



**DPS** | RENT  
**INDEX**

Q1 2018

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# EXECUTIVE SUMMARY



Average rent across the UK during the first quarter of 2018 was £772.

This was a £4 (0.54%) decrease compared to the last quarter of 2017.

As a region, London saw the biggest decrease in average rent value: £18 or 1.39% (from £1,325).

This was also the second consecutive quarter that the capital experienced a decrease in average rent.

Northern Ireland experienced the biggest percentage decrease of any UK region: 3.14% (or £17) from £544 to £527, replacing the North East as the most affordable UK region in which to rent property.

As a proportion of salary, rents decreased by 0.18% from 32.63% to 32.45% (using 2017 average wage data; the most recent available).

Only four UK regions experienced growth in average rent: the South East (£9 or 1.01% from £870 to £879), the East Midlands (£3 or 0.45% from £599 to £602), the North West (£1 or 0.18% from £594 to £595) and Wales (£21 or 3.62% from £573 to £594).

Wales experienced the biggest growth in average rent of any UK region: £21 or 3.62% from £573 to £594.

Every type of property became cheaper on average to rent, with flats experiencing the biggest decrease (£10 or 1.20% from £796 to £786) after being the only type to experience an increase in the last quarter of 2017 (£2 or 0.27% from £794 to £796).

**“The decrease in average rents across the UK could represent the beginning of a substantial development for the housing sector and a significant indicator for understanding the wider economy.**

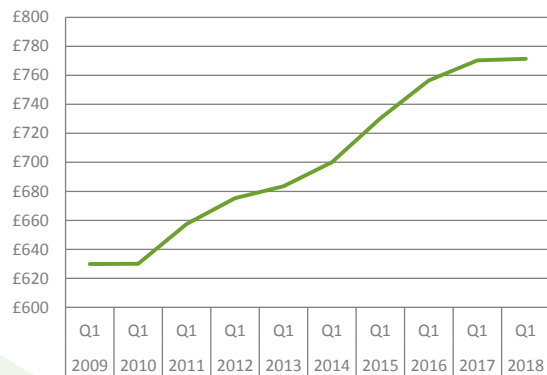
**Rent growth began to slow in summer 2016, and the slip into negative figures suggests that there is a genuine long-term issue affecting the private rented sector.**

**The UK-wide decrease implies that there is more at play than a short-term or local correction to excessive prices, and a similar reduction in Q2 could represent the first annual decrease in rents since 2009.”**



# Q1 2018 RENTAL PRICES A SNAPSHOT

Average monthly rents at Q1 2009-2018



UK average  
rent at **Q1  
2018 £772**

Average rent in  
the UK represents  
**32.45%** of the  
average UK salary

**32.45%**



## Average monthly rental prices per property type at Q1 2018

Please note that all comparisons with salary are based on  
the average wage data for 2017, the most recent available.

