

Performance of the PRIVATE RENTAL MARKET IN NORTHERN IRELAND

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INTRODUCTION

This survey analyses the performance of the Northern Ireland rental market during the first half (January to June; 'H1') of 2021. The report provides an analysis of trends and patterns at a regional level during this six-month period, drawing comparisons with the second half of 2020 as a measure of half yearly change and with the same period in 2020 as an indicator of annual change. The report is produced by Ulster University in partnership with the Northern Ireland Housing Executive (NIHE) and PropertyNews.com.

The statistics presented in this report are based on a sample of 6,967 rental transactions recorded on PropertyNews.com and the Housing Executive's 'LHA dataset for Housing Benefit' database for the first half of 2021. The rent statistics are based upon market evidence which encompasses ongoing COVID-19 pandemic guidance and restrictions which could have affected data collection.

As highlighted in the last report on this analysis, it is also worth noting that, unrelated to the COVID-19 pandemic, the Housing Executive's Housing Benefit Unit made a policy decision at the start of 2020 to reduce the overall volume of data collected for LHA purposes by approximately one third from that point on. Data collection for LHA purposes during Q1 2020, specifically, was also affected by staff resourcing. While the processes involved in merging and cleaning the datasets from the Housing Executive and PropertyNews.com for this analysis mean that any change in the amount of data derived from the Housing Executive LHA database may not lead to a commensurate change in the number of transactions recorded in this report, it is worth bearing in mind that the reduced LHA dataset is likely to be reflected in the overall size of each half-yearly sample from H1 2020 on, including the H1 2021 sample.

In this report, information is presented on the residential rental sector for Northern Ireland, with an analysis of average rental prices by different property types and number of bedrooms. The overall performance of the private rental market is measured by a weighted rental index, reflecting the weighted average by property type. The index measures changes in average rents over time and is set to a base value of 100 for the first quarter of 2013. Regional analysis also considers trends, primarily, in Local Government Districts (LGDs), as well as by functional Housing Market Areas (HMAs), identified in research for the Housing Executive.

KEY FINDINGS

The latest survey of the Northern Ireland private rental market indicates strong growth in average rents which have accelerated over both the half yearly and annual time-frames analysed. Following the unprecedented lockdown measures, the market has rebounded and then shown latent pressures related to change in behaviour and inelastic supply in the market which has caused acceleration in average rents across many rental locations. Therefore, whilst the market remains strong and buoyant, there are clear signs of market pressures emerging relating to the availability of rental stock and rental affordability.

The key headlines relating to the rental market in H1 2021 are:

- the number of rental transactions decreased by 9.1% over the half year, although transaction volume is up by 13% in annual terms
- average rents across Northern Ireland increased by 4.8% from H2 2020, to £703 per month, and were up 9.2% compared to H1 2020
- the average monthly rent across the Belfast City Council Area (BCCA) increased by 3.2% to £782, up 7.2% in annual terms
- outside of Belfast, the average LGD rent was up by 2.5% over the half year period to £613 per month and up by 6% over the year.

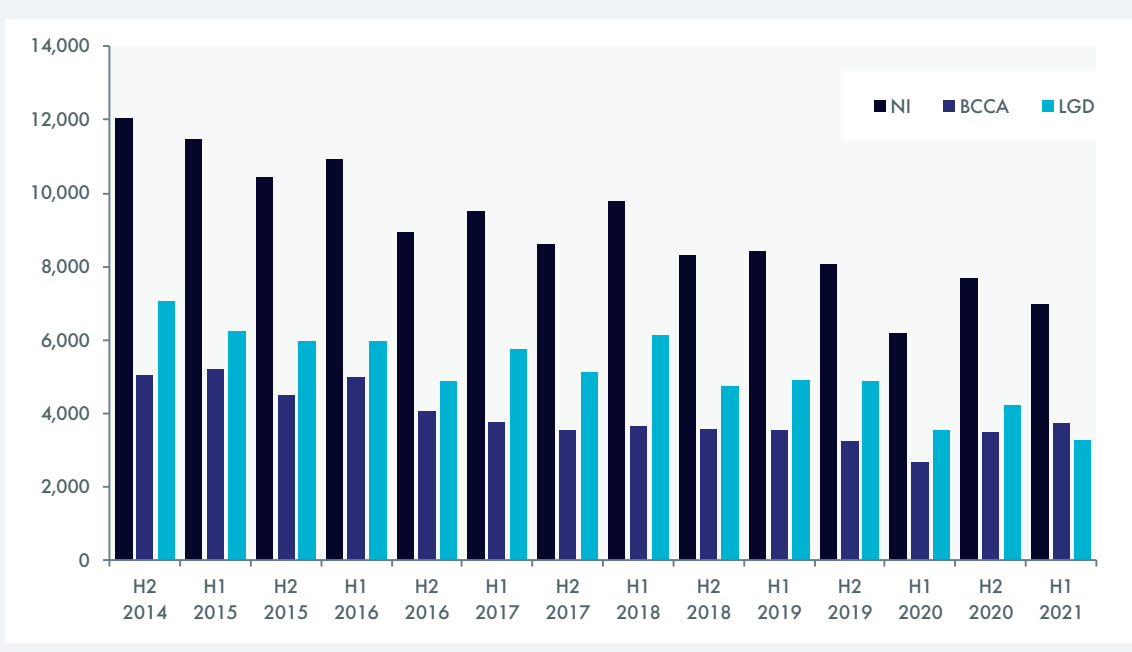


RENTAL TRENDS

Number of Lettings

During the first six months of 2021, this survey captured 6,967 rental transactions across Northern Ireland, reflecting a 9.1% decline on the last six months of 2020. Annual comparison with the same period last year (H1 2020) indicates a 13% increase in the number of rental market transactions, although it should be borne in mind that the annual picture is somewhat distorted by the period of market closure in the first half of 2020 (**Figure 1**). Considering the longer-term trend of market transactions, the picture continues to show evidence of latent market pressures due to rental transactional decline in a market where demand remains high, which is leading to growth in average rents.

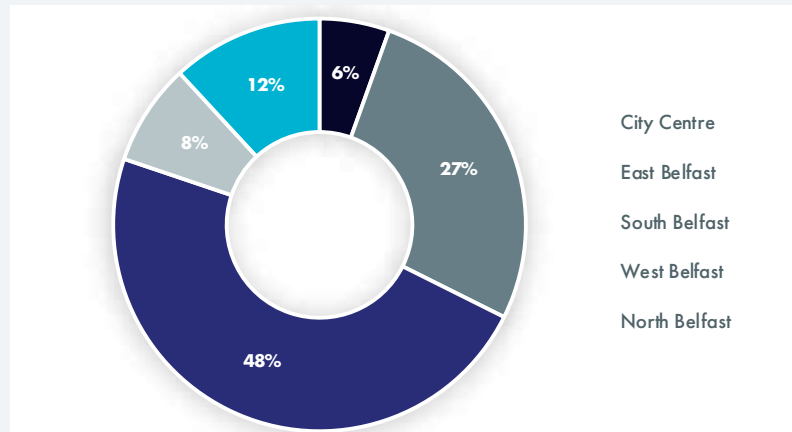
FIGURE 1 Number of lettings – NI, Belfast City Council Area and other LGDs, H2 2014-H1 2021



Belfast City Council Area

Within the Belfast City Council Area (BCCA), there were 3,700 lettings in the first half of 2021, representing a 6.8% increase on the previous half year and the largest sample of lettings since the first half of 2017. The annual trend also records a significant increase in transactions, up 39.9% when compared to the same period in 2020. This reflects the comparison with the period of partial market closure, with consecutive periods of high market churn and demand in the Belfast area since the re-opening of the market in H2 2020. For this survey, the Belfast rental market accounts for 53.1% of all rental transactions over the half year period, up considerably from H2 2020 (45.2%). Within the BCCA, the survey indicates the largest proportion of market activity remains in the South (47.6% of lettings) and East (26.5%); the comparatively lower volume of activity in the North (11.9%) and West (8.5%) reflects the different housing market structures across the Belfast area (**Figure 2**).

