

# The Tradition "Future HPI"

## The leading future house price index

### Forward House Price Values Rise Sharply But Rally May be Constrained

The Tradition Future HPIs, which are house prices for a future date derived from the residential property derivatives market, show that the average UK house – currently worth £164,854 – is expected to be worth £178,042 (or +8%) in three years. In five years time that same house is expected to be worth £184,636 (an increase of 12%).

#### Tradition Future HPI\* (House Price Index) For September 2009 - written 8<sup>th</sup> October '09

	Aug-09	Sep-09	Change
<b>HPI NSA</b>	£161,930	£164,854	<b>£2,924</b>
1 Year	£163,549	£174,745	<b>£11,196</b>
3 Year	£170,027	£178,042	<b>£8,016</b>
5 year	£176,504	£184,636	<b>£8,133</b>



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, said:

“The ratio of average house prices to average earnings (the HPE Ratio) is a key house price forecasting tool.

US HPE ratio now stands about 15% below its long-run average suggesting that by historical standards, US houses are now cheap. But the UK HPE Ratio is still around 35% above its long-run average.

Given that the housing market still faces considerable challenges in the form of high unemployment, restrictive lending and an increase in all types of taxation (including stamp duty), it would be surprising to see house prices continuing to increase at their recent rate. ”

## 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](mailto:property@tradition.com).

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