



DPS | RENT
INDEX

Q3 2018

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EXECUTIVE SUMMARY



Average rents in the UK experienced a £3 (0.42%) decrease from £764 to £761 during the third quarter of 2018 (Q3 2018).

This was the third consecutive quarter of decreases, and if rent falls again in 2018 Q4, it will be only the second time that there has been a full year of quarterly decreases since records for the Rent Index began in 2007 (the last year of decline was between Q4 2008 and Q3 2009).

Average UK rent has decreased £14 or 1.83% since Q3 2017 and is now lower than the average for 2016.

The East Midlands was the region that experienced the greatest decrease (£14 or 2.47% from £583 to £569).

Northern Ireland experienced the greatest increase (£15 or 2.68% from £542 to £557), which was also the region's second consecutive quarter of growth.

Across the UK, average rents fell on all property types during Q3 2018 except detached houses, for which rent increased by £8 or 0.84% from £975 to £983.

Terraced properties experienced the largest decrease in rent (£5 or 0.72% from £709 to £704).

Average rents in the North East remain the lowest in the UK (£529).

Semi-detached and detached properties still remain above 2016 averages, albeit only just, and a further decline of just 0.11% in Q4 2018 would see average rents on semi-detached properties fall back to 2016 averages.

“ A third consecutive quarter of declining UK rents signals that there will be no immediate bounce back from the recession that hit the market last quarter.

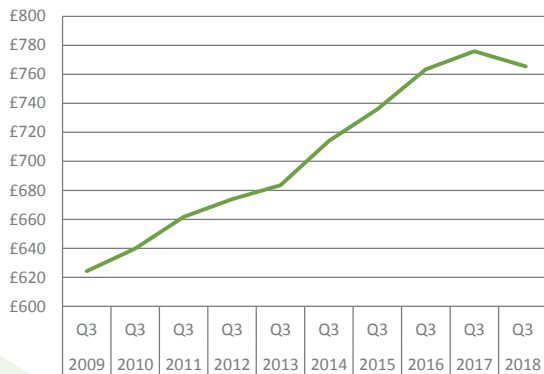
This negative period forms part of a slowdown that began in the summer of 2016, which we believe is linked to broader economic factors that are affecting spending power and demand.

Another quarter of lower rents in Q4 2018 would mean the first full year of negative growth since the Global Financial Crisis in 2008 and 2009: a significant threshold for the market. ”



Q3 2018 RENTAL PRICES A SNAPSHOT

Average monthly rents at Q3 2009-2018



UK average
rent at **Q3
2018 £761**

Average rent in
the UK represents
32.00% of the
average UK salary*



Average monthly rental prices per property type at Q3 2018

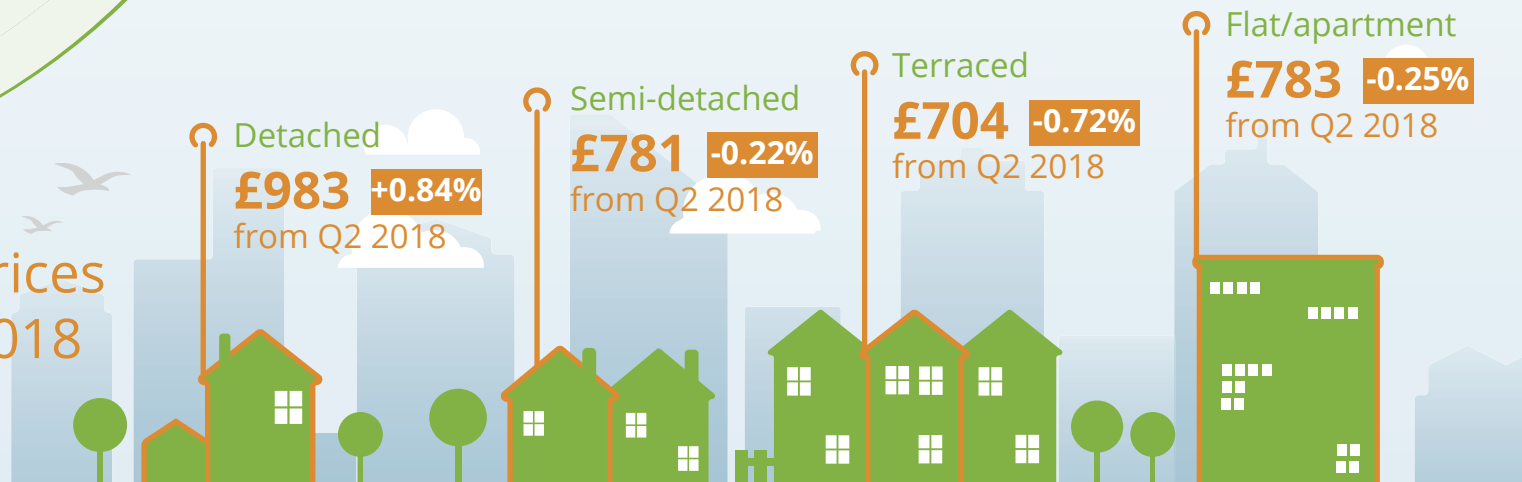
*Please note that all comparisons with salary are based on the average wage data for 2017, the most recent available.

