

UK rents remain resilient in the wake of a year of Covid restrictions

The DPS Rent Index Q1 2021



A month into the first Coronavirus lockdown, we published the Q1 2020 Rent Index, reporting on the relative stability of rental values seen throughout 2019. One year on and still affected by ongoing restrictions, UK average rents have continued to show remarkable resilience across the regions.

Average UK rents are now £800, a rise of £8 (0.01%) on Q4 2020, and £25 (3.23%) higher than this time last year. Excluding London from the national picture, the rise is even higher, from £679 in Q1 2020 to £707 today, an increase of £28 (4.12%).

The capital gains after two negative quarters

Q1 2021 also sees average rents for **London** rise this quarter, from **£1,317 in Q4 2020 to £1,325**, a rise of £8 (0.61%). Whilst relatively modest, this comes after two consecutive quarters of declining rents in the capital, possibly driven by people adapting to enforced homeworking and seeking out larger properties in more affordable regions. It could be the first sign that Covid induced changes in the rental market are starting to filter out.

Around the country, there's little to indicate any softening in renter demand. Average rents rose across all regions of the UK except for **Scotland**, which saw a slight **fall of £3** (-0.46%) to £649, and in the **West Midlands and East Midlands** where average **rents stayed the same** at £647 and £612 respectively.

The **North East** saw the most significant rise in **average rents, growing £37** (7.12%) from £520 in Q4 2020 to £557 this quarter. This growth was most significant in flats, which saw average rents grow £40 (7.81%) to £552 in the period. With rent as a percentage of average wage staying fairly static in the last quarter, this has resulted in **the North East losing top spot in affordability rankings** falling to 3rd behind **Yorkshire**, and **Northern Ireland**.

Top 5 Least Affordable Counties (% of Wage) 2021 Q1 average rent

1	Bath and North East Somerset South West	£1,087
2	Surrey South East	£1,131
3	Hertfordshire East	£1,052
4	Inner London London	£1,382
5	Brighton and Hove South East	£1,068

Top 5 Most Affordable Counties (% of Wage) 2021 Q1 average rent

124	Dumfries and Galloway Scotland	£503
123	Hartlepool North East	£451
122	Kingston upon Hull, City of Yorkshire	£468
121	North East Lincolnshire Yorkshire	£469
120	North Lanarkshire Scotland	£518

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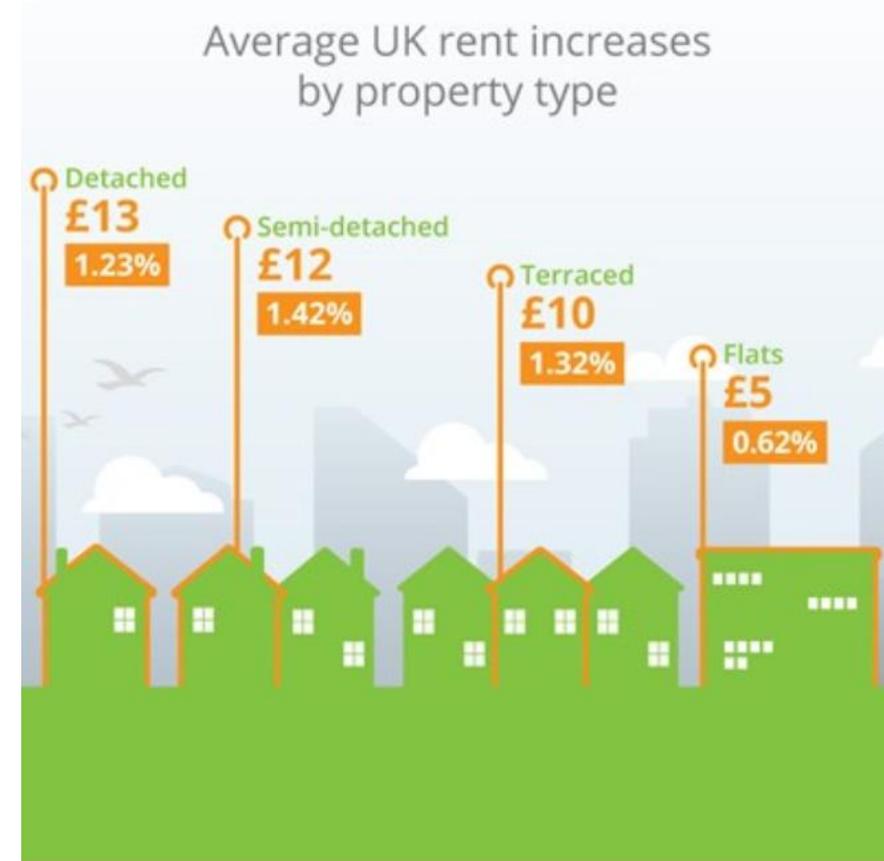


Upsizing and ruralising

In Q3 2020, with much of the nation having switched to remote working to help fight the spread of the virus, the Rent Index signalled new trends emerging. The data showed **a shift from city-living to to country life**, with rents showing declines in many of our major population areas, and conversely average rents rising in many rural areas. This shift towards country living was less pronounced by Q4 2020.

The second and longer lasting trend observed in Q3 2020 was **a shift towards larger properties**. In Q3 2020, **average rent of flats** in the UK actually **fell to £795**, down £3 (-0.38%) from £798 in Q1 2020, before a modest recovery in Q4 to £803, an overall rise of £5 (0.63%) since Q1. In contrast, by Q4 2020 all other properties showed significant growth compared to Q1 2020. Terraced properties increased £34 (4.69%), Semi-detached houses climbed £30 (3.67%), with **a Detached homes seeing the greatest rise of £48** (4.77%) in the period.

The **last quarter** has seen things settle down once again, with **average rents for all property types showing growth as perhaps the clamour for a move to a larger property has subsided**. Flats grew by £5 (0.62%) to £808, Terraced properties by £10 (1.32%) to £769, Semi-detached rose £12 (1.42%) and Detached housing up £13 (1.23%) to £1,068.



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A tricky to predict future

With the end of lockdown coming into view, many large companies are now planning for a post-Covid future that for some will provide greater flexibility for employees. With ideas ranging from full time home working, a weekly mix of home and office working, to staff living where they wish and using local offices or branches to work from, businesses appear to have come to terms with the concept that it's not where you work but how you work. A flexible approach can reap dividends in employee satisfaction and productivity, not to mention the opportunity to reduce operating overheads and costly commercial property commitments. It's probably too soon to say what choices businesses will make once restrictions come to an end, or what effect that may have on renters property decisions and where they choose to live. It may be a year since we first said it, but it's once again difficult to predict the effect the pandemic will ultimately have on the lettings industry.

"The stabilisation of rents in London suggests that the tenants who have decided to leave the city during the pandemic for work or space reasons have already done so, perhaps to live in cheaper areas or to move nearer to, or back in with, family."

"We're aware of significant commitment from media and government organisations to invest long-term in the North, including a number of transport and infrastructure projects, which could well be driving the demand we're seeing in the region for property."

"There remains strong demand for all types of properties, and rents overall across the UK seem to be withstanding pandemic conditions."

Matt Trevett, Managing Director, The DPS