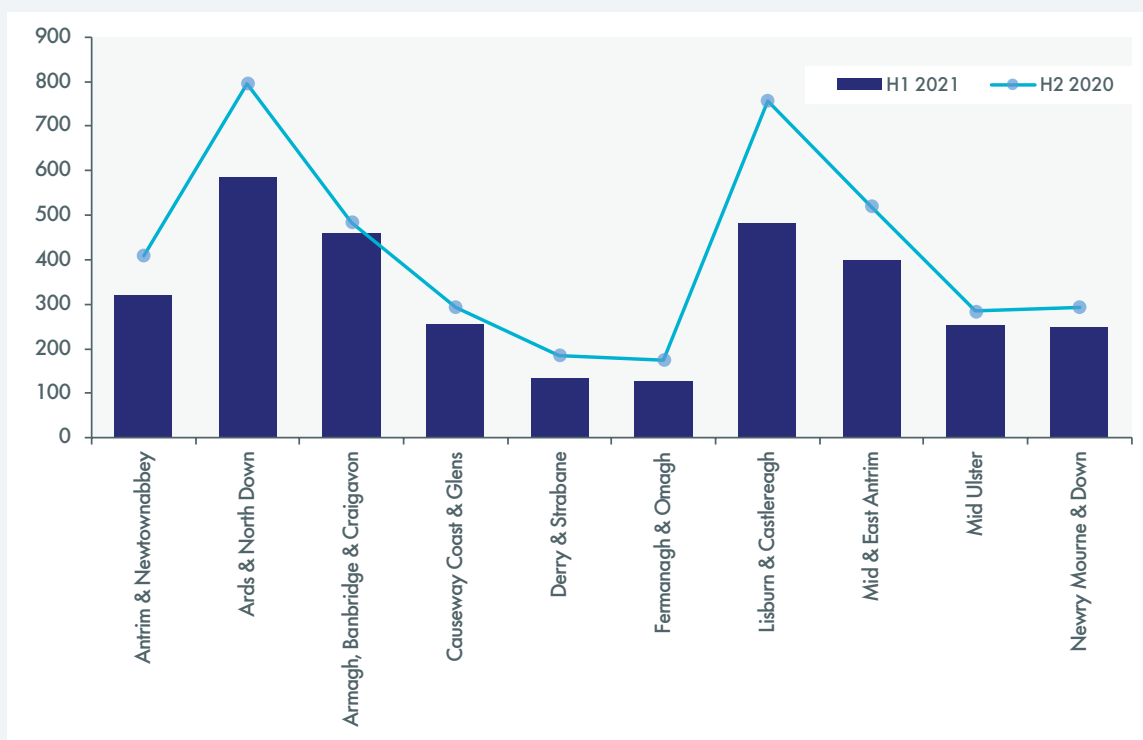
FIGURE 2 Proportion of lettings by sub-market, Belfast City Council Area, H1 2021



Local Government Districts

During H1 2021, there were 3,267 lettings in LGDs outside of Belfast: down 22.2% over the half year, and by 7.3% in annual terms. Both the half year and annual statistics point to reduced market churn in LGDs outside of Belfast, and to market stress in terms of supply, with most LGDs observing a reduced number of lettings (Figure 3). Overall, the survey indicates that LGDs outside of BCCA accounted for a reduced market share at 46.9% of all rental transactions in Northern Ireland, down from the previous survey (H2 2020, 54.8%). Consistent with the sector and previous survey trends, the rental markets within the wider Belfast metropolitan area and those on the main arterial corridor to Belfast record the highest levels of rental activity, albeit some at significantly reduced levels: Ards & North Down (586), Lisburn & Castlereagh (482), Armagh, Banbridge & Craigavon (458) and Mid & East Antrim (400). The rural district of Fermanagh & Omagh (128) and the Derry & Strabane (135) area both displayed low transactional activity. **Figure 3** shows the number of rental transactions across all LGDs in H1 2021 relative to the last six months of 2020.

FIGURE 3 Number of lettings by Local Government District (outside Belfast), H2 2020 and H1 2021



MARKET SHARE

Whilst the volume of lettings has varied over the last few editions of the survey, the composition of the private rental sector remained relatively consistent. For this survey, some change was observed, with apartments holding the largest proportion of market share (40%) and the terrace/townhouse sector taking a slightly reduced share of lettings (38%). The market share of the semi-detached sector (14%) was slightly down from the previous survey (15%) and the detached sector decreased to 7%, indicating the lack of churn and supply in these sectors, which is consistent with wider market evidence of landlords selling and of trading up within the owner-occupied sector..

In the Belfast rental market, the main volume of lettings remains apartments (48%) and terrace/townhouses (41%), which together account for 89% of all rented properties in Belfast and highlights the low volume of market lettings for semi-detached (9%) and detached properties (2%) over the half year. For LGDs outside Belfast, the distribution of rental lettings by property type is similar to that of previous surveys with terrace/townhouse properties marginally remaining the largest sector (35%), followed by apartments whose share has increased to 31%. Semi-detached properties account for one fifth (20%) of the market. The figures underline the different market composition of the Belfast City Council Area compared with other local authority areas and the percentage change statistics point to lack of supply in LGDs outside of BCCA.

TABLE 1 Properties let by type, H1 2021

Property type	NI	HY Δ	BCCA	HY Δ	LGDs	HY Δ
Apartment	2,801 (40%)	0.6%	1,786 (48%)	9.0%	1,015 (31%)	-11.5%
Terrace/Townhouse	2,675 (38%)	-12.8%	1,527(41%)	2.6%	1,148 (35%)	-27.4%
Semi-detached	979 (14%)	-13.7%	320 (9%)	13.1%	659 (20%)	-22.6%
Detached	512 (7%)	-24.1%	67 (2%)	21.8%	445 (14%)	-28.2%
ALL	6,967	-9.1%	3,700	6.8%	3,267	-22.2%

Δ denotes percentage change

When disaggregated by number of bedrooms, the market composition remained broadly the same as previous surveys. At the Northern Ireland level, two and three-bedroom properties remain the most common property sizes, accounting for the majority of all lettings (76%) over the first half of the year. This trend was generally reflected in the BCCA, where almost three-quarters (70%) of properties let were in these categories, with two-bedroom properties accounting for almost half of the market share (46%). By comparison, the statistics for LGDs outside of the BCCA indicate that three-bedroom properties accounted for almost half of rental transactions (47%), with two-bedroom properties comprising just over a third (34%) of lettings. The analysis once again confirms the difference in market composition by bedroom categories.

