

Knight Frank/Markit House Price Sentiment Index (HPSI) – August 2014

Households report home values rose at slowest rate in five months in August

Key headlines for August 2014

- Households in all regions covered by the sentiment index perceive that prices rose in August, but at the slowest rate since March
- Expectations for future price growth ticked up, but still remain substantially lower than May's record-high
- Households in the South East expect prices to rise most strongly over the next 12 months, the third consecutive month expectations in this region have been higher than London
- Some 5.9% of UK households plan to buy a property in the next year

Change in current house prices

Households perceive that the value of their home rose in August, although at the slowest rate in five months, according to the House Price Sentiment Index (HPSI) from Knight Frank and Markit Economics.

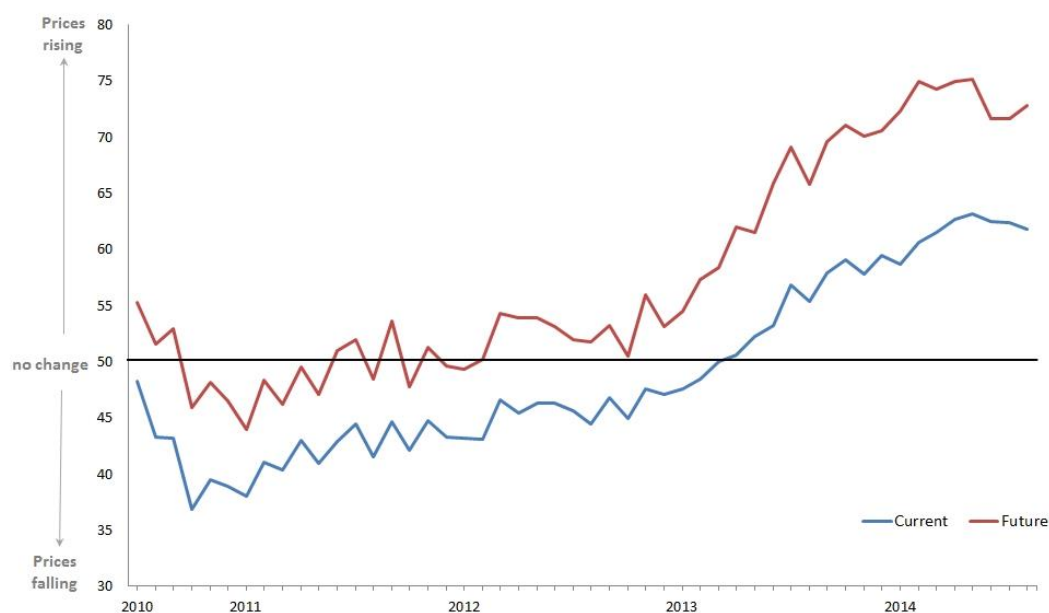
Some 28.9% of the 1,500 households surveyed across the UK said that the value of their home had risen over the last month, while 5.3% reported a fall.

This gave the HPSI a reading of 61.8 (see figure 1), the seventeenth consecutive month that the reading has been above 50. The reading was down on the 62.4 achieved in July and was the third consecutive month that households' perceptions about house price growth have moderated.

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

Households in all 11 regions covered by the index reported that prices rose in August, with those living in London perceiving that the value of their home had risen at the strongest rate (71.4), followed by households in the South East (68.4) and the East of England (63.5).

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



Source: Knight Frank/Markit

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

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, crept up in August to 72.8, up from July's reading of 71.7.

While this suggests that households are expecting slightly bigger price rises than in July, the future HPSI remains well below its peak of 75.1 achieved in May.

Households in every region expect the value of their home to rise, with those in the South East most confident about price increases (79.3). This is the third consecutive month that those in the South East have reported large price expectations than Londoners. The index also rose to a record-high in the West Midlands (74.3), signifying that households here are more confident that the value of their home will rise in the next 12 months than anytime since the index started in early 2009.

After three consecutive months of declining expectations for price growth in London, expectations for future price growth in the Capital picked up (77.7) compared to the previous month, although this remains well below the record high of 83.1 in April.

Housing market activity

Some 5.9% of UK households said they planned to buy a property in the next 12 months. This is down from 6.7% in July. Looking at the figures on a regional basis reveals that some 9.3% of Londoners plan to purchase a property in the next year, compared to just 3.4% in the West Midlands.

Those aged between 25 and 34 are the most likely to be considering a house purchase within the next 12 months (9.9%), while those aged between 45 and 54 were the least likely to be buying a new home within the next year (3.6%).

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

"A third consecutive monthly decline in the house price sentiment index suggests that the price exuberance seen in some corners of the market is easing. This comes amid increasing discussion about interest rate rises, which are likely to materialise within the next 6 to 9 months. Recent changes to the rules surrounding mortgage lending are also likely having an impact on market sentiment.

"Yet the index also highlights the regionalised nature of the housing market. While the HPSI reading for London, where average house prices have seen the biggest increase in the last year, showed a slight increase in August, this was far overshadowed by the rise seen in the North East and North West of England. These regions are starting to experience some level of sustained house price growth amid growing buyer confidence."

Tim Moore, senior economist at Markit, said:

"UK house price sentiment remains strong overall, although it has cooled in each month since hitting a post-crisis peak in May. Not only does the sweet spot appear to have passed for house price sentiment, but the current period of decline is now the longest seen for almost four years.

"Moreover, tighter mortgage conditions and the prospect of interest rate rises have acted to rein in households' expectations of higher property values over the year ahead."

