

Knight Frank/Markit House Price Sentiment Index (HPSI) – June 2016

Sentiment on future price growth slips to three-year low

Key headlines for June 2016

- Both current and future sentiment on house prices fell in June compared to May.
- Households in most UK regions perceive that the value of their home rose over the course of the month, although at a slower pace than in May.
- In the North East households perceive that the value of their home fell in June.
- While households in all UK regions still expect house prices to rise over the next 12 months, the future HPSI is at its lowest point since August 2013.
- Some 6.5% of households said that they planned to buy a property in the next 12 months, up from 5.4% in May.

This is the thirty-ninth consecutive month that the reading has been above 50.

Some 23.7% of the 1,500 households surveyed across the UK said that the value of their home had risen over the last month, while 4.4% said that prices had fallen. This resulted in a HPSI reading of 59.7 (see figure 1).

Any figure over 50 indicates that prices are rising, and the higher the figure, the stronger the increase. Any figure below 50 indicates that prices are falling.

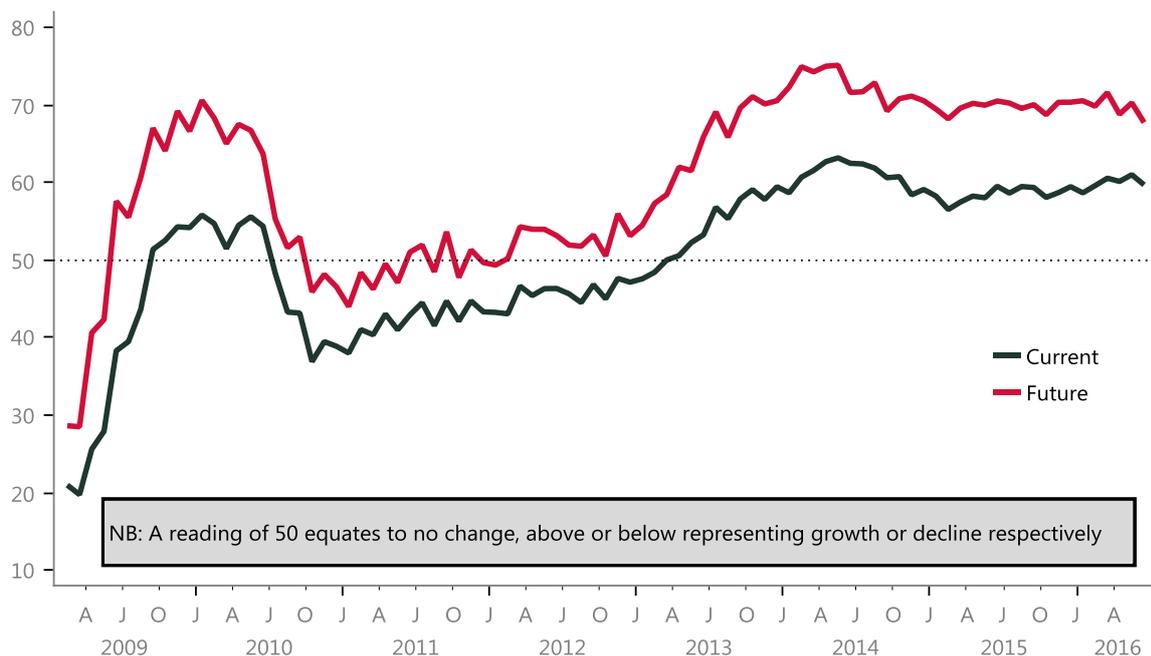
June’s reading was a decrease from the 61.0 recorded last month and significantly below the peak of 63.2 recorded in May 2014, reflecting the easing in average UK house price growth which has been seen since then.

Change in current house prices

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

Over the first six months of 2016 the average HPSI reading was 59.9, broadly similar to the 58.9 average reading over the previous six months.

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



Source: Knight Frank/Markit

Households in the North East perceived that the value of their home fell in June, the first time that households in any English region perceived house prices had fallen since August 2013.

The full regional breakdown is shown in the 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, fell to 67.7 in June from 70.3 in May.

This is the lowest reading recorded by the index since August 2013, indicating that households are less confident that prices will rise than at any time since then.

There remain significant regional variations in future house price sentiment, mirroring trends in the wider housing market. The gap between sentiment in the North and South of the UK is now wider than at any time since the inception of the index (figure 3).

Housing market activity

Some 6.5% of UK households said they planned to buy a property in the next 12 months, up from 5.4% in May and the highest number since August 2015.

