



**DPS** | RENT  
INDEX

Q2 2018

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# EXECUTIVE SUMMARY



During the second quarter of 2018 (Q2 2018), average monthly UK rent decreased for a second consecutive quarter for the first time since the Global Financial Crisis (GFC) in 2009, falling £7 or 0.97% to £764.

Average rent also fell year-on-year for the first time since the GFC, falling £10 or 1.30% from £774.

The two consecutive quarters in which average rent decreased followed three quarters of low rent growth, and average rent in Q2 2018 was cheaper than it had been since Q3 2016.

Outside of London, average rent during Q2 2018 was £671: £5 or 0.75% lower than a year earlier (£676 during Q2 2017).

Average rent was lower during Q2 2018 than Q2 2017 in every UK region except Northern Ireland, Scotland and the South West.

Yorkshire experienced the greatest percentage decline in average rent between Q2 2017 and Q2 2018 (by 2.95% or £17 to £550).

London experienced the greatest value decline in average rent between Q2 2017 and Q2 2018 (by £36 or 2.73% to £1,289).

During Q2 2018, the North East was the most affordable UK region in which to rent property at £527 (replacing Northern Ireland in Q1 2018).

Average UK rent also decreased as a proportion of average UK wage from 32.56% to 32.13% between Q2 2017 and Q2 2018\*.

Average rent decreased for every type of property between Q2 2017 and Q2 2018, with terraced properties experiencing the biggest decrease (down by £22 or 2.93% to £709).

**“Following almost a year of low growth, the UK rental market is now in recession in almost every part of the country.**

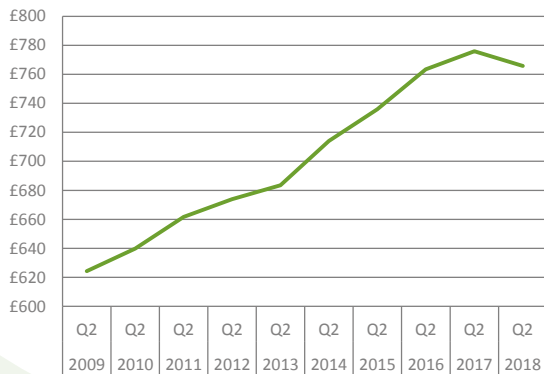
**On top of this, our prediction last quarter that rents would decline year-on-year in Q2 for the first time since 2009 have proven accurate.**

**There are clearly long-term issues with the sector that are having a substantial effect on growth, particularly in the capital, and it's difficult to see this negative trend ending any time soon.”**

Julian Foster,  
Managing Director of The DPS

# Q2 2018 RENTAL PRICES A SNAPSHOT

Average monthly rents at Q2 2009-2018



UK average  
rent at **Q2  
2018 £764**

Average rent in  
the UK represents  
**32.13%** of the  
average UK salary\*

**32.13%**



## Average monthly rental prices per property type at Q2 2018

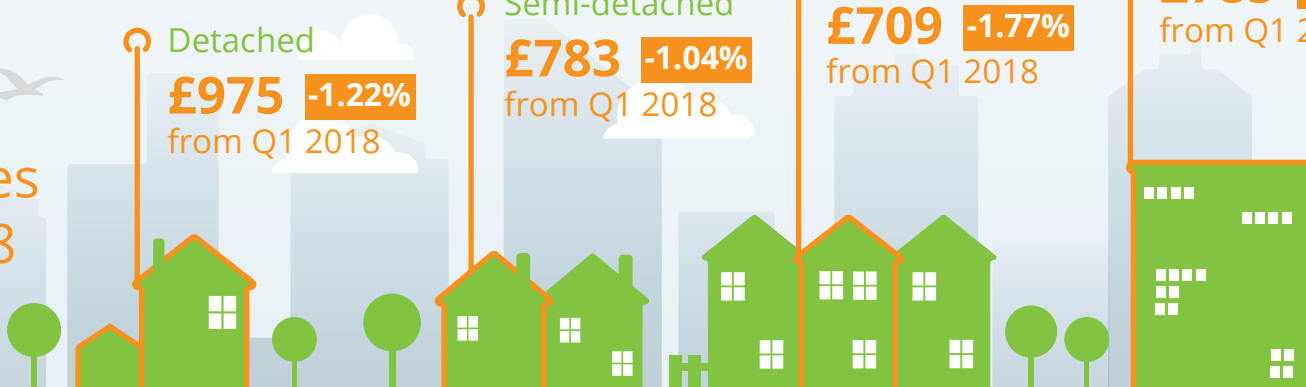
\*Please note that all comparisons with salary are based on the average wage data for 2017, the most recent available.

