

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 second half (July to December; 'H2') of 2021. The report provides an analysis of trends and patterns at a regional level during the six-month period, drawing comparison with the first half of 2021 as a measure of half yearly 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 5,818 rental transactions recorded on PropertyNews.com and the Housing Executive's 'LHA dataset for Housing Benefit' database for the second 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 noted in previous surveys, the analysis is premised on a reduced sample due to a policy decision by the Housing Executive's Housing Benefit Unit made at the start of 2020. This means the volume of data collected reduced by approximately one third. 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 H2 2021 sample. Therefore, transactional comparison with previous editions should be treated with caution.

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. Notably, the increases in average rent have been occurring against a background of a 'supply crunch' causing latent demand across most rental locations and sustaining rental price growth. Therefore, whilst the market remains strong and buoyant, there are clear market signals of the rental market heating and affordability pressures mounting, especially in the face of heightening levels of wider inflation.

The key headlines relating to the rental market in H2 2021 are:

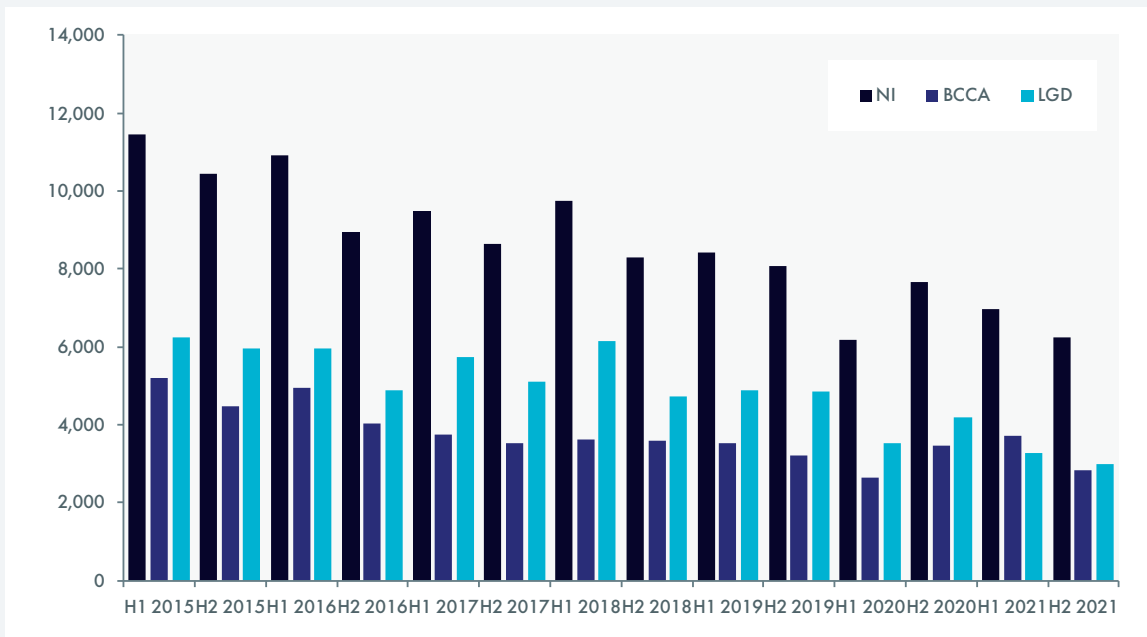
- the number of rental transactions decreased by 16.5% over the half year with transaction volume down by 24.1% in annual terms
- average rents across Northern Ireland increased by 2% from H1 2021, to £717 per month, and were up 6.9% compared to H2 2020
- the average monthly rent across the Belfast City Council Area (BCCA) remained relatively unchanged, down 0.7% to £776. In annual terms rents were up by 2.4%
- outside of Belfast, the average LGD rent was up by 7.8% over the half year period to £661 per month and appreciably up by 10.5% over the year.

RENTAL TRENDS

Number of Lettings

Over the last six months of 2021, the survey captured 5,818 rental transactions across Northern Ireland, reflecting a 16.5% decline on the first half of 2021. Annual comparison with the same period last year (H2 2020) indicates a 24.1% decrease in the number of rental market transactions (Figure 1). Considering the longer-term trend of market transactions, and the impact of COVID-19, the picture continues to show evidence of latent market pressures in terms of constrained supply of rental homes in a market where demand remains high and where the psychology of lockdown has impacted on renters in terms of lease length and demand for certain types of rental product. Overall, the findings point to a heating market and a supply crunch.

