

Performance of the PRIVATE RENTAL MARKET IN NORTHERN IRELAND

Housing
Executive

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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 2020. 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 2019 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 6,168 rental transactions recorded on PropertyNews.com and the Housing Executive's 'LHA dataset for Housing Benefit' database for the first half of 2020. Uniquely, the rent statistics are based upon market evidence which encompasses the period covering the UK 'lockdown' response to the 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 and the onset of the COVID-19 pandemic and subsequent initial lockdown are both likely to be reflected in the overall size of the H1 2020 sample.

Overall, this half yearly survey returned a reduced sample in comparison with the same period in 2019 (down 27%). The relative decline in the number of transactions relative to 'normal' H1 activity levels can possibly be explained by the reduced data collected from the Housing Executive and indeed by the COVID-19 pandemic. Although this decline is not directly comparable with figures included in the Northern Ireland House Price Index reports, the decline in rental transactions is broadly similar to recorded transactional decline within the residential market (23% in Quarter 2 of 2020).

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, and by postcodes.

KEY FINDINGS

The latest survey of the Northern Ireland private rental market indicates that the rate of growth in average rents has accelerated over both the half yearly and annual time-frames analysed. Whilst transactional volume has decreased significantly, for a number of reasons including the impact of COVID-19, the pricing evidence from this survey indicates that the rental market performance remained relatively strong, although the market remained spatially differentiated.

The key headlines relating to the rental market in H1 2020 are:

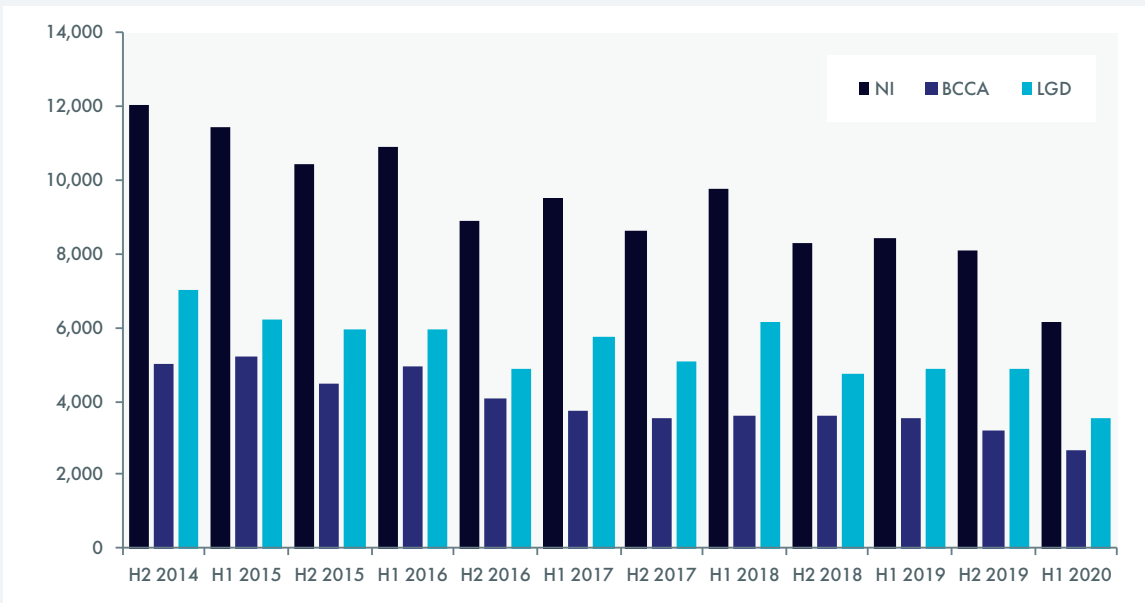
- the number of rental transactions captured in the sample decreased by 23.5% over the half year and was down by 26.6% in annual terms
- average rents across Northern Ireland increased by 2.9% from H2 2019, to £643 per month, up 2.6% compared to H1 2019
- the average monthly rent across the Belfast City Council Area (BCCA) increased by 4.4% to £730, up 1.9% in annual terms
- outside of Belfast, the average LGD rent was marginally up by 0.4% over the half year period to £579 per month and up by 2.5% over the year

RENTAL TRENDS

Number of Lettings

During the first half of 2020, this survey captured 6,168 rental transactions across Northern Ireland, reflecting a 23.5% decline on the last six months of 2019. Annual comparison with the same period in the previous year (H1 2019) indicates a 26.6% decrease in the number of rental market transactions (Figure 1). Whilst the overall trend has been one of gradual decline in transaction volume, the COVID-19 pandemic is likely to have had an effect on market activity in the first half of 2020, along with the reasons outlined in the introduction.

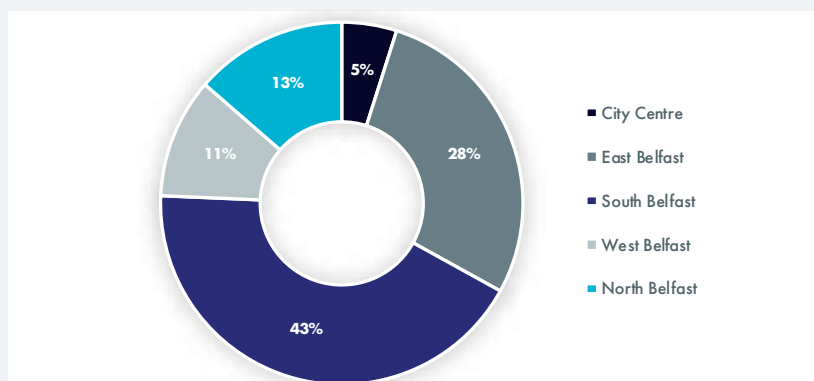
FIGURE 1 Number of lettings – NI, Belfast City Council Area and other LGDs, H2 2014-H1 2020



Belfast City Council Area

Within the Belfast City Council Area (BCCA), there were 2,644 lettings in the first six months of 2020, down on both the previous half year (17.5%) and annually (25%) when compared to the same period in 2019. For this survey, the Belfast rental market accounts for 42.9% of all rental transactions, which is consistent with the same period in 2019 (42%). Within the BCCA, the survey indicates the highest market churn and rental volume remains in the South (42.6% of lettings) and East (28.1%); the volumes of lettings in North (13.6%) and West (10.7%) Belfast were again comparatively lower and reflect the different housing market structures in these areas of Belfast (Figure 2).

