

At a Glance PRIVATE RENTAL MARKET PERFORMANCE 2021

Housing
Executive

 **Propertynews.com**

H2 2021
Issue Number 18



INTRODUCTION

The year 2021 has presented challenges for the private sector relating to the continuing impact of the COVID-19 pandemic and the emergence of a 'supply crunch'. Following the period of exceptional market closure in the second quarter of last year, the rental sector rebounded strongly in terms of transactional evidence and the performance of average rents. However, the effects of the imbalance of market forces, landlords selling rental properties, and 'longer leases' where tenants have decided to renew their lease, have begun to percolate into the market in terms of affordability and tenure options. This is borne out by the annual review of the Northern Ireland private rental market which indicates a stable market sector with strong annual rates of growth in average rents across some market areas, particularly those where underlying demand has been evident. Accordingly, whilst the evidence points to a vibrant market, earlier indications of inelastic supply and the potential for heightened price acceleration are beginning to impact directly on renters in terms of rental affordability and tenure choice.

The statistics presented in this annual summary report are based on a sample of 12,785 rental transactions recorded on PropertyNews.com and the Housing Executive's 'LHA dataset for Housing Benefit' database in 2021. 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. 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 the 2021 sample.

KEY FINDINGS

- The number of rental transactions decreased to 12,785, down by 7.6% on the previous year.
- Rental performance in 2021 depicts a market of rental growth, with average rents in Northern Ireland accelerating at a rate of 7.7% in 2021 compared with the previous year; the average rent over the full year stands at £709 per month.
- Rents in Belfast showed an annual increase of 4.5% in 2021 with an average monthly rent of £780.
- Outside of Belfast, the average monthly rent was £636, up 11.6% on the previous year.





Number of rental transactions per annum

The annual rent statistics for 2021 are based upon market evidence which encompasses the legacy of COVID-19 restrictions imposed by the Northern Ireland Executive in response to the pandemic. The figures show that the year-on-year trend of annual transactional decline continued into 2021 with the annual sample decreasing to 12,785 rental transactions, down by 7.6% on the previous year. As noted above, the reduced sample comes against the backdrop of changing private sector behaviour following the impact of COVID-19 on renters in the private sector and the lack of supply of rental properties within the private rental system. Overall, the level of transactions indicates that the market remains vibrant, albeit with rent inflation due to inelastic supply of rental properties.

