

Compendium

Chapter 2: Housing expenditure

A report on the Living Costs and Food Survey 2013, including spending on housing, utilities and other outgoings.



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1 . Abstract

This chapter presents housing-related costs such as rent, mortgage payments, repairs and maintenance, and home improvements. The chapter examines housing expenditure: in 2013 and previous years, by region, income and household characteristics. It also explores housing costs for renters, and for mortgage holders in more depth. The final section outlines the definitions of housing expenditure: the Classification Of Individual COnsumption by Purpose (COICOP) definition, followed by the definition used in the analysis of this chapter, which includes expenditure not present in COICOP.

2 . Key points

- UK households spent on average £147.90 a week on housing in 2013
- Households in London recorded the highest housing expenditure in the UK, at £206.90 a week
- Northern Ireland households had the lowest housing expenditure in the UK, 45% below the UK average at £81.00 per week
- Among households with mortgages, the average weekly spend on mortgages was £145.40 a week. Among renting households, the average weekly spend on net rent was £92.10 per week. Net rent refers to the rent payments that the householders have to meet themselves, so benefits and rebates received by the household to help pay for rent have been subtracted
- London has the highest expenditure both on mortgage payments and net rent. This reflects both high property prices in London and the large numbers of people renting. London's mortgage-holding households spent an average of £211.60 per week on mortgages, and its renting households spent an average of £141.60 on net rent

3 . Background

This chapter presents a more complete view of housing costs than the Classification Of Individual COnsumption by Purpose (COICOP) definition. The survey uses the COICOP definition for most reporting purposes because it is the internationally-recognised classification consistent with that used by UK National Accounts. However, it is interesting to consider also a fuller and more intuitive view of housing expenditure. Definitions of housing expenditure are included in the final section 'Definitions of housing expenditure'. This explains both the definition used under COICOP, and the different definition as used for this chapter summarised in table 2.1.

The definition of housing expenditure used in this chapter includes net rent, mortgage payments, repairs and maintenance, and home improvements but excludes expenditure on fuel and power. Net rent refers to the amount payable by the household, after benefits for housing costs have been deducted.

The first section examines the types of spending that make up housing expenditure and how these have changed over time. The remaining sections look at how spending on housing varies for different parts of the UK, and for different types of households.

4 . Housing expenditure

[Table 2.2 \(77 Kb Excel sheet\)](#) shows expenditure on the items included in the comprehensive definition of housing expenditure used for this chapter. It also displays total household expenditure, which includes all expenditure items covered by the survey. The total expenditure figure reported here is therefore greater than the expenditure totals shown in the tables in [appendix A](#), as these exclude certain goods and services not covered by the COICOP definition of expenditure.

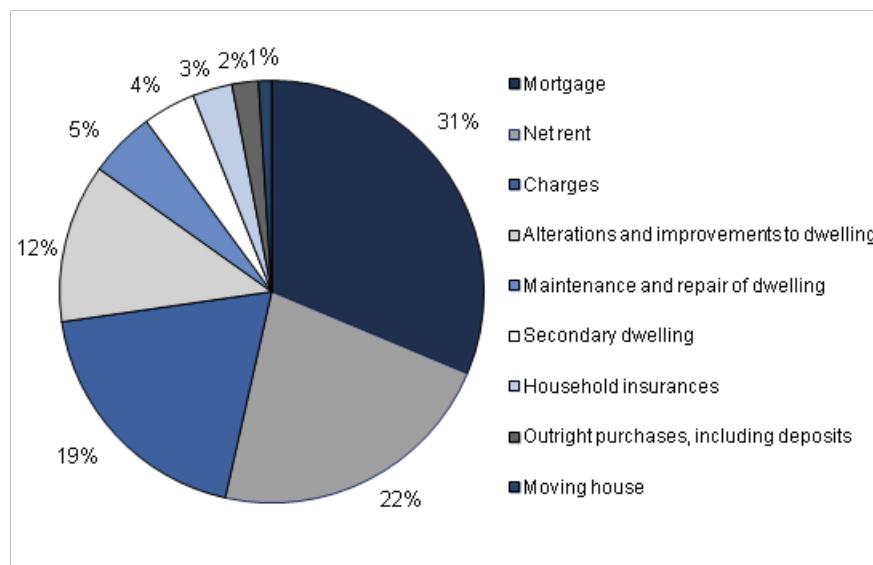
Under the comprehensive definition of housing expenditure, UK households spent on average £147.90 a week on housing in 2013, which equates to about a fifth (21%) of total weekly expenditure.

