



DPS | RENT
INDEX™

Q3 2019

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EXECUTIVE SUMMARY



Average monthly rent in the UK now stands at £778, an increase of £7 (0.91%) from the previous quarter. This is the highest value on record since the Index was launched in 2017.

Rents have increased for the second consecutive quarter. However, with the overall rise of 0.91%, they haven't kept pace with inflation which rose by 1.90% in the same period. In the previous quarter, average rent increased roughly in line with inflation.

Despite a declining trend throughout 2018, average rents have recovered, with most regions in the UK seeing an increase in average rents.

When considering property types, terraced and semi-detached properties have seen the most significant rises since Q3 2018, both showing above-inflation average rent increases of over 4%.

Flats and detached properties have also seen an increase in rents (1.36% and 0.80% respectively), though in contrast to terraced and semi-detached properties, these are lower than inflation.

Yorkshire and The Humber saw the largest increase of £19 (3.60%) to £552 compared with the last quarter.

London continues to top the charts as the most expensive region in the UK in which to rent property, and has seen the largest growth year on year of £43 (3.34%), with average rent now standing at £1,333.

Outside of London, average rents stand at £676, which is a marginal increase of 0.50% on the last quarter.

While most regions saw an increase, average rents in four regions saw a decrease over the last quarter – with the East Midlands and West Midlands seeing the only falls in England of -2.17% and -0.19% respectively. When compared year on year however, both regions have seen an increase overall.

Scotland and Wales are the only regions to have seen a decrease by quarter and year on year. It's possible this is a reflection of the fact they aren't affected by the Tenant Fees Ban.

On average, people in the UK spend 32% of their wages on rent.

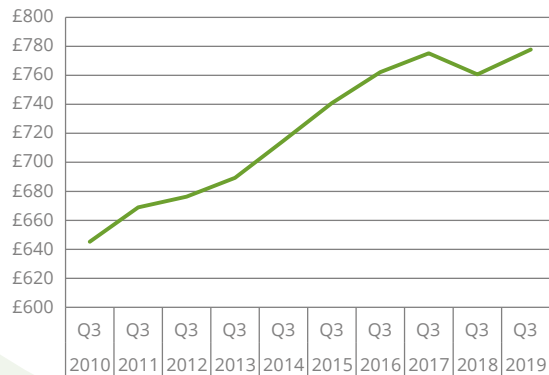
“ Two consecutive quarterly increases have seen rents reach the highest value since the Rent Index launched in 2017 following a period of decline during 2018. ”

However, average rents in the third quarter of 2019 didn't keep up with inflation, as they did in Q2 2019. This suggests rental values in the UK are regulating themselves against inflation. ”

Matt Trevett,
Managing Director

Q3 2019 RENTAL PRICES A SNAPSHOT

Average monthly rents at Q3 2010-2019



UK average
rent at **Q3
2019 £778**

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

32%



Average monthly rental prices per property type at Q3 2019

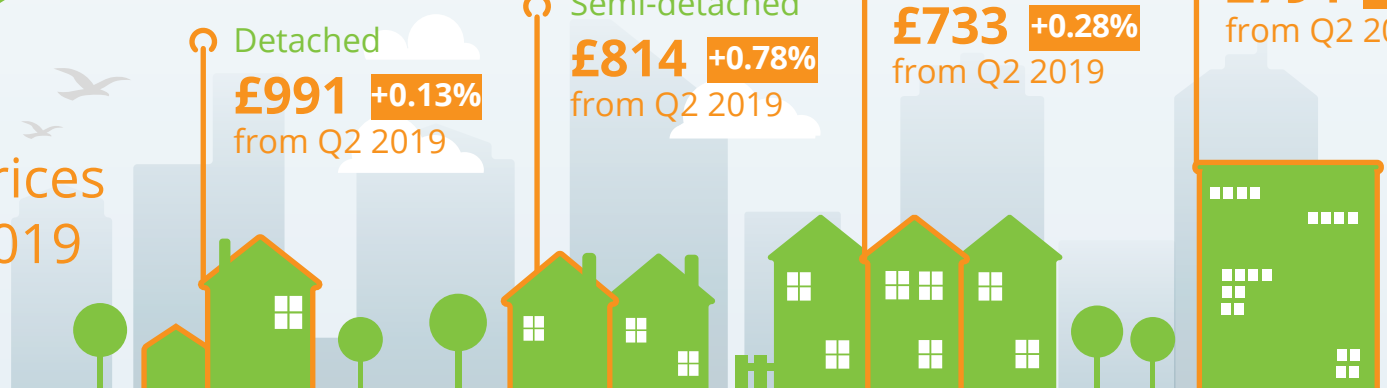
*Please note that all comparisons with salary are based on the average wage data for 2018, the most recent available.