FIGURE 1 Annual number of rental transactions in the survey sample, 2013-2021

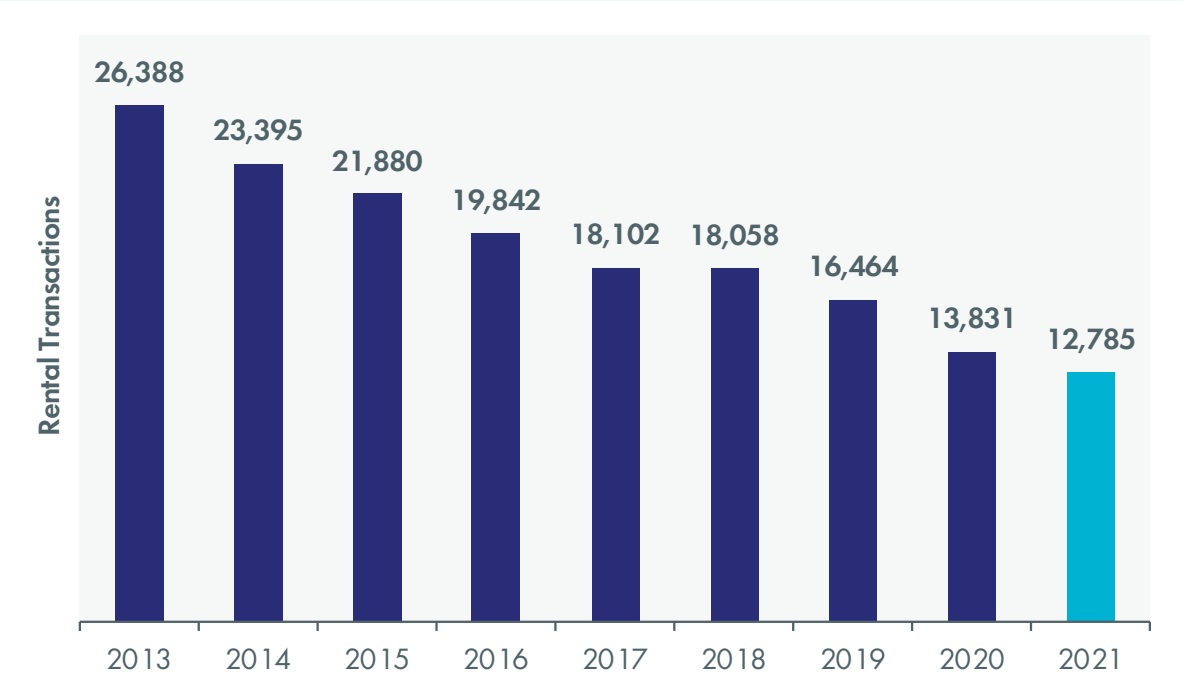


FIGURE 2

ANNUAL VARIANCE IN AVERAGE RENTS (comparing 2021 with 2020)

Rental Price Annual Percentage Change

12.1 - 14.0%	6.1 - 8.0%
10.1 - 12.0%	4.1 - 6.0%
8.1 - 10.0%	2.1 - 4.0%

Mid and East Antrim

Average rent 2021	£565
Average rent 2020	£539
Annual variance	4.9%

Northern Ireland

Average rent 2021	£709
Average rent 2020	£658
Annual variance	7.7%

Antrim and Newtownabbey

Average rent 2021	£625
Average rent 2020	£587
Annual variance	6.4%

Causeway Coast and Glens

Average rent 2021	£576
Average rent 2020	£533
Annual variance	8.1%

Derry and Strabane

Average rent 2021	£555
Average rent 2020	£542
Annual variance	2.5%

Fermanagh and Omagh

Average rent 2021	£513
Average rent 2020	£492
Annual variance	4.3%

Mid Ulster

Average rent 2021	£581
Average rent 2020	£552
Annual variance	5.4%

Armagh, Banbridge and Craigavon

Average rent 2021	£589
Average rent 2020	£537
Annual variance	9.6%

Lisburn and Castlereagh

Average rent 2021	£719
Average rent 2020	£666
Annual variance	7.9%

Belfast

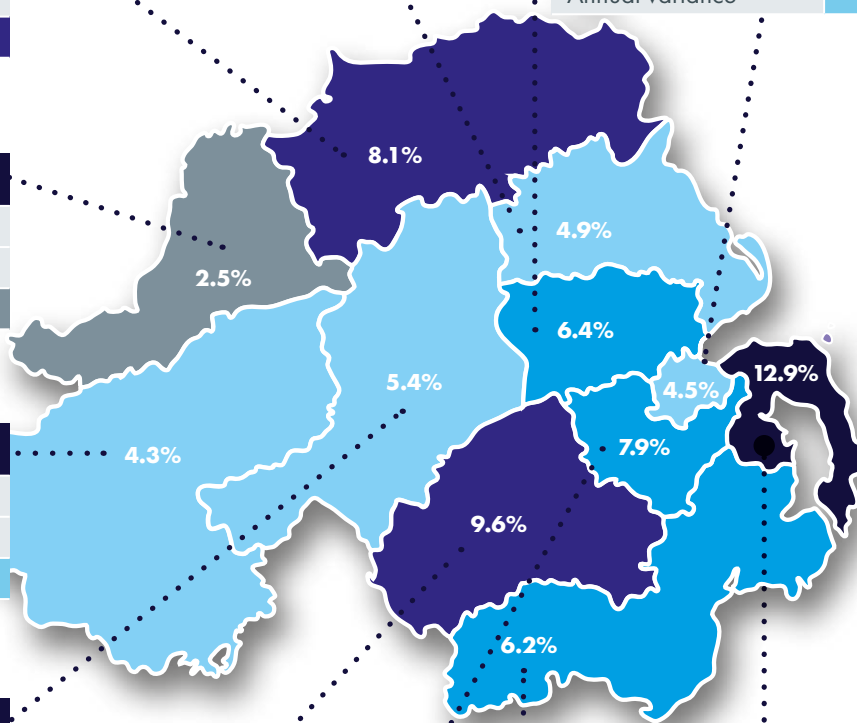
Average rent 2021	£780
Average rent 2020	£746
Annual variance	4.5%

Ards and North Down

Average rent 2021	£746
Average rent 2020	£661
Annual variance	12.9%

Newry, Mourne and Down

Average rent 2021	£621
Average rent 2020	£585
Annual variance	6.2%



Average NI Rent by Property Type

For 2021, the average monthly rent for Northern Ireland was £709, up 7.7% on the average rent in 2020 (£658). In terms of property type, strong annual rates of growth in average rents were recorded across all sectors, most notably the detached sector which increased by 12.7% to £884 per month. Average rents accelerated in the semi-detached sector at a rate of 9.5%, followed by terrace/townhouse and apartment sectors which grew by 7.4% and 7.1% respectively (Table 1).

