



DPS | RENT
INDEX™

Q1 2019

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EXECUTIVE SUMMARY



Despite an indication that the decline in rents was arresting last quarter, average rents in the UK have fallen again in Q1 2019. Average rents in the UK now stand at £757. This represents a £5 (0.64%) decrease on last quarter, when average rents stood at £762.

Year on year average rents have fallen 1.87%, from £772 in Q1 2018 to £757 in Q1 2019 and are now at their lowest point since Q1 2016.

This quarter's overall decline in the UK is reflected in the majority of regions, with only South West, East Midlands, Yorkshire and The Humber and Wales seeing an increase in average rents last quarter. However the increase is minimal (no greater than 0.63%) so may indicate a stabilisation rather than a trend towards increasing.

Although London continues to be the most expensive region in which to rent property, the region has seen consistent average rents (varying between £0-£2) over the past three quarters, following a sharper drop in the first half of 2018.

The North East remains the cheapest region in which to rent property, with average rents standing at £513 this quarter, just over £244 lower than the national average.

All but one property type saw a decline in average rents. Detached properties saw a marginal increase by 0.34% (£3).

On average, the UK population spends 31% of their wages on rent. This is highest in London at 41% and lowest in Yorkshire and The Humber, Northern Ireland and the North East, all at 24%.

With rents generally falling, and average wage growth above inflation this is positive news for renters concerned about affordability.

“The depressed market for rents is part of the larger slowdown that began during the summer of 2016 and which we believe is linked to broad economic factors affecting spending power and demand in the UK.

“We also believe that the rental market may be experiencing a period of tenant inactivity driven by uncertainty ahead of the imminent enforcement of the ban on tenancy fees from 1 June.

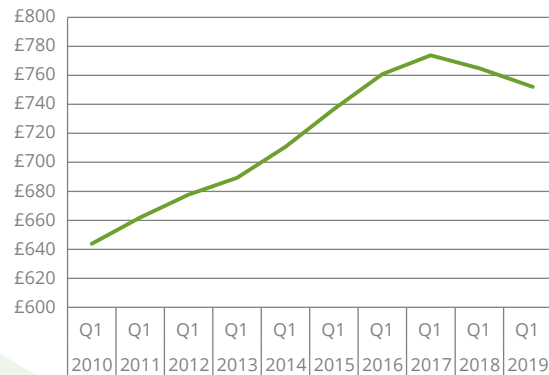
“Even after a long period of stagnation, we don't see many signs of a recovery anytime soon and it's possible there will be more quarters of low or negative growth this year. ”

Daren King,
Head of The DPS



Q1 2019 RENTAL PRICES A SNAPSHOT

Average monthly rents at Q1 2010-2019



UK average
rent at **Q1
2019 £757**

Average rent in
the UK represents
31% of the
average UK salary*

31%



Average monthly rental prices per property type at Q1 2019

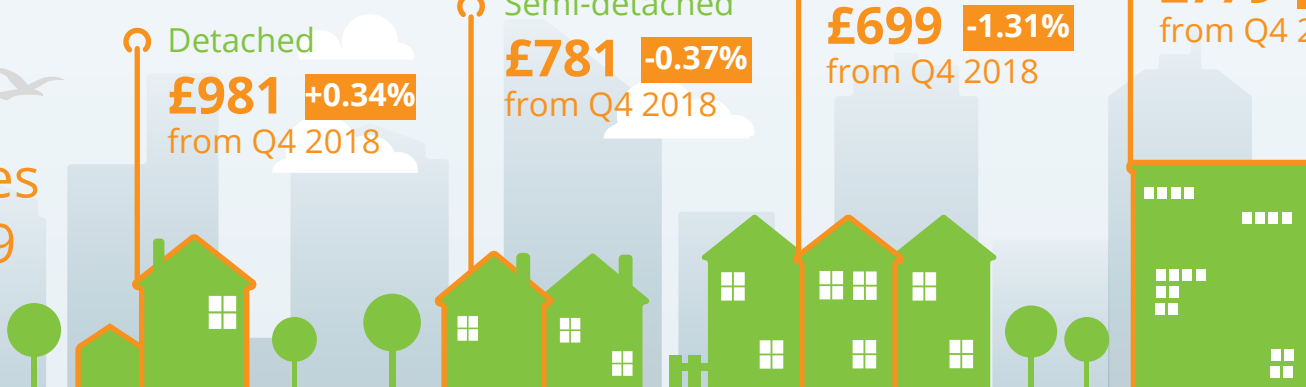
*Please note that all comparisons with salary are based on the average wage data for 2018, the most recent available.

