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The **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.

Over £130 a month cheaper to buy than rent

Homebuyer costs have nearly halved since 2008

The cost of buying a home in the UK is now almost a fifth lower than renting, according to research by Halifax. The average monthly costs associated with buying¹ a three bedroom house stood at £600 in June 2012; £132 (or 18%) lower than the typical monthly rent of £732 paid on the same property type. In 2011, the monthly cost associated with home buying was £78 (11%) lower than renting. Over the past year, buying costs have dropped by 3%, while the cost of renting has increased by 5%.

Homebuyers see costs fall 43% in four years...

In contrast, in 2008 average home buying costs (£1,048) were 45% (or £324) more than the average monthly rent paid (£724).

The substantial improvement in the affordability of buying relative to renting largely reflects a 43% drop in home buying costs since 2008; caused by a marked fall in both house prices and mortgage rates. The average mortgage rate for a new borrower² has declined by more than two percentage points over the last four years from an average of 5.91% in June 2008 to 3.82% in June 2012. Over the same period, the typical UK house price³ has decreased by a tenth. In contrast, the typical rent paid has risen by 11% (£72) since 2010.

Monthly home buying costs currently account for less than a third (29%) of average UK disposable income⁴, down from over half (54%) in 2008. Home buying costs in 2012 also account for a smaller proportion of average UK disposable income than rental payments (29% against 35%).

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...but the number of buyers entering the housing market remains weak...

Despite the improvement in affordability, the number of buyers⁵ in the UK housing market has fallen significantly over the last four years. There were 535,200 buyers (with a mortgage) in the twelve months to June 2012; a third (33%) lower than the same period in 2008 (793,600).

...driven by the size of the average deposit required and economic uncertainty

The recent Halifax housing confidence survey⁶ showed that more than half the respondents to the survey highlighted the challenge of raising a deposit (58%) and concerns about job security (56%) as the main barriers to buying a home.

Home buyers - both first-time buyers and homemovers - put down an average deposit of £40,526 in June 2012, equivalent to a quarter (25%) of the property price. The average deposit required has risen by 68% (£16,387) over the past decade from £24,140 in June 2002.

Martin Ellis, housing economist at Halifax, commented:

"It is clearly encouraging that there has been a significant decline in the cost of buying a home for those able to enter the housing market since 2008. The improvement is due to a combination of lower mortgage rates and declining house prices. In contrast, market conditions for renters have deteriorated as rents have risen in the past two years."

"Despite the improvement in buyer affordability, the housing market nationally continues to tread water. Those getting on the housing ladder still face challenges, most notably in getting a deposit, and this challenge, along with the considerable uncertainty regarding the economic outlook, is still contributing to subdued housing demand. However, it is worth noting that once homebuyers are on the first rung, their monthly costs are notably lower."

OTHER KEY FINDINGS:

Buying vs. renting by region

- In June 2012, buying a house was more affordable than renting in all 12 UK regions. In contrast, buying was more expensive than renting in all regions in June 2008.
- Buying is most affordable compared to renting in London with the typical homebuyer paying 14% (£177) a month less than the average renter (£1,108 against £1,284).
- The disparity between buying and renting costs is smallest in the East Midlands with average monthly buying costs (£497) -2% lower than average monthly rental costs (£505).

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

	Average monthly buying costs	Average monthly rental costs*	% difference	£ difference
Jun-08	£1,048	£724	45%	£324
Jun-09	£708	£701	1%	£8
Jun-10	£653	£661	-1%	-£7
Jun-11	£619	£697	-11%	-£78
Jun-12	£600	£732	-18%	-£132

Sources: Halifax, Birmingham Midshires and ONS

*Weighted average of regional data using housing tenure figures.

Table 2 – Average monthly buying costs and rental payments by region, June 2012

	Average monthly buying costs	Average monthly rental costs	% difference	£ difference
Greater London	£1,108	£1,284	-13.8%	-£177
Northern Ireland	£369	£418	-11.7%	-£49
North West	£485	£529	-8.4%	-£44
East Anglia	£573	£622	-7.8%	-£49
Scotland	£505	£545	-7.4%	-£40
North	£444	£478	-7.2%	-£34
Wales	£455	£490	-7.0%	-£34
South East	£810	£869	-6.9%	-£60
West Midlands	£506	£543	-6.8%	-£37
South West	£675	£706	-4.4%	-£31
Yorkshire and Humber	£466	£484	-3.6%	-£17
East Midlands	£497	£505	-1.7%	-£9

Sources: Halifax, Birmingham Midshires and ONS

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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 June.

² 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 Calculated using earnings data from the ASHE survey and the average earnings index published by the ONS.

⁵ CML, Regulated Mortgage Survey, Table ML4.

⁶ http://www.lloydsbankinggroup.com/media1/press_releases/2012_press_release_brands/halifax/1907_tracker.asp

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 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

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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 (£39,346) in the UK would generate an average monthly income of £39.22. 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 2010. Estimates for 2008, 2009, 2011 and 2012 have been calculated using the 2010 survey data and adjusted using the CPI series on regular maintenance and repair of dwellings.

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