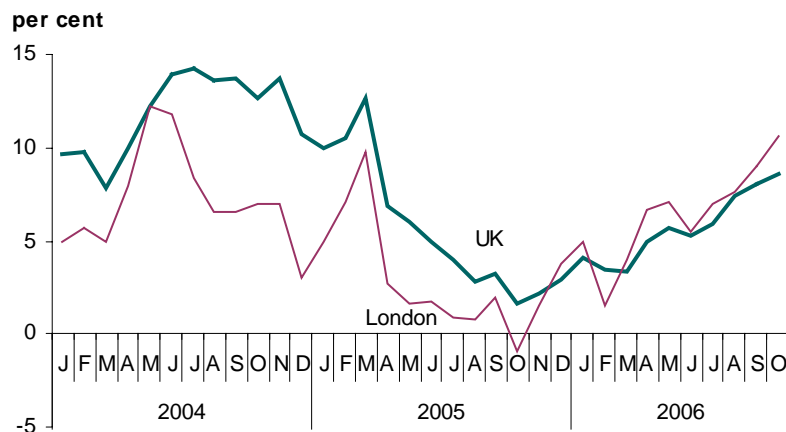


House Price Index October 2006

Date of release: 11 December 2006
Release: HPI-12-06

- The mix-adjusted average house price in the UK in October 2006 stood at £197,987, down from £198,552 in September 2006 (not seasonally adjusted).
- UK annual house price inflation in October 2006 was 8.6 per cent, up from 8.0 per cent in September 2006. Annual house price inflation in London was 10.6 per cent in October 2006, up from 9.0 per cent in September 2006.
- The UK annual house price inflation rate for the 3 months to October 2006 was 8.0 per cent and 9.1 per cent in London.

Figure 1: UK annual house price inflation (all dwellings)



		UK		London		UK
		All dwellings		All dwellings		All dwellings
		Index	% change	Index	% change	£
		Feb 02 = 100	over 12 months	Feb 02 = 100	over 12 months	
Not seasonally adjusted						
2006	May	159.3	5.7	141.0	7.1	190,211
	Jun	160.0	5.3	140.8	5.5	191,016
	Jul	162.7	5.9	144.1	7.0	194,273
	Aug	165.0	7.4	144.1	7.6	197,009
	Sep	166.3	8.0	146.4	9.0	198,552
	Oct	165.9	8.6	145.7	10.6	197,987

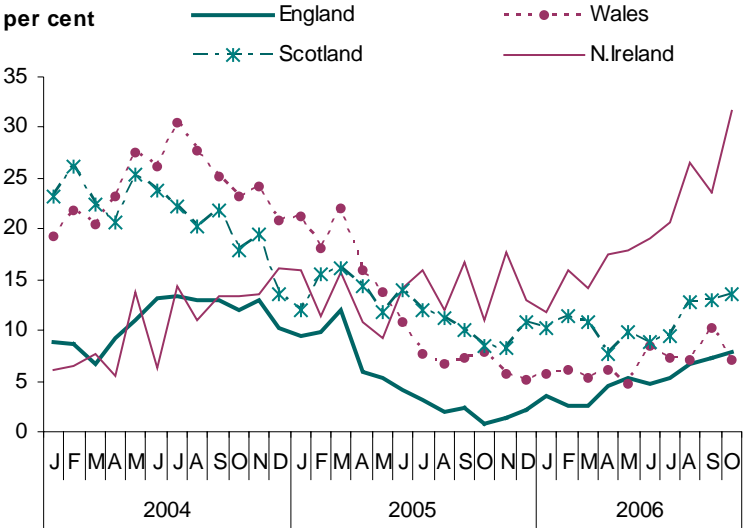
HOUSE PRICE INFLATION: REGIONAL

The UK house price inflation rate rose from 8.0 per cent in September 2006 to 8.6 per cent in October 2006. Although between September and October there was a fall of 0.3 per cent in the prices of properties bought, there was a larger fall of 0.9 per cent over the same period last year resulting in an increase in the inflation rate.

The fall in UK prices between September and October can be attributed to falls in average prices for detached dwellings (2.1 per cent) and terraced houses (0.1 per cent). For all other dwelling types there were rises; for semi-detached houses (0.9 per cent), bungalows (0.7 per cent) and flats (0.3 per cent).