TABLE 2 Properties let by size, H1, 2021

No. of bedrooms	NI	HY Δ	BCCA	HY Δ	LGDs	HY Δ
1 Bedroom	694 (10%)	-5.8%	400 (11%)	-7.4%	294 (9%)	-3.6%
2 Bedroom	2,836 (41%)	-6.1%	1,711 (46%)	5.0%	1,125 (34%)	-19.0%
3 Bedroom	2,404 (35%)	-15.5%	886 (24%)	7.4%	1,518 (47%)	-24.9%
4+ Bedroom	1,033 (15%)	-2.6%	703 (19%)	21.8%	330 (10%)	-31.8%
ALL	6,967	-9.1%	3,700	6.8%	3,267	-22.2%

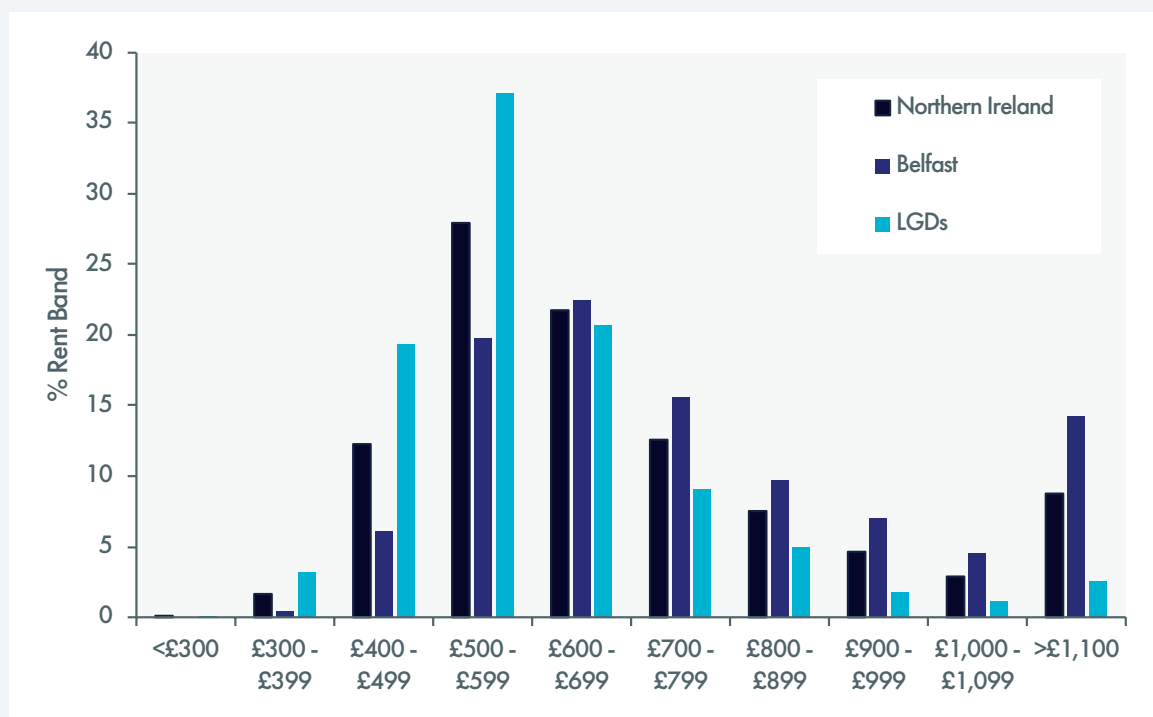
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DISTRIBUTION OF RENTS

In terms of distribution of average rents, 28% of rental properties let across Northern Ireland in the first half of 2021 fell within the £500-£599 band – down three percentage points when compared with the same period in 2020 (H1 2020: 31%). For BCCA, this proportion stood at 19.8%, down 5% in annual terms (H1 2020: 25%) and comparatively lower than the figure for the aggregated LGDs (37%). The £400-£499 rental band accounted for 12% of lettings across Northern Ireland, a reduction of 5% on the previous survey and by 9% on the same period in 2020 (H1 2020; 21%). A significantly higher proportion of lettings in LGDs outside Belfast (19%) fell within the £400-£499 band in comparison to the BCCA (6.1%), with the proportion falling in this band decreasing over the last six months. The proportions of lettings across the LGDs outside Belfast in the £400-£499 and £500-£599 range has decreased to 57% from the last survey (59%); the comparative figure for the BCCA is 26% (down from 31% in H2 2020). Overall, the proportion of rents in Northern Ireland above £600 has increased to 58.1% - up from 52% in H2 2020, highlighting the degree of rent inflation over the period which has likely been fuelled by the pent-up market demand and limited stock availability. For the BCCA, the proportion of rental lettings above £600 increased 6% relative to the second half of the year to 73.5%. Similarly, the proportion of rents above £600 in LGDs outside of Belfast stood at 40%, two percentage points up on the previous survey (38%). The rent distribution over the first half of 2021, when compared with previous surveys, once again emphasises the continuing shift in rent distributions towards higher pricing bands, indicating an acceleration of rents across all regions. These statistics suggest impending market shocks in terms of rental affordability, rental supply and rent inflation (**Figure 4**).

FIGURE 4 Proportion of properties let by rent band – NI, BCCA and other LGDs, H1 2021



Rent structure

Further insight on private rented market trends can be observed in the distribution and variance of rents across the district council areas. The survey indicates that during the first half of 2021, lower quartile, median and mean rent levels increased across most LGDs, with a narrowing in rental variance also evident across some locations. This points to a pattern of shifting rents towards a higher pricing structure consistent with the upward pressures of rental demand. The Coefficient of Variation (CoV) ratio provides a relative measure of variability in rents, thereby offering a comparable metric which indicates the extent of variability in relation to the mean rent within each district council area. For this survey, Ards & North Down displayed the highest comparative rental spread at 44%, followed by Belfast City Council Area, which stood at 35% – reflecting the variation and availability of rental stock in these areas (**Table 3**).



TABLE 3 Average, median, 25th and 75th percentile rents and coefficient of variance by LGD, H1 2021

Council area	Average rent (£)	Coefficient of variance (%)	Median rent (£)	25 th percentile	75 th percentile
Antrim & Newtownabbey	£612	29	£573	£512	£661
Ards & North Down	£714	44	£625	£525	£795
Armagh Banbridge & Craigavon	£566	20	£550	£500	£615
Belfast	£782	35	£700	£595	£900
Causeway Coast & Glens	£558	23	£544	£491	£600
Derry & Strabane	£543	24	£527	£475	£578
Fermanagh & Omagh	£497	19	£484	£433	£547
Lisburn & Castlereagh	£691	27	£650	£575	£752
Mid & East Antrim	£556	21	£549	£475	£600
Mid-Ulster	£577	17	£573	£522	£629
Newry Mourne & Down	£597	24	£570	£519	£650

¹The Coefficient of Variation (CoV) is a measure of relative variability. It is the ratio of the standard deviation to the mean (average). The CoV is particularly useful when comparing results from surveys or samples that have different measures or values. In this case, for example, if the sample for District A has a CoV of 10% and the sample for District B has a CoV of 20%, we can say that District B has more variation in rent, relative to its mean rent, than District A.