Detached
£991 **+0.13%**
from Q2 2019

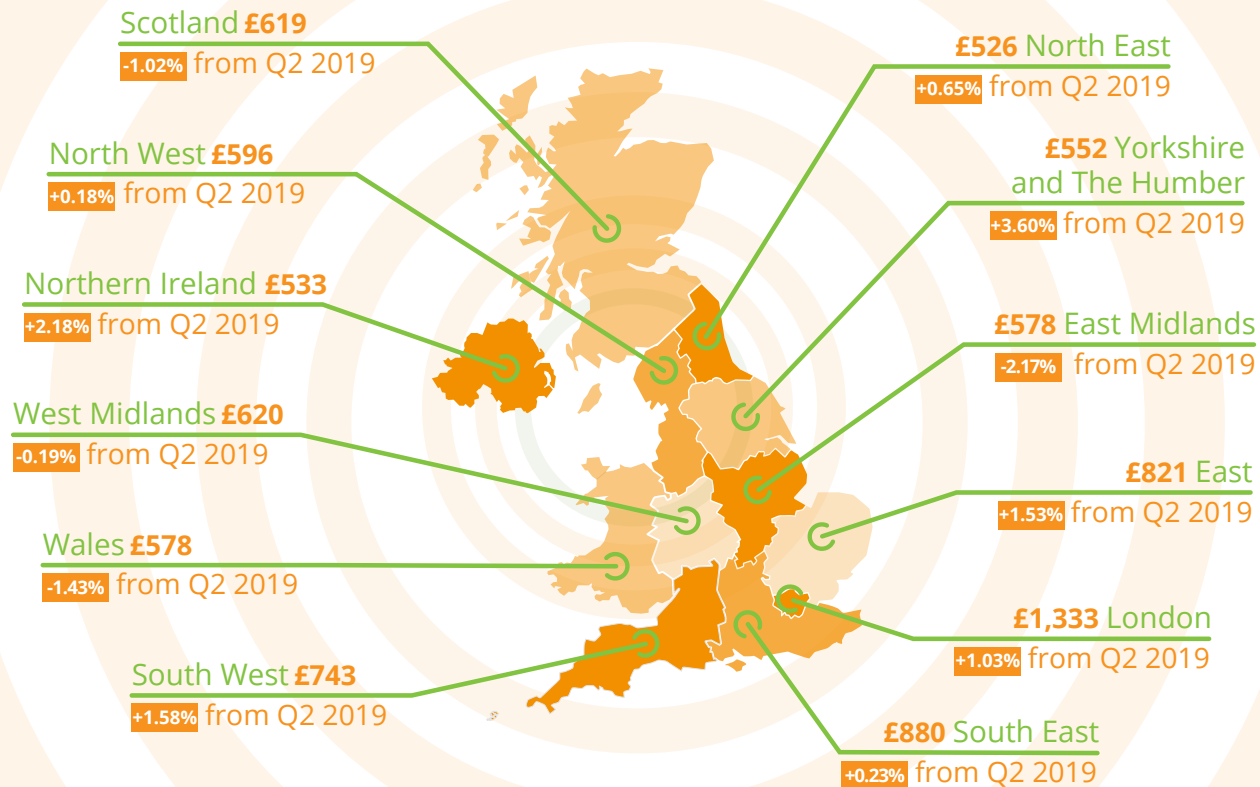
Semi-detached
£814 **+0.78%**
from Q2 2019

