

EMBARGOED UNTIL: 00:01 (UK TIME) FRIDAY 24<sup>th</sup> MARCH

# House Price Sentiment Index

## UK house price sentiment steady in March

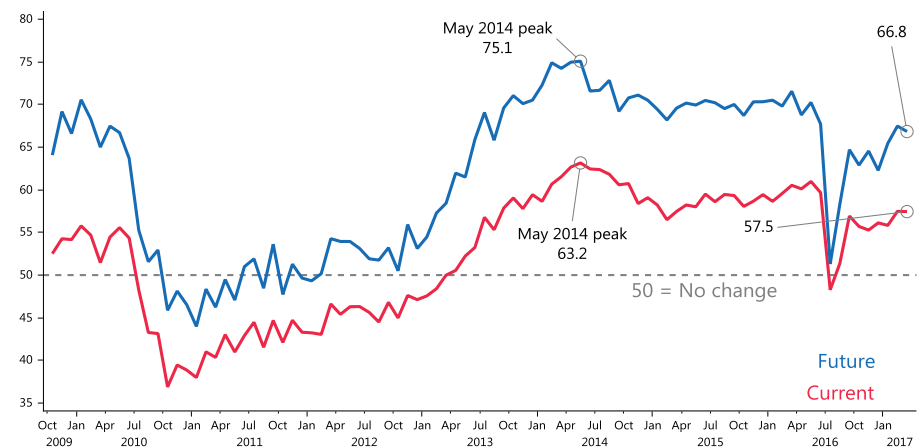
March 2017

### 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 was unchanged compared with February
- Respondents in nine of the 11 regions covered by the index believe the value of their home increased this month, led by those in the South East
- The future HPSI fell slightly in March although it remains comfortably higher than its post-referendum low
- Households in all regions expect the value of their home to increase over the next 12 months

### 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

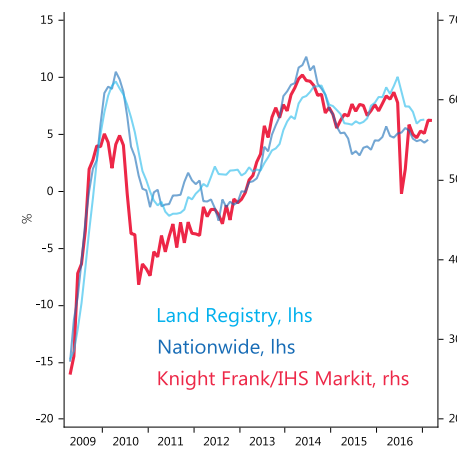
Households across the UK perceive that the value of their home has risen over the last month, according to the latest House Price Sentiment Index (HPSI) from Knight Frank and IHS Markit.

March's reading was the eighth consecutive month that the index has been in positive territory.

Some 20.8% of the 1,500 households surveyed across the UK said that the value of their home had risen over the last month, while 5.9% said that prices had fallen. This resulted in a HPSI reading of 57.5, unchanged compared with February.

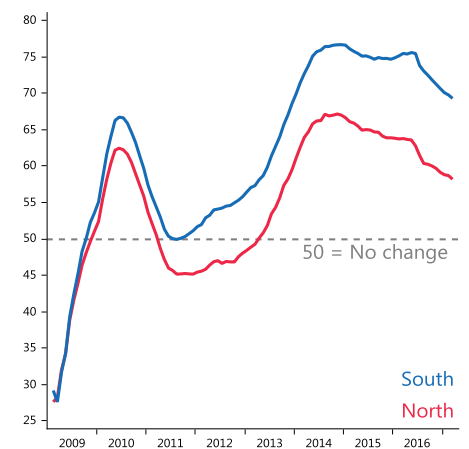
### Current HPSI Vs annual house price growth

Latest available data



### Regional variations in future HPSI

12 month moving average (50=no change)



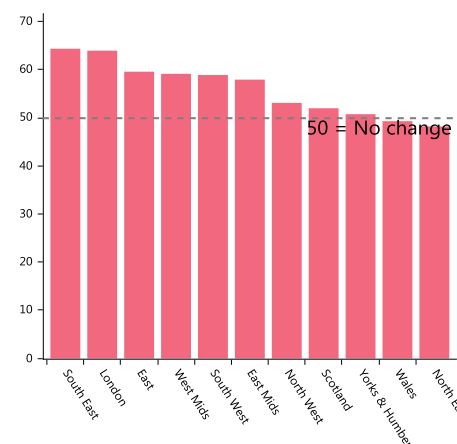
**Any figure over 50 indicates that prices are rising, and the higher the figure, the stronger the increase. Any figure below 50 indicates that prices are falling.**

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

As in the wider housing market, there remain fairly large regional variations. Households in nine of the 11 regions covered by the index perceived that the value of their property rose in February.