TABLE 1 Annual Average Rent by Property Type, Northern Ireland, 2018-2021

Property Type	2018	2019	2020	2021	% change 2020-2021
Apartment	£603	£610	£648	£695	7.1%
Terrace/ Townhouse	£594	£608	£641	£688	7.4%
Semi-detached	£614	£626	£649	£710	9.5%
Detached	£742	£751	£785	£884	12.7%
All	£616	£627	£658	£709	7.7%

Average NI Rent by Number of Bedrooms

When analysed by number of bedrooms, the figures reveal that average rents in 2021 were appreciably up on the previous year (Table 2). The average rent for one-bedroom properties grew at a rate of 8.6% to £557 per month, and a slightly higher rate of growth was observed for those properties with three-bedrooms which increased by 9.7% to £697 per month. The average rent for properties with four or more bedrooms increased by 7.7% to stand at £1,046 per month, with two-bedroom properties also recording growth of 7.9% to £653 per month.

TABLE 2 Annual Average Rent by Property Size, Northern Ireland, 2018-2021

No. of Bedrooms	2018	2019	2020	2021	% change 2020-2021
1 bedroom	£480	£480	£513	£557	8.6%
2 bedrooms	£556	£570	£605	£653	7.9%
3 bedrooms	£597	£613	£635	£697	9.7%
4+ bedrooms	£905	£908	£971	£1,046	7.7%
All	£616	£627	£658	£709	7.7%

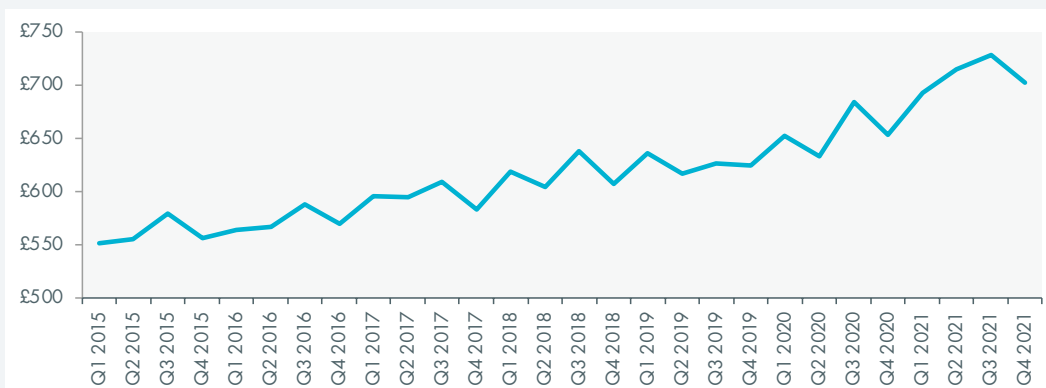




Average NI Rent by year and quarter

Figure 3 shows the general trend of upward, albeit it uneven, movement of average rents each quarter from 2015-2021. The trend for 2021 depicts the rapid acceleration in average rents over the first three quarters of the year, with rents falling in the traditionally quieter quarter four.

