



REVIEW & PREVIEW

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PROPERTY INDEX:

New Play on Housing

The housing market may be going to hell in a handbasket, but now there's another way for Wall Street to hedge against Main Street's housing woes.

Radar Logic has started publishing a daily list of the median price per square foot of all types of property transactions in 25 different markets and has licensed the data, called the Residential Property Index, or RPX, to Morgan Stanley, Lehman Brothers and Merrill Lynch. They'll create derivative products -- swaps, futures and the like -- that will be traded over the counter next month to allow institutional investors to bet on price action in any of these specific markets.

Already, contracts are traded on the Chicago Mercantile Exchange in the S&P/Case-Shiller Index, a monthly gauge that tracks home sales in 10 cities. Though only 25 contracts a day are traded, the CME plans to add 60-month contracts next month, to the year-long contracts now traded. Another player "reinforces the idea there's interest in this market," says Felix Carabello, director of CME Group Alternative Investments, though he argues exchange-traded contracts are more fungible.

Michael Feder, CEO of **Radar Logic**, says most if not all major dealers of these types of products will be participating, producing greater liquidity. Feder isn't concerned about introducing another derivative product at a time when some mortgage derivatives are imploding. He notes housing derivatives aren't layered, but are directly tied to actual transactions. "When an asset class is under great pressure, one of the best things to do is find a new asset class," he says. Housing seems to fit the bill.