Detached
£981 **+0.34%**
from Q4 2018

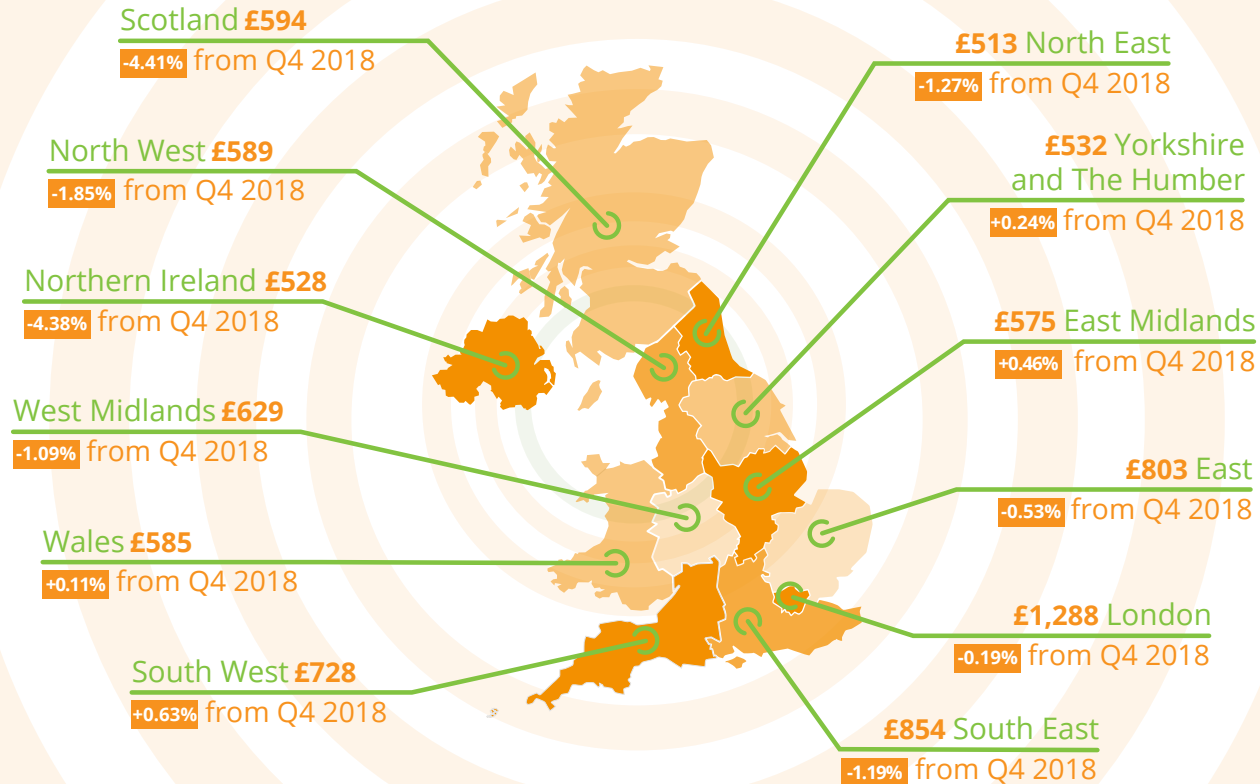
Semi-detached
£781 **-0.37%**
from Q4 2018

