



DPS | RENT
INDEX

Q4 2017

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EXECUTIVE SUMMARY



Average rent across the UK in 2017 stood at £773.74.

This meant that the growth in average rent slowed across during 2017, increasing just £12.43 (1.63%) during the course of the year (from £761.31).

This was less than half the rate of average rent growth during 2016, when average rent increased £23.98, or 3.25% (from £737.33).

The slowdown was particularly pronounced in London, which saw the lowest increase in average rent of any British region, increasing by just £5.83 or 0.44% to £1,324.29 (from £1,318.46).

Excluding London, average rent in the UK grew faster: £13.94 or 2.11% to £675.82 (from £661.88).

Nevertheless, rent growth outside of London in 2017 was still significantly slower than in 2016, when the average increased £21.78 or 3.40% (from £640.10 in 2015).

For the first time since 2013, rental growth in 2017 was lower than the rate of inflation (2.70%).

During 2017, incomes grew slightly faster than rents; average rent represented 32.54% of average salary (compared to 32.65% in 2016).

Northern Ireland saw the highest percentage rise in average rent during 2017: £18.76 or 3.66% from £512.98 to £531.74.

In the rest of the UK the East saw the highest percentage rise in average rent during 2017: a 3.15% or £24.57 increase from £807.01 to £782.44.

Rents in London represented the highest proportion of wages during 2017 (43.04%), whereas outside the capital, average rent in the South East represents the highest proportion of salary (35.01%); the North East the lowest (25.05%).

Northern Ireland experienced the largest increase in rent as a proportion of salary during 2017, rising by 0.85% from 23.88% to 24.73%.

Rent for semi-detached houses experienced the biggest increase in value of the four property types during the course of 2017 (£18.93 or 2.43% from £780.57 to £799.50).

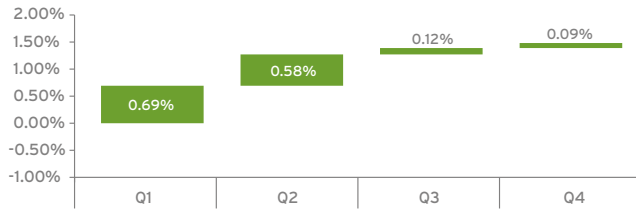
Rent for flats experienced the lowest increase in value of the property types: (£9.56 or 1.22% from £782.20 to £791.76).

“Rent growth was slower in 2017 than 2016 when compared to inflation and wages, suggesting that general economic uncertainty is affecting the private rental sector particularly. London's growth was particularly sluggish, bringing down the national average further, although rents here and outside the capital remain a large proportion of wages. The current slowdown in fact began in mid-2016 and is likely to be linked to the EU referendum result; it will be interesting to watch the Index as the UK government's negotiations with the E27 and other economic influences progress during 2018.”

Julian Foster,
Managing Director of The DPS

UK TRENDS IN 2017

Quarterly change in monthly rental prices for 2017



UK average rent for 2017 was **£774**

Average rent in the UK represented **32.5%** of the median UK salary in 2017

32.5%



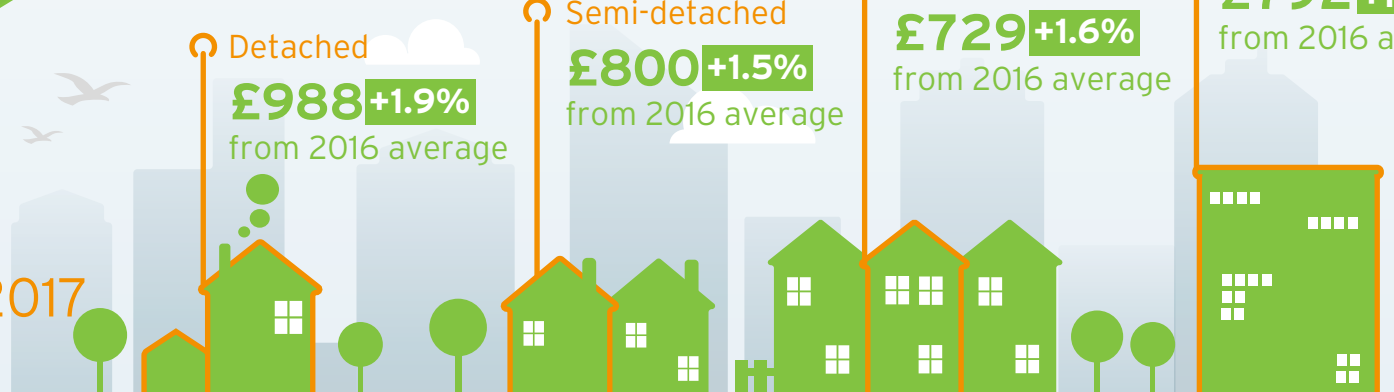
Average monthly rental prices per house type for 2017