The COICOP definition of housing expenditure (with fuel and power removed) on the other hand, gave an average of £47.80 per week for each household (as shown in [table A1 in appendix A \(153.5 Kb Excel sheet\)](#)).

5 . Housing expenditure in 2013 and previous years

Figure 2.1: Housing expenditure items as a percentage of total housing expenditure, 2013

United Kingdom



Source: Living Costs and Food Survey - Office for National Statistics

This section considers the breakdown of housing expenditure, averaged across all households, regardless of whether or not they hold a mortgage or pay rent.

As shown in figure 2.1, mortgage payments accounted for 31% of housing expenditure in 2013; this includes interest payments, protection premiums and capital repayments. Net rent accounts for 22% of housing expenditure; this refers to the rent payments that the householders have to meet themselves, so benefits and rebates received by the household to help pay for rent have been subtracted.

Charges such as council tax, water charges and refuse collection made up 19% of housing-related expenditure. Alterations and improvements to the dwelling accounted for 12%; this category includes expenses such as installing central heating and double glazing. Maintenance and repair of the dwelling took up a much lower share of spending, at 5% of total housing expenditure; this category includes repairing central heating, and painting and wallpapering.

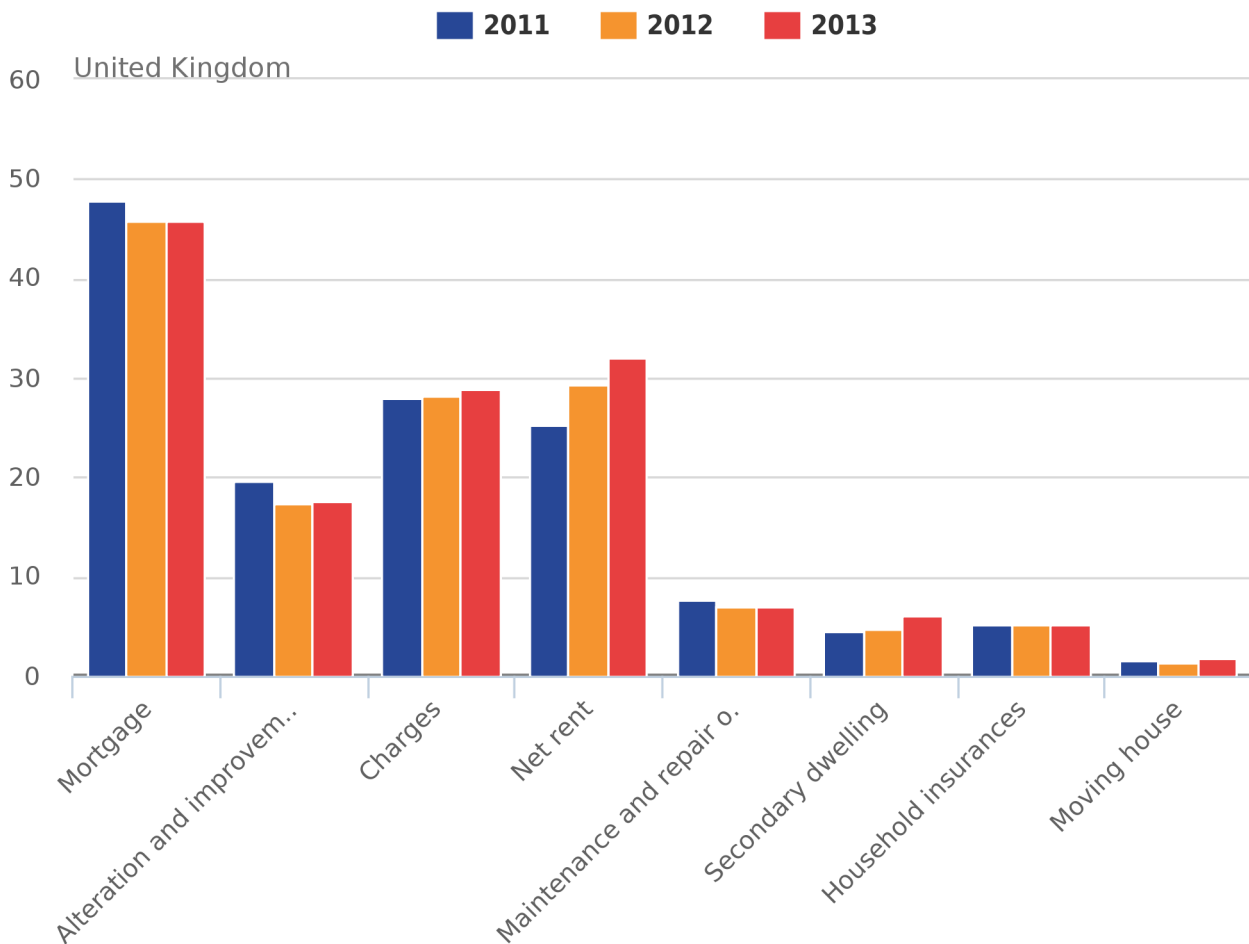
In terms of amounts spent, averaged across all households, £45.70 per week was spent on mortgages in 2013 and £32.00 on net rent, as shown in figure 2.2. The overall average amounts spent on rents and mortgages are partly determined by the proportions of households in each type of tenure. The survey records tenure type (see [table A50 \(50 Kb Excel sheet\)](#)), showing that in 2013:

- 35% of households rented
- 32% held mortgages
- 33% owned their properties outright

Interestingly, there has been a fall in the proportion of households with mortgages since 2006 (when 40% held mortgages) and a corresponding increase in the proportion renting (29% rented in 2006). A similar trend was reported by the [English Housing Survey](#). This makes it useful to consider rent and mortgage payments only for the relevant households, and this is done in the section 'Analysis of housing costs for renters and mortgage holders'.

There was an average weekly spend of £28.80 on charges (council tax or domestic rates in Northern Ireland, water charges, refuse collection and other regular services). There has been little change on average spending on charges since 2011, when £28.00 per week was recorded. This is despite reported continued rises in the cost of water rates, along with other housing costs ([Price Waterhouse Cooper, 2013](#)). These charges on the dwelling constitute an important component of total housing related costs, alongside rent and mortgage payments.

Figure 2.2: Housing expenditure 2011 to 2013



Source: Living Costs and Food Survey - Office for National Statistics

Spending on alterations and improvements was £17.70 in 2013, compared with £19.60 in 2011 (without adjusting for inflation). Interestingly, there has recently been official encouragement for homeowners to improve their properties, such as one run by the [Home Improvement Agency](#) and the government revamped [Green Deal](#). These schemes focus on ensuring existing housing is fit for purpose for elderly, disabled or low income homeowners, by assisting financially in making homes more energy efficient or providing lists of reliable builders for any work required. This might be a factor in the absence of increased expenditure in this category in recent years.

6 . Analysis of housing costs for renters and mortgage holders

The following section looks at average expenditure on net rent for households that report spending on rent and expenditure on mortgages for mortgage holders. This is the only place in this report where averages are not calculated across all households. This is because including only households that do pay rent or hold a mortgage provides a more informative picture of expenditure on these important elements of household expenditure.