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

“The decline in the future household sentiment index to a near three-year low coincides with growing uncertainty over the result of next week’s EU Referendum as the debates over the UK’s future step up a gear.

“The proportion of households who expect the value of their home to fall over the next 12 months rose to the highest level in nearly two years, but overall households still expect the value of their property to continue rising in the coming year, despite the uncertainty about the result of next week’s vote.

“The regional disparity in the index readings highlights the multi-speed housing market in the UK at present, with gap between sentiment in the North and the South widening to the biggest margin since the index began in 2009.”

Tim Moore, senior economist at Markit, said:

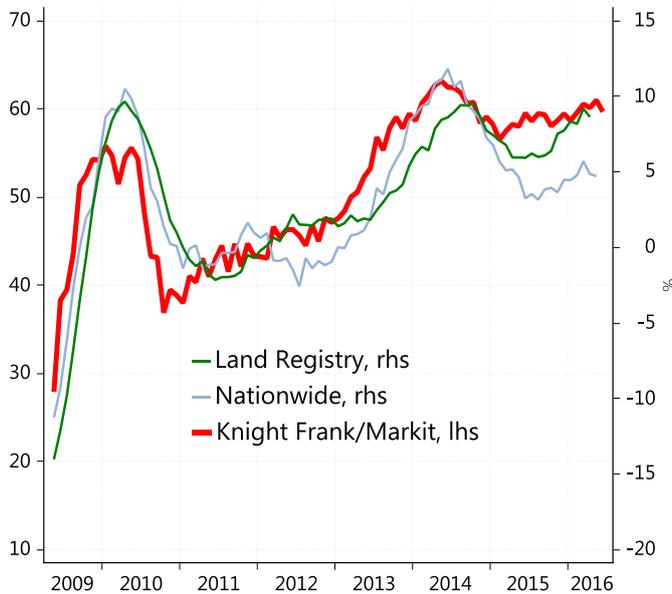
“Heightened political and economic uncertainty seems to have weighed on house price sentiment to some degree in June, with expectations for the year-ahead slipping to the lowest since August 2013.

“However, the month-to-month easing in house price sentiment was relatively modest, suggesting that UK households perceived little fundamental change in property market conditions since May.

“Instead, ultra-low mortgages, improving labour market conditions and little sign of impending interest rate rises all appear to have helped keep house price sentiment at an elevated level in comparison to the survey’s historical average.”

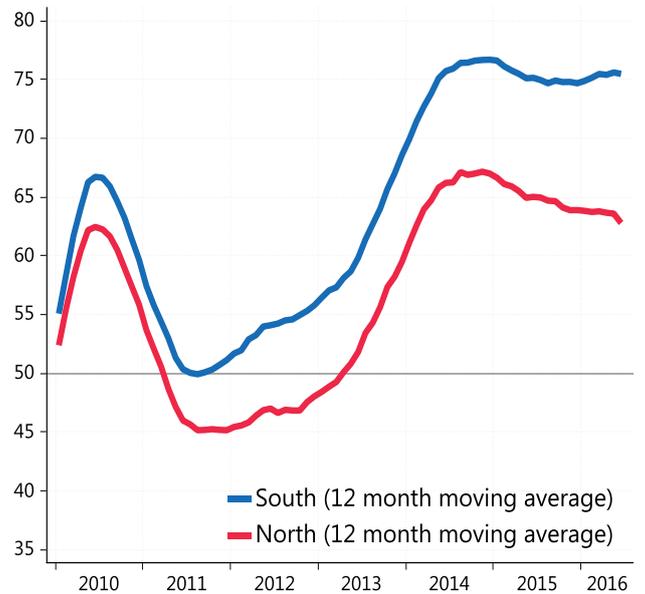
Knight Frank/Markit House Price Sentiment Index (HPSI) – Data Summary

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



Source: Knight Frank Research

Fig 3: Regional variations in future HPSI (English regions, unweighted)



