

Performance of the PRIVATE RENTAL MARKET IN NORTHERN IRELAND

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Executive

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INTRODUCTION

This survey analyses the performance of the Northern Ireland rental market during the second half (July to December; 'H2') of 2020. The report provides an analysis of trends and patterns at a regional level during this six-month period, drawing comparisons with the first half of 2020 as a measure of half yearly change and with the same period in 2019 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 7,663 rental transactions recorded on PropertyNews.com and the Housing Executive's 'LHA dataset for Housing Benefit' database for the second half of 2020. The rent statistics are based upon market evidence which encompasses periods of 'lockdown' restriction imposed by the Northern Ireland Executive in response to the ongoing COVID-19 pandemic. It should be noted 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 coupled with the onset of the COVID-19 pandemic and subsequent lockdowns are both likely to be reflected in the overall size of the H2 2020 sample.

In this report, information is presented on the residential rental sector for Northern Ireland, with an analysis of average rental price 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. There has been a transitional rebound following the closure of the market in the first half of the year, with transactions increasing by 25.9% over the half year period. Therefore, whilst the market remains strong and buoyant, there are clear signs of market pressures emerging relating to the availability of rental stock and rent pricing inflation.

The key headlines relating to the rental market in H2 2020 are:

- the number of rental transactions increased by 25.9% over the half year and returned to relatively normal levels, albeit the rental lettings were down by 3.7% in annual terms
- average rents across Northern Ireland increased by 4.2% from H1 2020, to £670 per month, up 7.2% compared to H2 2019
- the average monthly rent across the Belfast City Council Area (BCCA) increased by 3.9% to £758, up 8.4% in annual terms
- outside of Belfast, the average LGD rent was up by 3.3% over the half year period to £598 per month and up by 3.7% over the year.

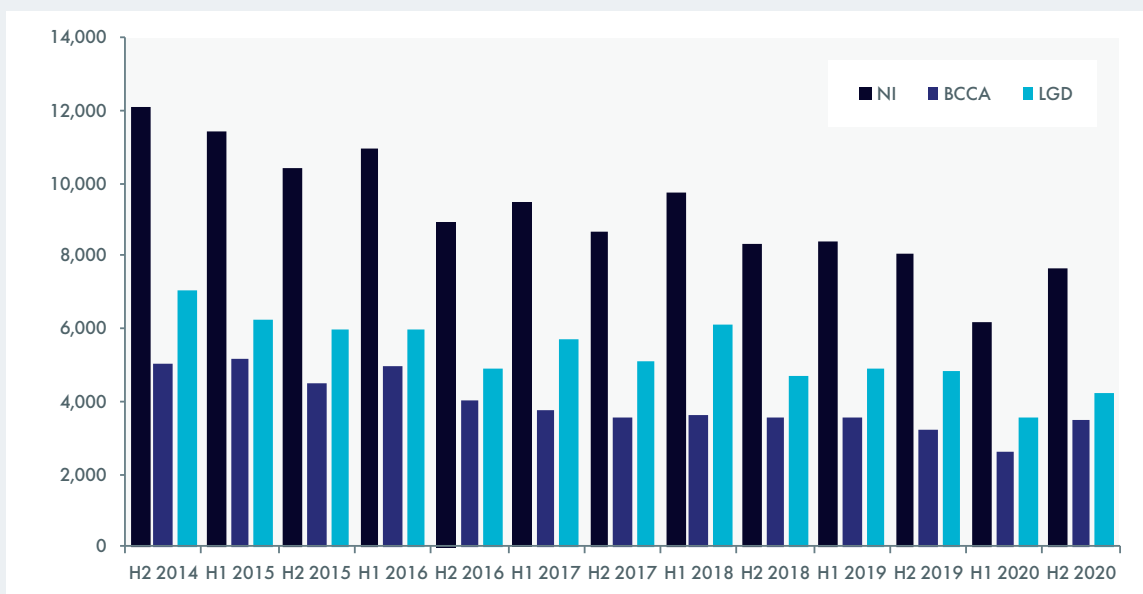


RENTAL TRENDS

Number of Lettings

During the second half of 2020, this survey captured 7,663 rental transactions across Northern Ireland, which following the unprecedented closure of the market, reflected a transactional increase of 25.9% in the last six months of 2020 - where the market continued to operate throughout government restrictions. Annual comparison with the same period in the previous year (H2 2019) indicates a 3.7% decrease in the number of rental market transactions (**Figure 1**). Against a backdrop of year-on-year transactional evidence, the emerging picture of the impact of COVID-19 on the market is that of market shock yet resilience. The effects of the first national lockdown, macro-economic stimulus and suite of legal regulation have contributed to ongoing pent-up demand against the backdrop of rental transactional declines which is exerting pressure on the rental system and to some extent driving rent increases.

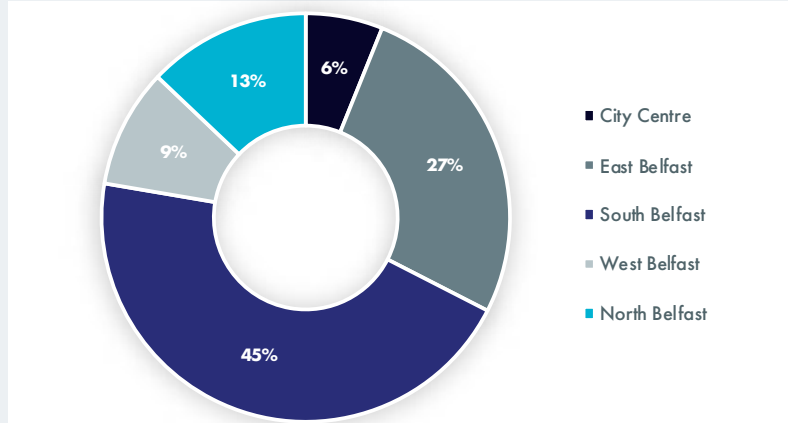
FIGURE 1 Number of lettings – NI, Belfast City Council Area and other LGDs, H2 2014-H2 2020



Belfast City Council Area

Within the Belfast City Council Area (BCCA), the sample of 3,464 lettings for the last six months of 2020 was up by 31% on the previous half year, and annually by 8% when compared to the same period in 2019. The annual trend breaks with previous editions of the survey and reflects the pent-up market demand within the BCCA following the reopening of the housing market. For this survey, the Belfast rental market accounts for 45.2% of all rental transactions over the half year period. Within the BCCA, the survey indicates the highest proportion of market activity remains in the South (45.1% of lettings) and East (26.5%): with the comparatively lower volume of activity in North (12.9%) and West (9.4%) reflecting the different housing market structures throughout Belfast (**Figure 2**).

