

The **Halifax Buying vs. Renting Review** tracks the cost of buying and renting a three bedroom property faced by **first-time buyers (FTB)** across the UK. **Average buying costs include mortgage payments for a typical FTB, income lost by funding a deposit rather than saving, spending on household maintenance and repair and insurance costs.** They do not include one-off costs, such as stamp duty, valuation and legal fees. The review is based on data from the Halifax's own extensive housing statistics database, BM Solutions, the Bank of England and the Office for National Statistics (ONS). UK rent figure is a weighted average of regional data using housing tenure data.

First-time buyers can save £1,300 a year by buying rather than renting

Difference increases three-fold over the past five years

The cost of a first-time buyer owning a home in the UK is now on average £110 per month lower than renting or £1,316 per year (14%), according to research by Halifax.

The average monthly mortgage costs associated with owning a three bedroom house for a typical first-time buyer in the UK stood at £677 in June 2014; £110 lower than the average monthly rent paid² on the same property type at £787. Five years ago, the average cost of buying was £37 a month more (£734 v. £697) than the typical rent paid. (See Table 1)

The significant fall in the monthly cost associated with buying compared to renting has been driven by the decline in the average mortgage rate since 2009. The mortgage rate³ for a first time buyer has fallen to an average of 3.09% from 4.92% in June 2009, helping to reduce the average monthly mortgage payment by £57 (8%).

In the past year the difference has grown from £93 to £110; although the average buying cost has grown by £25 this has been more than offset by average rental costs rising by £42.

Buying is cheaper than renting in all regions, except the East Midlands and East Anglia

Regionally, buying is currently most cost-effective compared to renting in London, Wales and the West Midlands; with the average first time buyer taking out a new mortgage to finance house purchase in the West Midlands paying 12% less per month than the typical private tenant. Only in the East Midlands are first-time buyers still better off renting. (See Table 2)

First time buyers up a third in the past year

The lower costs of owning compared with renting, together with lower mortgage rates and an improving economy may have contributed to a 29% to the number of buyers getting on the housing ladder for the first time. In 12 months to June 2014 there were 301,300 house purchases made by first-time buyers, compared to 233,400 a year ago; and almost double compared to five years earlier (155,700). First-time buyers now account for 45% of all house purchases, compared to 38% in 2009.

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Craig McKinlay, Mortgage Director, Halifax said: "It is clearly encouraging that since 2009 there has been a significant decline in the cost of buying a home for those for those trying to get on the housing ladder. The improvement is due to a combination of lower mortgage rates and rising private rents. In contrast, market conditions for renters have deteriorated as rents have risen over the same period.

"Buying costs have been remarkably stable for much of the past five years making home ownership a more attractive option. With greater availability of mortgages that require smaller deposits, the property ladder has also become even more accessible for those who can afford the monthly costs of owning but had previously not been able to save the necessary deposit."

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

	Average monthly buying costs	Average monthly rental payment	% difference	£ difference
June 2009	£734	£697	5%	£37
June 2010	£662	£657	1%	£5
June 2011	£630	£693	-9%	-£63
June 2012	£624	£728	-14%	-£104
June 2013	£652	£745	-12%	-£93
June 2014	£677	£787	-14%	-£110

Sources: Halifax, BM Solutions and ONS. 12 months to June

*Weighted average of regional data using housing tenure figures.

Table 2: First time buyer average monthly buying and rental costs by region, June 2014

Region	Average monthly buying costs	Average monthly rental costs	% difference	£ difference
Greater London	£1,308	£1,390	-6%	-£82
Northern Ireland	£411	£426	-3%	-£14
Wales	£487	£532	-9%	-£45
North	£490	£498	-2%	-£8
Scotland	£553	£582	-5%	-£29
North West	£539	£549	-2%	-£11
Yorkshire & the Humber	£509	£528	-4%	-£19
South West	£736	£755	-2%	-£18
South East	£925	£926	0%	-£2
East Midlands	£559	£544	3%	£15

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West Midlands	£589	£671	-12%	-£82
East Anglia	£681	£672	1%	£9

Sources: Halifax, BM Solutions and ONS. 12 months to June

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 and income lost by funding a deposit rather than saving. Mortgage payments refer to the average first time buyer with a 90% average LTV. Figures relate to the first year of purchase.

² **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 June.

³ **Mortgage payments:**

Mortgage payments are the weighted average of repayment (capital and interest) and interest-only mortgage payments. They refer to the average first-time buyer with a 90% average advance. Weights have been constructed using FCA 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. Mortgage payments refer to the average for a three bedroom house over 12 months to June for each year.

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 is this based on 10% required to buy a three bed home (£15,748) in the UK would generate an average monthly income of £19. 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 2012. Estimates for 2009, 2010, 2011, 2013 and 2014 have been calculated using the 2012 survey data and adjusted using the CPI series on regular maintenance and repair of dwellings.

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