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

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

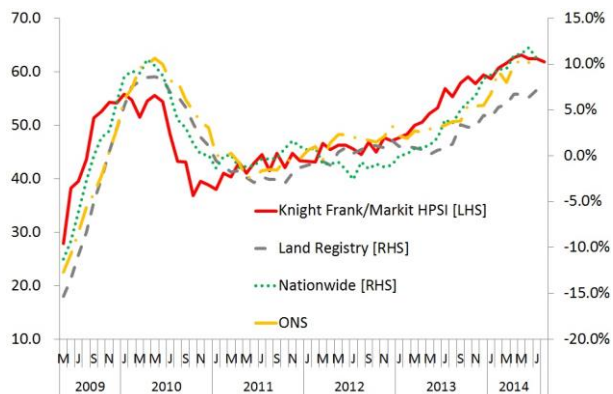
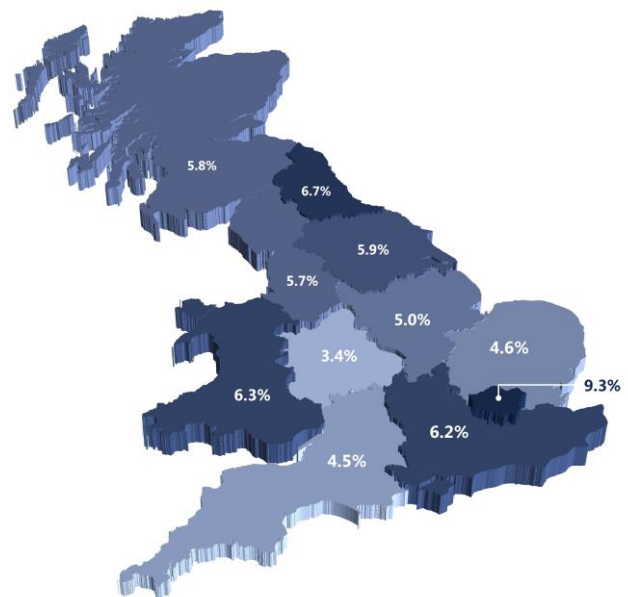


Fig 3: Proportion of households planning to buy a property in the next year



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
Aug-13	55.3	47.9	51.6	53.3	50.6	55.1	56.5	64.0	57.7	57.0	47.6	54.4
Sep-13	57.9	53.9	54.8	52.4	54.9	56.9	57.4	67.0	61.0	57.0	57.2	55.2
Oct-13	59.1	51.0	56.8	59.5	51.8	58.3	59.5	67.2	62.3	59.3	50.7	58.7
Nov-13	57.8	53.1	55.6	51.6	56.3	52.3	62.7	68.2	57.5	59.6	56.7	53.9
Dec-13	59.4	56.2	55.8	55.4	55.6	56.3	61.5	67.3	67.1	57.0	54.7	54.5
Jan-14	58.7	56.1	53.7	55.9	55.1	53.7	64.6	69.2	61.1	56.7	55.7	54.1
Feb-14	60.7	57.2	57.3	53.4	58.3	57.1	64.8	68.4	66.9	61.4	54.4	56.0
Mar-14	61.5	50.4	59.4	54.3	58.6	59.8	61.1	74.7	66.4	61.1	59.0	55.4
Apr-14	62.7	50.0	57.9	60.9	60.7	57.8	68.2	74.9	67.7	62.6	53.8	55.9
May-14	63.2	57.5	60.9	55.6	64.3	58.7	68.7	69.9	65.2	69.2	59.8	56.4
Jun-14	62.5	52.9	57.7	58.0	56.5	57.1	66.3	71.9	69.1	65.5	58.1	58.5
Jul-14	62.4	51.7	55.0	58.1	61.7	60.5	68.3	70.5	69.7	62.0	57.3	56.6
Aug-14	61.8	56.9	58.7	55.8	58.1	60.4	63.5	71.4	68.4	61.1	57.0	55.3

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	East	West	East of	London	South East	South West	Wales	Scotland
Aug-13	65.8	53.0	58.2	63.4	66.2	62.6	67.5	73.0	74.7	67.2	61.8	61.5
Sep-13	69.6	64.4	65.4	66.8	68.8	68.9	70.4	80.1	71.4	69.9	64.3	64.7
Oct-13	71.1	59.0	68.4	65.9	67.8	71.5	69.9	81.4	76.7	71.1	60.4	69.9
Nov-13	70.1	57.4	65.7	66.7	67.7	64.6	75.7	79.0	73.8	72.8	67.4	66.5
Dec-13	70.5	64.9	68.4	68.3	63.7	61.7	76.3	76.0	77.2	70.9	65.8	70.0
Jan-14	72.3	71.7	66.8	67.1	73.0	69.5	76.6	79.0	77.9	68.2	68.1	69.5
Feb-14	74.9	70.3	76.1	65.5	71.4	72.7	79.6	81.8	78.7	74.4	69.0	72.0
Mar-14	74.3	60.4	75.3	66.4	70.9	73.1	76.5	82.8	79.6	73.8	74.8	67.4
Apr-14	75.0	62.8	71.7	74.2	75.6	70.6	74.2	83.1	82.0	74.9	73.8	67.9
May-14	75.1	69.4	73.3	70.0	72.0	69.7	79.7	81.5	78.2	79.3	70.8	72.0
Jun-14	71.6	58.8	65.4	71.2	68.3	69.0	73.9	77.8	79.0	71.4	68.0	70.0
Jul-14	71.7	58.2	66.2	68.4	64.4	73.3	76.0	76.8	79.8	72.7	71.9	66.4
Aug-14	72.8	64.8	69.0	72.3	69.5	74.3	76.1	77.7	79.3	72.7	64.8	67.1

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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.

IpsosMORI technical details (August survey)

IpsosMORI interviewed 1,500 adults aged 18-64 across Great Britain from its online panel of respondents. Interviews were conducted online between 14th – 18th August 2014. 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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