

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

Households' sentiment on current and future house price indices reaches survey-record high

Key headlines for February 2014

- The future House Price Sentiment Index hit a record high in February, indicating that prices are expected to rise at the strongest rate since the index began in early 2009
- Households in every region expect that the value of their home will rise over the next 12 months
- Households in every region of the UK perceived that the value of their home rose in February, led by London

Change in current house prices

Households perceived that the value of their home rose in February, according to the House Price Sentiment Index (HPSI) from Knight Frank and Markit Economics. This is the eleventh consecutive month that households reported a rise in the value of their property.

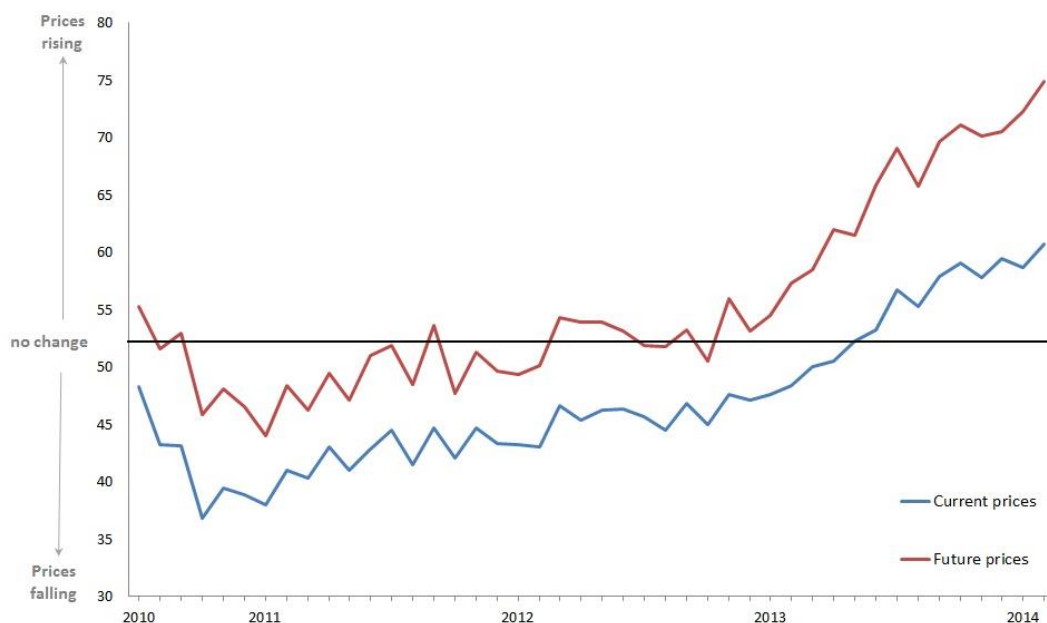
Some 25.5% of the 1,500 homeowners surveyed across the UK said that the value of their home had risen over the last month, up from 8.5% in February last year. Only 4.2% of households said the value of their home had fallen over the last month, the lowest since the index began, giving the HPSI a new record high reading of 60.7 (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.

February's record reading surpasses the previous peak seen in December 2013 and is significantly higher than the 48.4 reading registered in February 2013.

Looking at the results on a regional basis, households in all 11 regions reported that the value of their home had risen in February, with those in London (68.4), and the South East (66.9) reporting the strongest growth.

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.

Those aged over 55 reported the strongest rate of growth in February (65.2), followed by those aged 35-44 (61.5).

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, which measures what households think will happen to the value of their property over the next year, jumped to a new high of 74.9 this month, up from the previous record 72.3 in January. More than a half of respondents said they expected the value of their home to rise in 2014, with only 5.9% anticipating a decline.

Regional outlook

Households in every region expect the value of their home to rise over the next 12 months, with expectations rising to a record high in six of the 11 regions, led by London (81.8). Record highs were also reached in the West Midlands (72.7), the South West (74.4), the North West (76.1) the South East (78.7) and the East of England (79.6).

