

House Price Sentiment Index

Household Sentiment on Current and Future House Prices Settling

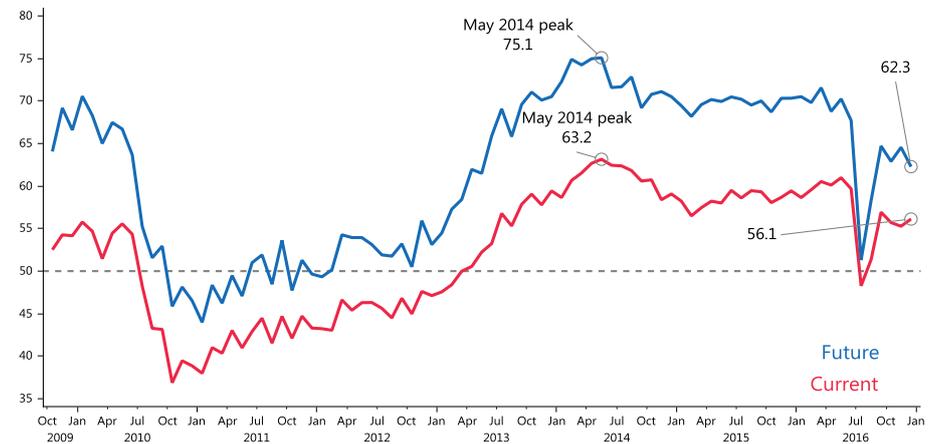
December 2016

Key findings:

- Households across the UK perceive that the value of their home rose over the last month
- The perceived rate of house price growth rose this month compared to November's reading
- Respondents in all 11 regions covered by the index believe the value of their home increased.
- The future HPSI fell slightly in December, compared with November, although households in all regions still expect the value of their home will increase over the next 12 months.

Change in current and future HPSI

A score of 50 equates to no change with above or below representing growth or decline respectively



Change in current house prices

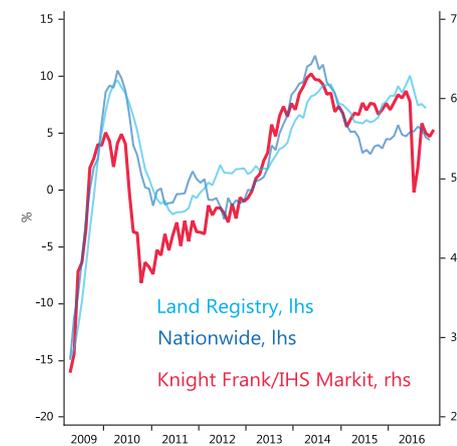
Households across the UK perceive that the value of their home has risen over the last month, according to the latest House Price Sentiment Index (HPSI) from Knight Frank and IHS Markit.

December's reading marked the fifth consecutive month that the index has been in positive territory following the post-referendum low in July.

Some 17.6% 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% said that prices had fallen. The proportion of households reporting no change in prices, meanwhile, was at its highest level in nearly two years.

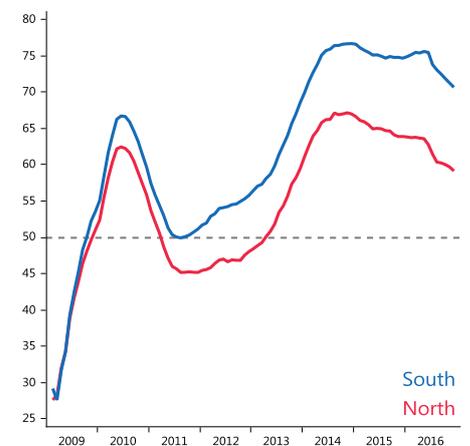
Current HPSI Vs other indices

Latest available data



Regional variations in future HPSI

12 month moving average (50=no change)



This resulted in a HPSI reading of 56.1.