Detached
£988 +1.9%
from 2016 average

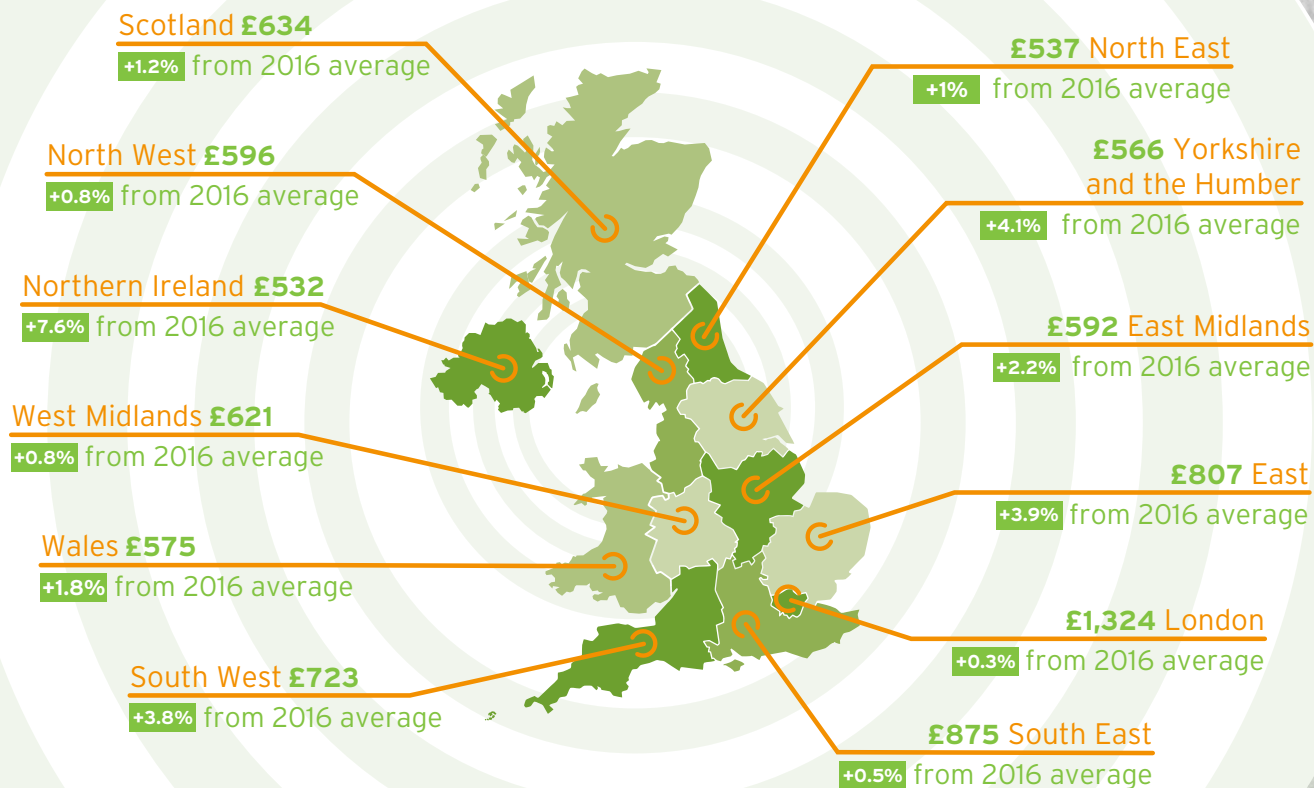
Semi-detached
£800 +1.5%
from 2016 average

Terraced
£729 +1.6%
from 2016 average

Flat/apartment
£792 +1.4%
from 2016 average

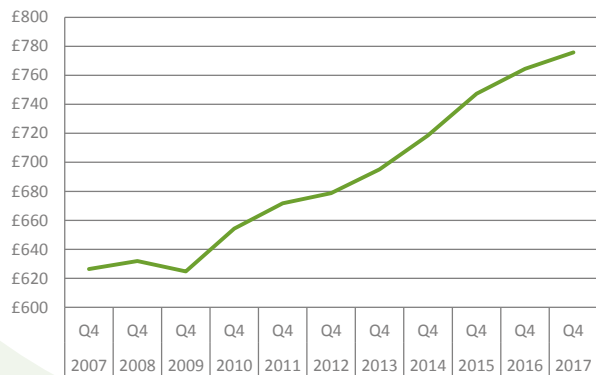


THE PRIVATE RENTED SECTOR - AVERAGE REGIONAL RENTAL PRICE IN 2017



Q4 2017 RENTAL PRICES A SNAPSHOT

Average monthly rents at Q4 2007-2017



UK average
rent at **Q4
2017 £776**

Average rent in
the UK represented
32.6% of the
median UK salary

32.6%



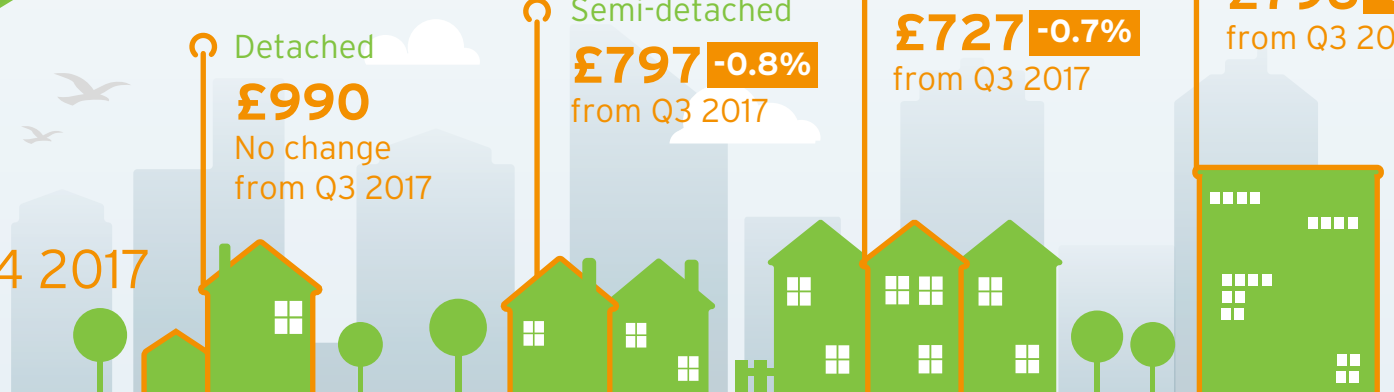
Average monthly rental
prices per house type at Q4 2017

