

Compendium

# Chapter 2: Housing expenditure



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# 1 . Introduction

This chapter presents housing-related costs such as rent, mortgage payments, repairs and maintenance, and home improvements. We examine housing expenditure by region, income, and household characteristics, including a more in-depth look at housing costs for renters and mortgage holders, in 2014 and previous years. We also outline the definitions of housing expenditure: the classification of individual consumption by purpose (COICOP) definition and the definition used in the analysis of this chapter, which includes expenditure not present in COICOP.

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 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 we use for this chapter. The differences are 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.

## 2 . Main points

In 2014:

- on average, UK households spent £158.30 a week on housing, compared with £147.90 a week in 2013
- households in London recorded the highest housing expenditure in the UK, 58% above the UK average at £250.80 a week; Northern Ireland households had the lowest housing expenditure in the UK, 45% below the UK average at £86.90 per week
- among households with mortgages, the average weekly spend on mortgages was £143.80 a week; among renting households, the average weekly spend on net rent was £90.20 per week (net rent refers to the rent payments that the householders have to pay 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; London's mortgage-holding households spent an average of £207.80 per week on mortgages, and its renting households spent an average of £153.30 on net rent

## 3 . Housing expenditure

[Table 2.2 \(78 Kb Excel sheet\)](#) shows expenditure on the items included in the comprehensive definition of housing expenditure we use in this chapter. It also displays total household expenditure, which includes all expenditure items covered by the survey. The total expenditure figure reported here is greater than the expenditure totals shown in the tables in appendix A because the appendix A tables are based on the COICOP definition of expenditure and exclude certain goods and services.

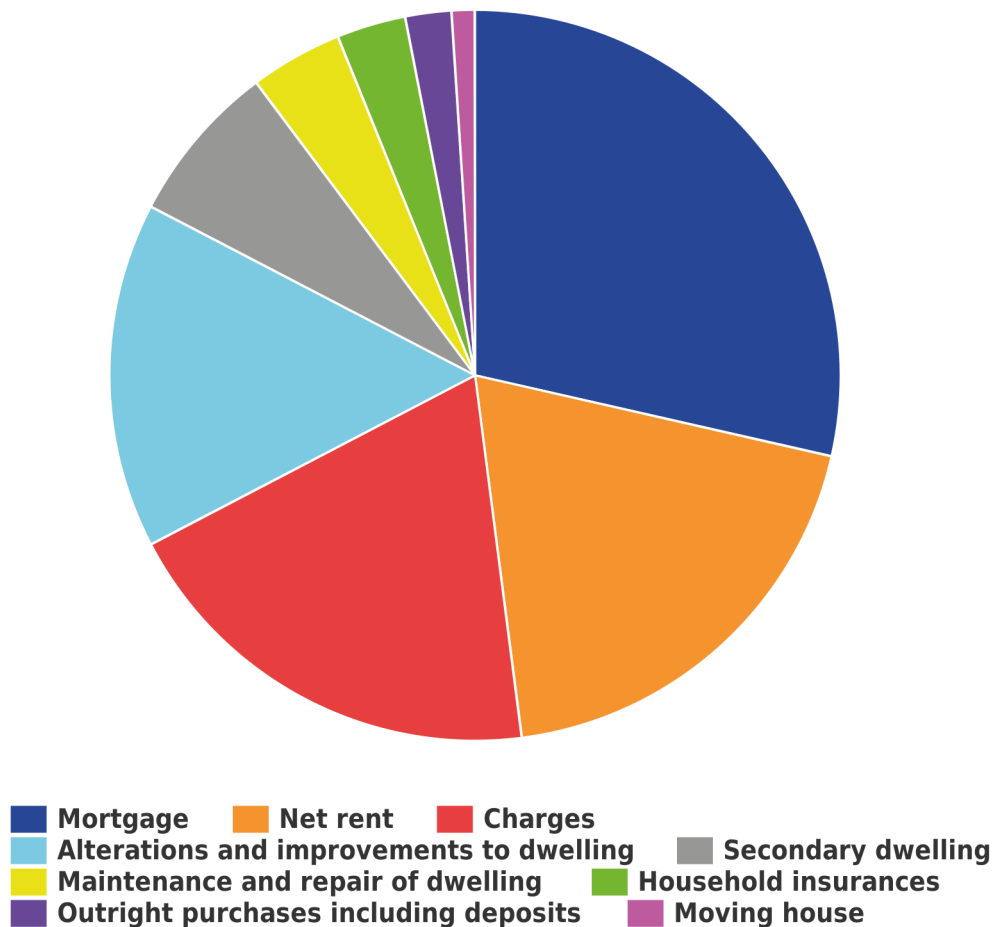
Under the comprehensive definition of housing expenditure, UK households spent on average £158.30 a week on housing in 2014, which equates to about a fifth (21%) of total weekly expenditure.