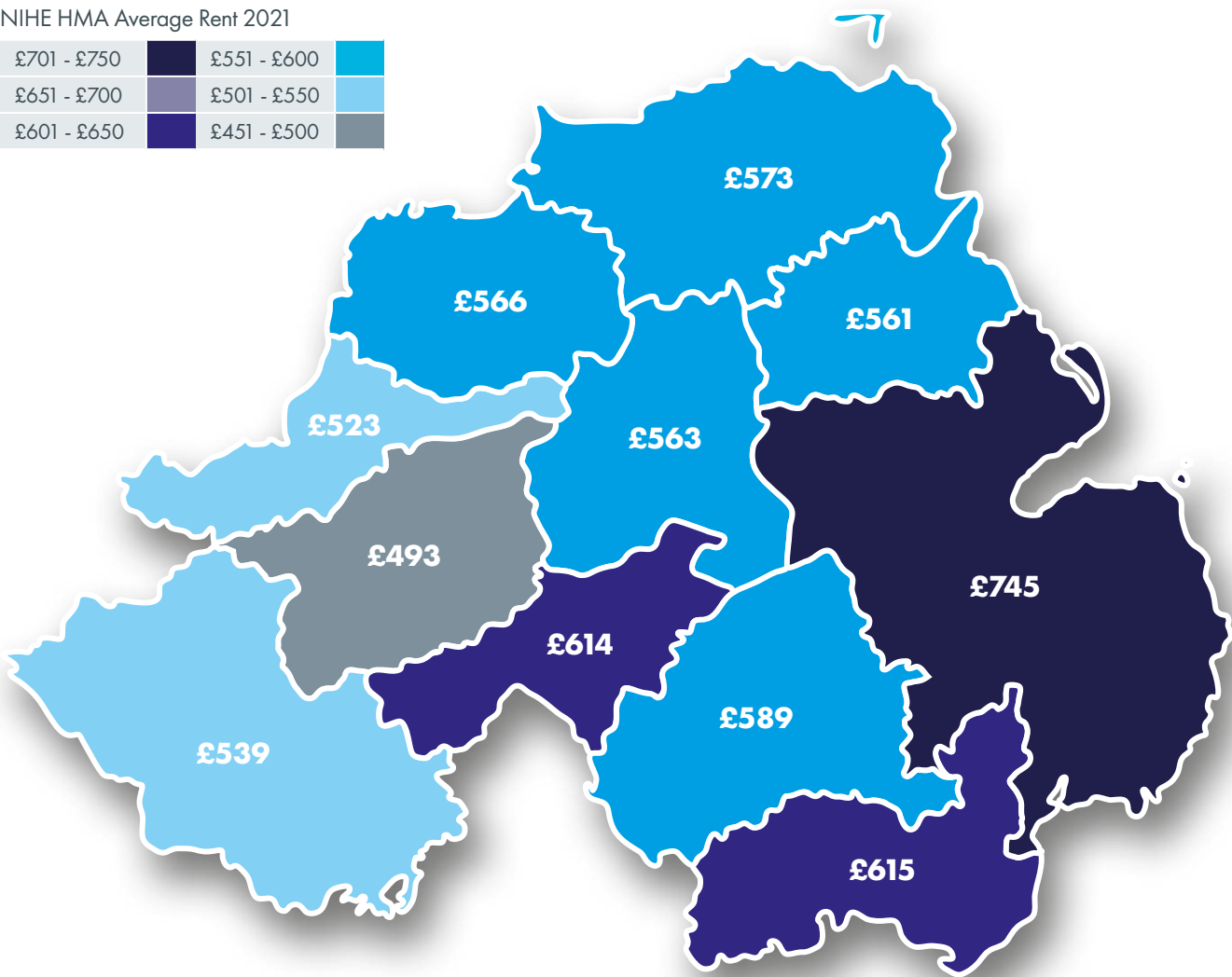
FIGURE 3 Average Rent by Quarter, Northern Ireland, 2015-2021



REGIONAL PERFORMANCE 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 system¹. **Figure 4** presents the average rent statistics across the HMAs for 2021. Compared with the previous year, the picture of one of a spatially differentiated market but with strong rental growth across most HMAs.

