



**DPS** | RENT  
**INDEX™**

Q4 2018

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# EXECUTIVE SUMMARY



## Annual Analysis

Average rent in the UK fell by £9 (or 1.17%) from £774 in 2017, to £765 in 2018, marking the first calendar year since the Global Financial Crisis in 2008 that there was no increase in average rent in the UK.

The biggest annual fall was seen in Yorkshire and The Humber, where average rent fell by £21 (3.63%), to £546, making it the third most affordable area to rent in the UK (behind only North East).

This declining trend can be seen throughout all property types. Terraced properties experience the largest decline by type, a decrease of 2.49% and now averaging £711 in 2018.

Interestingly, all regions outside of England have seen a growth in 2018 compared to 2017. In England, only South West (0.21%) and West Midlands (0.12%) experienced growth – though this is very minimal (a difference of between £1 and £2).

London, South East, and East are the only regions where annual average rents are above the UK national average in 2018. These regions were also the only ones to be above the national average in 2017.

At the other end of the affordability scale, North East is now the most affordable region, swapping places with Northern Ireland, whose annual average rent has risen by 2.38%, from £532 in 2017 to £544 in 2018.

Average wages have risen in 2018, and the percentage of wages spent on rents has dropped by 0.5% to 31%. This is good news for renters, and if average rents continue to decrease or remain static whilst wages continue to climb, this could ultimately make renting more affordable for tenants.

## Quarterly Analysis

For the latest quarter, UK average rent has increased, arresting a pattern of three consecutive quarterly slides. However, the increase was modest at £1 (0.15%) to £762.

Rent inflation continued to vary from region to region this quarter, with 6 regions experiencing rent growth and 6 regions experiencing falls in rent.

London continues to have the most expensive average rent in the UK, increasing marginally by only £1 (0.07%) to £1,291 compared to Q3 2018, though this is still £35 (or 2.62%) lower than the same period last year.

The West Midlands is the region to see the largest quarterly increase in rent in the UK, increasing by £19 (3.02%) in the last quarter to £636. This high level of growth is consistent across all property types within the region.

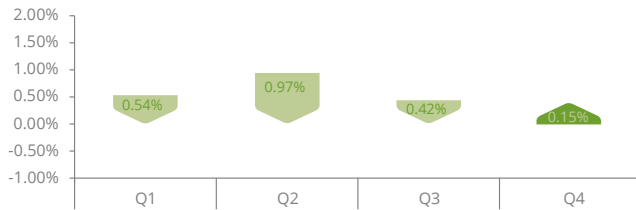
**“This first drop in average annual rents for almost 10 years is good news for UK renters. Though the last quarter saw a minimal rise in average rents ending three quarters of falls, rent in the UK is still over 1% lower than 2017. Combined with average wage growth of almost 3%, renting is growing more affordable across in the UK, and if the housing market continues to slow down in response to broader economic factors, tenants will continue to see greater renting affordability in 2019.”**

Julian Foster,  
Managing Director of The DPS



# UK TRENDS IN 2018

Quarterly change in monthly rental prices for 2018



UK average rent for **2018** was **£765**

Average rent in the UK represented **31%** of the median UK salary in 2018

**31%**



## Average monthly rental prices per property type for 2018

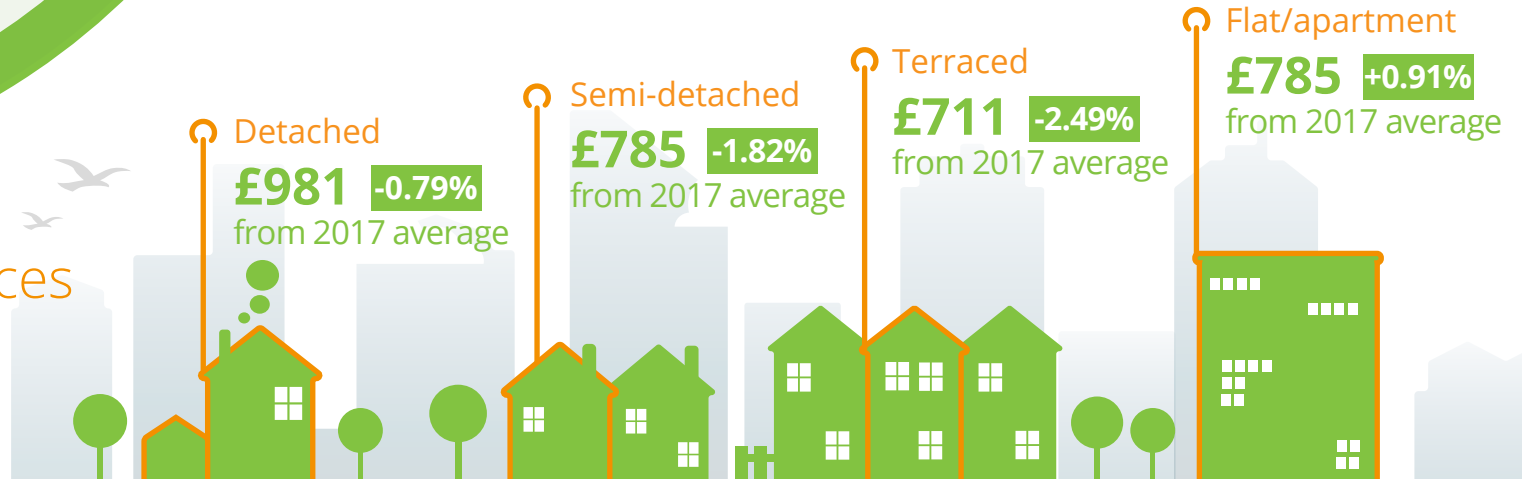
\*Please note that all comparisons with salary are based on the average wage data for 2018, the most recent available.