FIGURE 5

RENTAL PERFORMANCE BY REGION, H1 2021

Rental Price Annual Percentage Change

5.6 - 7.0%	1.1 - 2.5%
4.1 - 5.5%	(-0.6) - 1.0%
2.6 - 4.0%	(-2.1) - (-0.5%)

Mid and East Antrim

Average rent H1 2021	£556
Average rent H2 2020	£545
Half yearly variance	1.9%
Average rent H1 2020	£532
Annual variance	4.5%

Northern Ireland

Average rent H1 2021	£703
Average rent H2 2020	£670
Half yearly variance	4.8%
Average rent H1 2020	£643
Annual variance	9.2%

Antrim and Newtownabbey

Average rent H1 2021	£612
Average rent H2 2020	£606
Half yearly variance	0.9%
Average rent H1 2020	£564
Annual variance	8.4%

Causeway Coast and Glens

Average rent H1 2021	£558
Average rent H2 2020	£537
Half yearly variance	3.9%
Average rent H1 2020	£530
Annual variance	5.3%

Derry and Strabane

Average rent H1 2021	£543
Average rent H2 2020	£554
Half yearly variance	-2.0%
Average rent H1 2020	£526
Annual variance	3.3%

Fermanagh and Omagh

Average rent H1 2021	£497
Average rent H2 2020	£499
Half yearly variance	-0.5%
Average rent H1 2020	£484
Annual variance	2.7%

Mid Ulster

Average rent H1 2021	£577
Average rent H2 2020	£565
Half yearly variance	2.0%
Average rent H1 2020	£535
Annual variance	7.9%

Armagh, Banbridge and Craigavon

Average rent H1 2021	£566
Average rent H2 2020	£538
Half yearly variance	5.2%
Average rent H1 2020	£536
Annual variance	5.6%

Lisburn and Castlereagh

Average rent H1 2021	£691
Average rent H2 2020	£666
Half yearly variance	3.8%
Average rent H1 2020	£667
Annual variance	3.5%

Belfast

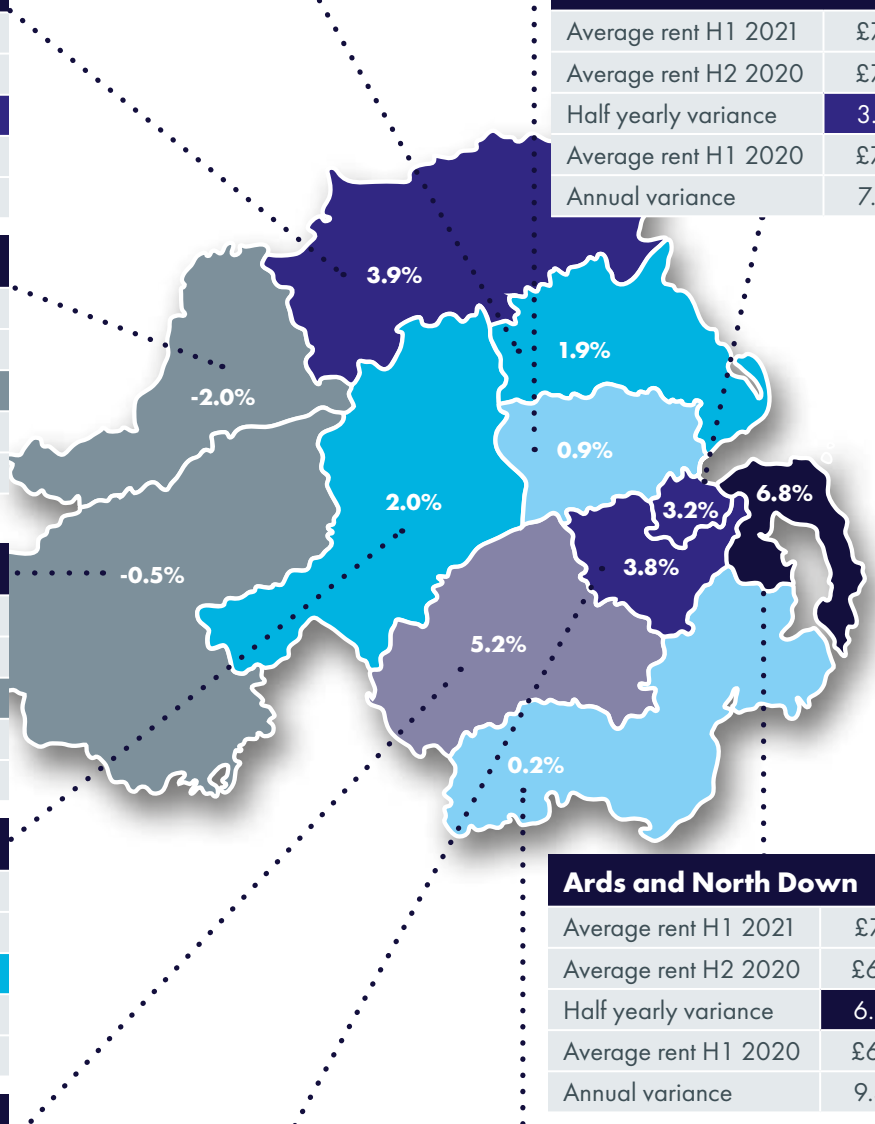
Average rent H1 2021	£782
Average rent H2 2020	£758
Half yearly variance	3.2%
Average rent H1 2020	£730
Annual variance	7.2%

Ards and North Down

Average rent H1 2021	£714
Average rent H2 2020	£669
Half yearly variance	6.8%
Average rent H1 2020	£653
Annual variance	9.3%

Newry, Mourne and Down

Average rent H1 2021	£597
Average rent H2 2020	£596
Half yearly variance	0.2%
Average rent H1 2020	£573
Annual variance	4.2%



NORTHERN IRELAND

The statistics show a strong rate of growth in average rents across Northern Ireland, which are up by 4.8% over the half year to £703, and up by 9.2% annually (Figure 5). When disaggregated by property type, performance over the half year is resilient with increases across all market sectors. The average rent for terrace/townhouse properties is appreciably up by 6.9% to £696 per month. Semi-detached properties also recorded strong rates of growth, up 4.8% to £691 per month, with detached properties up by a similar rate (4.5%) to £841 per month. Apartments also recorded increases to £688 in average rents, up by a rate of 3.6%.

LOCAL GOVERNMENT DISTRICTS OUTSIDE BELFAST

For district council areas outside the BCCA, the picture is of rental growth across most locations, although to varying degrees. Overall, the average rent stood at £613 per month, gains of 2.5% over the half year, with a higher rate of growth (6%) recorded annually. The average rent remains considerably below the overall Northern Ireland average monthly rent of £703, with rental variance again widening over the last six months. Table 4 (below) details the recorded average rents by property type across the local government districts. Over the time period, the general picture is of rent increases across most Local Government Districts by property type and, consistent with previous editions of the survey, comparatively higher rents by property type in those districts near Belfast.

TABLE 4 Average rent by property type (LGDs outside Belfast), H1 2021

Council area	Average rent by property type (£)				
	Apartment	Terrace/ Townhouse	Semi- detached	Detached	ALL
Antrim & Newtownabbey	£530	£561	£665	£908	£612
Ards & North Down	£661	£613	£760	£1,053	£714
Armagh Banbridge & Craigavon	£469	£545	£595	£730	£566
Causeway Coast & Glens	£499	£541	£581	£697	£558
Derry & Strabane	£480	£576	£606	£774	£543
Fermanagh & Omagh	£441	£498	£538	£586	£497
Lisburn & Castlereagh	£621	£644	£719	£887	£691
Mid & East Antrim	£526	£533	£599	£701	£556
Mid-Ulster	£496	£557	£608	£650	£577
Newry Mourne & Down	£519	£576	£613	£700	£597
ALL	£556	£569	£647	£807	£613

BELFAST METROPOLITAN AREA

Across the wider Belfast Metropolitan region, the district council areas adjacent to Belfast recorded half yearly and strong annual growth in average rents. The **Antrim & Newtownabbey** district council area recorded an average rent of £612, marginally up over the half year (0.9%), with a strong rate of growth observed annually (8.4%). In the **Ards & North Down** district, the average rent increased by 6.8% over the half year to £714, up by 9.3% in annual terms. For **Lisburn & Castlereagh**, average rents displayed modest gains over the half year, up 3.8% to £691 per month, with a similar rate of growth seen over the year (3.5%).