Detached  
**£975** **-1.22%**  
from Q1 2018

Semi-detached  
**£783** **-1.04%**  
from Q1 2018

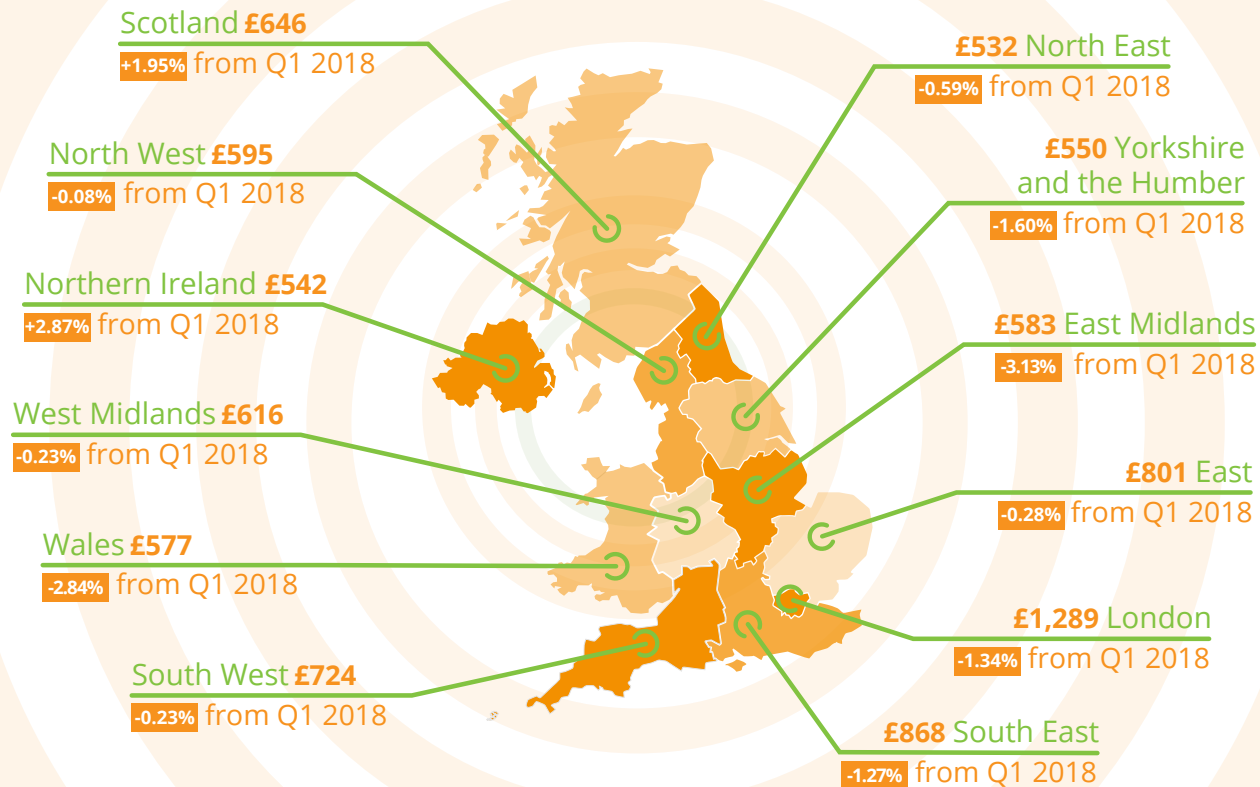
Terraced  
**£709** **-1.77%**  
from Q1 2018

Flat/apartment  
**£785** **-0.19%**  
from Q1 2018





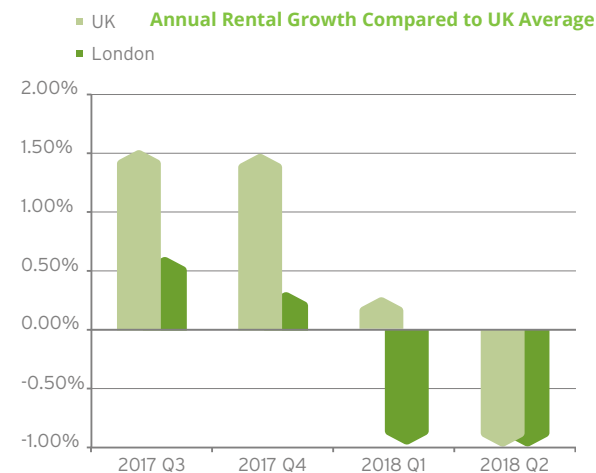
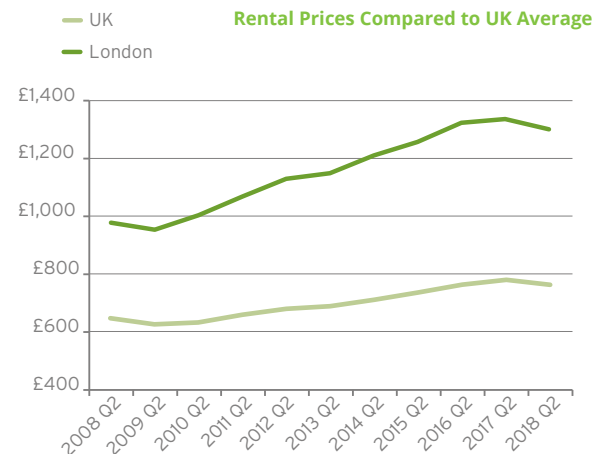
# PRIVATE RENTED SECTOR - AVERAGE REGIONAL RENTAL PRICE OVER THE PAST QUARTER