By contrast, the narrower COICOP definition of housing expenditure (with fuel and power removed) gave an average of £46.80 per week for each household (as shown in [Table A1 \(154.5 Kb Excel sheet\)](#) in appendix A).

## 4 . Housing expenditure in 2014 and previous years

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

UK, 2014



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 28% of housing expenditure in 2014; this includes interest payments, protection premiums and capital repayments. Net rent accounts for 19% of housing expenditure, this refers to the rent payments that the householders have to meet themselves – 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 15%; 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 4% of total housing expenditure; this category includes repairing central heating, and painting and wallpapering.

In terms of amounts spent, averaged across all households, £44.50 per week was spent on mortgages in 2014 and £30.70 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 (as shown in appendix A, [Table A50 \(50 Kb Excel sheet\)](#)), in 2014 there were:

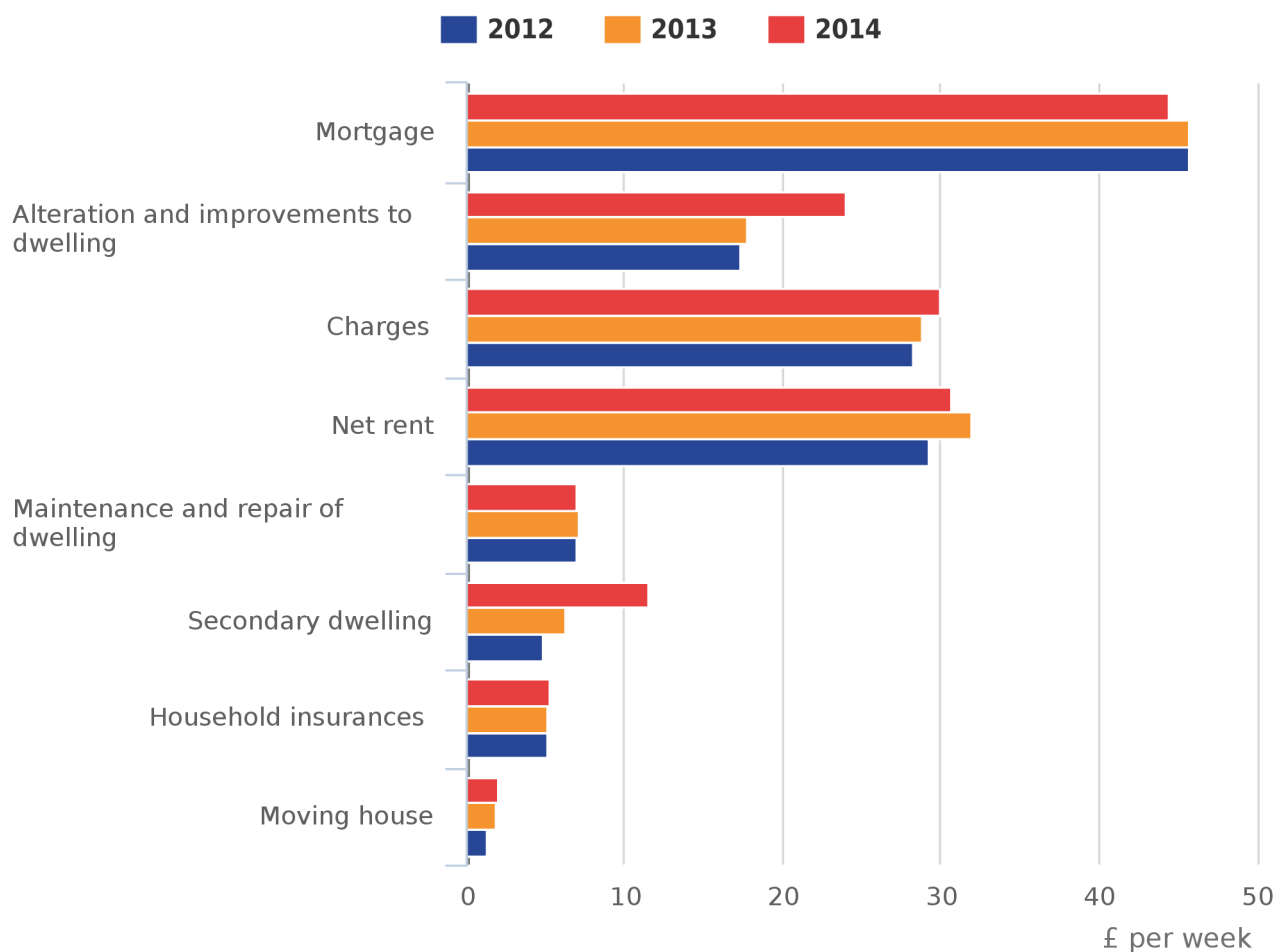
- rented households: 35%
- mortgage held: 31%
- owned the property outright: 34%

