Average rents grow throughout 2020
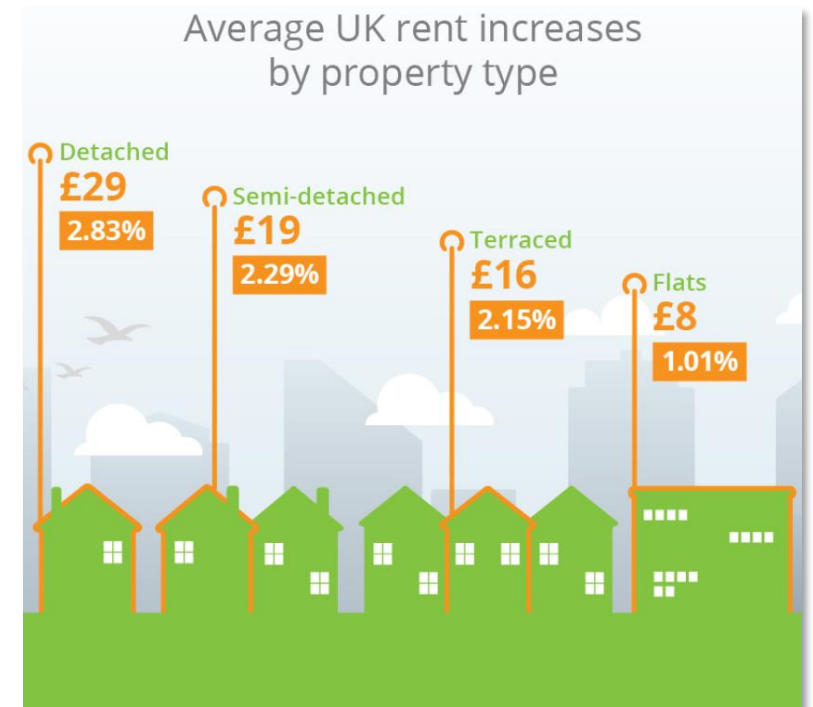
The DPS Rent Index Q4 2020

The latest DPS Rent Index reveals that despite a tumultuous 2020, average UK rental values have continued to grow faster than inflation, in part driven by a trend for upsizing. This quarter sees average rents rising by **£12 (1.54%)** to £792, whilst inflation* currently sits at **0.50%**.

In a year that saw both a period of complete market shutdown, and ongoing challenges for the Private Rented Sector (PRS), rents have shown more than just resilience, growing **£19 (2.46%)**, from £773 in Q4 2019, to £792 this quarter.

Excluding London, average rents in the UK for Q4 2020 now stand at £699, up **£14 (2.04%)** on last quarter, and **£27 (4.02%)** on the same period last year.

Upsizing still driving rent growth

In the last issue of the DPS Rent Index we saw the emergence of a trend towards increased rental growth for larger homes compared to smaller property types, possibly driven by the prevalence of homeworking driving a demand for more spacious housing. This trend has continued through Q4 2020. Average rents for flats grew by a relatively subdued **£8 (1.01%)** to £803, whilst in contrast, detached houses saw average rents increase by **£29 (2.83%)** to £1,055, and semi-detached properties by **£19 (2.29%)** to £847.

This shift in favour of larger property types is even more pronounced when comparing Q4 2020 with the same period in 2019. Average rents for detached properties have risen **£57 (5.71%)**, with semi-detached houses seeing a rise of **£33 (4.05%)**. Flats have seen only a **£9 (1.13%)** rise in average rents in the last 12 months. Falling average rents for flats underpin the negative rental growth seen in **London**, **Yorkshire** and the **North East** in Q4 2020.

This sustained growth in rents for larger properties reinforces the view that the continuation of high levels of home working has shifted tenants' property requirements. As companies and individuals continue to recognise the potential longer term benefits of more flexible working arrangements, it's not unreasonable to expect this trend to continue.