Detached  
**£981** -0.79%  
from 2017 average

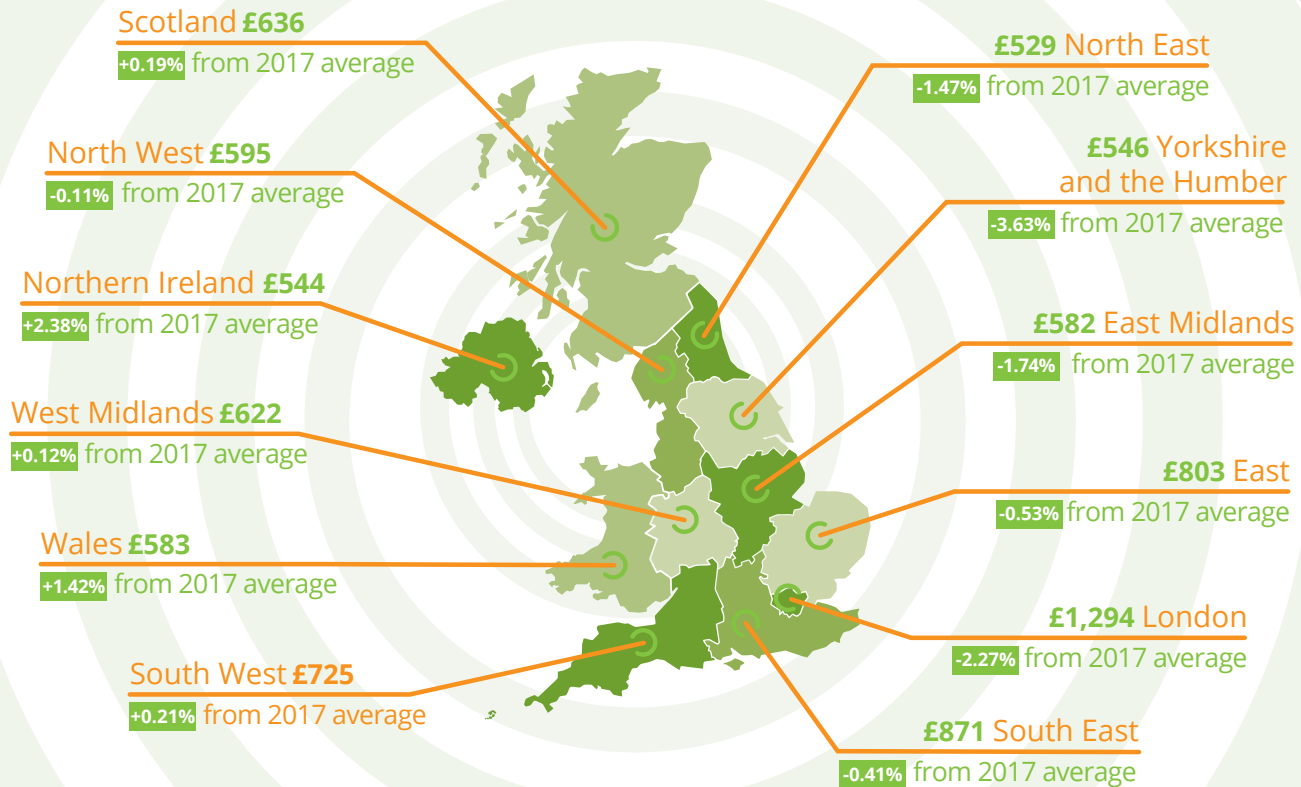
Semi-detached  
**£785** -1.82%  
from 2017 average

