



DPS | RENT
INDEX™

Q4 2019

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EXECUTIVE SUMMARY

As we usher in a new decade, it's clear that apart from a dip in 2018, average rent has continued to rise over the last 10 years. In contrast, the percentage of wages being spent on rent has fallen since its peak in 2016. With the average UK salary increasing by 2.69% over the last 12 months to £30,353 and the percentage of wages spent on rent falling to 30.80% this quarter, our data suggests renting is now relatively more affordable than at any time since 2013.

Following the introduction of the Tenant Fees Ban and Deposit Cap, some commentators thought that rents would rise to offset some of the impacts felt by landlords and letting agents. However, we have not seen this materialise.

Instead, the market appears to be regulating itself. We have seen average security deposit values decrease as landlords respond to the new Deposit Cap legislation. Analysis of the deposits we've protected since the introduction of the fees

ban shows that the average deposit has decreased to £828, which is £77 less than the £905 average for the six-month period prior to the legislation coming in to force on 1 June 2019.

Average monthly rent in the UK now stands at £773, a marginal decrease (£4) on the last quarter of 2019.

Year on year, 2019 has been a year of recovering rent values following the downward trend observed throughout 2018. This is reflected in average rents seeing an increase of £11 in the 12 months from Q4 2018, up from £762. It's also the year where we saw the highest average monthly rental value of £777 since the Deposit Protection Service launched in 2007.

From a regional perspective, in the final quarter of 2019, Northern Ireland experienced the biggest change in average rental value across the UK, from £532 to £548 – a £16 increase. At the other end of

the spectrum, average monthly rent in Yorkshire and The Humber decreased by £27, from £551 to £524.

As ever, London continues to be the most expensive region in which to rent property. The capital saw a £13 increase in average monthly rent, rising to £1,345 in Q4 2019. This is 2.6 times the average monthly rent of £518 paid in the UK's cheapest region, the North East. Year on year the value is even higher. Average monthly rent in the region has climbed by £55 compared to this time last year.

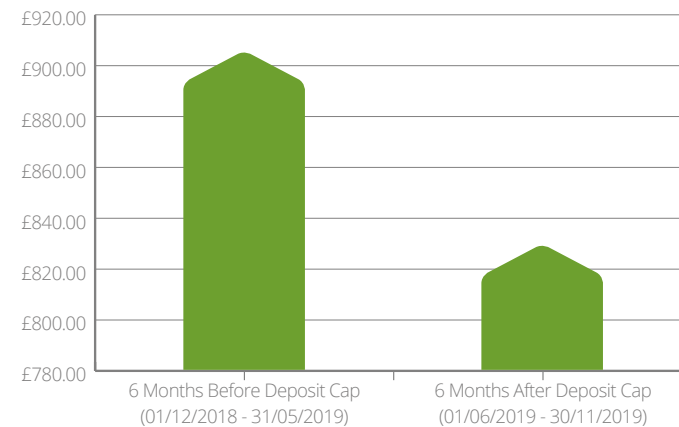
If we exclude London, average monthly rent stands at £672, a decline of £4 compared to the previous quarter.

By property type, terraced houses have declined the most in average rents, falling by £4 (0.55%), from £732 to £728. In contrast, detached properties have seen the largest increase in average rents, rising by £8 (0.81%) from £990 to £998 in Q4.

Rent as a % of Monthly Wage

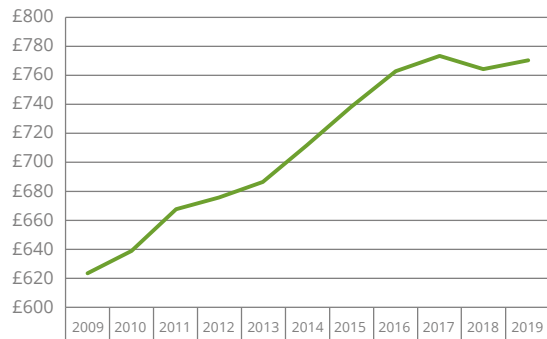


Average Deposit Value



Q4 2019 RENTAL PRICES A SNAPSHOT

Average monthly rents from 2010-2019



UK average
rent at **Q4
2019 £773**

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

31%



Average monthly rental prices per property type at Q4 2019

*Please note that all comparisons with salary are based on the average wage data for 2019, the most recent available.

