

Press Release



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SCOTS HOMEOWNERS UP TO £102 BETTER OFF EACH MONTH COMPARED TO RENTERS

Scottish renters are paying up to £102 (16%) more each month than those who own their own homes, according to the latest Bank of Scotland Buying vs. Renting Review.

The research looks at the housing costs¹ associated with a mortgage on a three-bed home, compared to the average monthly rent of the same property type [table 1].

Across the UK, the gap between owners and renters is greatest in London, where homeowners save 18% on average (£3,727 annually), followed by the South East (17%), South West and Scotland (both 16%). Buyers across all UK regions save upwards of 10% when compared to renters in the same area, with the exception of Yorkshire and The Humber, where homeowners save just 3% on average, of £235 per year.

Tara Foley, Managing Director, Bank of Scotland, said:

“With an average saving of more than £1,000 a year versus renting, buying your own home is more cost effective in Scotland than the majority of UK regions, where savings vary from £235 in Yorkshire to £3,727 in London.”

“Although the overall gap between home buying and renting across the UK as a whole is at its smallest margin for 10 years, this masks some significant variations where homeowners are making considerable savings on the amount they are paying out each month.”

For the whole of the UK, homeowners are saving 3% on average (£227 annually), with the gap reducing from 17% year-on-year since 2015, when buyers were saving an average of £1476 per year or £123 per month.

This has reversed from 2009, when it was buying that was more expensive, and renters saved on average £209 per year, or £17 per month.

Tara Foley continued:

“Although the overall gap between home buying and renting across the UK as a whole is at its smallest margin for 10 years, this masks some significant variations where homeowners are making considerable savings on the amount they are paying out each month.”

Over the last 10 years, with house prices increasing, average monthly buying costs have also increased by 26% (£150), driven by an increase in the average mortgage payment and a rise

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in the amount of the average deposit. The cost of renting has increased by 33% (£186) over the past 10 years to £747.

Table 1: Average monthly buying and renting costs by region, December 2019

	Average monthly buying costs	Average monthly rental costs	% difference	£ difference	£ Annual Savings
Greater London	£1,378	£1,689	-18%	-£311	-£3,727
South East	£1,008	£1,214	-17%	-£206	-£2,475
South West	£765	£915	-16%	-£150	-£1,796
East Anglia	£736	£853	-14%	-£117	-£1,400
Scotland	£545	£647	-16%	-£102	-£1,224
Wales	£536	£634	-15%	-£98	-£1,177
North West	£568	£665	-15%	-£98	-£1,174
West Midlands	£621	£711	-13%	-£90	-£1,076
East Midlands	£620	£686	-10%	-£65	-£784
North	£468	£530	-12%	-£62	-£747
Northern Ireland	£437	£489	-11%	-£52	-£621
Yorkshire & the Humber	£544	£564	-3%	-£20	-£235
UK	£728	£747	-3%	-£19	-£227

Table 2: UK average monthly buying costs and rental payments

	Average monthly buying costs	Average monthly rental payment	% difference	£ difference	£ Annual Savings
Dec-09	£578	£561	3%	£17	£206
Dec-10	£576	£605	-5%	-£29	-£354
Dec-11	£573	£653	-12%	-£80	-£960
Dec-12	£588	£661	-11%	-£73	-£877
Dec-13	£582	£692	-16%	-£110	-£1,321
Dec-14	£614	£720	-15%	-£106	-£1,278
Dec-15	£621	£744	-17%	-£123	-£1,476
Dec-16	£646	£759	-15%	-£113	-£1,359
Dec-17	£640	£754	-15%	-£115	-£1,376

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Dec-18	£685	£759	-10%	-£74	-£893
Dec-19	£728	£747	-3%	-£19	-£227

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Notes to editors:

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

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 UK Finance. 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 the average advances made to first-time buyers for each region and year published by UK Finance. The estimated average advance for 2019 varies from 67% in London to 81% in the northern regions; the UK average is 77%. 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 (£50,235) in the UK would generate an average monthly income of just over £43. 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 2018. Estimates for 2019 have been calculated using the 2018 data and adjusted using the CPI series on regular maintenance and repair of dwellings.

"This report is prepared from information that we believe is collated with care, however, it is only intended to highlight issues and it is not intended to be comprehensive. We reserve the right to vary our methodology and to

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