

EMBARGOED UNTIL 00.01 SATURDAY 17 FEBRUARY

First-time buyers are now £31,000 better off than renters

Buying a home is cheaper than renting for the **ninth year** in a row

First-time buyers save **£31,000** over the term of a mortgage¹ compared to renters

The average monthly costs when buying a home are now **17%** cheaper than renting

First-time buyers in Scotland save £31,000 on average when buying their own home instead of renting, according to research from Bank of Scotland.

The average monthly costs associated with buying a three-bedroom house stood at £503² in December 2017 - £103 lower than what it typically costs to rent the same sized property (£606³). This can save first-time buyers £1,240 per year.

There is now a 17% gap between buying and renting, which is the largest (alongside South West England) when compared to the UK average of 10%. (Table 1)

The monthly cost of purchasing a home for first-time buyers has now been cheaper than renting for the ninth year in a row. During this time, the costs associated with buying a property decreased by £253 per month. Meanwhile, the average monthly rent increased by £33.

Buying is more affordable than renting across the whole of the UK

Buying a house is more affordable than renting across the whole of the UK, with the most significant difference in both Scotland and South West England (17% cheaper).

Londoners save the most money per year compared to renters with the typical first-time buyer paying £183 (12%) a month less than the average renter (£1,363 against £1,545 rent); an annual saving of £2,191. Meanwhile, the difference in Yorkshire and Humber is just £49 (£488 against £537 rent), an annual saving of £589. (Table 2)

Graham Blair, mortgage director at Bank of Scotland, said:

“Considering the financial benefits of home-ownership and a sustained period of low interest rates, it’s no surprise that buying a property continues to be cheaper than renting, particularly in Scotland, where first-time buyers now make up half of the housing market.

“Although these monthly costs don’t include all the up-front fees associated with buying a home, the low average monthly cost of buying, when compared to renting, will no doubt help those looking to take their first step on the property ladder.”

Number of first-time buyers continues to rise

The number of first-time buyers in Scotland reached 35,500⁴ in 2017, compared to 31,600 in 2016 – the highest level since 2006 (39,100).

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Press Release



Having reached a low of 16,700 in 2011, the number of homebuyers getting on to the first rung of the property ladder has more than doubled (113%) to its current level.

First-time buyers now account for half (50%) of all house purchases made with a mortgage in 2017. This has grown from 36% since 2007.

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Table 1: First-time buyer average monthly buying costs and rental payments - Scotland

	Average monthly buying costs	Average monthly rental payment	% difference	£ difference	£ Annual Savings
Dec-08	£756	£573	32%	£183	£2,198
Dec-09	£504	£543	-7%	-£39	-£463
Dec-10	£491	£536	-8%	-£45	-£540
Dec-11	£491	£540	-9%	-£48	-£581
Dec-12	£487	£558	-13%	-£71	-£851
Dec-13	£502	£568	-12%	-£66	-£789
Dec-14	£535	£599	-11%	-£64	-£767
Dec-15	£524	£645	-19%	-£122	-£1,458
Dec-16	£524	£593	-12%	-£70	-£839
Dec-17	£503	£606	-17%	-£103	-£1,240

Sources: Bank of Scotland, BM Solutions and ONS. 12 months to December
Rental payments are a crude, or simple, average.

Table 2: First-time buyer average monthly buying and rental costs - UK, December 2017

	Average monthly buying costs	Average monthly rental costs	% difference	£ difference	£ Annual Savings
North	£444	£529	-16%	-£85	-£1,018
North West	£518	£595	-13%	-£77	-£929
Yorkshire & the Humber	£488	£537	-9%	-£49	-£589
West Midlands	£552	£655	-16%	-£102	-£1,229
East Midlands	£542	£636	-15%	-£94	-£1,134
East Anglia	£709	£784	-10%	-£75	-£899
South East	£991	£1,083	-8%	-£92	-£1,098
Greater London	£1,363	£1,545	-12%	-£183	-£2,191
South West	£719	£862	-17%	-£144	-£1,722
Scotland	£503	£606	-17%	-£103	-£1,240
Wales	£470	£561	-16%	-£92	-£1,100
Northern Ireland	£389	£451	-14%	-£62	-£747
UK	£679	£754	-10%	-£75	-£900

Sources: Bank of Scotland, BM Solutions and ONS. Period covered is 12 months to December 2017.

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Editor's notes:

The **Bank of Scotland 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 Bank of Scotland housing statistics database, BM Solutions, the Bank of England, and the Office for National Statistics (ONS).

¹Over the lifetime of a 25-year mortgage term

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 Bank of Scotland 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. Bank of Scotland research shows that three bedroom homes are the most popular property types for first-time buyers getting on the housing ladder.

²**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 has 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 Scotland was 85% in 2017. Figures relate to the first year of purchase.

³**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.

⁴Estimated from Council of Mortgage Lenders data.

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 Bank of Scotland'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 (£21,907) in Scotland would generate an average monthly income of £10. 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 2014. Estimates for 2008 to 2013 and 2016/2015 have been calculated using the 2014 survey data and adjusted using the CPI series on regular maintenance and repair of dwellings.

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