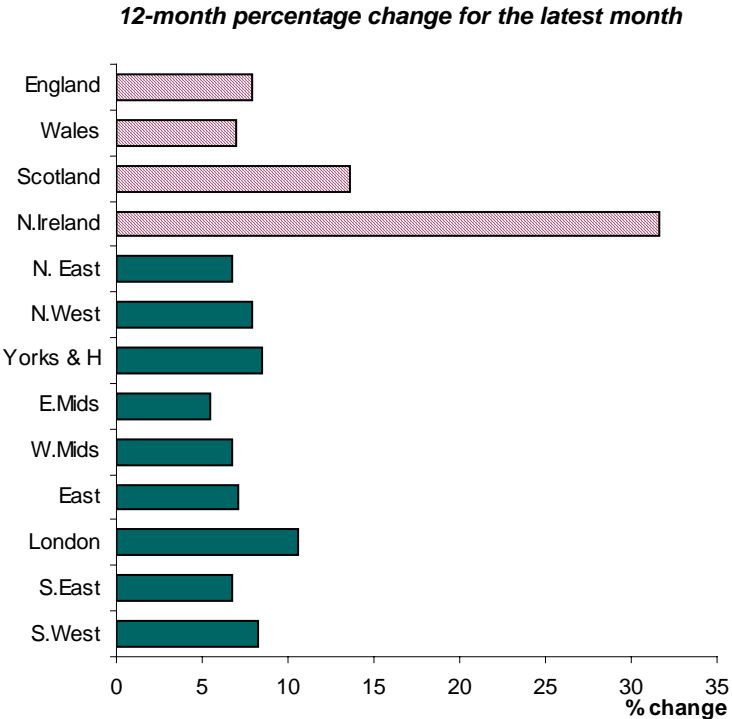
In the home countries in October, England, Scotland and Northern Ireland saw increases in inflation, while inflation fell in Wales. The inflation rate in England rose from 7.2 per cent in September to 7.9 per cent in October; the inflation rate in Scotland rose from 12.9 per cent to 13.6 per cent; in Northern Ireland the rate rose from 23.6 per cent to 31.6 per cent. In Wales the rate fell from 10.3 per cent to 7.0 per cent.

**Figure 2: House price inflation by country
12-month percentage change**



House price inflation rose in six of the English regions and fell in the North East, Yorkshire and the Humber and the West Midlands. The highest inflation rate was in London (10.6 per cent) followed by Yorkshire and the Humber (8.4 per cent), South West (8.2 per cent) and the North West (7.9 per cent). Inflation rates were lower in the East (7.1 per cent), the South East (6.8 per cent), North East and West Midlands (both 6.7 per cent). The lowest inflation rate was in the East Midlands (5.4 per cent).

Figure 3: Regional house price indices



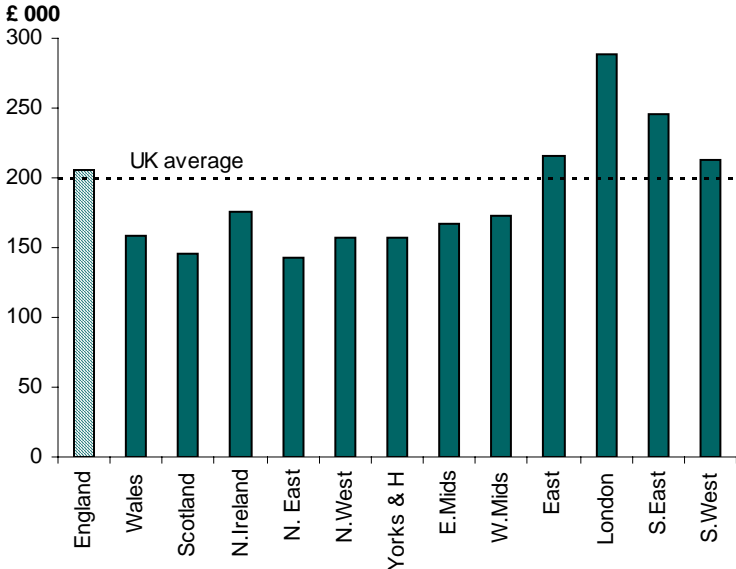
HOUSE PRICES: REGIONAL

Mix-adjusted average house prices in October were £205,688 in England, £158,105 in Wales, £145,315 in Scotland and £175,991 in Northern Ireland.

The English region with the highest average house price in October remains London at £288,593. The lowest average price was in the North East at £143,252.

Only the East, London, South East and the South West had average prices above the UK average.

