

The Tradition "Future HPI"

The leading index of future average UK house prices

Average UK House Price Falls 2.53% in June to £181,765

...and is Forecast to Fall to £153,591 by June 2009

The HBOS Non-Seasonally Adjusted HPI for June 2008 showed the value of an average UK house fell £4,717 on the month to £181,765.

This version of the HBOS index is the basis of the nascent residential property derivatives market. A survey of bids and offers posted by banks active in this market suggests that house prices are expected to fall to £153,591 by June 2009.

This represents an additional fall of £28,174 on the current value, which itself had fallen £19,316 from the £201,081 peak in August 2007.

Tradition Future HPI* (House Price Index)

Jun 2008

	May-08	Jun-08	Change
HPI NSA	£186,482	£181,765	-£4,717
1 Year	£157,577	£153,591	-£3,986
3 Year	£142,659	£137,233	-£5,426
5 year	£153,848	£153,591	-£256



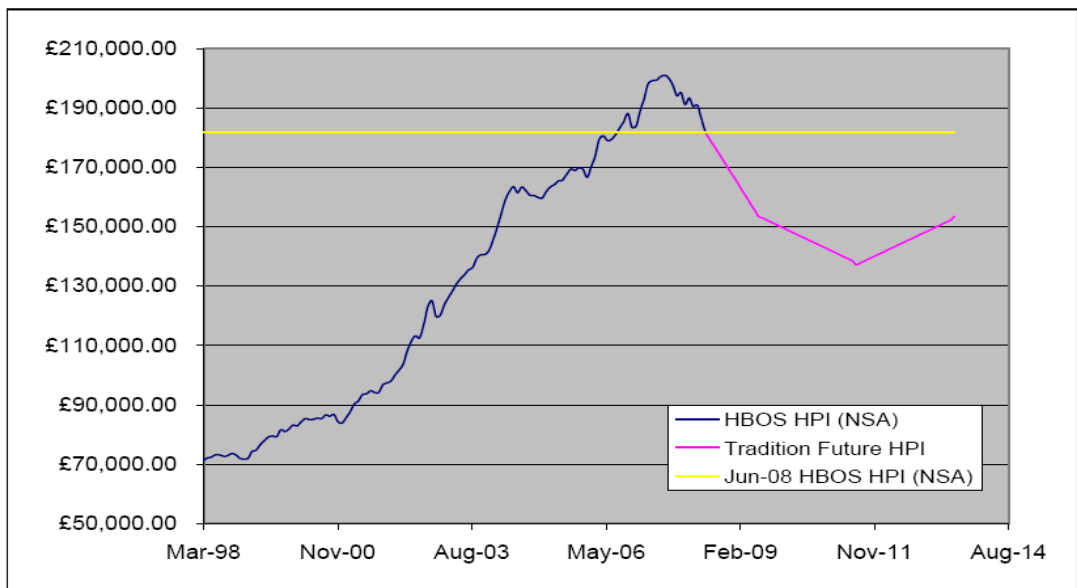
*In association with Strutt & Parker Real Estate Financial Services

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

Commenting, Peter Sceats, Director of Tradition, said:

“The one- and three-year forecasts from the residential property derivatives market reflect the challenging backdrop to UK house prices: food costs up, natural gas, heating oil and petrol up, mortgage payments up and new mortgage availability down.”

“However, derivatives give sentiment a fast-track that can sometimes over-state expectations. While “physical” house prices no doubt have further to fall, house price derivatives have already raced lower and may begin to become attractive to investors. It is possible that we will see an inflow of buying into residential derivatives, particularly for the longer dates such as 10, 15 and 20 years.”



UK House Price to Bottom at £137,233 in 2011

The previous up-trend in house prices started in March 1998 when the average UK house price was £71,121. The up-cycle ended when the average UK house price topped out at £201,081 in August 2007, just after credit crunch really hit the UK. The average UK house price has fallen from those highs to their current level (£181,765) in last 10 months. According to the Tradition Future HPI, a reflection of expectations from the banks to trade derivatives based on the HBOS HPI, average UK house prices are expected to fall to £153,591 next year and to £137,233 in the next three years. From there, the market is forecast to begin its recovery.

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 a survey of derivative bid and offer prices quoted in the over-the-counter (OTC) residential property market with HBOS 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, institutions, and individuals 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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