NORTH & NORTH WEST

The district council areas in the North and North West also observed some growth in average rents, although there was a degree of variability by location and over the time periods analysed. In **Mid & East Antrim**, the picture was also one of rental growth with average rent up by 1.9% on the previous six-months, to £556, reflecting a 4.5% increase in annual terms. In the **Causeway Coast & Glens** area, stronger performance was observed with average rents up by 3.9% over the half year to £558 and by 5.3% over the year. For **Derry & Strabane** average rents were down by 2% over the half-year, to £543 per month but recorded annual growth of 3.3% when compared with the same period last year.

THE SOUTH

To the south, the picture is one of rental growth over the half year and year, although a degree of variability in growth was observed between districts. For the **Armagh Banbridge & Craigavon** region, average rents accelerated by 5.2% over the half year to £566, representing a 5.6% increase over the year. In the **Newry Mourne & Down** district, rental growth was more subdued, with the average rent recorded as £597 per month, which was relatively unchanged over the half year (0.2%) but up by 4.2% annually.

THE WEST

For the districts in the west of Northern Ireland, rental performance was variable over the half year but modest increases were recorded in annual terms. In **Fermanagh & Omagh**, the average monthly rent remained relatively unchanged, down half a per cent to £497 per month. Over the year, average rents increased by 2.7%. In **Mid-Ulster** district average rents increased by 2% to £577 per month, and a strong rate of growth was observed over the year (7.9%).

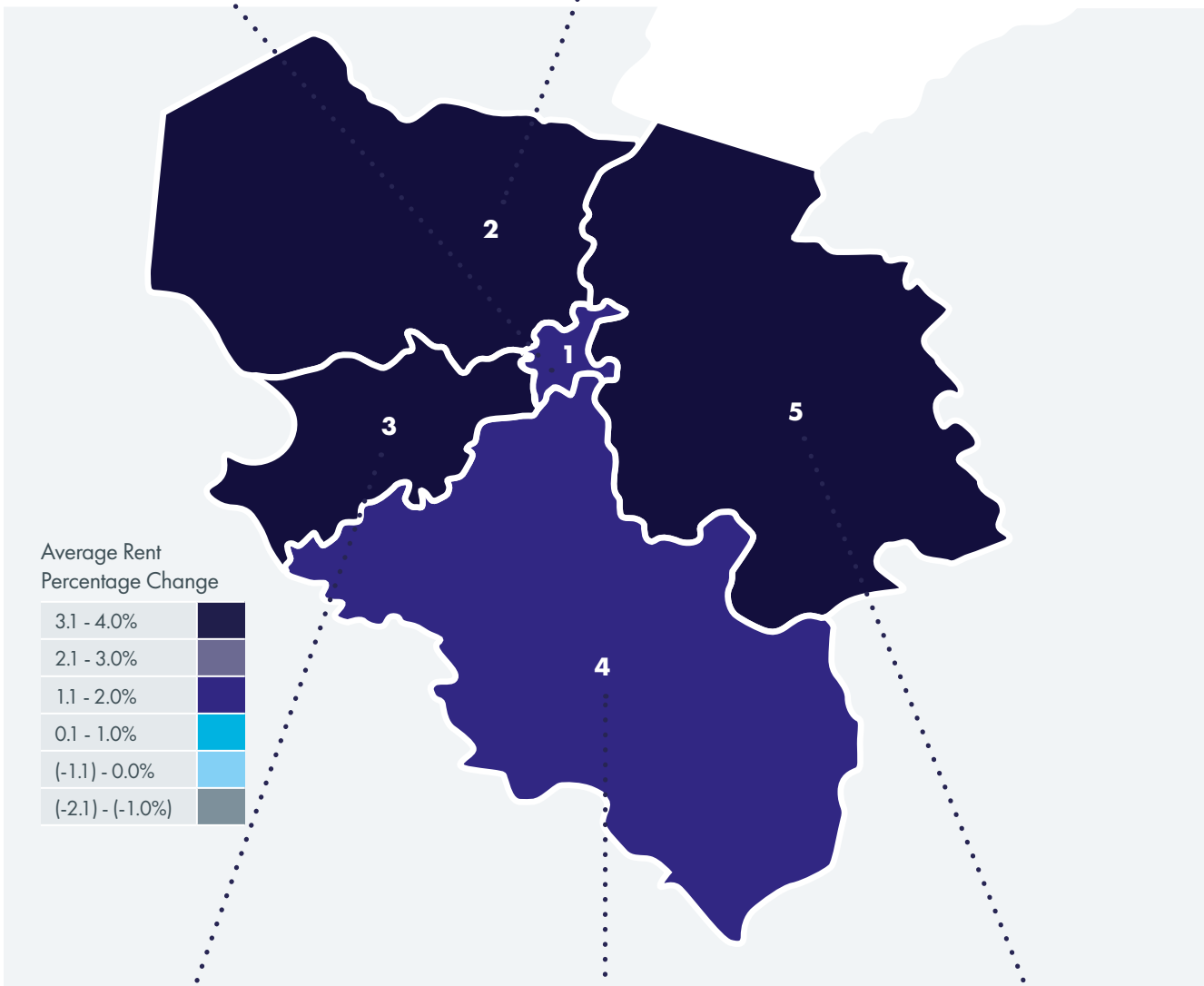


BELFAST CITY COUNCIL AREA

This section briefly considers the average rental values for rental sub-markets across the Belfast City Council Area (Figure 6).

FIGURE 6 Average rent in BCCA, H1 2021

1. Belfast City Centre		2. North Belfast		Belfast LGD	
Average rent H1 2021	£856	Average rent H1 2021	£571	Average rent H1 2021	£782
Average rent H2 2020	£846	Average rent H2 2020	£552	Average rent H2 2020	£758
Half yearly variance	1.2%	Half yearly variance	3.4%	Half yearly variance	3.2%
Average rent H1 2020	£926	Average rent H1 2020	£550	Average rent H1 2020	£730
Annual variance	-7.5%	Annual variance	3.7%	Annual variance	7.2%



3. West Belfast	
Average rent H1 2021	£633
Average rent H2 2020	£610
Half yearly variance	3.8%
Average rent H1 2020	£608
Annual variance	4.1%

4. South Belfast	
Average rent H1 2021	£911
Average rent H2 2020	£897
Half yearly variance	1.5%
Average rent H1 2020	£854
Annual variance	6.6%

5. East Belfast	
Average rent H1 2021	£682
Average rent H2 2020	£659
Half yearly variance	3.5%
Average rent H1 2020	£649
Annual variance	5.2%

For this survey, the average rent for the BCCA stood at £782 per month, representing a 3.2% increase relative to the previous half year, and a 7.2% increase in annual terms. Although there is a degree of variability in performance across the sub-market areas, the analysis depicts a picture of sustained growth in all locations over the half year. The City Centre recorded a half yearly increase in average rents, up 1.2% to £856 per month, although it is noteworthy that the average rent recorded an annual decrease (7.5%) in this location. This, to some extent reflects a pricing correction in the market following latent pressures from lockdown restrictions. North Belfast recorded an average monthly rent of £571, representing a modest half-yearly gain of 3.4%, with a similar rate of growth observed over the year (3.7%). A similar picture was evident in West Belfast where average rents grew by 3.8% to £633 per month, reflecting growth of 4.1% annually. In East Belfast, the average rent also increased over the half year, up 3.5% to £682 per month, with a stronger rate of performance recorded over the year at 5.2%. Average rent in the South Belfast sub-market also displayed slight growth over the half year period, up 1.5% to £911 per month and by 6.6% in annual terms (Figure 6).

