

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

Households perceive prices have been rising for three years

Key headlines for March 2016

- Households in all UK regions perceive that the value of their home rose in March
- Londoners perceived the strongest rate of price growth over the course of the month, followed by those in the South East
- Households in all UK regions expect house prices to rise over the next 12 months, with the strongest growth expected by households in the South East
- Mortgage borrowers were the most confident about future price growth, followed by those who own their home outright

Change in current house prices

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

Some 25.1% of the 1,500 households surveyed across the UK said that the value of their home

had risen over the last month, while 4.0% said that prices had fallen. This resulted in a HPSI reading of 60.5 (see figure 1).

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

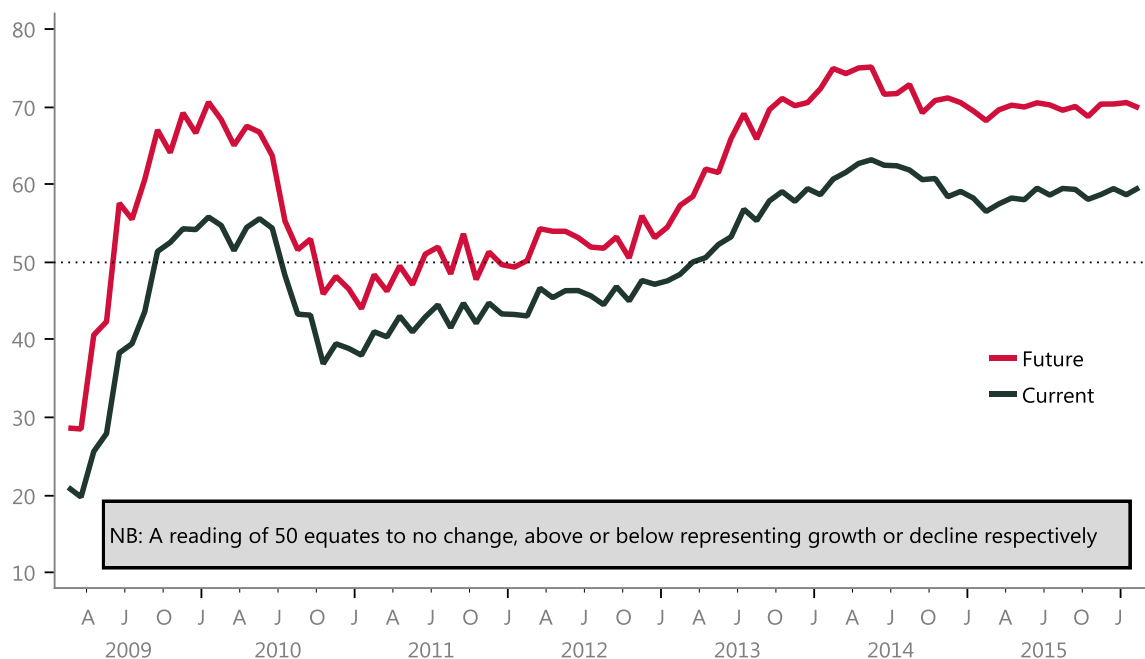
Any figure over 50 indicates that prices are rising, and the higher the figure, the stronger the increase. Any figure below 50 indicates that prices are falling.

March's reading was a slight increase on the 59.6 recorded in February, although it remains well below the peak of 63.2 reached in May 2014.

Households in every region perceived that the value of their home rose in March, however there were significant regional variations, reflecting wider trends in pricing across the UK market.

Londoners perceived the biggest increase (71.7), followed by those in the South East (67.4) and East of England (66.3). In Scotland (53.3) and the North

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



Source: Knight Frank/Markit

West (54.0), the perceived rate of growth was slower.

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, rose in March to 71.6, from 69.8 in February.

March's reading was the highest recorded by the index since August 2014, indicating that households are more confident that the value of their home will rise over the next 12 months than at any time since then.

The rise in future sentiment was driven by households in southern England, with those in the South East (81.0), the East of England (80.3) and London (78.9) notably more confident than those in the North East (61.4) and Scotland (61.4).

The full regional breakdown is shown in the tables on page 3.

Mortgage borrowers were the most confident about future price growth (77.4), followed by those who own their home outright (76.4).

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

"The fundamentals for the UK housing market remain steady, especially around mortgage costs which remain at record lows.

"The imbalance between demand and supply of housing is also underpinning house prices. The delivery of new homes remains some 30-40% below the levels needed to start to address the annual shortfall of housing in the UK.

