



DPS | RENT
INDEX™

Q2 2019

- ▶ [Executive Summary](#)
- ▶ [National Trends](#)
- ▶ [Regional Trends](#)
- ▶ [About the DPS Rent Index™](#)
- ▶ [Methodology](#)
- ▶ [The Brains Behind the Index](#)
- ▶ [References](#)

EXECUTIVE SUMMARY



In contrast to the decline in average rents last quarter, the second quarter of 2019 has seen a sharp increase in average rental prices. Average monthly rent in the UK now stands at £771. This represents an increase of £14 (1.79%) on last quarter, when average rents stood at £757.

Year on year, average monthly rents have also increased by £7 (0.78%) from £764. This is the first time we have seen an increase on this scale since rental prices began to decline in Q4 2017.

Scotland has seen the largest increase of £32 (5.4%), from £594 to £626. Average rent for flats saw a sharp increase of £57 (10.05%) from £567 to £624, which is certainly driving the overall increase in the region.

Just behind Scotland is London, which saw the second largest increase of £31 (2.24%) compared to last quarter, when average rents were £1,288. This is 71% above the national average.

Unsurprisingly, London has maintained its position as the most expensive region in the UK to rent property, with average rents now sitting at £1,319. This is the first increase in London since rents began to decline in Q4 2017, with terraced houses rising significantly by an average of £185 (13.28%), from £1,391 in Q1 to £1,576 in this quarter.

Outside of London, average monthly rent now stands at £673, an increase of £10 (1.5%) on last quarter, and a marginal increase of £2 (0.25%) compared with last year.

While the majority of regions have seen an increase in average rents, the West Midlands and Northern Ireland are the only areas to see a decline. Rents in the West Midlands have declined by £8 (-1.29%) from £629 to £621, while in Northern Ireland, average rent has dropped by £6 (-1.21%).

Northern Ireland continues to be the cheapest region for renters at £521, followed by the North East, where average rent stands at £523.

While all property types have seen a rise across the UK, the largest increase can be seen in terraced properties, rising by £32 (4.59%), from £699 to £731.

On average, UK renters spend 32% of their wages on rent.

“ It has been widely anticipated that The Tenant Fees act introduced on 1 June 2019, banning letting fees and capping security deposits, would lead to increased rents. Though average rents have risen overall, it's too early to tell if this is a result of the fees ban.

It's worth noting that the ban on letting fees from 1 June only applied to tenancies in England. With average rents rising significantly in Scotland from Q1 to Q2 and nominally in Wales, this may indicate other factors are contributing to the sudden upward trend. ”

James Garvey,
Head of Client Management

Q2 2019 RENTAL PRICES A SNAPSHOT

Average monthly rents at Q2 2010-2019



UK average
rent at **Q2
2019** **£771**

Average rent in
the UK represents
32% of the
average UK salary*



Average monthly rental prices per property type at Q2 2019

*Please note that all comparisons with salary are based on the average wage data for 2018, the most recent available.

Detached
£989 **+0.82%**
from Q1 2019

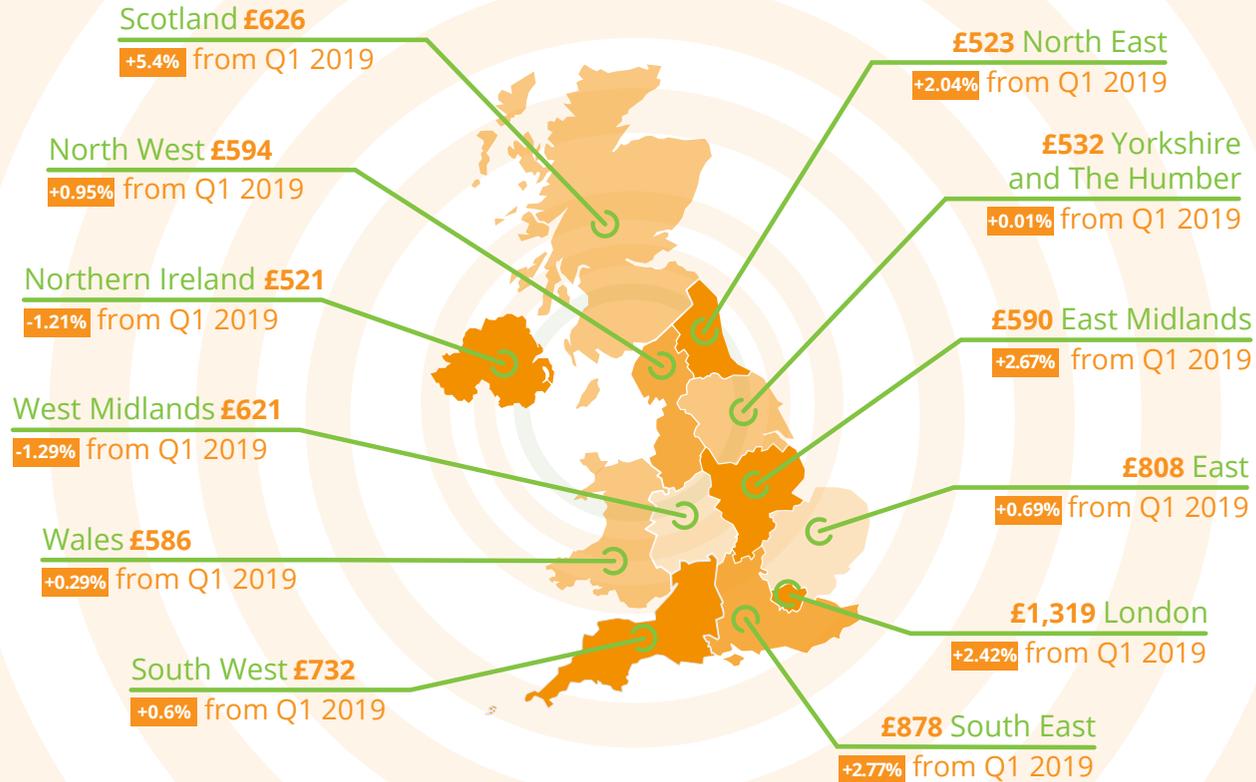
Semi-detached
£807 **+3.36%**
from Q1 2019

