

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

## House price sentiment bounce-back continues

### Key headlines for September 2016

- Households across the UK perceive that the value of their home rose in September.
- Respondents all 11 regions covered by the index believe prices increased over the course of the month.
- Households in London perceived the biggest price growth in September, followed by those in the South East and East of England.
- The future HPSI picked up again in September with households in all regions confident that the value of their home will rise over the next 12 months.
- Households in the South of England are more confident about price rises than those in the North of England, Scotland or Wales.

### Change in current house prices

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

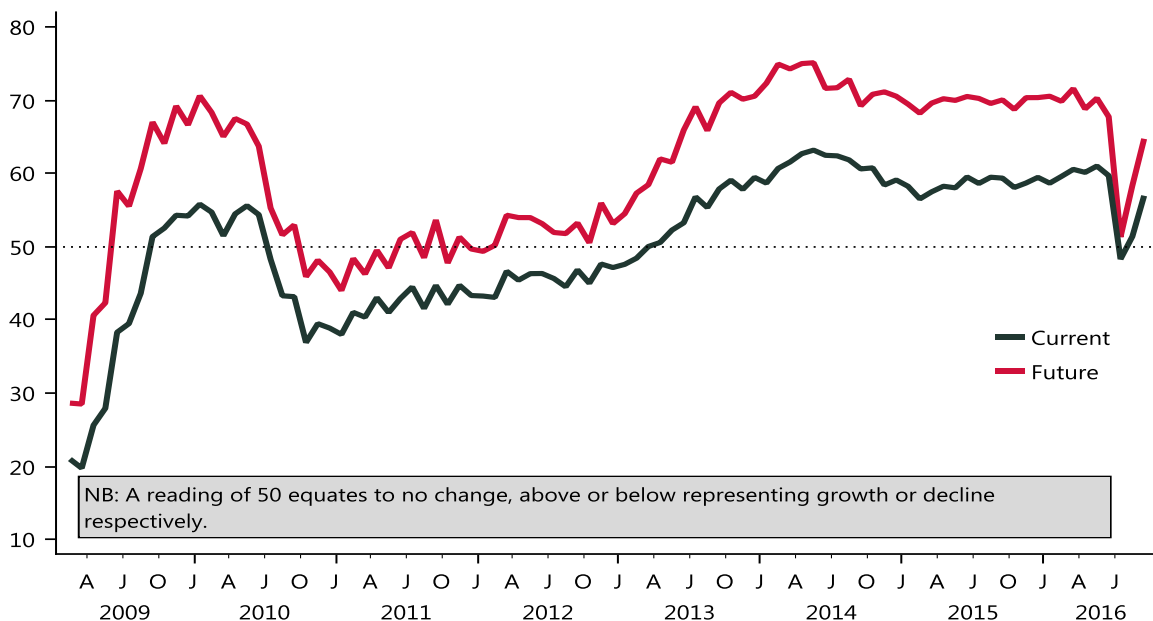
This was the second consecutive monthly rise in house price sentiment following the result of the EU Referendum in June.

Some 20.8% of the 1,500 households surveyed across the UK said that the value of their home had risen over the last month, while 6.9% said that prices had fallen. This resulted in a HPSI reading of 56.9 (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.**

September's reading was an increase from the 51.4 recorded in August, and was the largest month-on-month increase in the index in seven years. However, in spite of the jump, the index remains below the average HPSI reading for the first six months of the year, prior to the EU Referendum, (59.9) and significantly lower than the peak of 63.2 recorded in May 2014.

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



Source: Knight Frank Research / IHS Markit

Households in all 11 of the regions covered by the index perceived that the value of their property rose in September, with Londoners (63.0) reporting the biggest rise. They were followed by those in the South East (60.4) and East of England (59.9).

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, also rose in September to 64.7 from 58.3 in August.

However, similarly to the headline index, while future sentiment has risen notably month-on-month and is comfortably above its recent post EU Referendum low of 51.3 in July, it remains lower than seen during the three years prior to the vote.

While households are still positive, they are expecting more modest growth in property prices over the next 12 months than they were earlier in the year.

As well as regional variations in future house price sentiment, as shown in the table on page 3, there are also noticeable differences depending on tenure. Mortgage holders (69.9) and those who own their home outright (67.7) expect the biggest price growth, while those living in the private rental sector expect more subdued growth (62.2).

### Housing market activity

Some 5.8% of households are planning to buy a property in the next year, a slight fall on the 6.5% who said the same thing in June.

Londoners are the most likely to move in the short term, with 8.9% of households looking to purchase a property in the coming 12 months.

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

“House price sentiment is mirroring the broader pick-up in confidence after Brexit. This comes as initial data shows a continuing positive picture for both employment and economic output.

“The housing market is now entering the typically busier autumn season, with indications that activity is rising, especially in key urban areas.

“There is still uncertainty surrounding the next steps of how the UK will move to exit the European Union, and this could create some economic turbulence. Yet the fundamentals of the housing market remain unchanged, underpinned by limited supply and ultra-low mortgage rates.”

