

# The Tradition "Future HPI"

## The leading future house price index

### Forward House Price Values Hold on to Gains as Turnover in the Market Rises

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 £165,430 - is expected to be worth £177,837 (or +7.50%) in three years. In five years time that same house is expected to be worth £186,936 (an increase of 13% on current value).

The three year forward house price value was little changed during October falling just £205 during the trading month. The five year forward house price however rose £2,299 during October reflecting traders continued confidence in the UK residential sector.

Trading volume on the residential property derivatives market is thought to be between £400 and £500 million pounds during Q3-09, which is most encouraging indeed.

#### Tradition Future HPI\* (House Price Index) For October '09 – written 4<sup>th</sup> November '09

|                | Sep-09    | Oct-09    | Change         |
|----------------|-----------|-----------|----------------|
| <b>HPI NSA</b> | £ 164,854 | £ 165,430 | <b>+£576</b>   |
| 1 Year         | £ 174,745 | £ 174,942 | <b>+£197</b>   |
| 3 Year         | £ 178,042 | £ 177,837 | <b>-£205</b>   |
| 5 year         | £ 184,636 | £ 186,936 | <b>+£2,300</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:

“Physical house prices in the UK have continued to increase despite worries that unemployment, restrictive lending and an increase in taxation would prevent recovery. According to the Tradition Future House Price Index (Future HPI), the forward prices are still showing willingness to climb as shown by the move in the five year house price during October.

Some traders are focusing heavily on the core fundamental of supply and demand and believe the rate at which new homes are being (and have been) built is severely insufficient for the UK's future housing needs.

As such, forward house prices currently have distinctly different short, medium and long term profiles.”

## 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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