

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

House price sentiment jumps after GDP bounce

Key headlines for November

- UK households perceive that the value of their home declined again in November, but at the most modest pace since July 2010
- The outlook for house prices hit the highest level in nearly two and half years, bouncing back from an eight-month low in October
- On a three-month basis, the future HPSI rose to 53.2, up from 51.8 on average in the three months to October
- Households in every region except Wales expect the value of their home to rise in the coming year, the highest proportion since June 2010

Change in current house prices

Knight Frank/Markit's House Price Sentiment Index (HPSI) signals that average house prices fell for the 29th consecutive month in November. However the proportion of homeowners reporting that the value of their home had risen climbed from 6% to 9%, while the proportion saying that the value of their home had declined fell from 16% to 14%. This resulted in a HPSI reading of 47.6, up from 45.0 in October.

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 households in every region bar two felt the value of their home fell over the last

month. The two exceptions, as has been the case for most of the year, were London (54.1) and the South East (50.5). Prices were perceived to have fallen most sharply in Wales (39.3) and the North West (45.1).

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 sharply in November. Around 30% of households anticipate a rise in the value of their home over the next 12 months, while 18% expect a fall. The resulting index reading is 55.9, marking a substantial bounce back from October's reading of 50.5, which was the lowest reading in eight months. On a smoother three-month average reading, the future HPSI in November was 53.2, up from 51.8 in the three months to October.

Regional outlook

Households in every region except Wales (45.2) expect the value of their property to rise over the next 12 months. London leads the way (63.3), followed by the South East (61.1), but perhaps

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

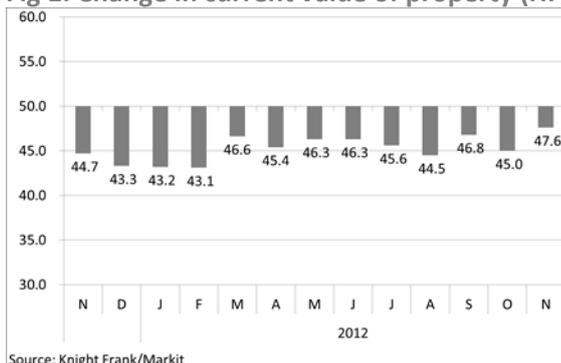
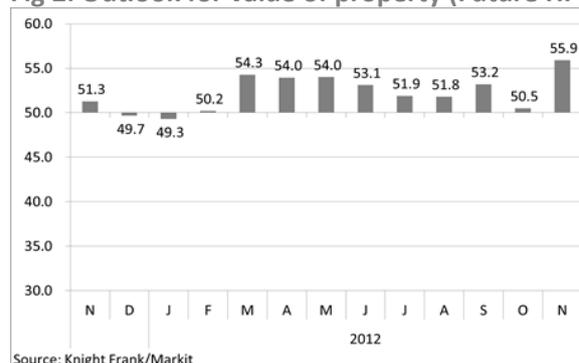


Fig 2: Outlook for value of property (Future HPSI)



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

more notably, households in the North West (53.8) are expecting price growth for the first time in more than six months.

Those aged 55 and over still remain the most cautious in their outlook for prices (53.6), although this is the first time respondents in this age bracket have said they are expecting price rises since June. Those in the 25 to 34 age bracket, the typical age for a first-time buyer, expect the biggest price rises, perhaps reflecting the increased challenges they face in order to climb onto the housing ladder.

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

“The strong recovery from the marked slump in confidence seen in October coincides with better news from the economy, with official figures suggesting that the UK not only emerged from recession, but did so at a faster pace than expected in Q3.

“The more upbeat economic news seems to have lifted sentiment, especially the outlook for house prices. The last time the future house prices sentiment index reached similar highs was in the summer of 2010, which coincided with 0.7% rise

in GDP in Q2 that year – the strongest economic performance since the initial recession, apart from the most recent 1% rise in GDP in Q3 2012.

“But more downbeat news is already emanating from the economy, with the Bank of England this week admitting that the country could slip back into recession in Q4. As such, there is a risk that the fillip to sentiment seen as a result of the better than expected GDP figures may unwind in the months to come.”

Chris Williamson, chief economist at Markit, said:

“It’s too early to say whether the pick up in the outlook for house prices reflects an underlying improvement in market sentiment, perhaps linked to better availability of mortgages due to the Funding For Lending Scheme. It could of course merely reflect a feel-good factor arising from the better than expected growth of the economy in the third quarter. Most likely it’s a combination of the two, and we will hopefully see a steady continuation of improvement in mortgage conditions in coming months.”

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

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

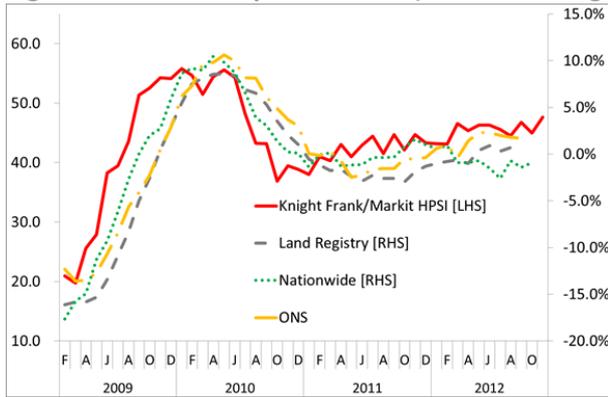
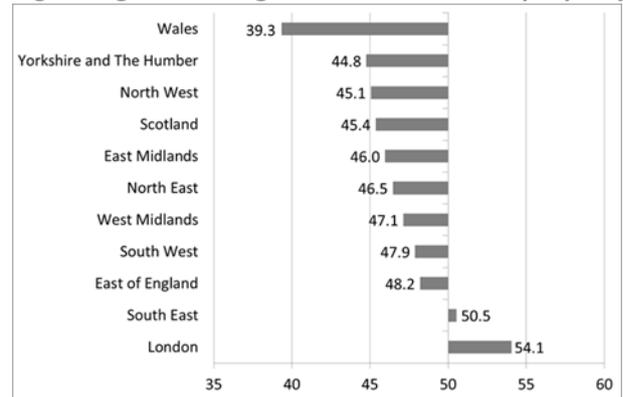


Fig 4: Regional change in current value of property



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	
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
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

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	
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
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

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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.

IpsosMORITECHNICAL DETAILS (November survey)

Ipsos MORI interviewed 1500 adults aged 18-64 across Great Britain from its online panel of respondents. Interviews were conducted online between 8th – 12th November 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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