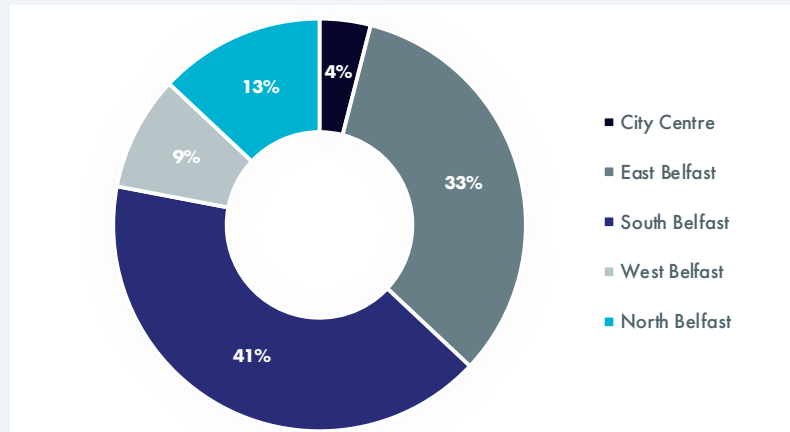
FIGURE 1 Number of lettings – NI, Belfast City Council Area and other LGDs, H1 2015-H2 2021



Belfast City Council Area

Within the Belfast City Council Area (BCCA), there were 2,837 lettings in the second half of 2021, reflecting a 23.3% decrease on the previous half year to a level similar to the period of market closure in H1 2020. The annual trend also records a significant decrease in transactions, down 18.1% when compared to the same period in 2020. Following the consecutive periods of high market demand in the Belfast area since the re-opening of the market in H2 2020, the analysis points to changes in market behaviour and significantly an acute lack of available rental stock. For this survey, the Belfast rental market accounts for 48.8% of all rental transactions over the half year period, down four percentage points when compared with the previous six month period (53.1%). Within the BCCA, the survey indicates the largest proportion of market activity remains in the South (40.9%), although this market share has decreased considerably from the previous survey (H1 2021: 47.6% of lettings). In the East, the proportion of lettings are up to one third of all lettings (32.9%). The proportion of lettings in the North (13.2%) and West (9%) remain broadly unchanged (Figure 2).

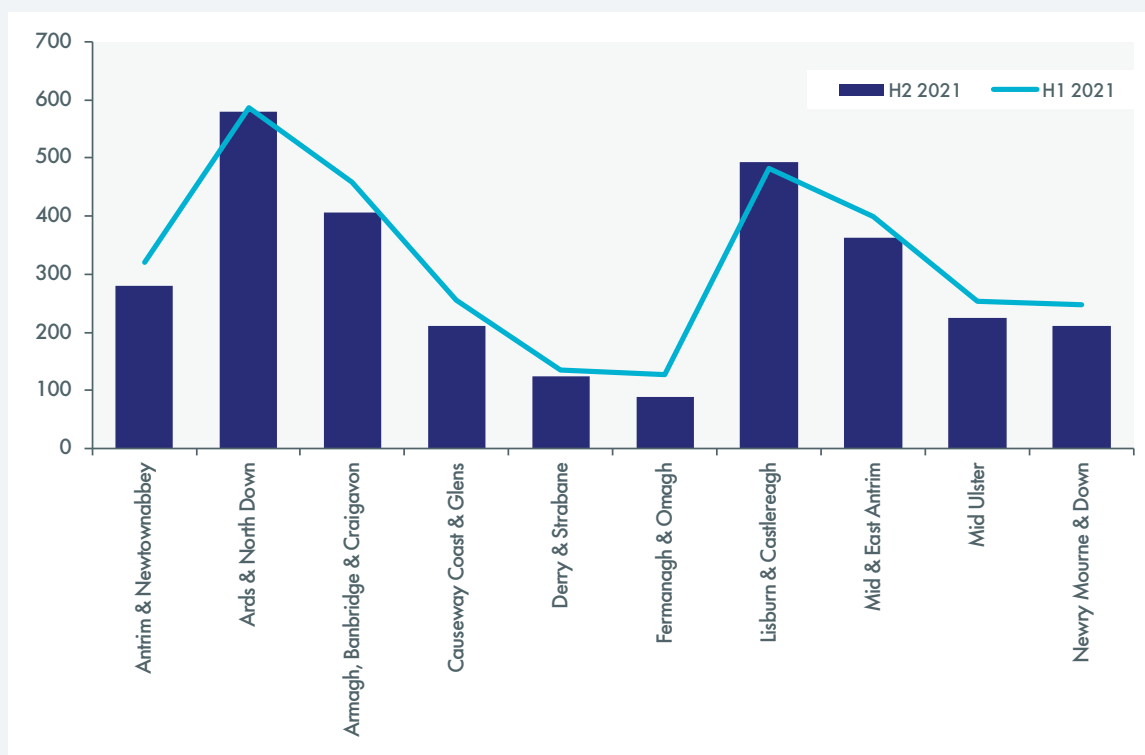
FIGURE 2 Proportion of lettings by sub-market, Belfast City Council Area, H2 2021



Local Government Districts

During H2 2021, there were 2,981 lettings in LGDs outside of Belfast: down 8.8% over the half year, and by 29% in annual terms. Both the half year and annual statistics point to reduced market churn in LGDs outside of Belfast following the period of high market churn and activity in second half of 2020 when the market re-opened. The analysis again indicates latent market stress in terms of supply, with all but one LGD observing a reduced number of lettings (Figure 3). Overall, the survey indicates that LGDs outside of BCCA accounted for just over half (51.2%) of all rental transactions in Northern Ireland. Consistent with market trends, the rental markets within the wider Belfast metropolitan area and those on the main arterial corridor to Belfast continue to record the highest levels of rental activity, albeit some at comparatively reduced levels: Ards & North Down (579), Lisburn & Castlereagh (492), Armagh, Banbridge & Craigavon (407) and Mid & East Antrim (362). The rural district of Fermanagh & Omagh (90) and the Derry & Strabane (124) area continue to display low levels of transactional activity. Figure 3 shows the number of rental transactions across all LGDs in H2 2021 relative to the first half of the year.