Terraced
£699 **-1.31%**
from Q4 2018

Flat/apartment
£779 **-0.74%**
from Q4 2018



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

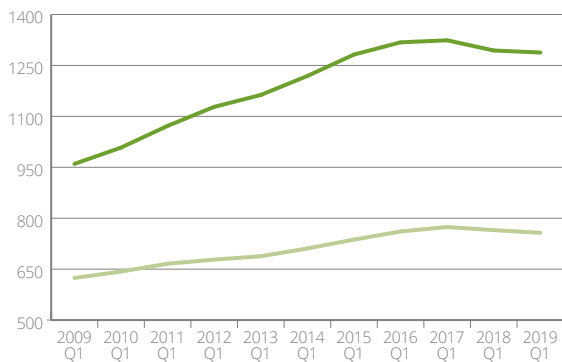


LONDON

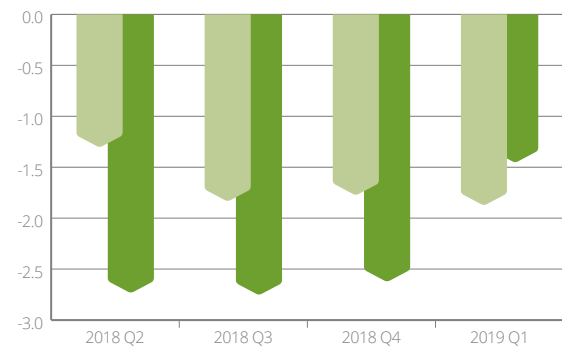
Regional Summary

- > London continues to be the most expensive UK region in which to rent property, with average rents in Q1 2019 standing at £1,288, £531 higher than the UK average of £757.
- > Despite this, there was a 0.19% decrease in average rent compared to last quarter, when average rents stood at £1,291.
- > Terraced properties saw the largest decline by property type, falling sharply by £48 (3.33%), from £1,439 last quarter to £1,391 in Q1 2019. Semi-detached properties saw the biggest increase by 1.2%, from £1,482 last quarter to £1,500 this quarter.
- > Average rent represents 41% of the average wage in London, significantly higher than the UK average of 31%.
- > Year on year, average rent has declined sharply by 1.45% (£19) from £1,307.

Rental Prices Compared to UK Average



Annual Rental Growth Compared to UK Average

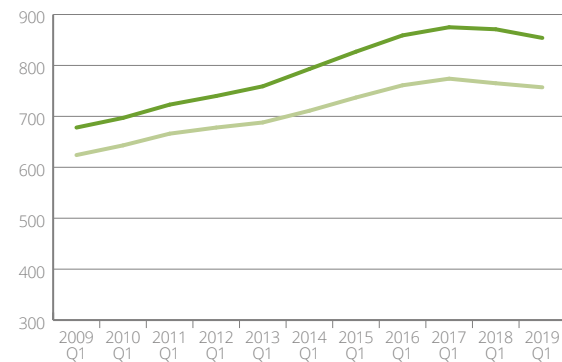


SOUTH EAST

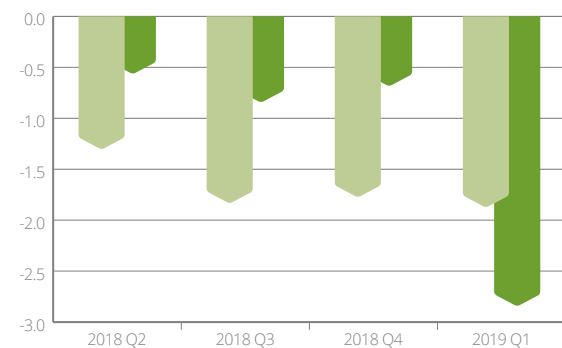
Regional Summary

- > The South East continues to be the second most expensive region to rent in the UK, after London.
- > Average regional monthly rent stands at £854 for Q1 2019. This represents a decline of 1.19% (£10) from £864 last quarter, which is in keeping with the UK as a whole.
- > This drop can be seen in every property type, especially semi-detached housing, which saw the largest decline of 2.05%, from £1,041 in Q4 2018 to £1,019 in Q1 2019.
- > Year on year, average rent also declined, falling by £25, from £879 in Q1 2018.