Terraced
£733 **+0.28%**
from Q2 2019

Flat/apartment
£794 **+0.90%**
from Q2 2019



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

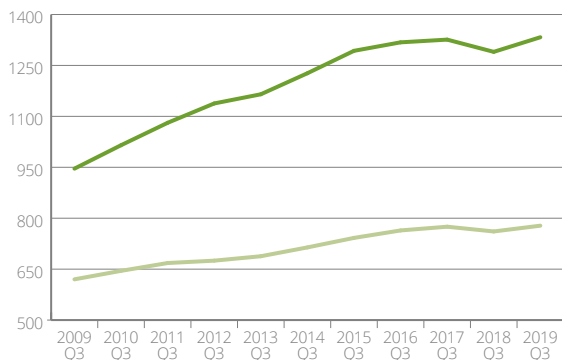


LONDON

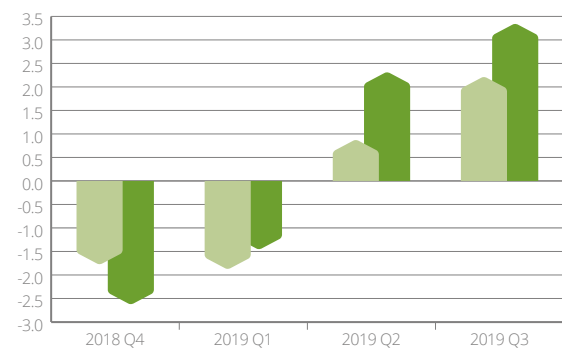
Regional Summary

- > London continues to maintain its number one position as the most expensive region in the UK in which to rent property, with average rents standing at £1,333, an increase of £14 from £1319.
- > Year on year, there's been a more significant increase of £43 (3.34%). This means London has seen the largest average percentage and price growth, compared to all other regions.
- > All property types have seen an increase in average monthly rents. As in Q2 2019, terraced properties have again seen the largest growth, increasing by £39 (2.48%) from £1576 to £1615.
- > While no property types have seen a decrease, semi-detached properties are the only type to see no change, remaining at £1649.
- > On average, people in London spend 42% of their wages on rent, 10% higher than the UK average.

Rental Prices Compared to UK Average



Annual Rental Growth Compared to UK Average

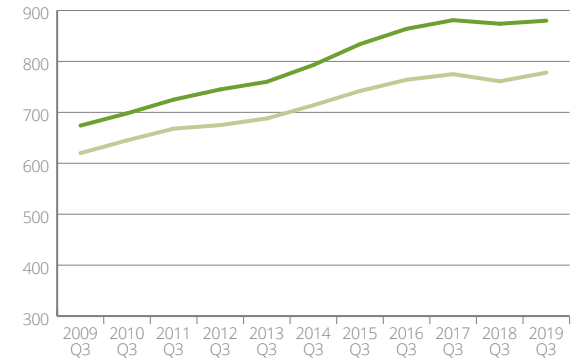


SOUTH EAST

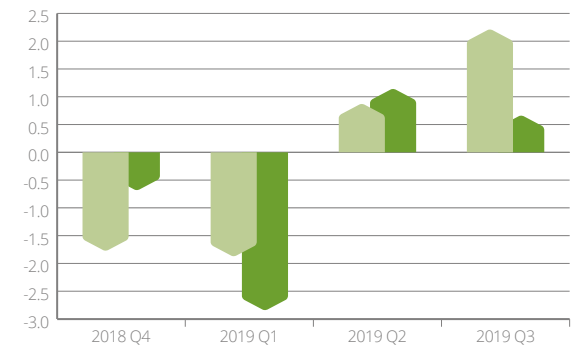
Regional Summary

- > The South East continues to be the second most expensive region in the UK in which to rent property, with average rental prices increasing marginally to £880.
- > Year on year the region experienced an increase of £6 from £874.
- > Semi-detached properties saw the biggest increase, rising 2.02% to £1087. On the other hand, detached properties have seen the biggest decline on average, falling by £8 (-0.62%), from £1331 to £1323.
- > On average, people in the South East spend 35% of their wages on rent, slightly higher than the national average of 32%.

