

EMBARGOED UNTIL: 00:01 (UK TIME) FRIDAY 21st JULY

House Price Sentiment Index

Slight uptick in house price sentiment in July

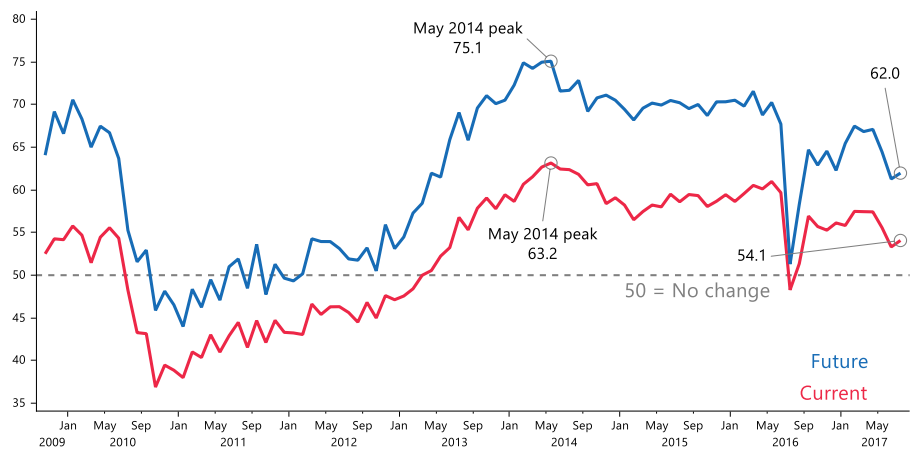
July 2017

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 increased slightly compared with June
- 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
- The future HPSI reading rose slightly in July, compared with the previous month, although it remains lower than its peak in 2014

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.

Some 17% of the 1,500 households surveyed across the UK said that the value of their home had risen over the last month, while 8.9% said that prices had fallen. This resulted in an HPSI reading of 54.1.

July's reading was the twelfth consecutive month that the index has been in positive territory, following the post-referendum low a year ago in July 2016. It also marks a reversal of three successive months in which household sentiment, while remaining positive, weakened.

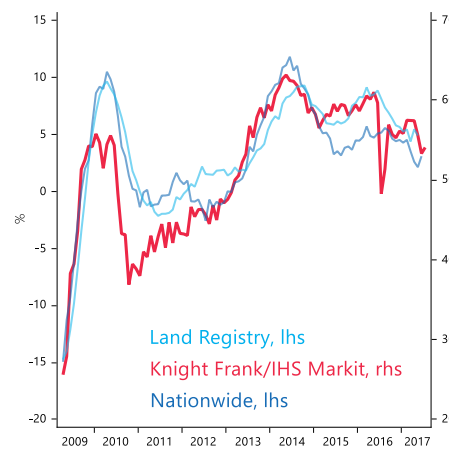
However, the index remains well below its previous peak of 63.2 achieved in May 2014.

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 West the exception.

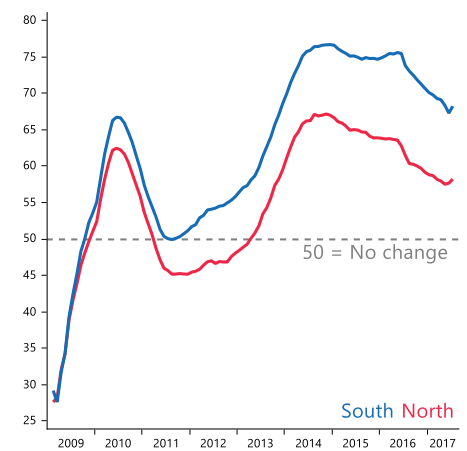
Current HPSI Vs annual house price growth

Latest available data



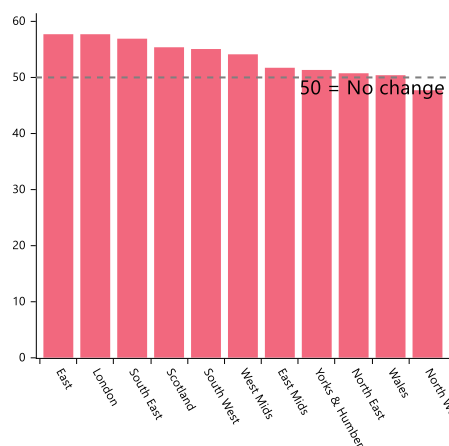
Regional variations in future HPSI

12 month moving average (50=no change)