Detached
£998 **+0.81%**
from Q3 2019

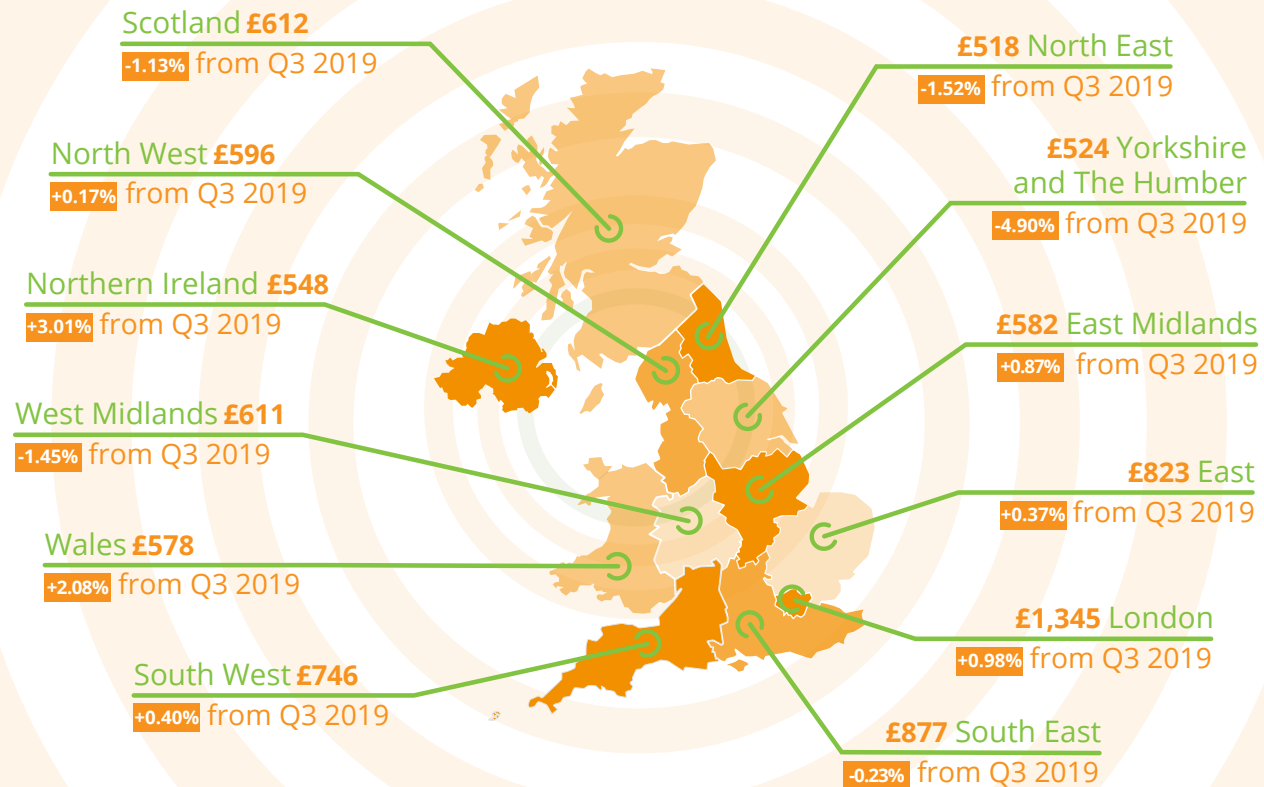
Semi-detached
£814 **+0.12%**
from Q3 2019

