

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

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September bounce in house price sentiment

Key headlines for September

- UK households perceive that the value of their home declined again in September, but at the slowest rate since July 2010
- The outlook for house prices improved, with households expecting the biggest rise in prices over the next 12 months since May
- Households in seven of the 11 regions expect prices to rise in the coming year

Change in current house prices

Knight Frank/Markit's House Price Sentiment Index (HPSI) signals that average house prices fell again in September, for the 27th consecutive month. But the pace of decline was perceived to have eased markedly. Nearly 10% of households said the price of their home had risen, while 15% said that their property value had declined. This resulted in a HPSI reading of 46.8, up from 44.5 in August and the highest reading since July 2010.

Any figure under 50 indicates that prices are falling, and the lower the figure, the steeper the decline. Any figure over 50 indicates that prices are rising.

The survey of 1,500 households across the UK showed that households in London (53.4) felt the value of their home rose over the past month, continuing the trend set back in March. There was also a turnaround in house price performance in the East of England (50.3) with households reporting the first price rises since

June 2010. Households in all the other nine regions reported house price falls, with Scotland (40.0) seeing the deepest declines.

A lead indicator

Since the inception of the HPSI, the index has been a clear lead indicator for house price trends. Figure 3 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.

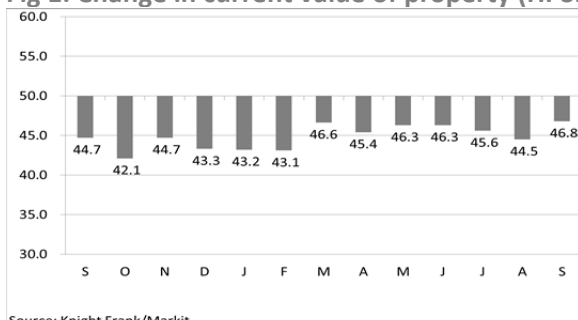
Outlook for house prices

The future HPSI (figure 2), which measures what households think will happen to the value of their property over the next year, climbed in September. Around 28% of households anticipate a rise in the value of their home over the next 12 months, compared with 21% expecting a decline. The resulting index reading is 53.2, up from August's reading of 51.8 and marking the highest reading since May this year.

Regional outlook

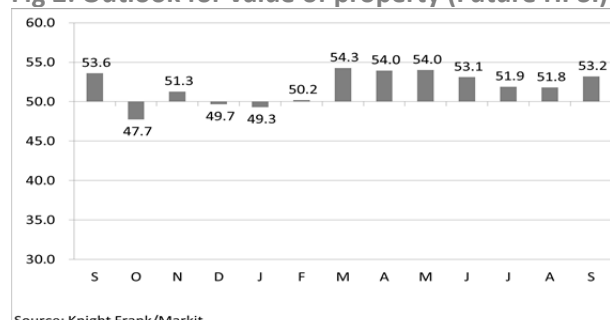
Expectations for house price rises were recorded in seven of the 11 regions in August. But 'north/south' divide became blurred amid a turnaround in expectations among households in the North East (54.6), West Midlands (52.2) and the East Midlands (51.0). Households in these regions now expect prices to rise over the next

Fig 1: Change in current value of property (HPSI)



Source: Knight Frank/Markit

Fig 2: Outlook for value of property (Future HPSI)



Source: Knight Frank/Markit

NB: A score of 50 equates to no change, above or below representing growth or decline respectively.

year whereas in August they had expected prices to fall. In contrast, households in Yorkshire and the Humber (46.4) and Scotland (47.1) now expect price falls, whereas they had predicted prices would rise in August.

London continues to lead the way, with households in the Capital expecting the biggest price rises over the next year with a reading of 63.1, up from 61.3 in August.

Household variations

Households across all tenures, from outright homeowners to those living rent-free, are upbeat about the prospect for price rises over the next year. This is the first time all households have been united in their expectations for prices since May this year, and it is only the fourth month this has happened over the last two years.