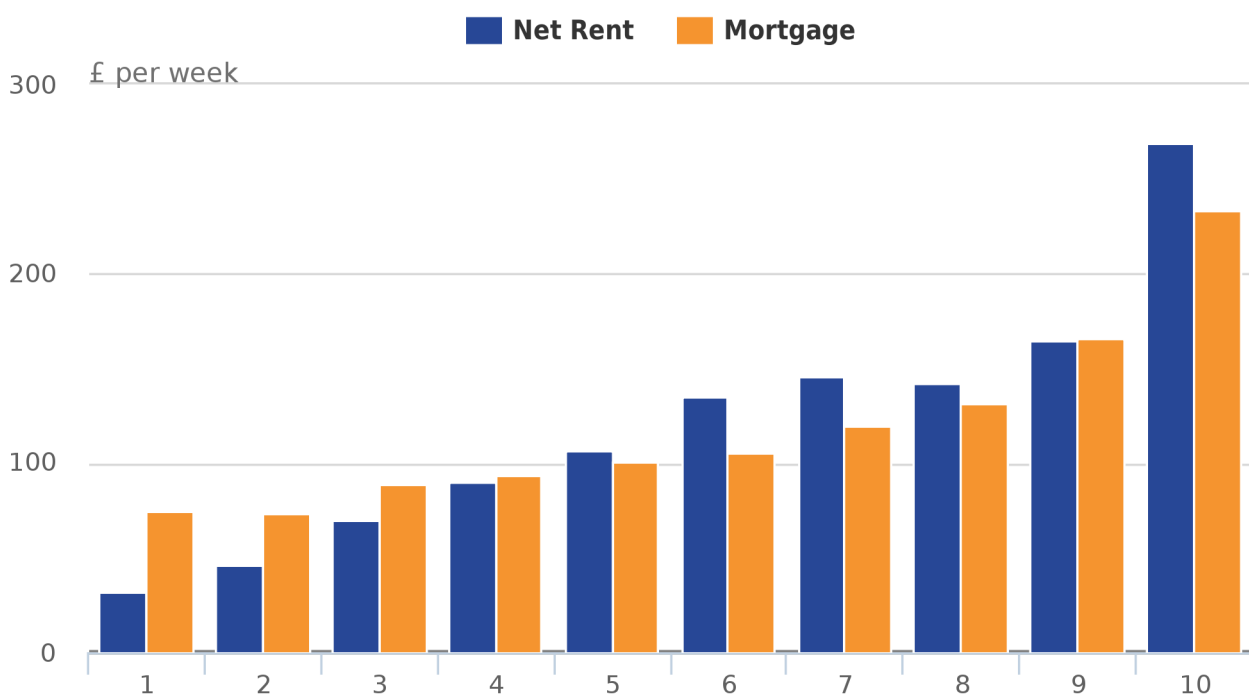
Expenditure on net rent increased slightly in 2013 ([table 2.8 \(35.5 Kb Excel sheet\)](#)). On average renters spent £92.10 per week in 2013; this is an increase from 2012 (£86.40) and 2011 (£77.00) without adjusting for inflation. These findings are consistent with other sources such as the [English Housing Survey](#) where it was found that the average weekly rents in both the private and social rented sectors increased in 2012-13. [The Index of Private Housing Rental Prices](#) also found that between May 2012 and May 2013 private rental prices grew by 1.3% in Great Britain.

Expenditure on mortgages rose in 2013, without adjusting for inflation. The average weekly expenditure on mortgages by mortgage holders was £145.40 in 2013, compared with £138.60 in 2012 ([table 2.9 \(34.5 Kb Excel sheet\)](#)). Analysis of rent in this publication tends to focus on net rent, because this is what is used in calculations of total expenditure. Average spending on gross rent by renting households (£138.40 per week) is very similar to spending on mortgages by mortgage holders. Gross rent refers to the rent payable in total, including the elements that are met by benefits and rebates, rather than householders.

Figure 2.3 and [table 2.10 \(74 Kb Excel sheet\)](#) show mortgage payments by mortgage holders and net rent payments by renters broken down by income band. The first income decile comprises the tenth of households with the lowest income, the second decile the tenth of households with the next highest incomes, and so on. The figures should be treated with caution, because there are low numbers of renters, or mortgage holders in the survey sample for some income groups: relatively few low-income households hold mortgages and high income households rent.

Figure 2.3: Expenditure on net rent by renters, and mortgages by mortgage holders, by gross income decile group, 2013

United Kingdom



Source: Living Costs and Food Survey - Office for National Statistics

As might be expected, spending both on mortgages (by mortgage holding households) and net rent (by rent paying households) increased as income increased. Among the lowest-income households, average spending on net rent (£31.70 per week) was much lower than mortgage payments (£74.20 per week). Among higher income groups the pattern was different, with spending on net rent higher than mortgage payments. For the tenth of households with the highest incomes, net rent expenditure averaged £268.60 and mortgage payments £233.20 per week. This pattern is largely due to housing benefits and rebates, which make renting markedly less expensive for lower-income households, but have almost no impact on higher earning households. Average weekly expenditure on gross rent was £118.10 for the lowest-income ten per cent of households, much higher than the £31.70 net rent figure.