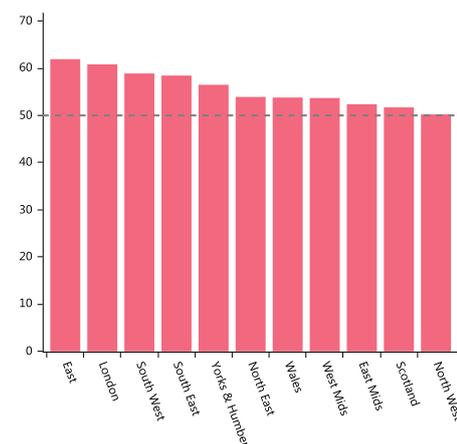
Any figure over 50 indicates that prices are rising, and the higher the figure, the stronger the increase. Any figure below 50 indicates that prices are falling.

While December's reading was a slight increase from the 55.3 recorded in November, it remains significantly below its peak of 63.2 recorded in May 2014.

It is also lower than the reading of 59.4 recorded in December 2015, reflecting the easing in house price growth seen since then.

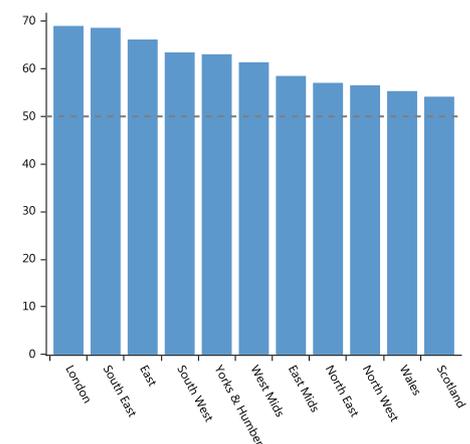
Current HPSI, regional

December 2016 (50=no change)



Future HPSI, regional

December 2016 (50=no change)



RESIDENTIAL RESEARCH

However, households in all 11 of the regions covered by the index perceived that the value of their property rose in December, only the second time that this has happened since the EU Referendum in June.

Households in the East of England (61.9) reported the biggest rise over the course of the month. They were followed by those in London (60.8) and the South East (58.9).

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, moving ahead of mainstream house price indices. This confirms 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, which measures what households think will happen to the value of their property over the next year, dropped slightly in December to 62.3, down from 64.6 in November.

[Knight Frank forecasts](#) for the UK property market, released last month, also point to an easing of price growth in 2017.

There remain quite large regional variations in terms of household expectations, with Londoners (69.0) the most confident that prices will continue to rise. Households in Scotland are expecting the smallest gains (54.1).

However, house price expectations eased in December compared with the previous month in nine of the eleven regions covered by the index.

Housing market activity

Some 5.2% of households plan to purchase a new property within the next 12 months, down from 6% in October.

But while the number of households planning to purchase in the short-term has fallen, there was an increase in the number taking a medium-term view on purchases, with 13% planning to buy within 2-5 years' time, up from 11.5% in October.

Gráinne Gilmore, head of UK residential research at Knight Frank, said: "Households expect the value of their home to rise over the next 12 months, but at different rates across the regions, reflecting the 'multi-speed' nature of the market in geographical terms.

"However, the pattern of expectations across age groups has changed since the vote to leave the EU, indicating that the level of uncertainty is causing a coalescence of opinion on future price growth. Overall the reading is for price growth, the typical trend over the last few years has been for the index to show that those aged over 55 expect larger increases in the value of their home than those aged between 25 and 34 – reflecting the higher levels of homeownership among older people. This gap was reversed for three months after the vote.

"While those aged over 55 are now once again predicting stronger price growth than those aged 25 to 34, the gap between the two groups in November and December has shrunk to the smallest margin since late 2014, marking a more even spread of expectations around house price regardless of age or tenure."

Tim Moore, senior economist at IHS Markit, said: "UK house price sentiment rebounded swiftly from its low point after the EU referendum, but confidence has now settled in at its lowest range for three-and-a-half years. This pattern has been seen across all UK regions, likely reflecting heightened economic uncertainty and a more subdued near-term outlook for household finances.

"At the same time, headwinds to house price momentum have been counterbalanced by ultra-low mortgage rates, entrenched supply constraints and resilient consumer confidence.

"Looking ahead, UK households expect an increase in their property value over the course of 2017, with those living in London and the South East the most likely to anticipate a rise. However, year-ahead forecasts moderated in December, and the proportion of UK households expecting no-change in house prices reached its highest since January 2013 (54%)."