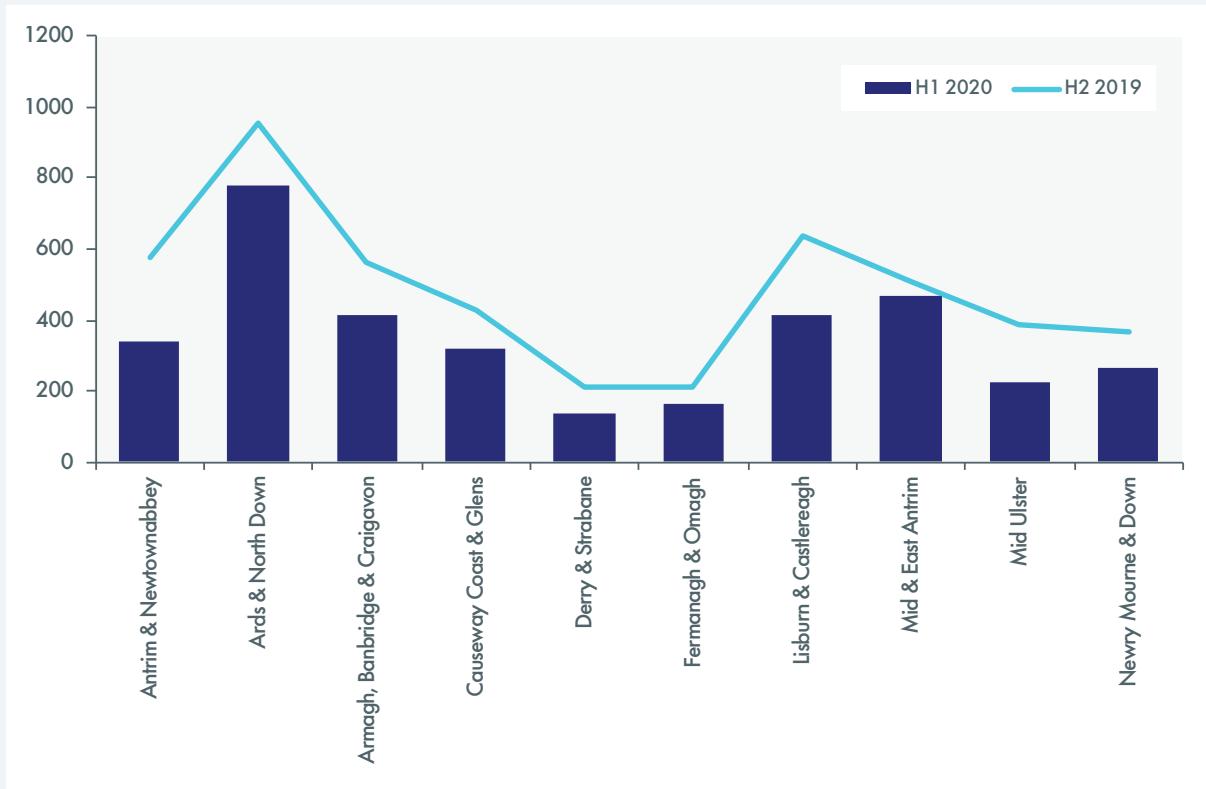
FIGURE 2 Proportion of lettings by sub-market, Belfast City Council Area, H1 2020



Local Government Districts

During H1 2020, there were 3,524 lettings in LGDs outside of Belfast; down 27.4% over the half year and, similarly, down by 27.8% when compared with the same period in 2019. Overall, the survey indicates that LGDs outside of BCCA accounted for 57% of rental transactions in Northern Ireland, down slightly from the previous survey (60%), although consistent with the market share in the same period in 2019 (58%). As is expected, the rental markets within the wider Belfast metropolitan area and those on the primary urban belt to Belfast showed the highest volume of rental lettings: Ards & North Down (776), Mid & East Antrim (469) and Armagh, Banbridge & Craigavon (412). Similar to previous surveys, there were lower volumes of rental transactions in the rural areas of Fermanagh & Omagh (163) and Derry & Strabane (135). **Figure 3** shows the decline in the number of rental transactions across all LGDs in H1 2020 in comparison with the previous six-month period.

FIGURE 3 Number of lettings by Local Government District (outside Belfast), H2 2019 and H1 2020



MARKET SHARE

Despite the reduced sample and impacts of COVID-19 on transactional volume, the pattern of market share by property type has remained broadly consistent with previous surveys. The terrace/townhouse sector retains the largest proportion of market share (39%), with the apartment sector accounting for just over one third (34%) of the market. Lettings in the semi-detached sector (17%) were slightly down from the previous survey (19%) and the detached sector remained unchanged at 11%.

In the Belfast rental market, the main volume of lettings remains terrace/townhouses (45%) and apartments (41%), which together account for 86% of all rented properties in Belfast. For LGDs outside Belfast, the distribution of rental lettings by property type broadly reflects the previous survey with terrace/townhouse properties remaining the largest sector (34%), followed by apartments which had a share of 28%. Once again, these statistics confirm the different market compositions of the Belfast City Council Area and other local authority areas.