7 . Housing expenditure by socio-demographic characteristics

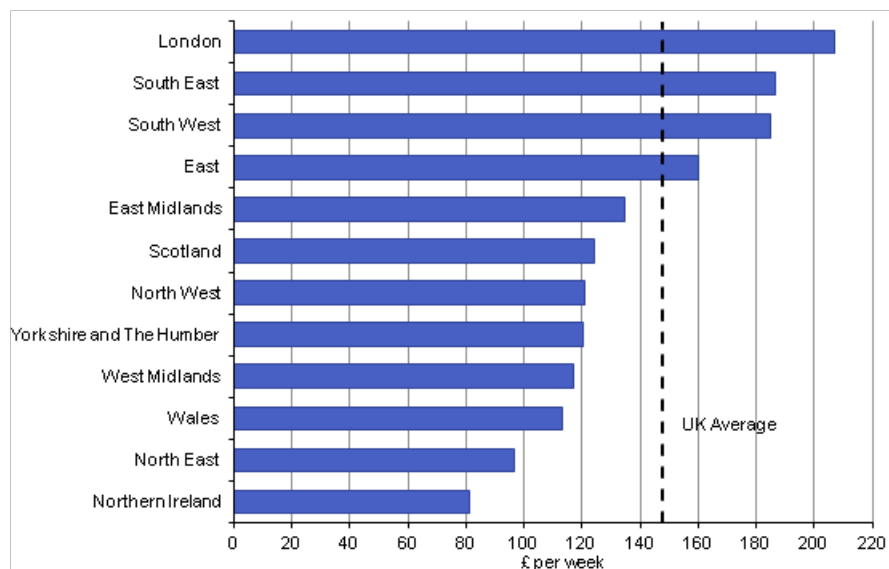
The relationship between income and housing expenditure was reflected in associated socio-demographic characteristics, such as socio-economic classification of the Household Reference Person (HRP, defined in [appendix B](#)), as shown in [table 2.6 \(78 Kb Excel sheet\)](#). Where the HRP was in an occupation defined as being “higher managerial or large employer”, housing expenditure averaged £299.20 per week; this was much higher than £104.50 per week if the HRP was in a routine occupation.

Age is another important factor. Housing expenditure is presented in [table 2.4 \(60 Kb Excel sheet\)](#) by the age group of the HRP. Households where the HRP was aged between 30 and 49 spent the most on housing (£199.40 per week). Higher spending in this age group is driven largely by mortgage payments, which were £84.10 per week compared with £45.70 for all age groups combined. This is the age range where households tend to take up mortgages, and take the greatest responsibility for meeting the payments. By contrast, younger households, where the HRP was aged under 30, spent an average of £88.40 on net rent, much higher than the overall figure of £32.00. It’s not surprising that households with younger HRPs tend to spend more on rent, as many people in this age group have not yet acquired the means or stability of lifestyle to maintain a mortgage.

8 . Expenditure by region/country

There are large variations in average expenditure on housing across different regions of the UK, as shown in figure 2.4 and [table 2.5 \(54.5 Kb Excel sheet\)](#). The pattern is very similar to that recorded for total expenditure. The UK average household weekly expenditure on housing was £147.90 in 2013. London households spent the most at £206.90 per week; followed by the South East (£186.30) and the South West (£184.80). The lowest spending areas were Northern Ireland (£81.00) and the North East (£96.50). This is largely reflected in the average house price across different regions of the UK. The [ONS House Price Index \(HPI\)](#) showed house prices were most expensive in London in 2013 with an average of £424,000, followed by the South East (£300,000), whereas the UK average house price was £242,000; Northern Ireland was the least expensive region with an average of £130,000. The prices given are “mix-adjusted” prices, as explained in the HPI bulletin.