# LONDON

## Regional Summary

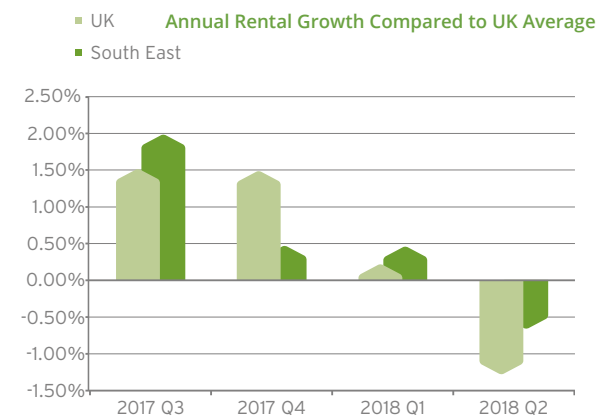
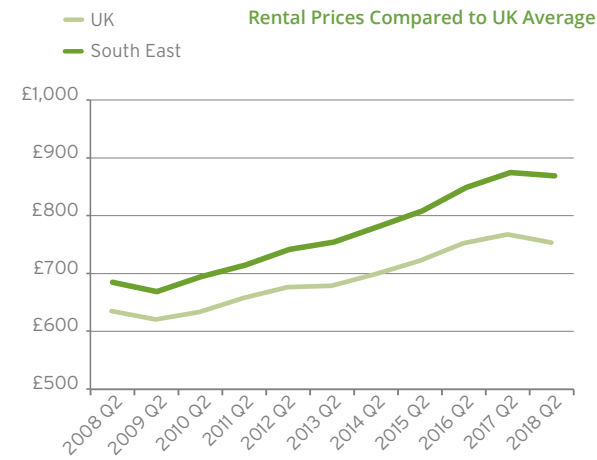
- > Average monthly regional rent in the capital went down for a second consecutive quarter, moving from £1,307 to £1,289 (£18 or 1.34%) between Q1 and Q2 2018. This was the first consecutive fall since the Global Financial Crisis in 2009.
- > Average rent also decreased year-on-year for the first time since the GFC, with a decrease of 2.73% (£37) on Q2 2017. This is more than double the decline seen in average rent for the UK over the same period (1.3%).
- > Average rent in Q2 2018 was £525 (68.75%) higher than the UK average, meaning London remains by far the highest of any UK region.
- > Of the property types, only semi-detached houses in the region were more expensive to rent during Q2 2018 than the previous quarter (Q1 2018), with average rent increasing from £1,491 to £1,514 (£23 or 1.57%).
- > Year-on-year, average rent as a proportion of average wage fell 0.57% from 42.48% to 41.91% between Q2 2017 and Q2 2018\*.



# SOUTH EAST

## Regional Summary

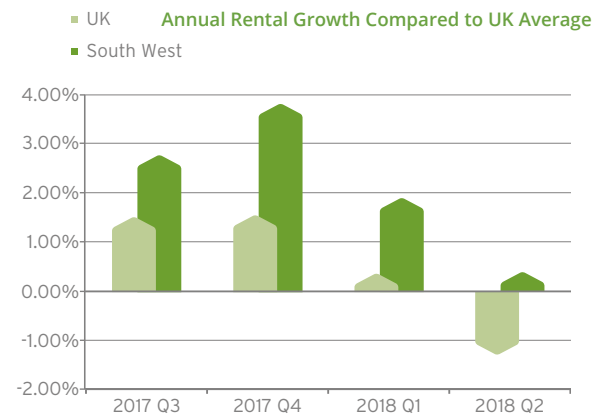
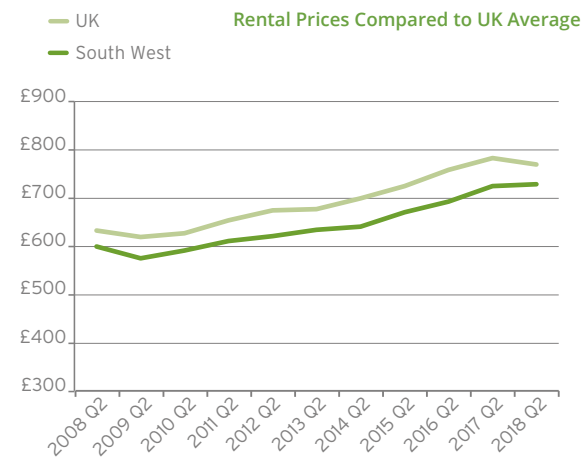
- > Average regional monthly rent fell year-on-year from £873 to £868 (£5 or 0.56%) between Q2 2017 and Q2 2018 for the first time since the GFC.
- > However, this decrease was less than half that experienced by average UK rent during the same period (1.30%).
- > Average regional rent was £11 (or 1.27%) lower during Q2 2018 than the previous quarter, falling from £879 in Q1 2018.
- > In the South East, average rent in Q2 2018 was £104 (13.57%) higher than the UK average and remains the second highest of any UK region.
- > Of the property types, only flats were more expensive to rent during Q2 2018 than the previous quarter (Q1 2018), with average rent rising from £779 to £780 (£1 or 0.17%).
- > Semi-detached houses experienced the biggest decrease in average rent during the same period, from £1,055 to £1,028 (£27 or 2.55%).
- > Year-on-year, average rent as a proportion of average wage decreased 0.45% from 35.18% to 34.73% between Q2 2017 and Q2 2018\*.