Terraced  
**£711** -2.49%  
from 2017 average

Flat/apartment  
**£785** +0.91%  
from 2017 average



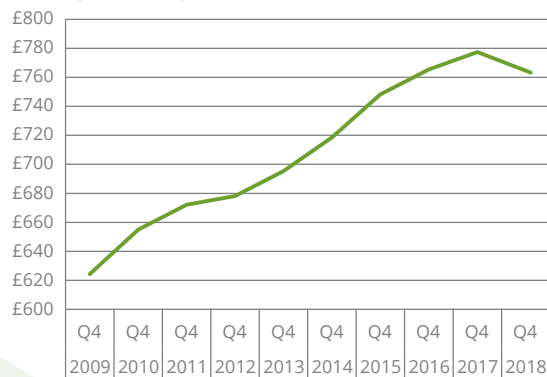
# PRIVATE RENTED SECTOR AVERAGE REGIONAL RENTAL PRICE IN 2018





# Q4 2018 RENTAL PRICES A SNAPSHOT

Average monthly rents at Q4 2009-2018



UK average  
rent at **Q4  
2018 £762**

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

**31%**



## Average monthly rental prices per property type at Q4 2018

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

Detached  
**£978** **-0.50%**  
from Q3 2018

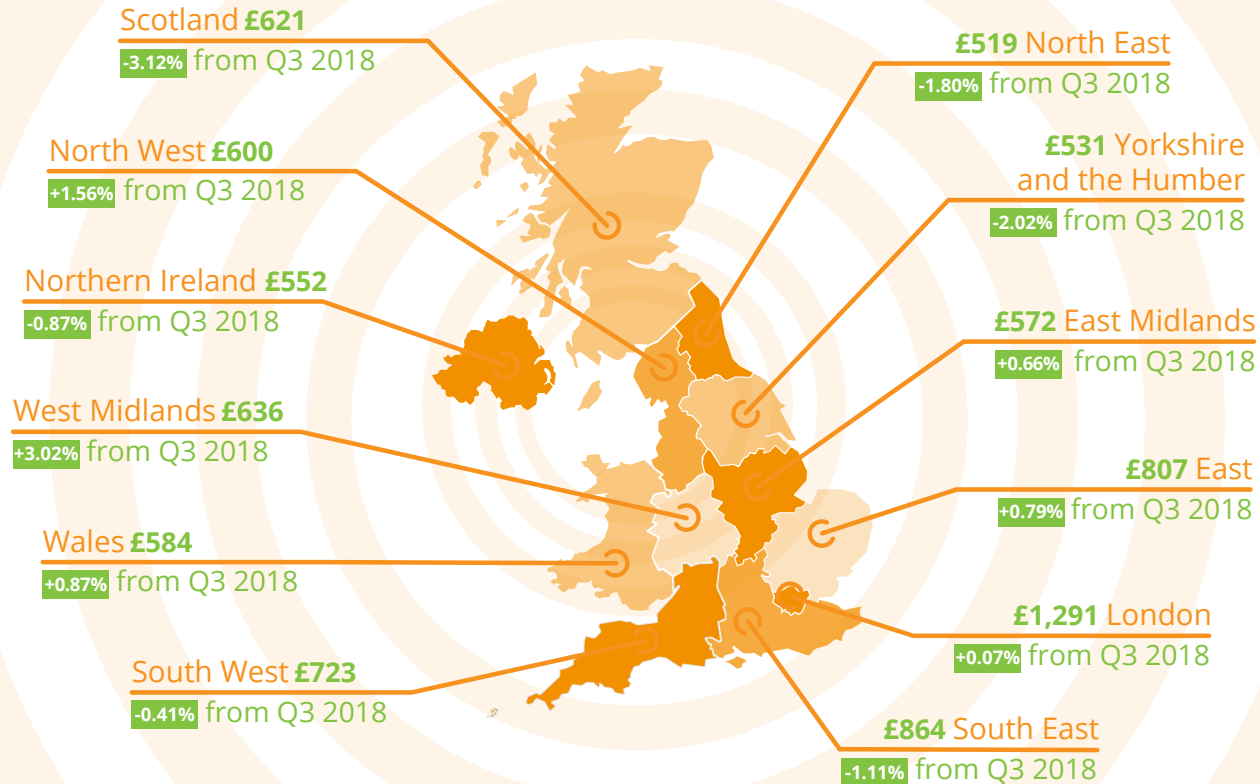
Semi-detached  
**£784** **+0.33%**  
from Q3 2018

Terraced  
**£708** **+0.56%**  
from Q3 2018

Flat/apartment  
**£784** **+0.19%**  
from Q3 2018



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

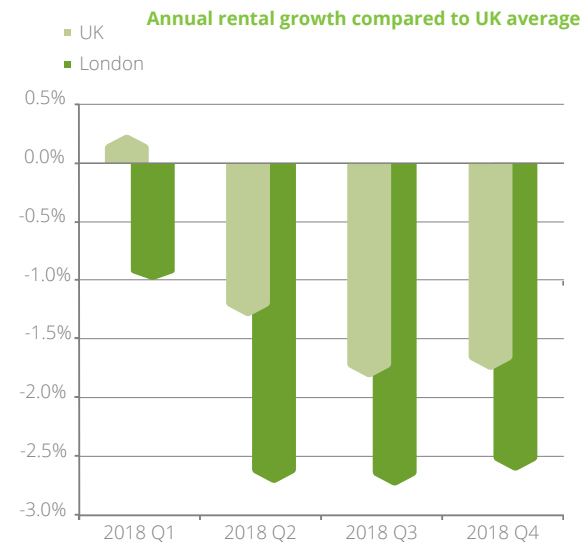
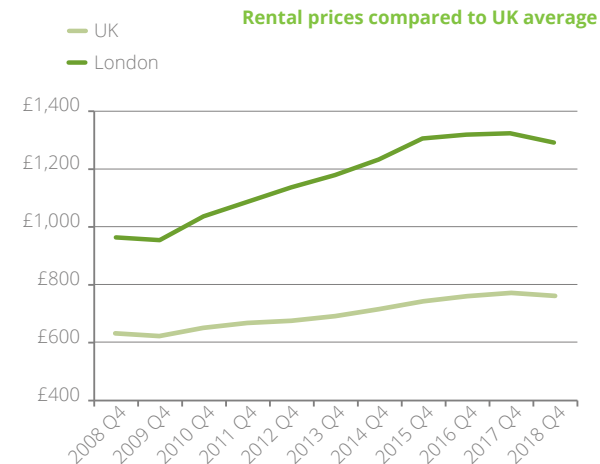


# LONDON

## Regional Summary

- > London remains the most expensive UK region in which to rent property, with average rents during 2018 standing at £1,294, 69% higher than the UK average.
- > Whilst the Capital saw modest growth in the quarter, with average rent increasing by £1 (0.07%), rents are still lower than 2017, dropping by £30 from £1,324 to £1,294.
- > Average rent now represents 41% of average wages in London, which is significantly higher than the UK average of 31%.

## Annual change in rental price by property type from 2017-2018

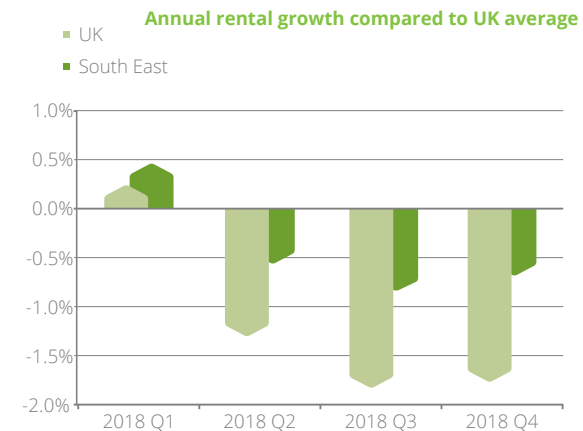
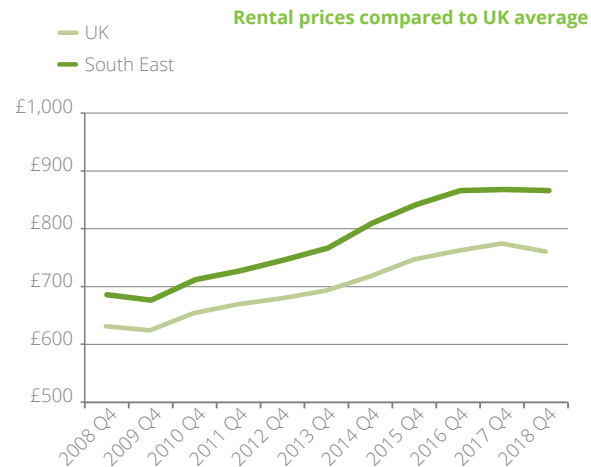
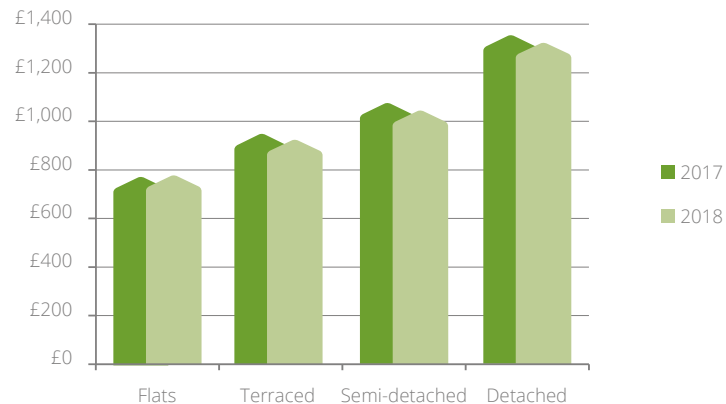