Detached
£990
No change
from Q3 2017

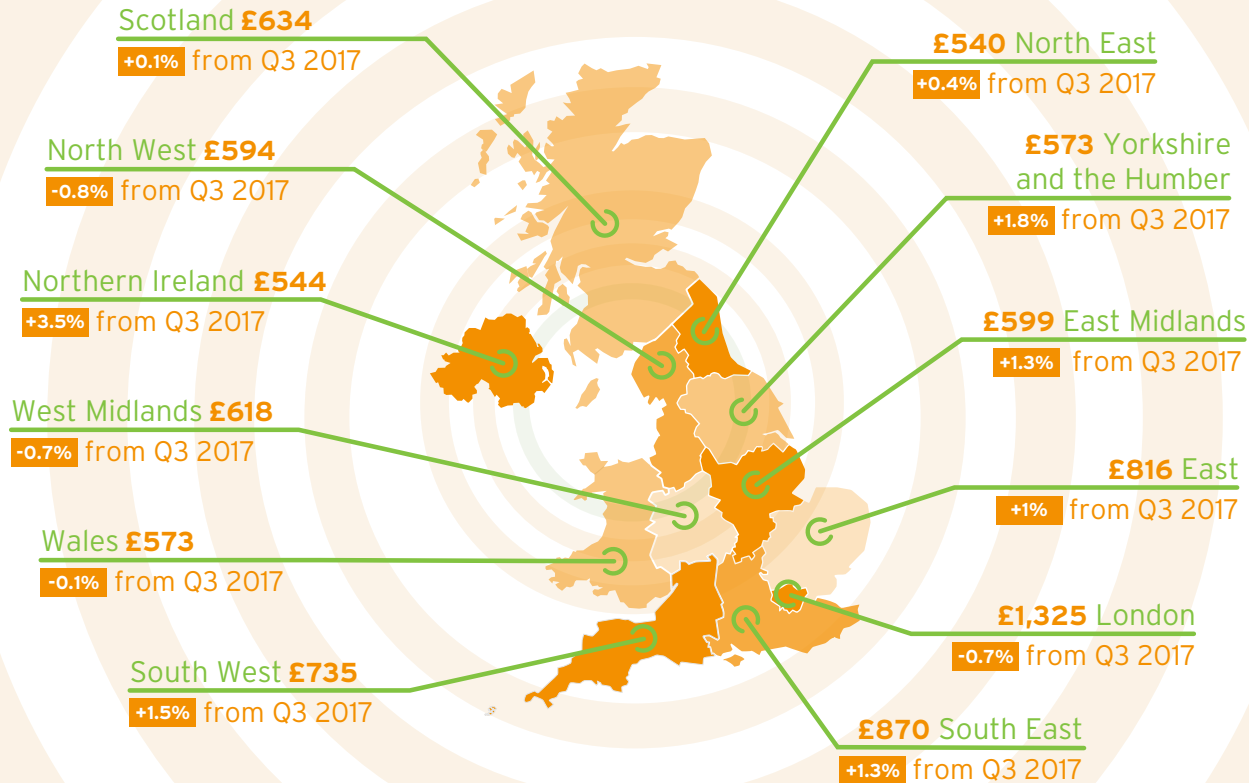
Semi-detached
£797 **-0.8%**
from Q3 2017

Terraced
£727 **-0.7%**
from Q3 2017

Flat/apartment
£796 **+0.3%**
from Q3 2017



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

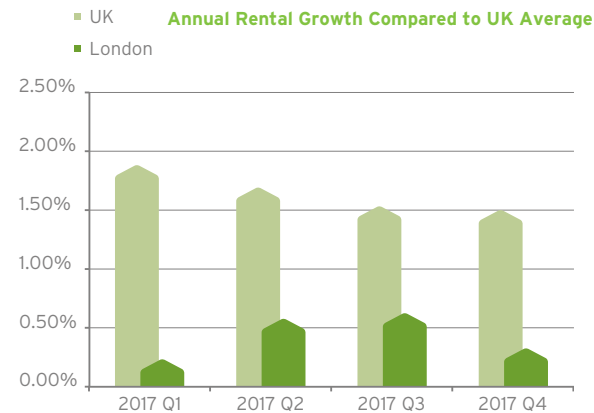
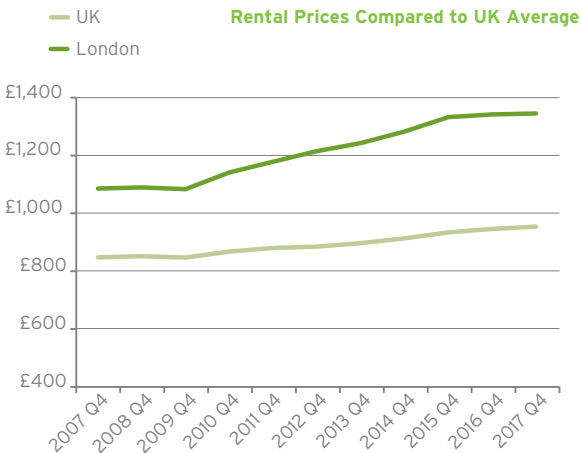
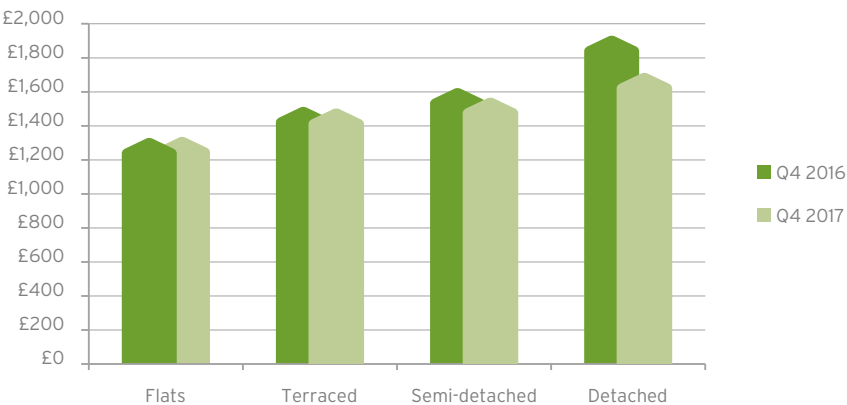


LONDON

Regional Summary

- > London remains the most expensive UK region in which to rent property, with average rent during 2017 standing at £1,324.29: £5.83 (0.44%) higher than in 2016 and £550.55 (or 71.15%) higher than the UK average
- > Average rent growth in the capital has been lower than the UK average for two consecutive years, and rent in the region decreased as a proportion of salary by 1.04% to 43.04% during 2017
- > Average rent for detached houses grew by £78.20 (4.33%) in the region during 2017, while average rent for semi-detached houses increased by £67.52 (4.30%) and rents for flats increased by just 5p (or less than 0.01%)