# SOUTH WEST

## Regional Summary

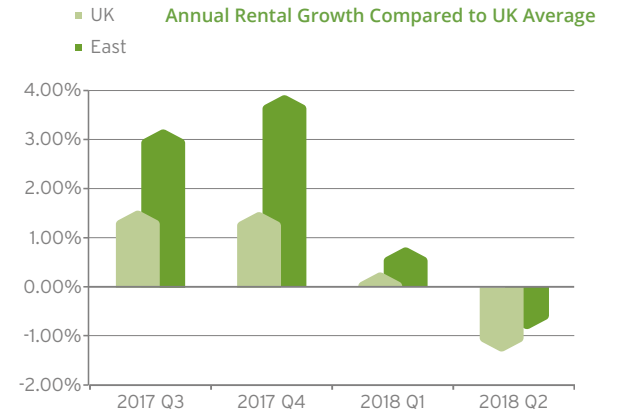
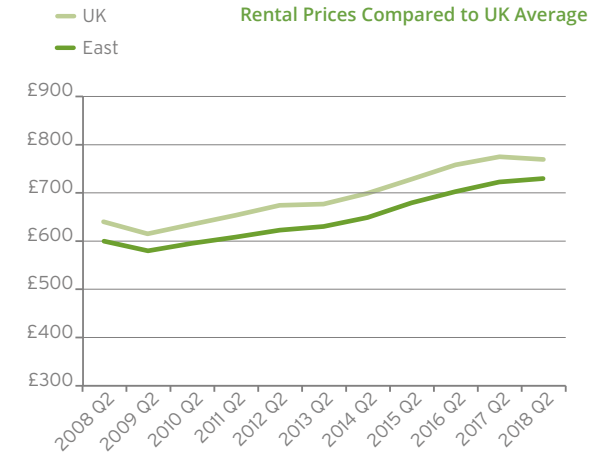
- > In the South West, the average monthly regional rent decreased for a second consecutive quarter from £726 to £724 (£2 or 0.23%) between Q1 and Q2 2018 for the first time since the GFC.
- > The region was nevertheless one of only three where average rent did not fall year-on-year between Q1 and Q2 2018, instead increasing by £2 or 0.31%.
- > Average rent is £40 (5.21%) higher than the UK average, and remains the fourth highest of any UK region.
- > Of the property types, only flats were more expensive to rent in Q2 2018 than in the previous quarter (Q1 2018), with average rent increasing from £650 to £652 (an increase of 0.33%).
- > Year-on-year, average rent as a proportion of average wage decreased 0.08% from 32.37% to 32.29% between Q2 2017 and Q2 2018\*.



# EAST

## Regional Summary

- > The average monthly regional rent in the East fell for a second consecutive quarter, from £803 to £801 (a decrease of 0.28%) between Q1 and Q2 2018 for the first time since the GFC.
- > Average rent also decreased year-on-year for the first time since the GFC, moving down £7 from £808 (0.89%).
- > Average rent in Q2 2018 was £37 (4.79%) higher than the UK average and remains the third highest of any UK region.
- > Of the property types, only flats were more expensive to rent in Q2 2018 than in Q1 2018, with average rent increasing from £674 to £725 (£51 or 7.55%).
- > Terraced houses experienced the biggest drop in average rent during the same period, falling from £831 to £809 (£22 or 2.64%).
- > Year-on-year, average rent as a proportion of average wages decreased 0.10% from 34.12% to 34.02% between Q2 2017 and Q2 2018\*.

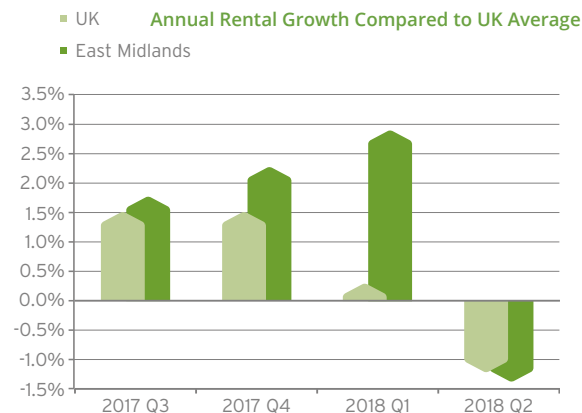
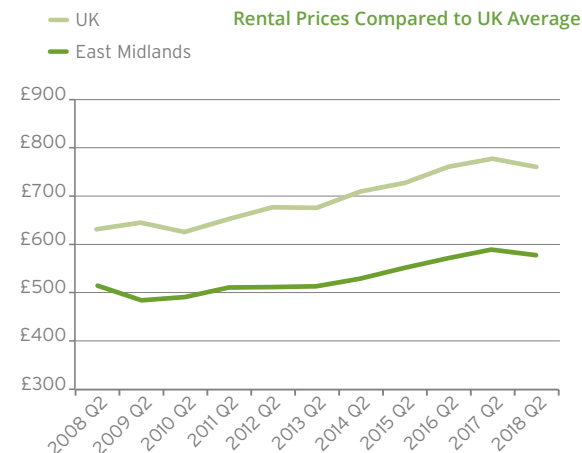




