay growth are all factors likely to restrain the housing market in coming months, though further stimulus from the Bank of England, which looks increasing likely to be sanctioned when the Monetary Policy Committee next meets in July, may provide the market with a welcome shot in the arm.”

Ends

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

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

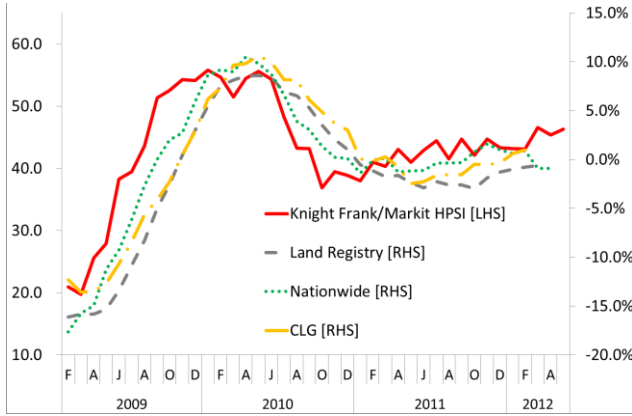
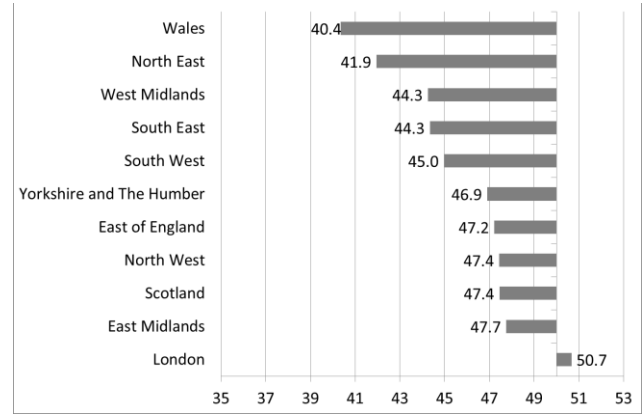


Fig 4: Regional change in current value of property



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	
Jun-11	42.9	39.2	43.1	39.8	37.3	40.1	36.2	50.0	46.4	42.1	40.6	47.8
Jul-11	44.5	41.7	40.7	41.9	44.3	44.0	42.8	50.5	45.9	44.1	45.3	44.1
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

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	
Jun-11	51.0	44.9	50.8	44.4	42.4	48.6	46.2	62.1	52.9	51.2	48.1	56.7
Jul-11	51.9	44.7	47.0	54.9	54.2	46.7	49.9	62.3	53.7	47.4	52.2	49.8
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

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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 YouGov plc 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 (April survey)

Ipsos MORI interviewed 1500 adults aged 18-64 across Great Britain from its online panel of respondents. Interviews were conducted online between 14th - 19th June 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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