# SOUTH EAST

## Regional Summary

- > The South East remains the second most expensive region in the UK to rent property, with average rents 13.94% higher than the national average. However, during 2018 average rents fell by £4 (0.41%) to £871, when compared to average rents in 2017.
- > Average rent in Q4 2018 also fell by £10 (1.11%) to £874 compared to Q3 2018.
- > Average rents for flats increased by 0.97% to £781 in 2018. All other property types saw a decrease greater than 2%.
- > Average rent in the region now represents 34% of average wages.

## Annual change in rental price by property type from 2017-2018



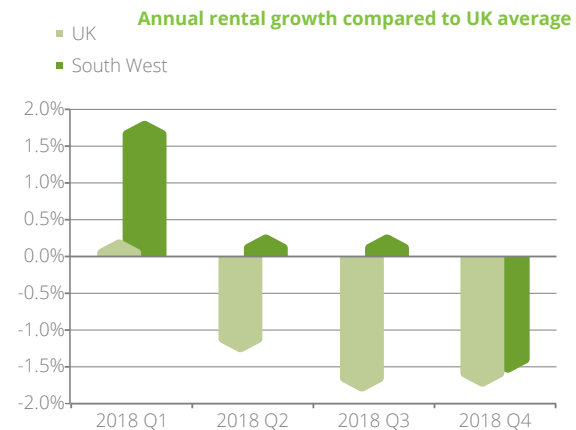
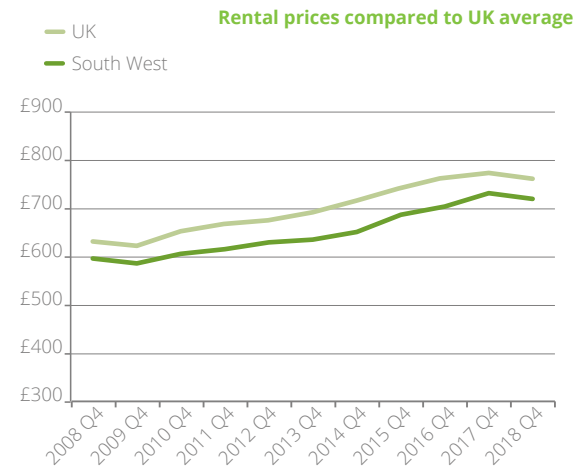
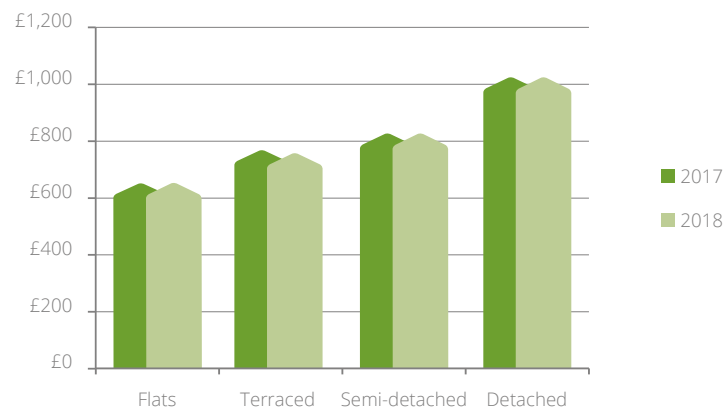


# SOUTH WEST

## Regional Summary

- > In 2018, overall average rent in the South West increased by £2 (0.21%) to £725 compared to 2017. However, this hides a decrease in average rent for terraced properties by 1.25% to £757, the only property types to fall since 2017.
- > In Q4 2018, average rent fell by £3 (0.41%) to £723 compared to Q3 2018.
- > The South West remains the fourth most expensive region to rent property, with average rents £39 (5.14%) lower than the national average.
- > Average rent in the region now represents 31% of average wages, in line with the UK average.

## Annual change in rental price by property type from 2017-2018

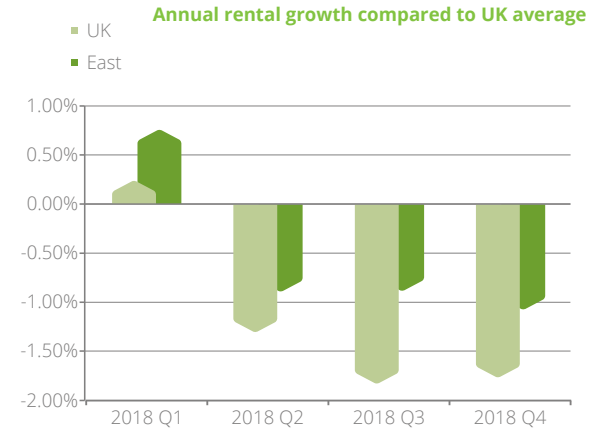
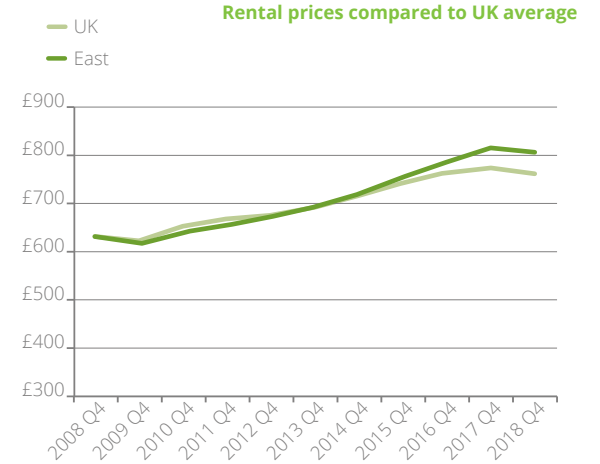


