



NOT FOR BROADCAST OR PUBLICATION BEFORE 00.01 HRS Monday 16th May 2011

This is the annual Halifax review of the cost of owning and running a home. The review is compiled using a range of official statistics, including the ONS Family Spending Survey. Housing costs include mortgage payments (interest and capital repayments), council tax, spending on maintenance and repair, water supply, electricity, gas and other fuels, household appliances, tools and equipment, goods and services for routine household maintenance, telephone accounts, toiletries and household insurance. **All figures used in the research relate to all owner occupiers not just mortgage holders.**

Cost of housing rises to three year high

The cost of owning and running a home in the UK has risen to its highest level since 2008 despite historically low interest rates, according to new research by Halifax. Over the past year, the average annual cost associated with owning and running a home rose by 1.4% (£127) from £8,956 in March 2010 to £9,083 in March 2011. Despite this increase, housing costs in March 2011 were still some 3.5% (£328) lower than the average annual total in March 2008 (£9,412).

The increase in housing costs over the past year was driven by rises in the cost of 9 out of the 11 housing expenditure categories. In monetary terms, electricity and gas charges (+£68) and maintenance costs (+£45) were the biggest contributors to the overall rise in housing expenses.

Utility bills see largest rise over past three years

Overall, utility bills have risen by 19% (£237) since 2008: the biggest increase of any housing expenditure category. Housing maintenance and repair expenditure saw the next largest increase (17%).

Mortgage payments have fallen by more than a fifth since 2008

The fall in housing expenses over the past three years was driven entirely by the substantial decline in mortgage payments. The average mortgage rate paid by existing borrowers fell by 231 basis points between March 2008 and March 2011 from 5.80% to 3.49%, helping to reduce the average annual mortgage payment (interest and capital repayments) by 21% (£956). Mortgage payments were the only housing expense category to see a fall between March 2008 and March 2011 and also recorded the biggest decline over the past year (-2%).

If mortgage costs were excluded from the calculation then housing related expenditure would have increased by 13% between March 2008 and March 2011, greater than the rise in inflation over the same period (10%). In addition, those paying rent rather than a mortgage have seen their housing costs rise by 10% over the same period.

All regions have seen a fall in housing costs since 2008

The cost of owning and running a home in London fell by 5.9% between March 2008 and March 2011; the largest of any region. The South East (-4.9%) recorded the second biggest decrease followed by the East of England (-4.5%). Those living in Northern Ireland saw the smallest drop in housing costs (-0.3%).

Suren Thiru, housing economist at Halifax, commented:

"Household finances remain under pressure with the significant drop in mortgage payments since 2008 mostly offset by increases in other household bills. Rising utility bills have been a clear driver behind this, along with increases in maintenance costs and council tax charges. The current strain on household finances is particularly concerning at a time when earnings growth remains weak."

ADDITIONAL KEY FINDINGS

Share of total housing costs by category

- Due to the 21% decline in mortgage payments since 2008, mortgage payments' share of total housing costs declined from 48% in March 2008 to 39% in March 2011. At the other end of the scale, electricity and gas bills' proportion of housing costs rose from 13% to 16% as a result of the 19% rise in such costs over the past three years.
- Mortgage payments remain the largest single component of the cost of owning and running a home, accounting for 39% of total costs. Electricity and gas charges (16%) account for the second highest share followed by council tax charges and domestic rates (14%).

Housing costs by region

- London (£11,783) has the highest average annual costs of owning and running a home, followed by the South East (£10,496). Annual housing costs are lowest in the North East (£7,421).
- Despite having the highest absolute costs, housing expenses are the lowest in London when expressed as a percentage of gross average full-time earnings (25%). Home owning and running costs are highest in relation to earnings in the East of England (31%).

Table 1 – Cost of Owning and running a House by category, March 2008- March 2011

	Estimated costs £s Mar 2008	Estimated costs £s Mar 2010	Estimated costs £s Mar 2011	1 year % change	3 year % change
Maintenance and repair of dwelling	599	653	698	6.9%	16.5%
Water supply and miscellaneous dwelling services	411	458	458	-0.2%	11.4%
Electricity, gas and other fuels	1,219	1,389	1,456	4.9%	19.5%
Household appliances	195	215	217	0.8%	11.3%
Tools and equipment for house and garden	169	176	191	8.7%	13.1%
Goods and services for routine household maintenance	328	359	376	4.7%	14.8%
Telephone account	305	316	332	5.1%	8.8%
Toiletries, cleaning products, etc	149	157	162	3.3%	9.0%
Household insurances	362	357	375	5.0%	3.6%
Mortgage payments (capital and interest)	4,491	3,615	3,535	-2.2%	-21.3%
Council tax, domestic rates	1,185	1,261	1,283	1.7%	8.3%
Total Cost of Owning and running a home	9,412	8,956	9,083	1.4%	-3.5%