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](#). The fact that households tend either to pay mortgages or rent, or own their properties outright, makes it useful to consider rent payments only for households that pay rent and mortgage payments only for households that hold mortgages, and this is done in the section Analysis of housing costs for renters and mortgage holders.

There was an average weekly spend of £30.00 on charges – primarily covering council tax (or domestic rates in Northern Ireland), but also including water charges, refuse collection, and other regular services. These charges on the dwelling constitute an important component of total housing related costs, alongside rent and mortgage payments.

**Figure 2.2: Housing expenditure**

UK, 2012 to 2014



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

Spending on alterations and improvements was £24.00 in 2014, compared with £17.70 in 2013 (without adjusting for inflation). This may reflect the introduction of the [Neighbour Consultation Scheme](#) in May 2013, which allowed for larger rear extensions to be built without full planning permission.

Other financial schemes have been run in recent years that could affect household spending on alterations and improvements, such as 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 home owners, by providing financial assistance to make homes more energy efficient or providing lists of reliable builders for any work required. These reduce the amount paid by householders for such improvement, but may stimulate demand for the work to be done.

## 5 . 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 to provide a more informative picture of expenditure on these important elements of household expenditure.

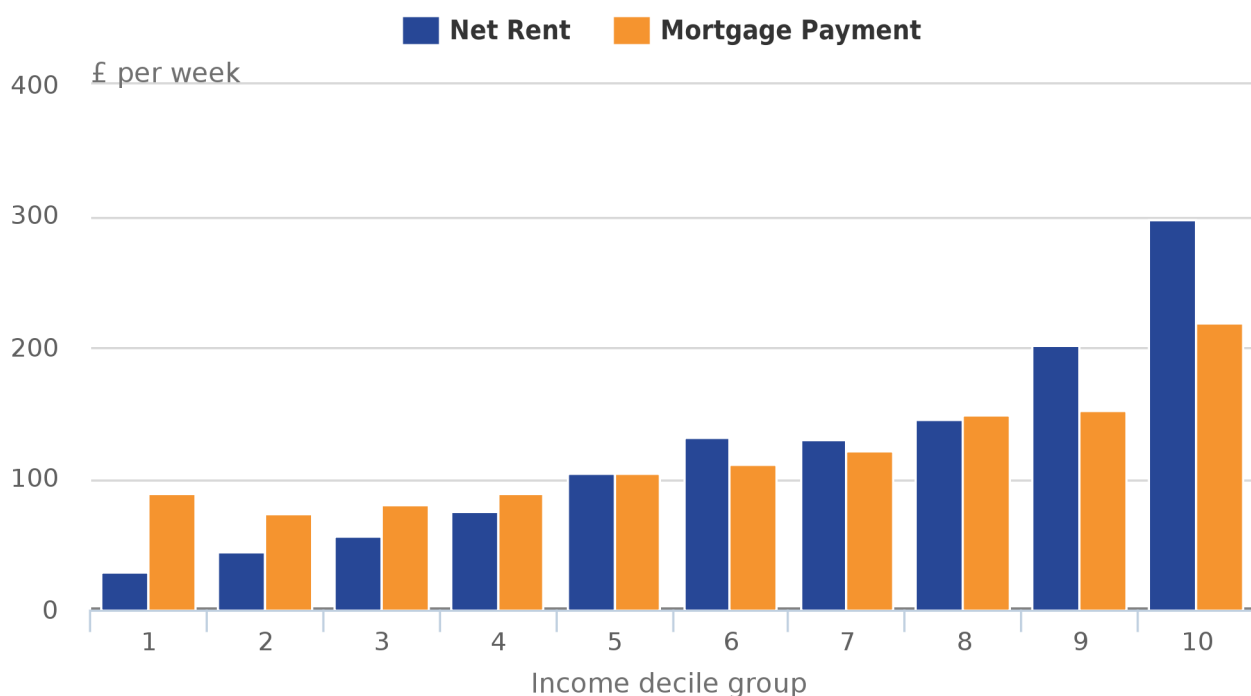
Expenditure on net rent in 2014 was mostly unchanged from 2013 ( [Table 2.8 \(30 Kb Excel sheet\)](#) ), following a small increase the previous year. On average, renters spent £90.20 per week in 2014, compared with £92.10 in 2013 and £86.40 in 2012, without adjusting for inflation. This finding contrasts slightly with [The Index of Private Housing Rental Prices](#), which found that private rental prices increased by 1.7% in Great Britain in the 12 months to December 2014.