Average UK rent increases by property type

Detached £29 2.83%
Semi-detached £19 2.29%
Terraced £16 2.15%
Flats £8 1.01%

"Lockdown has meant many more people are spending longer at home, including far more extensive remote working, and as a consequence more tenants are seeking larger properties with more space.
"While there seems to be a particular focus on detached and semi-detached properties, the rental market as a whole remained remarkably resilient throughout much of 2020, despite broader economic uncertainties and restrictions that affected home viewings and public movement during the first national lockdown."
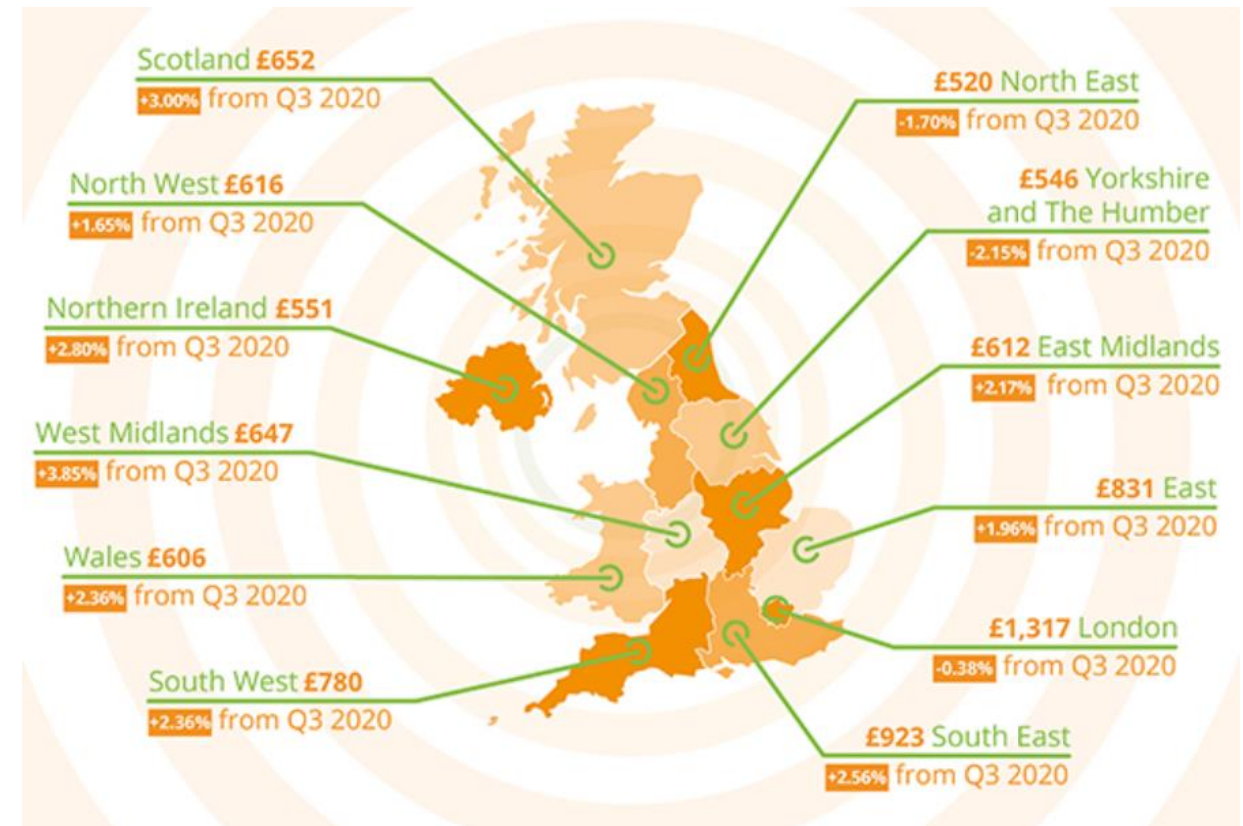*Matt Trevett, Managing Director, The DPS*

London falls buck national trends

Regionally, average rents have grown in the majority of areas since Q3 2020, with the **West Midlands** seeing the largest rise of **£24 (3.85%)**, from £623 to £647. Only three regions saw average rents reduce this quarter, **London**, **Yorkshire** and the **North East**. **Yorkshire** saw the biggest fall of £12 (-2.15%) from £558 to £546, though annually, the region has still seen rents grow by **£22 (4.20%)** from £524 in Q4 2019.

The downward pressure on **London** rents contrasts even more starkly when comparing regional annual growth. Across all regions of the UK in 2020, average rents grew from their Q4 2019 positions, except for **London** which saw a fall of **£28 (-2.08%)**. The **Inner London** area in particular has seen rents fall **£54 (-3.77%)** in 2020, whilst **Outer London** saw a modest **£1 (0.08%)** rise. The disparity between average rent growth for **Inner** and **Outer London** may be further evidence of the desire to move away from city centre locations. Despite falling rents, **London** continues to be the most expensive place to rent, both for average rental value (£1,317), and for rent as a percentage of average income (38.83%).

Elsewhere in the UK, **Scotland** saw the highest annual percentage growth with average rents up **£40 (6.54%)**, from £612 to £652.
The **North East** remains the cheapest region for tenants, with average rents at £520, 22.57% of the average income

Scotland £652
+3.00% from Q3 2020

£520 North East
-1.70% from Q3 2020

North West £616
+1.65% from Q3 2020

£546 Yorkshire and The Humber
-2.15% from Q3 2020

Northern Ireland £551
+2.80% from Q3 2020

£612 East Midlands
+2.17% from Q3 2020

West Midlands £647
+3.85% from Q3 2020

£831 East
+1.96% from Q3 2020

Wales £606
+2.36% from Q3 2020

£1,317 London
-0.38% from Q3 2020

South West £780
+2.36% from Q3 2020

£923 South East
+2.56% from Q3 2020

* Consumer Price Index (CPI) inflation average for October to December 2020