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RENTING MORE AFFORDABLE THAN BUYING

High mortgage costs have forced more people to turn to the rental market, according to the annual UK housing review by the Chartered Institute of Housing (CIH) and the Building Societies Association (BSA)

The UK Housing Review 2007/08 reveals that the average mortgage costs compared with income for first-time buyers are now higher than they were at the peak of the last housing boom in the 1990s. Renters now pay almost a third less than the repayments on a 100% mortgage for an average 2 or 3 bedroom house, the review says, highlighting the problems that first time-buyers particularly have in attempting to get on the housing ladder.

While the forecast for residential sales is a continuing slowdown, the prediction for residential lettings is for growth. More and more homeowners are being saddled with mortgages they cannot afford and are leaving home-ownership to rent, reluctant to buy at a time when they believe house prices still have a way to fall. Additionally, demographic factors are influencing activity and growth in the lettings market, for example the increase of people living alone, a growth of the student population and higher immigration levels.

“The continual rise in property prices over the last 10 years has led to the current situation where renting is cheaper than buying,” says Graham Harrison, Chief Executive of ARLA letting and property management company, Ashton Burkinshaw. “Renting has become a more attractive housing choice and is no longer seen as a poor relation to buying. People have become more comfortable with the idea of renting and acknowledge the value of flexibility.

“Only a few years ago, there was little difference between paying off a 100% mortgage and paying a monthly rent. But, whilst private sector rents have kept in line with earnings, house prices have tripled since 1994, taking them to five times the average first time buyer’s income, with mortgage costs rising to an estimated 36% of income.”

Professor Wilcox, author of the UK Housing Review, comments that: “Private renting has become far more competitive as an option for households compared to the cost of buying; the sector has grown by 21% in the last five years across the UK and is fulfilling a significant role in the housing market. With the rates of population and household growth outstripping current and planned new house building we are likely to see continuing growth of the private rented sector.”

“A rise in the number of people looking to rent, after having been priced out of the property market, along with increasing rents, will give fresh hope to buy-to-let landlords facing a slide in the value of their properties”, added Graham Harrison.