Annual change in rental price by property type from Q3 2016 - Q3 2017

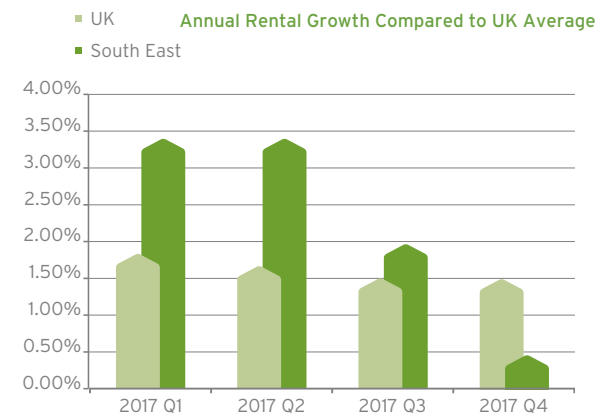
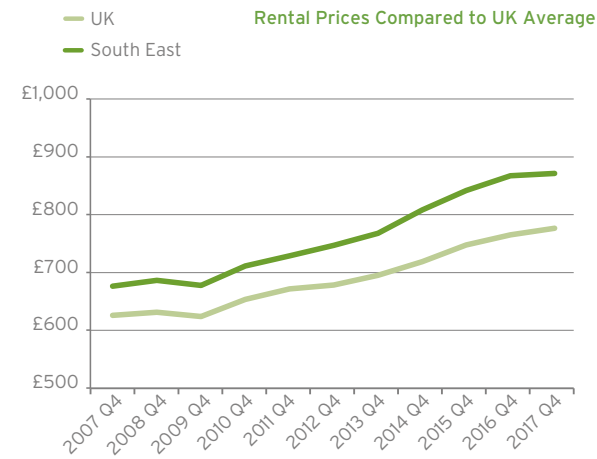
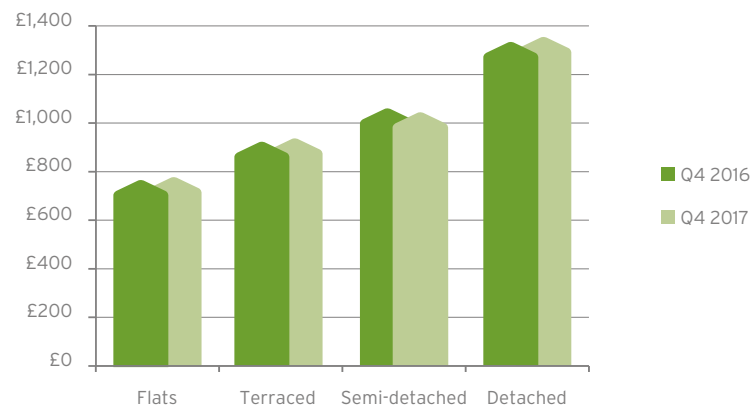


SOUTH EAST

Regional Summary

- > The South East remains the second most expensive region in the UK in which to rent property, with average rent during 2017 standing at £874.84: £15.68 (or 1.82%) higher than in 2016 and £101.10 (or 13.07%) higher than the UK average
- > Average rent growth in the South East has been higher than the UK average every year since our records began in 2007, and rent in the region increased as a proportion of salary by 0.03% to 35.02% during 2017
- > Average rent for terraced houses grew the most of any property type in the region during 2017, increasing £22.03 (or 2.38%)

Annual change in rental price by property type from Q3 2016 - Q3 2017

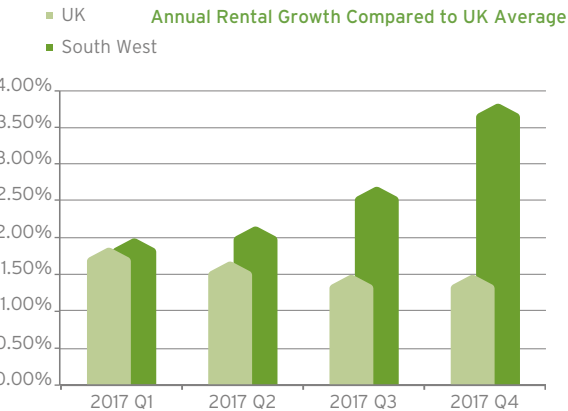
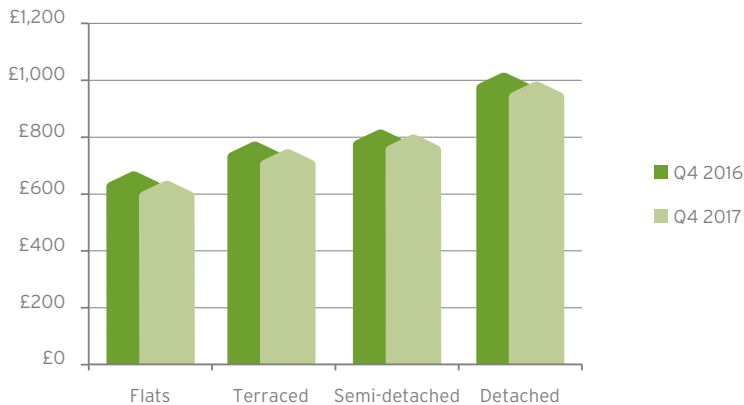


SOUTH WEST

Regional Summary

- > The South West is the fourth most expensive region in the UK in which to rent property, with average rent during 2017 standing at £723.25: £18.74 (or 2.66%) higher than in 2016 and £50.49 (or 6.53%) lower than the UK average
- > Average rent growth has been higher in the South West than the UK average for three consecutive years, and rent in the region decreased as a proportion of salary by 0.06% to 32.25% during 2017
- > Average rent for detached houses grew the most of any property type in the region during 2017, increasing £34.94 (or 3.55%)

Annual change in rental price by property type from Q3 2016 - Q3 2017

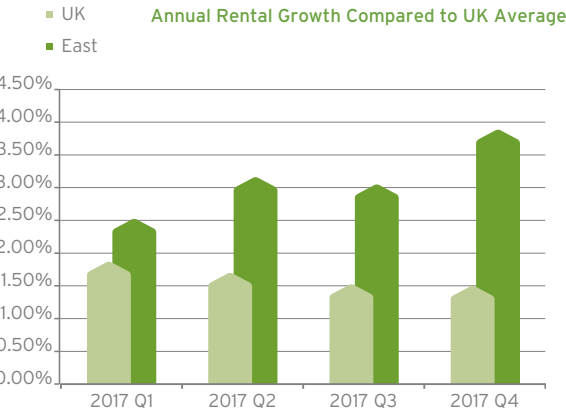
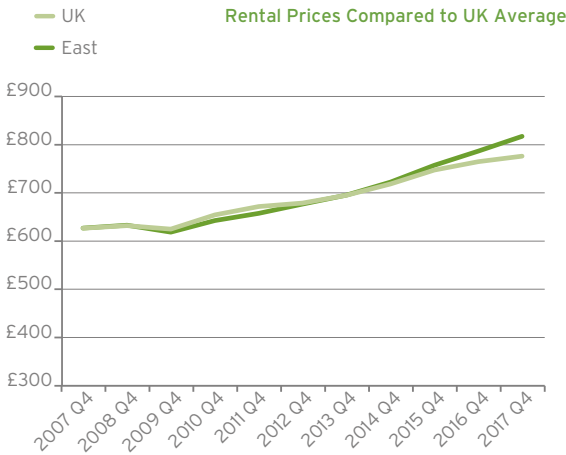
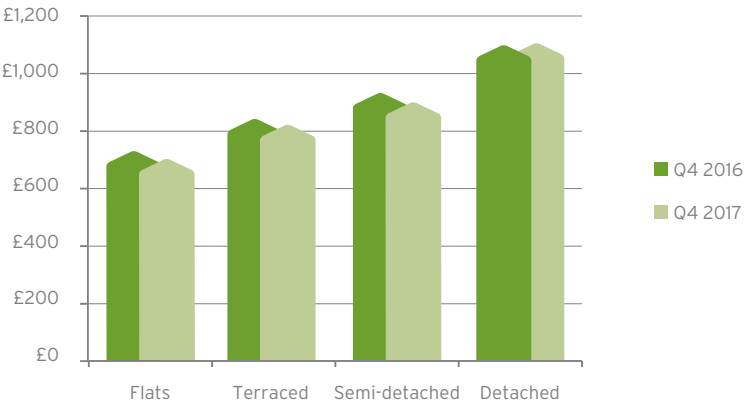