# EAST MIDLANDS

## Regional Summary

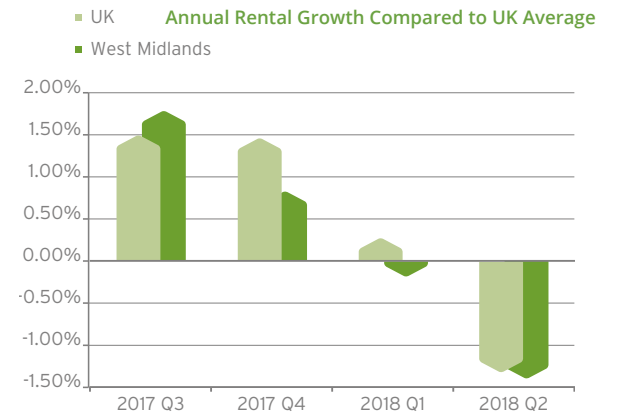
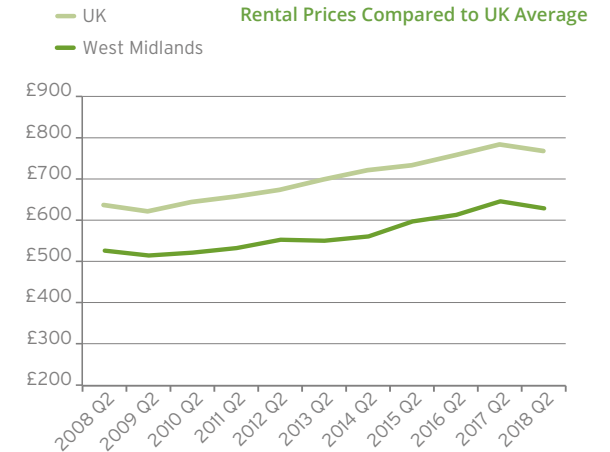
- > Average regional rent in the East Midlands rent decreased by a greater proportion than any other UK region between Q1 and Q2 2018, falling £19 (or 3.13%) to £583.
- > Year-on-year, the average monthly regional rent fell by £8 from £591 (1.38%) between Q2 2017 and Q2 2018 for the first time since the GFC.
- > Average rent in Q2 2018 was £181 (23.68%) lower than the UK average and is the fifth most affordable of any UK region.
- > Every type of property was cheaper to rent in Q2 2018 than the previous quarter (Q1 2018).
- > Terraced houses experienced the biggest decrease in average rent during the same period, from £603 to £575 (£28 or 4.56%).
- > Year-on-year, average rent as a proportion of average wages decreased 0.88% from 28.19% to 27.31% between Q2 2017 and Q2 2018\*.



# WEST MIDLANDS

## Regional Summary

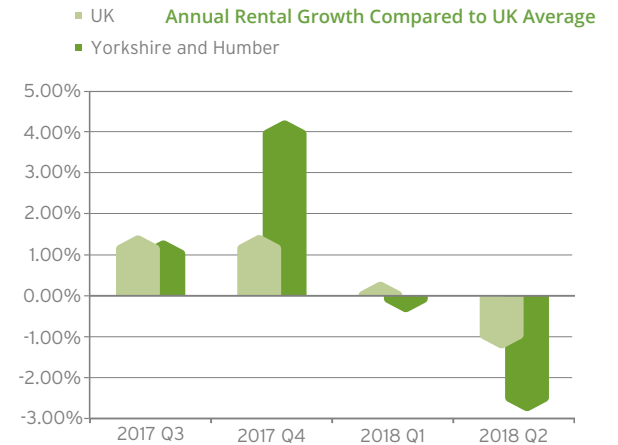
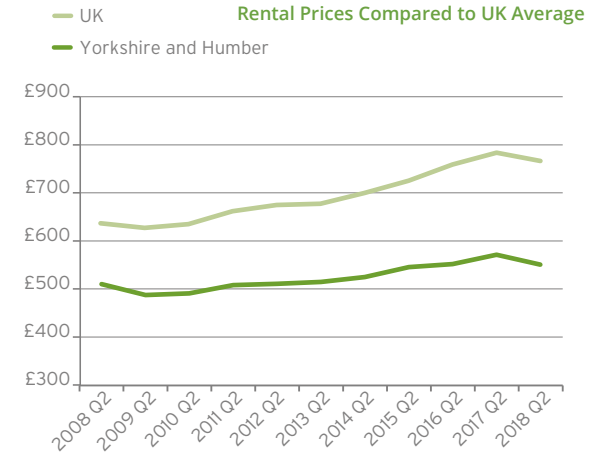
- > In the West Midlands, the average monthly regional rent decreased for a fourth consecutive quarter from £617 to £616 (a fall of 0.23%) between Q1 and Q2 2018.
- > Average rent also fell year-on-year for a second consecutive quarter, from £624 (a 1.43% decrease), for the first time since the GFC.
- > Average rent in Q2 2018 was £149 (19.44%) lower than the UK average and remains the sixth highest of any UK region.
- > Every type of property was cheaper to rent in Q2 2018 than the previous quarter (Q1 2018).
- > Terraced houses experienced the biggest decrease in average rent during the same period, from £613 to £605 (1.36%).
- > Year-on-year, average rent as a proportion of average wages decreased 0.06% from 27.82% to 27.76% between Q2 2017 and Q2 2018\*.



