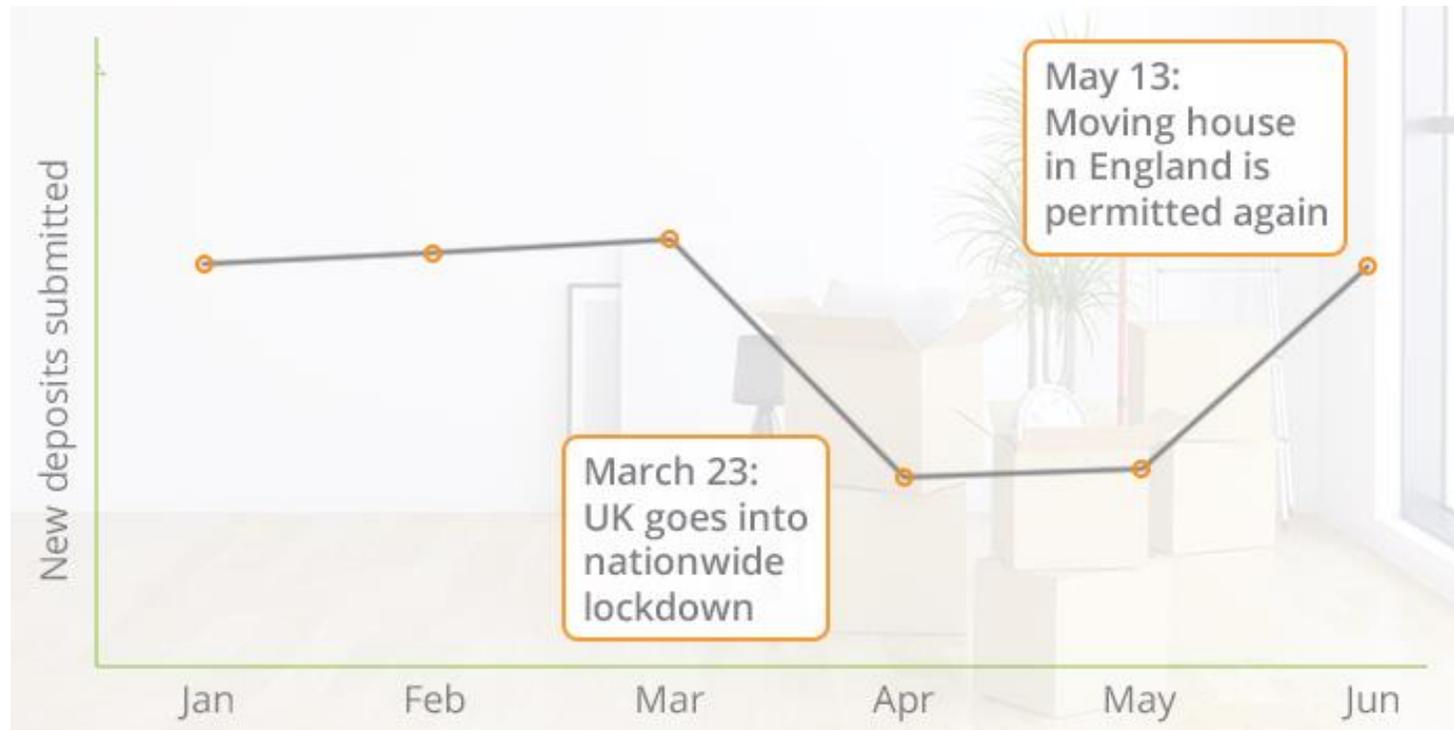




The DPS Rent Index Q2 2020 – Is the market returning to normal?

In the face of the significant market disruption created by the coronavirus lockdown, average rents for the last three months, perhaps surprisingly, have been resilient rising by a modest £7 since last quarter. Whilst this is good news for landlords, it remains to be seen if this resilience will endure as the long-term economic consequences of the coronavirus pandemic are made clear.

The quarter's most significant change is seen in the overall volumes of properties let. The number of new deposits protected by The DPS this quarter declined by around a third (32%) compared to Q1 2020. This decline is no doubt influenced by quarantine lockdown restrictions with renters barred from moving properties apart from exceptional circumstances and a ban on tenant evictions being implemented by the Government. The market has clearly been prevented from functioning normally. With lockdown easing in recent weeks, the number of tenancies requiring deposit protection has risen as the lettings industry adjusts and new tenancies are agreed.



A regional rental rundown

London, as always the most expensive region to rent in, significantly affects the size of average rents in the UK. With London excluded, the average monthly rent for the rest of the UK is £683 - £99 lower.

Almost all regions have seen average rents increase this quarter. The exceptions to this are the South East, Scotland and the West Midlands, who all saw falls, and London where average rents remained static for the third quarter in a row. Though showing a modest rise, the North East remains the cheapest place in the UK to rent. Northern Ireland saw the biggest regional growth this quarter, rising by £21 (4.03%), from £521 to £542, though this should be interpreted with a note of caution, due to the small volume of tenancies registered in this region this quarter.

How does your region compare?

Region	Q2 2020	Q1 2020	Q2 2019
UK	£782	£775	£770
London	£1,345	£1,345	£1,319
South East	£886	£895	£877
South West	£764	£753	£731
East	£819	£812	£808
East Midlands	£591	£586	£590
West Midlands	£618	£620	£621
Yorkshire	£546	£542	£532
North West	£604	£594	£594
North East	£524	£517	£523
Scotland	£638	£642	£625
Wales	£584	£583	£586
Northern Ireland	£542	£521	£521



How will inflation affect post-COVID-19 UK?

While rents have gone up modestly over the past three months, inflation has travelled in the opposite direction, falling from 1.70% to 0.65%. It's difficult to predict how this fall in inflation will affect the factors driving rents, or how inflation might bounce back. As the country transitions to a "new normal", the true extent of how the crisis has affected average rent values will gradually reveal itself over the coming quarters.

Average salaries currently stand at £30,353, with UK renters typically spending 31.16% of their income on rent. However, this doesn't take into account the impact of tenants being furloughed from their jobs. Renters receiving income under the furlough scheme will pay a comparatively higher percentage of their reduced salary on rent. Coronavirus aside, a simple review of the market paints a fairly static picture. Average UK monthly rents have increased by £7 (0.90%), from £775 to £782. Year-on-year the level of growth is greater, with an average £12 (1.56%), increase. Rises are seen for all property types this quarter, with terraced properties seeing the biggest increase of £14 (1.93%), from £725 in Q1 to £739 this quarter.