Terraced
£728 **-0.55%**
from Q3 2019

Flat/apartment
£794 **+0.13%**
from Q3 2019



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



“ Having solid, trustworthy information available to help landlords make buying and selling decisions is clearly critically important. The DPS Rent Index is an extremely useful tool in this regard. At Zephyr we are seeing landlords seeking to enhance yields in their buy-to-let portfolios by diversifying geographically (particularly to more northerly areas) in order to access greater return. We are also seeing increased interest in purchasing specialist properties such as House in Multiple Occupancy (HMO). The DPS Rent Index provides useful evidence and can help landlords understand this sort of trend better – and act upon them within their portfolios. ”

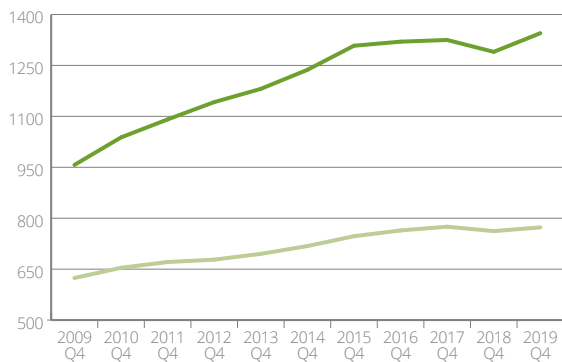
Paul Fryers,
Managing Director of Zephyr Homeloans

LONDON

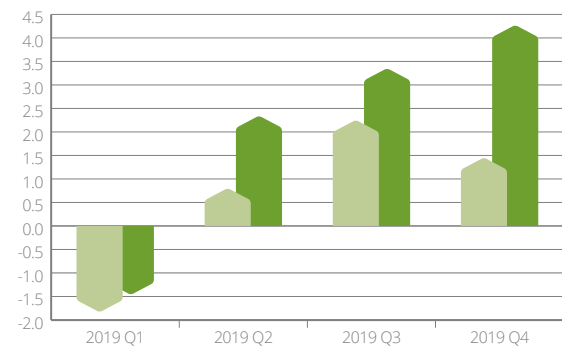
Regional Summary

- > As expected, London continues to be the most expensive region in which to rent property. The capital saw a £13 (0.98%) increase in average monthly rent, rising to £1,345 from Q3 2019. Year on year the value is even higher, average monthly rent in the region has climbed by £55 compared to this time last year. This is the second largest price increase by region after Northern Ireland.
- > By property type, the biggest increase can be seen in detached properties, where average rent has gone up from £1,735 in Q3 to £1,776 in Q4. This is a rise of £41 and is the largest increase in property type across the UK.
- > Terraced properties on the other hand have become a little cheaper to rent, with average rent falling by £20 to £1,594.
- > On average, people in London spend 41.71% of their £38,992 salary on rent, which is far higher than the UK average of 30.80%.