# YORKSHIRE AND THE HUMBER

## Regional Summary

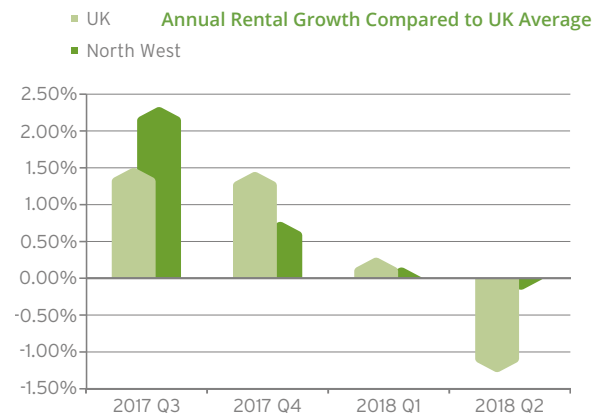
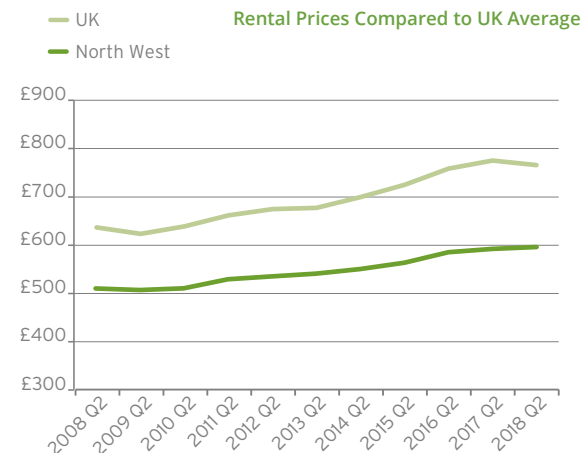
- > Average monthly regional rent fell for a second consecutive quarter from £559 to £550 (1.60%) between Q1 and Q2 2018 - the first time since the GFC.
- > Average monthly regional rent decreased year-on-year from £567 (£17 or 2.95%) between Q2 2017 and Q2 2018: a greater rate than any other region in the UK and more than double the rate of average UK rent over the same period (1.30%).
- > Average rent in Q2 2018 was £214 (28.01%) lower than the UK average and remains the third more affordable of any UK region (behind the North East and Northern Ireland).
- > Every type of property was cheaper to rent in Q2 2018 than the previous quarter (Q1 2018).
- > Detached houses experienced the biggest decrease in average rent during the same period, from £808 to £786 (£22 or 2.72%).
- > Year-on-year, average rent as a proportion of average wages decreased 0.41% from 25.74% to 25.33% between Q2 2017 and Q2 2018\*.