Terraced
£731 **+4.59%**
from Q1 2019

Flat/apartment
£786 **+1.02%**
from Q1 2019



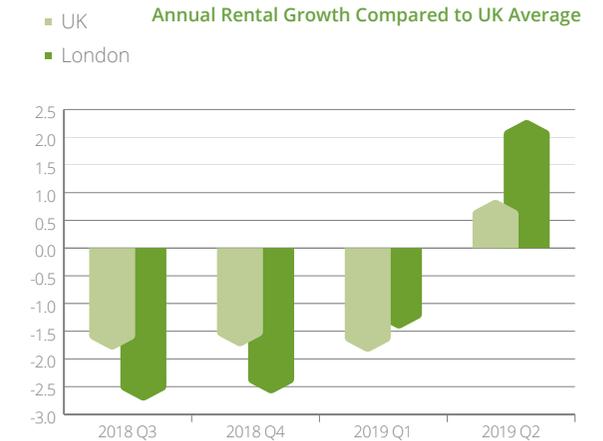
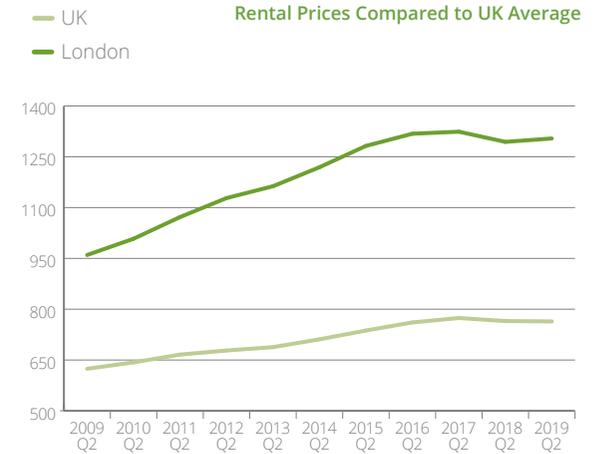
PRIVATE RENTED SECTOR - AVERAGE REGIONAL RENTAL PRICE OVER THE PAST QUARTER



LONDON

Regional Summary

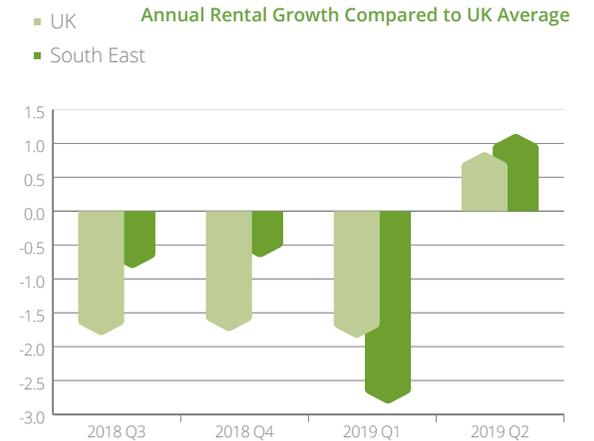
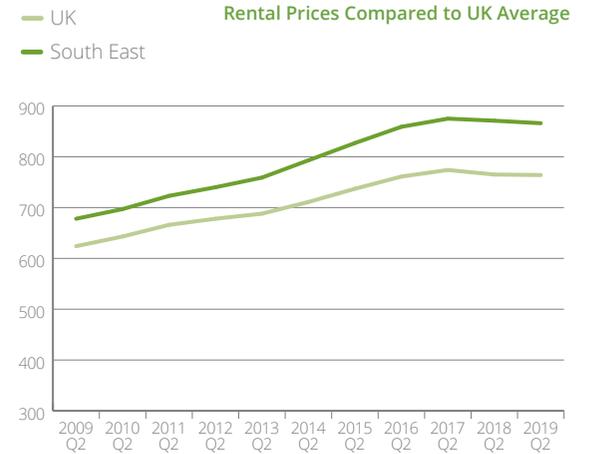
- > It's no surprise that London has maintained its position as the most expensive region in the UK to rent property, with average rents now sitting at £1,319.
- > This is the first time we have seen average rents increase since they began to decline in Q4 2017. Prior to this increase, prices were flat throughout 2018.
- > Marginally behind Scotland, London has seen the second largest increase of £31 (2.24%) in average rent compared to last quarter, which stood at £1,288. This also represents a 2.31% increase from £1,289 last year.
- > The increase can be seen across all property types, with terraced houses increasing the most, rising by an average of £185 (13.28%), from £1,391 in Q1 to £1,576 this quarter.
- > On average, Londoners spend 42% of their wages on rent.