Those living rent-free (56.8) are the most optimistic about prices, while those renting from social landlords (51.2) expect the most modest rises in prices, followed by those who own their home outright (51.3) with no mortgage.

The top earners continue to be the most optimistic about house prices. Those earning more than £58,000 a year have an average future HPSI reading of 56.6, although this is down from 57.5 in August. Those earning less than £15,000 a year were next in line, with a reading of 52.8, up from 48.5 in August. Those earning between £15,000 and £23,000 expect the smallest increase, with a reading of 50.6.

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

“The ‘back-to-school’ gloom is certainly not affecting the housing market. Indeed the uplift in

expectations fits with the traditional rise in activity after the school holidays.”

“This bounce in sentiment also coincides with some brighter news on the economy, with serious questions being raised about whether the country is actually in recession. Better than expected employment data, as well as encouraging signs from the services and manufacturing sectors, are also helping to bolster economic confidence.

“But the house price performance is still localised, as the figures show, reflecting how the challenges within the housing market are affecting different regions. A lack of mortgage lending continues to act as a dampener on activity in many areas, especially among first time buyers.”

Chris Williamson, chief economist at Markit, said:

“September saw some confidence continue to return to the UK housing market, but expectations of where house prices will be in 12 months’ time remain well below levels seen earlier in the recovery and suggest little overall change in house prices.

“Confidence continues to be hit by poor availability of mortgage finance, high unemployment, low pay growth and uncertainty about the outlook. However growing evidence of a rebound in the domestic economy since the second quarter and recent better news on the labour market have all helped to buoy sentiment in September, which could perhaps lead to further gains in the HPSI in coming months if the news flow continues to improve.”

Ends

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

Fig 3: HPSI vs house price indices (12 mnth change)

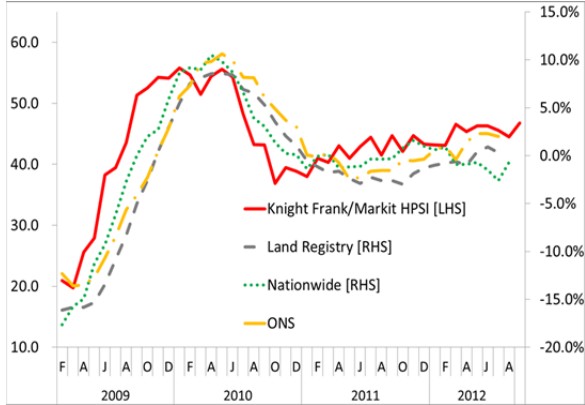
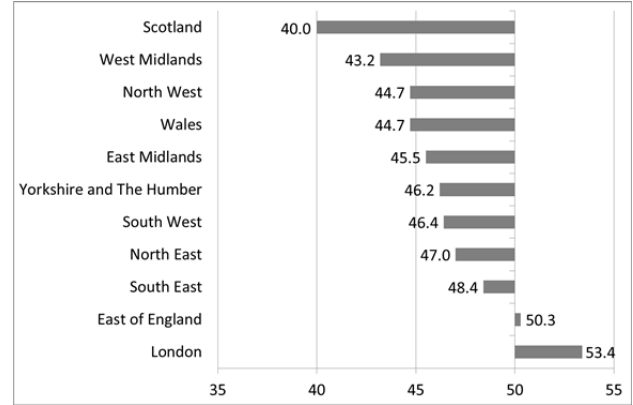