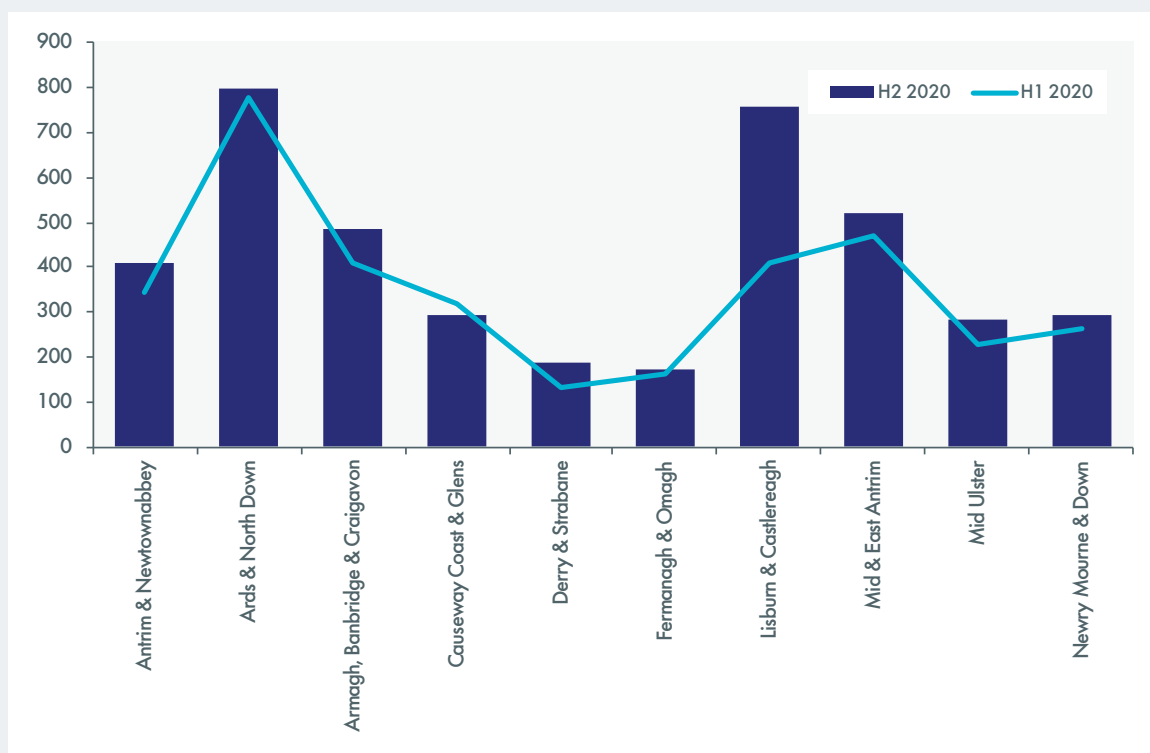
FIGURE 2 Proportion of lettings by sub-market, Belfast City Council Area, H2 2020



Local Government Districts

During H2 2020, there were 4,199 lettings in LGDs outside of Belfast: up 19% over the half year, but down by 13.5% in annual terms. The annual statistic points to less market churn in LGDs outside of Belfast and, when taken with the market closure, likely points to market stress in terms of demand and supply. Overall, the survey indicates that LGDs outside of BCCA accounted for a reduced market share at 54.8% of all rental transactions in Northern Ireland, down slightly from the previous surveys (H1 2020, 57%; H2 2019, 60%). Consistent with the sector trends, the rental markets within the wider Belfast metropolitan area and those on the main arterial corridor to Belfast have the highest levels of rental activity: Ards & North Down (796), Lisburn & Castlereagh (757), Mid & East Antrim (520) and Armagh, Banbridge & Craigavon (484). As with previous survey trends, the rural district of Fermanagh & Omagh (175) and the Derry & Strabane (186) area both displayed low market churn. **Figure 3** shows the number of rental transactions across all LGDs in H2 2020 relative to the first half of 2020.

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



MARKET SHARE

As noted in the previous survey, the composition of the private rental sector has remained relatively consistent across the survey samples. In this survey, the terrace/townhouse sector retains the largest proportion of market share (40%), with the apartment sector accounting for 36% of lettings. The market share of the semi-detached sector (15%) was slightly down from the previous survey (17%) and the detached sector dropped to 9% from H1 2020 (11%).

In the Belfast rental market, the main volume of lettings remains apartments (47%) and terrace/townhouses (43%), which together account for 90% of all rented properties in Belfast and highlights the lack of market lettings for semi-detached and detached properties 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 remaining the largest sector (38%), followed by apartments which had held up at 27%. The statistics confirm the different market compositions of the Belfast City Council Area compared with other local authority areas.

TABLE 1 Properties let by type, H2 2020

Property type	NI	HY Δ	BCCA	HY Δ	LGDs	HY Δ
Apartment	2,785 (36%)	33.6%	1,638 (47%)	50.3%	1,147 (27%)	15.3%
Terrace/Townhouse	3,069 (40%)	27.7%	1,488 (43%)	24.1%	1,581 (38%)	31.3%
Semi-detached	1,134 (15%)	9.6%	283 (8%)	-2.4%	851 (20%)	14.2%
Detached	675 (9%)	4.7%	55 (2%)	-15.4%	620 (15%)	6.9%
ALL	7,663	24.2%	3,464	31.0%	4,199	19.2%

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 second half of the year. This trend was generally reflected in the BCCA, where just under three quarters (71%) of properties let were in these categories, with two-bedroom properties accounting for almost half of the market share (47%). By comparison, the statistics for LGDs outside of the BCCA indicate that three-bedroom properties accounted for almost half of rental transactions (48%), with two-bedroom properties comprising a third (33%) of lettings. The overall analysis again confirms the difference in market composition by bedroom categories.