Rental Prices Compared to UK Average



Annual Rental Growth Compared to UK Average

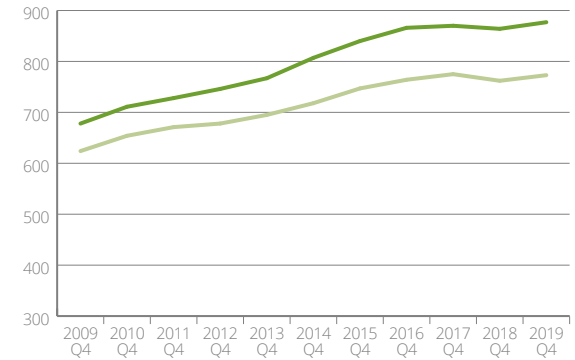


SOUTH EAST

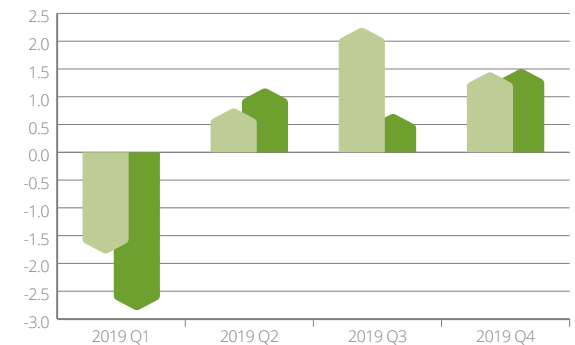
Regional Summary

- > The South East remains the second most expensive region in which to rent property and the region spends on average £877 on rent. This represents a marginal decrease of £2, in line with the UK trend. Year on year, the region has experienced an increase of £13 from £864.
- > Detached properties saw the largest increase, growing by £15 (1.13%), from £1,323 to £1,338. On the other hand, average rental prices for flats, has fallen by £5 (0.64%), from £786 to £781.
- > With an average salary of £32,120, renters in the South East spent 33.02% of their income on rent, slightly higher than the national average.

Rental Prices Compared to UK Average



Annual Rental Growth Compared to UK Average



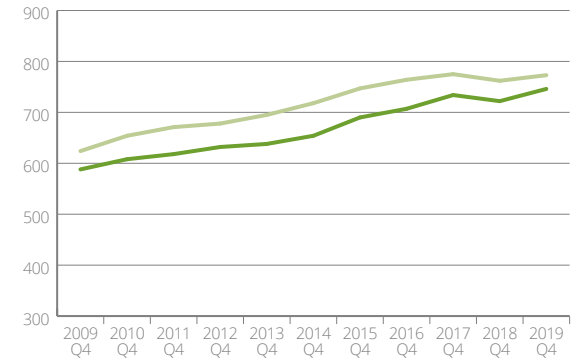
SOUTH WEST

Regional Summary

- > Average rent in the South West now stands at £746, representing a £3 (0.4%) growth in the region from £743 in the previous quarter. And makes the South West the fourth most expensive region in which to rent property, with London, the South East and East the only other regions costing more.
- > As well as a quarterly increase, the region also sees growth compared to last year, with average rents increasing by £24 (3.32%) year on year, from £722 in Q4 2018.
- > Detached properties have seen the biggest increase in average rents across the region, rising by £6 (0.58%) from £1,034 to £1,040.
- > In contrast, average rent for terraced properties has declined, falling by £15 (1.86%), from £808 to £793.
- > On average renters spend 31.48% of their average £28,654 salary on monthly rent.