FIGURE 4 Rental Performance by functional Housing Market Areas (HMAs), 2021



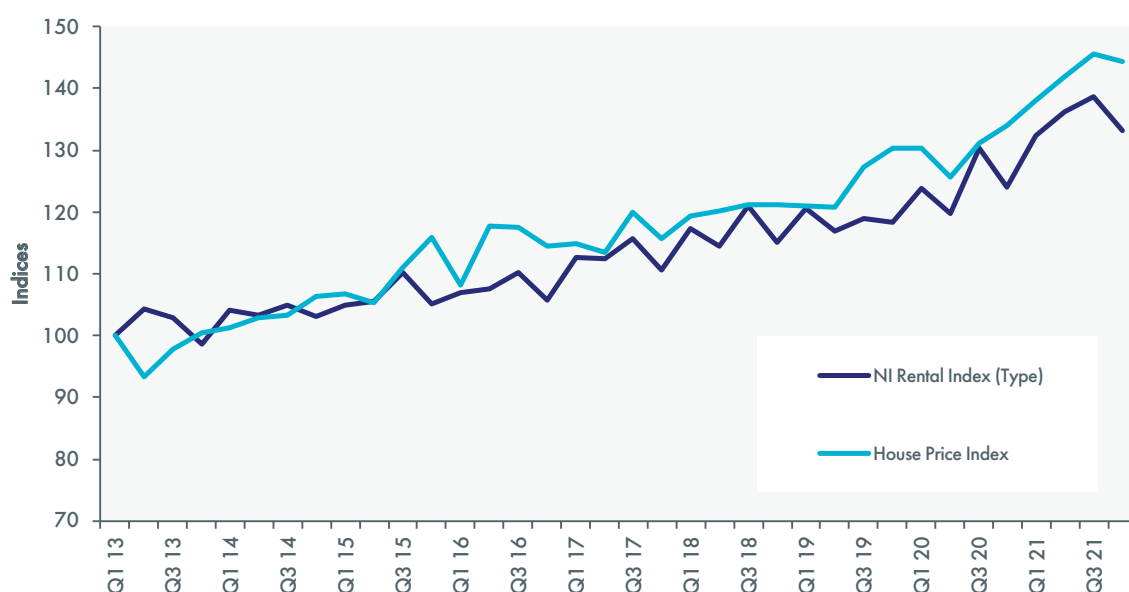
¹ The research identified eleven broad housing market areas within Northern Ireland. See: www.nihe.gov.uk/getmedia/4ae016fe-6702-4080-983e-dac39738b342/Mapping-Northern-Irelands-Housing-Market-Areas.pdf.aspx?ext=.pdf



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 133.2 at Q4 2021 (Figure 5). 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, highlighting the sustained acceleration in rents over the last year. This continued into the third quarter where the index rose to a peak of 138.7, before decreasing in the last quarter of the year. The index indicates that rents are up over 9 percentage points compared with the same period in H2 2020. When compared with the Northern Ireland house price index, a similar trend was observed across quarters one to quarter three with house prices and rents trending in parallel. Both indices soften into the traditionally quiet fourth quarter, albeit the rental index shows a sharper decline. As noted in the previous survey, the market evidence indicates that accelerating house prices, together with lack of supply across market sectors, and the drag effects of COVID-19, continue to put upward pressure on average rents and continues to cast a long shadow on the rental sector in terms of both unaffordability and tenure options.

FIGURE 5 Rental Index v House Price Index trend, Q1 2013-Q4 2021



The headline findings from this survey is that of an over-heating rental market driven by a 'supply crunch', with notable increases in average rents observed across many sub-market areas. As cautioned in previous surveys, the impact of COVID-19, imbalances within market forces and strong evidence of inelastic supply, projected that average rents would continue to accelerate into what is normally a quieter second half of the year. Indeed, the pricing analysis in this report clearly illustrates a rental market which continues to overheat with average rents increasing by 2% over the last six months of the year and 6.9% annually.

Accordingly, the survey indicates that the lack of quality rental stock remains a pressing issue which is feeding into rental price increases – as forecast in previous surveys. In this context, rental growth within specific sectors of the market demonstrate the longer-term effects of the impact of COVID-19 have become much clearer. Further, a key finding from the survey noted the strong price growth within the detached sector of the market, and whilst traditionally a small segment of the market, does

highlight, or at least signal, behavioural changes endemic within the private rented sector. This is important as research indicates that price acceleration in the detached sector can be a causal driver of market buoyancy, sustained price growth culminating in ripple effects into other segments of the market. Thus, the findings are consistent with previous editions and emerging research evidence from the Northern Ireland market relating to both the causal effect of escalating house prices across market segments on rents, with price filtration effects radiating into other market sectors having knock-on consequences for the private rental sector (Lo et al. 2021)² and more recently the impact of COVID-19 on the private sector (McCord et al, 2022)³.

³ Lo, D., McCord, M., McCord, J., Davis, P., & Haran, M. (2021). Rent or buy, what are the odds? Analysing the price-to-rent ratio for housing types within the Northern Ireland housing market. *International Journal of Housing Markets and Analysis*, 14 (5), 1062–1091.

⁴ M McCord, D Lo, J McCord, P Davis, M Haran & P Turley (2022): The impact of COVID-19 on house prices in Northern Ireland: price persistence, yet divergent?, *Journal of Property Research*, DOI: 10.1080/09599916.2021.2023610.