SOUTH EAST

Regional Summary

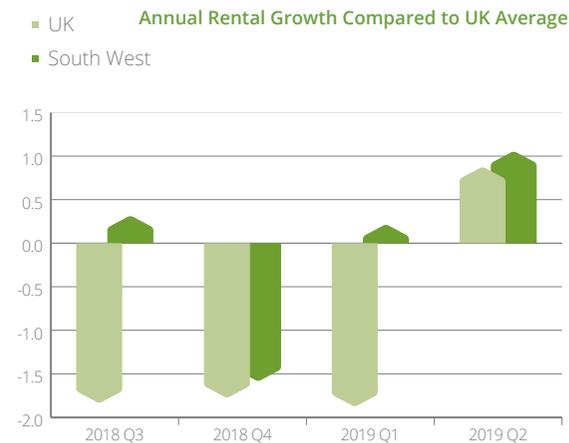
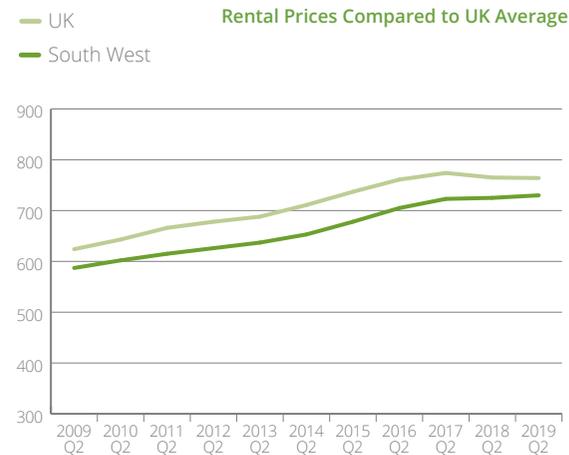
- > The South East remains the second most expensive region in the UK in which to rent property, with average rental prices standing at £878. This is an increase of £24 (2.77%) on last quarter, and is the second largest percentage increase compared to the rest of the UK.
- > This also represents a 1.14% increase on last year, where average rent stood at £868.
- > This increase can be seen in all property types. Semi-detached houses saw the largest increase, rising by £46 (4.55%).
- > On average, people in the South East spend 34% of their wages on rent.



SOUTH WEST

Regional Summary

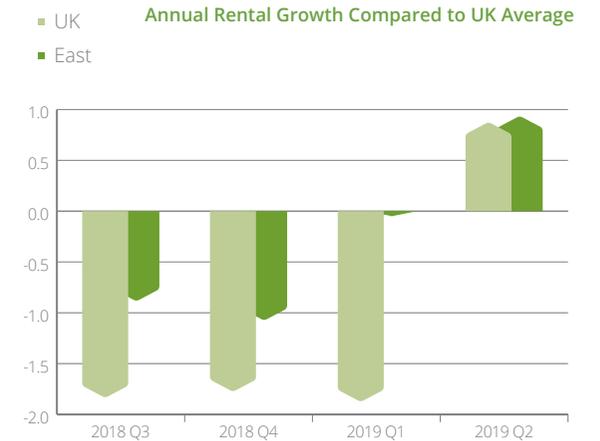
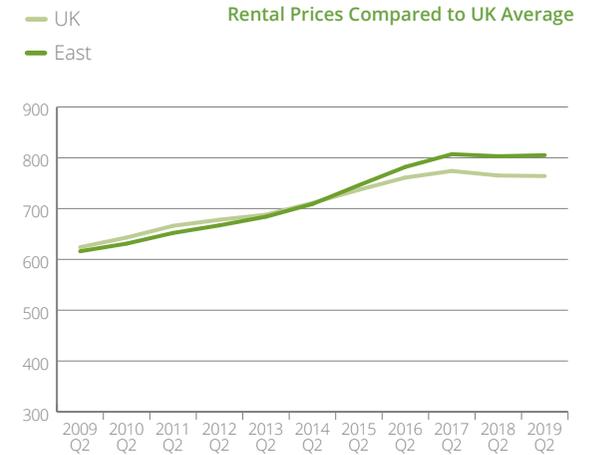
- > Average rent in the South West now stands at £732. This is a small increase of £4 (0.60%) from £728 in the previous quarter. Year on year there was also an increase of 1.05% from £724.
- > The majority of property types follow this upward trend, with terraced properties seeing the biggest growth, rising £31 (4.07%) from £763 to £794.
- > Flats were the only property type so see a decrease, falling £7 (-1.05%).
- > On average, people in the South West spend 32% of their wages on rent.



