House Price Sentiment Index

Current and future house price sentiment strengthens

February 2017

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 month-on-month
- Respondents in ten of the 11 regions covered by the index believe the value of their home increased, led by those in London
- The future HPSI rose in February to a new post-referendum high
- Households in all regions expect the value of their home to increase over the next 12 months

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.

February's reading was the seventh consecutive month that the index has been in positive territory and now stands at a new post-referendum high.

Some 19.9% of the 1,500 households surveyed across the UK said that the value of their home had risen over the last month, while 4.9% said that prices had fallen. This resulted in a HPSI reading of 57.5, up from 55.8 in January.

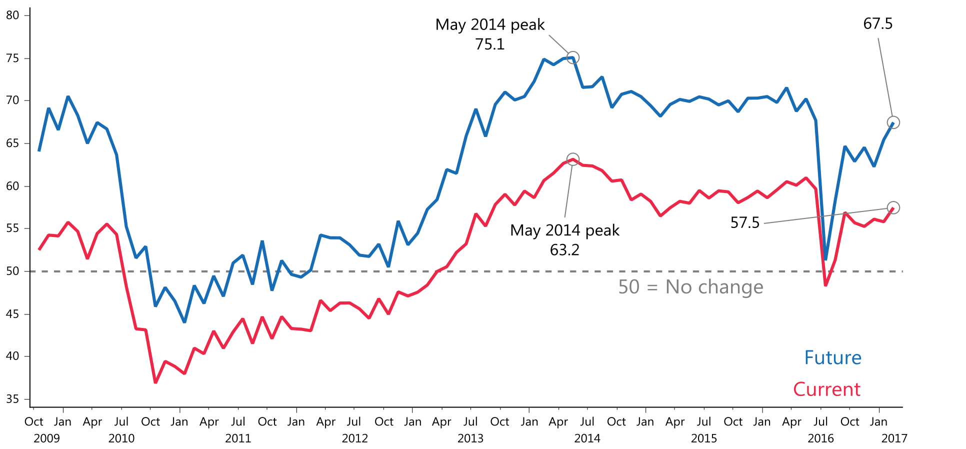
Any figure over 50 indicates that prices are rising, and the higher the figure, the stronger the increase. Any figure below 50 indicates that prices are falling.

While February's reading was at its highest level since the result of the EU Referendum, it's worth noting that it remains comfortably below its peak of 63.2 reached in May 2014 mirroring the moderation in price growth which has been seen since then.

However, there remain fairly large regional variations. Households in ten of the 11 regions covered by the index perceived that the value of their property rose in February.

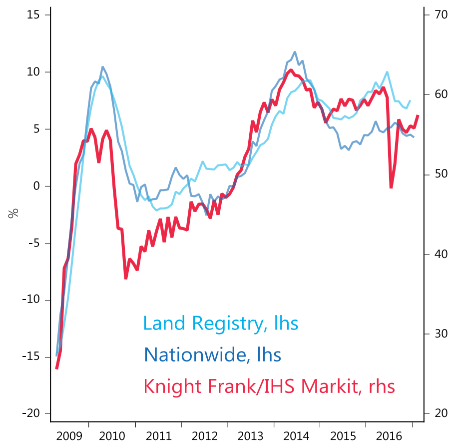
Change in current and future HPSI

A score of 50 equates to no change with any reading above 50 indicating rising prices, and any reading under 50 indicating falling prices. The higher the figure, the stronger the increase



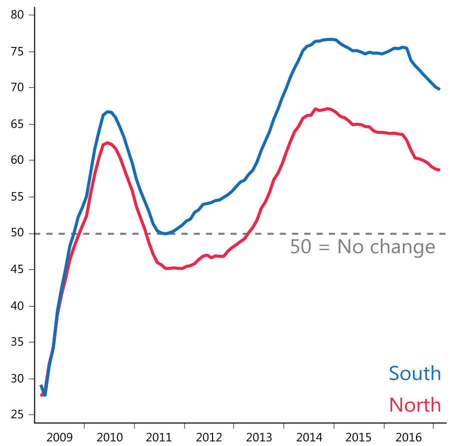
Current HPSI Vs annual house price growth