Source: Knight Frank Research / Markit Economics

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-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
Sep-15	59.3	52.0	55.6	54.0	55.4	57.8	66.3	66.4	63.1	60.6	54.3	55.1
Oct-15	58.1	52.0	51.8	52.9	55.2	51.2	63.5	69.0	64.3	58.0	52.9	54.0
Nov-15	58.7	52.6	53.4	51.3	57.8	54.6	62.2	65.7	66.4	60.1	56.7	53.3
Dec-15	59.4	50.0	54.7	57.2	58.5	58.9	58.5	68.7	65.4	58.1	55.5	54.5
Jan-16	58.7	53.3	51.3	54.0	52.3	60.7	62.8	68.1	64.3	57.2	53.8	54.8
Feb-16	59.6	53.0	55.5	57.5	60.9	56.5	62.3	68.1	61.9	60.9	58.6	51.7
Mar-16	60.5	56.4	54.0	57.1	56.4	55.1	66.3	71.7	67.4	59.8	54.1	53.3
Apr-16	60.1	52.7	56.0	58.0	58.8	59.2	62.4	70.0	65.6	60.7	53.7	50.1
May-16	61.0	52.5	56.3	58.5	58.6	53.4	64.6	70.8	66.9	59.4	60.5	56.9
Jun-16	59.7	48.5	56.5	51.6	55.3	60.1	62.7	69.6	66.3	57.7	57.0	54.6

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	
May-15	70.0	62.7	61.9	67.4	68.1	68.0	77.8	77.7	79.5	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
Sep-15	70.0	57.7	65.6	63.2	65.8	67.2	79.3	74.1	76.0	74.7	61.4	69.6
Oct-15	68.7	53.8	62.1	62.0	67.1	63.2	74.8	78.4	75.8	72.1	60.7	66.9
Nov-15	70.3	60.5	63.8	63.0	68.2	66.0	74.6	78.3	82.9	68.9	63.4	65.4
Dec-15	70.3	60.1	67.5	66.5	62.7	72.0	74.5	77.9	76.7	66.8	64.9	65.8
Jan-16	70.5	61.9	62.3	66.4	65.4	71.3	81.1	79.1	76.1	71.6	64.5	61.8
Feb-16	69.8	60.6	64.1	64.4	67.4	67.3	72.8	77.8	78.7	74.1	62.5	62.0
Mar-16	71.6	61.4	63.6	72.1	71.5	66.4	80.3	78.9	81.0	71.6	62.2	61.4
Apr-16	68.8	57.6	62.8	69.4	66.6	67.9	68.4	77.2	79.3	71.7	59.6	57.2
May-16	70.3	61.8	61.5	68.0	66.3	63.3	77.9	78.2	79.5	74.8	67.6	62.3
Jun-16	67.7	50.4	62.4	56.8	63.3	67.1	71.0	78.2	76.0	72.8	66.9	60.8

Knight Frank

Jamie Obertelli, PR Manager
Jamie.obertelli@knightfrank.com
+44 20 7861 1104

Gráinne Gilmore, Head of UK Residential Research
grainne.gilmore@knightfrank.com
+44 20 7861 5102
+44 77 8552 7145

Oliver Knight, Senior Analyst
oliver.knight@knightfrank.com
+44 20 7861 5134
+44 74 6872 7562

Markit

Joanna Vickers, Corporate Communications
Telephone: +44 20 7260 2234
Email: joanna.vickers@markit.com

Tim Moore, Senior Economist
tim.moore@markit.com
+44 14 9146 1067

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 (June survey)

IpsosMORI interviewed 1,500 adults aged 18-64 across Great Britain from its online panel of respondents. Interviews were conducted online between 8th and Sun 12th 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.

About Knight Frank

Knight Frank LLP is the leading independent global property consultancy. Headquartered in London, Knight Frank and its New York-based global partner, Newmark Knight Frank, operate from 244 offices, in 43 countries, across six continents. More than 6,840 professionals handle in excess of US\$755 billion (£521 billion) worth of commercial, agricultural and residential real estate annually, advising clients ranging from individual owners and buyers to major developers, investors and corporate tenants. For further information about the Company, please visit www.knightfrank.com.

For the latest news, views and analysis on the world of prime property visit Knight Frank's research blog, Global Briefing at <http://www.knightfrankblog.com/global-briefing/>. And follow us on twitter @kfglobalbrief and @knightfrank.

About Markit

Markit is a leading global diversified provider of financial information services. We provide products that enhance transparency, reduce risk and improve operational efficiency. Our customers include banks, hedge funds, asset managers, central banks, regulators, auditors, fund administrators and insurance companies. Founded in 2003, we employ over 4,000 people in 11 countries. Markit shares are listed on Nasdaq under the symbol MRKT. For more information, please see www.markit.com.

The intellectual property rights to the HPSI provided herein is owned by Markit. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without Markit's prior consent. Markit shall not have any liability, duty or obligation for or relating to the content or information ("data") contained herein, any errors, inaccuracies, omissions or delays in the data, or for any actions taken in reliance thereon. In no event shall Markit be liable for any special, incidental, or consequential damages, arising out of the use of the data. Markit and the Markit logo are registered trademarks of Markit Group Limited.