TABLE 2 Properties let by size, H2, 2020

No. of bedrooms	NI	HY Δ	BCCA	HY Δ	LGDs	HY Δ
1 Bedroom	737 (10%)	30.4%	432 (13%)	44.5%	305 (7%)	14.7%
2 Bedroom	3,019 (39%)	27.8%	1,630 (47%)	37.3%	1,389 (33%)	-22.1%
3 Bedroom	2,846 (37%)	19.0%	825 (24%)	14.1%	2,021 (48%)	-30.8%
4+ Bedroom	1,061 (14%)	25.0%	577 (17%)	32.6%	484 (12%)	-32.8%
ALL	7,663	24.2%	3,464	-17.5%	4,199	-27.4%

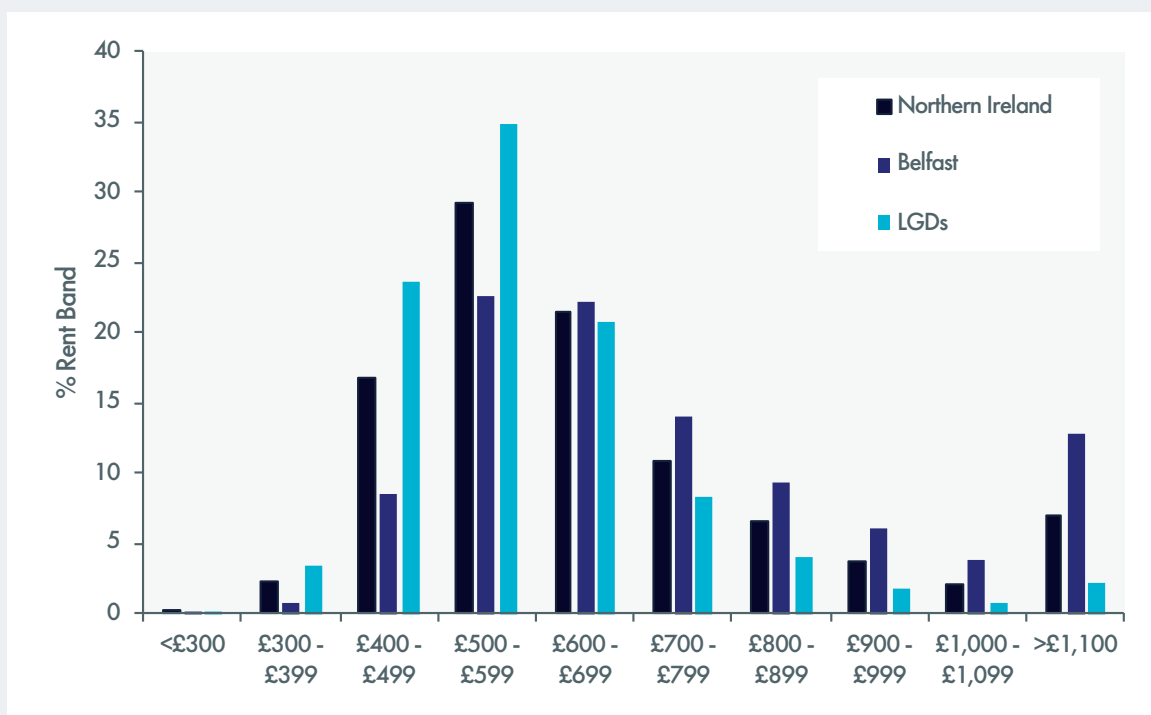
Δ denotes percentage change



DISTRIBUTION OF RENTS

In terms of distribution of average rents, 29% of rental properties let across Northern Ireland in the second half of 2020 fell within the £500-£599 band – down 5% when compared with the same period in 2019 (H2 2019: 34%). For BCCA, this proportion stood at 23%, down considerably in annual terms (H2 2019: 29%) and comparatively lower than the figure for the aggregated LGDs (35%). The £400-£499 rental band accounted for 17% of lettings across Northern Ireland, a reduction of 4% on the previous survey and same period in 2019. A significantly higher proportion of lettings in LGDs outside Belfast (24%) fell within the £400-£499 band in comparison to the BCCA (9%), with both contracting 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 59% from the last survey (64%); the comparative figure for the BCCA is 31%. The rent distribution over the second half of 2020, when compared with previous surveys, indicates an acceleration of rents across all regions. Overall, the proportion of rents in Northern Ireland above £600 has increased to 52% from 44%, highlighting the degree of rent inflation over the period which has likely been fuelled by the pent-up market demand as a result of the market closure, limited stock availability and ongoing COVID-19 regulation concerning notice to quit and evictions. For the BCCA, the proportion of rental lettings above £600 increased 6% relative to the first half of the year to 68%. Likewise, the proportion of rents above £600 in LGDs outside of Belfast stood at 38%, also appreciably up on the previous survey (30%). Given the intersection with the social sector and ongoing market pressures due to COVID-19, this analysis points to impending market sector shocks in terms of rental affordability, rental supply and price inflation. (Figure 4).