Detached  
**£987** **-0.3%**  
from Q4 2017

Semi-detached  
**£791** **-0.73%**  
from Q4 2017

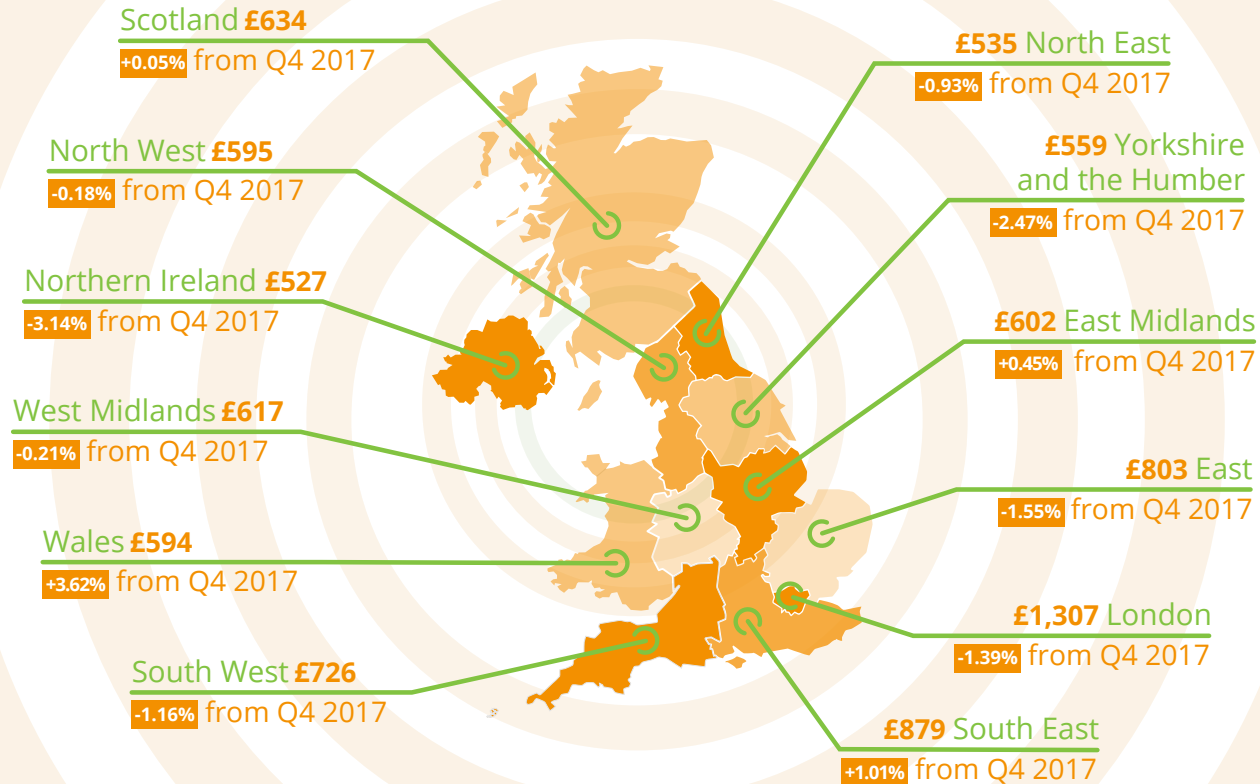
Terraced  
**£722** **-0.65%**  
from Q4 2017

Flat/apartment  
**£786** **-1.2%**  
from Q4 2017





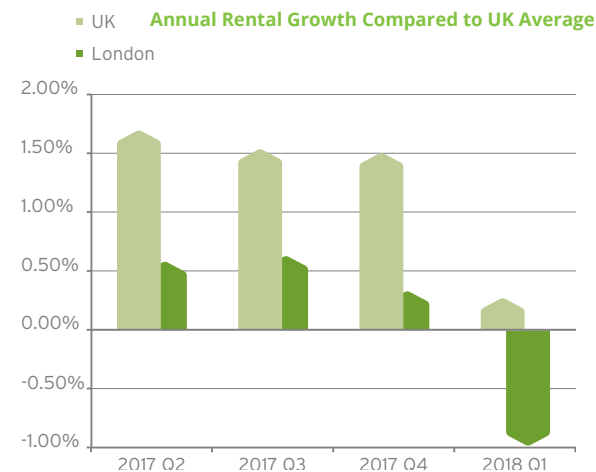
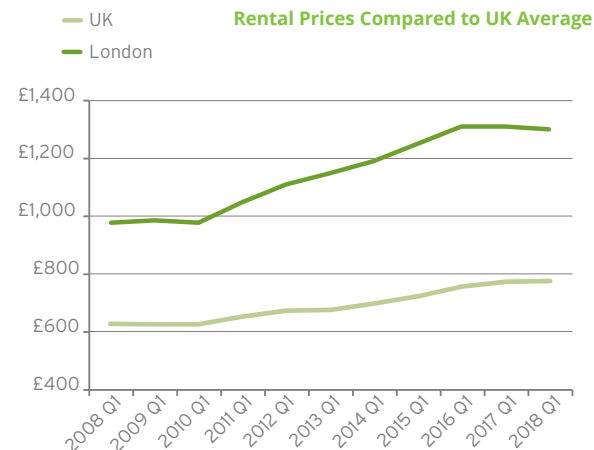
# PRIVATE RENTED SECTOR - AVERAGE REGIONAL RENTAL PRICE OVER THE PAST QUARTER