# NORTH WEST

## Regional Summary

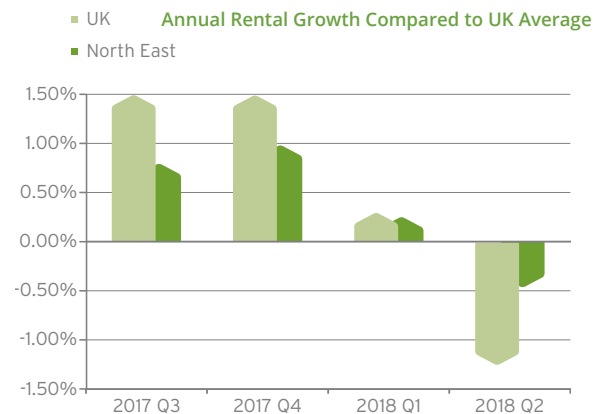
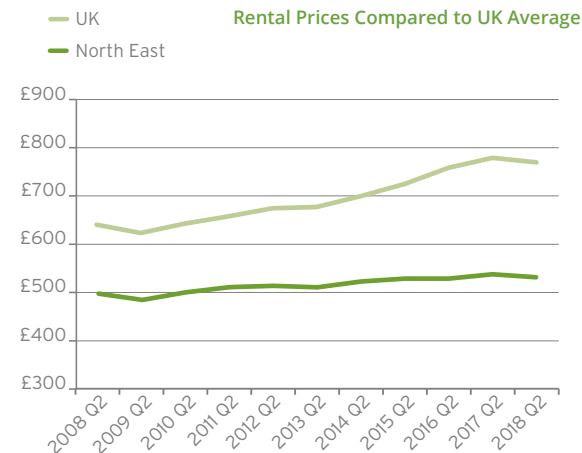
- > Average monthly regional rent decreased fractionally, both year-on-year (0.15%) and on the previous quarter (0.15%), but stood at £595 during Q2 2017, Q1 2018 and Q2 2018.
- > Average rent in Q2 2018 was £170 (22.19%) lower than the UK average and remains the fourth-lowest of any English region.
- > Of the property types, only flats were more expensive to rent in Q2 2018 than in Q1 2018, with average rent increasing from £574 to £577 (£3 or 0.47%).
- > Detached houses experienced the biggest decrease in average rent during the same period, from £896 to £884 (£12 or 1.38%).
- > Year-on-year, average rent as a proportion of average wages decreased 0.02% from 26.90% to 26.88% between Q2 2017 and Q2 2018\*.



# NORTH EAST

## Regional Summary

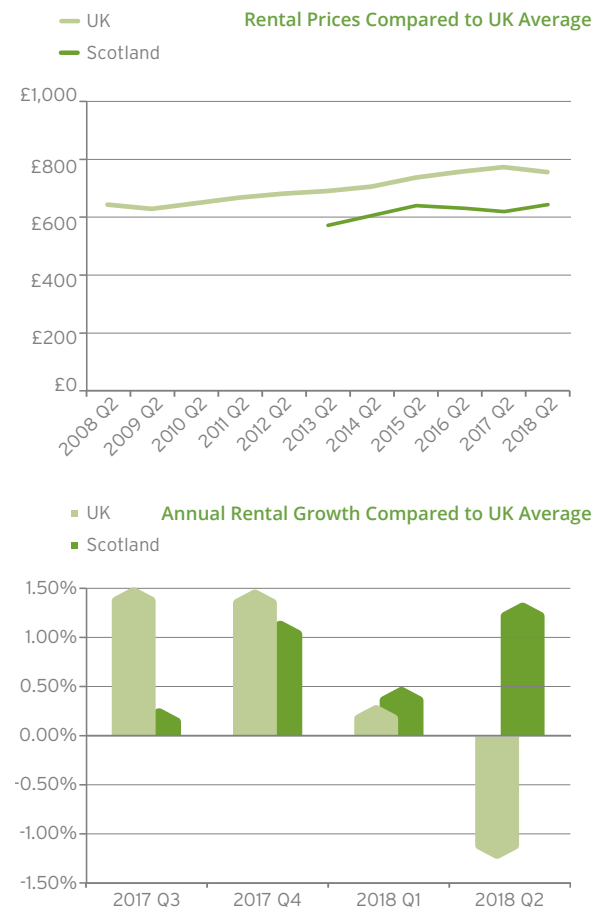
- > Average monthly regional rent in the North East fell for a second consecutive quarter from £535 to £532 (a decrease of 0.59%) between Q1 and Q2 2018.
- > Average monthly regional rent decreased year-on-year from £534 (£3 or 0.48%) between Q2 2017 and Q2 2018.
- > Average rent in Q2 2018 was £232 (30.40%) lower than the UK average and is the most affordable of any UK region.
- > Of the property types, only terraced houses were more expensive to rent in Q2 2018 than in Q1 2018, with average rent increasing from £485 to £495 (£10 or 2.02%).
- > Detached houses experienced the biggest decrease in average rent during the same period, from £750 to £735 (1.90%).
- > Year-on-year, average rent as a proportion of average wages decreased 0.14% from 24.97% to 24.83% between Q2 2017 and Q2 2018\*.



# SCOTLAND

## Regional Summary

- > Average monthly regional rent increased by 1.95%, going from £634 to £646 between Q1 and Q2 2018, making Scotland one of only two UK regions (with Northern Ireland) where renting property became more expensive.
- > Average monthly regional rent also increased year-on-year from £638 (£9 or 1.36%).
- > Average rent in Q2 2018 was £118 (15.41%) lower than the UK average and remains the fifth highest of any UK region.
- > Of the property types, only detached houses were cheaper to rent in Q2 2018 than in Q1 2018, with average rent decreasing from £811 to £802 (£9 or 1.16%).
- > Semi-detached houses experienced the biggest increase in average rent during the same period, from £640 to £667 (£27 or 4.24%).
- > Year-on-year, average rent as a proportion of average wages increased 0.53% from 27.04% to 27.57% between Q2 2017 and Q2 2018\*.