Detached
£983 +0.84%
from Q2 2018

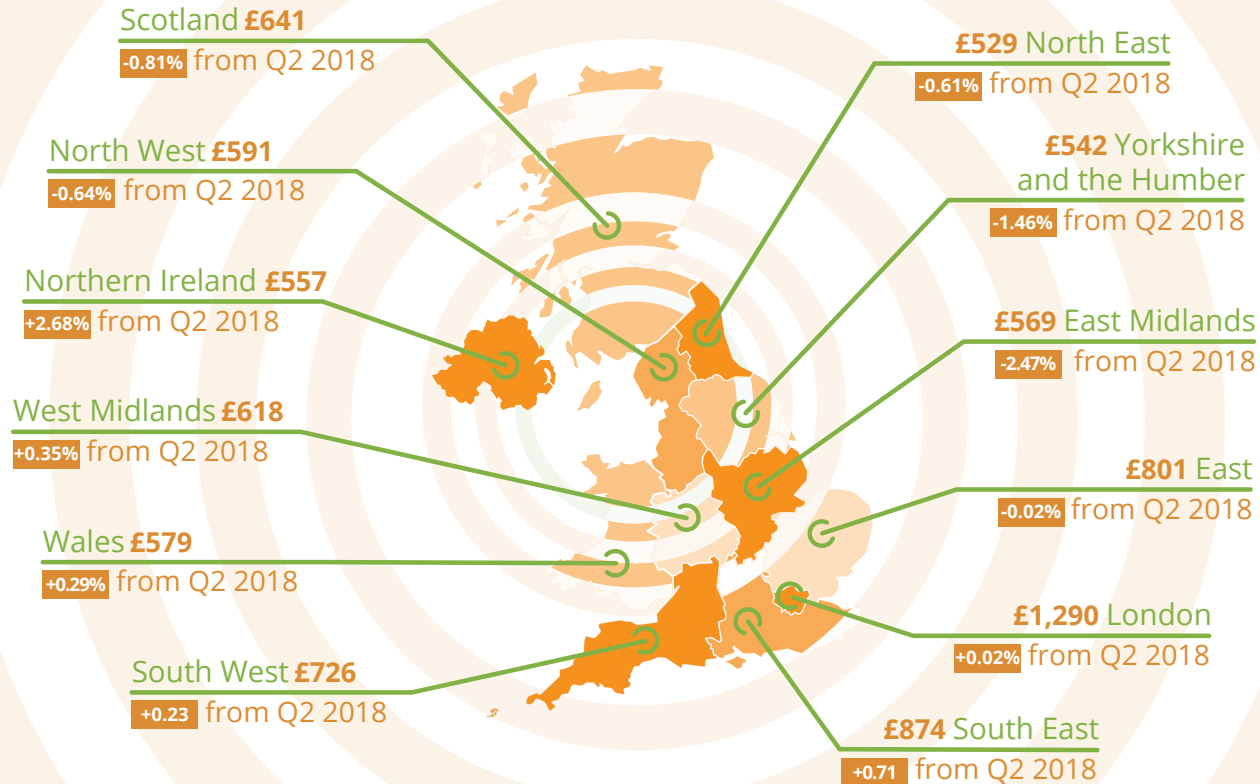
Semi-detached
£781 -0.22%
from Q2 2018

Terraced
£704 -0.72%
from Q2 2018

Flat/apartment
£783 -0.25%
from Q2 2018



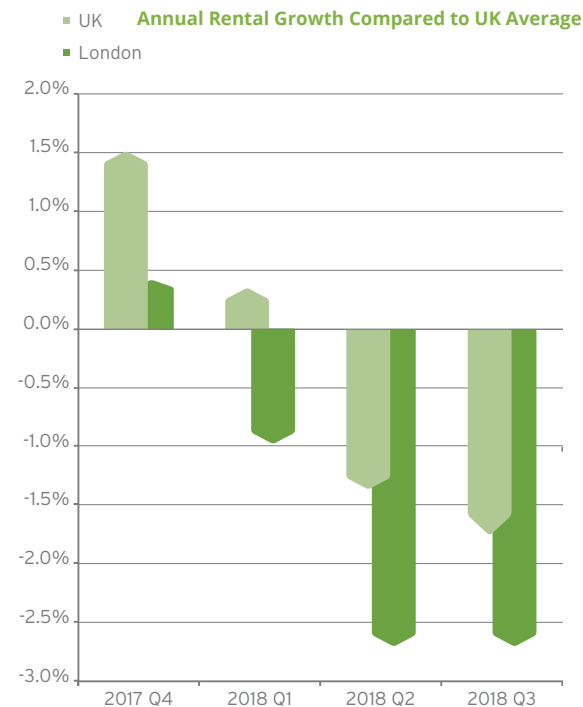
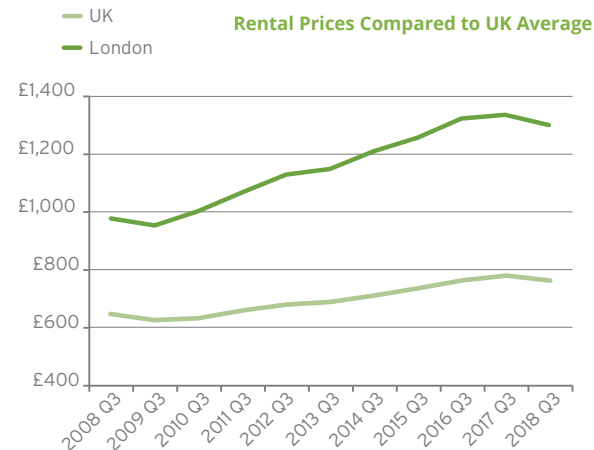
PRIVATE RENTED SECTOR - AVERAGE REGIONAL RENTAL PRICE OVER THE PAST QUARTER



LONDON

Regional Summary

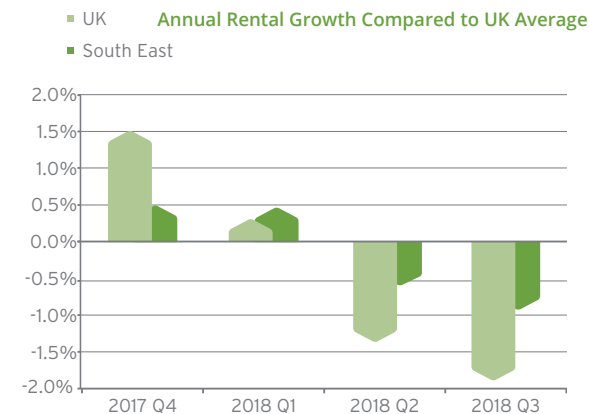
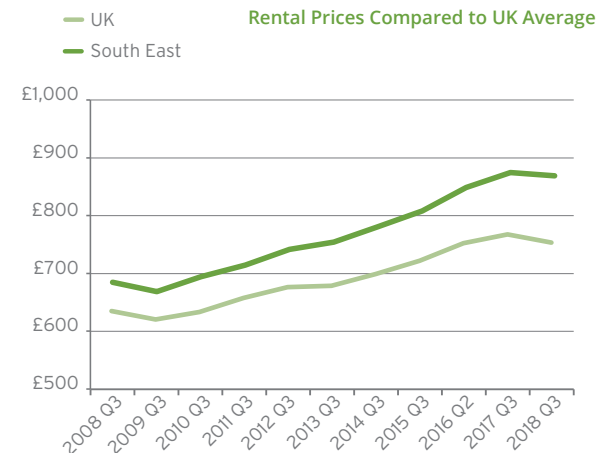
- > Average rent in the capital increased marginally in the last quarter by £1 (0.02%) to £1,290 compared to Q2 2018, though annual growth fell by £36 (-2.75%) compared to the same period in 2017.
- > Average monthly rent in Q3 was £529 (69.49%) higher than the UK average, meaning London has by far the highest average rent of any region.
- > This quarter, the average rent for flats fell by £1 (-0.10%) to £1,296. Semi-detached properties also dropped by £37 to £1,477 (-2.46%), whilst rent for terraced properties remained the same at £1,449.