Rental Prices Compared to UK Average



Annual Rental Growth Compared to UK Average

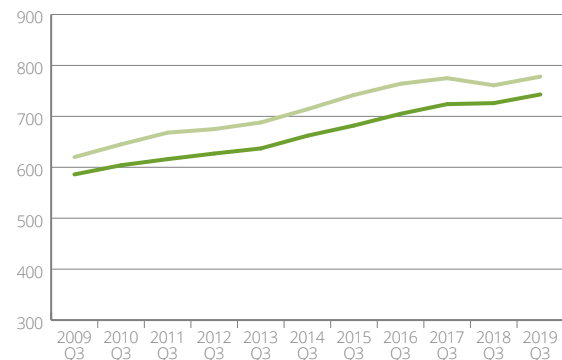


SOUTH WEST

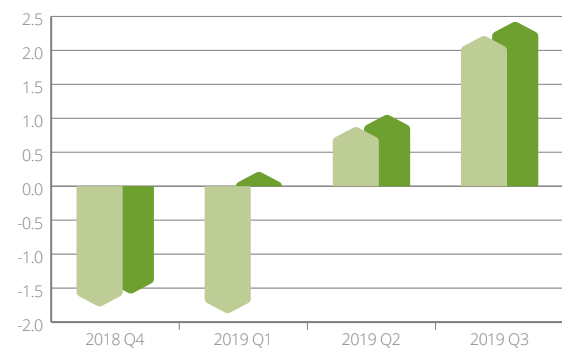
Regional Summary

- > Average rent in the South West now stands at £743, up from £732 in Q2. Compared to last year, average prices have increased by over £17 (2.42%) from £726.
- > The South West is the fourth most expensive region in which to rent property, behind London, the South East, and the East.
- > The majority of property types in the region have seen an increase in average rents, with terraced properties seeing the biggest increase of £14 from £794 to £808.
- > Detached houses are the only property type to see a decrease in the region, falling by £13 (-1.20%) from £1047 to £1034.
- > On average, people in the South West spend 32% of their wages on rent, which is in line with the UK average.

Rental Prices Compared to UK Average



Annual Rental Growth Compared to UK Average

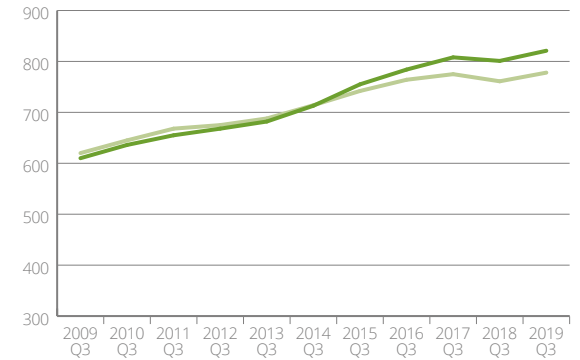


EAST

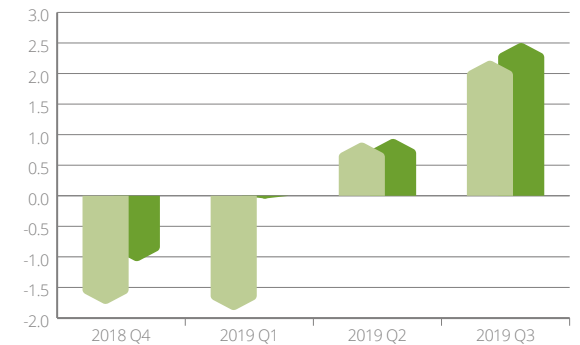
Regional Summary

- > Average monthly rent in the East increased by over £12 (1.53%) and now stands at £821. The region is the third most expensive in the UK in which to rent property, behind London and the South East.
- > Year on year, rental prices have increased by £20 (2.50%) from £801.
- > All property types have seen an upward trend in rental prices, with detached properties seeing the biggest increase, rising by £24 (2.17%) from £1,099 to £1,123.
- > On average, people in the East spend 34% of their wages on rent, slightly higher than the national average of 32%.