Rental Prices Compared to UK Average



Annual Rental Growth Compared to UK Average

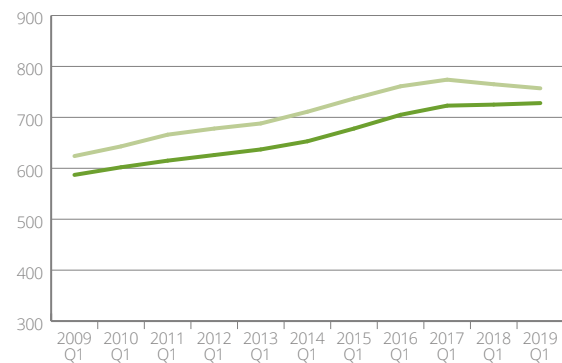


SOUTH WEST

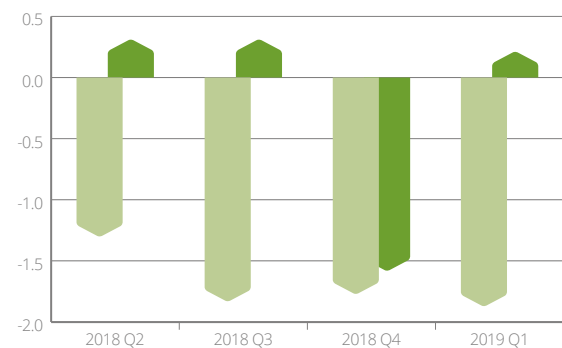
Regional Summary

- > Average rent in the South West for Q1 2019 stands at £728, just below the UK average of £757.
- > In contrast to the rest of the UK, the South West is one of only four regions to see an increase in average rents from Q4 2018 to Q1 2019.
- > Average rent increased by £5, from £723 to £728. Despite the small change, this is the largest increase in the whole of the UK for the quarter.
- > Year on year, average rent increased by £2 (0.21%) from £726 in Q1 2018 to £728.
- > Detached properties saw the biggest increase by £19, from £1,009 last quarter to £1,027 in Q1 2019.
- > Flats were the only property type to see a decrease in average rent of 0.50%, falling from £657 last quarter, to £653 in Q1 2019.
- > On average, renters in the South West spend 31% of their wage on rent.

Rental Prices Compared to UK Average



Annual Rental Growth Compared to UK Average



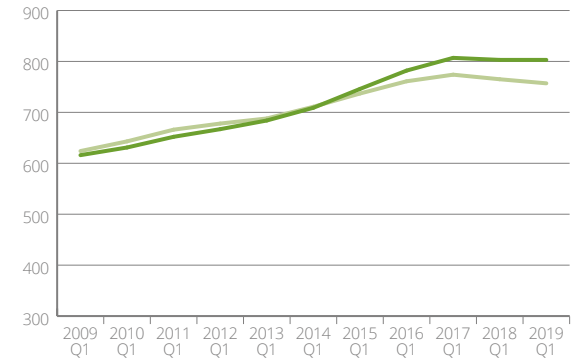
EAST

Regional Summary

- > Average rent in the East now stands at £803, holding its position as the third most expensive region in the UK to rent property.
- > The region has seen a marginal decline of 0.53% (£4) from £807 last quarter.
- > All property types saw a decline in average rents, with terraced properties seeing the biggest fall of 1.28% from £822 to £812.
- > Year on year, average rents remain stable, with no significant changes.
- > Renters in the East spend 33% of their wage on rent on average, which is marginally higher than the national average of 31%.

