

# House Price Sentiment Index

## House price sentiment moderates slightly ahead of Election

May 2017

### Key findings:

- Households across the UK perceive that the value of their home rose over the last month
- However, the perceived rate of house price growth was lower than in April
- Respondents in all 11 regions said the value of their home increased, with those in Wales reporting the strongest rises
- Households in all regions expect the value of their home to increase over the next 12 months, according to the future HPSI
- The future HPSI reading fell slightly in May although it remains notably higher than the post-referendum low in July last year

### 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.

May's reading was the tenth consecutive month that the index has been in positive territory, following the post-referendum low in July.

Some 17.7% of the 1,500 households surveyed across the UK said that the value of their home had risen over the last month, while 6.5% said that prices had fallen.

This resulted in a HPSI reading of 55.6, slightly below the reading of 57.4 in April and the lowest reading so far this year.

**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 still positive, house price sentiment remains below its peak of 63.2 reached in May 2014.

Households in all of the 11 regions covered by the index perceived that the value of their property rose in May,

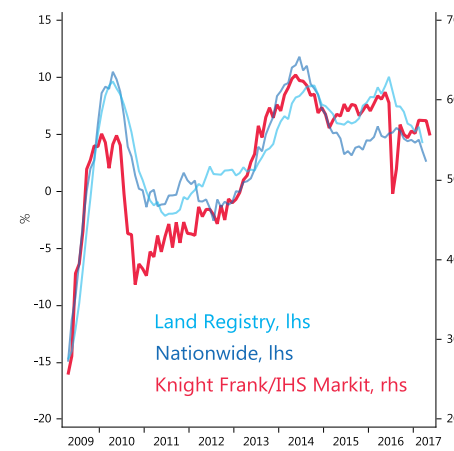
### Change in current and future HPSI

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



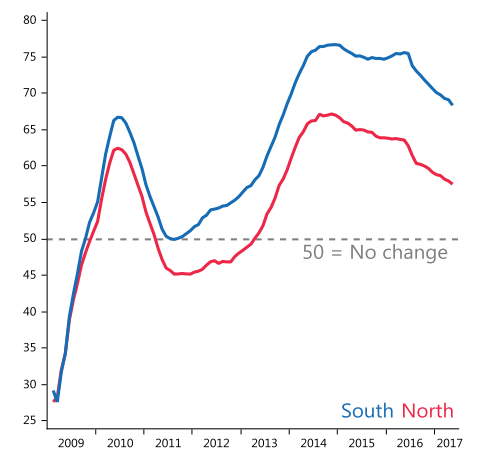
### Current HPSI Vs annual house price growth

Latest available data



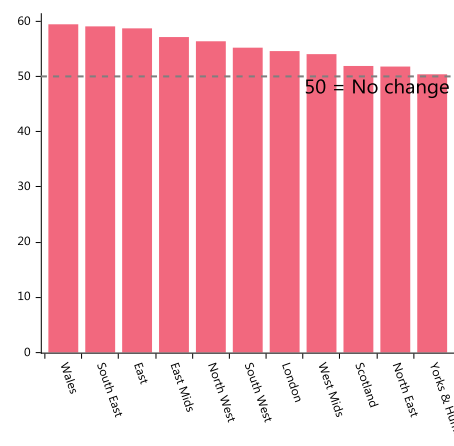
### Regional variations in future HPSI

12 month moving average (50=no change)



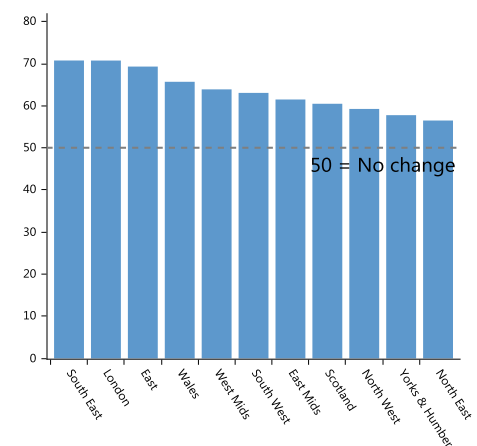
### Current HPSI, regional

May 2017 (50=no change)



### Future HPSI, regional

May 2017 (50=no change)



## RESIDENTIAL RESEARCH

however there remain large regional variations in the HPSI readings.

Households in Wales (59.5) reported the biggest rise over the course of the month, only the second time this has been the case since the inception of the index back in 2009.

Households in the South East (59.1) and East of England (58.8) reported the next largest rises. Interestingly, the largest month-on-month change occurred in London where the index fell to 54.6 in May from 60.7 in April.

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, fell to 64.5 in May, down from 67.1 in April.

As with the current HPSI readings, there are quite large regional variations in the data.

Households in the South East (70.8) and London (70.7) are the most confident about future price rises, while those in the North East (56.5) and Yorkshire and the Humber (57.8) are expecting the smallest gains.

It's worth noting that while prices are still expected to rise, households in eight of the 11 regions covered by the index believe growth will be at a slower pace than in April, as shown in the tables on page 3.

Looking at households by tenure, mortgage borrowers were the most confident that prices would rise (68.0), followed by those renting from a private landlord (65.8).

