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Gap between buying and renting closing but homeowners still better off

- The gap between annual costs of buying compared to renting are lowest in almost a decade
- Latest figures show savings buyers are saving £366 per year, compared to £900 in 2017
- Homeowners are still better off than renters in all parts of the UK when all costs are considered

The gap between the cost of buying and renting is down 59%, its lowest in nine years, according to the latest **Halifax Buying vs. Renting Review**.

In 2017 buyers were saving an average £900 a year compared to renters but the latest figures show this saving is down to £366. Housing costs,¹ including a mortgage on a three-bed home in the UK, were £729 a month in December 2018, compared to the average monthly rent of £759 for the same property type. (**Table 1**)

Buying in recent years has meant lower monthly costs than renting across the UK but the latest picture shows an uneven snakes and ladders effect. Outside of London, Scottish buyers have the highest average annual savings of 20% (£1574) vs renting, compared to the most humble financial gain in Yorkshire, where the cost of buying is only 5% lower than renting (£361 **Table 2**).

Regionally, buyers are better off than renters in Wales with annual savings of over £2000 (14%) where by in Northern Ireland mortgage payers are saving 7% less than their Welsh counterparts at £382 annually.

New Buy to Let mortgages have slowed down and first-time buyers are now driving the number of house purchases with a mortgage. The number of first-time buyers in 2018 hit 370,000 while the number of mortgages for Buy To Let house purchase at the same time fell for the fourth year to 66,400, according to UK Finance figures. Remortgages however have been rising showing the effects of recent changes impacting landlords including an additional charge on stamp duty for new Buy to Lets and the removal of mortgage interest tax relief.

¹ This is an calculated average mortgage cost, plus the cost of capital lost on the deposit paid, plus the ONS cost of maintaining a property

Russell Galley, Managing Director, Halifax, said: “The gap between buying and renting is narrowing, primarily driven by reduced first time buyer prices deposits in some regions and continuing house price growth, meaning buyers are paying more on their mortgages.

“With more products available for borrowers, these factors combined have pushed up the price of buying quicker than the price of renting. Meanwhile, the cost of rent, household maintenance and average deposits have remained broadly flat.”

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Notes to editors:

The **Halifax Buying vs. Renting Review** tracks the costs of buying and renting a three bedroom property faced by a typical **first-time buyer** (FTB) 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.** They do not include one-off costs, such as stamp duty, valuation and legal fees. The review is based on data from the Halifax housing statistics database, BM Solutions, the Bank of England, and the Office for National Statistics (ONS).

Table 1: UK average monthly buying costs and rental payments

	Average monthly buying costs	Average monthly rental payment	% difference	£ difference	£ Annual Savings
Dec-08	£871	£616	41%	£255	£3,060
Dec-09	£577	£561	3%	£17	£204
Dec-10	£575	£605	-5%	-£30	-£360
Dec-11	£572	£653	-12%	-£81	-£972
Dec-12	£588	£661	-11%	-£74	-£888
Dec-13	£613	£692	-11%	-£79	-£942
Dec-14	£658	£720	-9%	-£62	-£741
Dec-15	£670	£744	-10%	-£74	-£886
Dec-16	£707	£759	-7%	-£52	-£623
Dec-17	£679	£754	-10%	-£75	-£900
Dec-18	£729	£759	-4%	-£30	-£366

Table 2: Average monthly buying and rental costs by region, December 2018

	Average monthly buying costs	Average monthly rental costs	% difference	£ difference	£ Annual Savings
North	£463	£522	-11%	-£59	-£705
Yorkshire & the Humber	£520	£550	-5%	-£30	-£361

North West	£551	£681	-19%	-£130	-£1,556
East Midlands	£607	£684	-11%	-£77	-£926
West Midlands	£625	£724	-14%	-£99	-£1,187
East Anglia	£752	£817	-8%	-£66	-£788
Wales	£536	£621	-14%	-£85	-£1,015
South West	£775	£882	-12%	-£107	-£1,285
South East	£1,023	£1,192	-14%	-£169	-£2,025
Greater London	£1,390	£1,763	-21%	-£373	-£4,475
Northern Ireland	£443	£475	-7%	-£32	-£382
Scotland	£509	£640	-20%	-£131	-£1,574
UK	£729	£759	-4%	-£30	-£366

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 average advance data from the Council of Mortgage Lenders. 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 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 December for each year. Halifax research shows that three bedroom homes are the most popular property types for first-time buyers getting on the housing ladder.

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 have been calculated from average advances made to first-time buyers for each region and year published by the Council of Mortgage Lenders. The estimated average advance for 2017 varies from 73% in London to 85% in the northern regions; the UK average is 84%. Figures relate to the first year of purchase.

Rental payments:

Average rental payments are from rental data from BM Solutions. Monthly rents (both regions and UK) are crude, or simple, averages based on the buy to let mortgage new transactions.

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 (£31,751) in the UK would generate an average monthly income of just over £15. 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 data on detailed household expenditure by countries and regions

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