

The Tradition "Future HPI"

The leading index of future average UK house prices

Current UK House Price in 3rd Largest Ever Fall

House Prices for Next Year Expected to be Another 12.5% Lower

The HBOS Non-Seasonally Adjusted HPI experienced its third-largest ever fall yesterday when the average UK house value plummeted £4,470 to £186,482.

Predictions about the future out-turn of this index – expressed in cash terms – are drawn from the UK residential derivatives market and are referred to as the Tradition Future HPIs.

By May 2009 the average UK house price is expected to be £163,172 – representing a further decline on the recently-reduced average house price of 12.5%.

Tradition Future HPI* (House Price Index)

May 2008

	Apr-08	May-08	Change
HPI NSA	£190,952	£186,472	-£4,480
1 Year	£163,264	£163,172	-£92
3 Year	£156,581	£142,659	-£13,922
15 year	£231,052	£225,643	-£5,409



*In association with Strutt & Parker Real Estate Financial Services

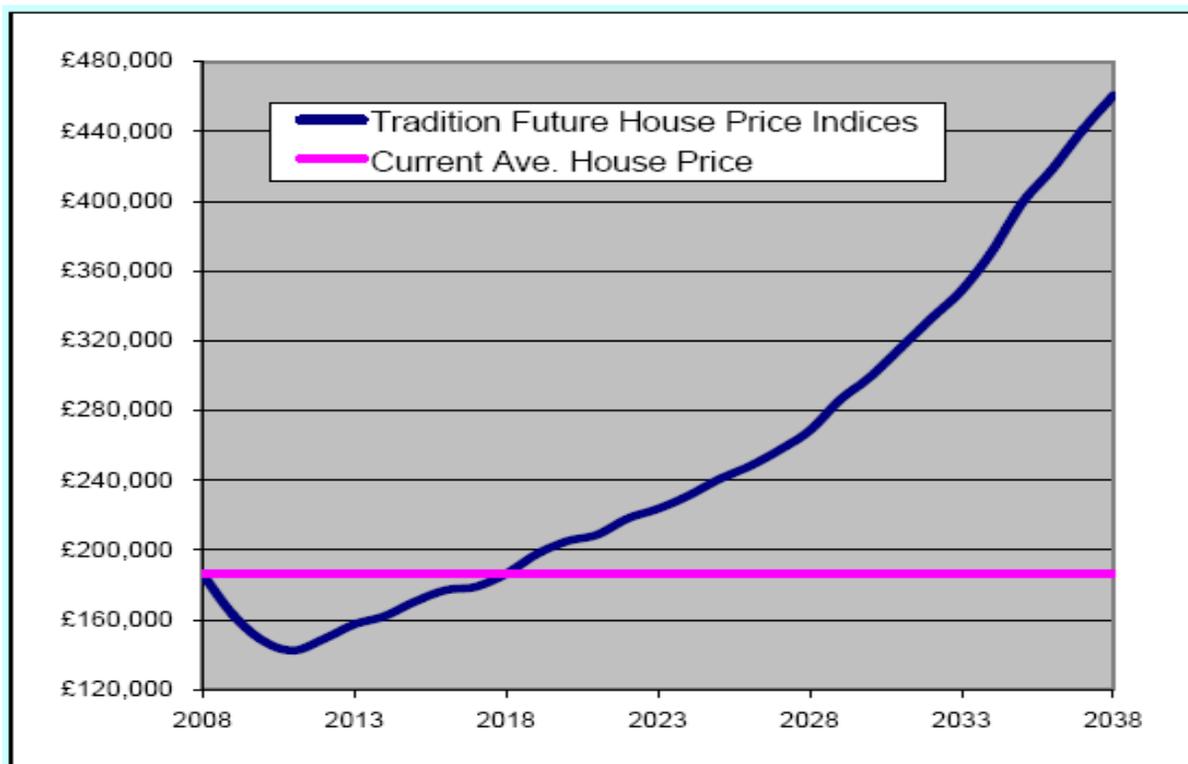
Note: Figures refer to the future value of the average house price in the UK

House Prices Predicted to Fall Another 23.5% in Next Three Years

According to the Tradition Future HPI, the average UK house price – currently £186,482 – will fall to £142,659 by May 2009. Market players regularly question whether the currently-depressed values in the derivative market will transcend into the real/physical housing market, but potential buyers of residential derivatives are yet to mount any challenge that may move the curve higher.

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

“ Future house price values are reacting to what seems to be a “triple whammy” of reduced mortgage availability, reduced affordability and an increasingly widespread acceptance that the physical housing market is now fully in correction mode. ”



Ten Years Under Water? It was Nine Years Last Time...

The chart above shows how the average UK house price is expected to fall during the next three years and not recover to its current value of £186,482 until 2018. The previous down-cycle in the market started at £70,588 in July 1989 – and, on that occasion, prices did not recover to that starting level for almost nine years.

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 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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