Forward House Prices Continue to Rebuild

The non-seasonally adjusted Halifax HPI for Apr-09 was little changed on the previous month at £157,156 showing no significant shift in physical house values, but forecasts as to what this figure may be in the future rose sharply for the second consecutive month.

The Tradition Future HPIs, which are forward curve prices from the residential property derivatives market expressed in simple average house price terms, show the house price one year hence rising from £127,233 to £137,512 after publication of the Apr-09 index.

Three year forward prices had fallen to around £111,000 but rose £14,207 after publication of the Mar-09 index and by £4,787 after the Apr-09 assessment. Five year house prices rose £4,789 on the month to £135,154.

House price forward values not only held on to last month’s gains but built on them. While it is encouraging to see the veil of over-pessimism lifting from forward house price values, it is disappointing that so many investors missed the opportunity to buy “virtual houses” at such discounted prices. Nevertheless, similar opportunity continues to abound in the property derivative market.

A similar two month rally in physical house prices must continue to be a way off while mortgage lending is limited, job insecurity persists and UK unemployment appears on the rise.

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

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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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