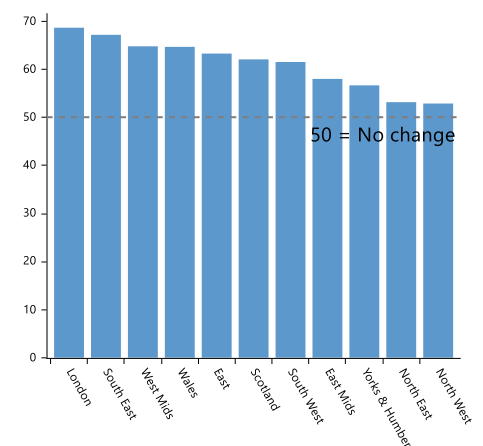
Current HPSI, regional

July 2017 (50=no change)



Future HPSI, regional

July 2017 (50=no change)



RESIDENTIAL RESEARCH

Households in London and the East of England (57.7) reported the biggest rise over the course of the month, followed by these in the South East (56.9) and the South West (55.1).

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, rose slightly to 62.0 in July's survey, up from 61.3 in June.

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

Households in the London (68.7) are the most confident about future price rises, followed by those in the South East (67.2) and the West Midlands (64.8).

There was a big rise in sentiment among households in the South West (61.6 from 52.8) and in Scotland (62.1 from 53.8) in July compared with the previous month.

Looking at households by tenure, mortgage borrowers were the most confident that prices would rise (64.4), followed by those renting from a private landlord (62.8) and those who own their home outright (61.0).

Oliver Knight, an Associate in Knight Frank's Residential Research team, said: "While UK house price sentiment ticked up slightly in July it remains subdued in comparison to longer term trends. Households still report that values are increasing, but at a more modest pace than before the EU Referendum, which remains consistent with wider housing market indicators.

"Rising sentiment in July suggests that any uncertainty surrounding the recent General Election result, and the start of Brexit negotiations in June which could have weighed on pricing, has been offset by a lack of supply of housing for sale and the low interest rate, low mortgage rate environment which continues to underpin pricing across much of the UK."

Tim Moore, senior economist at IHS Markit, said: "UK households continue to anticipate property prices gains over the coming 12 months, especially those living in London and the South East. The latest survey signals a rebound in confidence for the first time in three months, but looking at the overall picture reveals that house price sentiment has shifted down a gear this summer.

"Household expectations for property price rises have eased to levels last seen in mid-2013, against a backdrop of weak pay growth, affordability constraints and squeezed consumer budgets. There are also signs that Brexit-related uncertainty and the fiscal squeeze on buy-to-let continue to weigh on sentiment.

"While households are expecting the soft patch to persist in the near-term, overall levels of confidence are slightly above the trend seen since the survey began in 2009.

"The resilient picture relative to longer-term patterns is likely helped by the ultra-low mortgage rate environment, improved credit availability and an entrenched shortage of supply across large parts of the country."

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HOUSE PRICE SENTIMENT INDEX

Regional change in House Price Sentiment (current and future)