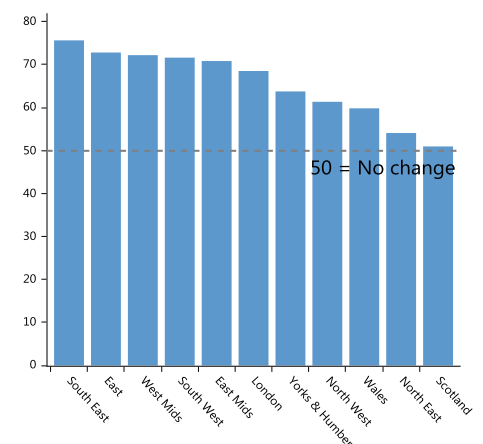
### Current HPSI, regional

March 2017 (50=no change)



### Future HPSI, regional

March 2017 (50=no change)



Households in the South East (64.4)

## RESIDENTIAL RESEARCH

reported the biggest rise over the course of the month, closely followed by Londoners (64.0).

Those living in the North East (48.2) and Wales (49.3) were the exceptions, with households reporting a slight fall in prices over the course of the month.

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 in March to 66.8 down from February's post-referendum high of 67.5.

A fall in expectations for house price growth in Scotland - to 51.0 in March from 62.2 in February - contributed to the slight dip in the headline future HPSI. Uncertainty surrounding a possible second referendum on independence may have weighed on household expectations.

However, March's reading was still the second highest achieved by the index since the UK's referendum on EU membership.

Households in the South East (75.6) remain the most confident about future price rises followed by those in the East of England (72.8) and the West Midlands (72.2).

Interestingly, households in the above regions, as well as in the South West and East Midlands, are all expecting higher rates of growth than in London, reflecting the more moderate rates of house price growth which have been seen in the capital. Knight Frank residential property market [forecasts are here](#).

### Housing Market Activity

Some 5.8% of households plan to purchase a new property within the next 12 months, up from 5.2% in December.

Households in London are the most likely to buy in this time

(8.1%), followed by those in the North West (7.1%).

Oliver Knight, an Associate in Knight Frank's Residential Research team, said: "The latest survey data suggests that house price sentiment across the UK is becoming steadier. 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.

"Future price expectations remain in positive territory, especially in the South and Midlands, but there are a number of headwinds which could weigh on the market, including rising inflation and second-round effects from Brexit. 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 was relatively upbeat in March, which provides another signal that confidence has gradually picked up during the first quarter of 2017. This suggests that ultra-low mortgage rates and the resilient UK labour market are helping to offset the drag on house price sentiment from squeezed consumer finances.

"While sentiment has rebounded strongly since last summer, house price expectations are still much more subdued than those reported in the three years leading up to the EU referendum.

"Looking at house price expectations for the next 12 months, regional divergences widened across the UK during March. In particular, household sentiment in Scotland fell to the weakest for over four years, and the gap relative to UK-wide price expectations was the greatest since the survey began in 2009.

"Meanwhile, the latest survey saw London drop into the bottom half of the UK regional table for the first time since April 2010. By contrast, people living in the West Midlands were more confident about the outlook for their property values than at any time in the past two-and-a-half years."

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## HOUSE PRICE SENTIMENT INDEX

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

March 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>Mar-16</b>	56.4	66.3	71.7	56.4	54.0	53.3	67.4	59.8	54.2	55.1	57.1
<b>Apr-16</b>	58.8	62.4	70.0	52.7	56.0	50.1	65.6	60.7	53.7	59.2	58.0
<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

**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>Mar-16</b>	71.5	80.3	78.9	61.4	63.6	61.4	81.0	71.6	62.2	66.4	72.1
<b>Apr-16</b>	66.6	68.4	77.2	57.6	62.8	57.2	79.3	71.7	59.6	67.9	69.4
<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

# 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 (March survey)*

IpsosMORI interviewed 1,500 adults aged 18-64 across Great Britain from its online panel of respondents. Interviews were conducted online between 15<sup>th</sup> and 19<sup>th</sup> March. 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.

### *About Knight Frank*

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