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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, HMRC and the Office for National Statistics (ONS). UK figures are a weighted average of regional data using housing tenure figures.

Almost £900 a year cheaper to buy than rent *In contrast, home buying costs in 2008 were over £4,200 per year higher than renting*

Homebuyers in the UK are £875 (10%) a year better off buying their own home instead of renting, according to research by Halifax. The average monthly costs associated with buying a three bedroom house stood at £672¹ in June 2013; £73 (or 10%) lower than the typical monthly rent of £745 paid on the same property type. The percentage difference between the monthly cost of buying and renting has fallen marginally from a year earlier.

Five years ago renting was considerably financially more attractive than buying. In June 2008 the average monthly cost associated with home buying was £352 (49%) higher than renting – equivalent to an annual cost difference of £4,226. The substantial improvement in the affordability of buying relative to renting since 2008 largely reflects a 37% decline in home buying costs over the past five years. (See Table 1)

Both lower house prices and mortgage rates have contributed to making home buying more affordable. The average mortgage rate for a new borrower has fallen by 2.31%² over the past five years from 5.88% in June 2008 to 3.57% in June 2013. The average house price has fallen by 13%³ over the same period. The typical rent paid, however, has increased by 13% (£88) since June 2010.

Buying a house is more affordable than renting in all but two regions in the UK. Average monthly buying costs in both Yorkshire and the Humber and Wales are marginally higher (1%) than average monthly rental costs. On the other hand, buying is most affordable compared to renting in percentage terms in Northern Ireland where the typical homebuyer paying 11% (£47) a month less than the average renter (£369 against £415). In cash terms, the average monthly cost of buying in London is £98 lower than renting.

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Despite the improvements in mortgage affordability, the number of buyers in the UK housing market in the twelve months to June 2013 was 44% lower (959,770⁴) than in the same period in 2008 (1,711,000). However, there are signs of increasing market activity, with the number of home buyers rising by 3% compared to the same period in 2012.

The recent Halifax housing confidence survey⁵ shows that sentiment regarding the housing market has improved markedly in recent months. This increase in optimism is partly due to house prices picking up so far in 2013. However, the survey shows that worries over job security and raising a deposit remain key obstacles to market activity. The average deposit put down by homebuyers has grown to £40,628 in June 2013, up from £38,893 a year earlier.

Martin Ellis, housing economist at Halifax, commented:

"A combination of lower mortgage rates and declining house prices has substantially reduced the cost of buying over the past six years. Nevertheless, the number of home buyers in the twelve months to June 2013 was nearly half of that in 2008, which will have been constrained by worries over job security.

"We understand that building a deposit is still a key challenge for those looking to get on the ladder, although once this has been achieved, buying is much more affordable. Whilst optimism in the housing market has improved in recent months these factors remain key obstacles to home purchases."

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

	Average monthly buying costs*	Average monthly rental costs**	% difference	£ difference
June 2008	£1,072	£720	49%	£352
June 2009	£775	£697	11%	£78
June 2010	£676	£657	3%	£19
June 2011	£668	£693	-4%	-£25
June 2012	£650	£728	-11%	-£78
June 2013	£672	£745	-10%	-£73

Sources: Halifax, Birmingham Midshires and ONS. Buying and rental costs are 12 months to June.

* Weighted average of regional data using owner occupied housing tenure figures

**Weighted average of regional data using private rental housing tenure figures.

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Table 2: Average monthly buying and rental costs by region, June 2013

Region	Average monthly buying costs	Average monthly rental costs	% difference	£ difference
Northern Ireland	£369	£415	-11%	-£47
Greater London	£1,200	£1,297	-8%	-£98
Scotland	£537	£564	-5%	-£27
North	£469	£486	-4%	-£17
South East	£881	£912	-3%	-£32
South West	£723	£737	-2%	-£14
North West	£520	£529	-2%	-£9
East Anglia	£628	£637	-2%	-£10
West Midlands	£553	£559	-1%	-£6
East Midlands	£524	£527	-1%	-£3
Wales	£490	£485	1%	£5
Yorkshire & the Humber	£498	£493	1%	£6

Sources: Halifax, Birmingham Midshires and ONS. Buying and rental costs are 12 months to June.

Editors' Notes:

¹Average 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 and are for 3 bedroom houses.** UK figures are a weighted average of the regional owner occupied tenure data, based on Halifax estimates.

Rental payments:

Average rental payments are based on rental data from Birmingham Midshires. UK figures are a weighted average of the regional private rental tenure 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 June.

² Source: 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.

³ Based on the Halifax House Price Index

⁴ Source: HMRC <http://www.hmrc.gov.uk/statistics/transactions.htm#4>

⁵ Halifax Housing Market Confidence Tracker July 2013

http://www.lloydsbankinggroup.com/media/pdfs/halifax/2013/1307_Confidence_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 75% of the purchase price and is based on CML data for 2011 to 2013, and 73% for previous years. 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 June.

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 deposit required to buy a three bed home (£40,628) in the UK would generate an average monthly income of £49. 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, 2012 and 2013 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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