

## Buying over £1800 cheaper than renting

- Annual homeownership costs were £1,817 cheaper than renting in 2021
- Cost gap greatest in Scotland and the North West of England (22%)
  - Gap has grown by £1,236 since 2011

Scottish first-time buyers could have saved around £1,800 last year on housing costs compared to renters in equivalent properties, Bank of Scotland has found.

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.

In the last year, monthly rental costs grew by just 2% to £699, while buying costs grew by 5% to £548, a monthly saving for homeowners of just over £151, or £1,817 annually.

The annual cost gap between buying and renting is now £1,236 (213%) greater than 10 years ago (see Table 1). However, the current annual difference (£1,817) is not as great as in 2020, when annual ownership costs were £1,927 less than those for renting.

Since 2011 the average annual saving for homebuyers is £1,405; an estimated total of £35,125 over the life of a 25-year mortgage. (See Editors' Notes)

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

	Average monthly buying costs	Average monthly rental payment	% Difference	£ Difference	£ Annual savings
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	£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	£480	£606	-21%	-£127	-£1,519



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Dec-18	£514	£640	-20%	-£126	-£1,516
Dec-19	£552	£647	-15%	-£95	-£1,143
Dec-20	£522	£683	-24%	-£161	-£1,927
Dec-21	£548	£699	-22%	-£151	-£1,817

Sources: Bank of Scotland, Birmingham Midsheires and ONS

Proportionately, buyers in Scotland and the North West of England benefit from the biggest difference (22%). In absolute terms, the gap between annual rent and ownership was greatest in London, where renting is £4,181 more costly. The smallest gap is in Northern Ireland, where renting is just £17 per month (3%) higher than ownership. (£205 per year) (See Table 2)



**Graham Blair, Mortgages Director, Bank of Scotland, said:**

“Over the last year, we have seen record numbers of buyers entering the market, moving to bigger properties and taking advantage of the Stamp Duty holiday. However, historic lows for interest rates have kept mortgage costs down, compared to rents.

“For the second year running, Scottish buyers see the biggest proportional difference in costs compared to renters. Still, before homebuyers can benefit from lower monthly costs, a deposit needs to be put together, still the greatest challenge for many first-time buyers. The £35,000 average deposit we see in our data may be an unimaginable sum to potential first-time buyers, but it’s much higher than many need to get a foot on their housing ladder. Deposits from 5% are available and, based on the average house price, would mean putting down a £6,800 deposit - significantly less than the average.”

**Table 2: Average monthly buying and rental costs by region, December 2021**

	Average monthly buying costs	Average monthly rental costs	% Difference	£ Difference	£ Annual savings
North	£494	£576	-14%	-£83	-£993
Yorkshire & the Humber	£561	£617	-9%	-£56	-£675
North West	£617	£791	-22%	-£173	-£2,081
East Midlands	£660	£731	-10%	-£71	-£850
West Midlands	£654	£778	-16%	-£124	-£1,490
East Anglia	£758	£858	-12%	-£100	-£1,198
Wales	£596	£703	-15%	-£108	-£1,292



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South West	£804	£973	-17%	-£169	-£2,034
South East	£1,025	£1,287	-20%	-£262	-£3,146
Greater London	£1,355	£1,703	-20%	-£348	-£4,181
Northern Ireland	£476	£493	-3%	-£17	-£205
Scotland	£548	£699	-22%	-£151	-£1,817
<b>UK</b>	<b>£759</b>	<b>£874</b>	<b>-13%</b>	<b>-£115</b>	<b>-£1,378</b>

The average deposit for Scottish first-time buyers, as a proportion of house price, fell marginally from 21% in 2020 to 20% in 2021. However, in cost terms, the rise of £2,299 to £34,975, was up 7%. (See Table 3.)

**Table 3. 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)
<b>UK</b>	<b>241,529</b>	<b>184,448</b>	<b>57,081</b>	<b>24%</b>	<b>251,040</b>	<b>188,625</b>	<b>62,415</b>	<b>25%</b>
<b>Scotland</b>	<b>159,054</b>	<b>126,378</b>	<b>32,676</b>	<b>21%</b>	<b>171,371</b>	<b>136,396</b>	<b>34,975</b>	<b>20%</b>
North	148,404	119,376	29,027	20%	154,917	122,922	31,995	21%
Yorkshire & Humberside	168,815	134,276	34,539	20%	177,699	138,792	38,907	22%
North West	178,118	141,407	36,712	21%	193,881	151,625	42,256	22%
East Midlands	196,194	152,590	43,604	22%	212,041	161,907	50,133	24%
West Midlands	202,473	156,729	45,744	23%	213,727	162,866	50,862	24%
East Anglia	238,015	180,401	57,615	24%	254,673	187,990	66,683	26%
Wales	164,857	134,604	30,254	18%	179,384	143,769	35,615	20%
South West	245,729	186,406	59,323	24%	266,782	196,501	70,281	26%
South East	334,018	249,516	84,502	25%	348,931	255,803	93,128	27%
Greater London	514,449	347,228	167,221	33%	521,010	347,989	173,021	33%
Northern Ireland	137,218	107,384	29,834	22%	147,549	113,487	34,062	23%

Source: Bank of Scotland, 12 months rolling to December 2020, 2021, UK Finance

**ENDS**

#### Notes to Editors

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**Homeownership lifetime saving:** Calculation assumes the average annual saving for the last 10 years over the whole life of a 25-year loan. For example: 2011-2021 average annual saving= £1,405, therefore the 25-year saving= £35,125 (25 x £1,405)

The **Halifax 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 2021 varies from 67% in London to 80% in Scotland and Wales; the UK average is 75%. 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 (£62,415) in the UK would generate an average monthly income of just over £12. 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 2021 have been calculated using the 2018 data and adjusted using the CPI series on regular maintenance and repair of dwellings.

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