SOUTH EAST

Regional Summary

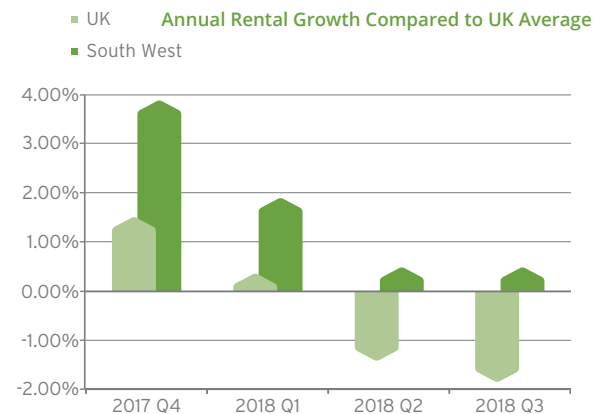
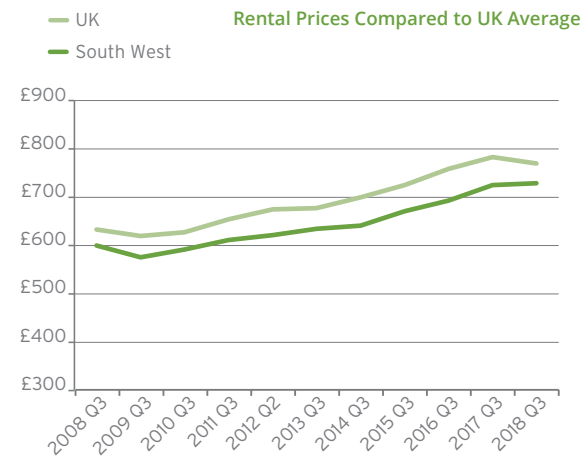
- > Average regional monthly rent prices increased this quarter by £6 (+0.71%) to £874 compared to Q2 2018.
- > This is different to the UK average, where there was a small decline of £3 (-0.42%) to £761 this quarter.
- > However, annual growth in the South East compared to the same quarter in 2017 fell by £7 (-0.84%), the first regional fall since the Global Financial Crisis in 2009.
- > Average monthly rent for flats, semi-detached and detached increased this quarter compared to Q2 2018, by £6 (0.82%), £21 (2.05%) and £12 (0.92%) respectively.
- > However, terraced properties saw a decline this quarter of £10 (-1.09%) to £916 compared to Q2 2018.
- > Average monthly rent in Q3 was £113 (14.85%) higher than the UK average, meaning the South East has the second-highest average rent of any region, behind only London.



SOUTH WEST

Regional Summary

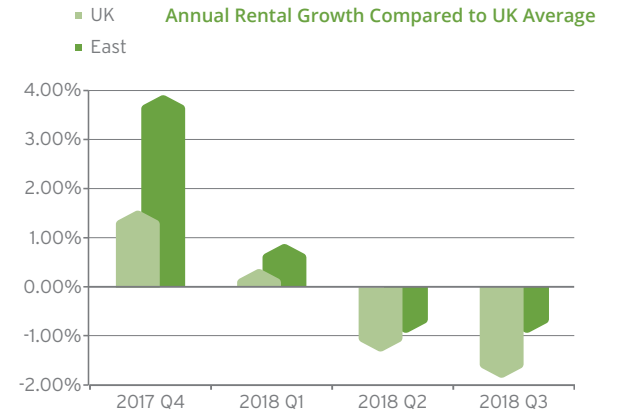
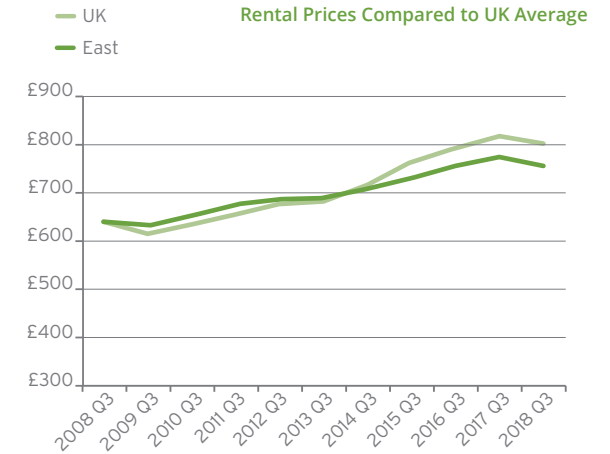
- > Average regional monthly rent saw a marginal increase this quarter compared to Q2 2018, rising by £2 (0.23%) to £726.
- > This is different to the UK average, where there was a small decline of £3 (-0.42%) to £761 this quarter.
- > Whilst annual rent growth has slowed in the South West, it is the only English region to show annual growth in average monthly rent in Q3 2018, compared to the same period in 2017, with an increase of £2 (0.31%) to £726.
- > Average monthly rent for terraced and detached increased this quarter compared to Q2 2018, by £5 (0.72%) and £5 (0.48%) respectively.
- > Average monthly rent in Q3 was £35 (4.60%) lower than the UK average, though average rents in the South West remain the fourth-highest of any region.