Rental Prices Compared to UK Average



Annual Rental Growth Compared to UK Average

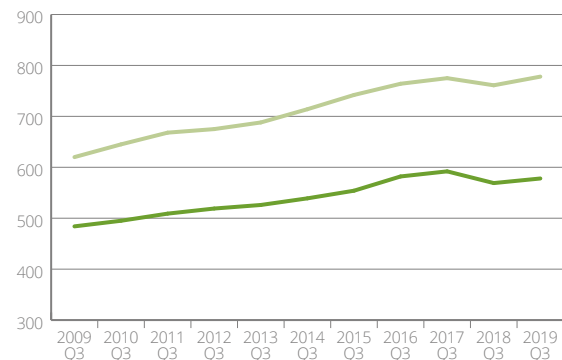


EAST MIDLANDS

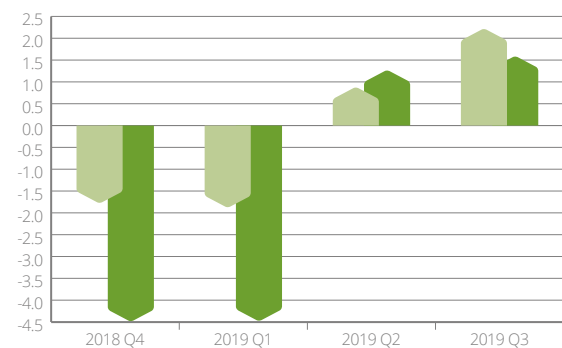
Regional Summary

- > Average monthly rent in the East Midlands stands at £578, This is a decline of £13 (-2.17%) on last quarter.
- > The decrease in rental prices is highest when compared to other regions across the UK.
- > Compared to last year however, average rental prices have increased by £9 (1.58%) from £569.
- > Terraced properties have seen the biggest decline by property type within the region, where average prices have fallen by £12 (-1.90%), from £589 to £577.
- > On the other hand, detached properties saw the largest growth in the region, with prices rising by £7 (0.89%), to £834.
- > On average, people in the East Midlands spend 26% of their wages on rent, 6% lower than the UK average.

Rental Prices Compared to UK Average



Annual Rental Growth Compared to UK Average

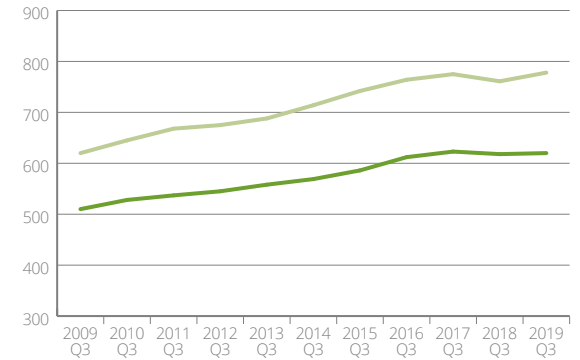


WEST MIDLANDS

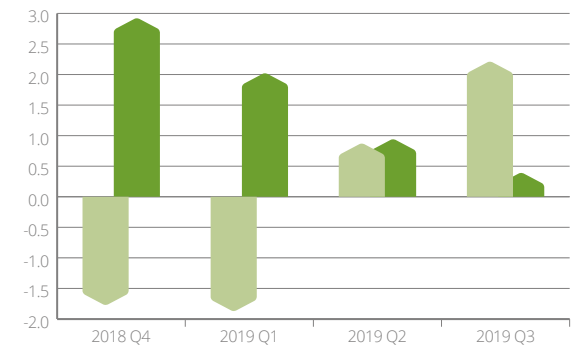
Regional Summary

- > Average monthly rent now stands at £620 this quarter, which represents a marginal decrease of £1 (-0.19%) on last quarter.
- > Year on year, growth is also marginal, increasing by £2 (0.39%) from £618.
- > When it comes to property type, flats have seen the largest increase in average rents of £8 (1.42%), from £576 to £584.
- > In contrast, detached houses are the only property type to see a decrease, from £875 to £863.
- > On average, people in the West Midlands spend 27% of their wages on rent, 5% lower than the UK average.