# EAST

## Regional Summary

- > The East saw average rent decline by £4 (0.53%) in 2018 to £803 compared to 2017. However, rents actually increased in Q4 2018 by £6 (0.79%) compared to Q3 2018.
- > Average rents in 2018 have increased for all property types, with the exception of flats which remained broadly the same at £735.
- > The East remains the third most expensive region to rent property, with average rents £45 (5.88%) higher than the national average.
- > Average rent in the region now represents 33% of average wages.

## Annual change in rental price by property type from 2017-2018

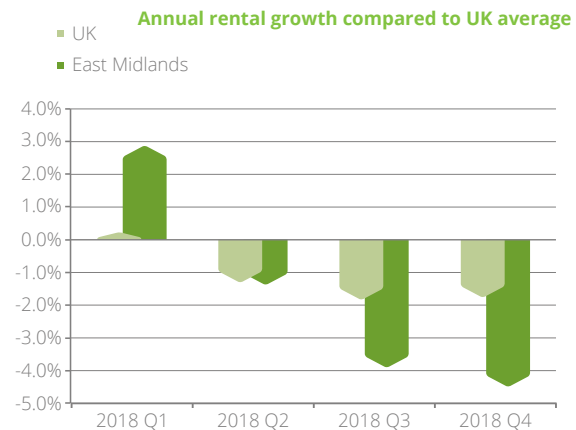
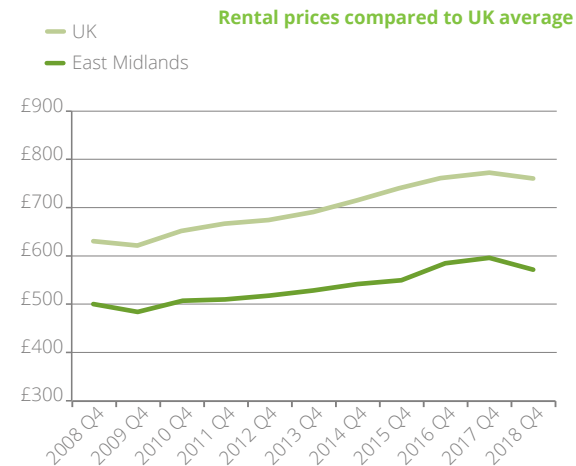
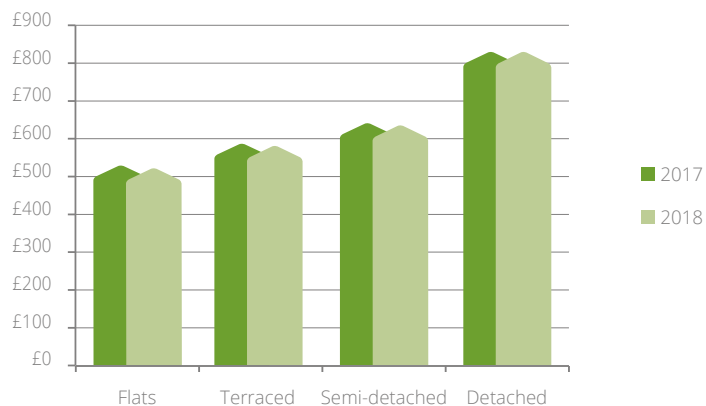


# EAST MIDLANDS

## Regional Summary

- > 2018 saw average rent decline in the East Midlands by £10 (1.74%) to £582 compared to 2017.
- > Average rents in 2018 decreased in all property types, with flats seeing the biggest fall of £8 (1.47%) to £522.
- > In Q4 2018, average rents in the region actually increased by £4 (0.66%) when compared to the previous quarter.
- > East Midlands is now the fourth most affordable region to rent in the UK (changing places with Wales), with average rents £190 (24.88%) lower than the national average.
- > Average rent in the region now represents 26% of average wages.

## Annual change in rental price by property type from 2017-2018

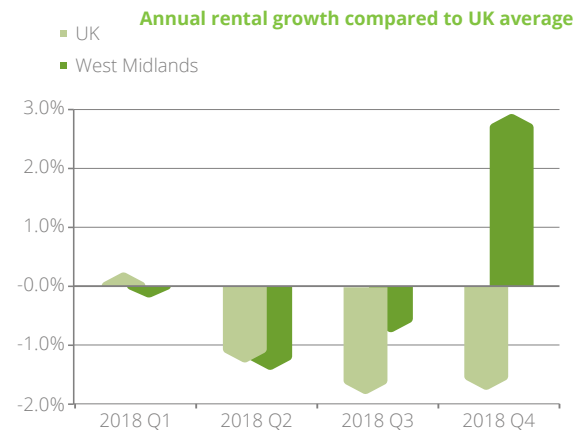
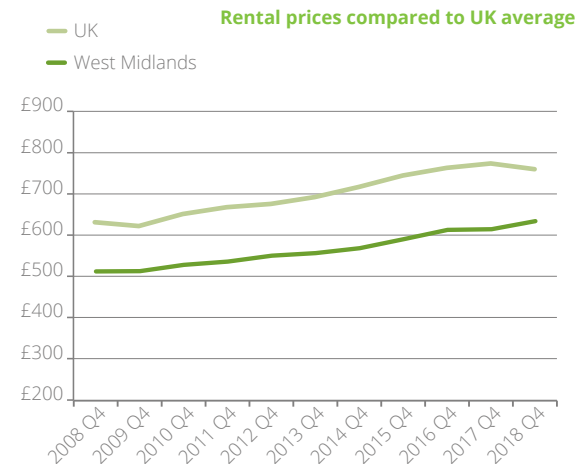
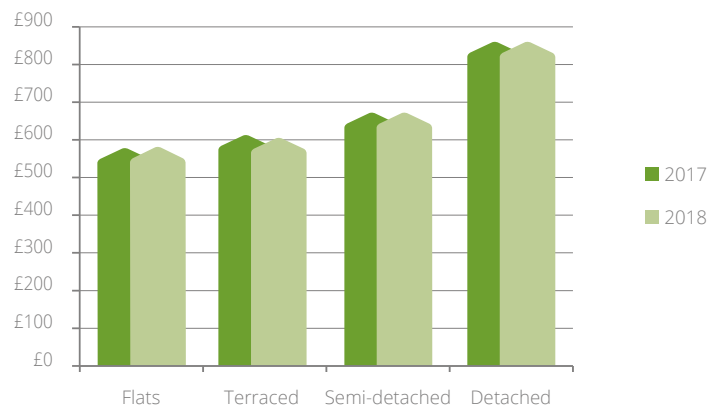