# LONDON

## Regional Summary

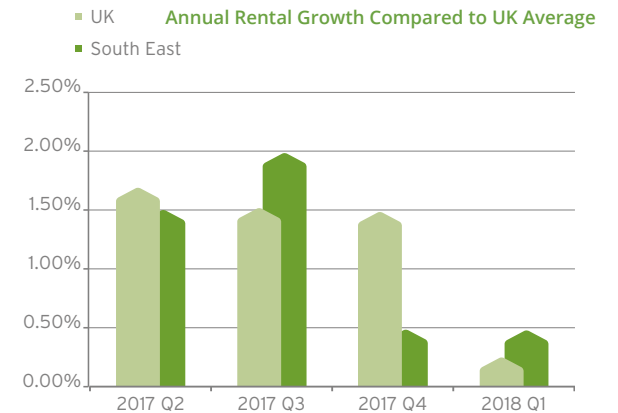
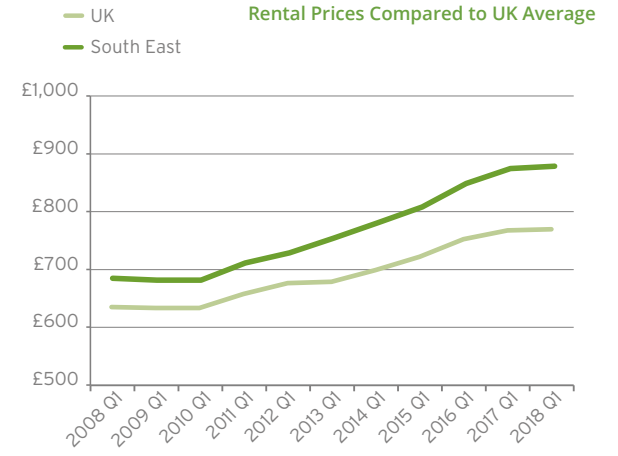
- > London remains the most expensive UK region in which to rent property in Q1 2018, standing at £1,307, despite average rent decreasing by £18 (1.39%) on Q4 2017.
- > Average rent in the capital is £535 (or 69.38%) higher than the UK average in Q1 2018. This has been steadily falling since Q4 2015 when average rent was 75.06% higher than the national average.
- > As a result average rent as a proportion of the 2017 average salary decreased to 42.48% - still the highest in the country.



# SOUTH EAST

## Regional Summary

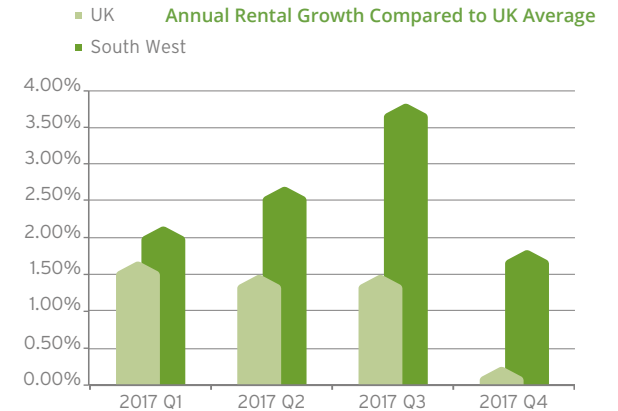
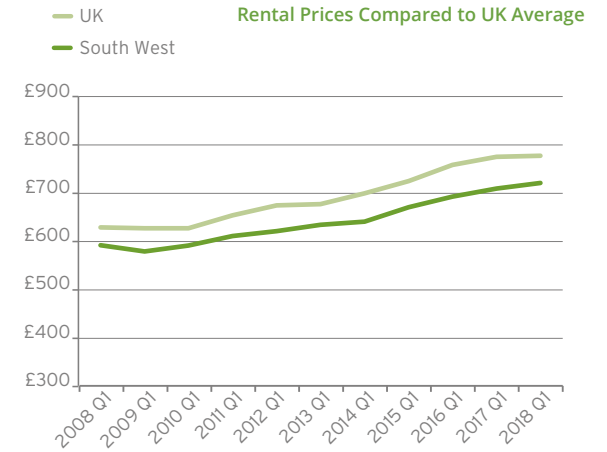
- > The South East remains the second most expensive region in the UK in which to rent property with average rent during Q1 2018 standing at £879, £9 (or 1.01%) higher than in Q4 2017. Rent in the South East is now £107 (or 13.92%) higher than the UK average.
- > Average rent in the South East bucks the trend for most of the UK, being one of only four regions (out of 12) in the UK to see an increase in Q1 2018. Rent growth in the region has now been higher than the UK average every year since our records began in 2007.
- > As a result, average rent in the region now represents 35.18% of average salary.