EAST

Regional Summary

- > Average monthly rent in the East has increased by £6 (0.69%) now standing at £808, which is the third highest in the UK.
- > Year on year, prices have also increased by just over £7 (0.93%).
- > All property types have seen an upward trend in rental prices, with terraced properties experiencing the largest increase, rising by £30 (3.64%).
- > On average, people in the East spend 33% of their wages on rent, slightly higher than the national average of 32%.

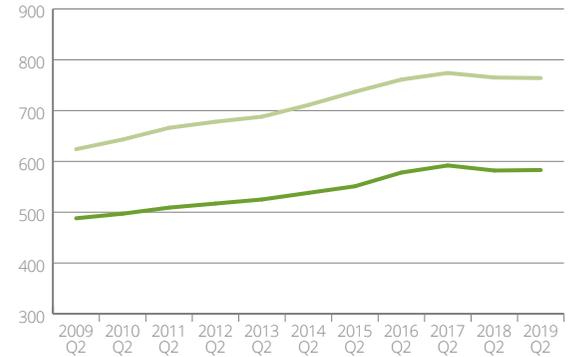


EAST MIDLANDS

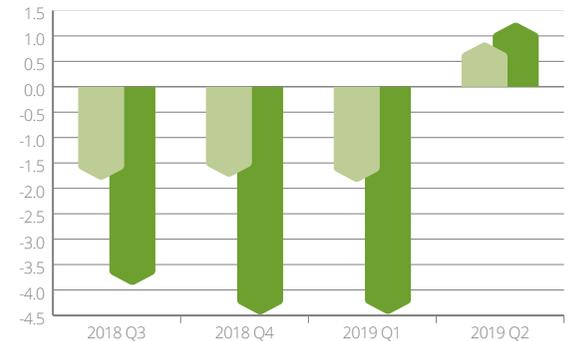
Regional Summary

- > Average rental prices stand at £590 in the East Midlands, an increase of £15 (2.67%) from £575 on last quarter.
- > Regionally, this is the third largest percentage increase, after Scotland and the South East.
- > Compared to last year, average rents have also increased, rising by 1.26% from £583.
- > The majority of property types within the East Midlands saw an increase in average rental prices, with Terraced and Semi-detached properties seeing the biggest increase of £18 compared to the previous quarter.
- > Detached houses are the only property type to see a decrease, falling by £20 (-2.32%) from £846 to £826.
- > On average, people in the East Midlands spend 27% of their wages on rent, 5% below the national average.

Rental Prices Compared to UK Average



Annual Rental Growth Compared to UK Average

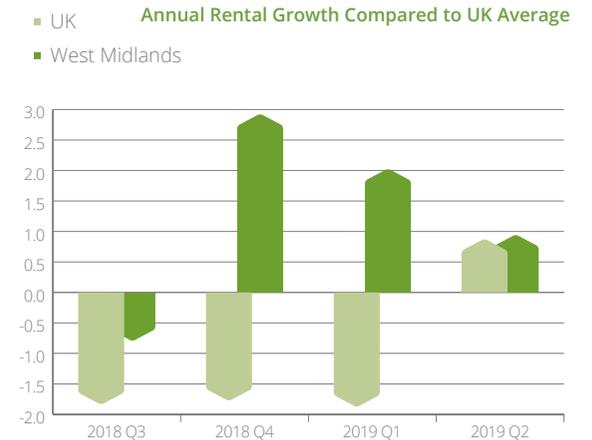
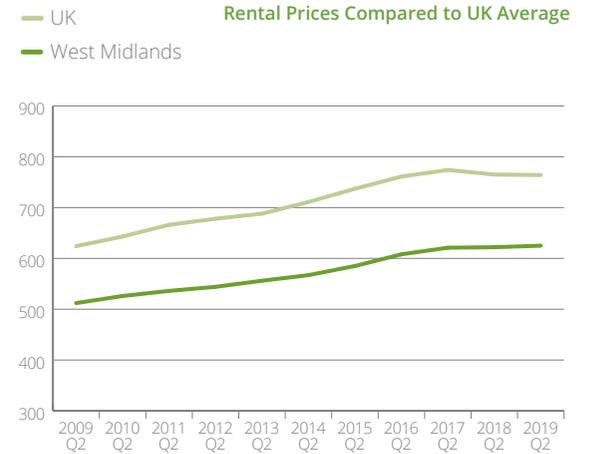