# WEST MIDLANDS

## Regional Summary

- > Average rent in the West Midlands for 2018 has seen very little change from 2017, standing at £622. This is a modest increase of £1 (0.12%) from 2017.
- > Terraced properties saw average rent in 2018 decrease by £10 (1.23%) to £610, the largest decrease of all property types.
- > In Q4 2018, average rents in the region saw the largest increase of any region in the UK, with rents rising by £19 (3.02%) to £636 when compared to the previous quarter.
- > West Midlands remains the sixth most expensive region to rent in the UK, with average rents £126 (16.49%) lower than the national average.
- > Average rent in the region now represents 27% of average wages.

## Annual change in rental price by property type from 2017-2018

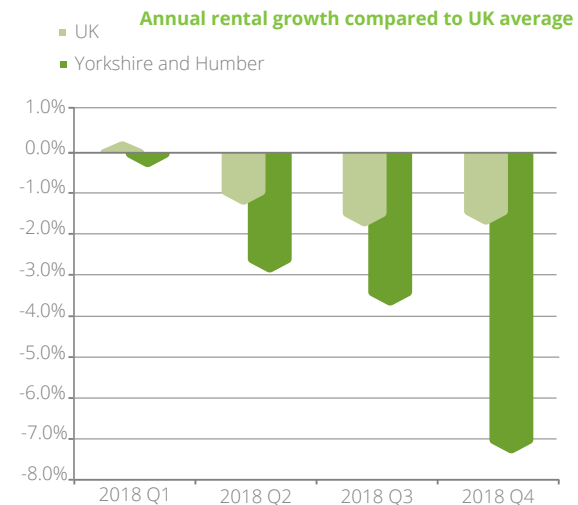
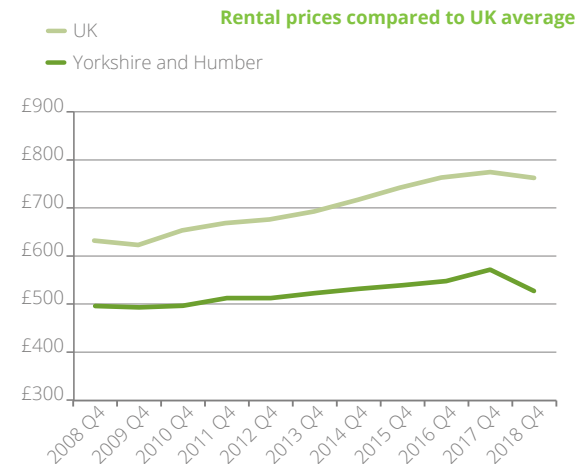


# YORKSHIRE AND THE HUMBER

## Regional Summary

- > In 2018, Yorkshire and The Humber saw the biggest decline in average rent across the whole of the UK, falling by £21 (3.63%) to £546, compared to average rents in 2017. Whilst most property types saw a decline in average rents in 2018, terraced houses saw the largest decline of 4.92%, from £557 to £529. Only the average rent for detached properties remained the same as 2017, standing at £793.
- > In Q4 2018, average rents in the region fell by £11 (2.02%) to £531, when compared to the previous quarter.
- > Yorkshire and The Humber remains the third most affordable region to rent in the UK, with average rents £231 (30.32%) lower than the national average.
- > Average rent in the region now represents 24% of average wages.

## Annual change in rental price by property type from 2017-2018



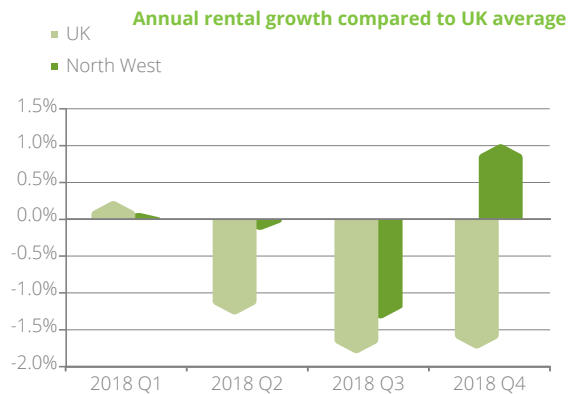
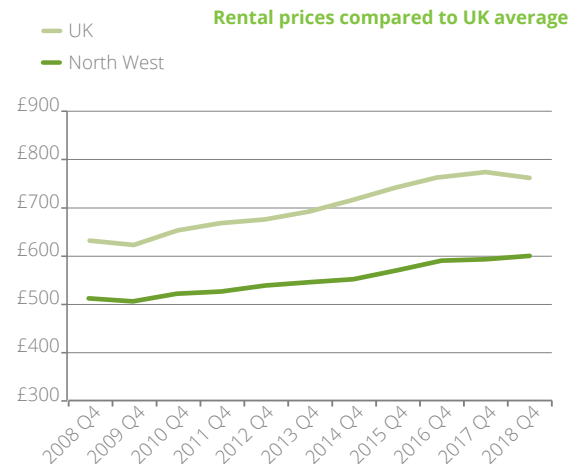