Figure 4: Mix-adjusted average house prices
Not seasonally adjusted



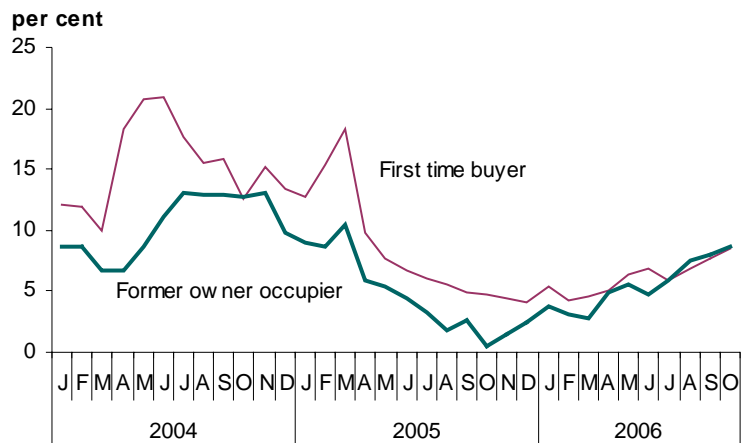
HOUSE PRICE INFLATION: TYPE OF BUYER

The UK house price inflation rate for first time buyers rose from 7.7 per cent in September to 8.5 per cent in October. There was a rise of 0.3 per cent in prices between September and October in the properties bought by first time buyers compared with a fall of 0.4 per cent over the same period last year.

The inflation rate for former owner occupiers rose from 8.0 per cent in September to 8.7 per cent in October. Although between September and October there was a fall of 0.5 per cent in the prices of properties bought by former owner occupiers, there was a larger fall of 1.1 per cent over the same period last year.

The average price paid by first time buyers across the whole of the UK was £153,083 in October, while the average price paid by former owner occupiers was £217,141.

**Figure 5: UK annual house price inflation by type of buyer
12-month percentage change**



TABLES

Tables are from April 2004 to October 2006.

A1: Mix-adjusted house price index and annual inflation by region.

A2: Mix-adjusted average house prices by region.

A3: Mix-adjusted house price index and annual inflation by type of buyer, UK.

A4: Mix-adjusted average house prices by type of buyer, UK.

Additional tables and earlier monthly data can be accessed in the 'Live tables' section (housing market) at www.communities.gov.uk/housingstatistics

NOTES TO EDITORS

1. The mix-adjusted house price series are produced by Communities and Local Government and are being published on an experimental basis. Development of the methodology underpinning the indices has been undertaken in conjunction with the Office for National Statistics. The index will undergo a quality audit during 2007 with a view to gaining accreditation as a 'National Statistic'.
2. Since September 2005 the new mix-adjusted house price index is based on an enlarged sample of completions data (about 50,000 per month) from about 50 mortgage lenders who supply data through the Regulated Mortgage Survey (RMS) of the Council of Mortgage Lenders (CML)/BankSearch. Prior to this date the index was based on the Survey of Mortgage Lenders (SML) (about 25,000 completions per month). The number of cases received will also be affected by the total number of mortgages that have been completed.
3. In January of each year the index weights are revised to reflect the pattern of property transactions during the previous 3 years. The mix-adjusted average prices for the rest of the year are then determined using these new weights. Consequently whilst house prices within the year are comparable – they are all based on the same weights - house prices between years cannot be compared because last year's weights and this year's weights are different. The index itself is constructed on a chain-linked basis, which enables year-on-year comparisons to be made. This means that the year-on-year change in the index for October, say, is effectively the change in the average price from October 2005 to January 2006 (using last year's weights) combined with the change in the average price from January 2006 to October 2006 using this year's weights. Therefore, the year-on-year change in the index is not the same as the year-on-year change in the mix-adjusted average price.
4. The Communities and Local Government index is currently showing similar year-on-year inflation to other indices available from commercial sources. The slight difference will be affected by differences in weighting. Communities and Local Government uses expenditure weights, whereas

other indices use transaction weights. Consequently, the Communities and Local Government index is influenced by house price inflation rates in the higher priced areas (which are currently in the South) where house prices - and therefore total expenditure on house buying - is highest. Similarly, regional inflation determined by Communities and Local Government is more influenced by the market for the higher priced properties (i.e. the demand for detached houses).

5. Note that the Communities and Local Government house price index figures released in this issue are based on completions during the month of October. Other recent indicators have been based on asking prices in November or prices based on mortgages approved during November. Therefore the Communities and Local Government figures are not directly comparable with these other indicators.
6. A month on month comparison of the Communities and Local Government index and price is not advised, as the series are not seasonally adjusted and comparisons over periods of less than a year will be affected by seasonal fluctuations. The series will not be seasonally adjusted until a sufficiently long series exists.
7. Further details on the methodology of the index can be found in the Publications section of Housing Statistics website, at www.communities.gov.uk/housingstatistics.
8. Further quarterly and annual house price data can be found on the Communities and Local Government web site in Live tables - Housing Market section, tables 507 and 508 and tables 590 to 594.
9. The next three release dates are:
 - **Monday 15 January 2007**
 - **Monday 12 February 2007**
 - **Monday 12 March 2007**

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