

07/04/2012

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, DCLG and Halifax's own extensive housing database. 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 owning and running a home at highest level since 2008

Rising cost of utility bills account for 89% of total rise
Increase comes despite 23% drop in average mortgage payments

The expense of owning and running a house has risen to its highest level in four years, according to new research by Halifax. The typical annual cost associated with owning and running a home in the UK stood at £9,393 in January 2012, the highest average annual total since January 2008 (£9,406). Over the past year, the cost of housing has risen by 2.7% (£243) from £9,149 in January 2011. The increase, however, was less than the 3.6% rise in consumer prices over the same period.

The increase in housing costs over the past year largely reflects rising utility bills

In monetary terms, the largest upward pressure on housing costs came from a £218 rise in gas and electricity bills, accounting for 89% of the total rise. The increase in gas and electricity was more than seven times the rise in the cost of home and garden tools (+£31), the second biggest contributor to the increase in housing costs. Nine of the 11 housing expense categories tracked have risen in cost over the past year. In contrast, the most significant downward pressure on costs for homeowners came from mortgage payments, which fell by an average of £66. (**Table 1**)

Home running costs have risen across all UK regions in the last 12 months

Housing costs have risen across all UK regions since January 2011. Nonetheless, just two of the 12 regions – Northern Ireland and Wales – saw costs rise at a faster rate than consumer price inflation (3.6%). Northern Ireland recorded the largest rise (4.6%), followed by Wales (3.9%). Those living in the East Midlands and London saw the smallest rises (both 1.9%). (**Table 2**)

Unsurprisingly, total annual costs of owning and running a home are highest in London, at £11,843. This is 52% (£4,051) higher than in Northern Ireland (£7,793), which has the lowest costs.

Mortgage payments have fallen by nearly a quarter since 2008...

The typical annual mortgage payment has fallen by 23% (-£1,036) over the past four years from £4,521 in January 2008 to £3,485 in January 2012. This decline reflects both the significant fall in mortgage rates and the reduction in house prices over the period.

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...offsetting the rising cost of all other housing expense categories

The cost of each of the other 10 housing expenditure categories tracked has risen since 2008. Utility bills recorded the biggest increase (50%), followed by home and garden tools (28%) and home maintenance (20%). Consumer prices, in general, increased by 15% over the period.

Housing costs up 55% over the past decade

Between January 2002 and January 2012, the average annual cost associated with owning and running a home rose by 55% (£3,333) in the UK from £6,061 to £9,393. This is double the increase in consumer prices over the period (28%).

The rise in the cost of housing since 2002 has been driven by a £1,227 increase in mortgage payments (notwithstanding the significant decline since 2008), a £979 rise in gas and electricity bills and a £502 increase in council tax payments. These increases combined accounted for 81% of the total rise in housing costs. (**Table 3**)

Martin Ellis, housing economist at Halifax, commented:

"The typical costs of owning and running a home has increased over the past year, returning the overall level to that of four years ago. This has happened despite the substantial fall in mortgage payments over recent years, as all the other costs associated with home ownership have risen. The prospect of declining consumer price inflation through much of 2012 may help the costs associated with running a home to ease as well, providing some welcome relief to homeowners."

ADDITIONAL KEY FINDINGS

Share of total housing costs by category (**Table 4**)

Mortgage payments have dropped significantly as a share of total housing costs over the last four years from 48% in January 2008 to 37% in January 2012. In contrast, electricity and gas bills' share has risen from 12% to 18%.

Mortgage payments remain the largest single component of housing expenses (37%). Electricity and gas charges account for the second highest share (18%), followed by council tax payments (15%).