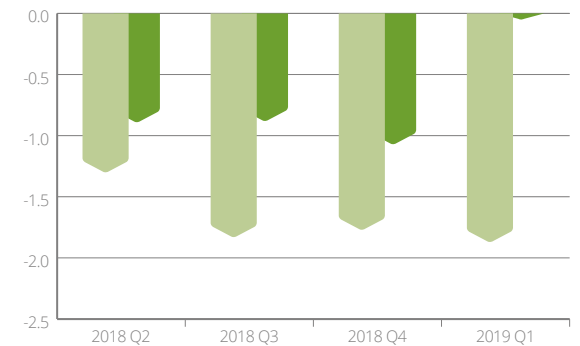
Rental Prices Compared to UK Average

■ UK
■ East



Annual Rental Growth Compared to UK Average

■ UK
■ East

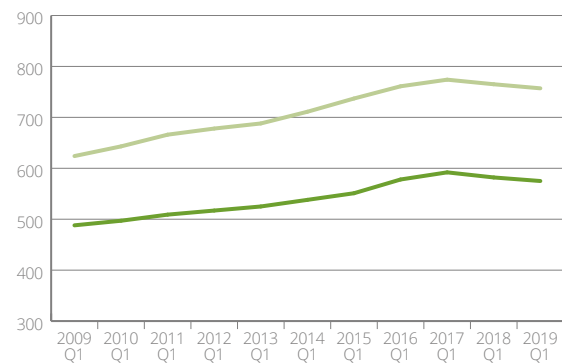


EAST MIDLANDS

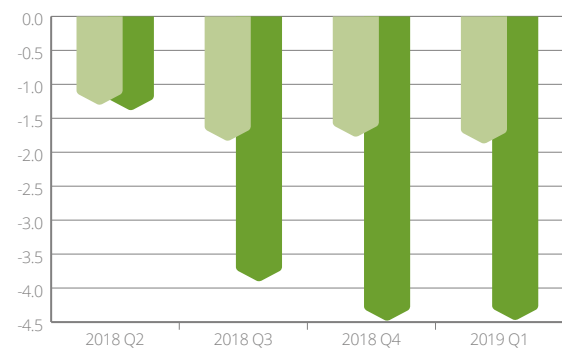
Regional Summary

- > Average rent in the East Midlands stands at £575 for this quarter, which represents a marginal increase of 0.46% (£3) from £572 last quarter.
- > Most property types saw an increase in average rents, with detached properties seeing the largest increase of £33 on last quarter, from £813 to £846.
- > Terraced properties were the only property type to see a decline this quarter, falling from £575 in Q4 2018 to £571 in Q1 2019.
- > However, when comparing year on year, average rent has declined steeply by 4.47% (£27), from £602.
- > The East Midlands spends on average 26% of wages on rent, which is below the national average of 31%.

Rental Prices Compared to UK Average



Annual Rental Growth Compared to UK Average

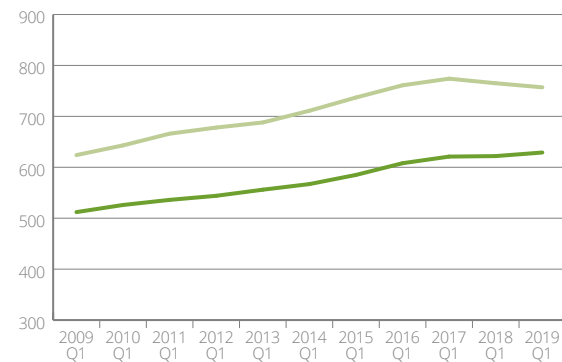


WEST MIDLANDS

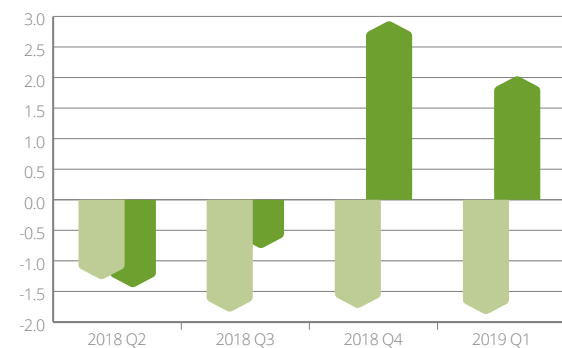
Regional Summary

- > Average rents declined by 1.09% (£7) from £636 in Q4 2018 to £629 in Q1 2019.
- > The average monthly rent in West Midlands is £128 below the UK average.
- > All property types saw a decline in average rents, with semi-detached properties seeing the biggest fall in the region, declining by £13 (1.92%) from £692 last quarter.
- > In contrast, average rent increased by 2.02% (£12) from £617 year on year.