EAST

Regional Summary

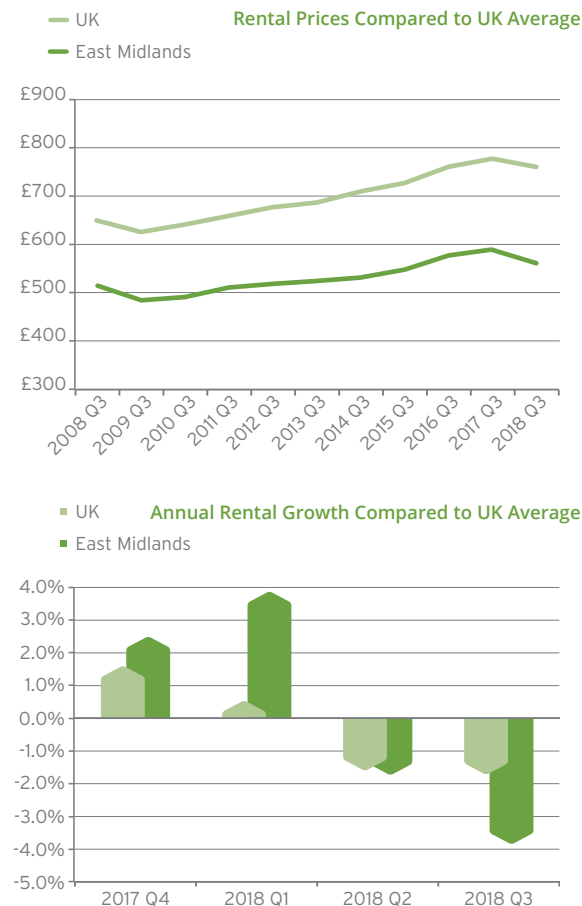
- > The average monthly regional rent remained flat at £801 this quarter, compared to the UK average, where there was a small decline of £3 (-0.42%) to £761.
- > However, average rent decreased year-on-year for the second consecutive quarter, falling £7 from £808 (-0.88%).
- > Average rent in Q2 2018 was £40 (5.21%) higher than the UK average and remains the third highest of any UK region.
- > Of the property types, average rents on flats and detached properties were higher in Q3 2018 than in the previous quarter, with average rent increasing by £11 (1.47%) to £736 and £13 (1.18%) to £1,099 respectively.



EAST MIDLANDS

Regional Summary

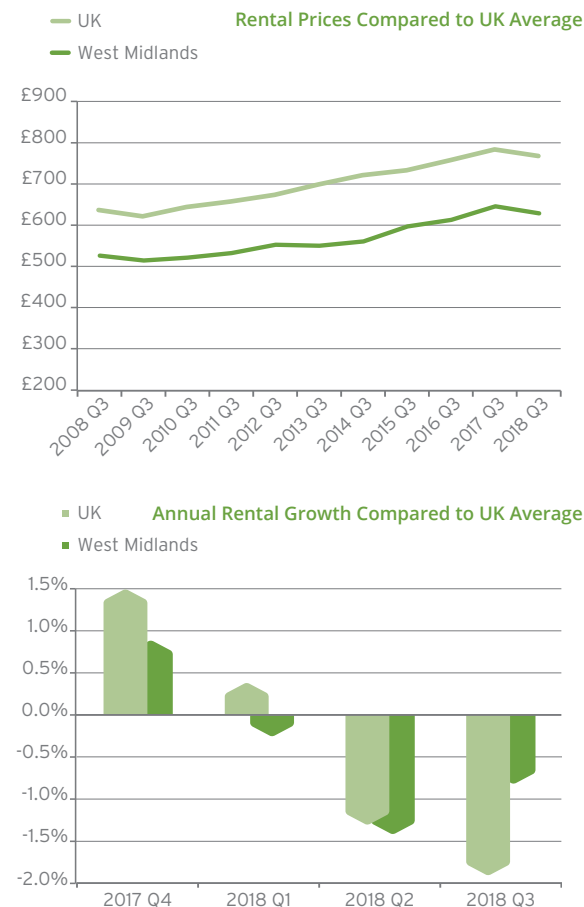
- > The average monthly regional rent saw a marked decrease this quarter, falling by £14 (-2.47%) to £569 on Q2 2018. This represented the largest fall of any region in the UK.
- > In addition, annual rent growth also fell by comparison to the same period in 2017, reducing by £23 (-3.90%), which is greater than the UK average fall of £14 (-1.83%).
- > Average rent in Q3 2018 was £192 (25.26%) lower than the UK average and the East Midlands now has the fourth-lowest average rent of all UK regions.
- > Across the region, average rent for all properties types declined; with flats showing the most significant fall of £19 (-3.61%) to £509 compared to Q2 2018.