There was also little change in average spending on mortgages in 2014. The average weekly expenditure on mortgages by mortgage holders was £143.80 in 2014, compared with £145.40 in 2013 ( [Table 2.9 \(34.5 Kb Excel sheet\)](#) ). Average spending on gross rent by renting households (£134.80 per week) is similar to spending on mortgages by mortgage holders. Analysis of rent in this publication tends to focus on net rent, because this is what is used in calculations of total expenditure. Gross rent refers to the rent payable in total, including the elements that are met by benefits and rebates rather than by householders.

Figure 2.3 and [Table 2.10 \(68.5 Kb Excel sheet\)](#) show mortgage payments by mortgage holders and net rent payments by renters broken down by income band. The first income decile comprises the 10th of households with the lowest income, the second decile the 10th of households with the next highest incomes, and so on. The figures should be treated with caution, because there are low numbers of renters in higher-income groups and low numbers of mortgage holders in lower-income groups.

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

UK, 2014



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 (£28.60 per week) was much lower than mortgage payments (£88.20 per week). Among higher income groups the pattern was different, with spending on net rent higher than mortgage payments. For the 10th of households with the highest incomes, net rent expenditure averaged £297.90 and mortgage payments £219.00 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 £114.00 for the lowest-income decile, meaning that 75% of gross rent for this group was offset by housing benefits and rebates.

## 6 . Housing expenditure by socio-demographic characteristics

The relationship between income and housing expenditure was reflected in associated socio-demographic characteristics, such as the socio-economic classification of the household reference person (HRP, defined in survey methodology), as shown in [Table 2.6 \(79 Kb Excel sheet\)](#). Housing expenditure averaged more than £250 per week where the HRP was classified as “large employers and higher managerial” (£253.30) or “higher professional” (£261.90); this was much higher than £109.90 per week if the HRP was in a routine occupation.

