

# House Price Sentiment Index

## Household sentiment weakens as political uncertainty persists

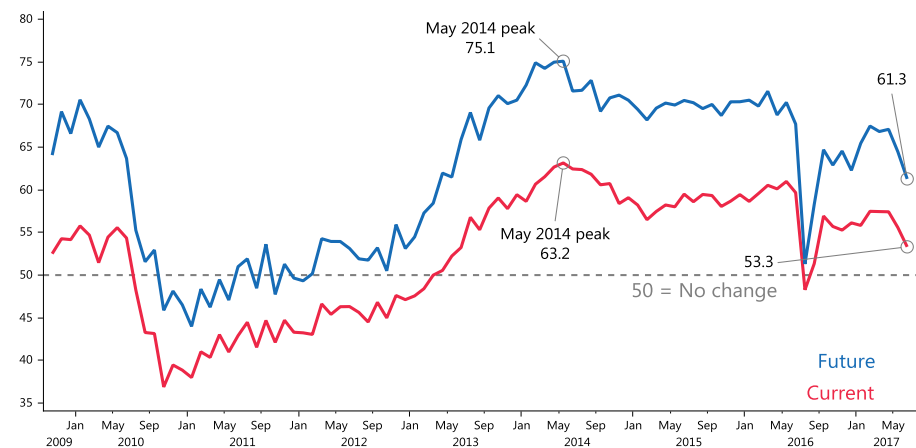
June 2017

### 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 May
- Respondents in ten of the 11 regions said the value of their home rose over the course of the month
- Households in all regions expect the value of their home to increase over the next 12 months, according to the future HPSI
- However, the future HPSI reading fell slightly in June, although it remains higher than the post-referendum low in July last year

### 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



### Change in current house prices

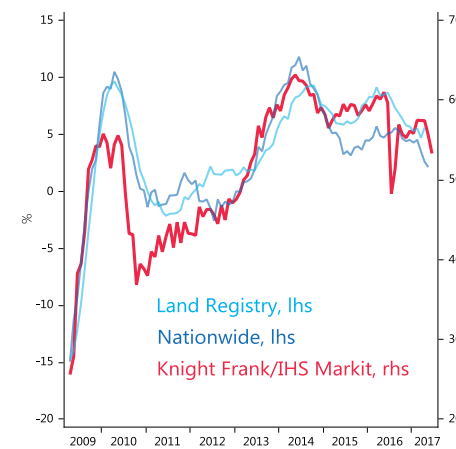
Households across the UK perceive that the value of their home has risen over the last month, according to the latest House Price Sentiment Index (HPSI) from Knight Frank and IHS Markit.

June's reading was the eleventh consecutive time that the index has been in positive territory, following the post-referendum low in July 2016.

However, while it remains in positive territory, the index has been steadily ticking down for the last three months which suggests that the perceived rate of house price growth is slowing, mirroring other mainstream indices.

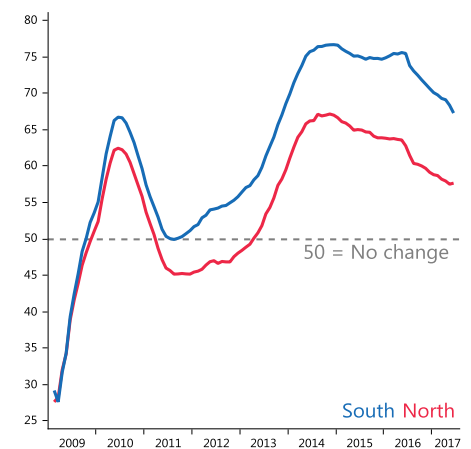
### Current HPSI Vs annual house price growth

Latest available data



### Regional variations in future HPSI

12 month moving average (50=no change)



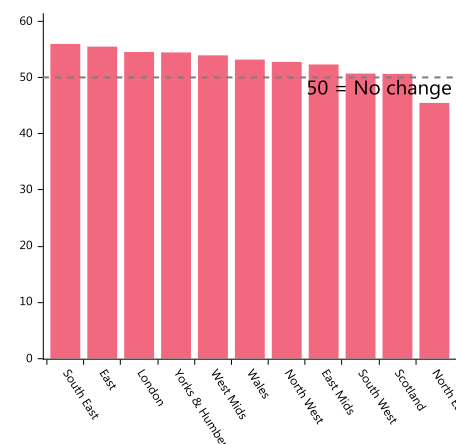
Some 15.9% of the 1,500 households surveyed across the UK said that the value of their home had risen over the last month, while 9.3% said that prices had fallen. This resulted in an HPSI reading of 53.3.