EAST

Regional Summary

- > The East is the third most expensive region in the UK in which to rent property, with average rent during 2017 standing at £807.06: £24.62 (or 3.15%) higher than in 2016 and £33.32 (or 4.31%) higher than the UK average
- > Average rent growth has been higher in the East than the UK average every year since 2012, and rent in the region increased as a proportion of salary by 0.37% to 34.29% during 2017
- > With the exception of detached homes, average rent for every property type grew more than 3% in the region during 2017, and rents for semi-detached houses increased the most (£30.34 or 3.43%)

Annual change in rental price by property type from Q3 2016 - Q3 2017

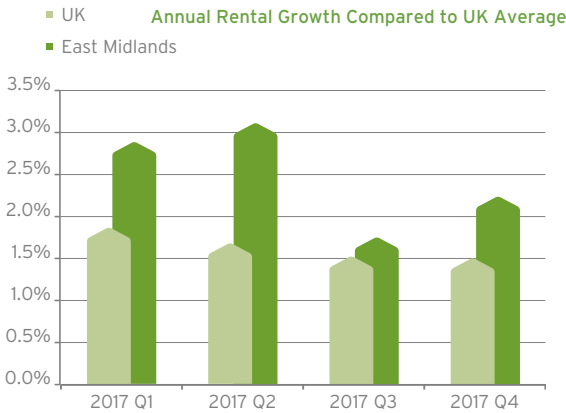
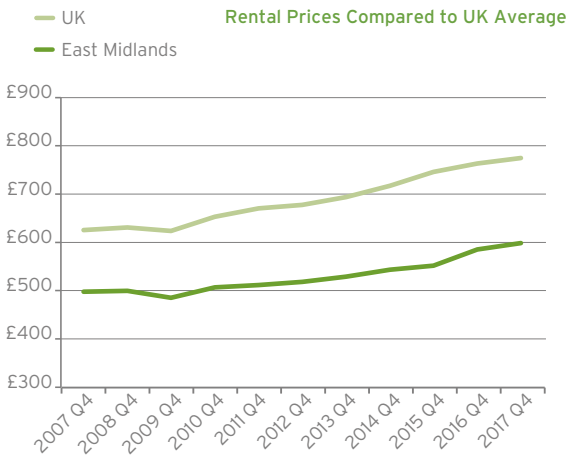
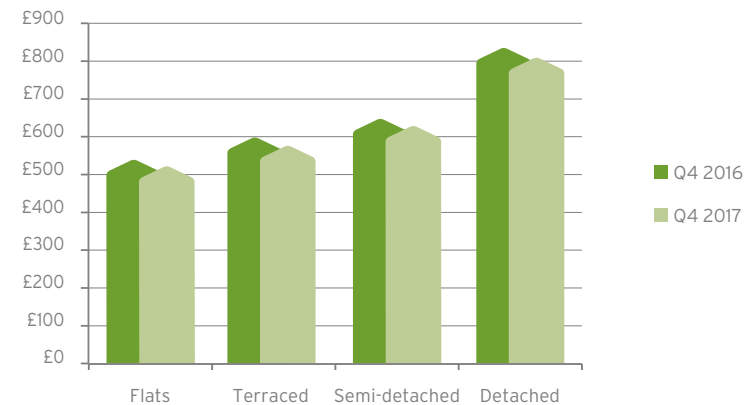


EAST MIDLANDS

Regional Summary

- > The East Midlands became the eighth most expensive region in the UK in which to rent property (changing places with the North West, which became the seventh most expensive), with average rent during 2017 standing at £591.88: £14.33 (2.48%) higher than in 2016 and £181.86 (or 23.50%) lower than the UK average
- > Average rent growth has been higher in the East Midlands than the UK average for two consecutive years, and rent in the region increased as a proportion of salary by 0.30% to 27.72% during 2017
- > Average rent for every property type grew more than 2% in the region during 2017, and rents for detached houses increased the most (£30.02 or 3.76%)

Annual change in rental price by property type from Q3 2016 - Q3 2017

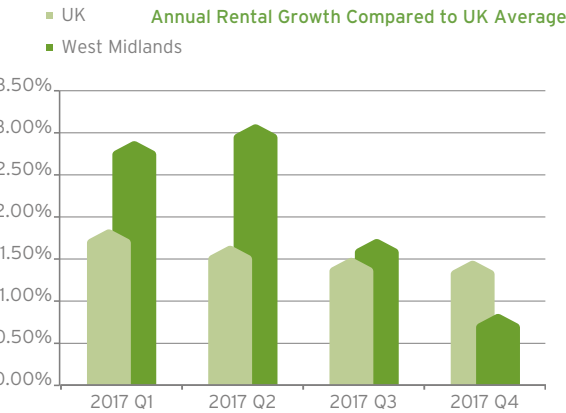
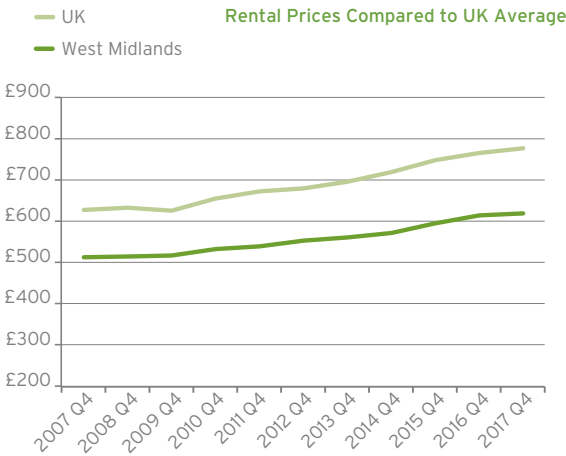
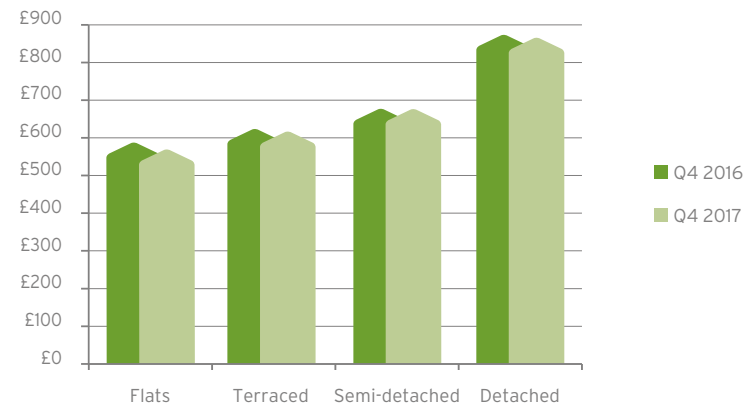


