

Is city living in decline?

The latest DPS Rent Index points to changing tenants' needs



The latest DPS Rent index could be revealing some extraordinary knock on effects of the Coronavirus pandemic on renters. Whilst market activity has yet to fully return to 2019 levels, the data suggests that having experienced the benefits of working remotely, renters are starting to reconsider city living, and look for more spacious properties to call home in more rural locations.

“Our latest Rent Index clearly shows that tenants are following homeowners in reconsidering city living and moving to the countryside. “The prevalence of homeworking seems to be causing many urban renters to reassess their priorities, including a new desire for increased indoor and outside space. “Greater demand for both rural and larger properties seems to have driven rent prices up while urban property and flats have become cheaper for tenants.”

Matt Trevett, Managing Director, The DPS

Since the end of the period of full lockdown, the **number of deposits protected for new tenancies has increased by 85%** compared to the previous quarter, and average UK rental prices suggest that the pandemic has had minimal effect on rents. Nationally, there’s been a marginal decrease of just £2 (-0.26%) to overall rents, with the **UK average now standing at £780 in Q3 2020**. This relative stability is mirrored by the year on year value which rose by just £3 (0.39%) from the same period in 2019.

With London rents removed from the national figures, average rent this quarter stands at **£685**. This too has remained relatively stable this quarter, rising just £2 (0.29%).

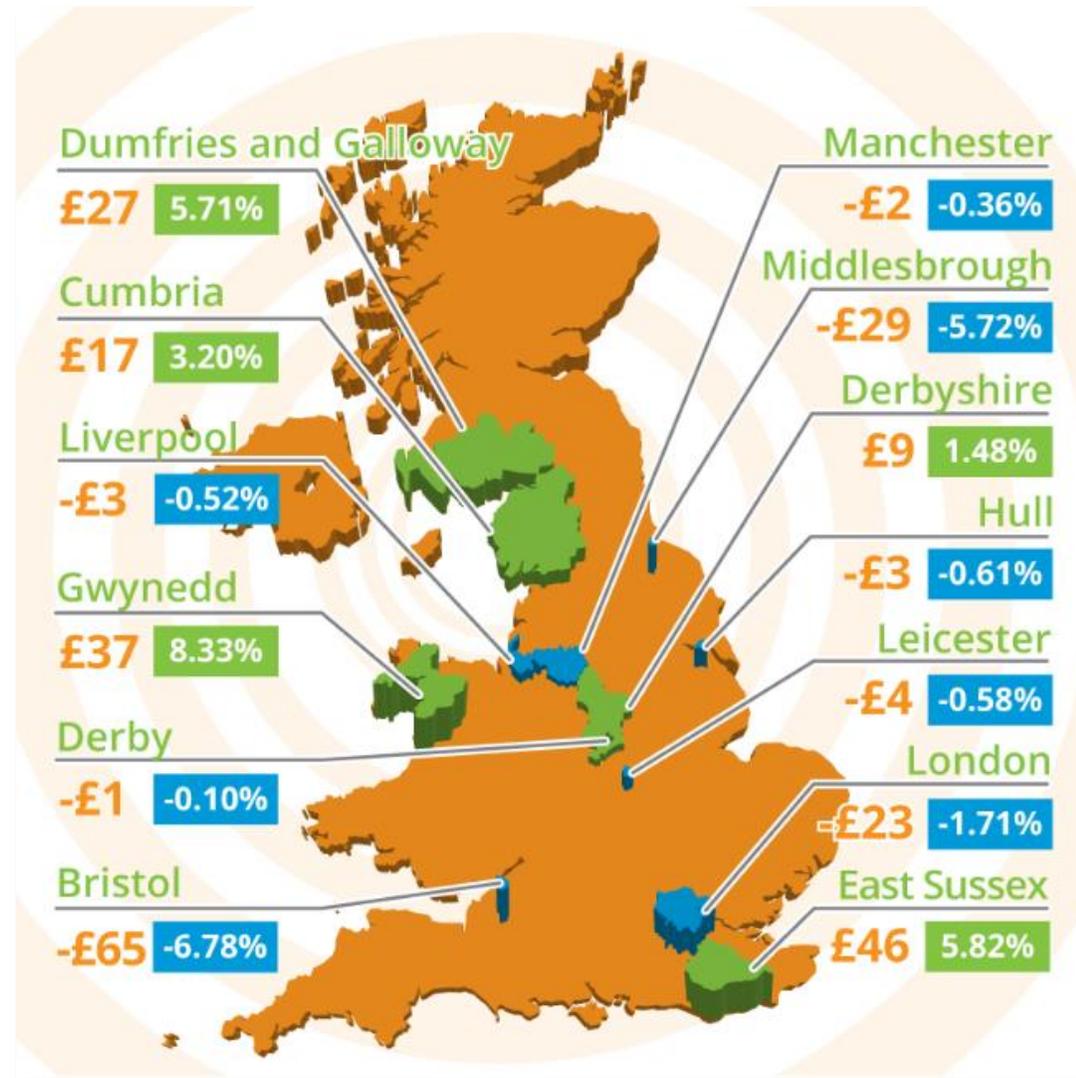
However, this picture of a recovering market and rental value stability at a national level hides some interesting regional observations (continued over page).