WEST MIDLANDS

Regional Summary

- > Average monthly rent now stands at £621 in the West Midlands.
- > In contrast to the national trend, this is a decline on last quarter, falling by £8 (-1.29%) from £629. However, average rental prices have gone up by £6 (0.94%) compared to last year.
- > Semi-detached houses have seen the biggest increase by property type in the region, increasing by £12 (1.73%).
- > Flats are the only property type to see a decline in average rent, with a £10 (-1.67%) drop and is primarily responsible for the overall decrease across the West Midlands*.
- > People in the West Midlands spend on average 27% of their wages on rent, 4% below the national average.

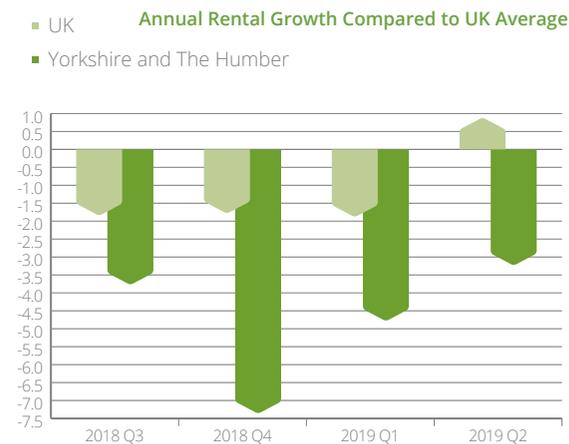
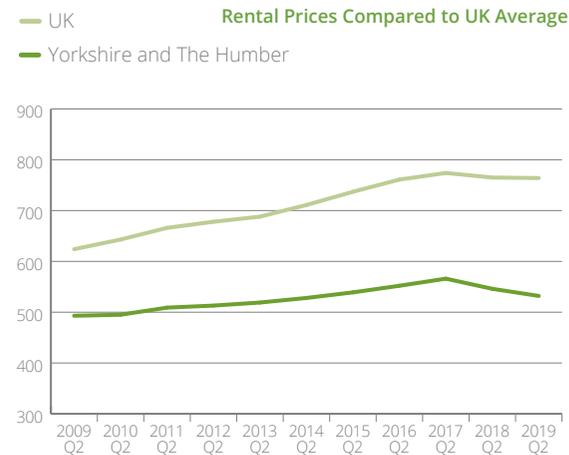
* Please note flats have the largest sample size of all property types



YORKSHIRE AND THE HUMBER

Regional Summary

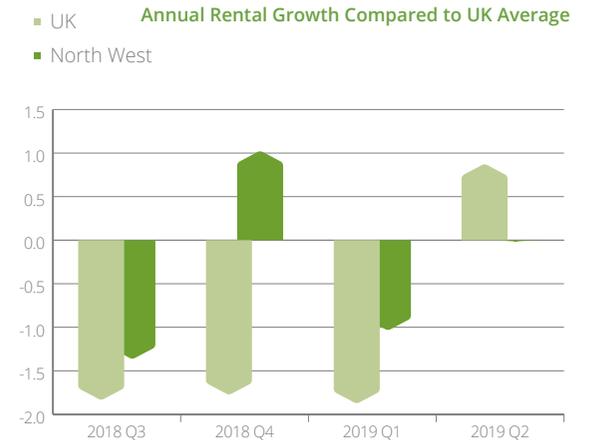
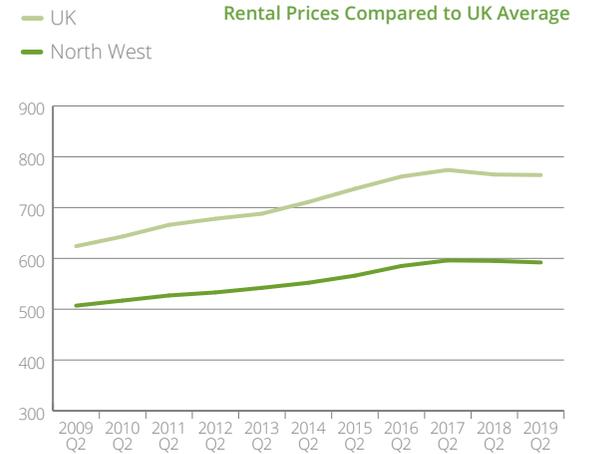
- > In Yorkshire and The Humber, average rental prices stand at £532. This is the only region to see no change in prices compared to the previous quarter.
- > Compared to last year however, average rents have dropped by £18 (-3.22%) from £550.
- > After Northern Ireland and the North East, Yorkshire and The Humber is the third cheapest region in which to rent property.
- > Of all property types in Yorkshire and The Humber, Terraced houses have seen the largest increase in average rents, rising by £8 (1.53%) from £515 to £523.
- > Flats on the other hand saw the biggest decline, falling by £20 (-3.99%) from £509 to £488.
- > On average, people in Yorkshire spend 24% of their wages on rent, 7% lower than the UK average.