# SOUTH WEST

## Regional Summary

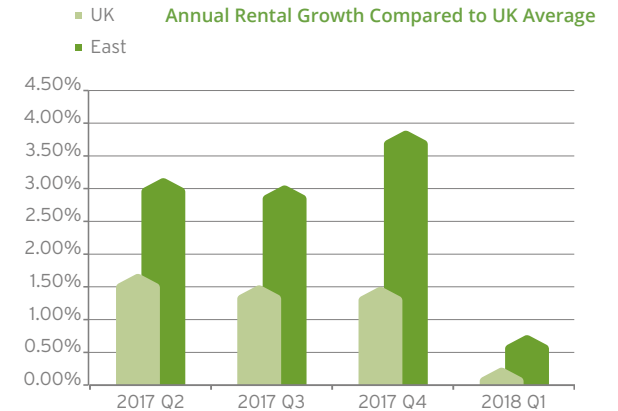
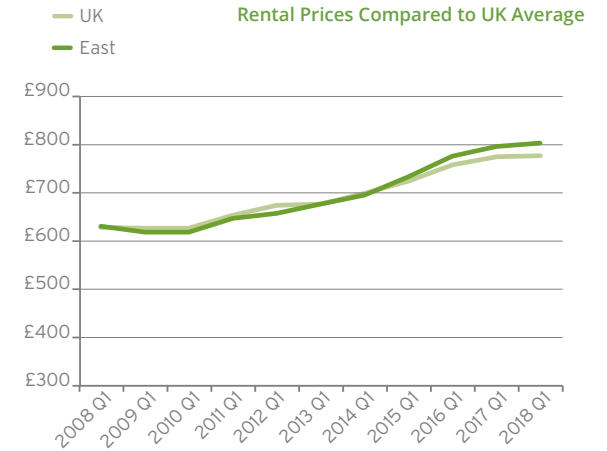
- > The South West continues to be the fourth most expensive region in the UK in which to rent property, despite a fall in average rent in Q1 2018 to £726, £9 (or 1.16%) lower than the end of 2017. Average rent is now £46 (or 5.91%) lower than the UK average.
- > The fall in average rent (1.16%) in the South West was higher than the UK average (0.54%), after three consecutive years of higher than national average rent growth.
- > Rent in the region also decreased by 0.38% as a proportion of average salary to 32.37% in Q1 2018.
- > Flats saw the biggest decrease in the region, being £21 (or 3.16%) lower than the end of 2017.



# EAST

## Regional Summary

- > The East is the third most expensive region in the UK in which to rent property, despite average rent in Q1 2018 falling to £803, £13 (or 1.55%) lower than the high in Q4 2017.
- > Whilst this represented a higher quarterly decline than the UK average of 0.54%, it should also be noted that annual rent growth in the East has been higher than the UK average every year since 2012. Rent in the region continues to be higher than the national average by £31 (or 4.07%).
- > Rent in the region now represents 34.12% of average salary, down from 34.66% at the end of 2017.
- > Flats had the biggest rent decrease in the region, being £56 (or 7.63%) lower than the end of 2017.

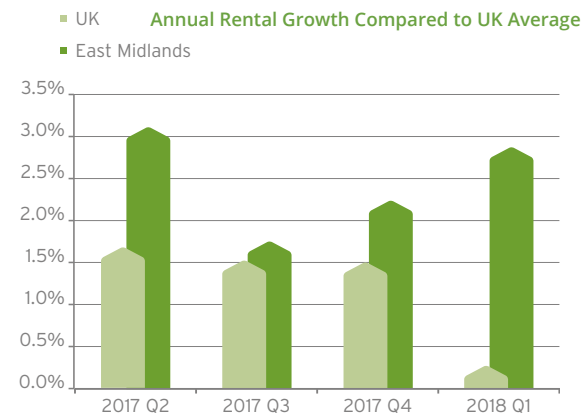
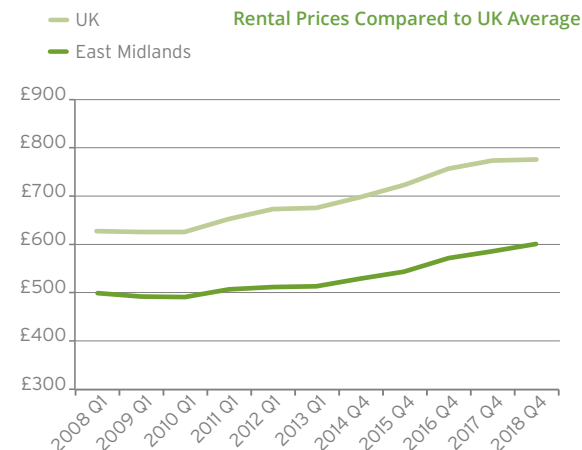