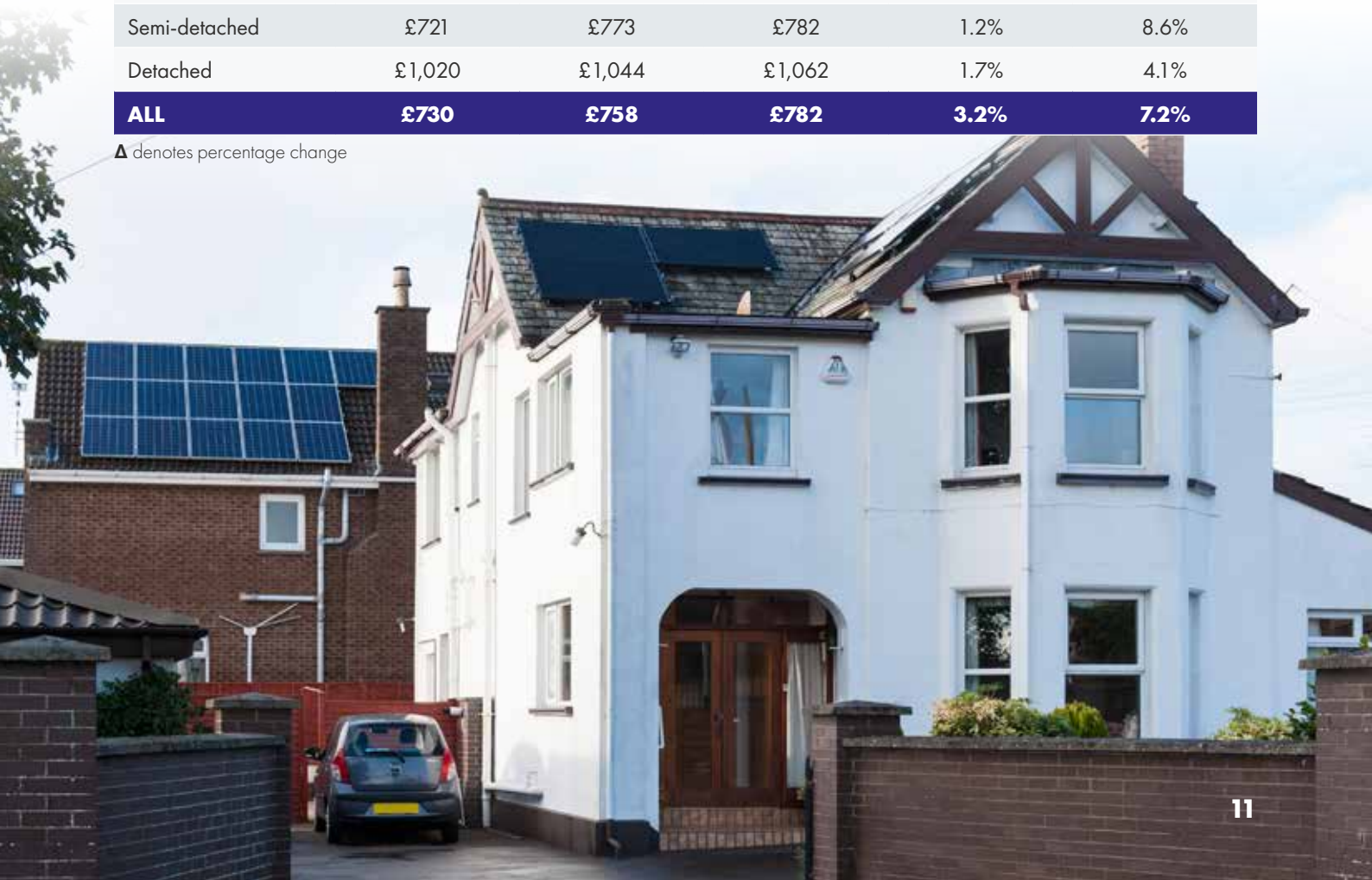
BCCA AVERAGE RENT BY TYPE

The average rent across the Belfast City Council Area increased by 3.2% over the half year period to £782 per month. Rental growth was recorded across all property types, over the half year time period (Table 5); average rent for terrace/townhouse properties was appreciably up by 5.4% to £792, with detached properties up by 1.7% to £1,062 per month and apartments observing a similar rate of growth (1.5%) at £763 per month. In annual terms, the picture depicts strong rental growth across all sectors, particularly in the terrace/townhouse and semi-detached sectors.

TABLE 5 Average Rent by Property Type, Belfast City Council Area, H1 2020-H1 2021

Property type	BCCA H1 2020	BCCA H2 2020	BCCA H1 2021	Half Yearly Δ	Annual Δ
Apartment	£724	£752	£763	1.5%	5.3%
Terrace/Townhouse	£721	£751	£792	5.4%	9.9%
Semi-detached	£721	£773	£782	1.2%	8.6%
Detached	£1,020	£1,044	£1,062	1.7%	4.1%
ALL	£730	£758	£782	3.2%	7.2%

Δ denotes percentage change



RENT AT POSTCODE LEVEL

Analysed at the aggregate postcode level, the rent grid in **Table 6** summarises rents across the wider Belfast Metropolitan Area and highlights the considerable variation in average monthly rents at postcode level by number of bedrooms. For example, the average rent for a three-bedroom property varied from £542 in BT13 to £1,274 in BT2. Consistent with the previous surveys, there is less market churn in the one-bedroom and four-bedroom sectors at the postcode geography.

TABLE 6 Average rent by postcode district and property size, Belfast area, H1 2021

Postcode	1 Bed	2 Bed	3 Bed	4+ Bed	ALL
BT1	£828	£849	£972	*	£854
BT2	£744	£806	£1,274	*	£859
BT3	£636	£860	*	*	£838
BT4	£620	£651	£704	£1,211	£697
BT5	£531	£618	£739	£968	£666
BT6	£557	£638	£731	£988	£674
BT7	£578	£773	£822	£1,192	£933
BT8	£535	£640	£803	£924	£723
BT9	£600	£758	£937	£1,218	£907
BT10	*	£731	£849	*	£761
BT11	*	£627	£687	£678	£646
BT12	£563	£607	£612	£778	£619
BT13	£504	£553	£542	*	£550
BT14	£522	£545	£607	£679	£574
BT15	£463	£564	£657	£905	£591
BT16	*	£654	£683	*	£687
BT17	*	£640	£733	*	£669
BT18	£1,036	£797	£965	£1,699	£943
BT19	£688	£757	£1,074	*	£754
BT20	£438	£602	£750	£961	£649
BT23	£516	£588	£678	£945	£647
BT26	*	£670	£830	£1,176	£826
BT27	*	£562	£649	£949	£621
BT28	£459	£638	£691	£943	£676
BT36	*	£594	£632	*	£620
BT37	*	£544	£604	*	£602
BT38	£447	£529	£609	£708	£566

* denotes insufficient sample size

REGIONAL ANALYSIS BASED ON HOUSING MARKET AREAS

Regional analysis is also undertaken using the functional Housing Market Areas (HMAs), defined on the basis of research that was undertaken for the Housing Executive to help guide spatial study of the housing system².