NORTH WEST

Regional Summary

- > In line with the UK trend, average rental prices in the North West have risen from the previous quarter. This is an increase of £6 (0.95%) to £594.
- > Year on year there was a marginal increase of 0.02%, which is less than £1.
- > All property types in the North West have seen an increase in average rental prices. In particular, semi-detached properties saw the biggest rise, by £13 (1.96%) from £678 to £691.
- > While no properties decrease in average rent, detached properties saw the smallest increase, rising by £4 (0.43%).
- > On average, people in the North West spend 26% of their wages on rent, 5% below the national average.

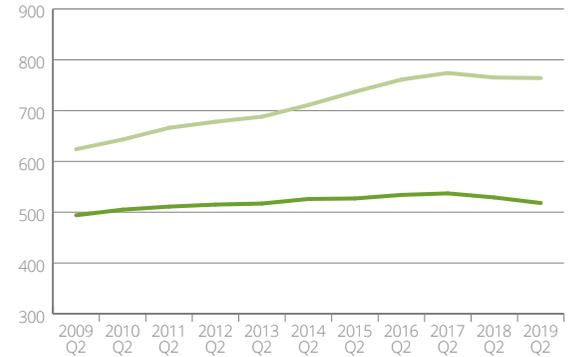


NORTH EAST

Regional Summary

- > The North East is the cheapest region in England in which to rent property.
- > Average rent now stands at £523. In line with the rest of the UK, this is an upward trend on the previous quarter. Prices have increased by an average of £10 (2.04%) from £513.
- > Year on year however, the region has seen a decline in average rents of £9 (-1.67%).
- > By property type, the biggest increase can be seen in flats, where the average price has increased by £26 (5.35%) from £487 to £513.
- > Terraced properties have experienced the biggest decline in the region, falling by just under £5 (-0.86%) from £493 to £488.
- > On average, renters in the North East spend 24% of their wage on rent, 7 percentage points below what the national average spend.

Rental Prices Compared to UK Average



Annual Rental Growth Compared to UK Average

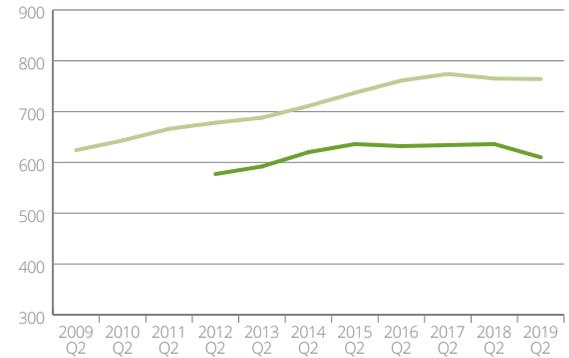


SCOTLAND

Regional Summary

- > Scotland has seen the largest increase in average rent across the UK. With rental prices now standing at £626, this represents an increase of £32 (5.4%) from £594 in the previous quarter.
- > Year on year however, average rents have declined by just over £20 (-3.18%) from £646.
- > Detached properties have seen the biggest decline in the region, falling by £8 (-1.04%).
- > On the other hand, flats have seen a huge increase of £57 (10.05%), the biggest increase not just in the region but in the UK, rising from £567 to £624. Flats represent the largest volume of properties by type in the regional data for Scotland, which suggests they are driving the increase in rental prices here.
- > On average, renters in Scotland spend 26% of their wages on rent, which is 5% below the national average.

Rental Prices Compared to UK Average



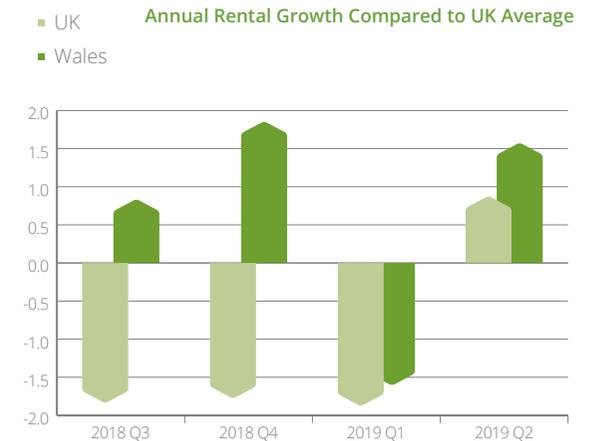
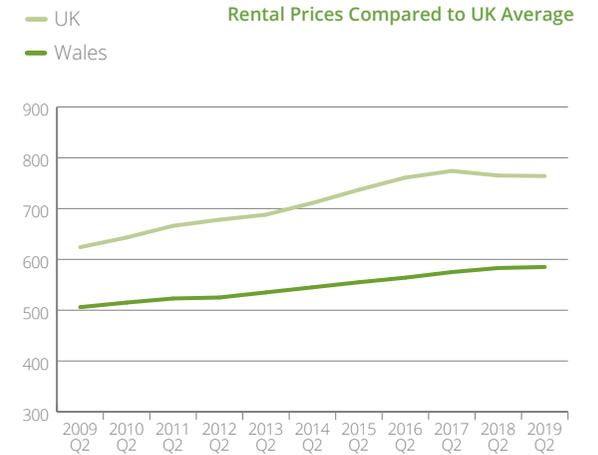
Annual Rental Growth Compared to UK Average



