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The half yearly **Halifax Buying vs. Renting Review** tracks the cost of buying and renting a three bedroom property across the UK. **Average buying costs include mortgage payments, income lost by funding a deposit rather than saving, spending on household maintenance and repair and insurance costs.** The review is based on data from the Halifax's own extensive housing statistics database, Birmingham Midshires, the Bank of England and the Office for National Statistics (ONS). UK figures are a weighted average of regional data using housing tenure figures.

£120 a month cheaper to buy than rent

Homebuyer costs down 34% since 2008

Rents up 14% in the past three years

The cost of buying a home in the UK is 16% lower than renting, according to research by Halifax. The average monthly costs associated with buying a three bedroom house stood at £621 in December 2012; £120 (or 16%) lower than the typical monthly rent of £741 paid on the same property type. ¹ Over the course of a year this is equivalent to a saving of £1,440.

The gap between the costs of buying and renting has widened by £21 per month over the past year. At the end of 2011, the monthly costs associated with home buying was £99 (14%) lower than renting. Over the past year, buying costs have risen by 1%, while the cost of renting has increased by 4%.

Buying a house is more affordable than renting in all 12 UK regions. Buying is most affordable compared to renting in London with the typical homebuyer paying 15% (£193) a month less than the average renter (£1,101 against £1,294). In Yorkshire and the Humber there is virtually no difference, with average monthly buying costs just £1 lower than average monthly rental costs (£482 against £483).

Martin Ellis, housing economist at Halifax, commented:

"The sharp decline in home buying costs over the past few years, combined with a significant increase in rents, has greatly improved the financial attractiveness of buying a home. This shift has contributed to the increase in the numbers of house purchases, which reached a five year high in 2012.

"Despite this pick-up, home buying levels remains well below the levels at the height of the market. Today, concerns over job security and raising a deposit are the main obstacles to

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people buying their own home. However, it is worth noting that once homebuyers are on the first rung of the ladder, their monthly costs are notably lower.”

Buying has been cheaper than renting since 2009 with buying becoming increasingly less expensive over the past three years. In contrast, in 2008 average home buying costs (£935) were 30% (or £217) higher than the average monthly rent paid (£719).

The substantial improvement in the affordability of buying relative to renting since 2008 is largely due to a 34% decline in home buying costs over the past four years. The majority of this fall occurred in 2009 due to a drop in both house prices and mortgage rates.

The average monthly cost of renting has risen by 14% (£89) over the past three years from £652 in December 2009 to £741 in December 2012.

Home purchase at its highest level for five years but remains well below peak

The lower costs of buying compared with renting are likely to have contributed to the 6% increase in the number of house sales in 2012. Nonetheless, whilst sales last year were the highest in the past five years, the total (932,000) was still 42% lower than in 2007 (1,619,000)².

Concerns over job security and raising a deposit are key obstacles to purchase

According to the latest Halifax housing confidence survey³, more than half the respondents highlighted concerns about job security (58%) and the challenges in raising a deposit (55%) as the main barriers to buying a home,

Table 1: UK average monthly buying costs and rental payments*

	Average monthly buying costs	Average monthly rental costs*	% difference	£ difference
Dec-08	£935	£719	30%	£217
Dec-09	£646	£652	-1%	-£6
Dec-10	£643	£680	-6%	-£38
Dec-11	£614	£713	-14%	-£99
Dec-12	£621	£741	-16%	-£120

Sources: Halifax, Birmingham Midshires and ONS

*Weighted average of regional data using housing tenure figures.

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Table 2: Average monthly buying and rental costs by region, December 2012

	Average monthly buying costs	Average monthly rental costs	% difference	£ difference
Greater London	£1,101	£1,294	-15%	£-193
Northern Ireland	£362	£421	-14%	£-60
South East	£839	£889	-6%	£-51
South West	£697	£737	-5%	£-39
East Anglia	£606	£645	-6%	£-39
West Midlands	£525	£560	-6%	£-34
Scotland	£524	£558	-6%	£-34
North West	£498	£526	-5%	£-28
North	£451	£478	-6%	£-27
Wales	£470	£486	-3%	£-16
East Midlands	£505	£513	-2%	£-8
Yorkshire & the Humber	£482	£483	0%	£-1

Sources: Halifax, Birmingham Midshires and ONS

Editors' Notes:

¹ Average buying costs:

Average buying costs include mortgage payments (weighted average of repayment and interest-only mortgage payments), household maintenance, repair, minor alterations and insurance costs. Mortgage payments refer to the average new borrower (including both first-time buyers and homemovers). Figures relate to the first year of purchase.

Rental payments:

Average rental payments are based on rental data from Birmingham Midshires. UK figures are a weighted average of the regional rental data and are based on new loans only. Weights have been calculated using regional housing tenure data from the CLG. Rental payments refer to the average for a three bedroom house over 12 months to December.

² Source: HMRC.

³ http://www.lloydsbankinggroup.com/media/pdfs/halifax/2013/0101_Tracker.pdf

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Mortgage payments:

Mortgage payments are the weighted average of repayment (capital and interest) and interest-only mortgage payments. They refer to the average for a new borrower – either first-time buyer or home mover. Weights have been constructed using FSA regulated mortgage statistics on advances by mortgage type. Average mortgage payments (both repayment and interest-only) have been calculated using house price data from the Halifax's own extensive housing statistics database and Bank of England series on the average of UK resident banks' sterling weighted average interest rate loans secured on dwellings to households for new borrowers only. It is assumed that the average advance is 73% of the purchase price and is based on CML data. UK mortgage payments figures are a weighted average of the regional data. Weights have been calculated using regional housing tenure data from the CLG. Mortgage payments refer to the average for a three bedroom house over 12 months to December.

Income lost by funding a deposit rather than saving:

It is assumed that there is a cost involved in funding a deposit which for this analysis is the monthly interest income lost from paying a deposit instead of saving it in an interest bearing account. This has been calculated using house price data from the Halifax's housing statistics database and the interest gained from an average of Bank of England quoted savings rates on instant access, notice, ISA and fixed rate bond accounts. For example, the average monthly income required to buy a three bed home (£39,993) in the UK would generate an average monthly income of £40. If used to fund a deposit, the income from the interest would be lost and is therefore included as a cost within the average monthly buying costs measure.

Household maintenance, repair, minor alterations and insurance costs:

Estimated maintenance repair, minor alterations and insurance costs associated with owning a home have been sourced from the ONS Family Spending Survey for 2011. Estimates for 2008, 2009, 2010 and 2012 have been calculated using the 2011 survey data and adjusted using the CPI series on regular maintenance and repair of dwellings.

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