Fig 4: Regional change in current value of property



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	
Sep-11	44.7	41.3	43.1	41.3	38.8	43.1	47.5	49.6	46.2	42.5	45.6	46.8
Oct-11	42.1	40.2	40.3	38.6	41.5	36.8	43.8	46.4	45.2	43.2	37.6	43.1
Nov-11	44.7	39.9	41.7	41.7	47.0	42.2	46.0	48.7	46.3	45.3	44.6	44.3
Dec-11	43.3	38.5	40.8	40.0	39.4	43.3	46.0	49.8	45.5	43.0	38.8	42.0
Jan-12	43.2	38.6	43.2	40.6	40.4	42.1	40.9	47.7	45.8	43.6	40.2	44.5
Feb-12	43.1	45.2	43.5	38.2	40.6	42.1	41.1	49.5	44.2	44.3	35.7	42.4
Mar-12	46.6	43.1	41.4	44.9	41.4	45.8	49.6	55.1	48.4	47.9	43.0	43.8
Apr-12	45.4	39.1	43.3	41.0	41.4	45.8	42.1	53.6	48.8	47.3	39.2	45.6
May-12	46.3	44.5	41.0	44.0	46.8	42.5	48.9	50.9	49.2	47.8	45.3	44.3
Jun-12	46.3	41.9	47.4	46.9	47.7	44.3	47.2	50.7	44.3	45.0	40.4	47.4
Jul-12	45.6	42.0	44.8	43.9	41.6	46.6	48.4	51.0	46.1	44.1	43.0	43.5
Aug-12	44.5	44.2	39.5	41.9	42.8	42.5	46.9	51.9	45.0	43.9	39.8	45.8
Sep-12	46.8	47.0	44.7	46.2	45.5	43.2	50.3	53.4	48.4	46.4	44.7	40.0

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 and The Humber	East Midlands	West Midlands	East of England	London	South East	South West	Wales	Scotland	
Sep-11	53.6	51.0	49.4	51.1	47.9	53.5	57.3	57.4	59.0	52.2	54.2	50.4
Oct-11	47.7	39.8	49.0	42.5	45.0	46.5	52.1	52.7	53.3	42.1	44.3	44.9
Nov-11	51.3	44.5	48.9	38.6	51.1	43.8	52.4	62.0	56.1	49.6	45.9	57.3
Dec-11	49.7	40.9	48.8	49.0	53.4	50.4	50.7	58.7	48.0	44.9	42.9	47.9
Jan-12	49.3	41.7	46.0	46.0	45.3	47.6	45.7	57.8	54.3	48.8	42.6	52.9
Feb-12	50.2	50.4	48.5	43.7	49.0	52.2	50.8	59.9	50.4	50.2	45.4	44.0
Mar-12	54.3	43.6	46.2	48.7	46.7	47.5	56.2	65.2	60.2	58.1	55.1	56.3
Apr-12	54.0	45.1	52.6	53.6	55.7	51.2	51.0	62.2	56.4	53.4	48.0	52.3
May-12	54.0	49.1	47.0	51.3	56.1	47.2	61.0	62.8	57.1	48.6	53.8	52.1
Jun-12	53.1	45.5	47.7	52.0	52.6	52.6	55.4	60.2	55.3	46.7	54.3	54.8
Jul-12	51.9	45.5	49.7	37.9	48.5	52.3	53.9	63.5	53.6	49.1	56.2	51.8
Aug-12	51.8	46.2	44.1	52.7	48.9	47.3	53.1	61.3	53.4	52.2	49.4	52.8
Sep-12	53.2	54.6	48.5	46.4	51.0	52.2	56.2	63.1	55.7	55.0	47.9	47.1

For further information, please contact

Knight Frank

Rosie Cade, PR Manager
rosie.cade@knightfrank.com
020 7861 1068

Gráinne Gilmore, Head of UK Residential Research
grainne.gilmore@knightfrank.com
020 7861 5102
07785 527 145

Markit

Caroline Lumley, Director, Corporate
Communications
Caroline.Lumley@markit.com
020 7260 2047

Chris Williamson, Chief Economist
chris.williamson@markit.com
0779 5555061

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 (July survey)

Ipsos MORI interviewed 1500 adults aged 18-64 across Great Britain from its online panel of respondents. Interviews were conducted online between 13th – 17th September 2012. 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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