Functional Housing Market Areas H1 2021

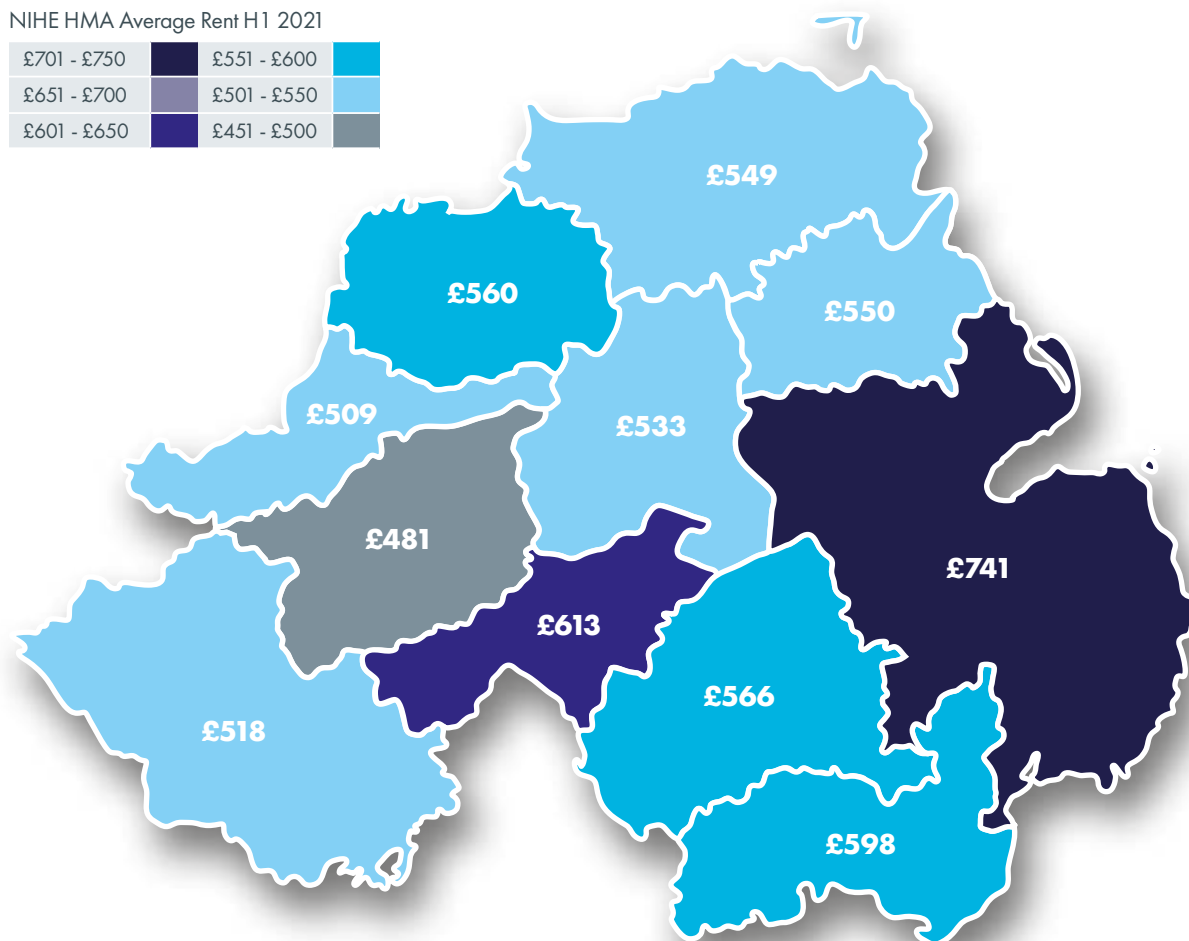
Figure 7 presents the average rents across the HMAs, with the statistics revealing varying degrees of rent price change. The Belfast Metropolitan HMA displayed an average rent of £741 per month, the highest across the HMAs by a considerable margin and up 4.9% on the previous half year. The Craigavon (£566) and Dungannon (£613) HMAs, situated on the urban corridor, recorded growth in average rent, up 5.2% and 2.2% on the previous survey.

In the more rural HMAs the picture was more varied. In the West, average rents remained relatively unchanged with the Cookstown HMA increasing by 1% over the half year to £533 per month, and the Fermanagh HMA unchanged at £518. The Omagh HMA observed decline of 1.2%, recording a reduced average rent of £481 per month. To the South, the Newry HMA stands at £598 per month, down by 3.1% over the half year. In the North, the Ballymena HMA increased by 1% to £550, Causeway Coast (£549) and Derry (£560) HMAs displayed similar average rents levels, up by 1.7% and 1.3% respectively. The Strabane HMA recorded a large increase of 12% over the half year, increasing from £454 to £509 in this survey.

FIGURE 7 Rental Performance by functional Housing Market Areas (HMAs), H1 2021

NIHE HMA Average Rent H1 2021

£701 - £750	£551 - £600
£651 - £700	£501 - £550
£601 - £650	£451 - £500



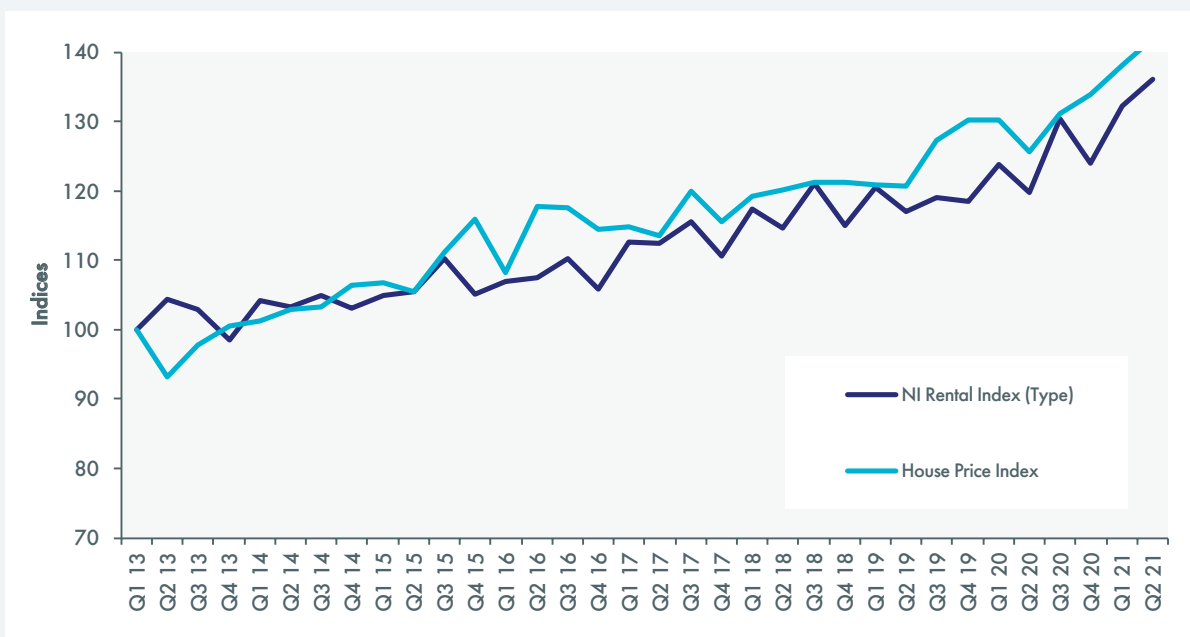
²The research identified eleven broad housing market areas within Northern Ireland. See: www.nihe.gov.uk/getmedia/4ae016fe-6702-4080-983e-dac39738b342/Mapping-Northern-Irelands-Housing-Market-Areas.pdf.aspx?ext=.pdf