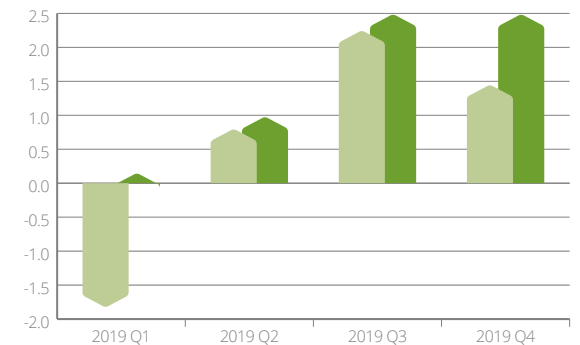
Rental Prices Compared to UK Average

■ UK
■ South West



Annual Rental Growth Compared to UK Average

■ UK
■ South West

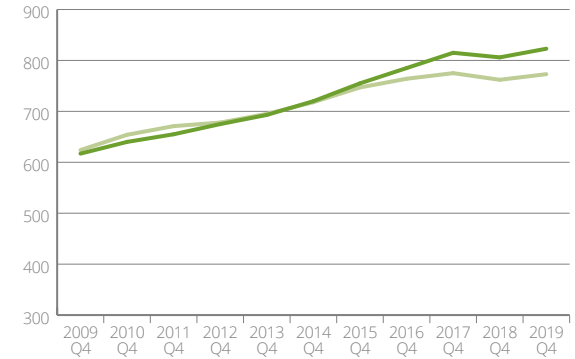


EAST

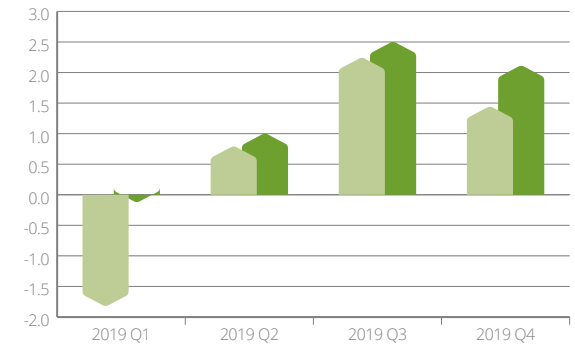
Regional Summary

- > The East saw a marginal increase of £3 in average rents compared with the last quarter. With average rent now standing at £823, the East has maintained its position as the third most expensive region in which to rent property. Year on year, the region has also seen a £17 (2.11%) rise, from £806 in Q4 2018.
- > The increase in average rents can be seen across all property types, with detached properties seeing the largest rise of £8 (0.71%), from £1,123 to £1,131.
- > Renters in the region spend 32.8% of their salary (£30, 345) on rent, which is slightly higher than the national average.

Rental Prices Compared to UK Average



Annual Rental Growth Compared to UK Average



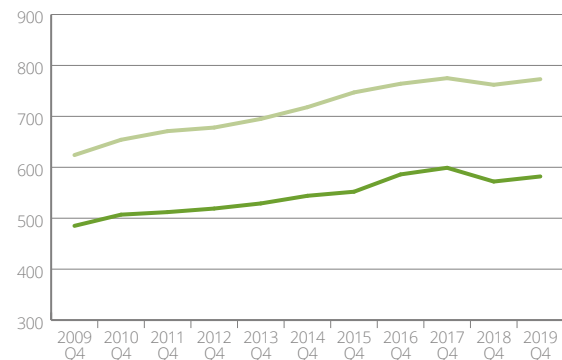
EAST MIDLANDS

Regional Summary

- > In contrast to the overall UK trend, average monthly rent has increased in the East Midlands, rising by £5 (0.87%), from £577 in Q3, to £582 in Q4. Year on year, there was also an increase of £10 (1.75%), from £572 in Q4 2018.
- > Most property types saw an increase in average rent, with detached properties seeing the biggest growth, rising by £20 (2.40%), from £833 to £853.
- > Flats were the only property type not to see any growth, though the decline is marginal at £1 (0.19%), with average rental prices standing at £527 in Q4 2019.
- > The average salary across the region is £28,000 and renters spent on average 25.14% of their monthly income on rent in Q4 2019.