WEST MIDLANDS

Regional Summary

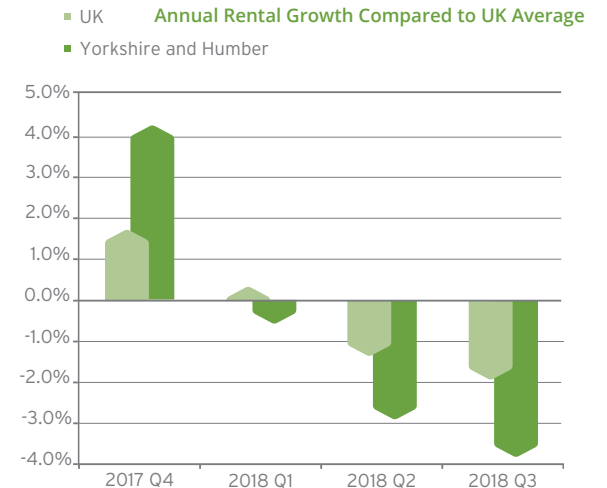
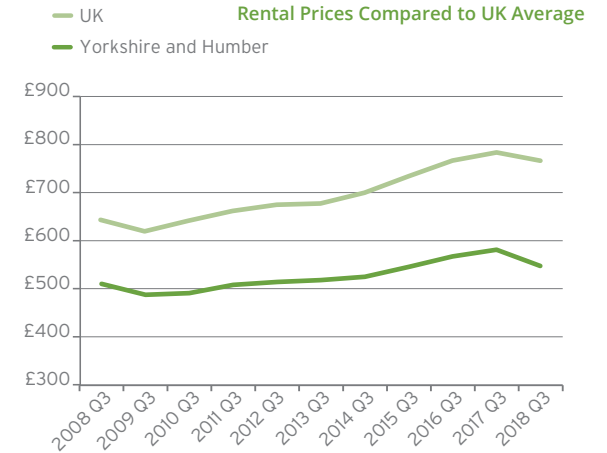
- > The average monthly regional rent saw a marginal increase of £2 (0.35%) in Q3 2018 compared to Q2 2018.
- > This is different to the UK average, which saw small decline of £3 (-0.42%).
- > As with most of the English regions, the West Midlands experienced a decline in annual growth, though at £5 (-0.79%) compared to the same period last year, this was lower than the UK average fall of £14 (-1.83%).
- > Across the region, average rent for detached properties showed a large drop of £19 (-2.22%) this quarter to to £846 compared to Q2 2018.
- > Average rent in Q3 2018 was £143 (18.83%) lower than the UK average. Average rents in the West Midlands are sixth-highest in the UK.



YORKSHIRE AND THE HUMBER

Regional Summary

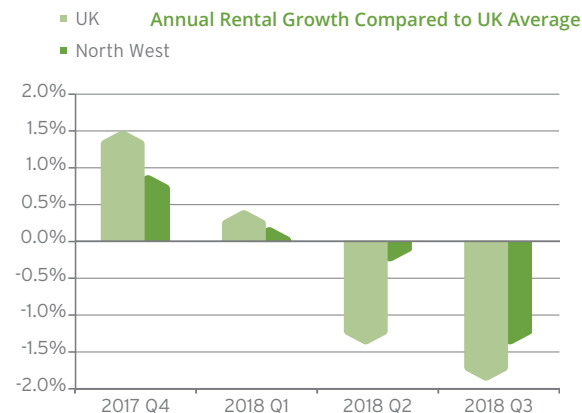
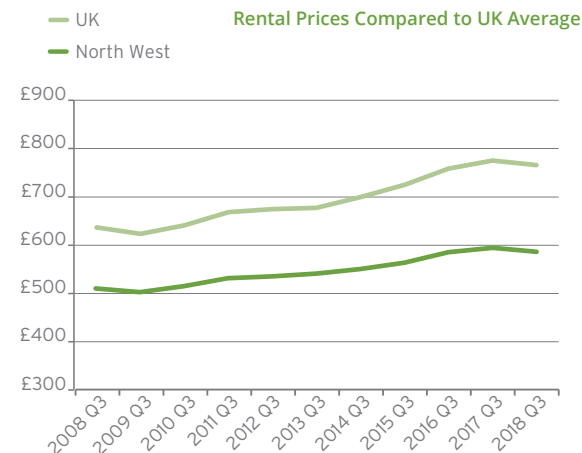
- > The average monthly regional rental amount decreased again this quarter by £8 (-1.46%) to £542 compared to Q2 2018. This was slightly higher than the UK average fall of £3 (-0.42%) for the same period.
- > The region saw the second largest fall in average rents dropping by £21 (-3.76%) compared to the same quarter last year. Only the East Midlands had a larger fall over the same period (-3.90%).
- > All properties types saw a decline with flats being the greatest, falling from £527 in Q2 to £513 in Q3 (-2.69%).
- > Average regional rent in Q3 2018 was £219 (28.77%) lower than the UK average. Yorkshire and the Humber now has the second-lowest average rent in the UK.