"There have already been several large targeted government policies to try and boost development and ease the path of first-time buyers – and it is notable the future sentiment reading for 25-34 year olds is the highest it has been for 15 months.

"As reflected in the index, the sound fundamentals of the market will combine to support overall prices in the coming year, but as the index also reveals, the market will continue to be 'multi-speed' across regions and price bands."

Tim Moore, senior economist at Markit, said:

"The latest survey is a clear signal that UK house prices have stayed on an upward trajectory throughout the first quarter of 2016.

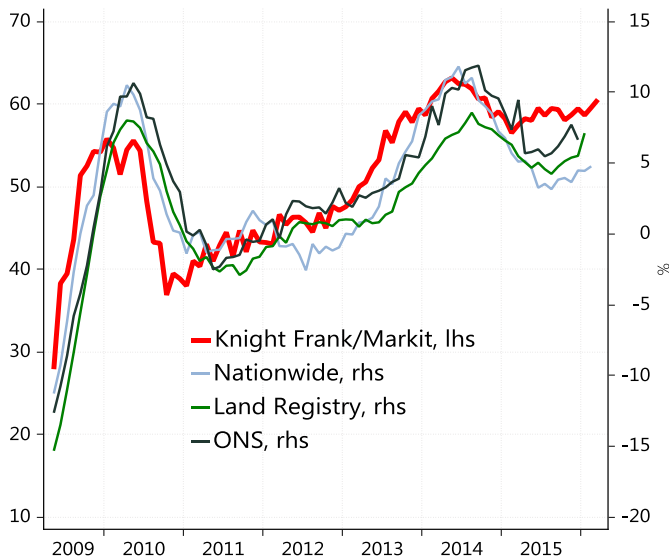
"One of the factors supporting price sentiment seems to be the expectation that interest rates will remain ultra-low for longer, and this belief has become more widespread so far this year.

"Households' current price sentiment is stronger now than at any time over the past 17 months, but the economic landscape is not lacking in potential headwinds for buyer confidence.

"In particular, UK pay growth is uneven at best and slowing at worst, while at the same time some lenders have started to lower their maximum loan-to-income ratios. Stretched affordability is of course never far from any discussion of UK house prices – but it could bite harder now for first time buyers, especially in London and surrounding hotspots."

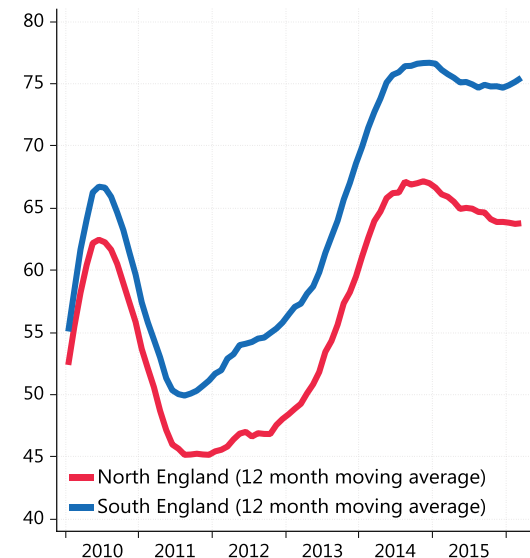
Knight Frank/Markit House Price Sentiment Index (HPSI) – Data Summary

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



Source: Knight Frank Research

Fig 3: Regional variations in future HPSI (unweighted)



Source: Knight Frank Research

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
Mar-15	57.5	54.9	54.2	52.8	54.5	54.2	62.1	63.7	62.3	59.7	51.8	52.1
Apr-15	58.2	51.9	54.2	54.5	54.3	59.3	62.1	64.2	61.3	59.6	53.2	55.7
May-15	58.0	53.3	53.8	53.5	56.8	55.3	61.2	64.8	61.6	60.0	51.6	56.1
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	54.2	53.3

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
Mar-15	69.6	62.0	65.3	67.8	69.7	69.8	71.7	73.7	77.0	73.7	61.5	60.3
Apr-15	70.2	61.7	64.0	68.4	65.3	70.0	78.7	73.8	75.7	72.1	66.0	65.5
May-15	70.0	62.7	61.9	67.4	68.1	68.0	77.8	77.7	73.5	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	53.6	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

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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.

IpsosMORI technical details (March survey)

IpsosMORI interviewed 1,500 adults aged 18-64 across Great Britain from its online panel of respondents. Interviews were conducted online between 9th and 13th March. 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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