Rental Prices Compared to UK Average



Annual Rental Growth Compared to UK Average

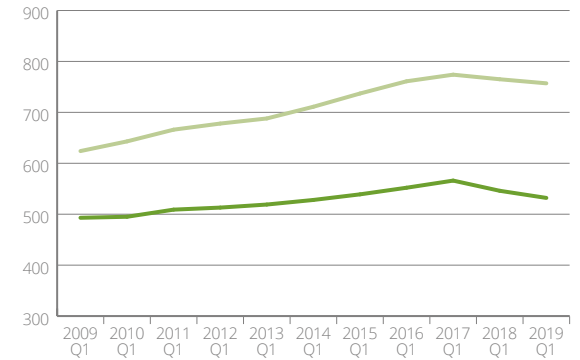


YORKSHIRE AND THE HUMBER

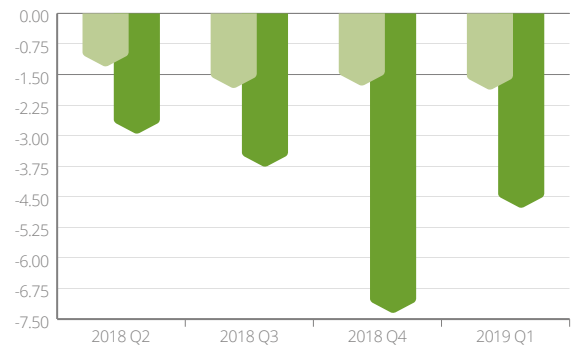
Regional Summary

- > Yorkshire and The Humber saw a marginal increase in average rents from £531 to £532.
- > Yorkshire and The Humber is the third cheapest region in the UK in which to rent property, after the North East and Northern Ireland.
- > Detached properties have seen the biggest increase in average rent across the region, rising 1.54% from £795 in Q4 2018 to £808 this quarter.
- > In contrast, terraced properties were the only property type to see a decline this quarter, falling by £11 (2.14%), from £526 to £515 in Q1 2019.
- > Year on year, average rent has declined sharply by 4.77%, a £27 drop from £559 in Q1 2018.
- > Average rent represents 24% of average wages, 7% below the national average. This is the lowest in the UK along with the North East and Northern Ireland.

Rental Prices Compared to UK Average



Annual Rental Growth Compared to UK Average

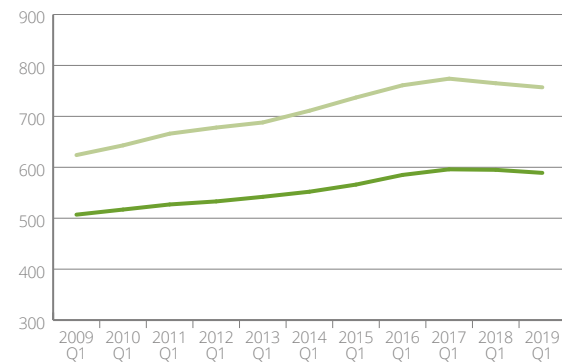


NORTH WEST

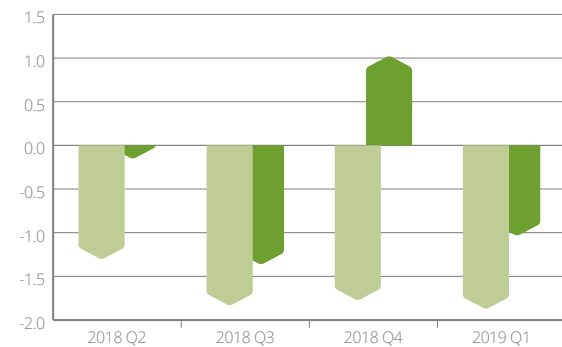
Regional Summary

- > Following the UK trend, average rent in the North West declined by £11 (1.85%) to £589 this quarter. This is £168 lower than the UK average.
- > The decrease in average rent can be seen across all property types, with detached properties experiencing the largest fall of 3.22% (£29) compared to last quarter.
- > Year on year, average rents have declined by 1.03% (£6).