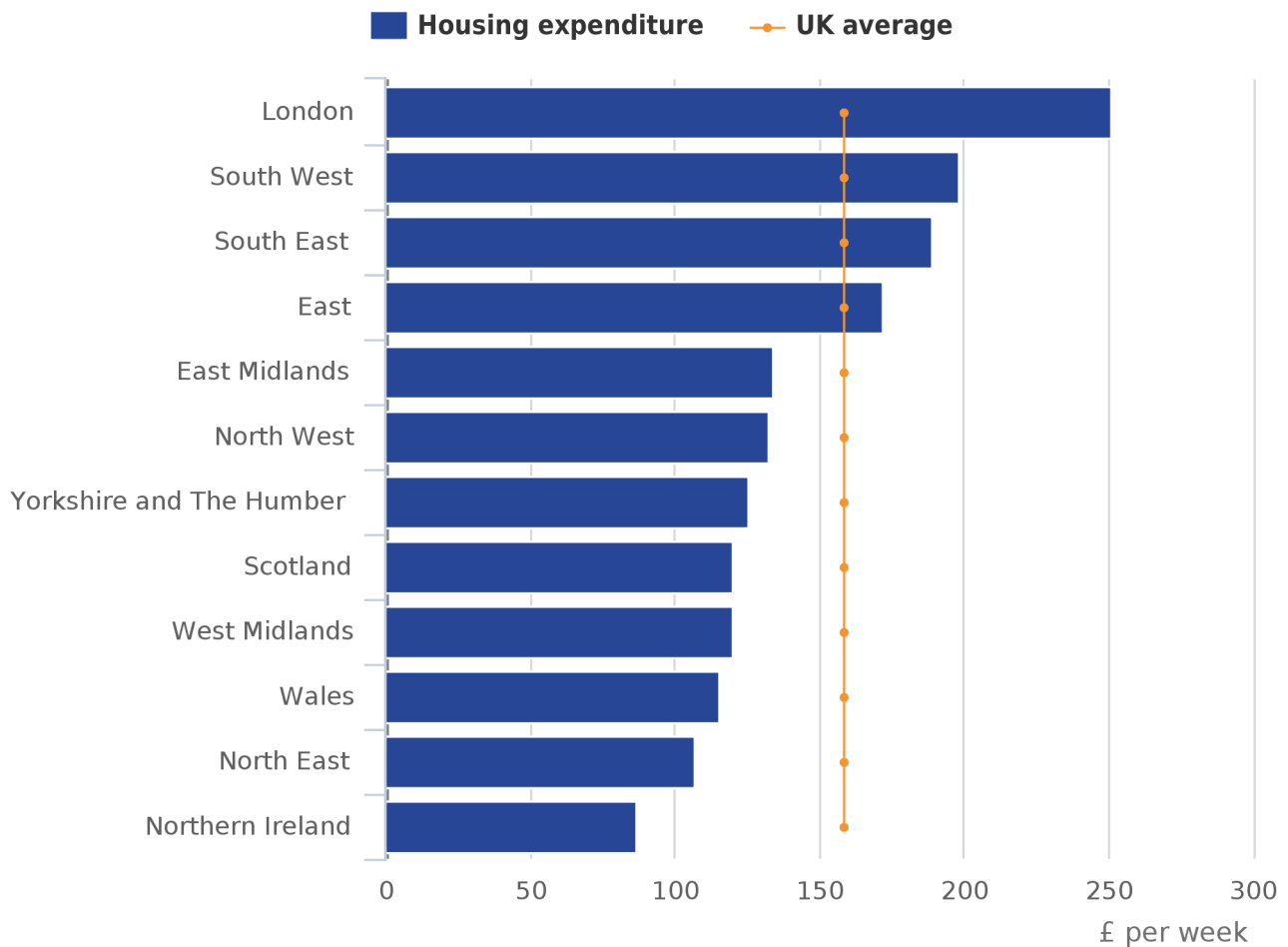
Age is another important factor. Housing expenditure is presented in [Table 2.4 \(60 Kb Excel sheet\)](#) by the age group of the HRP. Households where the HRP was aged between 30 and 49 spent the most on housing (£201.80 per week). Higher spending in this age group is driven largely by mortgage payments, which were £78.40 per week in this age group compared with £44.50 for all age groups combined. By contrast, households where the HRP was aged under 30 spent an average of £94.50 on net rent, more than triple the average for all households (£30.70). Households where the HRP is 75 or over had total housing expenditure of £69.80, compared to £158.30 for all households. This reflects a typical pattern of renting in early adulthood, then buying a house with a mortgage once the means and stability to do so are obtained, and eventually becoming an outright owner significantly later in life. The [English Housing Survey](#) estimated that 63% of mortgage-holding HRPs were aged 35 to 54, and 61% of HRPs who owned their home outright were aged 65 or over.