Rental Prices Compared to UK Average



Annual Rental Growth Compared to UK Average

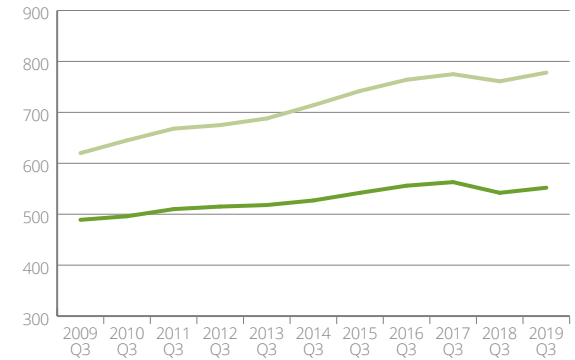


YORKSHIRE AND THE HUMBER

Regional Summary

- > In Yorkshire and The Humber, average rental prices increased by £19 (3.6%) to £552, the largest amount of any region in the UK.
- > Year on year, average rents have also seen growth, increasing by an average of £10 (1.75%) from £542.
- > The rise in average prices can be seen across all property types in Yorkshire and The Humber, with flats seeing the biggest growth in average rents, increasing by £37 (7.65%) from £488 to £525.
- > In line with last quarter, Yorkshire and The Humber remains the third cheapest region in which to rent property, behind the North East and Northern Ireland.
- > On average, people in Yorkshire and The Humber spend 25% of their wages on rent, 7% lower than the UK average.

Rental Prices Compared to UK Average



Annual Rental Growth Compared to UK Average

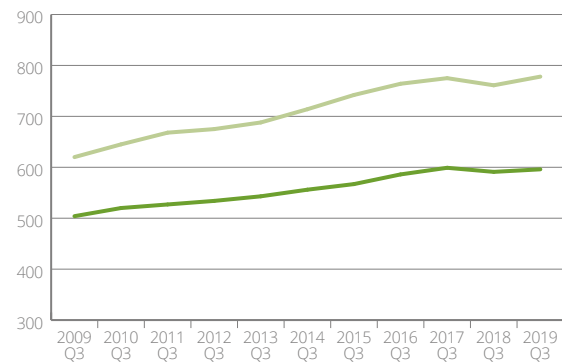


NORTH WEST

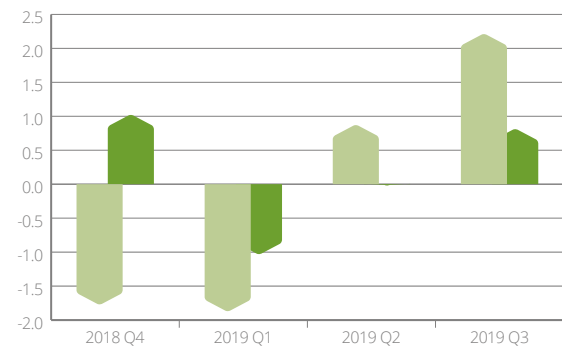
Regional Summary

- > Average monthly rent in the North West now stands at £596, increasing by a marginal £1 (0.18%) on the previous quarter.
- > Year on year, average rents have also increased by £5 (0.81%) from £591.
- > Semi-detached properties have seen the biggest increase in average rental prices, rising by £7 (0.98%) from £691 to £698.
- > In contrast, detached properties have seen the biggest decline in average rental prices, falling by £16 (-1.76%) to £868.
- > On average, people in the North West spend 26% of their wages on rent, 6% lower than the UK average.