FIGURE 4 Proportion of properties let by rent band – NI, BCCA and other LGDs, H2 2020



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 second half of 2020, rent levels at lower quartile, median and mean increased across most LGDs, with a narrowing in rental variance 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, Belfast City Council Area displayed the



highest comparative rental spread at 38%, followed by Ards & North Down, which stood at 37% – 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, H2 2020

Council area	Average rent (£)	Coefficient of variance (%)	Median rent (£)	25 th percentile	75 th percentile
Antrim & Newtownabbey	£606	30	£564	£495	£662
Ards & North Down	£669	37	£600	£525	£725
Armagh Banbridge & Craigavon	£538	19	£525	£475	£593
Belfast	£758	38	£678	£575	£856
Causeway Coast & Glens	£537	25	£519	£477	£590
Derry & Strabane	£554	20	£539	£454	£558
Fermanagh & Omagh	£499	20	£496	£433	£556
Lisburn & Castlereagh	£666	26	£625	£571	£725
Mid & East Antrim	£545	23	£525	£475	£595
Mid-Ulster	£565	25	£570	£512	£618
Newry Mourne & Down	£596	24	£550	£496	£600

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, H2 2020

Rental Price Annual Percentage Change

6.1 - 7.5%	1.6 - 3.0%
4.6 - 6.0%	0.1 - 1.5%
3.1 - 4.5%	(-1.6) - 0.0%

Mid and East Antrim

Average rent H2 2020	£545
Average rent H1 2020	£532
Half yearly variance	2.6%
Average rent H2 2019	£528
Annual variance	3.3%

Northern Ireland

Average rent H2 2020	£670
Average rent H1 2020	£643
Half yearly variance	4.2%
Average rent H2 2019	£625
Annual variance	7.2%

Antrim and Newtownabbey

Average rent H2 2020	£606
Average rent H1 2020	£564
Half yearly variance	7.4%
Average rent H2 2019	£565
Annual variance	7.3%

Causeway Coast and Glens

Average rent H2 2020	£537
Average rent H1 2020	£530
Half yearly variance	1.3%
Average rent H2 2019	£538
Annual variance	-0.3%

Derry and Strabane

Average rent H2 2020	£554
Average rent H1 2020	£526
Half yearly variance	5.3%
Average rent H2 2019	£533
Annual variance	3.8%

Fermanagh and Omagh

Average rent H2 2020	£499
Average rent H1 2020	£484
Half yearly variance	3.2%
Average rent H2 2019	£499
Annual variance	-0.1%

Mid Ulster

Average rent H2 2020	£565
Average rent H1 2020	£535
Half yearly variance	5.7%
Average rent H2 2019	£548
Annual variance	3.2%

Armagh, Banbridge and Craigavon

Average rent H2 2020	£538
Average rent H1 2020	£536
Half yearly variance	0.4%
Average rent H2 2019	£539
Annual variance	-0.2%

Lisburn and Castlereagh

Average rent H2 2020	£666
Average rent H1 2020	£667
Half yearly variance	-0.2%
Average rent H2 2019	£651
Annual variance	2.2%

Belfast

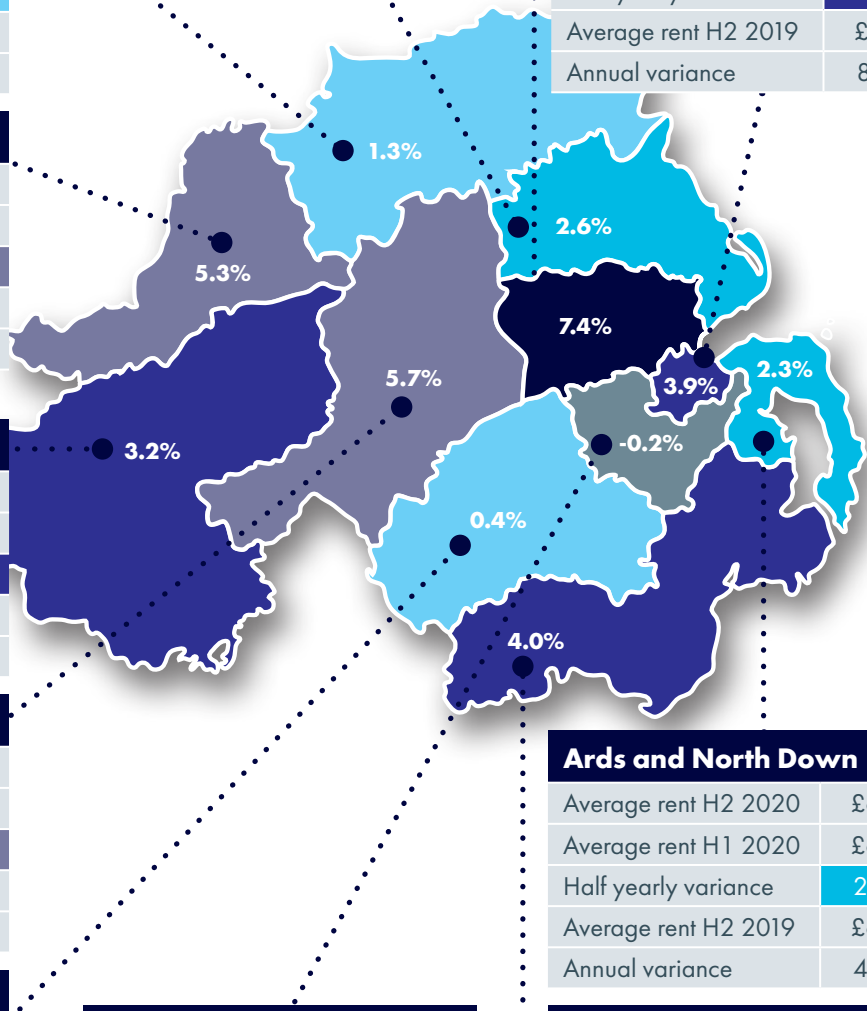
Average rent H2 2020	£758
Average rent H1 2020	£730
Half yearly variance	3.9%
Average rent H2 2019	£699
Annual variance	8.4%

Ards and North Down

Average rent H2 2020	£669
Average rent H1 2020	£653
Half yearly variance	2.3%
Average rent H2 2019	£643
Annual variance	4.0%

Newry, Mourne and Down

Average rent H2 2020	£596
Average rent H1 2020	£573
Half yearly variance	4.0%
Average rent H2 2019	£560
Annual variance	6.3%



NORTHERN IRELAND

The average rent during the second half of 2020 was £670, appreciably up from £643 in the previous six months. The statistics show that average rents across Northern Ireland have accelerated by 4.2% in comparison with the first half of the year and are up by 7.2% over the year (Figure 5). When disaggregated by property type, performance over the half year is relatively strong with increases across all market sectors. The average rent for apartments is up by 5.8% to £664 per month, with detached properties up by a similar rate (5.1%) to £804 per month. Semi-detached (£660) and terrace/townhouse (£651) each recorded acceleration in average rents at a rate of 3.7%.