Latest available data



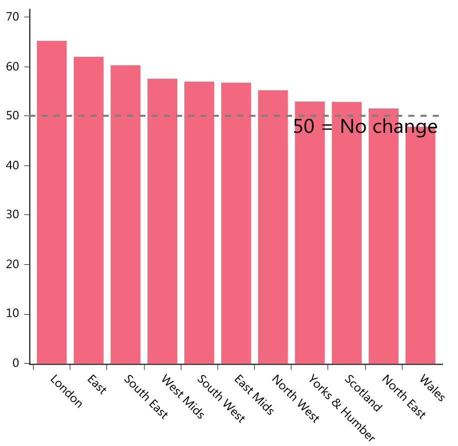
Regional variations in future HPSI

12 month moving average (50=no change)



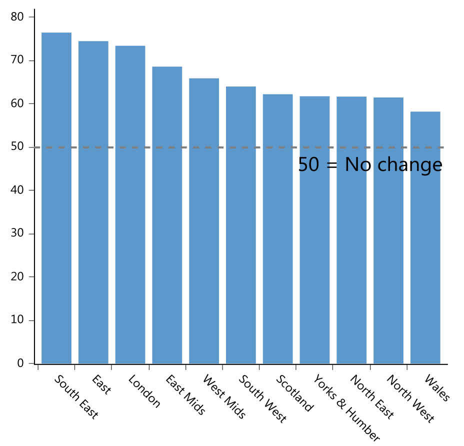
Current HPSI, regional

February 2017 (50=no change)



Future HPSI, regional

February 2017 (50=no change)



Households in London (65.2) and the East of England (62.0) reported the biggest rise over the course of the month. They were followed by those in the South East (60.3) and the West Midlands (57.6).

Households in Wales reported a slight fall in prices over the course of the month (47.9).

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, rose in February to 67.5, up from 65.5 in January and from 62.3 in December.

February's reading was the highest achieved by the index since the UK's referendum on EU membership, and is the first indication of household sentiment since the publication of the Government's Housing White Paper.

It does, however, remain firmly below its peak of 75.1 achieved in May 2014.

Whilst the headline index rose month-on-month, there remain quite large regional variations in terms of household expectations, with those in the South East (76.4) the most confident that prices will continue to rise followed by those in the East of England (74.5).

Households in Wales are expecting the smallest gains (58.2), as shown in the tables on page 3.

Meanwhile, mortgage borrowers (73.6) were the most confident that prices would rise, followed by those who own their home outright (69.7).

Gráinne Gilmore, head of UK residential research at Knight Frank, said: "The rise in household sentiment on house prices comes as a less cloudy picture of the UK economy starts to emerge. Earlier this month the Bank of England revised up its forecasts for GDP growth, and although the country still has to negotiate a withdrawal from the EU, the immediate economic conditions remain positive. Homebuyers and homeowners are also benefitting from near record-low mortgage rates, although affordability is an increasingly pressing issue in some areas.

"It is noticeable that sentiment on the future direction of house prices has particularly picked up in the Midlands and East of England, with the index reading for February close to or stronger than the average reading in the three months before the EU vote. This reflects the relative strength of price growth in these markets which are benefitting from the strong performances of urban areas and the relative price differential to properties in the South East and London."

Tim Moore, senior economist at IHS Markit, said: "UK households are gaining confidence about the outlook for their property values over the course of 2017, driven by the improved economic backdrop, resilient labour market conditions and a continued boost from ultra-low mortgage rates. The upward direction of travel for housing market sentiment in February has seen property price expectations recover to levels seen just ahead of the EU referendum, with this pattern apparent among households in all UK regions.

"Brexit-related anxieties appear to have receded among buyers, but there remains a sizeable list of factors likely to keep a brake on price momentum during the year ahead. These include localised affordability constraints for first time buyers, generally subdued pay growth, and a renewed squeeze on household budgets from rising living costs."

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Regional change in House Price Sentiment (current and future)

February 2017

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
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
Jan-17	54.6	58.9	60.1	50.2	53.4	49.9	59.8	57.3	54.3	55.9	52.0
Feb-17	56.8	62.0	65.2	51.6	55.2	52.9	60.3	57.0	47.9	57.6	53.0

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
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
Jan-17	64.3	70.8	71.2	56.5	61.3	60.7	71.0	67.7	63.5	61.2	60.8
Feb-17	68.6	74.5	73.4	61.7	61.5	62.2	76.4	64.0	58.2	65.9	61.7

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 (February survey)
IpsosMORI interviewed 1,500 adults aged 18-64 across Great Britain from its online panel of respondents. Interviews were conducted online between 8th and 13th February. 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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