Rental Prices Compared to UK Average



Annual Rental Growth Compared to UK Average

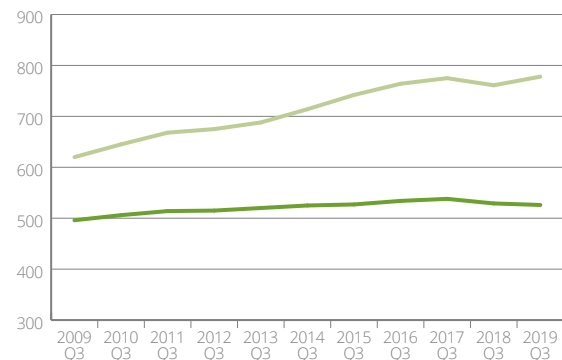


NORTH EAST

Regional Summary

- > The North East is the cheapest region in the UK in which to rent property. On average, properties in the North East have seen a marginal increase of £3 (0.65%), standing at £526 in this quarter.
- > Year on year however, the region has seen a £3 (-0.42) decrease in average rental prices from £529 this time last year.
- > Terraced properties have seen the largest growth by property type. Average rents have increased by £10 (2.01%), from £488, to £498 this quarter. Detached properties have also seen an average increase of £10 (1.35%) from £755 to £765.
- > Flats were the only property type to see a decline, with average rent falling from £513 to £508 this quarter.
- > On average, people in the North East spend 24% of their wages on rent. Alongside Northern Ireland, this is the lowest of any region.

Rental Prices Compared to UK Average



Annual Rental Growth Compared to UK Average

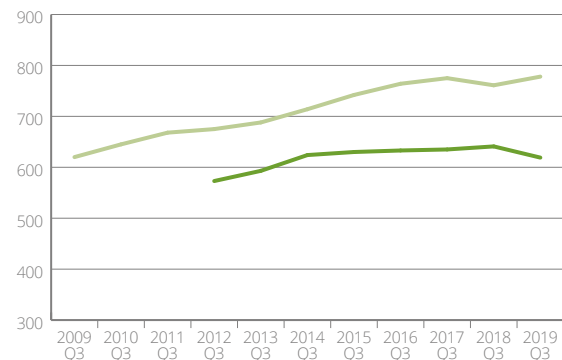


SCOTLAND

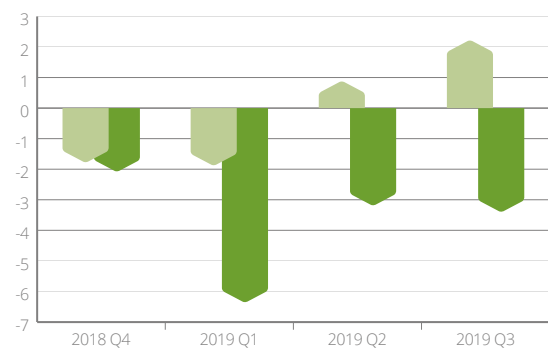
Regional Summary

- > Average rents in Scotland stand at £619 this quarter. In contrast to the overall UK trend, this is a decrease of over £6 on last quarter (-1.02%).
- > Year on year, Scotland has also seen a decrease. Compared to last year, average rents have decreased by £22 (-3.39%) from £641.
- > Despite the overall decline, most property types have seen an increase in average rental prices, with semi-detached properties seeing the largest increase of £16 (2.41%), from £665
- > Detached properties are the only property type to experience a fall in average rental prices, declining by £4 (-0.55%), from £805 to £801.
- > Scotland is one of only two regions to see average rental prices decline annually and quarterly. Year on year, Scotland has seen the second steepest decline in average rental prices compared with the rest of the UK.
- > On average, people in Scotland spend 26% of their wages on rent.