LOCAL GOVERNMENT DISTRICTS OUTSIDE BELFAST

For district council areas outside the BCCA, performance was variable but one of rental growth across most locations. Overall, the average rent stood at £598 per month, gains of 3.3% over the half year and 3.7% in annual terms. The average rent remains considerably below the overall Northern Ireland average monthly rent of £670, with rent variance continuing to widen in the last six months of the year. **Table 4** (below) details the recorded average rents by property type across the local government districts. Over the time period, the general picture depicts rent increases across most Local Government Districts by property type and, consistent with previous editions of the survey, records comparatively higher rents by property type in those districts near Belfast.

TABLE 4 Average rent by property type (LGDs outside Belfast), H2 2020

Council area	Average rent by property type (£)				
	Apartment	Terrace/ Townhouse	Semi- detached	Detached	ALL
Antrim & Newtownabbey	£536	£553	£640	£895	£606
Ards & North Down	£610	£601	£663	£984	£669
Armagh Banbridge & Craigavon	£459	£504	£579	£676	£538
Causeway Coast & Glens	£480	£521	£556	£622	£537
Derry & Strabane	£478	£560	£618	£988	£554
Fermanagh & Omagh	£446	£494	£537	£602	£499
Lisburn & Castlereagh	£589	£629	£677	£867	£666
Mid & East Antrim	£524	£507	£588	£689	£545
Mid-Ulster	£491	£547	£587	£625	£565
Newry Mourne & Down	£485	£554	£618	£724	£596
ALL	£538	£557	£622	£783	£598

BELFAST METROPOLITAN AREA

Across the wider Belfast Metropolitan region, the neighbouring district council areas to Belfast displayed variability in rental performance. In the **Antrim & Newtownabbey** district council area, the average rent stood at £606, recording a strong rate of growth (7.4%) over the half year, with similar growth recorded annually (7.3%). In the **Ards & North Down** district, the average rent was £669 per month, increasing by 2.3% over the half-year and up by 4% over the year. For **Lisburn & Castlereagh**, average rents were unchanged from the previous survey (£666) but were up by 2% over the year.

NORTH & NORTH WEST

The district council areas in the North and North West also observed some acceleration of rents over the half year, although there was a degree of variability in annual terms. In **Mid & East Antrim**, the picture was also one of rental growth with average rent up by 2.6% on the previous six-months, to £545, reflecting a 3.3% increase in annual terms. In the **Causeway Coast & Glens** area, average rents were nominally up over the half year (1.3%) and relatively stable over the year (-0.3%) to £537 per month. For **Derry & Strabane** average rents were appreciably up by 5.3% over the half-year, to £554 per month and up by 3.8% annually.

THE SOUTH

To the south, there was variability between districts. For the **Armagh Banbridge & Craigavon** region, the overall average monthly rent remained almost unchanged over the half year and year at £538, representing a 0.4% increase over the half year and a 0.2% decrease over the year. In the **Newry Mourne & Down** district, rental growth was recorded over the half year (4.0%) and year (6.3%) with the average monthly rent standing at £596 per month.

THE WEST

For the districts in the west of Northern Ireland, rental performance had increased on the previous six months but varied over the year. In **Fermanagh & Omagh**, the average monthly rent increased by 3.2% to £499 per month. Over the year, a nominal change was recorded (-0.1%). In **Mid-Ulster** district average rents increased by 5.7% to £565 per month, and were up by 3.2% over the year.

