

# Press Release



**NOT FOR BROADCAST OR PUBLICATION BEFORE 0001HRS MONDAY 5 APRIL 2021**

## **LOCKDOWN LEAVES FIRST-TIME BUYERS IN SCOTLAND £1800 A YEAR BETTER OF THAN RENTERS**

First-time buyers in Scotland are racking up savings of more than £1,800 a year compared to those who are renting, according to the latest data from Bank of Scotland.

This is almost double since before the start of the pandemic, as the gap between the cost of buying and renting has stretched 11% in Scotland in the past year. (*Table 1*)

The Bank of Scotland Buying vs Renting Review is based on the housing costs\* associated with a mortgage on a three-bed home, compared to the average monthly rent of the same property type.

Monthly rental costs have increased by 6% to £683 in the past year, while monthly buying costs have decreased by 5% to £527 during the same period.

The average first-time buyer deposit amount put down in Scotland has gone up £5,158 since before the start of the pandemic (March 2020) to £36,085, as the average deposit has risen from 20% to 23%. The average advance has therefore reduced over the last year with mortgage payments as a result decreasing, whereas rental payments have increased. (*Table 4*)

Over the past decade, average UK monthly buying costs have increased by almost a third (31%), while the cost of renting has gone up by 36% during that time. The starkest contrast was when the gap reached 17% in 2015 – £123 per month – and tightest in 2019. This was primarily driven by increased average mortgage payments and the rise in the deposit amount. (*Table 3*)

**Graham Blair, Mortgages Director, Bank of Scotland, said:** “Lockdown restrictions may have held back renters planning to buy a property during the past year with its practical challenges, and while the Land and Buildings Transaction Tax holiday race and pent-up demand have helped drive record levels of mortgage approvals, the cost of renting has crept up in the same period.

“Raising a deposit is still the biggest challenge for those looking to get on to the property ladder, and although the average first-time buyer deposit has risen by £5,000 since the start of the pandemic, property in Scotland still offers real value for money for people looking to buy their first home compared to other areas across the UK.

“We know that first-time buyers will benefit from steps that make finding a deposit more of a reality and the new First Home Fund could be a gamechanger for those saving hard to take the first step while often still paying rent at the same time.”

The data showed that looking at different regions across the UK, first-time buyers in London are on average £4,606 a year better off than those renting. In the South East buyers are £2,578 a year better off, followed by East Anglia (£2,019) and Scotland (£1,868).

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The slimmest gap between buying and renting is in Northern Ireland, where buyers are £539 a year better off, followed by East Midlands, where homeowners are saving on average £897 and Yorkshire and the Humber, where buyers are ending up with around £863 a year compared to those who are renting. (Table 3)

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

	Average monthly buying costs	Average monthly rental payment	% difference	£ difference	£ Annual Savings
Dec-10	£491	£536	-8%	-£45	-£540
Dec-11	£491	£540	-9%	-£48	-£581
Dec-12	£487	£558	-13%	-£71	-£851
Dec-13	£477	£568	-16%	-£91	-£1,091
Dec-14	£508	£599	-15%	-£91	-£1,095
Dec-15	£492	£645	-24%	-£153	-£1,836
Dec-16	£488	£593	-18%	-£105	-£1,260
Dec-17	£479	£606	-21%	-£127	-£1,525
Dec-18	£515	£640	-20%	-£125	-£1,503
Dec-19	£555	£647	-14%	-£92	-£1,109
Dec-20	£527	£683	-23%	-£156	-£1,868

**Table 2: UK average monthly buying costs and rental payments**

	Average monthly buying costs	Average monthly rental payment	% difference	£ difference	£ Annual Savings
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
Dec-18	£681	£759	-10%	-£78	-£938
Dec-19	£743	£747	-1%	-£4	-£48
Dec-20	£753	£821	-8%	-£69	-£824

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**Table 3: Average monthly buying and rental costs by region, December 2020**

	Average monthly buying costs	Average monthly rental costs	% difference	£ difference	£ Annual Savings
North	£484	£599	-19%	-£115	-£1,380
Yorkshire & the Humber	£557	£628	-11%	-£72	-£863
North West	£576	£723	-20%	-£147	-£1,769
East Midlands	£632	£706	-11%	-£75	-£897
West Midlands	£638	£756	-16%	-£118	-£1,420
East Anglia	£739	£907	-19%	-£168	-£2,019
Wales	£546	£665	-18%	-£119	-£1,429
South West	£773	£927	-17%	-£153	-£1,839
South East	£1,018	£1,232	-17%	-£215	-£2,578
Greater London	£1,408	£1,791	-21%	-£384	-£4,606
Northern Ireland	£445	£490	-9%	-£45	-£539
Scotland	£527	£683	-23%	-£156	-£1,868
UK	£753	£821	-8%	-£69	-£824

**Table 4: First-time buyer average house price, mortgage advance and deposit, 2020, 2021**

	2020				2021			
	Average House Price (£s)	Average Mortgage (£s)	Average Deposit (£s)	Average Deposit (% of Price)	Average House Price (£s)	Average Mortgage (£s)	Average Deposit (£s)	Average Deposit (% of Price)
North	138,406	113,823	24,582	18%	149,183	118,865	30,318	20%
Yorkshire & Humberside	158,945	130,837	28,108	18%	168,724	134,383	34,341	20%
North West	166,242	136,575	29,668	18%	178,907	143,443	35,465	20%
East Midlands	185,226	151,969	33,258	18%	202,803	161,985	40,818	20%
West Midlands	187,932	153,892	34,041	18%	205,995	163,493	42,503	21%
East Anglia	225,437	181,403	44,034	20%	244,209	191,226	52,984	22%
Wales	157,493	130,687	26,805	17%	169,111	135,192	33,919	20%
South West	223,634	180,757	42,876	19%	243,244	189,886	53,358	22%

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South East	299,365	244,674	54,691	18%	324,446	256,765	67,681	21%
Greater London	462,617	351,296	111,321	24%	488,381	355,695	132,685	27%
Northern Ireland	142,049	115,972	26,076	18%	147,303	117,152	30,150	20%
<b>Scotland</b>	<b>154,509</b>	<b>123,582</b>	<b>30,927</b>	<b>20%</b>	<b>155,193</b>	<b>119,107</b>	<b>36,085</b>	<b>23%</b>
<b>UK</b>	<b>237,628</b>	<b>190,319</b>	<b>47,309</b>	<b>20%</b>	<b>257,934</b>	<b>198,948</b>	<b>58,986</b>	<b>23%</b>

Halifax 12 months rolling, February 2020, 2021

## Ends

### 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 2020 varies from 67% in London to 80% in the northern regions; the UK average is 76%. 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 (£57,079) in the UK would generate an average monthly income of just over £28. 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 2020 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 edit or discontinue/withdraw this, or any other report. Any use of this report for an individual's own or third-party commercial purposes is done entirely at the risk of the person making such use and solely the responsibility of the person or persons making such reliance." © Bank of Scotland plc all rights reserved 2021.*

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