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This is the regular 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. 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 housing falls by 6% over the past two years

The cost of owning and running a home in the UK has declined by 6% over the past two years, according to new research by Halifax. Between April 2008 and April 2010, the average annual cost associated with owning and running a home fell by £544 from £9,564 to £9,020. In real terms (i.e. after allowing for retail price inflation), the cost of housing has fallen by 9%. Housing costs in the UK are now equivalent to 27% of gross average full-time earnings, down from 30% in 2008.

The fall in the cost of housing since 2008 has been driven by a 19% (£881) decline in mortgage payments (interest and capital repayments). The average mortgage rate paid by existing borrowers fell by 2.13 percentage points between April 2008 and April 2010 from 5.80% to 3.67%.

Regionally, London (£11,762) and the South East (£10,457) have the highest average annual costs of owning and running a home. Housing costs are lowest in Northern Ireland (£7,331).

Home owning and running costs as a percentage of gross average full-time earnings are lowest in London (24%) despite the capital having the highest absolute costs. However, with the level of earnings varying considerably across the capital, housing costs will be much less affordable for a significant number of households. Housing costs are highest in relation to earnings in the East of England (31%).

Over the past year, the average expenses associated with owning and running a home have increased by 1.3% (£116). This is less than a third of the rise in retail prices (5.3%).

Suren Thiru, housing economist at Halifax, commented:

"Over the last two years, the cost associated with owning and running a home in the UK has fallen, entirely as a consequence of reduced mortgage payments. The drop in housing costs has helped to ease the strain on household's finances, providing some relief to homeowners during the economic downturn."

ADDITIONAL KEY FINDINGS

Mortgage payments account for the largest proportion of total housing expenses (41%).

Electricity and gas charges account for the second highest share after mortgage payments (15%) followed by council tax charges and domestic rates (14%).

Nine of the eleven housing costs categories analysed recorded above inflation increases between April 2008 and April 2010. The cost of home maintenance, electricity and gas charges and household appliances all rose by 10% over the two years.

Electricity and gas bills' proportion of housing costs increased from 13% to 15% as a result of the 10% rise in such costs over the period.

Editors' Notes:

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

Earnings in London: The average earnings of those living in Westminster (£83,969) were 189% higher than those living in Newham (£29,025) in 2009. Source ONS 2009 ASHE survey.

Average earnings are based on ASHE survey and average earnings index published by the ONS.

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 spending patterns of owner occupiers in the Family Spending Survey and will not match up with official Band D or average council tax bills. Similarly, utility bills relate owner occupied households and may be larger than equivalent bills for all households because of the typically larger sizes of owner occupied properties.

Table 1 – Cost of Owning and running a House by category

	Estimated costs £s April 2008	Estimated costs £s April 2010	2 year % change
Maintenance and repair of dwelling	600	659	10%
Water supply and miscellaneous dwelling services	438	458	5%
Electricity, gas and other fuels	1,249	1,369	10%
Household appliances	195	214	10%
Tools and equipment for house and garden	168	177	5%
Goods and services for routine household maintenance	327	350	7%
Telephone account	305	326	7%
Toiletries, cleaning products, etc	150	158	6%
Household insurances	356	360	1%
Mortgage payments (capital and interest)	4,548	3,667	-19%
Council tax, domestic rates	1,227	1,283	5%
Total Cost of Owning and running a home	9,564	9,020	-6%

Source: Halifax, ONS

Table 2 – Share of total housing costs by category

	% Share of total housing costs (Apr 08)	% Share of total housing costs (Apr 10)
Maintenance and repair of dwelling	6%	7%
Water supply and miscellaneous dwelling services	5%	5%
Electricity, gas and other fuels	13%	15%
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%	41%
Council tax, domestic rates	13%	14%
Total Cost of Owning and running a home	100%	100%

Source: Halifax, ONS

Table 3 – Cost of Owning and Running a House by Region

	Cost of Owning and running a home £s (Apr 10)	% of UK average
London	11,762	130%
South East	10,457	116%
East	9,760	108%
South West	8,842	98%
Scotland	8,562	95%
East Midlands	8,417	93%
North West	8,323	92%
West Midlands	8,114	90%
Yorkshire and The Humber	7,754	86%
Wales	7,391	82%
North East	7,355	82%
Northern Ireland	7,331	81%
United Kingdom	9,020	100%

Source: Halifax, ONS

Table 4 –Cost of Owning and Running a House in Relation to Earnings by Region

	Housing costs (Apr 10)	Average gross earnings for full time workers (Apr 10)*	Housing costs as a % of earnings
London	11,762	49,038	24%
North East	7,355	27,993	26%
Northern Ireland	7,331	27,864	26%
Yorkshire and The Humber	7,754	29,421	26%
Wales	7,391	27,463	27%
West Midlands	8,114	29,811	27%
North West	8,323	29,942	28%
Scotland	8,562	30,750	28%
East Midlands	8,417	30,077	28%
South West	8,842	30,087	29%
South East	10,457	35,308	30%
East	9,760	31,950	31%
United Kingdom	9,020	33,416	27%

Source: Halifax, ONS

*Average earnings are based on ASHE survey and average earnings index published by the ONS.

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