Rental Prices Compared to UK Average



Annual Rental Growth Compared to UK Average

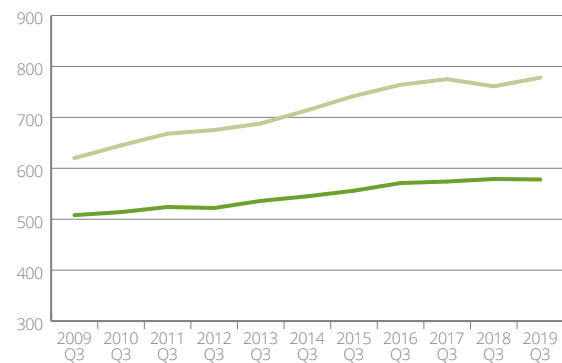


WALES

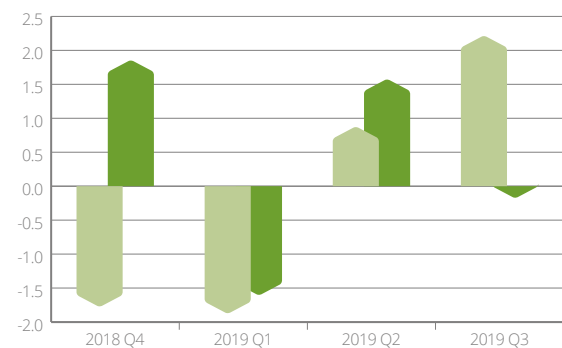
Regional Summary

- > Average rents in Wales stands at £578. In contrast to the overall UK trend, this represents a decline of £8 (-1.43%) on the last quarter.
- > Year on year, the region experienced a marginal decrease of £1 (-0.17%).
- > While most property types have seen a decrease in the region, flats were the only property type to see marginal growth in average rental prices, from £558 to £560.
- > Terraced properties on the other hand saw the largest decline, falling by £22 (-3.85%), from £586 to £564.
- > Including Scotland, Wales is one of two regions to see average rental prices decline quarterly and annually.
- > On average, people in Wales spend 27% of their wages on rent.

Rental Prices Compared to UK Average



Annual Rental Growth Compared to UK Average

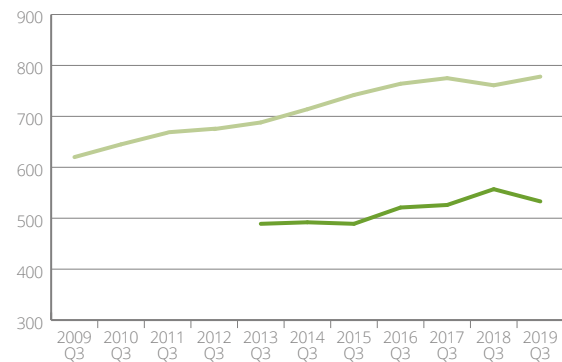


NORTHERN IRELAND

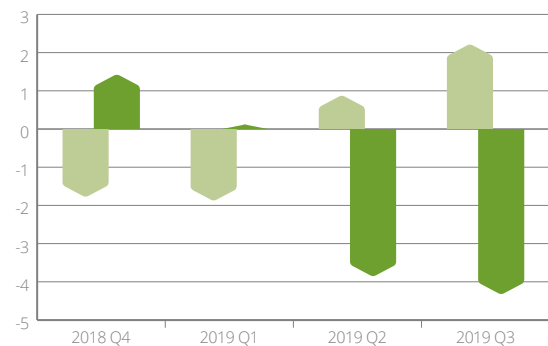
Regional Summary

- > On average, rental prices in Northern Ireland are £533, up on last quarter by £11 (2.18%).
- > When compared to last year, prices have declined by an average of £24 (-4.32%).
- > Northern Ireland is no longer the region with the cheapest average rent in the UK. The North East has now fallen behind Northern Ireland in terms of cost.
- > By year, Northern Ireland has seen the biggest fall in rental prices compared to the other regions within the UK.
- > On average, people in Northern Ireland spend 24% of their wages on rent.

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 1.7 million tenancy deposits. We've repaid over 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



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>.

Notes

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