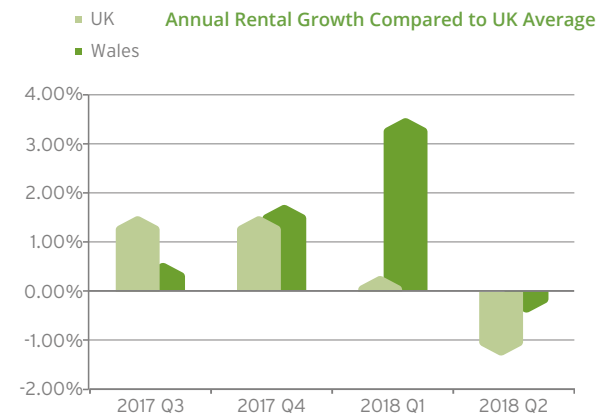
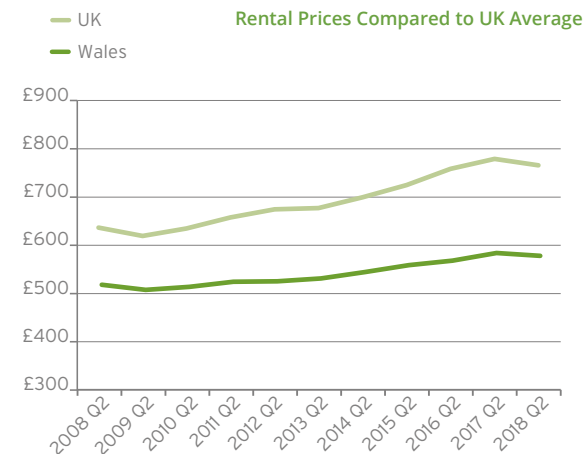




# WALES

## Regional Summary

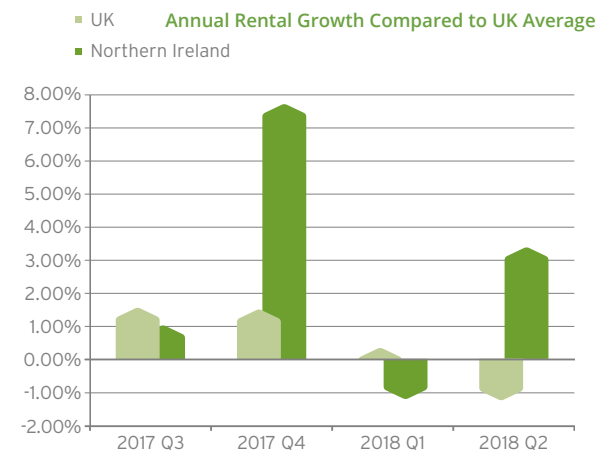
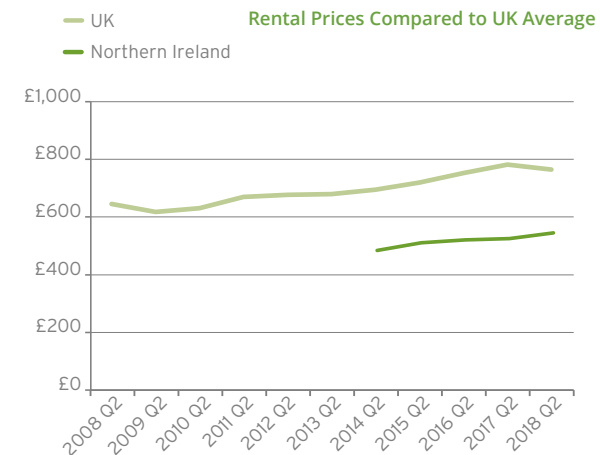
- > Average regional rent decreased by a greater proportion than any other UK region except the East Midlands, falling from £594 to £577 (£17 or 2.84%) between Q1 and Q2 2018.
- > Average monthly regional rent also decreased year-on-year from £579 (£2 or 0.39%).
- > Average rent in Q2 2018 was £187 (24.47%) lower than the UK average and remains the fourth most affordable of any UK region.
- > Every type of property was cheaper to rent in Q2 2018 than the previous quarter (Q1 2018).
- > Year-on-year, average rent as a proportion of average wages increase 0.78% from 27.60% to 26.82% between Q2 2017 and Q2 2018\*.



# NORTHERN IRELAND

## Regional Summary

- > Average monthly regional rent increased from £527 to £542 (2.88%) between Q1 and Q2 2018, making Northern Ireland one of only two UK regions (with Scotland) where renting property became more expensive.
- > Average monthly regional rent also increased year-on-year from £524 (£18 or 3.37%).
- > Average rent in Q2 2018 was £222 (29.05%) lower than the UK average and is the second most affordable UK region.
- > Year-on-year, average rent as a proportion of average wages increased 0.19% from 24.51% to 25.22% between Q2 2017 and Q2 2018\*.



# 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 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 1.6 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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Computershare Investor Services Plc is a company registered in England and Wales with company number 03498808 with its registered office address at The Pavilions, Bridgwater Road, Bristol, BS13 8AE.

### 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>