

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

Household sentiment stabilises but remains below peak

Key headlines for October 2014

- Households in all regions covered by the sentiment index perceive that prices rose in October
- Expectations for future price growth also rose, although they remain significantly lower than May's record-high
- For the fifth consecutive month, households in the South East expect prices to rise most strongly over the next 12 months
- In London expectations for house price growth have rebounded to their highest level in six months
- Some 6.2% 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 October, according to the House Price

Sentiment Index (HPSI) from Knight Frank and Markit Economics.

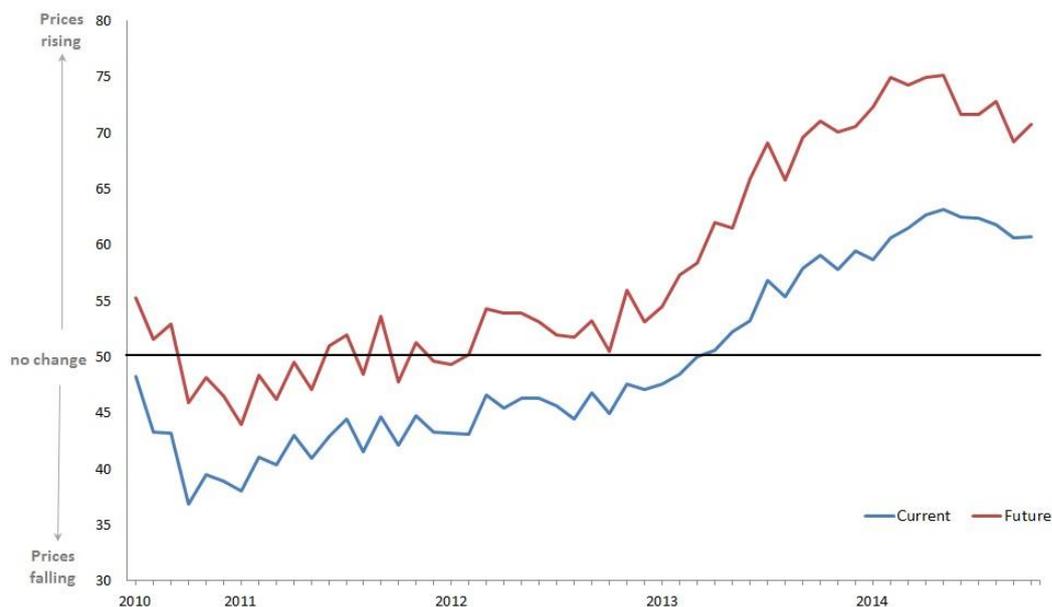
Some 27.1% of the 1,500 households surveyed across the UK said that the value of their home had risen over the last month, while 5.6% reported a fall.

This gave the HPSI a reading of 60.7 (see figure 1), the nineteenth consecutive month that the reading has been above 50 and marginally higher than the 60.6 reading achieved in September. This monthly increase ends a period of four consecutive months that households' perceptions about house price growth had 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 October, with those living in London perceiving that the value of their home had risen at the strongest rate (73.3),

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.

followed by households in the East of England (65.5) and the South East (65.0).

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, rose in October to 70.8, from 69.2 the previous month.

While households are still confident that the value of their home will rise in the next 12 months, a combination of tighter lending criteria and a looming interest rate rise, means the future HPSI is resolutely staying below its peak of 75.1 achieved in May this year.

However, expectations for price growth did strengthen in eight of the 11 regions covered by the index. Households in the South East (78.8) are most confident of future price rises, followed by those in London (78.0) and in the East of England (76.3).

After falling to a seventeen-month low in September, Londoner's expectations for future house price growth jumped in October. On a less volatile three month average to October, Londoner's expectations have edged up to 76.1 from 75.8 in September.

Mortgage borrowers were the most confident that prices will rise over the next year (74.9), followed by those who own their home outright (71.6).

Housing market activity

Some 6.2% of UK households said they planned to buy a property in the next 12 months. This is up from 5.7% in September. Looking at the figures on

a regional basis reveals that 9.6% of households in the South West plan to purchase a property in the next year, compared to just 3.4% in Yorkshire and the Humber and the North East.

Men are more likely to be considering buying a home in the short term, with 6.7% of such respondents saying they planned to purchase a home within the next 12 months compared to 5.8% of female respondents.

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

"Better than expected economic growth coupled with a likely delay to interest rate rises because of the turmoil in the Eurozone seems to have provided a fillip to house price sentiment this month.

"The jump in price expectations in London may be due to a moving away from the idea of a "mansion tax" by the Liberal Democrats in favour of a reform to council tax. Yet, despite the rise in expectations in London, households in the South East still expect larger increases in the value of their homes over the next 12 months, reversing the trend seen during most of last two years."

Tim Moore, senior economist at Markit, said:

"October's survey indicates that house price sentiment has cooled from the peaks seen earlier in the year, but expectations of future house price rises are well entrenched across the UK.

"Stronger labour market conditions and an improving domestic economic backdrop should continue to support housing market conditions during the months ahead.

"However, a repeat of last winter's breakneck acceleration in house price growth is unlikely, given tightened lending criteria, subdued pay inflation and the greater possibility of future interest rate rises."

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

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

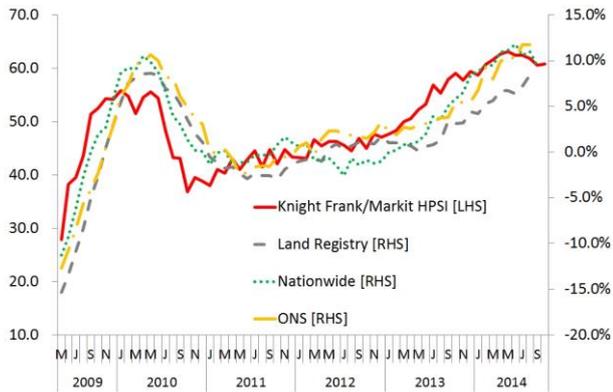
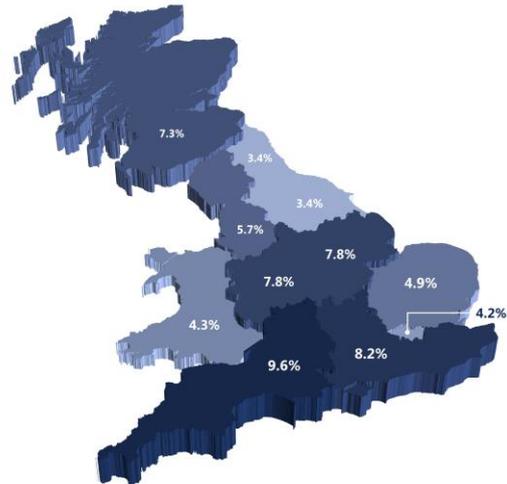


Fig 3: Proportion of households planning to buy a property in the next year



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	
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
Sep-14	60.6	51.5	53.4	56.6	56.8	62.5	64.4	67.7	67.5	60.4	58.1	55.1
Oct-14	60.7	55.3	54.9	57.1	57.8	54.1	65.5	73.3	65.0	60.8	52.8	57.1

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	
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
Sep-14	69.2	59.6	62.6	65.9	66.7	72.5	71.1	72.8	78.1	70.8	65.5	63.4
Oct-14	70.8	67.1	65.4	64.6	67.3	63.0	76.3	78.0	78.8	74.3	63.5	67.5

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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 8th – 13th October 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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