Capital costs – the highs and lows of London living

London may boast the highest average disposable incomes in the UK, but it also has the highest cost of living and the lowest average savings levels.

There are many benefits to living in the capital but it’s not without its drawbacks too. The annual London Factor research from Halifax outlines the current financial and social advantages and disadvantages of living in the capital city.

Taking account of a wide range of factors including: the economy, housing market, employment and earnings, as well as various quality of life factors, such as life expectancy, the environment, and education, the latest research finds London offers a broad mix of highs and lows.

Londoners in full time employment benefit from earnings which average 32% higher than the UK monthly average of £2,774, and the average Londoner's disposable income is 28% higher than the national average.

However, the cost of London living is greater than anywhere else in the country; and Londoners have the lowest levels of savings relative to annual gross earnings (22% compared to the UK average of 29%).

Martin Ellis, Halifax Economist, said:
"As a leading global city, London provides major economic, social and cultural benefits not just to those who live there but also for the rest of the country. Employment growth has been higher than elsewhere in the UK in recent years, while average earnings in the capital are 32% higher than the UK average.

"On the other hand, living in London is more expensive than in any other region. So perhaps it not surprising Londoners, on average, also have the lowest savings in proportion to average earnings in the UK."
Key London Factors

Economy
- The capital generates over a fifth (22%) of the UK’s total economic output. This is a larger share than any of the other English regions, and comfortably higher than the South East (14.7%) – the next largest. In fact, London's economic output is higher than for Wales, Scotland or Northern Ireland combined (14.2%).
- London's economy has outperformed all other UK regions since 2007, growing by 12.4% (2007 to 2011) in monetary terms compared to between 2.3% to 6.8% across all other regions.
- London's labour market has also outperformed the rest of the country. Between Q4 2007 and Q3 2013 the employment rate in the capital grew by 0.7%, whereas the UK as a whole experienced a decline of 1.3%.
- Gross disposable household income (GDHI) per head of London residents is the highest of all regions. At £20,509, it is 28 per cent higher than the national average of £16,034.
- Labour productivity in London is a third higher than the UK average.

Employment and Earnings
- Londoners in full time work earn, on average, £3,656 per month before tax - £882 (or 32%) above the UK average of £2,774.
- London has seen the highest increase in job creation in recent years. There has been a 526,000 increase in workforce jobs since September 2007.
- But, at 69.4%, the employment rate in London is slightly below the UK average of 71.0%. Lambeth has the highest employment rate in London of 77.7%.
- At 3.1%, the unemployment rate in London (as based on the claimant count) is slightly above the UK average of 3.0%. However, within the capital there are large variations; for example, in Richmond upon Thames and Kingston upon Thames the unemployment rate is 1.4%, but in Haringey, Waltham Forest, Hackney, Tower Hamlets, and Barking and Dagenham the rate is between 4.2% and 4.4%.

Housing
- At £310,116 the average house price in London is over £136,000 (79%) above the UK average of £173,687.
- Indeed, property prices in the capital have held their value better than the UK average since 2007, with average prices currently only 4% below their peak compared to 13% nationally.
o Around half (49.5%) of London's homes are occupied by their owner; the lowest owner occupation rate in the UK (64.3%). Outright ownership is also the lowest in London, at a fifth (21.1%) compared to 30.8% nationally.

Cost of housing
o London is the most expensive place to own and run a house in the UK, with the average cost, at £12,094, close to £2,500 above the UK average of £9,590.  
o However, renting is more expensive than buying in the capital. In London homeowners typically pay 8% (£98) a month less than the average London private renter.

Savings
o Average customer savings balances of £8,147 in London are 5% higher than the England and Wales average (£7,780).

o London has areas with both the highest and lowest savers in England and Wales; in Richmond upon Thames, Harrow, Kensington and Chelsea, and Barnet the average balance is above £11,000, but in Newham and Hackney it is below £4,500.

o Londoners overall have the lowest levels of savings relative to earnings. The average savings balance is equivalent to 22% of average earnings in the capital, whereas the average proportion in England and Wales is 29%.

Quality of life
o In the 2013 Halifax Quality of Life Survey, City of London, Kensington and Chelsea, Richmond upon Thames and Bromley were the only London areas in the top 100 best places to live in the UK.

Environment
o Households in London produced 1.76 tonnes of carbon dioxide (CO2) emissions per resident in 2011. This was the lowest of all the English regions and compared with a UK average of 2.04 tonnes per resident.

o The traffic on major roads in London decreased by 8.6% between 2002 and 2012. This compared with an increase of 2.0% for England as a whole.

Population
o London is the smallest region in terms of area, occupying 1,600 square kilometres (sq km), less than 1% of the total area of the UK.

o London has a population of 8.3 million based on estimates for mid-2012, 13% of the total UK population. Over the past decade, London's population had the fastest
growth of any region, increasing by 13% compared with an 8% rise in the UK population.

- London is by far the most densely populated part of the UK with population density in mid-2012 standing at 5,285 people per sq km. The averages for England and the UK are 411 and 263 people per sq km respectively.
- London’s age profile is younger than that of the UK as a whole, with a higher proportion of people aged under-16 (20.1% compared with 18.8% for the UK in 2012). Only Northern Ireland has a younger age profile, with 21% aged under 16. People aged 65 and over made up 11.3% of the population compared with the UK average of 17%.

**Education**

- In London, 84.1% of pupils achieved five or more A*-C grades at GCSE level or the equivalent in 2012, compared with 81.8% for England as a whole.
- London has the most 16-64 year olds educated to NVQ level 4 and above (equivalent to degree level) at 48.0% in 2011; UK average of 34.7%.

**Life expectancy**

- Life expectancy at birth in London in the three-year period 2010 to 2012 was 79.7 years for males and 83.8 years for females, a little above the England averages of 79.2 and 83.0 years respectively.

**Crime rate**

- The average number of burglaries per 1,000 homes in England and Wales is 37. In London, the average is 79.
- Four of the worst five areas for burglaries in England and Wales are in London: Haringey (124 per 1,000), Brent (119 per 1,000), Redbridge (110 per 1,000) and Hillingdon (102 per 1,000).

**Editors’ Notes**

1 not allowing for inflation
2 2011 ONS

**Data Sources:**
- Economy: ONS August 2013
- Employment and Earnings: NOMIS and ONS July 2012-June 2013; Earnings April 2013
- Housing: Halifax House Price Index and ONS Q4 2013
- Cost of Owning a Home: Halifax House Price Index and ONS January 2012-January 2013
- Savings: Halifax Savings database October 2013
- Quality of life: Halifax December 2013

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- Environment: Department of Energy and Climate Change 2005/10
- Population: ONS 2012
- Education: Department of Education January 2012
- Life expectancy: ONS 2010/12

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