Rental Prices Compared to UK Average

■ UK
■ East Midlands



Annual Rental Growth Compared to UK Average

■ UK
■ East Midlands

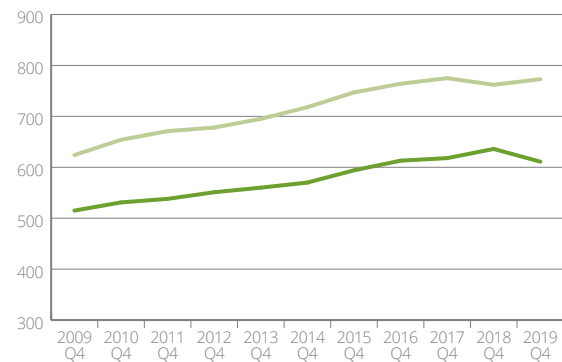


WEST MIDLANDS

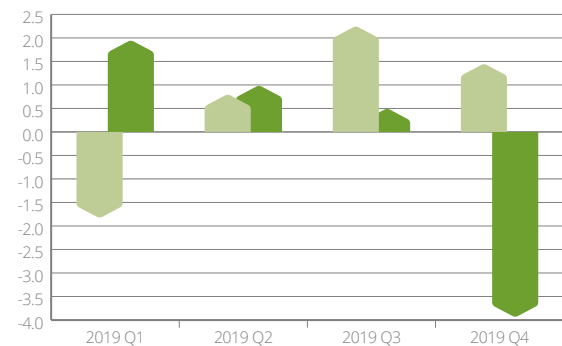
Regional Summary

- > In the West Midlands, average rental prices have decreased by £9 (1.45%), falling from £620 to £611 over the last quarter. Year on the year, the decrease is more significant, falling by £25 from £636.
- > Terraced properties have seen the greatest increase across the region, from £616 to £625. In contrast, the biggest decrease is seen in flats, falling by £16 (2.74%) on average, from £583 to £567.
- > The average salary in the West Midlands is £28,536, and 25.89% of monthly wages were spent on rent in Q4, below the national average of 30.80%.

Rental Prices Compared to UK Average



Annual Rental Growth Compared to UK Average

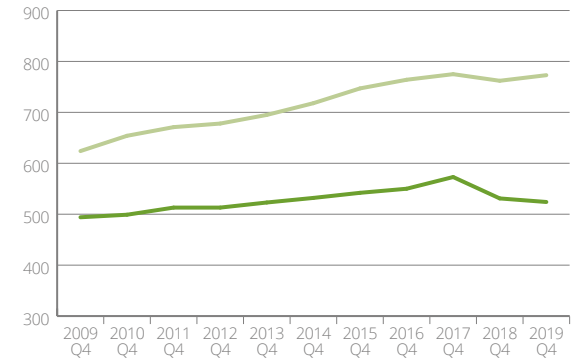


YORKSHIRE AND THE HUMBER

Regional Summary

- > In line with the UK trend, Yorkshire and The Humber has seen average rent decline since Q3 2019, falling by £27 (4.90%) from £551 to £524. Year on year, the decrease has been a little less severe, with the region seeing a fall of £7 (1.32%) from £531 in Q4 2018.
- > Almost all property types have seen a decline in average rental prices, with flats seeing the largest decrease of £34 (6.48%). It also represents the second largest decrease of property type across the UK after Scotland.
- > The average salary in Yorkshire and The Humber is £27,835, 22.77% of which was spent on rent in Q4 2019 - the lowest in the UK.

Rental Prices Compared to UK Average



Annual Rental Growth Compared to UK Average

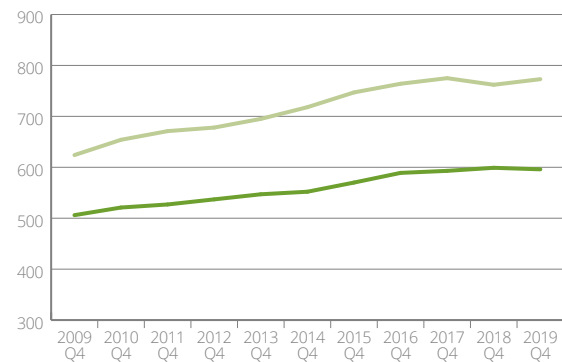


NORTH WEST

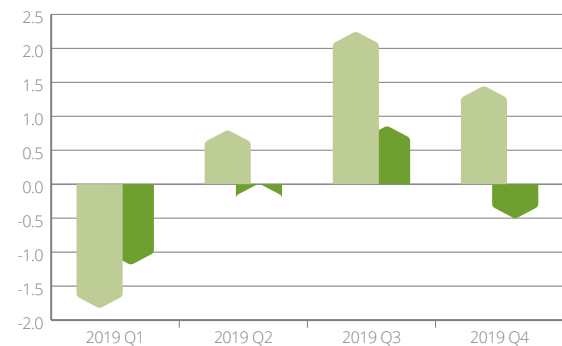
Regional Summary

- > The North West experienced a marginal increase (£1) in average monthly rent over the last quarter to £596. Year on year however, the figure has gone down by £3 from £599.
- > Detached properties saw the largest increase in the region, rising by £6 (0.69%), from £867 to £873, whereas semi-detached properties saw average monthly rent decrease by £12 (1.72%), from £698 to £686.
- > On average, renters in the region spent 25.62% of their £28,137 average salaries on rent in Q4 2019.