**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.**

Households in ten of the 11 regions covered by the index perceived that the value of their property rose over the past month, with households in the North East the exception.

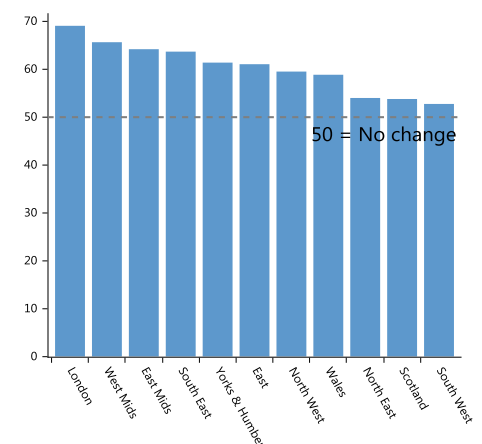
### Current HPSI, regional

June 2017 (50=no change)



### Future HPSI, regional

June 2017 (50=no change)



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However, the general trend was for a softening of sentiment across most regions in June's survey compared with the previous month. Given the majority of the households were surveyed prior to the General Election, this may have been a reaction to uncertainty in the build-up to the vote.

Households in the South East (56.0) reported the biggest rise over the course of the month, followed by these in the East of England (55.5) and London (54.6).

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 61.3 in June's survey, down from 64.5 in May.

Households in the London (69.1) are the most confident about future price rises, followed by those in the West Midlands (65.7) and the East Midlands (64.2).

### Post-election outlook

The collection dates for this month's HPSI were between the 7<sup>th</sup> and 12<sup>th</sup> of June, with some 15% of households responding after the result of the UK General Election was known. By looking specifically at those households surveyed after the result we are able to gauge an initial indication of sentiment, albeit one based on a reduced sample size.

On this measure, the future HPSI stood at 58.3, compared with 61.3 for the total sample. While this indicates that households still expect prices to rise over the coming 12 months, the pace of expected growth is notably lower.

### Housing market activity

Some 6.5% of households said they were planning to buy a property in the next 12 months, up from 5.8% in March.

Oliver Knight, an Associate in Knight Frank's Residential Research team, said:

"Heightened political uncertainty seems to have weighed on house price sentiment to some degree in June, with expectations for current and future prices slipping to the lowest level since August 2016, a time when households were still digesting the outcome of the EU Referendum.

"The General Election result, and the on-going uncertainty, suggests that any 'election bounce', typically seen in the month or two after a national poll, may be muted. Indeed it is noticeable that the future index only for households surveyed after the vote result announcement was slightly lower than those surveyed before the results were known – although both groups still expect prices to rise over the next 12 months. While the political backdrop may be uncertain, a shortage of housing stock available to buy, coupled with ultra-low mortgage and interest rates, is likely to put a floor under pricing across the UK."

Tim Moore, senior economist at IHS Markit, said:

"June's survey data provides a clear signal that house price sentiment weakened at the start of this summer, with perceptions of rising property values the least widespread since August 2016. Looking through the volatility seen after the EU referendum, the latest figures suggest that house price sentiment is around the lowest for four years.

"On a regional basis, the largest falls in house price sentiment since the start of 2017 were reported by people living in the South West and London.

"UK households are also less confident that property prices will rise over the next few months. The loss of momentum reflects heightened political uncertainty, a renewed squeeze on cash available to spend and entrenched concerns about the general economic outlook. As a result, fragile sentiment among buyers appears set to limit the influence of ultra-low mortgage rates and stretched housing supply on near-term price dynamics."

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## HOUSE PRICE SENTIMENT INDEX

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

June 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>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
<b>Jun-17</b>	52.4	55.5	54.6	45.5	52.8	50.7	56.0	50.7	53.2	54.0	54.5

**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>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
<b>Jun-17</b>	64.2	61.1	69.1	54.0	59.6	53.8	63.7	52.8	58.9	65.7	61.4

# 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 (June survey)*

IpsosMORI interviewed 1,500 adults aged 18-64 across Great Britain from its online panel of respondents. Interviews were conducted online between 7<sup>th</sup> and 12<sup>th</sup> June. 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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