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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.** 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 figures are a weighted average of regional data using housing tenure figures.

£124 a month cheaper to buy than rent *Largest difference since 2009 as rents rise 18% in four years*

The cost of owning a home in the UK is now on average £124 per month lower than renting (£1,488 a year), according to research by Halifax.

The average monthly costs associated with owning a three bedroom house stood at £645 in December 2013; which is 16% lower than the typical monthly rent of £769 paid on the same property type¹.

This is the largest cash difference since 2009, when the figure stood at just £6 and average monthly costs for owning and renting were £646 and £652 respectively.

The gap between the costs of owning and renting is being driven by average monthly rents increasing by over £100 since 2009, while average monthly ownership costs have remained relatively unchanged over the same period.

Today's picture is in stark contrast to the situation for renters five years ago when, in 2008, the monthly ownership cost was on average £226 (31%) higher than rental costs. (See Table 1)

Craig McKinlay, Mortgage Director, Halifax said: "There has been a substantial improvement in the affordability of owning compared to renting in recent years, which has been driven by the fact that monthly home ownership costs have fallen by a third (32%) since 2008.

"Buying will continue to be a more financially attractive option as the cost of owning a home remains stable. 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."

There are large regional variations in buying versus renting

Owning a home is most affordable compared to renting in London with the typical homebuyer paying £188 a month less than the average renter (£1,196 against £1,384). On the other hand, in West

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Midlands and East Anglia the difference is marginal, with average monthly buying costs just £6 lower than average monthly rental costs (£553 against £559 and £633 against £640 respectively) (See Table 2). However, the level of deposit required by buyers varies significantly across regions, particularly for first time buyers in London, which is also likely to influence whether then can afford to buy.

Home purchase at its highest level for five years but remains well below peak

The lower costs of owning compared with renting; an improved economic outlook and a greater availability of mortgages that require a smaller deposit may have contributed to the 15% increase in the number of house sales in 2013 compared to 2012. Sales last year were the highest since 2007 (1,619,000) but were still 34% lower at 1,069,000².

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

| | Average monthly buying costs | Average monthly rental costs* | % difference | £ difference |
|---------------|------------------------------|-------------------------------|--------------|--------------|
| Dec-08 | £945 | £719 | 31% | £226 |
| Dec-09 | £646 | £652 | -1% | -£6 |
| Dec-10 | £643 | £680 | -6% | -£38 |
| Dec-11 | £614 | £713 | -14% | -£99 |
| Dec-12 | £621 | £741 | -16% | -£120 |
| Dec-13 | £645 | £769 | -16% | -£124 |

Sources: Halifax, BM Solutions and ONS

*Weighted average of regional data using housing tenure figures.

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

| | Average monthly buying costs | Average monthly rental costs | % difference | £ difference |
|------------------------|------------------------------|------------------------------|--------------|--------------|
| Greater London | £1,196 | £1,384 | -14% | -£188 |
| Northern Ireland | £365 | £419 | -13% | -£54 |
| Wales | £465 | £514 | -10% | -£50 |
| North | £460 | £498 | -8% | -£38 |
| Scotland | £527 | £568 | -7% | -£41 |
| North West | £500 | £535 | -7% | -£35 |
| Yorkshire & the Humber | £478 | £512 | -7% | -£34 |
| South West | £692 | £736 | -6% | -£43 |
| South East | £867 | £918 | -6% | -£52 |
| East Midlands | £516 | £538 | -4% | -£22 |
| West Midlands | £553 | £559 | -1% | -£6 |
| East Anglia | £633 | £640 | -1% | -£6 |

Sources: Halifax, BM Solutions and ONS

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 December.

² Source: HMRC.

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 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. It is assumed

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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 December.

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 (£43,181) in the UK would generate an average monthly income of £47. 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 2008, 2009, 2010, 2011 and 2013 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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