July 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 |
|---------------|-----------|------|--------|------------|------------|----------|------------|------------|-------|-----------|----------------|
| Jul-16 | 44.5 | 50.2 | 49.5 | 45.0 | 46.8 | 49.3 | 50.2 | 49.8 | 43.3 | 49.8 | 46.7 |
| Aug-16 | 49.0 | 58.5 | 53.1 | 44.3 | 50.8 | 45.6 | 54.5 | 55.0 | 48.4 | 50.2 | 47.3 |
| Sep-16 | 58.1 | 59.9 | 63.0 | 54.2 | 52.9 | 51.8 | 60.4 | 57.7 | 53.2 | 55.7 | 52.2 |
| Oct-16 | 54.5 | 58.1 | 60.9 | 51.4 | 51.9 | 50.0 | 59.4 | 57.9 | 51.2 | 56.3 | 53.0 |
| Nov-16 | 53.6 | 59.4 | 60.0 | 49.3 | 50.0 | 50.0 | 61.9 | 56.4 | 51.9 | 55.7 | 49.9 |
| Dec-16 | 52.4 | 61.9 | 60.8 | 53.9 | 50.2 | 51.7 | 58.5 | 58.9 | 53.8 | 53.7 | 56.5 |
| Jan-17 | 54.6 | 58.9 | 60.1 | 50.2 | 53.4 | 49.9 | 59.8 | 57.3 | 54.3 | 55.9 | 52.0 |
| Feb-17 | 56.8 | 62.0 | 65.2 | 51.6 | 55.2 | 52.9 | 60.3 | 57.0 | 47.9 | 57.6 | 53.0 |
| Mar-17 | 57.9 | 59.6 | 64.0 | 48.2 | 53.1 | 52.0 | 64.4 | 58.9 | 49.3 | 59.1 | 50.8 |
| Apr-17 | 56.5 | 60.6 | 60.7 | 49.9 | 52.5 | 55.5 | 63.1 | 59.3 | 57.0 | 57.5 | 51.0 |
| May-17 | 57.2 | 58.8 | 54.6 | 51.8 | 56.4 | 51.9 | 59.1 | 55.3 | 59.5 | 54.1 | 50.4 |
| Jun-17 | 52.4 | 55.5 | 54.6 | 45.5 | 52.8 | 50.7 | 56.0 | 50.7 | 53.2 | 54.0 | 54.5 |
| Jul-17 | 51.8 | 57.7 | 57.7 | 50.8 | 47.7 | 55.4 | 56.9 | 55.1 | 50.4 | 54.2 | 51.4 |

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 |
|---------------|-----------|------|--------|------------|------------|----------|------------|------------|-------|-----------|----------------|
| Jul-16 | 46.4 | 53.2 | 56.3 | 48.9 | 47.1 | 51.9 | 54.5 | 51.7 | 48.2 | 52.4 | 46.9 |
| Aug-16 | 55.7 | 68.3 | 61.5 | 54.5 | 52.7 | 52.2 | 63.0 | 64.7 | 56.9 | 55.7 | 49.9 |
| Sep-16 | 66.3 | 64.6 | 71.0 | 61.5 | 62.4 | 57.9 | 75.2 | 65.8 | 56.3 | 58.3 | 58.7 |
| Oct-16 | 65.6 | 61.5 | 68.6 | 58.3 | 55.3 | 57.0 | 69.3 | 70.8 | 54.5 | 65.3 | 55.7 |
| Nov-16 | 63.7 | 69.9 | 69.5 | 57.0 | 59.7 | 57.0 | 69.3 | 67.8 | 58.4 | 67.9 | 58.7 |
| Dec-16 | 58.5 | 66.1 | 69.0 | 57.0 | 56.5 | 54.1 | 68.6 | 63.4 | 55.3 | 61.4 | 63.0 |
| Jan-17 | 64.3 | 70.8 | 71.2 | 56.5 | 61.3 | 60.7 | 71.0 | 67.7 | 63.5 | 61.2 | 60.8 |
| Feb-17 | 68.6 | 74.5 | 73.4 | 61.7 | 61.5 | 62.2 | 76.4 | 64.0 | 58.2 | 65.9 | 61.7 |
| Mar-17 | 70.8 | 72.8 | 68.5 | 54.1 | 61.3 | 51.0 | 75.6 | 71.6 | 59.8 | 72.2 | 63.7 |
| Apr-17 | 68.8 | 71.5 | 70.5 | 57.7 | 63.7 | 61.6 | 77.1 | 69.0 | 61.8 | 63.0 | 59.5 |
| May-17 | 61.5 | 69.3 | 70.7 | 56.5 | 59.3 | 60.5 | 70.8 | 63.1 | 65.7 | 63.9 | 57.8 |
| Jun-17 | 64.2 | 61.1 | 69.1 | 54.0 | 59.6 | 53.8 | 63.7 | 52.8 | 58.9 | 65.7 | 61.4 |
| Jul-17 | 58.1 | 63.3 | 68.7 | 53.2 | 52.9 | 62.1 | 67.2 | 61.6 | 64.7 | 64.8 | 56.7 |

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 (July survey)

IpsosMORI interviewed 1,500 adults aged 18-64 across Great Britain from its online panel of respondents. Interviews were conducted online between 12th and 14th July. 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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