### Tim Moore, senior economist at IHS Markit, said:

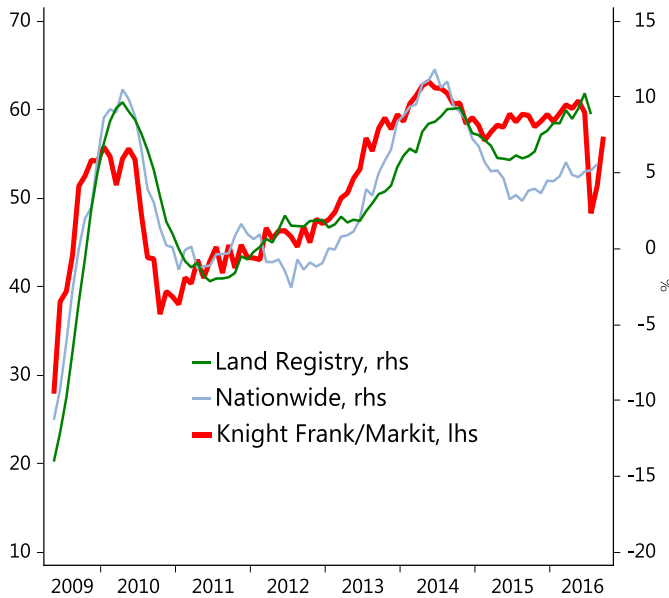
“September data highlights a sustained recovery in house price sentiment from the three-and-a-half year low seen just after the EU referendum. In each of the past two months, UK households’ views have become more upbeat in terms of both current property values and expected prices for the year ahead. There are early signs of a V-shaped recovery in house price sentiment across all UK regions monitored by the survey.

“However, looking through the summer volatility, house price sentiment remains weaker than seen on average in the first half of the year, and well below the peaks seen during spring of 2014.

“As a result, recent survey data indicates that Brexit uncertainty has temporarily dented but not derailed housing market confidence. Moreover, the prospect of low interest rates for longer and an entrenched shortage of housing supply are key factors supporting UK property values.”

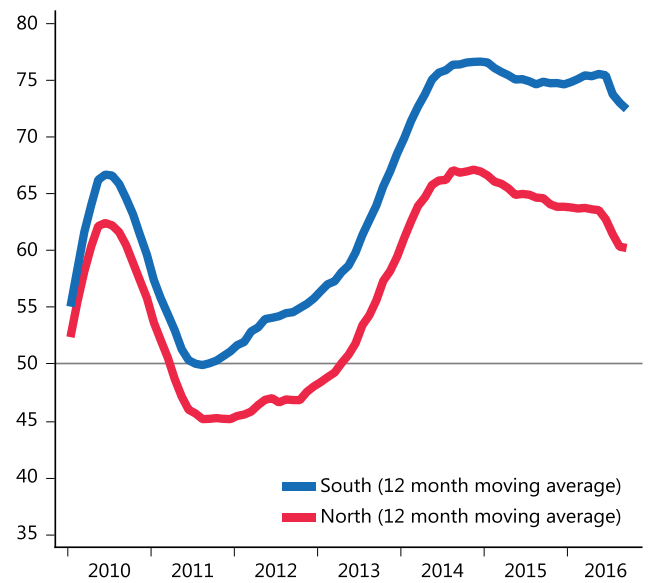
## Knight Frank/Markit House Price Sentiment Index (HPSI) – Data Summary

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



Source: Knight Frank Research / IHS Markit

**Fig 3: Regional variations in future HPSI**



Source: Knight Frank Research / IHS Markit

NB A reading of 50 equates to no change, above or below represents growth

**Figure 3: Regional change in House Price Sentiment (current and future)**

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	
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	54.2	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
Jul-16	48.3	45.0	46.8	46.7	44.5	49.8	50.2	49.5	50.2	49.8	43.3	49.3
Aug-16	51.4	44.3	50.8	47.3	49.0	50.2	58.5	53.1	54.5	55.0	48.4	45.6
Sep-16	56.9	54.2	52.9	52.2	58.1	55.7	59.9	63.0	60.4	57.7	53.2	51.8

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	
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	53.6	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	68.5	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	66.0	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
Jul-16	51.3	48.9	47.1	46.9	46.4	52.4	53.2	56.3	54.5	51.7	48.2	51.9
Aug-16	58.3	54.5	52.7	49.9	55.7	55.7	68.3	61.5	63.0	64.7	56.9	52.2
Sep-16	64.7	61.5	62.4	58.7	66.3	58.3	64.6	71.0	75.2	65.8	56.3	57.9

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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 IHS 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 IHS 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 (September survey)*

IpsosMORI interviewed 1,500 adults aged 18-64 across Great Britain from its online panel of respondents. Interviews were conducted online between 14<sup>th</sup> and 18<sup>th</sup> September. 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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