Source: Halifax, ONS

Table 2 – Share of total housing costs by category, March 2008- March 2011

	% Share of total housing costs (Mar 08)	% Share of total housing costs (Mar 11)
Maintenance and repair of dwelling	6%	8%
Water supply and miscellaneous dwelling services	4%	5%
Electricity, gas and other fuels	13%	16%

Household appliances	2%	2%
Tools and equipment for house and garden	2%	2%
Goods and services for routine household maintenance	3%	4%
Telephone account	3%	4%
Toiletries, cleaning products, etc	2%	2%
Household insurances	4%	4%
Mortgage payments (capital and interest)	48%	39%
Council tax, domestic rates	13%	14%
Total Cost of Owning and running a home	100%	100%

Source: Halifax, ONS

Table 3 – Cost of Owning and running a House by Region, March 2008- March 2011

	Cost of Owning and running a home £s (Mar 08)	Cost of Owning and running a home £s (Mar 10)	Cost of Owning and running a home £s (Mar 11)	1 year % change	3 year % change
North East	7,607	7,334	7,421	1.2%	-2.5%
North West	8,602	8,300	8,399	1.2%	-2.4%
Yorkshire & the Humber	8,093	7,732	7,832	1.3%	-3.2%
East Midlands	8,739	8,393	8,487	1.1%	-2.9%
West Midlands	8,431	8,090	8,180	1.1%	-3.0%
East	10,271	9,731	9,809	0.8%	-4.5%
Greater London	12,528	11,727	11,783	0.5%	-5.9%
South East	11,036	10,426	10,496	0.7%	-4.9%
South West	9,186	8,801	8,911	1.3%	-3.0%
Wales	7,544	7,361	7,487	1.7%	-0.8%
Scotland	8,800	8,525	8,641	1.4%	-1.8%
Northern Ireland	7,487	7,301	7,468	2.3%	-0.3%
UK	9,412	8,956	9,083	1.4%	-3.5%

Source: Halifax, ONS

Table 4 –Cost of Owning and Running a House in Relation to Earnings* by Region

	Cost of Owning and running a home £s (Mar 11)	Home costs as a % of UK average earnings* £s (Mar 11)
North East	7,421	27%
North West	8,399	28%
Yorkshire & the Humber	7,832	27%
East Midlands	8,487	29%
West Midlands	8,180	28%
East	9,809	31%
Greater London	11,783	25%

South East	10,496	30%
South West	8,911	30%
Wales	7,487	28%
Scotland	8,641	28%
Northern Ireland	7,468	28%
UK	9,083	28%

Source: Halifax, ONS

*Average earnings are based on ASHE survey and average earnings index published by the ONS.

Editors' Notes:

Data Sources:

Mortgage payments: The weighted average of repayment (capital and interest) and interest-only mortgage payments. Weights have been constructed using FSA regulated mortgage statistics on balances by mortgage type.

Mortgage interest rates: Monthly average of UK resident banks' sterling weighted average interest rate loans secured on dwellings to households for existing borrowers only (not seasonally adjusted). Data series published by the Bank of England (code: CFMHSDE). From January 2010, building society rates are included within the overall rate for UK MFIs.

Housing costs for rents: Average rental payments are based on rental data from the Birmingham Midshires mortgage book. 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 9 months to March. Maintenance and repair of dwelling costs have been excluded from the calculation.

Methodology: This housing cost research has been compiled using consumer spending data for households that are owner-occupiers. Owner occupied housing spending data has been extracted from the ONS Family Spending Survey for the period 2001/02 to 2004/05. This data has been used to construct base weights and levels of owner occupied home owning and running costs. Price rises from equivalent Consumer Price Index and Retail Price Index categories has then been applied to these base weights to calculate the change in and current level of owner occupied home owning and running costs. The price rise in the repayment mortgage component of mortgage payments (see above) is calculated using Bank of England series on outstanding mortgage balances and monthly average of UK resident banks' sterling weighted average interest rate loans secured on dwellings to households for existing borrowers only.

Council tax bills are based on spending patterns of owner occupiers in the Family Spending Survey and will not match up with official Band D or average council tax bills. Similarly, utility bills relate owner occupied households and may be larger than equivalent bills for all households because of the typically larger sizes of owner occupied properties.

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