WEST MIDLANDS

Regional Summary

- > The West Midlands is the sixth most expensive region in the UK to rent property, with average rent in the region during 2017 standing at £620.89: £13.06 (or 2.15%) higher than in 2016 and £152.85 (or 19.75%) lower than the UK average
- > Annual rent growth has been higher in the West Midlands than the UK average for two consecutive years, and rent in the region increased as a proportion of salary by 0.10% to 28.00% during 2017
- > Average rent for every property type grew by more than 2% in the region during 2017, and rents for detached houses increased the most (£24.69 or 2.93%)

Annual change in rental price by property type from Q3 2016 - Q3 2017

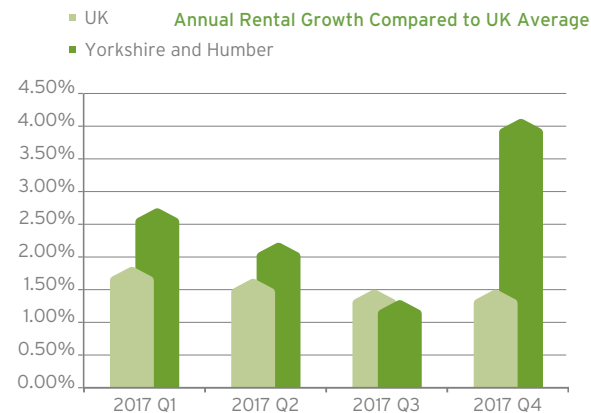
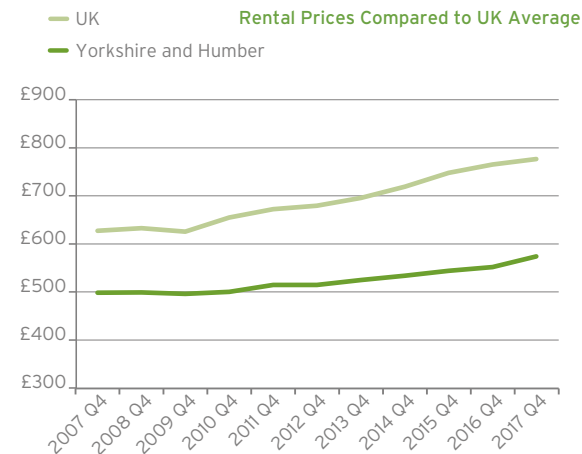
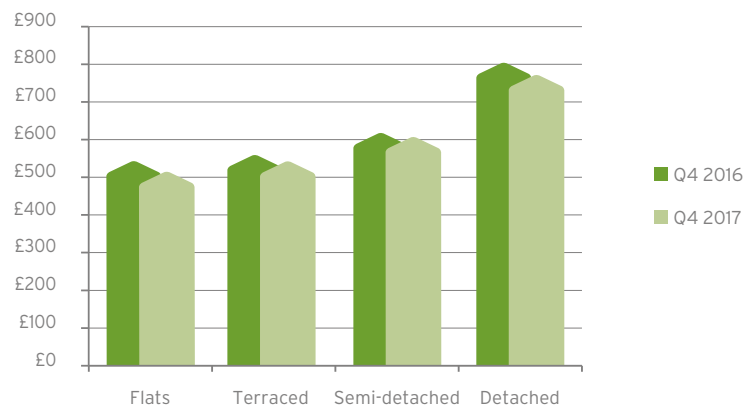


YORKSHIRE AND THE HUMBER

Regional Summary

- > Yorkshire and the Humber is the third least expensive UK region in which to rent property, with average rent in the region during 2017 standing at £566.09: £14.34 (or 2.60%) higher than in 2016 and £207.65 (or 26.84%) lower than the UK average
- > Annual rent growth was higher in Yorkshire and the Humber than the UK average for the first time since our records began in 2007, and rent in the region increased as a proportion of salary by 0.35% to 26.07% during 2017
- > Average rent for every property type except detached houses grew by more than 2% in the region during 2017, with rents for flats increasing the most (£15.07 or 2.90%)

Annual change in rental price by property type from Q3 2016 - Q3 2017

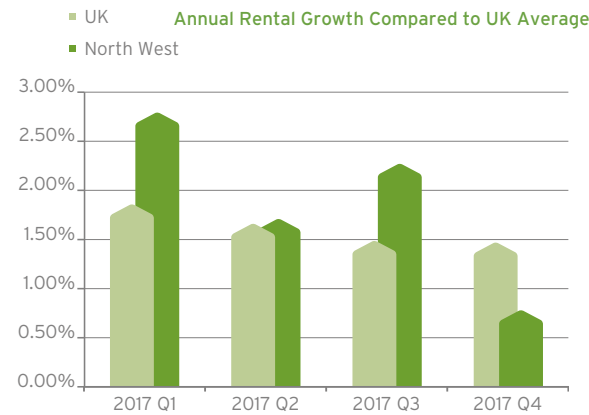
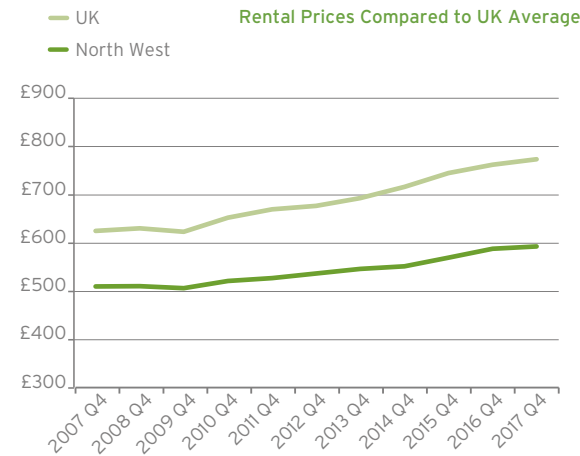
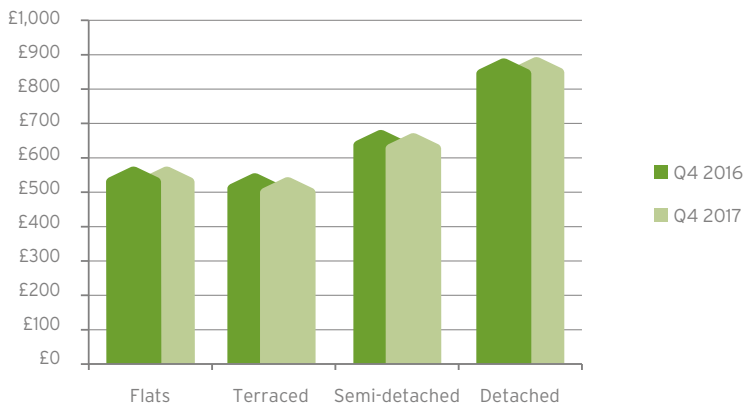