Figure 2.4: Housing expenditure by UK countries and regions, 2013

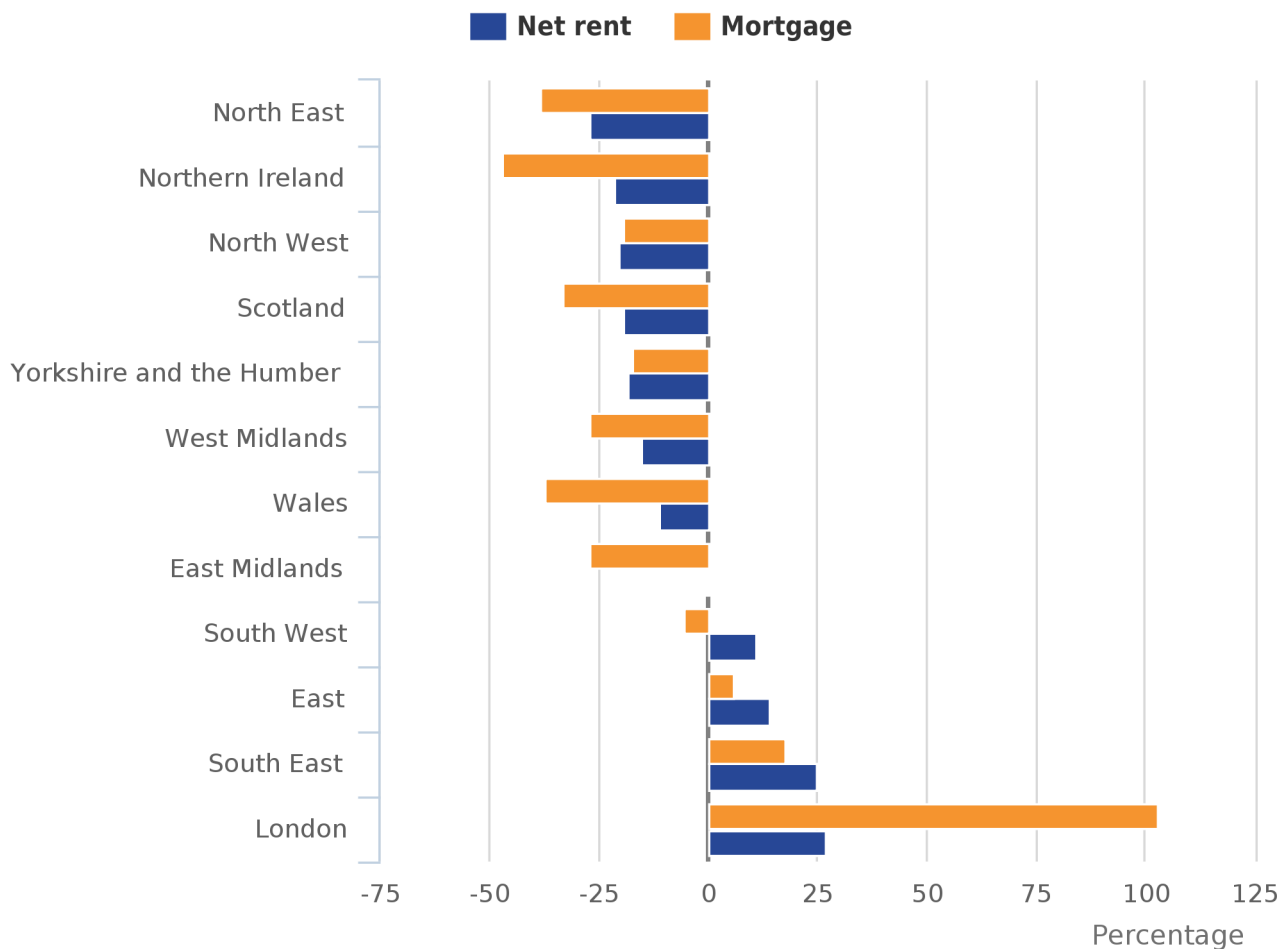


Source: Living Costs and Food Survey - Office for National Statistics

These differences are reflected both in net rent and mortgage payments (although to different extents), averaged across all households, as shown in figure 2.5. Average household weekly expenditure on net rent in London (£64.70) was twice the UK average (£32.00), and much higher than the next highest area, the South East, at £37.60. The difference between London and the rest of the UK is much less pronounced for mortgages than for net rent, with an average spend of £58.00. This was very similar to that recorded in the South East (£57.00) and 27% above the UK average of £45.70.

Figure 2.5: Percentage difference compared with UK average for mortgage payments and net rent payments by UK countries and regions, 2013

United Kingdom



Source: Living Costs and Food Survey - Office for National Statistics

A slightly different pattern emerges when considering only rent payers and mortgage holders, by region, as shown in [table 2.11 \(70.5 Kb Excel sheet\)](#). For net rent, London is less far ahead of other areas (£141.60, compared with the UK average of £92.10) than when rent figures are averaged across all households. This reflects the fact that higher average expenditure on rent in London is partly driven by the high proportion of renters in the capital. [2011 Census analysis](#) established that London accounted for the largest percentage of renters at 50.4% of households. The other factor is rental prices, which are higher in London than other parts of the UK, as found by an [Index of Housing Rental Prices (IHRP) report].