Rental Prices Compared to UK Average



Annual Rental Growth Compared to UK Average

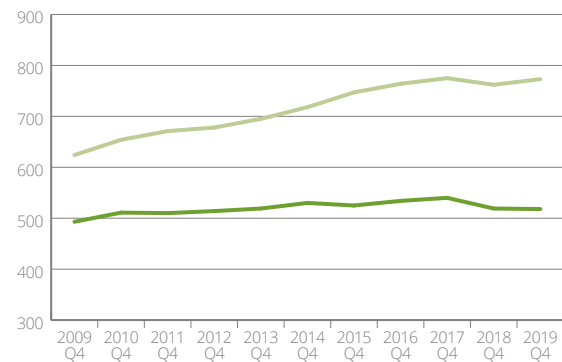


NORTH EAST

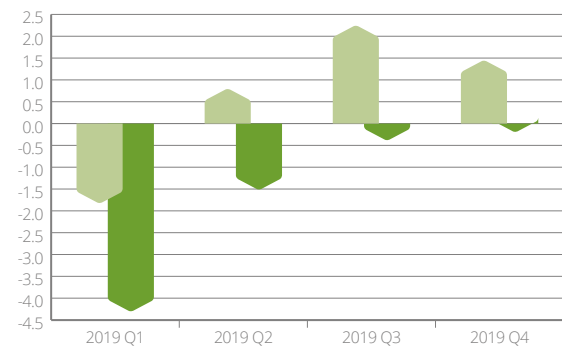
Regional Summary

- > With an average monthly rental value of £518 this quarter, the North East is currently the cheapest place in which to rent property across the UK. This represents a decrease of £8 (1.52%) on the previous quarter. Year on year the figures are similar, with the region experiencing a marginal £1 decrease compared to this time last year.
- > By property type, semi-detached properties have seen the greatest increase in the region, rising £7 (1.23%), from £571 to £578. Detached properties on the other hand have seen a steep decrease of £21 (2.75%), falling from £764 to £743.
- > On average, renters in the North East spend well below the national average on rent. The average salary stands at £27,187, with 23.04% of their wages going towards rent.

Rental Prices Compared to UK Average



Annual Rental Growth Compared to UK Average

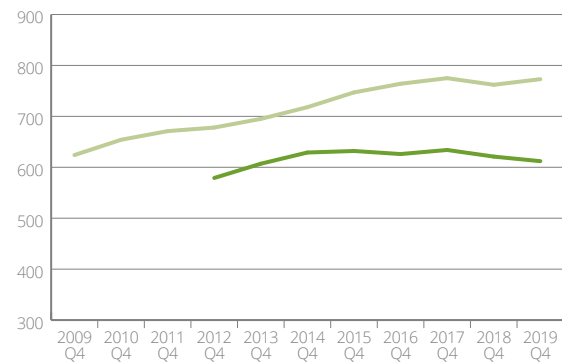


SCOTLAND

Regional Summary

- > In line with the national trend, average rent in Scotland has fallen by £7 (1.13%) to £612 in Q4 2019. Year on year the region experienced a fall of £9 (1.45%), from £621 in Q4 2018.
- > Scotland is the only region to see a decline in average rents across all property types. Detached properties have seen a significant decrease, falling by £91 (11.38%), from £800 to £709.
- > On average, the annual salary is £30,000, with 24.67% of monthly income spent on rent in Q4 2019. This is below the national average of 30.80%.