NORTH WEST

Regional Summary

- > The North West is the seventh most expensive UK region in which to rent property (changing places with the East Midlands, which became the eighth most expensive), with average rent in the region during 2017 standing at £595.69: £11.09 (or 1.90%) higher than in 2016 and £178.05 (or 23.01%) lower than the UK average
- > Average rent growth has been higher in the North West than the UK average for two consecutive years, and rent in the region decreased as a proportion of salary by 0.03% to 26.93% during 2017
- > Average rent for terraced houses grew the most of any property type in the region during 2017, increasing £14.36 (or 2.61%)

Annual change in rental price by property type from Q3 2016 - Q3 2017

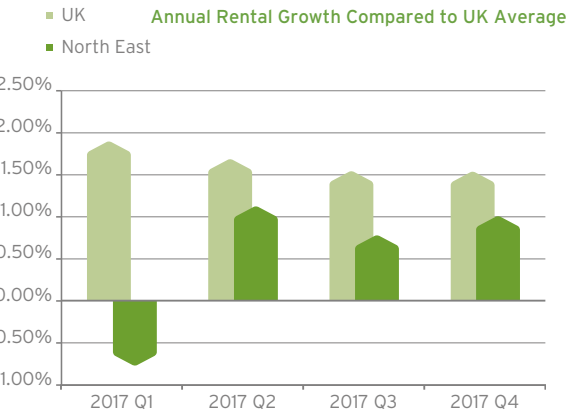
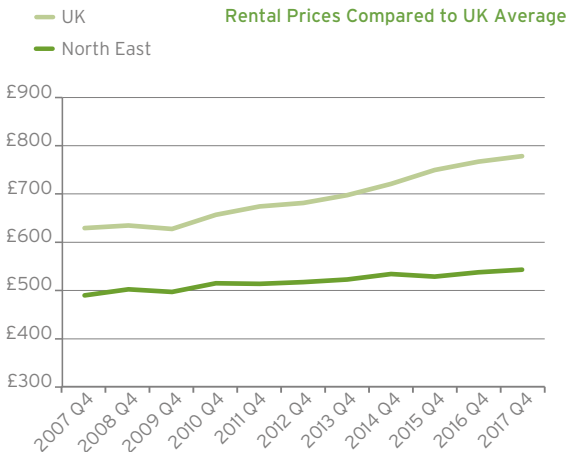
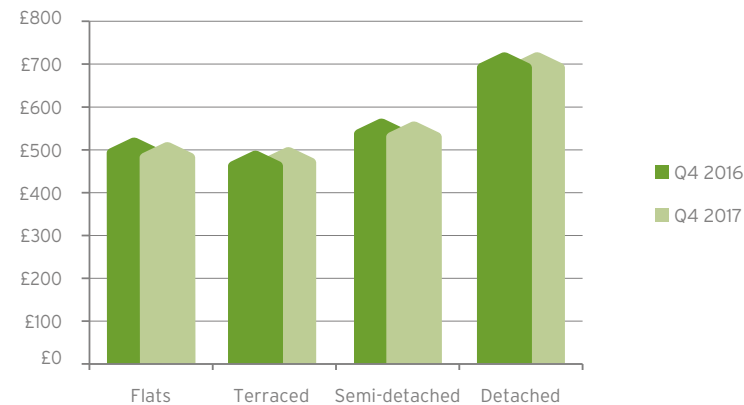


NORTH EAST

Regional Summary

- > The North East is the least expensive English region in which to rent property (behind only Northern Ireland in the whole of the UK), with average rent in the region standing at £536.51 during 2017: £2.70 (or 0.51%) higher than in 2016 and £237.23 (or 30.66%) lower than the UK average
- > Average rental 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 salary by 0.21% to 25.05% during 2017
- > Average rent for detached houses grew the most of any property type in the region during 2017, increasing £15.75 (or 2.14%)

Annual change in rental price by property type from Q3 2016 - Q3 2017

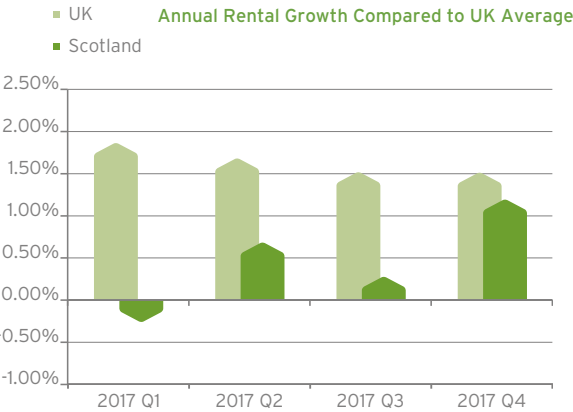
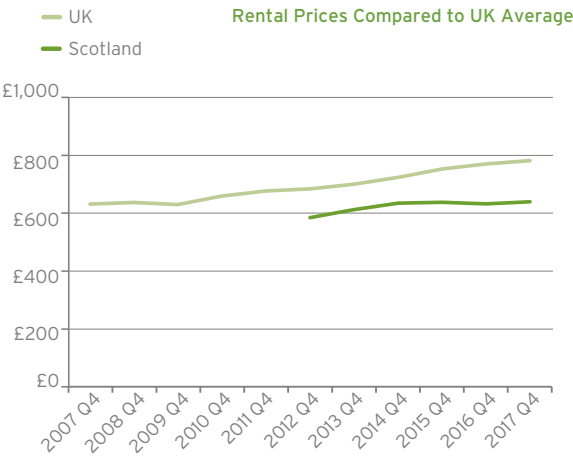
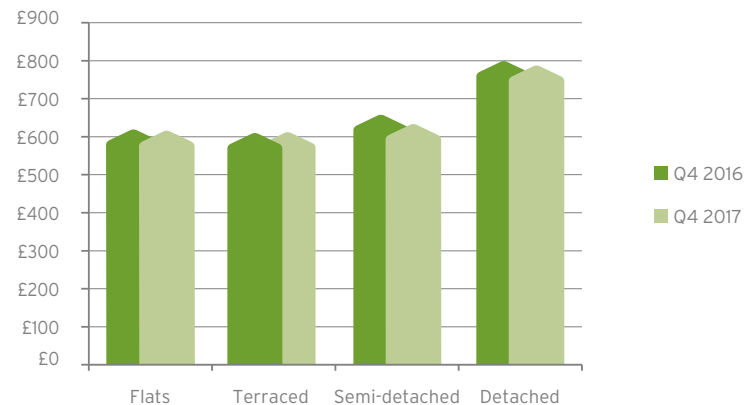