## 7 . Expenditure by region and 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 £158.30 in 2014. London households spent the most at £250.80 per week; the South West (£198.80) and the South East (£189.10) were the highest-spending areas outside London. The lowest-spending areas were Northern Ireland (£86.90) and the North East (£107.00).

This pattern is largely reflected in the average house price across different regions of the UK. Our [House Price Index \(HPI\)](#) showed house prices were most expensive in London in 2014 with an average of £502,000, followed by the South East (£339,000). The UK average house price was £272,000, and Northern Ireland was the least expensive region with an average of £142,000. The prices given are “mix-adjusted” prices, as explained in the [HPI bulletin](#).

Figure 2.4: Housing expenditure by UK countries and regions, 2014

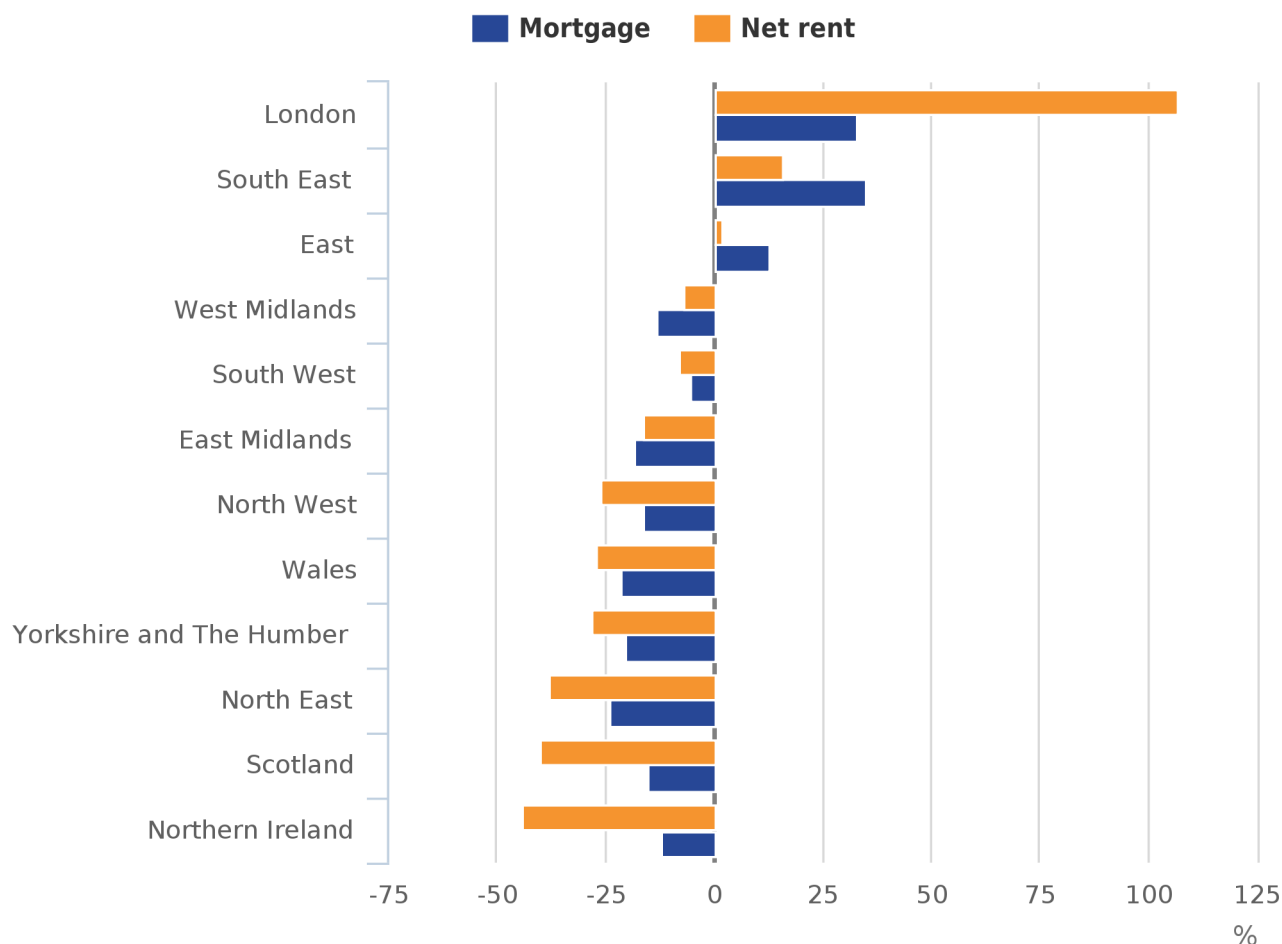


Source: Living Costs and Food Survey - Office for National Statistics

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 (£63.50) was twice the UK average (£30.70), and much higher than the next highest area, the South East (£35.80). However, the average expenditure of £59.00 for mortgages in London was very similar to that recorded in the South East (£60.10) and 33% above the UK average of £44.50.



**Figure 2.5: Percentage difference compared with UK average for mortgage payments and net rent payments by UK countries and regions, 2014**



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

A slightly different pattern emerges when considering only rent payers and mortgage holders in each region, as shown in [Table 2.11 \(70.5 Kb Excel sheet\)](#). For net rent, London is less different from other areas (£153.30, compared with the UK average of £90.20) than when rent figures are averaged across all households. This illustrates that, while rental prices are higher in London than other parts of the UK, as found by an [Index of Housing Rental Prices \(IHRP\)](#) report, the higher average expenditure on rent in London is also partly driven by the high proportion of renters in the capital. [2011 Census analysis](#) found that London accounted for the largest percentage of renters, at 50.4% of households.

For mortgages, higher spending by London's households can be seen more clearly when looking at expenditure by mortgage holders only. Mortgage holders in the capital spent an average of £207.80 per week, significantly more than any other region; the East of England (£168.70) and the South East (£163.50) had the next highest averages. The [2011 Census](#) confirmed that London has a lower proportion of mortgage-holding households (27.1%) than England and Wales as a whole (32.7%), pushing down the spending on mortgages when averaged across all households. However, property prices are higher in London ([House Price Index, HPI](#)), so 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.