TABLE 1 Properties let by type, H1 2020

Property type	NI	HY Δ	BCCA	HY Δ	LGDs	HY Δ
Apartment	2,085 (34%)	-14.5%	1,090 (41%)	-13.1%	995 (28%)	-13.0%
Terrace/Townhouse	2,403 (39%)	-26.8%	1,199 (45%)	-20.8%	1,204 (34%)	-31.9%
Semi-detached	1,035 (17%)	-30.6%	290 (11%)	-23.1%	745 (21%)	-33.2%
Detached	645 (11%)	-23.6%	65 (3%)	10.2%	580 (17%)	-26.1%
ALL	6,168	-23.5%	2,644	-17.5%	3,524	-27.4%

Δ denotes percentage change

When disaggregated by number of bedrooms, the market composition was generally consistent with previous surveys. The Northern Ireland picture reveals that two and three-bedroom properties remain the most common property sizes, accounting for the majority of all lettings (77%) over the first half of 2020; the same overall figure was recorded in the previous survey. This trend was generally reflected in the BCCA, where just under three quarters (72) of properties let were in these categories, with two-bedroom properties accounting for the largest share of this rental market at 45%. 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 taking a third share (33%) of lettings. The overall analysis confirms regional differential in market composition by bedroom categories.

TABLE 2 Properties let by size, H1, 2020

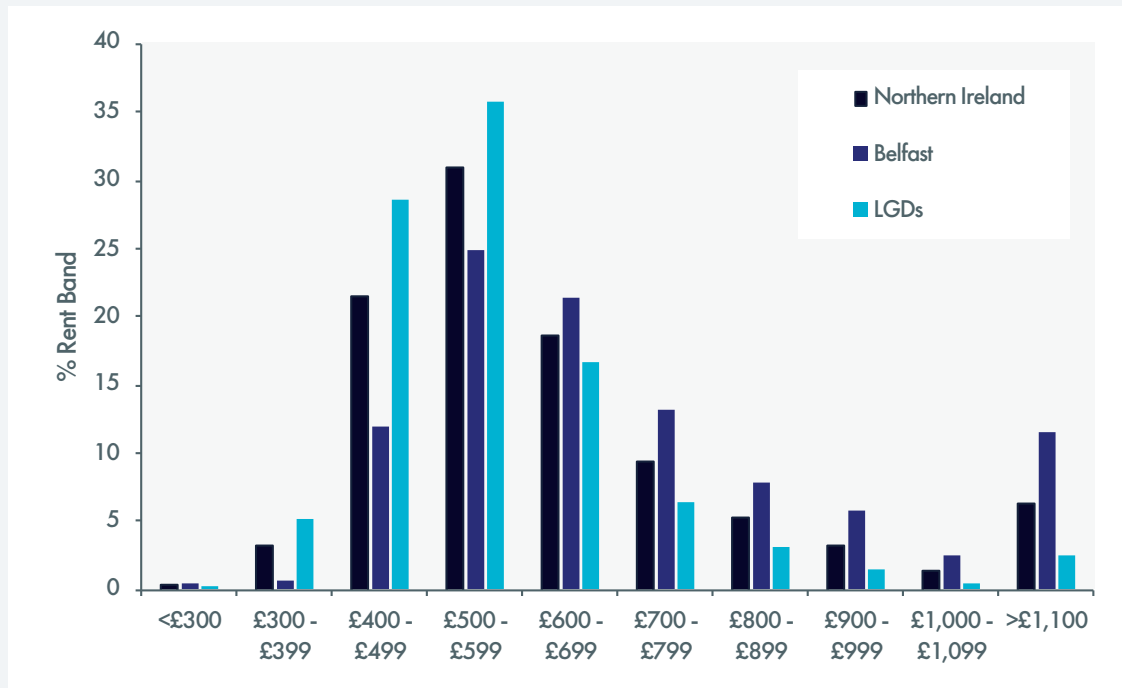
No. of bedrooms	NI	HY Δ	BCCA	HY Δ	LGDs	HY Δ
1 Bedroom	565 (9%)	-3.4%	299 (11%)	-26.5%	266 (8%)	-19.2%
2 Bedroom	2,363 (38%)	-23.5%	1,187 (45%)	-24.8%	1,176 (33%)	-22.1%
3 Bedroom	2,391 (39%)	-27.6%	723 (27%)	-18.9%	1,668 (47%)	-30.8%
4+ Bedroom	849 (14%)	-21.5%	435 (17%)	-6.7%	414 (12%)	-32.8%
ALL	6,168	-23.5%	2,644	-17.5%	3,524	-27.4%

Δ denotes percentage change

DISTRIBUTION OF RENTS

In terms of distribution of average rents, 31% of rental properties let across Northern Ireland in the first half of 2020 fell within the £500-£599 band – the same as when compared with the same period in 2019 (H1 2019: 31%). For BCCA, this proportion stood at one quarter (25%), down four percentage points from the previous period and comparatively lower than the figure for the aggregated LGDs (36%). The £400-£499 rental band accounted for 21% of lettings across Northern Ireland, the same proportion was noted in the previous survey. A significantly higher proportion of lettings in LGDs outside Belfast (29%) fell within the £400-£499 band in comparison to the BCCA (12%). The proportions of lettings across the LGDs outside Belfast in the £400-£499 and £500-£599 range has remained at 64% since the last survey; the comparative figure for the BCCA was 37%. The rent distribution over the first half of 2020, when compared with previous surveys, suggests the comparative and regional widening in rent distribution, with higher proportions in the upper rental bands. Overall, the proportion of rents in Northern Ireland above £600 has increased to 44% (41% in the previous survey); this increase may be partly explained by the Belfast market where it appears that the period of pent up demand, together with legal changes to tenancy notice, increased the proportion of rental lettings above £600 in the BCCA to 62%, up from 56% in the previous survey. In contrast, the proportion of rents above £600 in LGDs outside of Belfast stood at 30%. Given the intersection with the social sector and prevalent economic and labour market pressures due to COVID-19; this analysis points to some warnings in terms of rental affordability (Figure 4).