For mortgages, higher spending by London's households can be seen more clearly when looking at expenditure by mortgage holders only. The capital's spending averaged £211.80 per week; the next highest areas were the South East (£172.10) and the East (£158.90). The [2011 Census](#) confirmed that London has a lower proportion of mortgage holding households than many other areas with just 27.1% of owner occupiers compared to the UK average of 32.7%, pushing down the spending averaged across all households. However, property prices are high in London ([The ONS House Price Index, HPI](#)) and its mortgage holding households paid considerably more than in other parts of the UK.

Expenditure on housing reflects both the characteristics of the geographic area of the household and of the household itself. There are complex interactions between these factors as house prices and rental costs are influenced by the demands of the local population and the perceived desirability of an area of residence. There are large differences in housing-related expenditure among regions of the UK, with London standing out as the area with the highest expenditure both on rent and mortgages.

9 . Definitions of housing expenditure

The COICOP system has been used to classify expenditure on the Living Costs and Food Survey (LCF) and previously the Expenditure and Food Survey (EFS) since 2001/02.

COICOP is an internationally agreed system of classification for reporting consumption expenditure within National Accounts and is used by other household budget surveys across the European Union.

Further information on COICOP can be found on the [United Nations Statistics Division website](#).

Under COICOP, household consumption expenditure is categorised into the following 12 headings:

1. Food and non-alcoholic drinks
2. Alcoholic drinks, tobacco and narcotics
3. Clothing and footwear
4. Housing (net), fuel and power
5. Household goods and services
6. Health
7. Transport
8. Communication
9. Recreation and culture
10. Education
11. Restaurants and hotels
12. Miscellaneous goods and services

It is important to note that COICOP classified housing costs do not include what is considered to be non-consumption expenditure, for example: mortgage interest payments, mortgage capital repayments, mortgage protection premiums, council tax and domestic rates.

In addition to the 12 COICOP expenditure categories, the tables contained in appendix A include a category called 'other expenditure items' under which certain non-consumption expenditures can be found. This category includes the following housing-related costs: mortgage interest payments, mortgage protection premiums, council tax, and domestic rates. Housing costs that are not included in the COICOP definition of housing or the 'other expenditure items' category are captured within the 'other items recorded' category that can be viewed in [table A1 \(153.5 Kb Excel sheet\)](#) in appendix A.

For the purpose of this chapter all data relating to housing expenditure have been combined to facilitate an understanding of total housing costs. This comprehensive definition of housing expenditure is made up from three types of expenditure detailed in table 2.1: expenditure included in COICOP, housing costs in the 'other expenditure items' and 'other items recorded' categories of this report.

2.1: Definition of total housing expenditure

Costs which are included in the COICOP classification of housing expenditure:

Actual rentals for housing

– net rent (gross rent less housing benefit, rebates and allowances received)

– second dwelling rent

Maintenance and repair of dwelling

– central heating maintenance and repair

– house maintenance and repair

– paint, wallpaper, timber

– equipment hire, small materials

Water supply and miscellaneous services relating to dwelling

– water charges

– other regular housing payments including service charge for rent

– refuse collection, including skip hire.

Housing costs which are included elsewhere in the COICOP classification:

Household Insurances

– structural insurance

– contents insurance

– insurance for household appliances.

Housing costs which are included as 'other expenditure items' but excluded from COICOP classification:

Housing: mortgage interest payments etc.

– mortgage interest payments

– mortgage protection premiums

– council tax, domestic rates

– council tax, mortgage, insurance (second dwelling).

Housing costs which are included as 'other items recorded' and are excluded from COICOP classification:

Purchase or alteration of dwellings (contracted out), mortgages

– outright purchase of houses, flats etc. including deposits

– capital repayment of mortgage

– central heating installation

– DIY improvements: double glazing, kitchen units, sheds etc.

– home improvements (contracted out)

– bathroom fittings

– purchase of materials for capital improvements

– purchase of second dwelling.

Source: Office for National Statistics

10. Background notes

1. Symbols and conventions used in Family Spending 2014 edition

[] Figures should be used with extra caution because they are based on fewer than 20 reporting households.

.. The data is suppressed if the unweighted sample counts are less than 10 reporting households.

- No figures are available because there are no reporting households.

Rounding: Individual figures have been rounded independently. The sum of component items does not therefore necessarily add to the totals shown.

Averages: These are averages (means) for all households included in the column or row, and unless specified, are not restricted to those households reporting expenditure on a particular item or income of a particular type.

Period covered: Calendar year 2013 (1 January 2013 to 31 December 2013).

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