Average rents are declining in some of our main employment hubs:

A review of the underlying data reveals a trend of falling rents in many large cities and towns in the UK, most notably in **Bristol**. The city sees the sharpest price decrease in the England, falling by an average of **-£65 (-6.78%)** from £964 to £899. **London** also sees a steep fall of **-£23 (-1.71%)**, from £1,345 to £1,322. Many other cities and towns have seen falls including, **Middlesbrough (-£29, -5.72%)**, **Leicester (-£4, -0.58%)**, **Hull (-£3, -0.61%)**, **Liverpool (-£3, -0.52%)** and **Manchester (-£2, -0.36%)**. Interestingly, cities in the south of England have seen average rents fall at a greater rate than cities in the north.

Rents are increasing in more rural areas of the UK:

While urban areas have seen a decline in average rents in the last quarter, many rural areas have seen the reverse. **Gwynedd in Wales (£37, 8.33%)**, **East Sussex in England (£46, 5.82%)**, and **Dumfries and Galloway in Scotland (£27, 5.71%)** have seen the largest percentage increase in the UK. The North West and the East Midlands have also seen differences emerge between urban and rural areas. While average rents have fallen in cities such as Manchester and Liverpool, the more rural county of **Cumbria** has seen the highest increase in the region, rising by **£17 (3.20%)** to £542. Similarly, the city of **Derby** has seen a fall in average rents of **£1 (-0.10%)** while the surrounding **Derbyshire** district has seen rents rise by **£9 (1.48%)**.



Tenants are favouring larger properties with more space:

During the last quarter, with the exception of flats, the national average rents for all property types have increased. **Detached**, **semi-detached** and **terraced** properties saw increases, rising by **£18 (1.79%)**, **£6 (0.73%)** and **£4 (0.54%)** respectively. Conversely **flats** saw a decrease of **-£5 (-0.63%)**, suggesting demand for smaller properties is declining. This trend is most prominent in London and the South West.

The start of a new “new normal”?

One of the unexpected outcomes of the Coronavirus lockdown in the UK is the way that individuals and organisations have had to adjust to extended periods of home working. Many employers and employees have started to realise that remote working can be effective. This could well be the driver behind demand for city accommodation declining and the relative demand for different types of property changing. The recent Government advice has been to “work from home if you can”, and those “who can” may well be considering that a more rural environment will provide a much more satisfactory quality of life. With location perhaps no longer the obstacle it once was, it’s not inconceivable that tenants will continue the trend of looking for property in potentially more affordable regions of the country.

Working from home under Coronavirus is also likely to be the driver behind the increasing demand for larger rental properties. After a rapid period of adaptation during the first national lockdown, people have had time to reflect on the suitability of their home as a workspace. With the expectation that working from home will continue for the foreseeable future, people will recognise the value of extra space for their home office, or even perhaps just for a little more personal space. After six months sharing a small flat, couples may well agree that a larger property will be a positive step for their relationship.

Whilst a closer inspection of this quarter’s data has revealed these shifts in market behaviour, it’s still only a few months since the initial lockdown was relaxed. With the country still in the grip of the pandemic, the immediate future remains unpredictable. However, the data suggests that tenant behaviours are changing and this could have a significant impact on demand for rental property and the value of rents in the longer term.