# EAST MIDLANDS

## Regional Summary

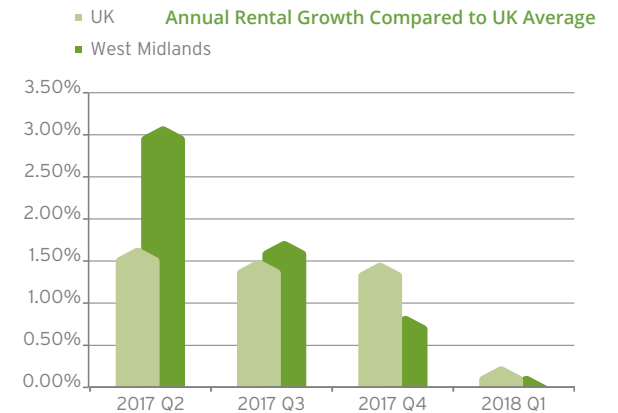
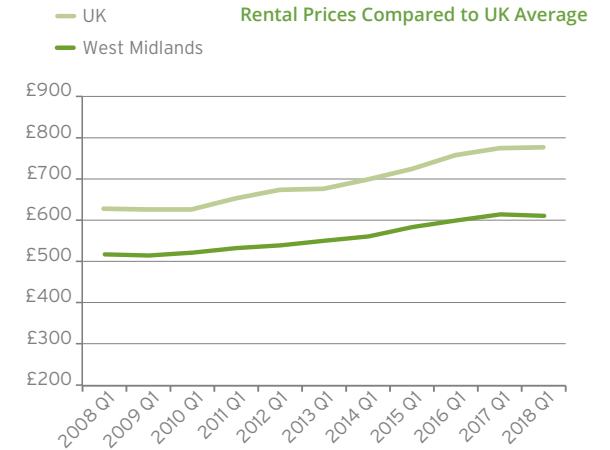
- > The East Midlands is now the seventh most expensive region in the UK in which to rent property, with average rent breaking the £600 mark for the first time. Average rent now stands at £602, £3 (or 0.45%) higher than Q4 2017. However, rent in the region is still below the national average by £170 (or 21.98%).
- > Rent in the East Midlands bucked the trend by continuing to increase, as the national average fell by £4 (or 0.54%). The East Midlands was one of only four regions (out of 12) in the UK to see rent growth in Q1 2018.
- > Rent in the region also increased as a proportion of salary by 0.12% to 28.19% this quarter.
- > Detached properties had biggest increase in the region, being £14 (or 1.72%) higher than the end of 2017.



# WEST MIDLANDS

## Regional Summary

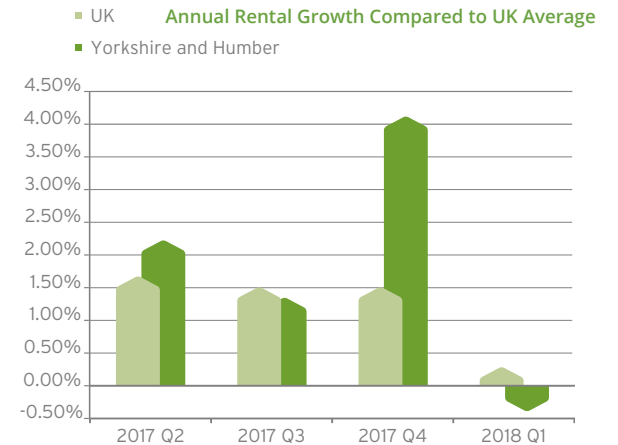
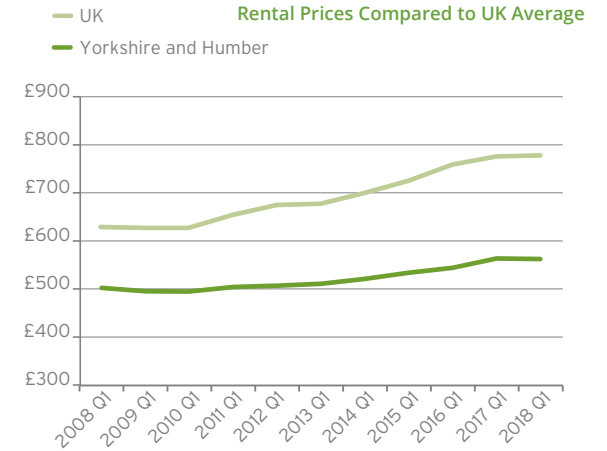
- > The West Midlands is still the sixth most expensive region in the UK in which to rent property, despite average rent decreasing in Q1 2018 by a modest £1 (or 0.21%) from the end of 2017. Average rent in the region is £155 (or 20.04%) lower than the UK average. It is also the only region outside of London to have had two consecutive quarters where rent has fallen.
- > Average rent growth has also decreased in the West Midlands, with the £617 average for Q1 2018 being £1 (or 0.19%) lower than the average at Q1 2017.
- > Rent in the region dropped slightly as a proportion of average salary in Q1 2018 to 27.82%.