# NORTH WEST

## Regional Summary

- > In 2018, the North West saw average rent marginally decrease by £1 (0.11%) to £595, compared to 2017.
- > In line with the UK trend in 2018, the biggest decline in average rent is seen in terraced houses, decreasing by £8 (%) to £557 compared to 2017. Flats have seen the biggest increase, but average rent has only risen by £2 (0.38%).
- > In Q4 2018, average rents in the region actually grew by £9 (1.56%) to £600, when compared to the previous quarter.
- > The North West remains the seventh most expensive region to rent in the UK, with average rents £162 (21.28%) lower than the national average.
- > Average rent in the region now represents 26% of average wages.

## Annual change in rental price by property type from 2017-2018

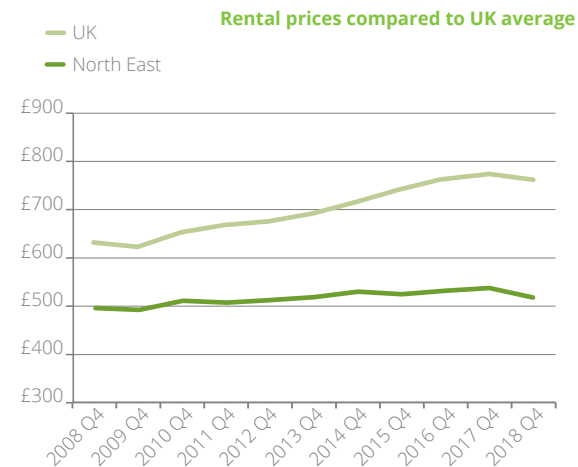
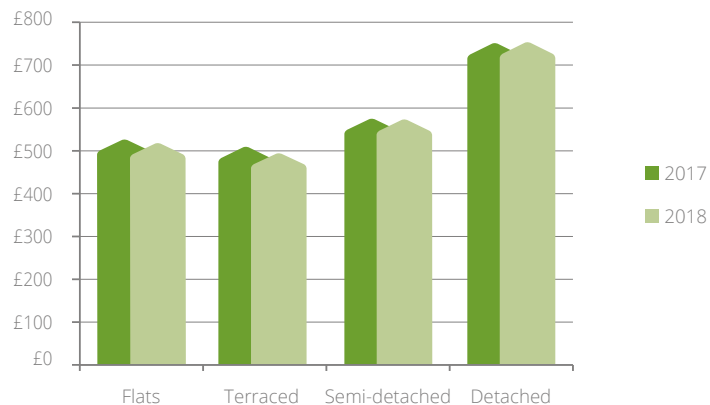


# NORTH EAST

## Regional Summary

- > In 2018, the North East saw average rent decrease by £8 (1.47%) to £529 compared to 2017. Terraced properties saw the biggest decline in average rent in 2018, falling by £15 (2.92%) to £493. Only detached properties saw a marginal increase of £2 (0.22%) in average rent to £753.
- > In Q4 2018, average rents in the region fell by £10 (1.80%) to £519, when compared to the previous quarter.
- > The North East is now the most affordable region to rent in the UK, with average rents £243 (31.88%) lower than the national average.
- > Average rent in the region now represents 24% of average wages, the lowest average in the UK, alongside Northern Ireland and Yorkshire and The Humber.

## Annual change in rental price by property type from 2017-2018

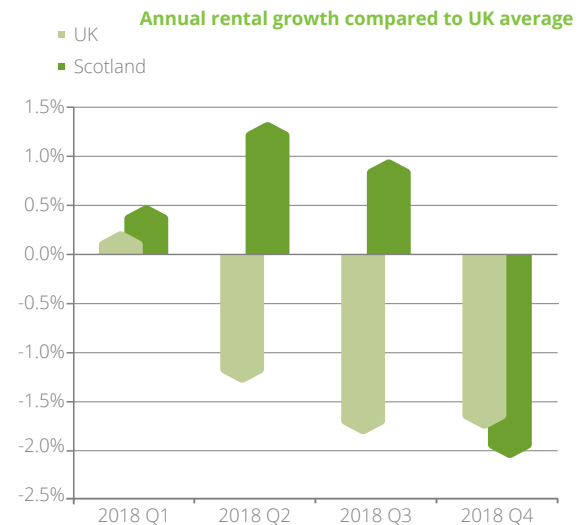
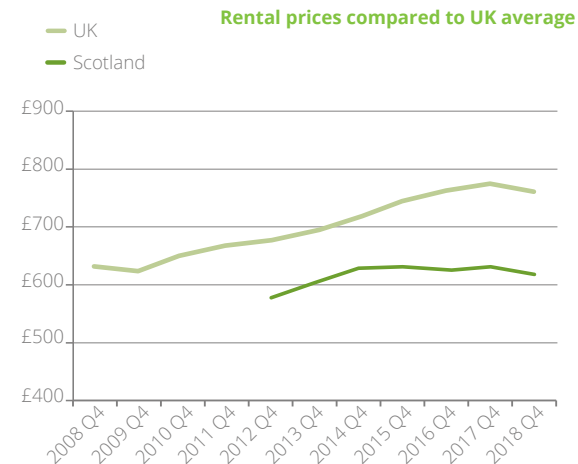
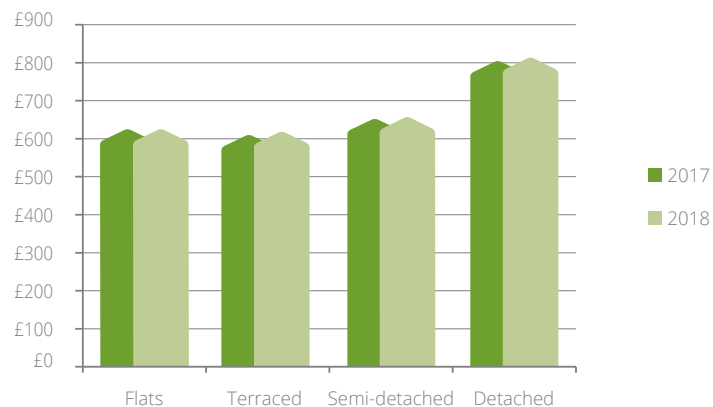