Rental Prices Compared to UK Average



Annual Rental Growth Compared to UK Average

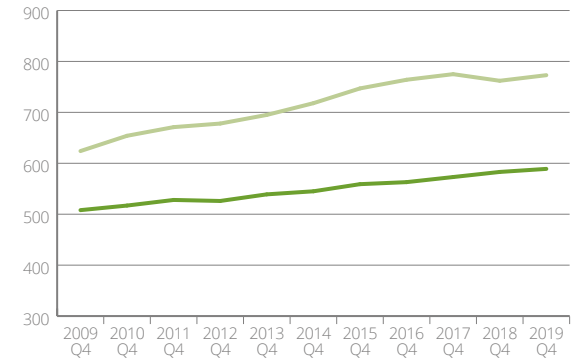


WALES

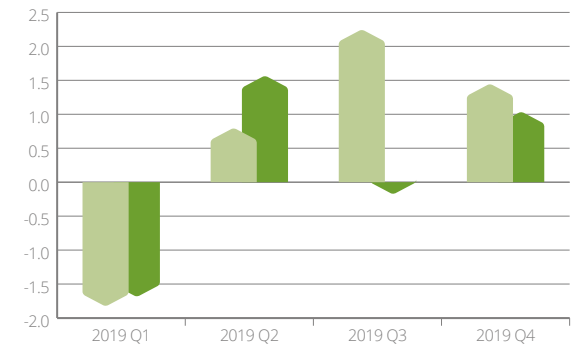
Regional Summary

- > Average rental prices in Wales have increased by £12 (2.08%) from £577 to £589. Despite the growth, average rents in Wales are still well below the national average of £773. Year on year, average rents have also increased, by £6 (1.03%).
- > All property types in the region have seen growth in average rents. Detached properties have seen the largest increase, going up by an average of £23 (3.14%) from £732 to £755.
- > The average salary in Wales is £27,500, and renters spent 25.90% of their monthly income on rent in Q4 2019, which is lower than the national average of 30.80%.

Rental Prices Compared to UK Average



Annual Rental Growth Compared to UK Average



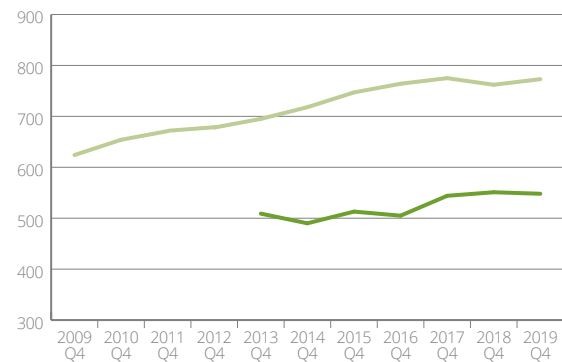
NORTHERN IRELAND

Regional Summary

- > Average rent in Northern Ireland has increased by £16 (3.01%) over the last quarter, going from £532 to £548. This is the largest increase of any region in the UK.
- > In contrast, average rents have decreased marginally by £3 (0.54%) year on year.
- > With the average salary in Northern Ireland sitting at £27,434, renters are spending 24.16% of their monthly income on renting property.

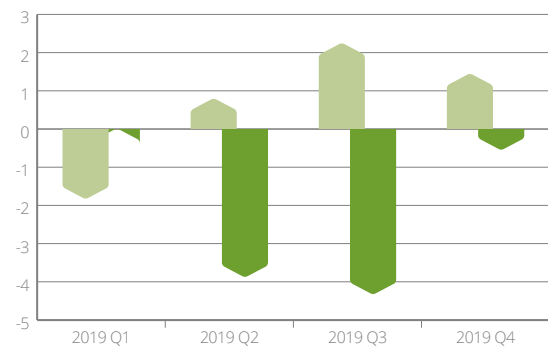
Rental Prices Compared to UK Average

■ UK
■ Northern Ireland



Annual Rental Growth Compared to UK Average

■ UK
■ Northern Ireland



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 protect 1.8 million tenancy deposits. We've protected 7 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



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/datasets/ashe1997to2015selectedestimates/current>.

Comparisons with inflation are based on figures in the Consumer Prices Index, available at <https://www.ons.gov.uk/economy/inflationandpriceindices/timeseries/d7g7/mm23>.

Notes

- > All quoted average rents are monthly figures.
- > Quarterly inflation is provisional.
- > Wages are based on 2019 as a full year.