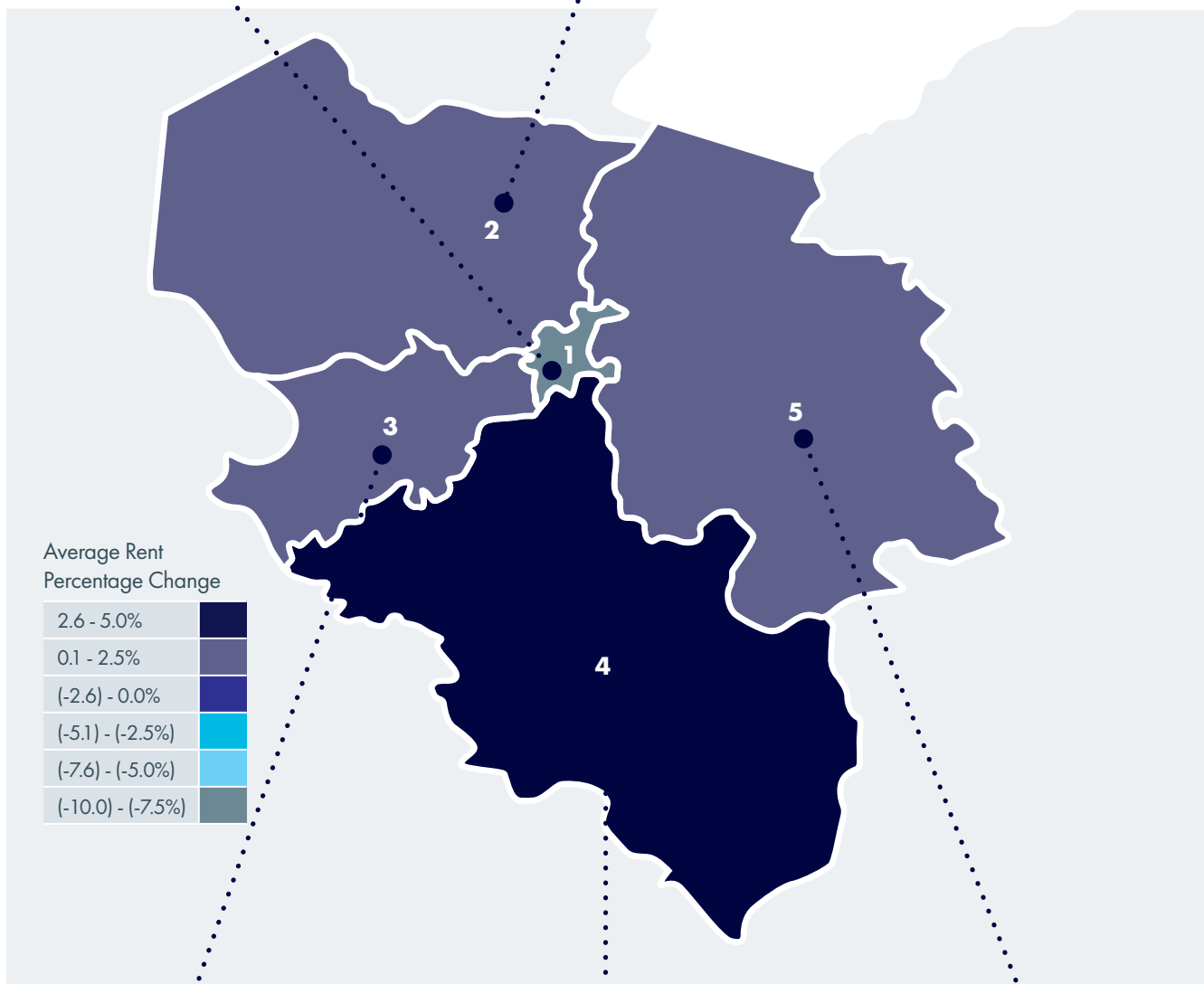


BELFAST CITY COUNCIL AREA

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, H2 2020

1. Belfast City Centre		2. North Belfast		Belfast LGD	
Average rent H2 2020	£846	Average rent H2 2020	£552	Average rent H2 2020	£758
Average rent H1 2020	£926	Average rent H1 2020	£550	Average rent H1 2020	£730
Half yearly variance	-8.6%	Half yearly variance	0.3%	Half yearly variance	3.9%
Average rent H2 2019	£852	Average rent H2 2019	£537	Average rent H2 2019	£699
Annual variance	-0.7%	Annual variance	2.8%	Annual variance	8.4%



3. West Belfast	
Average rent H2 2020	£610
Average rent H1 2020	£608
Half yearly variance	0.3%
Average rent H2 2019	£588
Annual variance	3.9%

4. South Belfast	
Average rent H2 2020	£897
Average rent H1 2020	£854
Half yearly variance	5.0%
Average rent H2 2019	£864
Annual variance	3.9%

5. East Belfast	
Average rent H2 2020	£659
Average rent H1 2020	£649
Half yearly variance	1.6%
Average rent H2 2019	£637
Annual variance	3.5%

Standing at £758 per month for the second half of 2020, the average rent across the BCCA increased by 3.9% relative to the first half of the year, and by 8.4% in annual terms. This strong performance and sustained increase in average rents is reflected across the sub-market areas, albeit with regional differentiation. For this survey, the City Centre recorded a half yearly decrease in average rents, down 8.6% to £846 per month. In this location, average rents dropped to 'normal' levels, although it is noteworthy that the average rent has recorded a slight decrease (0.7%) over the year. This indicates that the previous half yearly acceleration was the result of market pressures and change in behaviour due to ongoing restrictions. North Belfast recorded an average monthly rent of £552, representing marginal increase of 0.3% over the half year and up 2.8% in annual terms. Likewise, in West Belfast average rents also recorded consolidation and were slightly up by 0.3% over the half year to £610 per month and reflecting growth of 3.9% annually. In East Belfast, the average rent also increased over the half year, up 1.6% to £659 per month, with a stronger rate of performance recorded over the year (3.5%). Average rent in the South Belfast sub-market displayed the highest levels of growth over the half year period, up 5% to £897 and by 3.9% when compared with H2 2019 levels (Figure 6).

BCCA AVERAGE RENT BY TYPE

The average rent across the Belfast City Council Area increased by 3.9% over the half year period to £758 per month. Rental growth was recorded across all property types, over the half year time period (Table 5); average rent for semi-detached dwellings was appreciably up by 7.2% to £773, with terrace/townhouses up by 4.2% to £751 pm and apartments observing a similar rate of growth (3.8%) at £752 per month. In annual terms, the picture depicts strong rental growth across all sectors, except detached dwellings.

TABLE 5 Average Rent by Property Type, Belfast City Council Area, H1 2019-H2 2020

Property type	BCCA H2 2019	BCCA H1 2020	BCCA H2 2020	Half Yearly Δ	Annual Δ
Apartment	£698	£724	£752	3.8%	7.7%
Terrace/Townhouse	£686	£721	£751	4.2%	9.6%
Semi-detached	£699	£721	£773	7.2%	10.5%
Detached	£1,069	£1,020	£1,044	2.4%	-2.3%
ALL	£699	£730	£758	3.9%	8.4%

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 £535 in BT13 to £1,332 in BT1. Consistent with the previous survey, 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, H2 2020

Postcode	1 Bed	2 Bed	3 Bed	4+ Bed	ALL
BT1	£775	£891	£1,332	*	£909
BT2	£744	£836	£1,140	*	£842
BT3	*	£824	*	*	£813
BT4	£560	£635	£692	£981	£668
BT5	£532	£612	£734	£789	£647
BT6	£564	£644	£670	£856	£661
BT7	£614	£807	£849	£1,171	£920
BT8	*	£636	£752	£924	£725
BT9	£600	£766	£910	£1,243	£891
BT10	*	£634	£697	*	£668
BT11	*	£608	£663	*	£627
BT12	£511	£580	£645	£653	£598
BT13	£495	£512	£535	£670	£526
BT14	£485	£538	£568	*	£550
BT15	£453	£547	£595	£879	£581
BT16	*	£621	£666	£871	£654
BT17	£535	£603	£707	£934	£650
BT18	£698	£728	£867	£1,361	£859
BT19	*	£585	£670	£967	£655
BT20	£442	£595	£691	£845	£638
BT23	£476	£566	£642	£983	£635
BT26	*	£634	£723	£1,098	£842
BT27	*	£543	£616	£952	£627
BT28	£431	£572	£633	£814	£626
BT36	*	£576	£612	£891	£609
BT37	*	£526	£591	£916	£588
BT38	£419	£522	£584	£738	£563

