

The Tradition "Future HPI"

The leading future house price index

Future House Price Values Above Recent Lows and Holding

The non-seasonally adjusted Halifax House Price Index published by Lloyds TSB PLC fell by £610 in February 2009. The average UK house is now valued at £159,208, according to the country's biggest mortgage bank.

The derivative market based on this index has been forecasting sharp falls in the house price accurately since July 2007, and continues to do so. The Tradition Future HPI represents the forward curve of the derivative market in cash terms.

The average UK house price is expected to fall to £125,774 within a year, a drop of 21%. The average three year house price fell to £109,000 in January 2009 on the derivative market, although the latest forecast sees the three year house price at £111,446, 30% lower than the current value. However, house prices are expected to recover from 2011. The average five year house price is about £8,000 above the three year house price at £119,406, or some 25% under the current value.

Tradition Future HPI* (House Price Index)

March 2009

	Jan-09	Feb-09	Change
HPI NSA	£159,818	£159,208	-£610
1 Year	£126,256	£125,774	-£482
3 Year	£111,873	£111,446	-£427
5 year	£119,864	£119,406	-£458

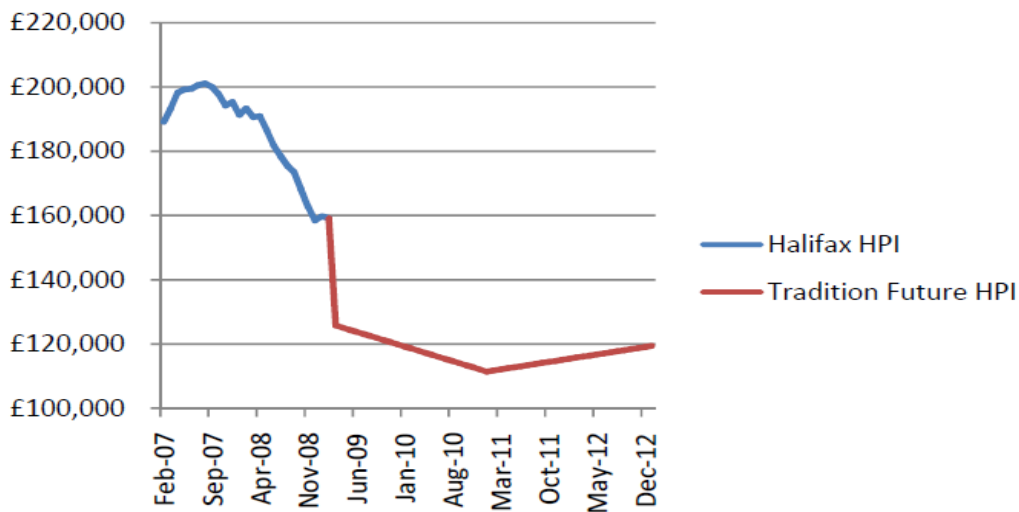


Note: Figures refer to the future value of the average house price in the UK

Commenting, Peter Sceats, Director of the real estate division of Tradition Group, said:

“ House prices, one and three years forward, appear to be holding at around the -20% and -30% area. The increased deal frequency in the derivative market during the last few weeks emphasizes the validity of these forecasts. ”

“Rising job insecurity and reduced mortgage availability continue to weigh on sentiment but by definition these and all other price drivers are factored in to forward house price values in the derivative market...”



Notes to Editors

The Tradition Future HPI

The Tradition Future HPI is published every month by the Property Derivatives Team at Tradition Financial Services Limited ("Tradition"), a global leader in interdealer broking. The index provides an estimate of the future price of an average UK house. It uses derivative prices quoted in the over-the-counter (OTC) residential property market with Lloyds TSB PLC's Halifax House Price Index as its basis.


The Tradition Future HPIs are not a guarantee of future property returns; rather they illustrate dynamic forward prices which are subject to change. The indices are an economic reference tool representing the changing forward value of UK housing. The OTC market in UK house price derivatives is accessible to suitably authorised banks and institutions via Tradition. For more information on house price derivatives, please call Tradition on +44 (0) 207 796 1510 or e-mail property@tradition.com.

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