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HOUSE PRICE SENTIMENT INDEX

Regional change in House Price Sentiment (current and future)

December 2016

Current: Compared to one month ago, how do you think the value of the property/dwelling in which you live has changed?

	East Mids	East	London	North East	North West	Scotland	South East	South West	Wales	West Mids	Yorks & Humber
Dec-15	58.5	58.5	68.7	50.0	54.7	54.5	65.4	58.1	55.5	58.9	57.2
Jan-16	52.3	62.8	68.1	53.3	51.3	54.8	64.3	57.2	53.8	60.7	54.0
Feb-16	60.9	62.3	68.1	53.0	55.5	51.7	61.9	60.9	58.6	56.5	57.5
Mar-16	56.4	66.3	71.7	56.4	54.0	53.3	67.4	59.8	54.2	55.1	57.1
Apr-16	58.8	62.4	70.0	52.7	56.0	50.1	65.6	60.7	53.7	59.2	58.0
May-16	58.6	64.6	70.8	52.5	56.3	56.9	66.9	59.4	60.5	53.4	58.5
Jun-16	55.3	62.7	69.6	48.5	56.5	54.6	66.3	57.7	57.0	60.1	51.6
Jul-16	44.5	50.2	49.5	45.0	46.8	49.3	50.2	49.8	43.3	49.8	46.7
Aug-16	49.0	58.5	53.1	44.3	50.8	45.6	54.5	55.0	48.4	50.2	47.3
Sep-16	58.1	59.9	63.0	54.2	52.9	51.8	60.4	57.7	53.2	55.7	52.2
Oct-16	54.5	58.1	60.9	51.4	51.9	50.0	59.4	57.9	51.2	56.3	53.0
Nov-16	53.6	59.4	60.0	49.3	50.0	50.0	61.9	56.4	51.9	55.7	49.9
Dec-16	52.4	61.9	60.8	53.9	50.2	51.7	58.5	58.9	53.8	53.7	56.5

Future: How do you think the value of the property/dwelling in which you live will have changed 12 months from now?

	East Mids	East	London	North East	North West	Scotland	South East	South West	Wales	West Mids	Yorks & Humber
Dec-15	62.7	74.5	77.9	60.1	67.5	65.8	76.7	66.8	64.9	72.0	68.5
Jan-16	65.4	81.1	79.1	61.9	62.3	61.8	76.1	71.6	64.5	71.3	66.4
Feb-16	67.4	72.8	77.8	60.6	64.1	62.0	78.7	74.1	62.5	67.3	64.4
Mar-16	71.5	80.3	78.9	61.4	63.6	61.4	81.0	71.6	62.2	66.4	72.1
Apr-16	66.6	68.4	77.2	57.6	62.8	57.2	79.3	71.7	59.6	67.9	69.4
May-16	66.3	77.9	78.2	61.8	61.5	62.3	79.5	74.8	67.6	63.3	66.0
Jun-16	63.3	71.0	78.2	50.4	62.4	60.8	76.0	72.8	66.9	67.1	56.8
Jul-16	46.4	53.2	56.3	48.9	47.1	51.9	54.5	51.7	48.2	52.4	46.9
Aug-16	55.7	68.3	61.5	54.5	52.7	52.2	63.0	64.7	56.9	55.7	49.9
Sep-16	66.3	64.6	71.0	61.5	62.4	57.9	75.2	65.8	56.3	58.3	58.7
Oct-16	65.6	61.5	68.6	58.3	55.3	57.0	69.3	70.8	54.5	65.3	55.7
Nov-16	63.7	69.9	69.5	57.0	59.7	57.0	69.3	67.8	58.4	67.9	58.7
Dec-16	58.5	66.1	69.0	57.0	56.5	54.1	68.6	63.4	55.3	61.4	63.0

HOUSE PRICE SENTIMENT INDEX

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 (December survey)

IpsosMORI interviewed 1,500 adults aged 18-64 across Great Britain from its online panel of respondents. Interviews were conducted online between 7th and 11th December. 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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