# YORKSHIRE AND THE HUMBER

## Regional Summary

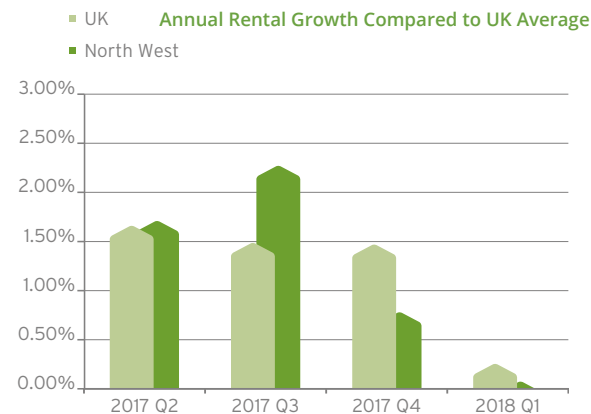
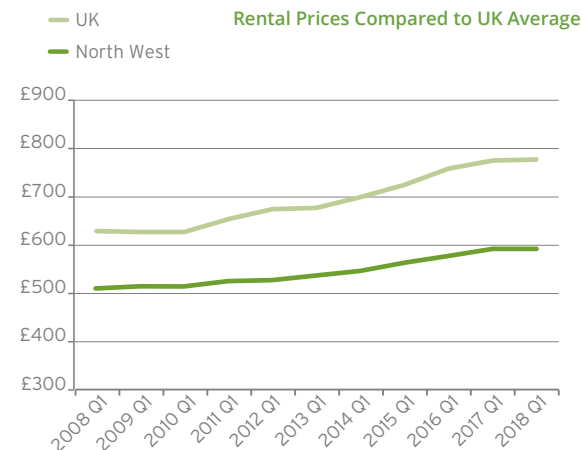
- > Yorkshire and the Humber is the third most affordable region in the UK in which to rent property. Average rent in the region fell to £559, £14 (or 2.47%) lower than Q4 2017. This represented the biggest fall in average rent outside of Northern Ireland.
- > Average rent in Yorkshire and the Humber is now £213 (or 27.56%) lower than the UK average and rent now represents 25.74% of the average salary for the region.
- > Regional annual rent growth (Q1 2017 to Q1 2018) fell by £2 (or 0.39%) for the first time since 2010.
- > Average rent for terraced properties saw the biggest drop, being £25 (or 4.46%) lower than the end of 2017.



# NORTH WEST

## Regional Summary

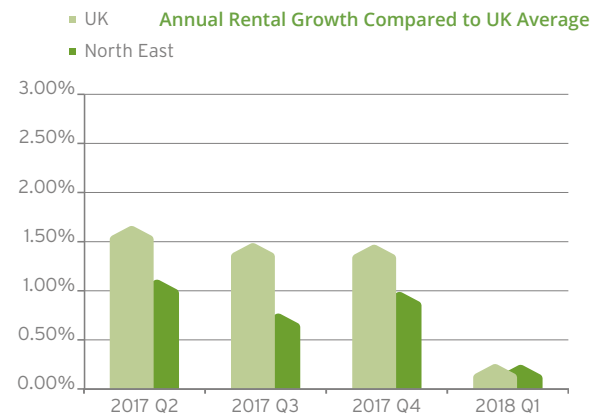
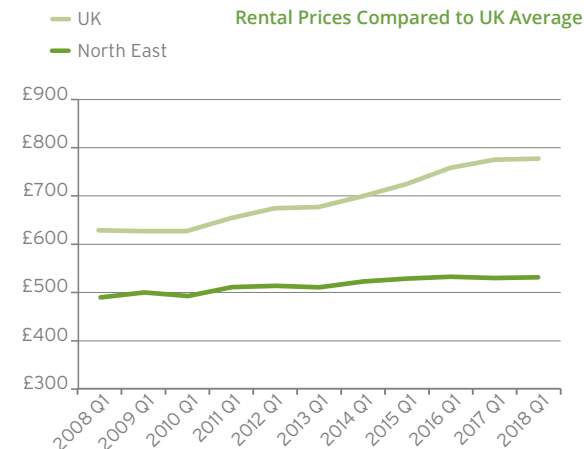
- > The North West is the seventh most expensive region in the UK in which to rent property, with average rent in the region being £1 (or 0.18%) higher in Q1 2018 than in Q4 2017. Average rent in the region is £177 (or 22.89%) lower than the UK average.
- > Rent in the region bucked the national trend by growing in the quarter, as the national average fell by £4 (or 0.54%). The North West was one of only four regions (out of 12) in the UK to see growth in Q1 2018.
- > Rent has increased marginally (by 0.05%) to 26.90% as a proportion of average salary, the region is now the fourth most affordable region in the UK when comparing rent to average salary, with only Yorkshire and the Humber, the North East and Northern Ireland having lower ratios.
- > Terraced properties had the highest rent growth in the region, increasing by £13 (or 2.33%) in the quarter.