# SCOTLAND

## Regional Summary

- > Annually, average rent in Scotland has remained relatively stable compared to 2017, increasing by a marginal £1 (0.19%). Average rent for 2018 was £636.
- > All property types saw growth in average rents in 2018, with terraced properties seeing the largest increase of 1.52%, from £610 in 2017 to £620 in 2018.
- > However, the average rent for Q4 2018 fell by £20 (3.21%) to £621 compared to the previous quarter, the biggest regional fall this quarter.
- > Scotland remains the fifth most expensive region to rent in the UK, with average rents £141 (18.49%) lower than the national average.
- > Average rent in the region now represents 26% of average wages.

## Annual change in rental price by property type from 2017-2018

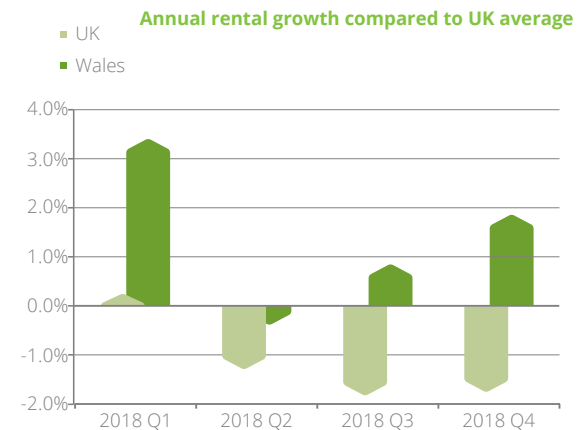
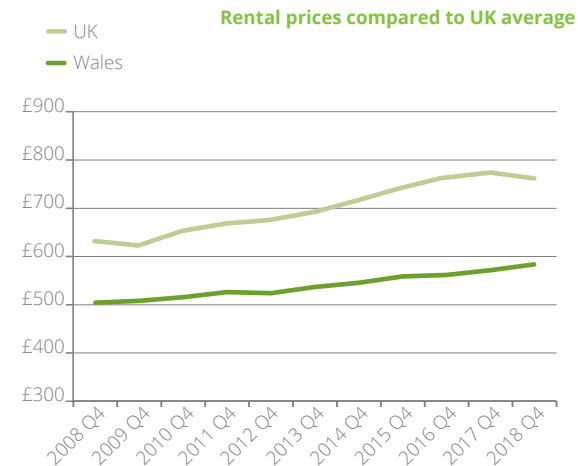


# WALES

## Regional Summary

- > In 2018, Wales saw the second largest increase in average annual rent across the UK, rising by £8 (1.42%) to £583 compared to 2017.
- > Most property types saw an increase in average rents in 2018, with terraced properties the only property type to see a marginal decrease of £2 (0.50%) to £579.
- > Detached properties saw the biggest increase by property type, rising by 2.41%, from £711 in 2017, to £728 in 2018.
- > In Q4 2018, average rents in the region grew by £5 (0.87%) to £584, when compared to the previous quarter.
- > Wales is now the fifth most affordable region to rent in the UK (swapping places with East Midlands), with average rents £178 (23.39%) lower than the national average.
- > Average rent in the region now represents 27% of average wages.

## Annual change in rental price by property type from 2017-2018

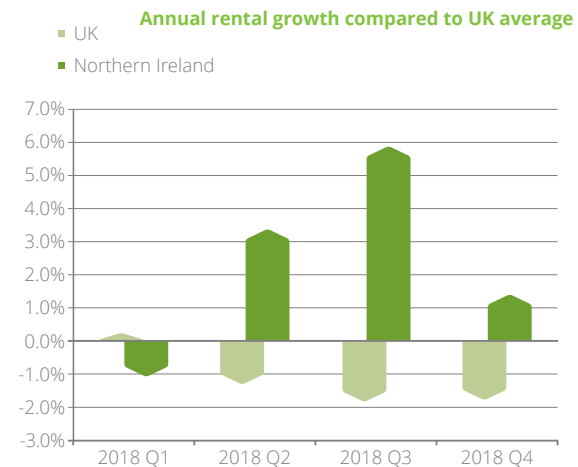
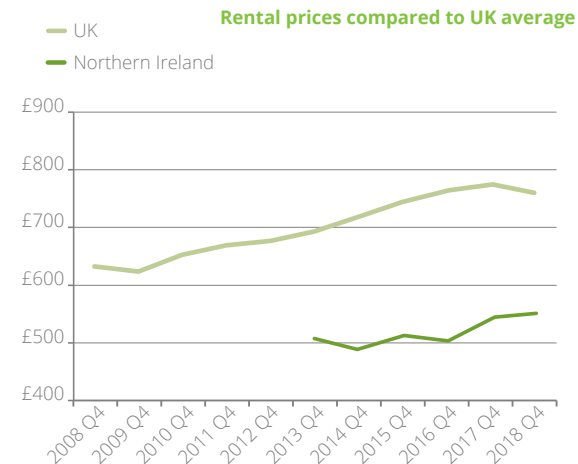


# NORTHERN IRELAND

## Regional Summary

- > In 2018, Northern Ireland saw the largest average rent increase in the UK, rising by £12 (2.38%), to £544 compared to 2017.
- > This increase means Northern Ireland is now only the second most affordable region in the UK, replaced at the top by the North East. Average rents in the region are £210 (27.60%) lower than the national average.
- > In Q4 2018, average rents saw a small decrease in of £5 (0.87%) to £552, when compared to the previous quarter.
- > Average rent in the region now represents 24% of average wages.

Indices for property types are not reported, owing to sample size





# 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 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/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>.