## 8 . Definitions of housing expenditure

The classification of individual consumption by purpose (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 the year ending March 2002.

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" where certain non-consumption expenditures can be found. This category includes the following housing-related costs:

- mortgage interest payments
- mortgage protection premiums
- council tax
- 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, which can be found in [Table A1 \(154.5 Kb Excel sheet\)](#) 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 3 types of expenditure, as detailed in Table 2.1, it includes expenditure included in COICOP, as well as housing costs in the “other expenditure items” and “other items recorded” categories.

It should also be noted that throughout Family Spending, including this chapter, rent excluding service charges and benefit receipts associated with housing (net rent) has been used when calculating total expenditure. This convention ensures that expenditure recovered via rebates, benefits and allowances are excluded from the calculation of total household expenditure on rent.

**Table 2.1: Definition of total housing expenditure**

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

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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

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Housing costs which are included elsewhere in the COICOP classification:

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Household Insurances

structural insurance

contents insurance

insurance for household appliances

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

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Housing: mortgage interest payments etc

mortgage interest payments

mortgage protection premiums

council tax, domestic rates

council tax, mortgage, insurance (second dwelling)

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

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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

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## 9. Background notes

### 1. Symbols and conventions used in Family Spending 2015 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 2014 (1 January 2014 to 31 December 2014).

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