WALES

Regional Summary

- > Average rent in Wales now stands at £586. There is very little change compared to last quarter, increasing by a marginal 0.29%, which equates to less than £2.
- > Year on year, there is a slightly larger increase of £9 (1.57%), rising from £577.
- > Most property types in Wales have seen an increase in average rents, with terraced houses seeing the biggest increase of £19 (3.43%) from £567 to £586.
- > While no property types have seen a decline in average rents, flats are the only property type to see no change from the previous quarter, remaining at £588.

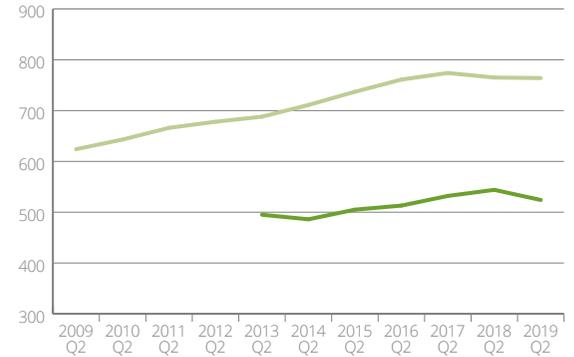


NORTHERN IRELAND

Regional Summary

- > Northern Ireland is the cheapest region in the UK in which to rent property. It's also the only region to see a decline both by quarter and by year.
- > Average rent stands at £521 in Q2 2019, a drop of £6 (-1.21%) on the previous quarter.
- > In addition, rental prices have declined by £21 (-3.85%) compared to last year.
- > On average, people in Ireland spend 23% of their wages on rent. This is the lowest in the whole of the UK.

Rental Prices Compared to UK Average



Annual Rental Growth Compared to UK Average



THE DPS RENT INDEX™

METHODOLOGY



In 2007, we launched The Deposit Protection Service (The DPS), the first Custodial Tenancy Deposit Protection Scheme and we've been an integral part of the Private Rented Sector (PRS) ever since. We've helped protect nearly 6 million tenancy deposits and supported nearly 500,000 landlords and letting agents along the way. The PRS has grown dramatically over the last 10 years and now represents over 20% of the UK's housing stock. We believe our position as the largest provider of deposit protection in the UK gives us a unique insight into the regional and overall trends in the PRS, which is why we're delighted to announce the latest issue of The DPS Rent Index™. We have worked with leading economists, Professor Joe Nellis and Professor Catarina Figueira, to develop the index, which has the capacity to inform the rental housing market and shape both public policy and investor decision-making, in the same way that house price indices do for the owner-occupied housing market.

Who are we?

Authorised by the Department for Communities and Local Government, The DPS has been providing free Custodial deposit protection since April 2007 and Insured deposit protection since 2012 and currently protects over 1.6 million tenancy deposits. We've repaid over 4.5 million deposits since we started in 2007, and resolved over 89,000 deposit disputes. Along with The LPS Scotland and The LPS Northern Ireland, The DPS is part of Computershare, the global market leader in financial services administration. We're an important service within the private rented sector and, along with a multi-million pound investment in upgrading our service, this new index underpins our commitment to it.

We wanted to create a rent index that stands up to scrutiny and the highest standards of data analysis, so we turned to experts in this field, with

prior experience of creating complex statistical models that illuminate a market. Professors Joe Nellis and Catarina Figueira are leaders in their area and this provides the assurance we believe an index of this stature and importance requires. Indeed, Joe was co-developer of the Halifax and Nationwide House Price Indices. The DPS Rent Index™ is based on a unique database, the largest of its kind, which makes it the most reliable indicator of rental trends.

“**The DPS Rent Index™ is driven by our unique access to rental data. As the biggest provider of deposit protection in the UK, we're in the position to give the market exceptional insight into how the rents are changing over time.**



Daren King,
Head of Tenancy Deposit Protection

A standardised comparable national analysis

With the great variety of rented property across the UK, it's no longer useful to compare simple rental averages. No two rental properties are the same, with differences including property type, number of bedrooms and whether it's furnished or not. Location also has a major effect on a property's rental value. There are two classifications we use to assess the impact of property location on rent value. For the micro level, we look at residential neighbourhoods using the popular ACORN system.