* 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 H2 2020

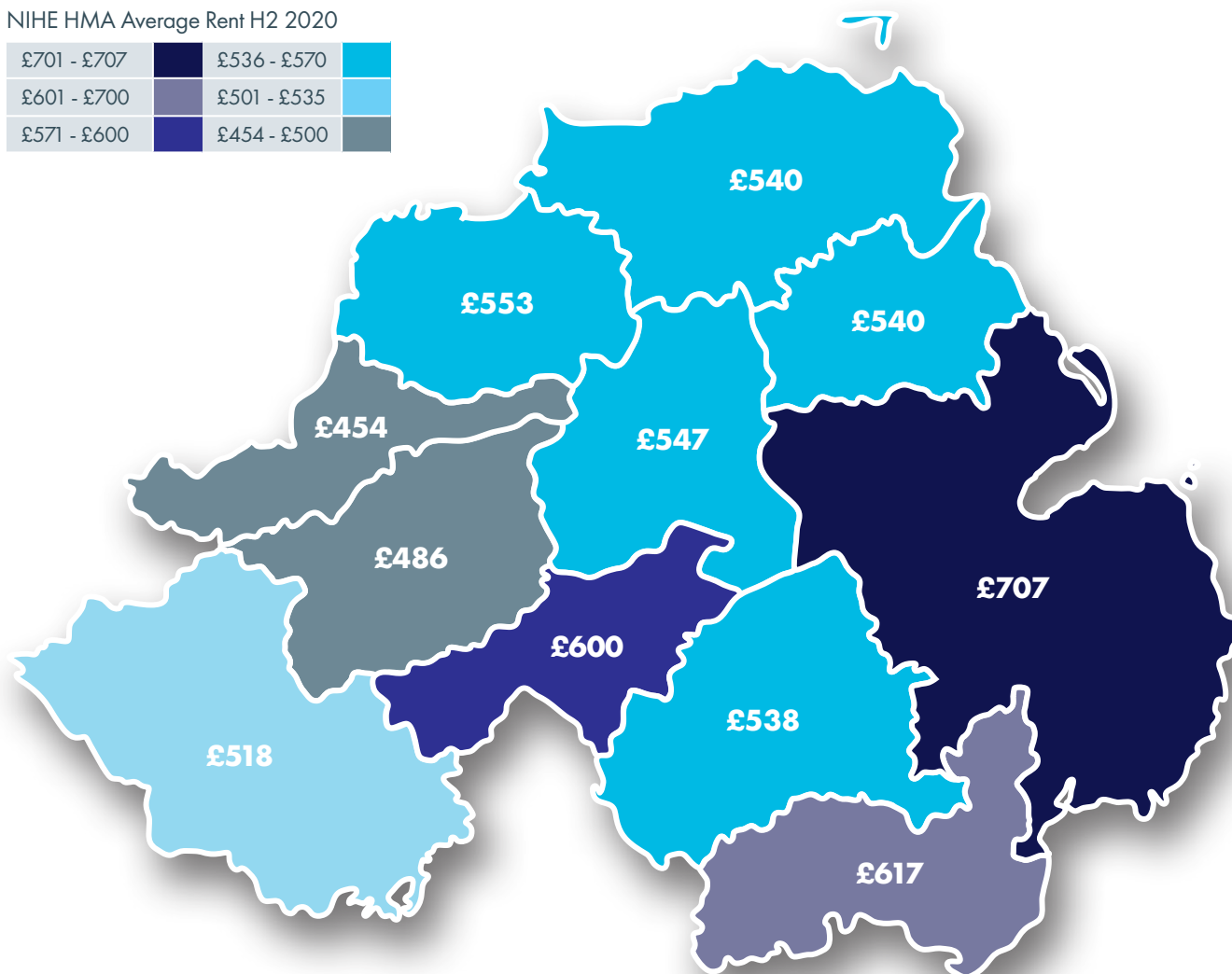
Figure 7 presents the average rents across the HMAs, with the statistics revealing varying degrees of price changes. The Belfast Metropolitan HMA displayed an average rent of £707 per month, the highest across the HMAs by a considerable margin and up 3.8% on the previous half year. The Dungannon (£600) and Craigavon (£538) HMAs, situated on the urban corridor, displayed small gains in average rent, up 0.7% and 1% on the previous survey. Likewise, the Omagh HMA observed similar growth at 1.5%, recording an average rent of £486 per month.

The more rural HMAs observed stronger performance in average rents. To the West, the Cookstown HMA increased by 7.7% over the half year to £547 per month, with the Fermanagh HMA also increasing by 6.1% to £518. To the South, the Newry HMA stands at £617 per month, considerably up by 8.4% over the half year. In the North, the Ballymena HMA increased by 2.5% to £540, Causeway Coast (£540) and Derry (£553) HMAs displayed similar average rents levels.