FIGURE 4 Proportion of properties let by rent band – NI, BCCA and other LGDs, H1 2020



Rent structure

Whilst the average rent is an important indicator of market movement and trends in the private rental market, further insight can be gained by taking account of the distribution and variance of rents across the district council areas. The Coefficient of Variation (CoV)¹ 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. The survey indicates that during the first half of 2020, Ards & North Down retained the highest comparative rental spread at 43%, followed by the Belfast City Council area, which stood at 37% – broadly 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 2020

Council area	Average rent (£)	Coefficient of variance (%)	Median rent (£)	25 th percentile	75 th percentile
Antrim & Newtownabbey	£564	29	£542	£475	£622
Ards & North Down	£653	43	£575	£500	£695
Armagh Banbridge & Craigavon	£536	25	£520	£472	£575
Belfast	£730	37	£650	£550	£825
Causeway Coast & Glens	£530	24	£513	£456	£590
Derry & Strabane	£526	21	£505	£454	£558
Fermanagh & Omagh	£484	24	£477	£419	£545
Lisburn & Castlereagh	£667	28	£625	£550	£750
Mid & East Antrim	£532	23	£500	£456	£575
Mid-Ulster	£535	25	£525	£457	£593
Newry Mourne & Down	£573	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, H1 2020

Rental Price Annual Percentage Change

4.1 - 5.0%	0.1 - 1.0%
3.1 - 4.0%	(-0.9) - 0.0%
2.1 - 3.0%	(-1.9) - (-1.0)%
1.1 - 2.0%	(-2.9) - (-2.0)%
	(-3.9) - (-3.0)%

Mid and East Antrim

Average rent H1 2020	£532
Average rent H2 2019	£528
Half yearly variance	0.7%
Average rent H1 2019	£525
Annual variance	1.2%

Northern Ireland

Average rent H1 2020	£643
Average rent H2 2019	£625
Half yearly variance	2.9%
Average rent H1 2019	£627
Annual variance	2.6%

Antrim and Newtownabbey

Average rent H1 2020	£564
Average rent H2 2019	£565
Half yearly variance	-0.2%
Average rent H1 2019	£562
Annual variance	0.4%

Causeway Coast and Glens

Average rent H1 2020	£530
Average rent H2 2019	£538
Half yearly variance	-1.6%
Average rent H1 2019	£526
Annual variance	0.7%

Derry and Strabane

Average rent H1 2020	£526
Average rent H2 2019	£533
Half yearly variance	-1.4%
Average rent H1 2019	£510
Annual variance	3.1%

Fermanagh and Omagh

Average rent H1 2020	£484
Average rent H2 2019	£499
Half yearly variance	-3.1%
Average rent H1 2019	£482
Annual variance	0.4%

Mid Ulster

Average rent H1 2020	£535
Average rent H2 2019	£548
Half yearly variance	-2.4%
Average rent H1 2019	£525
Annual variance	1.8%

Armagh, Banbridge and Craigavon

Average rent H1 2020	£536
Average rent H2 2019	£539
Half yearly variance	-0.5%
Average rent H1 2019	£519
Annual variance	3.4%

Lisburn and Castlereagh

Average rent H1 2020	£667
Average rent H2 2019	£651
Half yearly variance	2.4%
Average rent H1 2019	£655
Annual variance	1.9%

Belfast

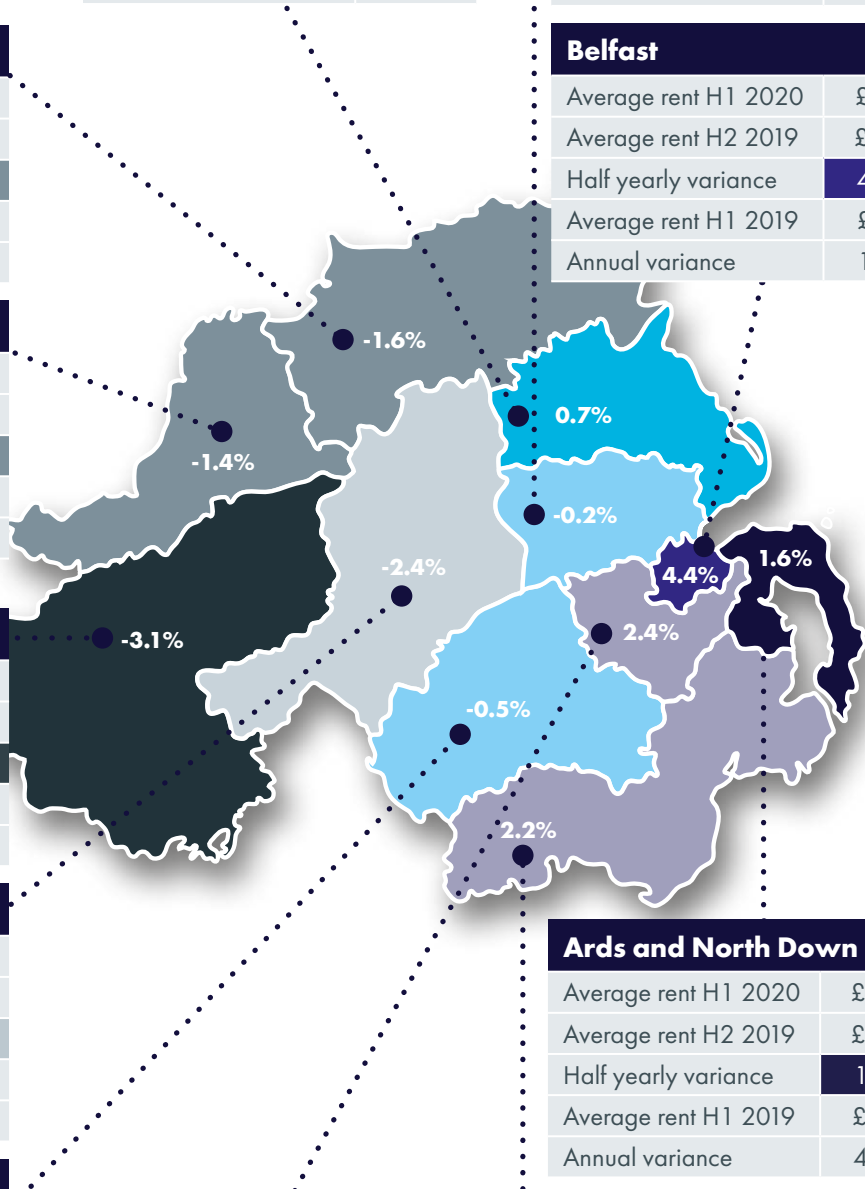
Average rent H1 2020	£730
Average rent H2 2019	£699
Half yearly variance	4.4%
Average rent H1 2019	£716
Annual variance	1.9%

