

## Scottish homeowners over £2,000 better off annually than renters

- Renting costs have risen 64% in Scotland over the last decade, compared to 43% for homeowners of equivalent properties
- Homeowners now pay £2,295 less annually than those renting similar homes
- Scotland has the UK's biggest gap between home owning and renting costs (of 21%)

The monthly cost of owning a home for first-time buyers in Scotland is now £727 - £191 (21%) lower than the monthly cost of renting the equivalent property, according to the latest Bank of Scotland Owning vs Renting Review.

The analysis, which is based on housing costs for first-time buyers with a mortgage on a three-bed home compared to the average monthly rent of the same property type, found that the £727 owners in Scotland are now paying, compares to £918 for renters, each month.

Since 2012, monthly costs to rent have increased by 64% (and up 31% 2021 vs 2022), with the comparable homeownership costs up 43%.

**Table 1: Scottish average monthly homeownership costs and rent payments**

Year	Average monthly homeownership cost*	Average monthly rent payment	Monthly savings for owners	Monthly savings for owners	Annual savings for owners
2012	£509	£558	9%	£50	£595
2013	£498	£568	12%	£70	£844
2014	£528	£599	12%	£71	£855
2015	£516	£645	20%	£129	£1,552
2016	£493	£593	17%	£100	£1,202
2017	£503	£606	17%	£104	£1,243
2018	£549	£640	14%	£91	£1,098
2019	£580	£647	10%	£68	£812
2020	£541	£683	21%	£142	£1,706
2021	£586	£699	16%	£113	£1,360
2022	£727	£918	21%	£191	£2,295

Sources: Bank of Scotland, Birmingham Midlands and ONS. \*Mortgage prices based on Bank of Scotland 12mth rolling data calculated to January 2023, January 2022 etc



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## Rent remains high

Although the rent cap introduced by the Scottish Government in October 2022 remains in place, a lack of supply relative to demand continues to put pressure on the cost of renting a property in Scotland. This means the nation has the greatest gap proportionately between owning and renting costs of anywhere in the UK, at 21%.

**Table 2: Average monthly homeownership and rental costs by region**

Region/nation	Average monthly homeownership* cost	Average monthly rent payment	Monthly savings for owners	Monthly savings for owners	Annual savings for owners
Scotland	£727	£918	21%	£191	£2,295
South West	£1,029	£1,237	17%	£208	£2,492
North West	£778	£922	16%	£145	£1,737
Wales	£735	£872	16%	£137	£1,647
Greater London	£1,828	£2,074	12%	£246	£2,950
West Midlands	£839	£951	12%	£112	£1,342
Yorkshire & the Humber	£720	£802	10%	£82	£980
South East	£1,345	£1,474	9%	£129	£1,550
East Midlands	£843	£931	9%	£88	£1,059
North East	£628	£685	8%	£57	£686
Northern Ireland	£596	£620	4%	£24	£288
East of England	£1,212	£1,122	-8%	- £90	-£1,078
UK	£971	£1,013	4%	£42	£498

Sources: Bank of Scotland, Birmingham Midshires and ONS. \*Mortgage prices based on Bank of Scotland 12mth rolling data calculated to January 2023.

**Graham Blair, Mortgages Director, Bank of Scotland, said:** “Our latest analysis shows that Scottish homeowners now save over a fifth in housing costs compared to renters each year – the biggest proportionate gap between owners and renters of any region or nation in the UK.

“While the Scottish Government’s rent cap is currently still in place, renting costs went up by almost a third in 2022, compared to the year before. This means there’s still a lot of pressure on first-time buyers, many of whom will be trying to balance high rental costs with raising the average £33,000 needed for a house deposit.”



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## First-time buyer costs

The average deposit for Scottish first-time buyers fell marginally at the start of 2023, compared to the same point in 2022, at £33,288 vs £35,512.

**Table 3: First-time buyer average house price, mortgage advance and deposit**

Region / nation	2021/2022				2022/2023			
	Average house price	Average mortgage	Average deposit	Average deposit (% of house price)	Average house price	Average mortgage	Average deposit	Average deposit (% of house price)
<b>Scotland</b>	£179,821	£144,309	£35,512	20%	£195,449	£162,161	£33,288	17%
<b>North East</b>	£157,481	£125,549	£31,932	20%	£172,780	£139,860	£32,920	19%
<b>Yorkshire &amp; Humberside</b>	£180,916	£142,054	£38,861	21%	£201,283	£160,090	£41,193	20%
<b>North West</b>	£194,966	£153,442	£41,523	21%	£215,236	£171,463	£43,772	20%
<b>East Midlands</b>	£215,714	£165,423	£50,291	23%	£237,262	£185,571	£51,691	22%
<b>West Midlands</b>	£216,880	£166,093	£50,787	23%	£236,837	£184,568	£52,269	22%
<b>East of England</b>	£324,189	£240,307	£83,882	26%	£355,770	£268,613	£87,157	24%
<b>Wales</b>	£185,292	£149,367	£35,924	19%	£198,710	£163,187	£35,523	18%
<b>South West</b>	£271,906	£200,855	£71,051	26%	£298,937	£223,899	£75,038	25%
<b>South East</b>	£354,764	£260,974	£93,790	26%	£393,259	£295,938	£97,320	25%
<b>Greater London</b>	£525,134	£350,548	£174,586	33%	£587,733	£399,070	£188,663	32%
<b>Northern Ireland</b>	£150,096	£116,296	£33,800	23%	£164,660	£131,526	£33,135	20%
<b>UK</b>	£252,254	£190,570	£61,684	24%	£278,958	£214,360	£64,598	23%

Source: Bank of Scotland, February 2021 – January 2022 vs February 2022 – January 2023, UK Finance.

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## Notes to Editors

**Bank of Scotland Owning vs. Renting Review** tracks the costs of owning and renting a three-bedroom property faced by a typical **first-time buyer** (FTB) across the UK. **Average owning 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 January 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 owning costs:**

Average owning 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 2022 varies from 68% in London to 83% in Scotland; 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 (£64,598) in the UK would generate an average monthly income of just under £70. 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 owning costs measure.

### **Household maintenance, repair, and insurance costs:**

Estimated maintenance, repair, and insurance costs associated with owning a home have been sourced from ONS data - Table A35 Detailed household expenditure by countries and regions 2021. Estimates for 2022 have been calculated using the 2021 data and adjusted using the CPI series on regular maintenance and repair of dwellings.

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