Table 1 – Cost of Owning and Running a House by category, Jan 2008- Jan 2012

	Jan 2008 £s	Jan 2011 £s	Jan 2012 £s	1 year % change	4 year %
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					change
Maintenance and repair of dwelling	599	694	717	3.3%	20%
Water supply and miscellaneous dwelling services	413	458	478	4.4%	16%
Electricity, gas and other fuels	1,101	1,435	1,653	15.2%	50%
Household appliances	196	217	219	0.9%	12%
Tools and equipment for house and garden	169	185	216	16.6%	28%
Goods and services for routine household maintenance	327	374	384	2.6%	17%
Telephone account	310	329	342	4.1%	10%
Toiletries, cleaning products, etc	149	162	163	0.5%	10%
Household insurances	350	368	358	-2.6%	2%
Mortgage payments (capital and interest)	4,521	3,551	3,485	-1.9%	-23%
Council tax	1,271	1,377	1,379	0.1%	8%
Total Cost of Owning and running a home	9,406	9,149	9,393	2.7%	-0.1%

Sources: Halifax, ONS

Table 2 – Cost of Owning and Running a House by Region, Jan 2008- Jan 2012

	Jan 2008 £s	Jan 2011 £s	Jan 2012 £s	1 year % change	4 year % change
North East	7,718	7,752	7,983	3.0%	3.4%
North West	8,564	8,588	8,831	2.8%	3.1%
Yorkshire & the Humber	8,033	8,078	8,320	3.0%	3.6%
East Midlands	8,729	8,717	8,882	1.9%	1.8%
West Midlands	8,382	8,354	8,592	2.8%	2.5%
East	10,130	9,932	10,171	2.4%	0.4%
Greater London	12,135	11,623	11,843	1.9%	-2.4%
South East	10,795	10,511	10,747	2.2%	-0.4%
South West	9,093	9,065	9,310	2.7%	2.4%
Wales	7,459	7,603	7,899	3.9%	5.9%
Scotland	8,461	8,266	8,523	3.1%	0.7%
Northern Ireland	7,316	7,452	7,793	4.6%	6.5%
UK	9,406	9,149	9,393	2.7%	-0.1%

Sources: Halifax, ONS

Table 3 – Cost of Owning and Running a House by category, Jan 2002- Jan 2012

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	Estimated costs £s Jan 2002	Estimated costs £s Jan 2012	10 year £s change	10 year % change
Maintenance and repair of dwelling	502	717	215	43%
Water supply and miscellaneous dwelling services	292	478	186	64%
Electricity, gas and other fuels	674	1,653	979	145%
Household appliances	217	219	2	1%
Tools and equipment for house and garden	185	216	31	17%
Goods and services for routine household maintenance	283	384	101	36%
Telephone account	326	342	16	5%
Toiletries, cleaning products, etc	153	163	9	6%
Household insurances	294	358	64	22%
Mortgage payments (capital and interest)	2,258	3,485	1,227	54%
Council tax	877	1,379	502	57%
Total Cost of Owning and running a home	6,061	9,393	3,333	55%

Sources: Halifax, ONS

Table 4 – Share of total housing costs by category, Jan 2008- Jan 2012

	% Share of total housing costs (Jan 08)	% Share of total housing costs (Jan 12)
Maintenance and repair of dwelling	6%	8%
Water supply and miscellaneous dwelling services	4%	5%
Electricity, gas and other fuels	12%	18%
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%	37%
Council tax	14%	15%
Total Cost of Owning and running a home	100%	100%

Sources: Halifax, ONS

Editors' Notes:

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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 Midlands 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 data from the DCLG, Scottish Executive, Welsh Assembly and the Northern Ireland Neighbourhood Information Service. The data refers to average Band D council tax bills with the exception of Northern Ireland which refers to the average rates bill. The UK estimate is a weighted average of the region data. Weights have been calculated using owner occupancy data.

Utility bills are based on spending patterns of owner occupiers in the Family Spending Survey and relate to owner occupied households and therefore maybe larger than equivalent bills for all households because of the typically larger sizes of owner occupied properties.

"This report is prepared from information that we believe is collated with care, however, it is only intended to highlight issues and it is not intended to be comprehensive. We reserve the right to vary our methodology and to edit or discontinue/withdraw this, or any other report. Any use of this report for an individual's own or third party commercial purposes is done entirely at the risk of the person making such use and solely the responsibility of the person or persons making such reliance." © Bank of Scotland plc all rights reserved 2012.

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