Ards and North Down

Average rent H1 2020	£653
Average rent H2 2019	£643
Half yearly variance	1.6%
Average rent H1 2019	£627
Annual variance	4.2%

Newry, Mourne and Down

Average rent H1 2020	£573
Average rent H2 2019	£560
Half yearly variance	2.2%
Average rent H1 2019	£553
Annual variance	3.6%



NORTHERN IRELAND

In general terms, the statistics for the first half of 2020 show that average rents across Northern Ireland had increased by 2.9% in comparison with the previous six-month period. A similar rate of growth (2.6%) is observed when drawing comparisons with the same period in 2019. (Figure 5). The average rent during H1 2020 was £643, appreciably up from £625 in the previous six months. When disaggregated by property type, performance over the half year is relatively flat in real and absolute terms. The average rent for apartments is up (3.2%) to £628 per month, with terrace/townhouse also up a similar rate (3.7%) to £628 per month. Detached (£764pm) and semi-detached (£636pm) properties also recorded slight acceleration in average rents, up by 2.1% and 1.4% respectively.

LOCAL GOVERNMENT DISTRICTS OUTSIDE BELFAST

For district council areas outside the BCCA, performance was more variable but nonetheless one of slight growth in average rents. Overall, the average rent stood at £579 per month, marginally up by 0.4% over the half year and 2.5% in annual terms. The average rent remains considerably below the overall Northern Ireland average monthly rent of £643, with rent variance widening over the first six-months of the year. Table 4 (below) details the variability in average rents by property type across the local government districts. In a break from previous surveys, the general picture depicts moderate increases of the average rents in the areas to the west of Northern Ireland and a cooling of rents in Belfast and those Belfast-centric Local Government Districts, over the time period. It should be noted however, that council districts within the wider Belfast Metropolitan Area remained the most expensive areas within which to rent.

TABLE 4 Average rent by property type (LGDs outside Belfast), H1 2020

Council area	Average rent by property type (£)				
	Apartment	Terrace/ Townhouse	Semi- detached	Detached	ALL
Antrim & Newtownabbey	£512	£537	£589	£778	£564
Ards & North Down	£597	£579	£668	£966	£653
Armagh Banbridge & Craigavon	£446	£498	£556	£691	£536
Causeway Coast & Glens	£472	£509	£541	£620	£530
Derry & Strabane	£469	£527	£598	£664	£526
Fermanagh & Omagh	£424	£472	£521	£560	£484
Lisburn & Castlereagh	£582	£615	£684	£842	£667
Mid & East Antrim	£508	£492	£573	£676	£532
Mid-Ulster	£443	£521	£547	£617	£535
Newry Mourne & Down	£509	£534	£575	£666	£573
ALL	£522	£535	£604	£735	£579

BELFAST METROPOLITAN AREA

Across the wider Belfast Metropolitan region, the neighbouring district council areas to Belfast displayed rental growth. In the **Antrim & Newtownabbey** district council area, the average rent stood at £564; relatively unchanged from the previous survey (£565) and up by 0.4% over the year. In **Ards & North Down** district, the average rent was £653 per month, increasing by 1.6% over the half-year and 4.2% annually. For **Lisburn & Castlereagh** district, the picture was also one of rental growth with average rent up by 2.4% on the previous six-months, to £667, reflecting a 1.9% increase in annual terms.

NORTH & NORTH WEST

The district council areas in the North and North West were also characterised by appreciation in average rents over the year, although there was variability in the shorter term. In **Mid & East Antrim**, average rents were nominally up over the half year (0.7%) and year (1.2%) to £532 per month. In the **Causeway Coast & Glens** area, average rents recorded slight decline over the half year (1.6%) but were marginally up over the year (0.7%), reflecting general stability overall. For **Derry & Strabane** district, average rents fell by 1.4% over the half-year, to £526 per month; however they were up 3.1% annually.

THE SOUTH

To the south, both district council areas recorded rental growth over the year but with flatter performance over the half year. For **Armagh Banbridge & Craigavon** area, the overall average monthly rent remained almost unchanged over the half year at £536 (-0.5%) and showed modest gains over the year (3.4%). In the **Newry Mourne & Down** district, rental growth was recorded over the half year (2.2%) and year (3.6%) with the average monthly rent standing at £573 per month.

THE WEST

For the districts in the west of Northern Ireland, rental performance had decreased on the previous six months and was relatively flat over the year. In **Fermanagh & Omagh**, the average monthly rent was down by 3.1% to £484 per month. Over the year, nominal growth was recorded (0.4%). A similar picture was observed for the **Mid-Ulster** district where average rents contracted by 2.4% to £535 per month, although they were up by 1.8% over the year.