SCOTLAND

Regional Summary

- > Scotland is the fifth most expensive UK region in which to rent property, with average rent in the region standing at £634.47 during 2017: £2.93 (or 0.46%) higher than in 2016 and £139.27 (or 18.00%) lower than the UK average
- > Average rental growth was lower in Scotland than the UK average (although higher than in 2016, when it shrank), and rent in the region decreased as a proportion of salary by 0.29% to 27.06% during 2017
- > Average rent for semi-detached houses grew the most of any property type in the region during 2017, and rent for terraced houses decreased £0.43 (or 0.07%)

Annual change in rental price by property type from Q3 2016 - Q3 2017

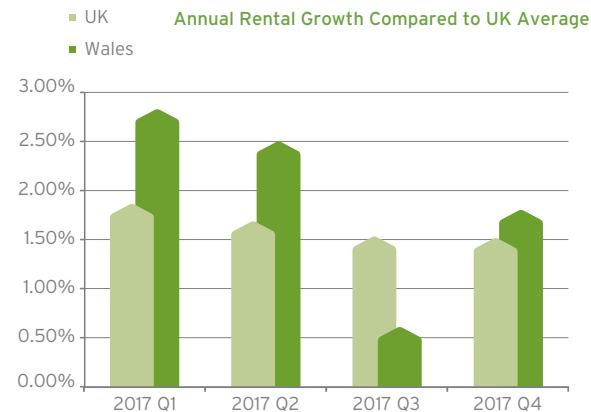
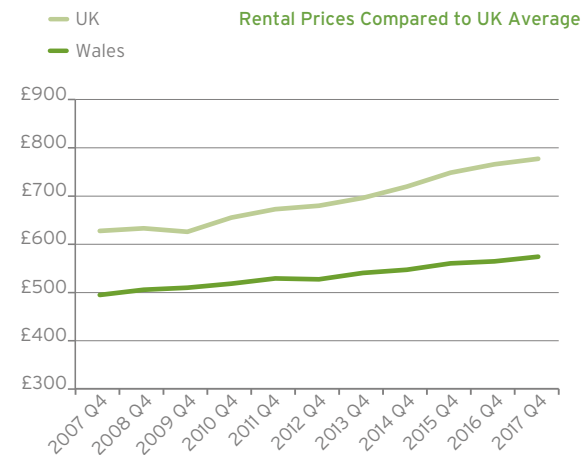


WALES

Regional Summary

- > Wales is the fourth least expensive UK region in which to rent property, with average rent in the region standing at £575.30 during 2017: £10.86 (or 1.92%) higher than in 2016 and £198.44 (or 25.65%) lower than the UK average
- > Average rental growth was higher in Wales than the UK average for the first time since 2013, and rent in the region decreased as a proportion of salary 0.10% to 26.73% during 2017
- > Average rent for flats grew £13.07 (or 2.45%), while detached and semi-detached homes both increased by 1.82% (£12.73 and £10.80 respectively)

Annual change in rental price by property type from Q3 2016 - Q3 2017

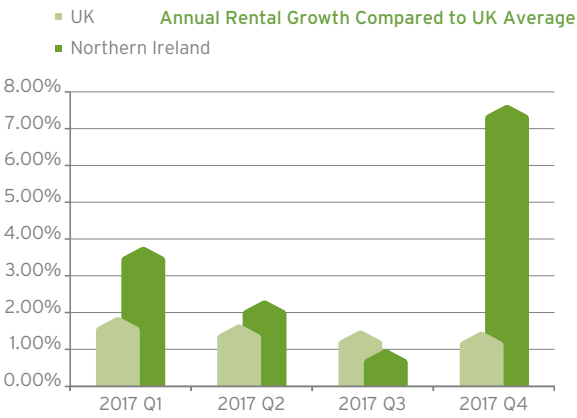
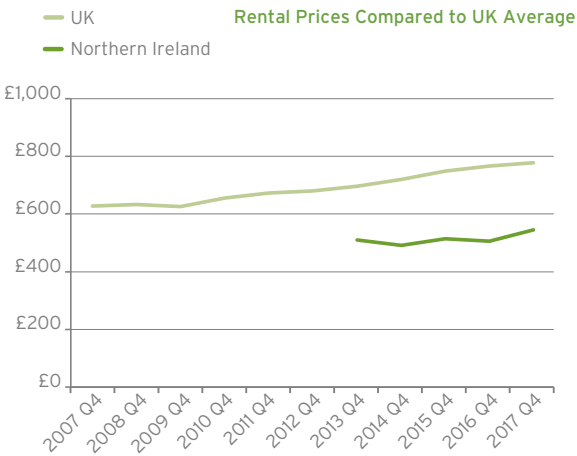


NORTHERN IRELAND

Regional Summary

- > Northern Ireland is the least expensive UK region to rent property, with average rent in the region standing at £531.74 during 2017: £18.76 (or 3.66%) higher than in 2016 and £242.00 (or 31.28%) lower than the UK average
- > Average rental growth was much higher in Northern Ireland than the UK average (3.66%), and rent in the region as a proportion of salary increased by 0.85% to 24.73% during 2017

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



THE DPS RENT INDEX



Foreword

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 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.

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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>