

The Tradition "Future HPI"

The leading future house price index

Forward House Price Values Take a Step Back

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 £165,617 – is expected to be worth £177,010 (or +7%) in three years. In five years time that same house is expected to be worth £185,281 (an increase of 12% on current value).

The three year forward house price value has changed little during November, falling £827 during the trading month. The five year forward house price also fell in November by £1,655.

Trading volume on the residential property derivatives market was moderate with the market trading out as far as nine years ahead.

Tradition Future HPI* (House Price Index) For November '09 – written 8th December '09

	Oct-09	Nov-09	Change
HPI NSA	£165,430	£165,617	£187
1 Year	£174,942	£173,701	-£1,241
3 Year	£177,837	£177,010	-£827
5 year	£186,936	£185,281	-£1,655



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

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

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Physical house prices, as illustrated by the non-seasonally adjusted Halifax HPI, showed a very modest increase during November, but a little confidence seems to have come out of the forward prices. Future values were marked down approximately one percent during the month, marking a pause in the impressive rally since Q1-09.

Some house price fundamentals are well positioned to support the market: foreign investor interest, a relatively low sterling and supply side tightness along with the expectation that the easing of stamp duty may continue. But those who trade forward house prices have to take into consideration future events and ramifications of the current situation; the expectation of continued restricted lending, higher taxes and job insecurity all feature. Additionally, the potential knock-on from the financial troubles in Dubai will certainly not help UK house values.

It would be surprising to see physical and forward house prices pushing much ahead during Dec-09, indeed the market may do well to hold on to current levels.

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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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