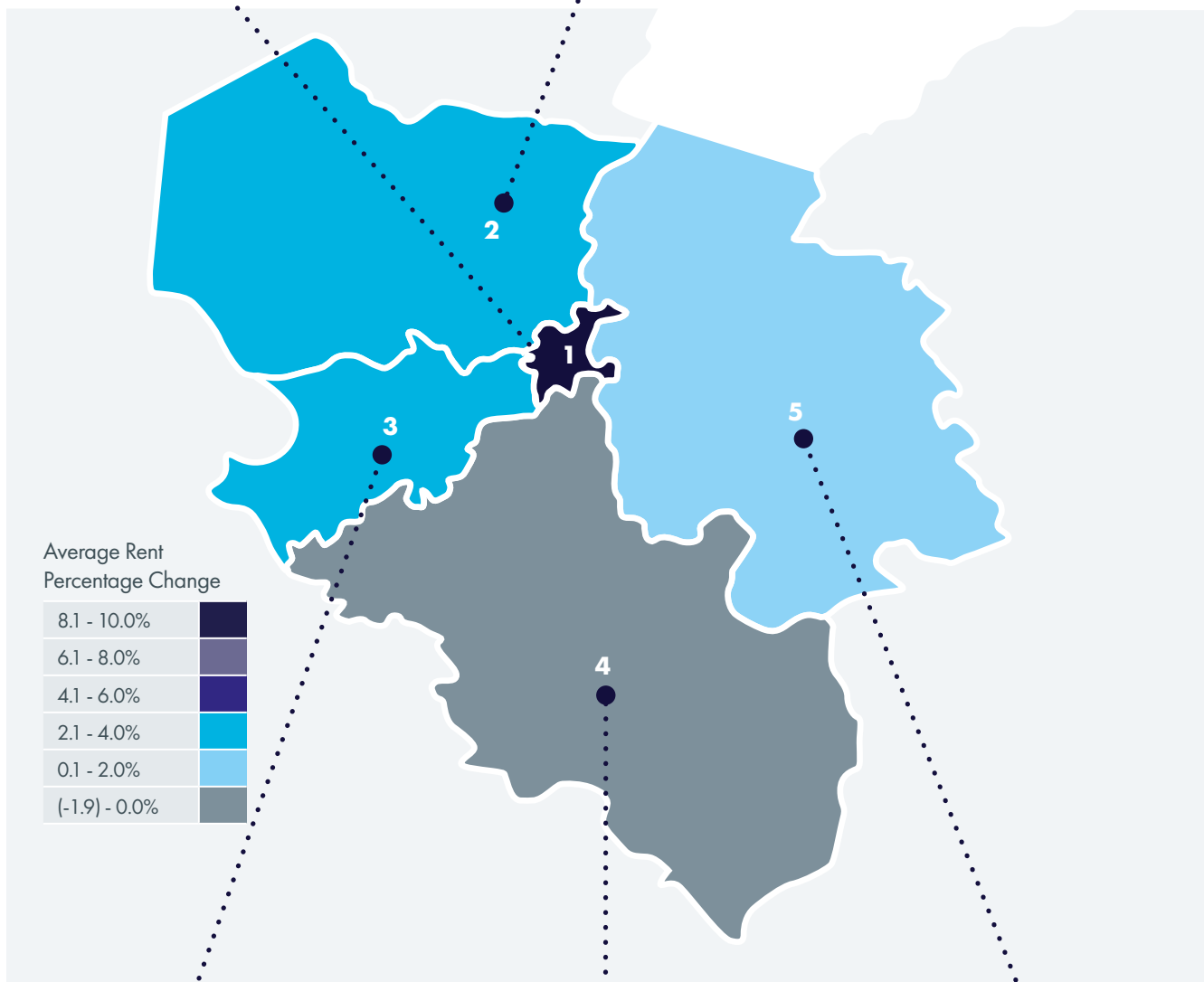


BELFAST CITY COUNCIL AREA

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, H1 2020

1. Belfast City Centre		2. North Belfast		Belfast LGD	
Average rent H1 2020	£926	Average rent H1 2020	£550	Average rent H1 2020	£730
Average rent H2 2019	£852	Average rent H2 2019	£537	Average rent H2 2019	£699
Half yearly variance	8.6%	Half yearly variance	2.5%	Half yearly variance	4.4%
Average rent H1 2019	£863	Average rent H1 2019	£509	Average rent H1 2019	£716
Annual variance	7.3%	Annual variance	8.1%	Annual variance	1.9%



3. West Belfast	
Average rent H1 2020	£608
Average rent H2 2019	£588
Half yearly variance	3.5%
Average rent H1 2019	£586
Annual variance	3.8%

4. South Belfast	
Average rent H1 2020	£854
Average rent H2 2019	£864
Half yearly variance	-1.1%
Average rent H1 2019	£861
Annual variance	-0.7%

5. East Belfast	
Average rent H1 2020	£649
Average rent H2 2019	£637
Half yearly variance	1.9%
Average rent H1 2019	£622
Annual variance	4.3%

At £730 for the first half of 2020, the average monthly rent across the BCCA increased by 4.4% relative to the last six months of 2019 and was up 1.9% in annual terms. Across the sub-market areas, and consistent with previous surveys, there was a general picture of rent inflation over the half year. For this survey, the City Centre recorded a strong half yearly increase in average rents, up 8.6% to £926 per month, although this is based on a relatively low sample (129) which may have been the result of limited stock availability. North Belfast recorded an average monthly rent of £550, representing an increase of 2.5% over the half year and up appreciably by 8.1% in annual terms. In East Belfast, the average rent also increased over the half year, up 1.9% to £649 per month, with a stronger rate of performance recorded over the year (4.3%). Likewise, average rent in the West Belfast area increased over the half year by 3.5% to £608 per month, the highest rent recorded in recent surveys. Annually, rents increased by 3.8% in West Belfast. Average rent in the South Belfast sub-market was marginally down (1.1%) to £854 over the half year and also reduced slightly (0.7%) on an annual basis (Figure 6).

BCCA AVERAGE RENT BY TYPE

The average rent across the Belfast City Council Area increased by 4.4% over the half year period to £730 per month. The strong performance was apparent across all property types, except detached dwellings (Table 5). Over the half year period, average rent for terrace/townhouses was appreciably up (5.1%) to £721 pm, with apartments up by 3.8% to £724pm and semi-detached dwellings observing a similar rate of growth (3.1%), standing at £721 per month. In annual terms, the picture was more variable, with modest rates of rental increase in the apartment and terrace/townhouse sectors but decline (5.4%) in the detached sector.