Oliver Knight, an Associate in Knight Frank's Residential Research team, said: "May's survey shows a moderation in both current and future house price sentiment compared with the previous month. Households still report that values are increasing, but at a more modest pace than before the EU Referendum, which is consistent with wider housing market trends.

"The recent softening in sentiment in the immediate run up to the General Election in June may be a reaction to the slight uncertainty that inevitably comes with the vote, combined with wider inflationary pressures as well as affordability concerns in parts of the country. Yet at the same time, a lack of supply of housing for sale is underpinning pricing across much of the UK."

Tim Moore, senior economist at IHS Markit, said: "UK house price sentiment remains subdued in comparison to the trend recorded since the recovery began in early-2013. The balance of households suggesting a rise in their property value was the lowest for six-months during May, with the greatest loss of momentum recorded in London. In fact, current house price sentiment in the capital dropped below the UK-wide figure for the first time since December 2009.

"The latest survey data revealed that UK households continue to anticipate rising house prices over the next 12 months, but the level of confidence moderated to the weakest seen so far in 2017.

"Among those living in the South of England, expectations of house price gains were far more widespread than elsewhere across the UK. This adds to evidence that stretched supply is likely to sustain pricing over the next 12 months, despite localised affordability constraints and a renewed squeeze on real incomes."

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## HOUSE PRICE SENTIMENT INDEX

### Regional change in House Price Sentiment (current and future)

May 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
<b>May-16</b>	58.6	64.6	70.8	52.5	56.3	56.9	66.9	59.4	60.5	53.4	58.5
<b>Jun-16</b>	55.3	62.7	69.6	48.5	56.5	54.6	66.3	57.7	57.0	60.1	51.6
<b>Jul-16</b>	44.5	50.2	49.5	45.0	46.8	49.3	50.2	49.8	43.3	49.8	46.7
<b>Aug-16</b>	49.0	58.5	53.1	44.3	50.8	45.6	54.5	55.0	48.4	50.2	47.3
<b>Sep-16</b>	58.1	59.9	63.0	54.2	52.9	51.8	60.4	57.7	53.2	55.7	52.2
<b>Oct-16</b>	54.5	58.1	60.9	51.4	51.9	50.0	59.4	57.9	51.2	56.3	53.0
<b>Nov-16</b>	53.6	59.4	60.0	49.3	50.0	50.0	61.9	56.4	51.9	55.7	49.9
<b>Dec-16</b>	52.4	61.9	60.8	53.9	50.2	51.7	58.5	58.9	53.8	53.7	56.5
<b>Jan-17</b>	54.6	58.9	60.1	50.2	53.4	49.9	59.8	57.3	54.3	55.9	52.0
<b>Feb-17</b>	56.8	62.0	65.2	51.6	55.2	52.9	60.3	57.0	47.9	57.6	53.0
<b>Mar-17</b>	57.9	59.6	64.0	48.2	53.1	52.0	64.4	58.9	49.3	59.1	50.8
<b>Apr-17</b>	56.5	60.6	60.7	49.9	52.5	55.5	63.1	59.3	57.0	57.5	51.0
<b>May-17</b>	57.2	58.8	54.6	51.8	56.4	51.9	59.1	55.3	59.5	54.1	50.4

**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
<b>May-16</b>	66.3	77.9	78.2	61.8	61.5	62.3	79.5	74.8	67.6	63.3	66.0
<b>Jun-16</b>	63.3	71.0	78.2	50.4	62.4	60.8	76.0	72.8	66.9	67.1	56.8
<b>Jul-16</b>	46.4	53.2	56.3	48.9	47.1	51.9	54.5	51.7	48.2	52.4	46.9
<b>Aug-16</b>	55.7	68.3	61.5	54.5	52.7	52.2	63.0	64.7	56.9	55.7	49.9
<b>Sep-16</b>	66.3	64.6	71.0	61.5	62.4	57.9	75.2	65.8	56.3	58.3	58.7
<b>Oct-16</b>	65.6	61.5	68.6	58.3	55.3	57.0	69.3	70.8	54.5	65.3	55.7
<b>Nov-16</b>	63.7	69.9	69.5	57.0	59.7	57.0	69.3	67.8	58.4	67.9	58.7
<b>Dec-16</b>	58.5	66.1	69.0	57.0	56.5	54.1	68.6	63.4	55.3	61.4	63.0
<b>Jan-17</b>	64.3	70.8	71.2	56.5	61.3	60.7	71.0	67.7	63.5	61.2	60.8
<b>Feb-17</b>	68.6	74.5	73.4	61.7	61.5	62.2	76.4	64.0	58.2	65.9	61.7
<b>Mar-17</b>	70.8	72.8	68.5	54.1	61.3	51.0	75.6	71.6	59.8	72.2	63.7
<b>Apr-17</b>	68.8	71.5	70.5	57.7	63.7	61.6	77.1	69.0	61.8	63.0	59.5
<b>May-17</b>	61.5	69.3	70.7	56.5	59.3	60.5	70.8	63.1	65.7	63.9	57.8

# 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 (May survey)*

IpsosMORI interviewed 1,500 adults aged 18-64 across Great Britain from its online panel of respondents. Interviews were conducted online between 10<sup>th</sup> and 14<sup>th</sup> May. 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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