Rental Prices Compared to UK Average



Annual Rental Growth Compared to UK Average

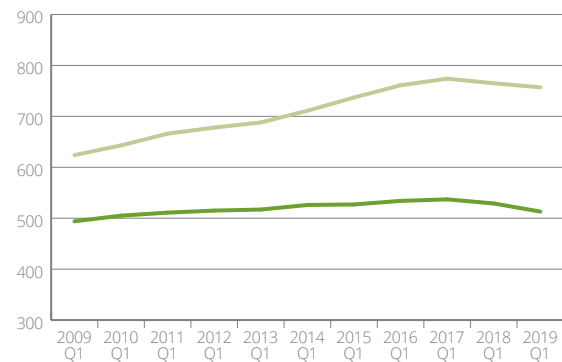


NORTH EAST

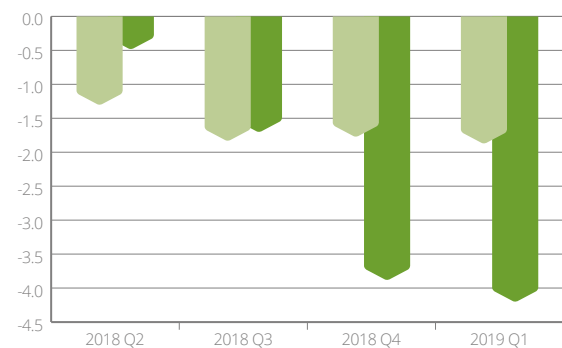
Regional Summary

- > The North East remains the cheapest UK region in which to rent property, with average rents standing at £513 this quarter, just over £244 lower than the national average.
- > Average rent has decreased this quarter, falling 1.27% from £519 in Q4 2018 to £513 in Q1 2019.
- > The decline can be seen in all property types within the region. Detached properties saw the biggest decrease in average rents, falling 2.81% (£22), from £776 to £754.
- > Year on year, the overall decline is more significant, falling by £22 (4.20%) from £535.
- > The average proportion of income spent on rent stands at 24%, which is the lowest in the UK (joint with Yorkshire and The Humber and Northern Ireland).

Rental Prices Compared to UK Average



Annual Rental Growth Compared to UK Average

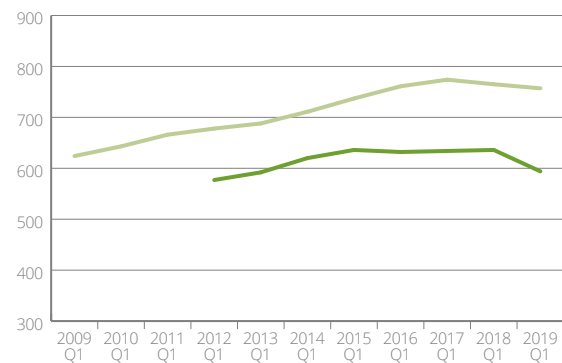


SCOTLAND

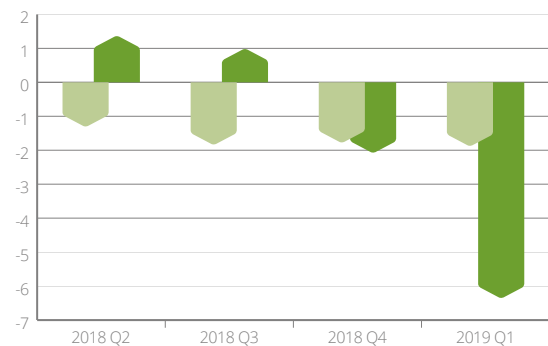
Regional Summary

- > Scotland has seen a £27 (4.41%) drop in average rents, standing at £594 in Q1 2019 compared to £621 in Q4 2018.
- > The decline is primarily due to a sharp fall in average flat rental prices, which have plummeted by £49 (7.96%), from £616 in Q4 2018 to £567 this quarter. Semi-detached properties on the other hand oppose this trend. Average rents have increased by £11 (1.63%), from £661 last quarter to £672 for the first quarter of 2019.
- > Average rent represents 25% of average wages.
- > Year on year, the same declining trend in average rents is seen, but at a steeper rate of 6.35% (£40), from £634.