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

Property type	BCCA H1 2019	BCCA H2 2019	BCCA H1 2020	Half Yearly Δ	Annual Δ
Apartment	£707	£698	£724	3.8%	2.5%
Terrace/Townhouse	£703	£686	£721	5.1%	2.5%
Semi-detached	£726	£699	£721	3.1%	-0.8%
Detached	£1,078	£1,069	£1,020	-4.6%	-5.4%
ALL	£716	£699	£730	4.4%	1.9%

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 £1,443 in BT2. 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, H1 2020					
Postcode	1 Bed	2 Bed	3 Bed	4+ Bed	ALL
BT1	£786	£932	£1,153	*	£928
BT2	£721	£850	£1,443	*	£923
BT3	*	£880	*	*	£880
BT4	£553	£600	£696	£961	£666
BT5	£532	£595	£677	£904	£632
BT6	£535	£597	£674	£795	£644
BT7	£515	£726	£827	£1,204	£858
BT8	*	£600	£713	£884	£703
BT9	£576	£744	£872	£1,249	£874
BT10	*	£706	£798	*	£750
BT11	*	£594	£652	£632	£620
BT12	£500	£541	£617	£934	£603
BT13	£467	£502	£535	£624	£517
BT14	*	£532	£551	£773	£565
BT15	£444	£521	£607	£758	£573
BT16	*	£581	£679	*	£629
BT17	*	£541	£600	£773	£586
BT18	*	£763	£1,177	£1,385	£987
BT19	£461	£592	£664	£1,046	£668
BT20	£446	£560	£655	£870	£624
BT23	£435	£550	£604	£955	£593
BT26	*	*	£753	*	£761
BT27	*	£561	£642	£880	£655
BT28	*	£553	£634	£882	£656
BT36	*	£556	£565	*	£571
BT37	*	£517	£550	*	£555
BT38	£392	£515	£563	£799	£561

* denotes insufficient sample size

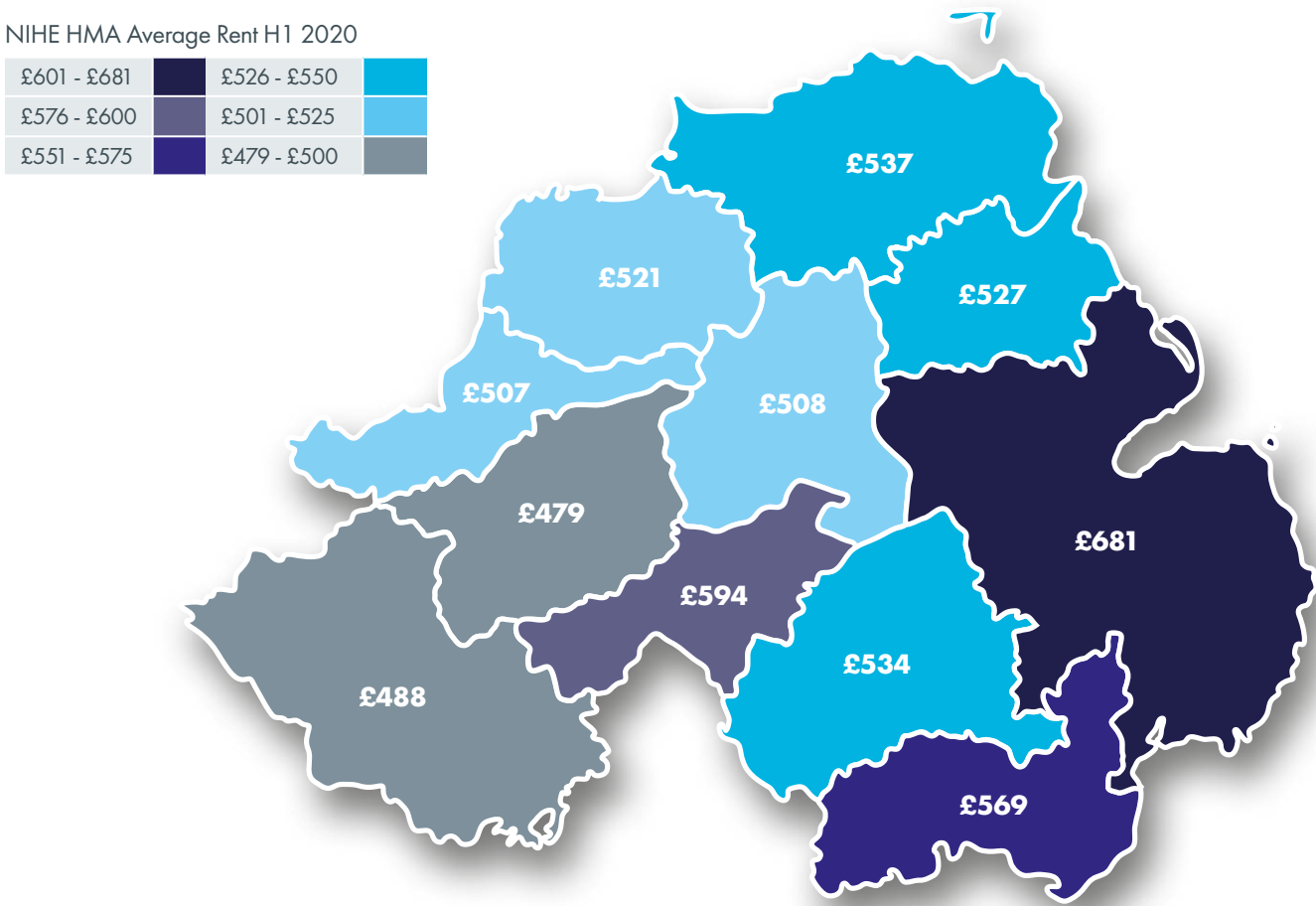
REGIONAL ANALYSIS BASED ON HOUSING MARKET AREAS

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 system.²

Functional Housing Market Areas

Figure 7 presents the average rents across the HMAs. The statistics reveal the Belfast Metropolitan HMA displayed an average rent of £681 per month, the highest across the HMAs by a considerable margin. The Dungannon and Newry HMAs, situated on the main urban belt, also had higher average rents of £594 and £569 respectively, with the Craigavon HMA recording an average rent of £534 per month. To the west, the Omagh (£479), Cookstown (£508), Fermanagh (£488) and Strabane (£507) HMAs all displayed lower average rents. In the North, the Ballymena (£527), Causeway Coast (£537) and Derry (£521) HMAs displayed similar average rents levels. Overall, the map depicts higher average rents in the HMAs situated on the main urban corridor, with a cooling in rents moving west across the province.