This segments the UK population by analysing demographic data, social factors, population and consumer behaviour. At the macro end of the scale, we focus on the classification of Parliamentary Constituencies. Both methods provide an effective means of

measuring the influence of location on private property rents.

This means we can standardise physical and location characteristics such as property size, regional average rents, or changes in average rents over time, to make analysis comparable.

We've standardised the new DPS Rent Index™ to allow for the influence of these different property characteristics on their rents. It should be noted that all references to rent in the index and this report refer to monthly rent levels.

Our data

The DPS launched Custodial deposit protection in England and Wales in 2007, which provides us with an extensive database of information about the rental market in these regions of the country for the last ten

years. In 2012, deposit protection was introduced for Scottish tenancies and we launched The Letting Protection Service Scotland, with Northern Ireland following suit in 2013. Consequently, the index only includes data for these regions since then. The overall index is based on data from the twelve regions of the UK and uses 2016 as 100 (the baseline for the index).

Allowing for seasonality

Like many other economic models, The DPS Rent Price Index™ compensates for seasonal influences on rent prices using an established methodology called the 'Auto-Regressive Integrated Moving Average' model, often referred to as ARIMA. Most of the leading national statistical institutes across the world use this approach, including our own Office for National Statistics¹.

¹ <https://www.ons.gov.uk/ons/guide-method/method-quality/general-methodology/time-series-analysis/guide-to-seasonal-adjustment.pdf>

THE BRAINS BEHIND THE INDEX

"It's exciting to work with The DPS and Computershare to develop the The DPS Rent Index™. The Index is based on a unique database – the largest of its kind – and provides invaluable insights into the UK private property rental market. There are immense opportunities for further in-depth and rigorous applied research using this database and we look forward to exploring some of these in the future."

Joe Nellis, Professor of Global Economy at Cranfield School of Management

PROFESSOR CATARINA FIGUEIRA

Catarina Figueira is Professor of Applied Economics & Policy and Head of the Economic Policy and Performance Group at Cranfield School of Management. She was a former Director of the Cranfield Executive MBA Programme. Previously, Catarina was a scholar at the European Parliament. Her research interests lie in the area of financial modelling, particularly related to

institutions' performance, efficiency and regulatory issues. She has worked on a number of projects which have focused on the dynamics of housing markets, including the analysis of house prices and mortgage arrears. Catarina has published in leading international journals and is a frequent contributor to a wide range of international conferences. She has provided

advice to the OECD, the European Commission, several government departments, as well as to a number of organisations in both the private and third sector.



PROFESSOR JOE NELLIS

Joe Nellis is Professor of Global Economy at Cranfield School of Management, specialising in global macroeconomic developments, government economic policy, and business environmental analysis and trends. He joined Cranfield in 1984 and founded the Economics Group a decade later. He is also Deputy Director of the School and served as Pro Vice-Chancellor of Cranfield University from 2005-08.

He holds Visiting Professorial appointments at various universities in Germany, Belgium, Austria, the Netherlands, Hungary, USA, and Ghana. Joe has published 19 research and subject-based books and over 200 academic and practitioner journal articles covering a wide range of fields including, for example, housing and mortgage markets, macroeconomic forecasting, efficiency models and global drivers of change.

He was jointly responsible for the development of the Halifax and Nationwide House Price Indices (with Emeritus Professor M.C. Fleming). He is a frequent keynote speaker at many national and international conferences and is a consultant to companies in the areas of economic analysis and business forecasting, strategy formulation and management development. He has also acted as a consultant to several central government departments and public sector organisations. He was formerly Chairman of Wellingborough Homes Housing Association.



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The DPS Rent Index™ is based on historical data and cannot be relied upon to predict future trends. The DPS Rent Index™ does not constitute advice. If you rely on The DPS Rent Index™ for any reason including to guide future investment decisions you do so at your own risk and you should be aware that The DPS Rent Index™ may change at any time for any reason. Computershare Investor Services Plc excludes all liability in negligence or otherwise for any actions taken in reliance upon The DPS Rent Index™.

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References

Within the regional summaries, comparisons with salary are based on figures in the Office of National Statistics' (ONS) Annual Survey of Hours and Earnings, available at <https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/earningsandworkinghours/bulletins/annualsurveyofhoursandearnings/2018>.

Comparisons with inflation are based on figures in the Consumer Prices Index, available at <https://www.ons.gov.uk/economy/inflationandpriceindices/bulletins/consumerpriceinflation/december2018>.

Notes

- > All quoted average rents are monthly figures.
- > Quarterly inflation is provisional.
- > Wages are based on 2018 as a full year.