# NORTH EAST

## Regional Summary

- > The North East continues to be the most affordable English region in which to rent property (behind only Northern Ireland in the whole of the UK), with average rent decreasing by £5 (or 0.93%) to £535 in Q1 2018. Average rent in the region is now £237 (or 30.67%) lower than the UK average.
- > Annual rent growth has been lower in the North East than the UK average every year since 2010 and rent in the region decreased as a proportion of average salary by 0.24% to 24.97% during Q1 2018 (the second lowest ratio of rent to average wages, behind Northern Ireland).
- > Terraced properties had the biggest fall in the region, decreasing by £17 (or 3.36%) in Q1 2018 compared to the end of 2017.

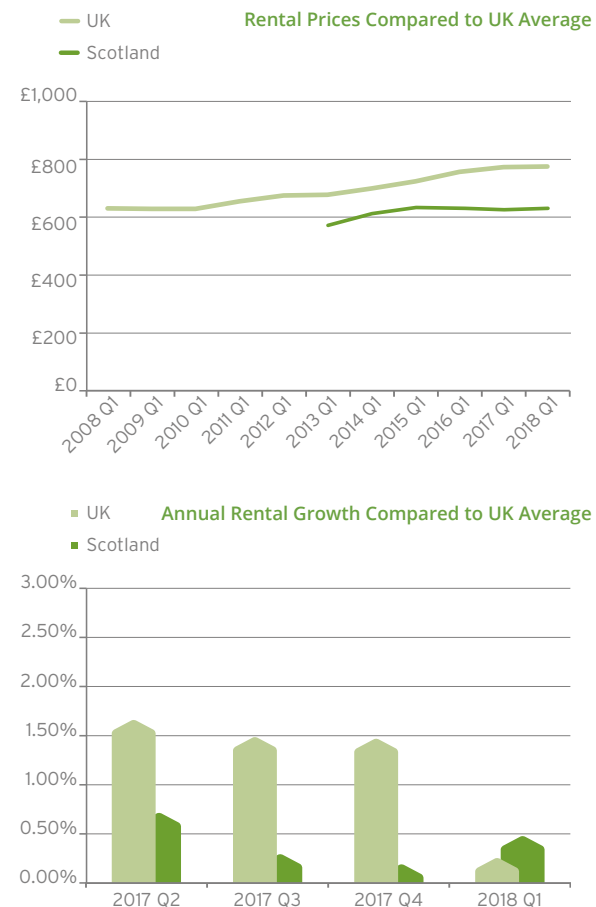




# SCOTLAND

## Regional Summary

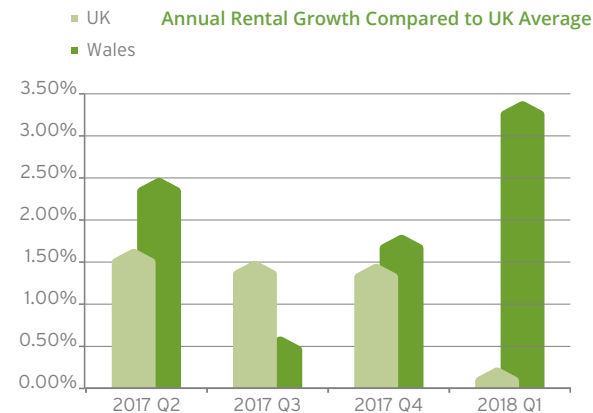
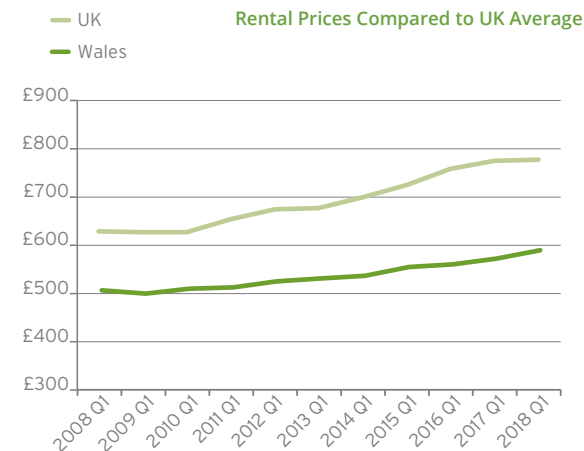
- > Scotland is the fifth most expensive region in the UK in which to rent property, with average rent in the region being unchanged at £634 over the last quarter. Average rent in the region is £138 (or 17.84%) lower than the UK average.
- > Annual rent growth in Scotland increased for the first time in three years, being £3 (or 0.49%) higher in Q1 2018 than Q1 2017. This was double the UK average of 0.24% for the same period.
- > Average rent in the Scotland now represents 27.04% of the average salary for the region.