NORTH WEST

Regional Summary

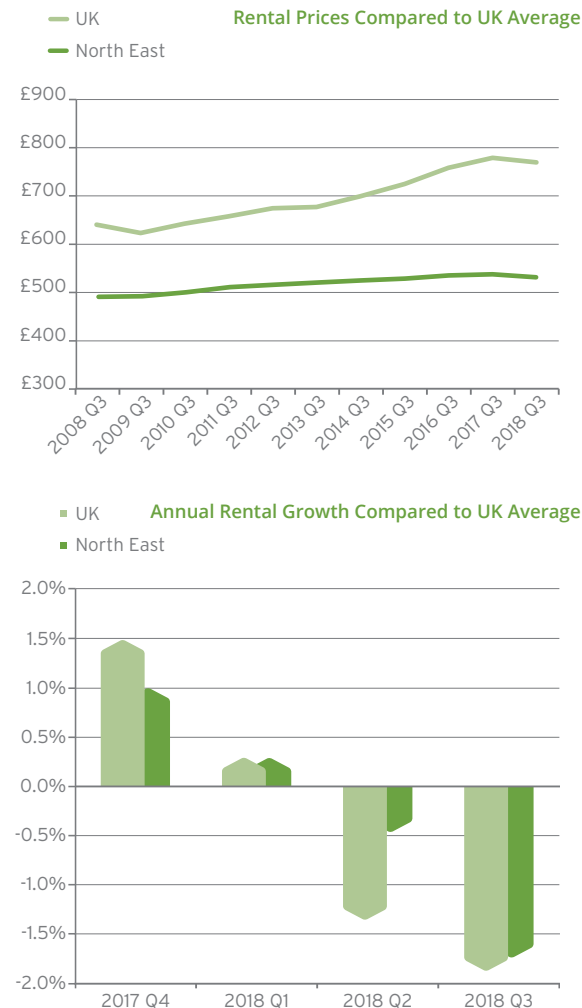
- > Average monthly regional rent fell for the second consecutive quarter, decreasing by £4 (-0.64%) to £591. This is slightly higher than the average UK decline of £3 (-0.42%) for the same period.
- > Annual rent growth declined by £8 (-1.36%), compared to the same period in 2017.
- > Average regional rent in Q3 2018 was £170 (22.36%) lower than the UK average. The North West now has the seventh-highest average rent in the UK.
- > Terraced properties saw the biggest change in rent in Q3, falling by £5 (-1.02%) to £552 compared to Q2 2018.



NORTH EAST

Regional Summary

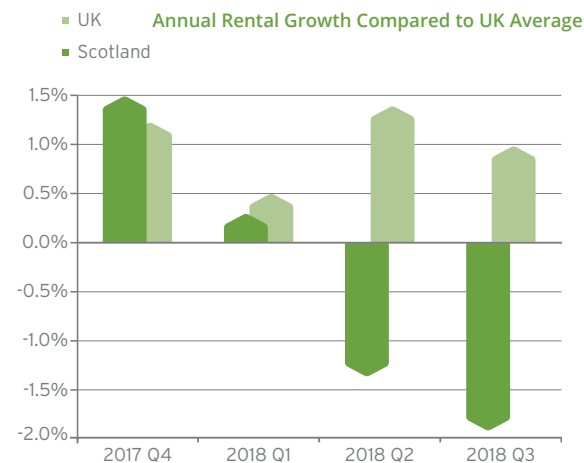
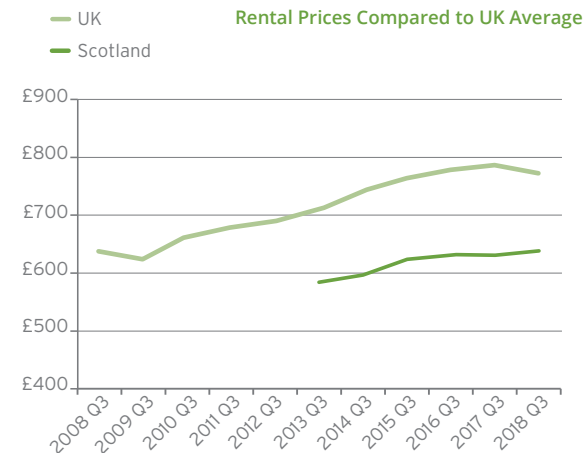
- > Average monthly regional rent fell for the second consecutive quarter, decreasing by £3 (-0.61%) to £529. This is slightly higher than the UK average decline of -0.42%.
- > Along with most other regions in England, the region experienced a decline in annual rent growth this quarter, with average rents falling by -1.70% compared to the same period in 2017.
- > Terraced properties saw the biggest change in rent in Q3, falling by £8 (-1.72%) to £486 compared to Q2 2018. Average regional rent in Q3 2018 was £232 (30.53%) lower than the UK average.
- > Average rent in the North East is now the lowest in the UK, changing places with Northern Ireland this quarter.