Rental Prices Compared to UK Average



Annual Rental Growth Compared to UK Average

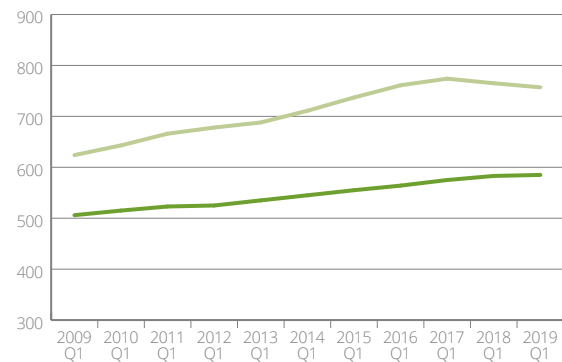


WALES

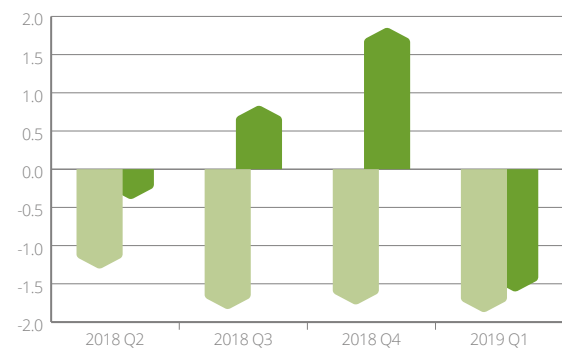
Regional Summary

- > Average rents in Wales have remained relatively stable this quarter, with the region experiencing a marginal increase of £1 (0.11%) to £585. Rent in Wales remains £173 below the UK average of £757.
- > Flats saw a small increase of 0.67% (£4) this quarter, going from £554 in Q4 2018 to £558 this quarter.
- > Terraced properties experienced the biggest decline, falling £15 (2.64%) from £582 in Q4 2018 to £567 this quarter.
- > Year on year, average rents have declined at a steeper rate by £9, (1.60%) from £594.
- > Rent represents 27% of average wages in Wales, 4% below the national average.

Rental Prices Compared to UK Average



Annual Rental Growth Compared to UK Average

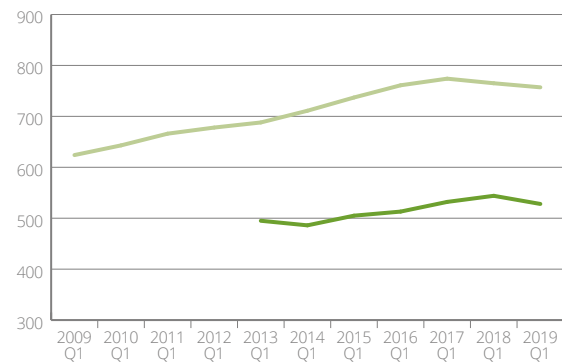


NORTHERN IRELAND

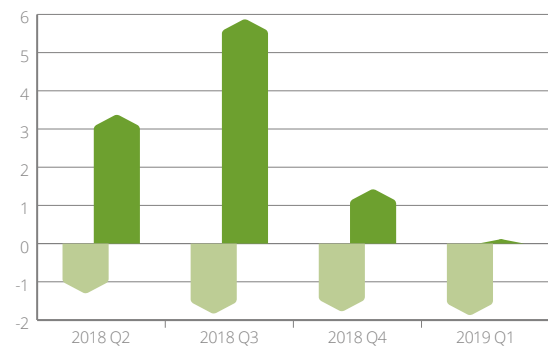
Regional Summary

- > Northern Ireland is the second cheapest region in the UK in which to rent property, with average rents standing at £528.
- > Of all regions, Northern Ireland has seen the second biggest fall in average rents since the last quarter, falling 4.38% (£24), from £552 in Q4 2018.
- > Year on year, prices are relatively stable and there is only a marginal increase of £1 (0.12%) from £527 in Q1 2018.
- > The proportion of average income spent on rent stands at 24%, which, along with the North East and Yorkshire and The Humber, is the lowest in the UK.

Rental Prices Compared to UK Average



Annual Rental Growth Compared to UK Average



THE DPS RENT INDEX™



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 3.8 million deposits since we started in 2007, and resolved over 73,000 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.

“We're the biggest provider of deposit protection in the UK and that gives us a unique insight into the regional and overall trends in the PRS.”

Julian Foster,
Managing Director of The DPS



METHODOLOGY

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.



The DPS Rent Index™ is prepared from information provided to Computershare Investor Services Plc from third parties which we believe is collated with care. We make no representation as to the accuracy or completeness of that information. We reserve the right to change our method of assembling The DPS Rent Index™, to change any report or to withdraw The DPS Rent Index™ at any time for any reason.

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>.