FIGURE 7 Rental Performance by functional Housing Market Areas (HMAs), H1 2020



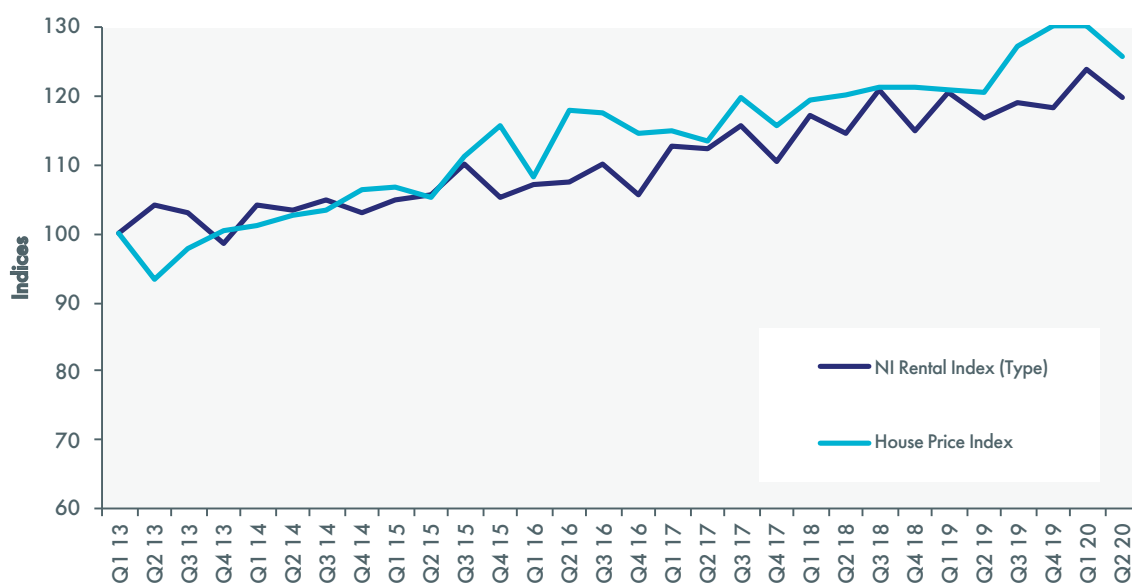
² The research identified eleven broad housing market areas within Northern Ireland. See: www.nihe.gov.uk/getmedia/4ae016fe-6702-4080-983e-dac39738b342/Mapping-Northern-Irelands-Housing-Market-Areas.pdf.aspx?ext=.pdf



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 119.8 at Q2 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. This is borne out by annual comparison which reveals appreciation in average rent over the year, with the index standing three points higher when compared with the same period in 2019. The Northern Ireland house price index followed a similar trend over the period analysed and although property value continues to out-perform the rental index, there has been a slight narrowing in the indices into the second quarter.

FIGURE 8 Rental Index v House Price Index trend, Q1 2013-Q2 2020



CONCLUSION

Against the backdrop of the COVID-19 pandemic, economic and labour market uncertainty – affecting both landlords and tenants – and government regulations extending the period of notice to quit, the overall picture is one of a strong and resilient rental market over the first half of the year. The available market data and sentiment indicates buoyancy in the wake of the pandemic with average rents rising by 2.9% to £643 per month and rising at an annual rate of 2.6%.

In terms of regional variation, the average rent in the BCCA was appreciably up by 4.4% over the half year period to £730 per month and in districts outside of Belfast, the picture was generally of modest growth, albeit regionally variable, with average rent increasing by 0.4% to £579 per month.

In view of the prevailing conditions, transaction levels have also been strong following an unprecedented ‘closure’ of the housing market. Inevitably, much of the activity levels are a consequence of macroprudential policies put in place by the UK Government and NI Executive which, coupled with the pent-up demand and the behavioural ramifications of lockdown, have artificially surged market activity and sustained average rents through the post lockdown period. Consequently, the market has remained resilient in terms of both average rents and activity levels, although there are signs that this is starting to cool off as we enter into the traditionally quieter periods of the year.

Overall, the analysis indicates that rents increased against a backdrop of rising unemployment and reduced household income. Whilst the government extended furlough scheme (until the end of April 2021 at the time of writing) will be of some relief in the short term, this nonetheless points to potential warnings in terms of rental affordability and market shocks in the sector. Indeed, the rental market is exposed to additional risk through the unwinding of furlough, increasing unemployment and general movement deeper into a recessionary environment. This may impact on appetite to be a landlord and the ability of the renter to pay. That said, these market fundamentals may not necessarily translate into rental pricing volatility as more limited listings could serve to sustain current levels. Market signals indicate that we are entering into ‘choppy waters’ and the next edition of this survey will be important to gauge the potential direction and degree of the impact of COVID-19 on rental sector pricing and activity.





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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DATA APPENDIX

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

FIGURE 3 Number of lettings by Local Government District (outside Belfast), H2 2019 and H1 2020

LGD	H2 2019	H1 2020
Antrim & Newtownabbey	576	343
Ards & North Down	956	776
Armagh, Banbridge & Craigavon	565	412
Causeway Coast & Glens	431	320
Derry & Strabane	215	135
Fermanagh & Omagh	209	163
Lisburn & Castlereagh	639	412
Mid & East Antrim	507	469
Mid Ulster	385	228
Newry, Mourne & Down	370	266
TOTAL	4,853	3,524

FIGURE 4 Proportion of properties let by rent band – NI, BCCA and other LGDs, H1 2020

Rental Band	NI	Belfast	LGDs
<£300	0.4%	0.5%	0.3%
£300 - £399	3.2%	0.6%	5.1%
£400 - £499	21.4%	12%	28.5%
£500 - £599	31%	24.8%	35.7%
£600 - £699	18.7%	21.3%	6.7%
£700 - £799	9.3%	13.1%	6.4%
£800 - £899	5.2%	7.9%	3.1%
£900 - £999	3.3%	5.7%	1.4%
£1,000 - £1,099	1.3%	2.6%	0.4%
>£1,100	6.3%	11.5%	2.4%

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