SCOTLAND

Regional Summary

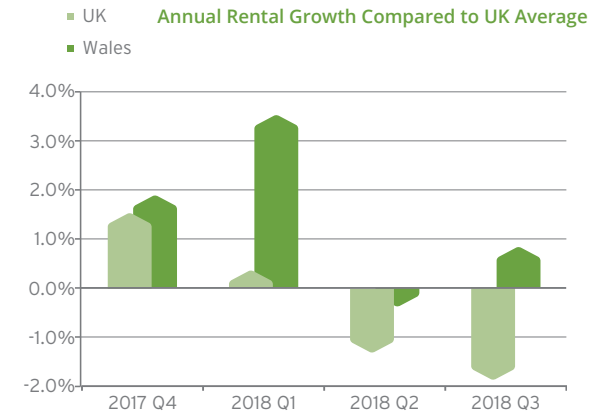
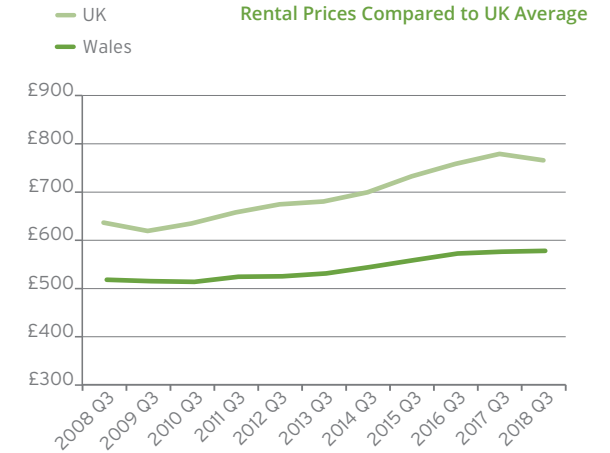
- > Average monthly regional rent fell for this quarter by £5 (-0.81%) to £641. This is slightly higher than the UK average decline of -0.42%.
- > However, Scotland was one of only four regions in the UK to see growth in annual rent compared to the same period in 2017, with average rents increasing by £6 (0.98%).
- > Average regional rent in Q3 2018 was £120 (15.74%) lower than the UK average. Average rent in Scotland remains the fifth-highest in the UK.



WALES

Regional Summary

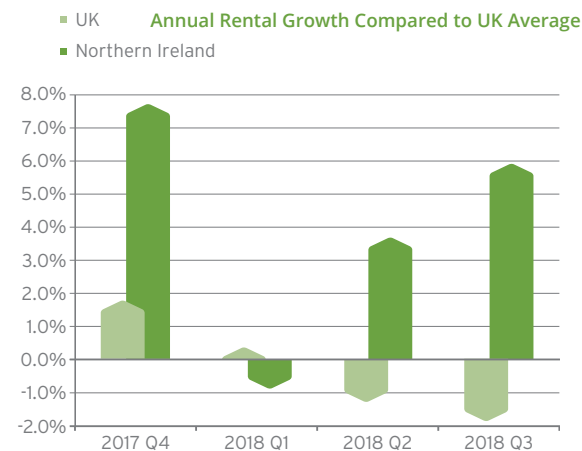
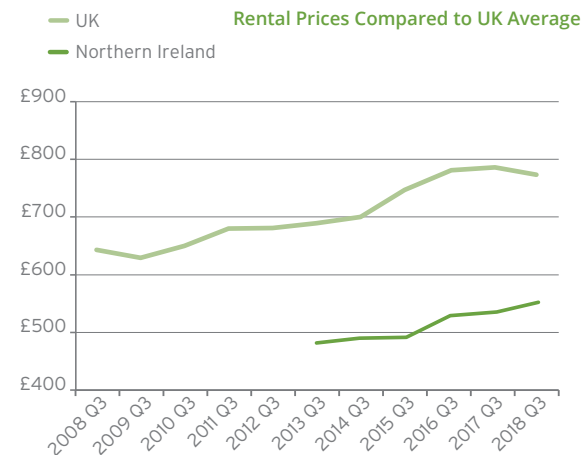
- > Average monthly regional rent saw a marginal increase this quarter compared to Q2 2018, rising by £2 (0.29%) to £579.
- > Wales was one of only four regions in the UK to see growth in annual rent compared to the same period in 2017, with average rents increasing by £5 (0.83%).
- > Detached properties saw the biggest change this quarter, increasing by £9 (1.32%) compared to Q2 2018.
- > Average regional rent in Q3 2018 was £182 (23.93%) lower than the UK average.
- > Wales now has the eighth-highest average rent in the UK, swapping places with East Midlands this quarter.



NORTHERN IRELAND

Regional Summary

- > Average monthly regional rent increased this quarter compared to Q2 2018, rising by £15 (2.68%) to £557.
- > Northern Ireland was one of only four regions in the UK to see growth in annual rent compared to the same period in 2017, with average rents increasing by £31 (5.87%) to £557.
- > Average regional rent in Q3 2018 was £204 (26.84%) lower than the UK average. Average rent in Northern Ireland is now the second-lowest in the UK, changing places with the North East this quarter.



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 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.





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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>