

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

Households buoyant about house price rises - Londoners' expectations hit record high

Key headlines for May

- Households perceive that the value of their property rose over the last month – at the quickest pace in nearly three years
- Households expect the value of their home to rise over the next 12 months
- Londoners' are the most optimistic about house price rises over the next year, with the sentiment index for London hitting its highest level since the index started in early 2009
- Expectations for price rises are highest among 24-34 year olds – the typical age for first-time buyers

Change in current house prices

Households perceived that the value of their homes rose in May, for the second consecutive month, according to the latest House Price Sentiment Index (HPSI) from Knight Frank and Markit.

Around 13.5% of the 1,500 homeowners surveyed across the UK said that the value of their home had risen over the last month, the highest proportion since June 2010. Some 9% of households indicated the value had fallen, giving a HPSI reading of 52.2.

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.

May's reading is up from 50.6 in April, and marks just the second time that the index has been in positive territory since June 2010, signalling that after three years of declining values, households are becoming more confident that the price of their property is rising.

Households in London reported that the value of their home had risen at a faster rate over the last month than at any time since the index began in February 2009. Households in six other regions also reported price rises (figure 4), while four regions reported price falls, with the biggest declines in the North East (46.6).

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, remained in positive territory for the 16th consecutive month.

The overall index reading for the UK was 61.5, down slightly from 62 in April, but still marking one of the highest readings in three years. On a smoother

Fig 1: Change in property values (HPSI)

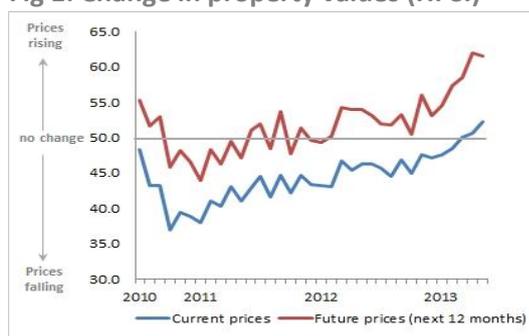
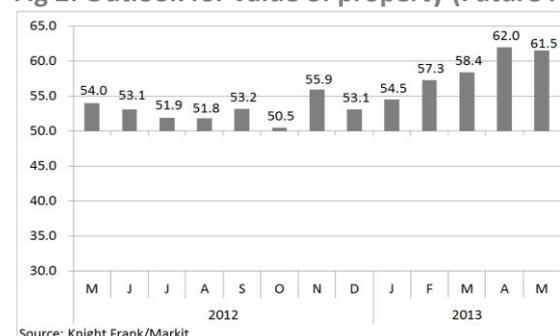


Fig 2: Outlook for value of property (Future HPSI)



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

three-month average basis, the future HPSI reading was 60.2, in the three months to May, up from 59.2 in the previous three-month period.

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. Londoners' expectations have soared, with the index reading jumping from 70.8 in April to 76.3 in May. This is the highest reading on record.

The biggest drop in confidence was in Wales, where after a surge to 63.3 in April, May's reading receded to 52.6.

Younger people were the most optimistic about house price rises over the next 12 months, particularly those aged between 25 and 34 (64.2) – the typical age for many first-time buyers. This was the second highest reading since June 2010. However, over-55s also grew more confident that the value of their home would rise over the next year, with the index for this age group hitting its highest level since May 2010.

Optimism continued to climb among those living in the private rented sector, with the index rising from 60.6 to 62.4 marking the highest reading since May 2010.

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

"Optimism that the Government's Help to Buy scheme will have a positive impact on house price movements remains strong this month, the index suggests, especially among first-time buyers.

"While the headline data suggests a sea-change in sentiment over the future movement of house prices across the country, the regional data still shows a more patchwork picture.

"Londoners are very upbeat about the possibility that the value of their home will rise strongly over the next 12 months, with a record-high future sentiment index reading. Their optimism may have been boosted by recent official data showing that house prices in London have risen by more than 9% over the last year.

"On the other hand, households in the North East and Wales, while expecting house prices to rise, are predicting a much more modest increase.

Tim Moore, senior economist at Markit, said:

"At present it seems households are coalescing behind the view that property values are starting to rise after a prolonged period of stagnation. Improving mortgage conditions and a more favourable economic newsflow helped underpin the latest climb in sentiment. For the time being at least, better mortgage affordability is acting to offset the underlying drag from weak UK labour market conditions."

"The recent extension of the Funding for Lending Scheme is expected to boost secured lending to households and generate a pick-up in mortgage approvals over the months ahead."

"Relatively strong price expectations among first-time buyers are apparent in the latest survey, which adds to the evidence that better credit conditions are gradually greasing the wheels of the property market."

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

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

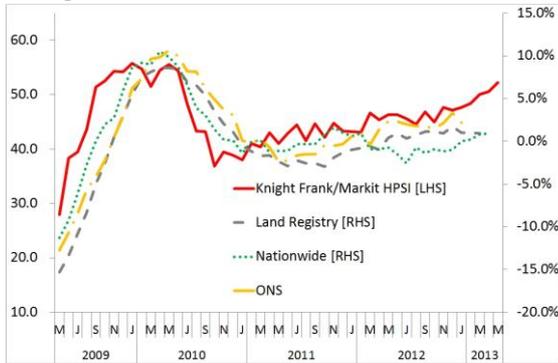


Fig 4: Regional change in current value of property



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	
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
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

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	
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
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

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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 (May survey)

IpsosMORI interviewed 1500 adults aged 18-64 across Great Britain from its online panel of respondents. Interviews were conducted online between 8th and 13th May 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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