FIGURE 7 Rental Performance by functional Housing Market Areas (HMAs), H2 2020

NIHE HMA Average Rent H2 2020

£701 - £707	£536 - £570
£601 - £700	£501 - £535
£571 - £600	£454 - £500



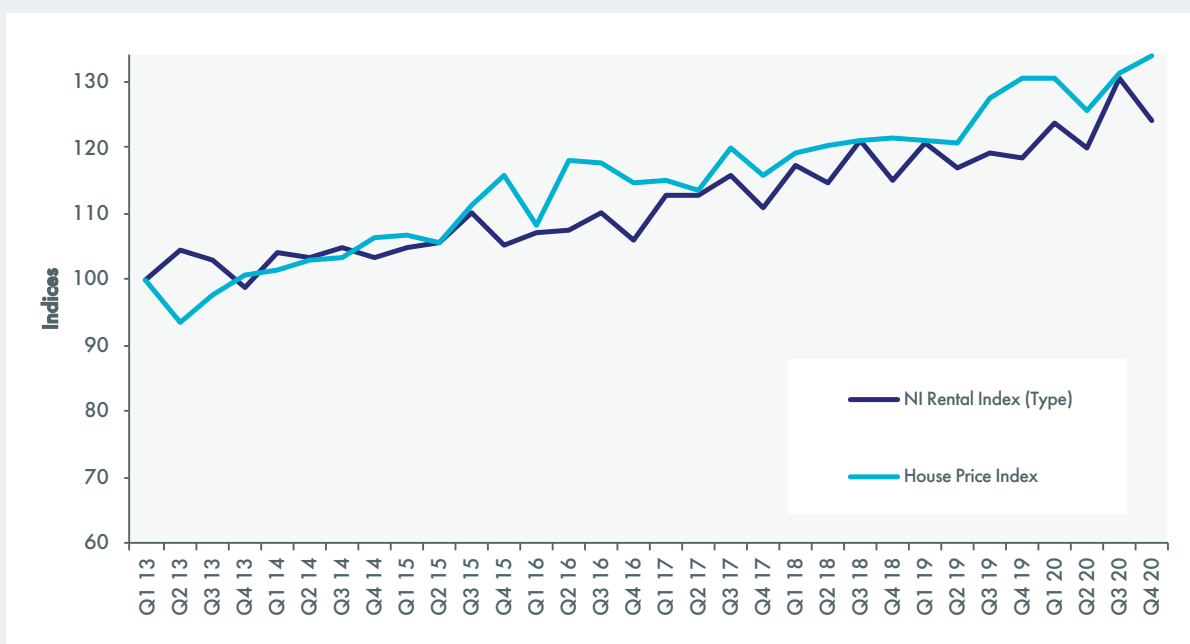
²The research identified eleven broad housing market areas within Northern Ireland. See: www.nihe.gov.uk/getmedia/4ae016fe-6702-4080-983e-dac39738b342/Mapping-Northern-Irelands-Housing-Market-Areas.pdf.aspx?ext=.pdf



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 124 at Q4 2020 (Figure 8). The quarterly trend shows that the index increased sharply over the first quarter of the year, reflecting the typical bounce from the quieter end-of-year quarter. As tends to happen, the index then declined over the second quarter although, in annual terms, the trends indicate that rents and house prices were not impacted by COVID-19 to a great extent, with the index values indicating a relatively normal mark in terms of pricing levels. In Q3, the rental index accelerated sharply, at a faster rate than house prices, and converges with the house price index for the first time since Q1 2019, although this declines into Q4. The index shows that rents are up over 5 percentage points when compared with the same period in 2019. The Northern Ireland house price index followed a similar trend over the first half of the year; however, property value has continued to accelerate away from rents in the last quarter of the year, primarily driven by market filtering processes where trading-up has become a feature of the 2020 market.

FIGURE 8 Rental Index v House Price Index trend, Q1 2013-Q4 2020



CONCLUSION

As we continue to navigate different levels of lockdown, the resilience and buoyancy of the private rented sector has sustained into the traditionally quieter second half of the year. Indeed, the previous report for H1 2020 had noted that the private rented sector performance remained stable in the face of the unprecedented market closure, but nonetheless warned of market shocks and rent acceleration against pent up demand. That cautionary note has borne true in the analysis of the second half of the year where average rents have accelerated by 4.2% on the previous six months and by 7.2% annually. In terms of regional variation, strong pricing performance has also been observed across most rental locations over the half year and year period. The average rent in the BCCA was appreciably up by 3.9% over the half year period to £758 per month and by 8.4% in annual terms. In districts outside of Belfast, a similar rate of growth was observed over the half year, albeit with some degree of regional variation, with average rent increasing by 3.3% to £598 per month over the half year and up by 3.4% annually.

Despite the rebound of transactions over H2 2020, the analysis points to annual decline on rental volume which is unsurprising given many renters will want to maintain the status quo given the uncertain conditions. However, strong demand for rental properties, against the downturn in supply, has continued to exert upward pressures across various locations of the market and fuel price increases. The findings of this report therefore indicate sustained and increasing average rents and the recent extension of furlough and downward revision of unemployment projections and ongoing mitigation measures will likely continue to artificially surge the private rental sector and bring market pressures in terms of demand and supply and rent pricing levels over this report. This was reflected in the index which observed that rental pricing accelerated to converge with house price index in Q3 – the first such convergence in a number of years.

The recent budgetary announcement and revision to unemployment projections may do little to cool an overheating rental market and this survey again points to signals, if not latent warnings, in terms of rental availability and affordability and market shocks for the private sector over the next year as the acute effects of Brexit drag and lockdown are felt, the market sector becomes more interlinked with the economy and the truer implications of the pandemic emerge and retail and consumer inflation takes hold.





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: Ailbhe Hickey, Assistant Director, Land & Regeneration (A)

DATA APPENDIX

FIGURE 1 Number of lettings – NI, Belfast City Council Area and other LGDs, H2 2014-H2 2020

Year/Half	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

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

LGD	H1 2020	H2 2020
Antrim & Newtownabbey	343	410
Ards & North Down	776	796
Armagh, Banbridge & Craigavon	412	484
Causeway Coast & Glens	320	294
Derry & Strabane	135	186
Fermanagh & Omagh	163	175
Lisburn & Castlereagh	412	757
Mid & East Antrim	469	520
Mid Ulster	228	284
Newry, Mourne & Down	266	293
TOTAL	3,524	4,199

FIGURE 4 Proportion of properties let by rent band – NI, BCCA and other LGDs, H2 2020

Rental Band	NI	Belfast	LGDs
<£300	0.2%	0.2%	0.2%
£300 - £399	2.2%	0.7%	3.5%
£400 - £499	16.8%	8.5%	23.6%
£500 - £599	29.3%	22.5%	34.9%
£600 - £699	21.4%	22.1%	20.8%
£700 - £799	10.9%	14.1%	8.2%
£800 - £899	7%	9.4%	4.1%
£900 - £999	3.7%	6%	1.7%
£1,000 - £1,099	2.1%	3.8%	0.8%
>£1,100	6.9%	12.7%	2.2%

Average Rent by Quarter, Northern Ireland, Q1 2015 - Q4 2020

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