The full breakdown is shown in the table below (figure 3).

Mortgage borrowers are the most confident that prices will rise over the next year (83.1), followed by those who own their home outright (77.4). While still positive, those who are renting are expecting more modest price rises (60.6).

Those aged over 55 (79.8) expect the biggest increase in the value of their home over the next year, followed by those aged 35-44 and 44-54 (both 76.0). Those aged 18-24 (67.1) are expecting more moderate price rises.

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

"Households in every region of the UK have reported rising values for six months now, underlining the revival we have seen in the UK housing market in terms of activity and prices. The scale of price rises remains polarised however, with households in Wales and Yorkshire reporting much more modest price rises than those elsewhere in the UK. It is also interesting to note that households' perceptions of price rises in the regions surrounding London are starting to catch up with those in the capital."

"London is also becoming less of an outlier when it comes to future house price expectations. In 2013, the average future HPSI for London was some 10 points above the average for the country, now the margin is closer to 7 points. Indeed, house price expectations rose to new record highs in five other regions, including the North West and the West Midlands in February."

"The recovery in the housing market reflects the increasing economic confidence in the country – which recently resulted in an upgrade to economic growth forecasts – coupled with the assurance that interest rates will remain low until next year at least."

Tim Moore, senior economist at Markit, said:

"Households reported the steepest rise in their property values for over five years in February, suggesting that prices have accelerated sharply even before the usual spring bounce this year. Strong house price inflation has also broadened out from London to other UK regions since the start of 2014, especially the South East of England."

"Despite policymakers appearing increasingly vigilant about rising UK property values, the latest survey indicates no let-up in price expectations at street level. February data showed that almost ten times as many UK households anticipate an increase in property values as those that forecast a decline over the year ahead."

"On a regional basis, expectations of house price rises hit survey-record highs in London and five other UK regions, with the East of England closest to matching the buoyant trend seen across the capital."

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

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

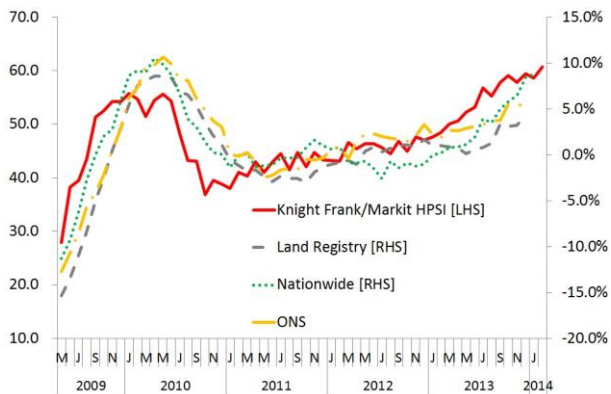


Fig 3: Change in future value of property (next 12 months)



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
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
May-13	52.2	46.6	51.1	50.5	48.6	50.6	50.7	64.7	52.4	51.5	47.7	48.4
Jun-13	53.2	47.4	49.6	50.5	55.2	53.4	56.5	59.5	53.4	52.3	46.5	53.2
Jul-13	56.8	52.8	49.1	56.5	53.6	53.2	60.8	65.3	59.4	57.7	54.7	54.0
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

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
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
May-13	61.5	52.2	59.6	61.9	55.8	60.4	59.5	76.3	62.9	58.4	52.6	59.3
Jun-13	65.9	56.2	63.7	61.1	72.9	64.9	68.4	73.1	68.2	62.8	57.4	63.7
Jul-13	69.1	62.3	62.1	66.9	64.4	64.3	68.4	78.0	75.5	73.4	70.2	64.5
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

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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 (February survey)

IpsosMORI interviewed 1500 adults aged 18-64 across Great Britain from its online panel of respondents. Interviews were conducted online between 7th February - 14th February 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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