Forward House Prices up on the Month and Sharply up Year to Date

The non-seasonally adjusted Halifax HPI for August 2009 was £1,244 up (or +0.774%) on the previous month at £161,930.

The Tradition Future HPIs, which are forward prices (prices representing a future date) from the residential property derivatives market expressed in simple average house price terms, show the house price one year forward also rose £1,244 to £161,930 being that traders believe the UK house price will be 100% of the latest index's value.

Three year forward house prices rose £1,294 to £168,407 illustrating that house price values are expected to rise 4% by the end 2011. The house price expectation five years hence was the biggest gainer, rising £1,356 to £176,504 estimating an increase of £14,574 over the current house price.

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

"The recovery of forward house price values since the beginning of the year has been nothing less than amazing. In January 2009 the three year forward house price estimate was £110,274. By April 2009 it had risen to £130,439 and by August 2009 to £168,407.

Residential derivative traders initially priced in an “Armageddon factor” following the credit crunch and the Lehman collapse and then gradually unwound the discount as the effect of the bailout and stimulus packages took hold.

The chance for pension companies, real estate funds and property companies to buy major volume at such discount is gone. The scale of the missed opportunity is enormous but is largely due to the immaturity of the residential derivatives market.

The only thing investors can do now is use this missed opportunity as a lesson for the future."
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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