

Knight Frank/Markit House Price Sentiment Index (HPSI) – April 2013

Households' optimism on property prices jumps as Help to Buy mortgage scheme is launched

Key headlines for April

- Households perceive that the value of their property rose over the last month – for the first time in nearly three years
- Households also expect the value of their home will rise over the next 12 months, at sharpest rate since June 2010
- Optimism about future house price rises surges among those aged 18-34
- Londoners remain the most upbeat about the outlook for prices, followed by those in South East and the East of England

Change in current house prices

Households perceived that the value of their homes edged up in April for the first time in nearly three years, according to the House Price Sentiment Index (HPSI) from Knight Frank and Markit Economics.

Around 11% of the 1,500 homeowners surveyed across the UK said that the value of their home had risen over the last month, while 9.9% said the value had fallen, giving a HPSI reading of 50.6 (see figure 1).

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.

This is up from a reading of 50.0 in March, and marks the first time that the index has been in positive territory since June 2010, signalling the first time that households feel that the value of their home has risen on a monthly basis for nearly three years.

Households in five of the eleven regions reported that the value of their home had risen in April, led by London and the South East. (figure 4).

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

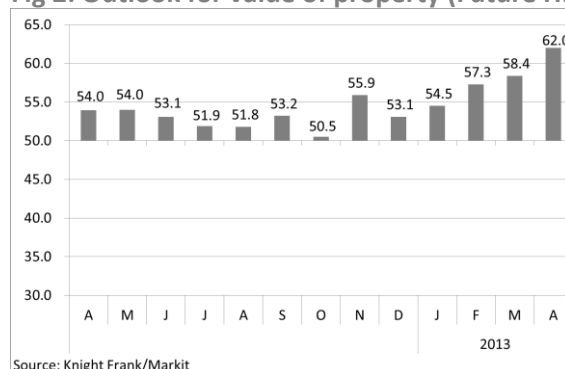
The future HPSI (figure 2), which measures what households think will happen to the value of their property over the next year, climbed for the fourth consecutive month in April, to the highest level since June 2010, showing sustained levels of confidence that house prices will climb over the next 12 months.

The overall index reading for the UK jumped to 62, up from 58.4 in March. On a smoother three-month average basis, the future HPSI reading was 59.2, up from 56.7 in the previous three-month period.

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.

Regional outlook

While there are regional differences in the outlook for prices, respondents in all regions expect the value of their property to rise over the next 12 months, with Londoners (70.8) leading the way. The biggest rise in confidence was in the North East, where the future HPSI reading jumped from 45.7 in March to 62.1 in April.

Young people were the most optimistic about house price rises over the next 12 months, particularly those aged between 25 and 34 (66.6) – the highest reading since June 2010.

Optimism also rose at the fastest pace among those living in the private rented sector, or living rent-free with family, with the index for those renting privately jumping from 55.0 to 60.6 in April, marking the highest reading since May 2010. But mortgage borrowers were the most upbeat of any group, with an index reading of 65.3.

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

“April’s sentiment survey suggests that the multi-billion pound “Help to Buy” mortgage scheme has injected a much-needed dose of confidence into the housing market, especially among young people.

“The Help to Buy scheme is designed to free up the mortgage market, and this is reflected in the surge in optimism over house prices seen among the generation of aspiring homeowners, aged between 25 and 34.

“It is still very early days for Help to Buy, but this area of the mortgage market will be closely watched in the months to come, in the hope that delivery of mortgage support for those who have only limited deposits matches the scheme’s initial promise.”

Tim Moore, senior economist at Markit, said:

“House price expectations have risen every month of 2013 so far, which marks the longest uninterrupted period of improving sentiment since the survey began over four years ago.

“April’s survey provides a snap-shot of how the Budget has influenced households’ perceptions of their property values. In terms of the price outlook, households reported the greatest post-Budget jump in sentiment since the stamp duty holiday extension in 2009.

“The latest survey suggests the Help to Buy scheme has boosted house price sentiment, alongside a continued improvement in mortgage availability and more concrete signs that current values are on the up.

“However, a mixed picture persists across the UK regions. The number of London households expecting a year ahead rise in their property value outnumbers those that anticipate a drop by five-to-one, against a ratio of around four-to-one in the South East and three-to-one across the UK overall.”

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

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

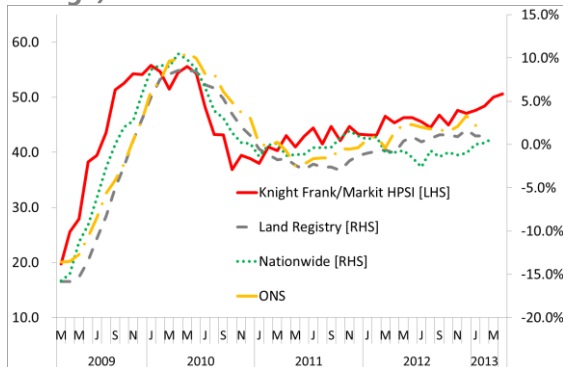


Fig 4: Regional change in current value of property



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
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
Dec-12	47.1	47.6	46.4	46.8	39.9	46.8	49.0	53.2	47.8	46.3	42.0	45.7
Jan-13	47.6	45.5	45.9	47.8	47.5	43.6	48.7	54.5	47.8	50.6	42.7	42.0
Feb-13	48.4	43.4	46.0	46.4	47.3	49.4	48.3	54.1	49.3	46.5	49.4	47.1
Mar-13	50.0	41.6	52.2	48.3	44.8	45.9	51.2	58.0	53.8	47.8	45.2	46.5
Apr-13	50.6	50.1	47.9	47.6	47.2	45.7	51.3	56.8	56.2	49.9	52.3	45.1

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
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
Dec-12	53.1	48.0	52.6	55.3	48.5	48.6	53.1	61.6	54.5	56.3	45.6	48.7
Jan-13	54.5	45.7	50.3	51.5	51.5	50.8	56.4	65.5	59.8	55.9	45.2	49.7
Feb-13	57.3	52.2	53.2	52.9	55.6	54.0	58.4	64.2	62.2	56.2	60.5	53.8
Mar-13	58.4	45.7	54.9	52.4	54.3	54.3	61.6	70.4	66.4	53.6	57.1	53.6
Apr-13	62.0	62.1	59.0	60.2	54.7	56.5	64.5	70.8	66.1	60.1	63.3	57.4

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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 (April survey)

IpsosMORI interviewed 1500 adults aged 18-64 across Great Britain from its online panel of respondents. Interviews were conducted online between 10th April – 15th April 2013. 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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