THE NORTHERN IRELAND PRIVATE RENTAL INDEX

The Northern Ireland Private Rental Index (NIPRI) measures weighted change in average rents by property type by comparison with the base quarter for the survey, the first quarter of 2013. The index stands at 136.2 at Q2 2021 (Figure 8). The quarterly trend shows that the index increased sharply over the first quarter of the year, reflecting the continuing effect of market filtering processes and heightened market activity levels following the market re-opening in H2 2020. In a break with usual trends, the index then increased sharply into the second quarter of the year, and was appreciably up annually when compared to the same period in 2020. The observed index values highlight the rapid acceleration in rents over the last year. The index indicates that rents are up over 12.2 percentage points in the last six months and by 16.4% annually, when compared with the same period in H1 2020. Likewise, the Northern Ireland house price index followed a similar trend over the first half of the year; whilst rents converged towards accelerating property value in the first quarter, both house prices and rents are trending in parallel over the second quarter. This is important, as accelerating house prices, together with lack of supply across market sectors and the drag effects of COVID-19 economic and labour forecasts, will continue to put upward pressure on average rents and a long shadow on the rental sector in terms of unaffordability and unmet housing need.

FIGURE 8 Rental Index v House Price Index trend, Q1 2013-Q2 2021



CONCLUSION

As the market continues to steer through the uncertain and choppy waters of COVID-19, there appear to be discernible trends in the rental sector, dominated by lack of rental product, with market forces leading to inflation of average rents. Indeed, the previous edition of the survey cautioned of continued market shocks and rent acceleration against pent up demand. This forecast holds true in the analysis of the first half of this year where average rents were appreciably up by 4.8% on the previous six months and by 9.2% annually. At the regional level, average rents were variable, observing modest to strong pricing performance across the half year and annually in most rental locations. The average rent in the BCCA was up by 3.2% over the half year period to £782 per month and by 7.2% in annual terms. In districts outside of Belfast, a slightly dampened rate of growth was observed over the period, with average rent increasing by 2.5% over the half year to £613 per month, with a stronger rate of performance observed annually (6%).

Despite the continued vibrancy of the market, transaction levels were down 9.1% for this survey, in comparison with H2 2020, which reflects changes in market behaviour due to COVID-19, with many renters choosing to remain in their leases until there is more certainty in terms of economic and labour outlook. This, coupled with evidence of landlords selling and the lack of available product, has resulted in inelastic supply and waiting lists for rental properties. Consequently, the strong demand for rental properties, against the downturn in supply, has created pricing inflation across various locations of the market. The pricing analysis in this report is important, as the sharp increases in average rents and accelerating house prices, together with a lack of supply across market sectors and the likely drag of the pandemic on economic outlook, will continue to exert upward pressure on average rents. These conditions point to a heating and unsustainable market in terms of rental affordability and available product with significant implications for tenure choice and unmet housing need as we move into the second half of the year.





ABOUT THE NI RENTAL INDEX

The Northern Ireland rent index is a tool designed for practical application by policy makers and stakeholders. For this reason, methodological simplicity and transparency are important. The research has combined rental data from PropertyNews.com with rent data provided by the Housing Executive. The rental data provided by the Housing Executive is used to calculate the Local Housing Allowance for the administration of private sector Housing Benefit. In order to combine the datasets, the rent data provided by the Housing Executive has been adjusted to the preferred monthly frequency.

In addition, in order to ensure rent datasets are comparable, the LHA rent data provided by the Housing Executive needs to be adjusted upward by property type to be inclusive of rates, thus ensuring consistency in average rents across the entire sample used for this analysis. Following wide and detailed analysis of the council areas, rates poundage and the range of adjustment required for each property type across the LGDs, the research team identified the median percentage adjustment for the LHA datasets to be as follows: apartments 11%; detached dwellings 17%; semi-detached dwellings 13%; and terraced properties 13%. It was observed that there was only slight variance in the range of adjustment by property type across the LGD areas and therefore a decision was taken to apply the same percentage adjustments across all LGD areas.

The rental figures represent the average rent (per month) as advertised. Rented properties are classified as those that were let during the specified time period. The data has been cleansed to remove outliers, invalid observations, multiple entries and anomalies. The data used in the preparation of the Rental Index is aggregated to regional and national level only. This ensures that all property or individual records remain strictly anonymous.

This report is prepared from information that we believe is collated with care, but we do not make any statement as to its accuracy or completeness. We reserve the right to vary our methodology. The report does not constitute legal or other professional advice. Persons seeking to place reliance on any information contained in this report for their own or third party commercial purposes do so at their own risk.

For more information on the Northern Ireland Rental Index please visit:

www.ulster.ac.uk/research/institutes/built-environment/centres/research-property-planning/housing-market-reports/rental-index

www.nihe.gov.uk/Working-With-Us/Research/Private-rented-sector-and-rents

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Northern Ireland Housing Executive: Claire Kennedy, Research Unit.

DATA APPENDIX

FIGURE 1 Number of lettings – NI, Belfast City Council Area and other LGDs, H2 2014-H1 2021

Half/Year	NI	BCCA	LGDs
H2 2014	12,060	5,040	7,020
H1 2015	11,443	5,196	6,247
H2 2015	10,436	4,480	5,956
H1 2016	10,919	4,960	5,959
H2 2016	8,923	4,045	4,878
H1 2017	9,475	3,741	5,734
H2 2017	8,627	3,526	5,101
H1 2018	9,759	3,625	6,134
H2 2018	8,299	3,582	4,717
H1 2019	8,406	3,525	4,881
H2 2019	8,058	3,205	4,853
H1 2020	6,168	2,644	3,524
H2 2020	7,663	3,464	4,199
H1 2021	6,967	3,700	3,267

FIGURE 3 Number of lettings by Local Government District (outside Belfast), H2 2020 and H1 2021

LGD	H2 2020	H1 2021
Antrim & Newtownabbey	410	321
Ards & North Down	796	586
Armagh, Banbridge & Craigavon	484	458
Causeway Coast & Glens	294	256
Derry & Strabane	186	135
Fermanagh & Omagh	175	128
Lisburn & Castlereagh	757	482
Mid & East Antrim	520	400
Mid Ulster	284	254
Newry, Mourne & Down	293	247
TOTAL	4,199	3,267

FIGURE 4 Proportion of properties let by rent band – NI, BCCA and other LGDs, H1 2021

Rental Band	NI	Belfast	LGDs
<£300	0.1%	0%	0.1%
£300 - £399	1.7%	0.4%	3.2%
£400 - £499	12.3%	6.1%	19.4%
£500 - £599	27.9%	19.8%	37.1%
£600 - £699	21.7%	22.5%	20.7%
£700 - £799	12.6%	15.6%	9.1%
£800 - £899	8%	9.7%	5%
£900 - £999	4.6%	7%	1.8%
£1,000 - £1,099	2.9%	4.5%	1.1%
>£1,100	8.8%	14.2%	2.6%

Average Rent by Quarter, Northern Ireland, Q1 2015 - Q2 2021

Year	Average Rent			
	Quarter 1	Quarter 2	Quarter 3	Quarter 4
2015	£552	£555	£579	£556
2016	£563	£567	£588	£569
2017	£596	£595	£609	£584
2018	£619	£604	£637	£607
2019	£636	£617	£626	£625
2020	£652	£633	£684	£653
2021	£693	£715		