# WALES

## Regional Summary

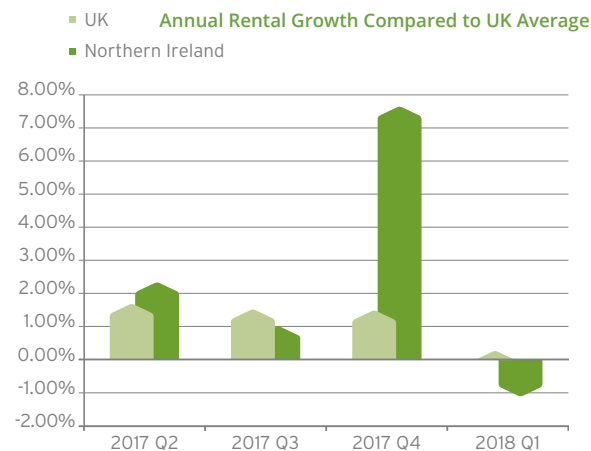
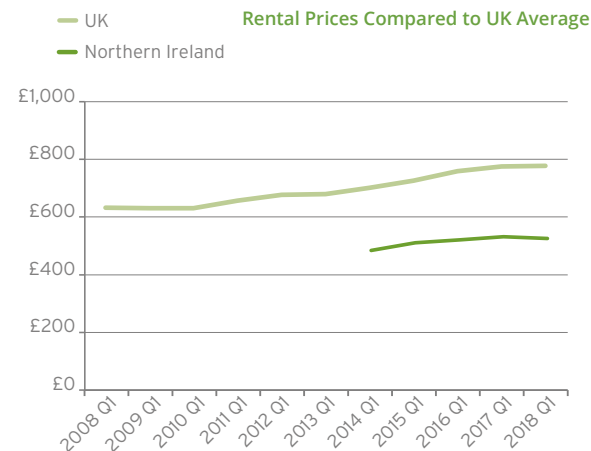
- > Average rent in Wales increased by £21 (or 3.62%) in Q1 2018. This represented the highest regional growth in the whole of the UK, where average rent fell by £4 (or 0.54%). Rent in Wales is now £178 (or 23.02%) lower than the UK average.
- > Annual rent growth in Wales was 3.4% from Q1 2017 to Q1 2018, marking nine consecutive years of annual rent growth. Rent growth in Wales bucked the national trend, where average rent fell overall and in eight of the 12 regions in Q1 2018.
- > This resulted in average rent in the region increasing as a proportion of average salary by 0.96% to 27.60% in Q1 2018.
- > Detached properties in Wales saw the biggest increase in monetary terms, being £24 (or 3.41%) higher in Q1 2018 than the end of 2017. However, terraced properties had the biggest increase in the region in percentage terms, being 4.07% (or £23) higher in the last quarter.



# NORTHERN IRELAND

## Regional Summary

- > Northern Ireland is the most affordable region in the whole of the UK in which to rent property, with average rent decreasing by £17 (or 3.14%) to £527 in Q1 2018. This represented the biggest regional fall in average rent values across the UK; compared to the UK average reduction of £4 (or 0.54%) in the quarter.
- > Average rent in Northern Ireland is now £245 (or 31.70%) lower than the national average.
- > Annual rent growth in Northern Ireland fell by £6 (or 1.06%) for the period Q1 2017 to Q1 2018; the first annual fall since our records began in 2015. Rent in the region now represents 24.51% of the average wage, 0.8% lower than in Q4 2017. This is the lowest ratio of rent to average wages in the whole of the UK.



# 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 over 5.3 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 launch 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 1.5 million tenancy deposits. We've repaid over 3.8 million deposits since we started in 2007, and resolved over 60,000 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 Statistics<sup>1</sup>.

<sup>1</sup> <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/previousReleases>.

Comparisons with inflation are based on figures in the Consumer Prices Index, available at <https://www.ons.gov.uk/economy/inflationandpriceindices/bulletins/consumerpriceinflation/september2017>