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



MARKET SHARE

Despite the reduced volume of rental transactions noted in this survey, the composition of the private rental sector has remained relatively consistent. For this survey, some change was observed, with apartments holding the largest proportion of market share (39%) and the terrace/townhouse sector comprising a slightly reduced share of lettings (37%). The market share of the semi-detached sector remained unchanged (15%) and the detached sector stood at 9%, illustrating potential supply crunch in terms of tenure options borne out by the significant decreases in the transactions across both apartments and terraced properties.

In the Belfast rental market, the main volume of lettings remains apartments (48%) and terrace/townhouses (40%), which together account for 88% of all rented properties. Semi-detached (10%) and detached properties (2%) continue to account for relatively low proportions of the market over the half year. Notably, the percentage change statistics point to significantly reduced supply in the apartment and terrace/townhouse sectors. For LGDs outside Belfast, the distribution of rental lettings by property type remains highly consistent with the previous survey with terrace/townhouse properties remaining the largest sector (35%), followed by apartments whose share stands at 30%. Semi-detached properties account for one fifth (20%) of the market. Consistent with previous editions, the analysis highlights the different market composition of the Belfast City Council Area compared with other local authority areas. Whilst the percentage change statistics indicate constrained supply across local authority areas, the figures suggest this is more acute in the BCCA.

TABLE 1 Properties let by type, H2 2021

Property type	NI	HY Δ	BCCA	HY Δ	LGDs	HY Δ
Apartment	2,268 (39%)	-19.0%	1,362 (48%)	-23.7%	906 (30%)	-10.7%
Terrace/Townhouse	2,176 (37%)	-18.7%	1,134 (40%)	-25.7%	1,042 (35%)	-9.2%
Semi-detached	882 (15%)	-9.9%	287 (10%)	-10.3%	595 (20%)	-9.7%
Detached	492 (9%)	-3.9%	54 (2%)	-19.4%	438 (15%)	-1.6%
ALL	5,818	-16.5%	2,837	-23.3%	2,981	-8.8%

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 (80%) over the second half of the year. This trend was generally reflected in the BCCA, where over three-quarters (76%) of properties let were in these categories, with two-bedroom properties accounting for more than half of the market share (53%). By comparison, the statistics for LGDs outside of the BCCA indicate that three-bedroom properties accounted for almost half of rental transactions (46%), with two-bedroom properties comprising over a third (37%) of lettings. The analysis once again confirms the difference in market composition by bedroom categories. A key observation is the significant decline in rental transactions in the four or more bedroom category, highlighting limited supply particularly within the BCCA.

TABLE 2 Properties let by size, H2, 2021

No. of bedrooms	NI	HY Δ	BCCA	HY Δ	LGDs	HY Δ
1 Bedroom	578 (10%)	-16.7%	378 (13%)	-5.5%	200 (7%)	-32.0%
2 Bedroom	2,595 (45%)	-8.5%	1,506 (53%)	-12.0%	1,089 (37%)	-3.2%
3 Bedroom	2,034 (35%)	-15.4%	665 (23%)	-24.9%	1,369 (46%)	-9.8%
4+ Bedroom	611 (11%)	-40.9%	288 (10%)	-59.0%	323 (11%)	-2.1%
ALL	5,818	-16.5%	2,837	-23.3%	2,981	-8.8%

Δ denotes percentage change.

DISTRIBUTION OF RENTS

In terms of distribution of average rents, 26% of rental properties let across Northern Ireland in the second half of 2021 fell within the £500-£599 band – down three percentage points when compared with the same period in 2020 (H2 2020: 29%). For BCCA, this proportion stood at 19%, down 4% in annual terms (H2 2020: 23%) and comparatively lower than the figure for the aggregated LGDs (32%). The £400-£499 rental band accounted for 9% of lettings across Northern Ireland, a reduction of 3% on the previous survey and by 8% on the same period in 2020 (H2 2020; 17%). A significantly higher proportion of lettings in LGDs outside Belfast (13%) fell within the £400-£499 band in comparison to the BCCA (4%), 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 45%, down from 57% in the last survey; the comparative figure for the BCCA is 23% (down from 26% in H1 2021). Overall, the proportion of rents in Northern Ireland above £600 has increased to 64%, up from 58.1% in H1 2021, highlighting the continuing growth in average rents over the period as a consequence of market demand and limited stock availability and quality. For the BCCA, the proportion of rental lettings above £600 increased 2.7% relative to the first half of the year to 76.2%. Similarly, the proportion of rents above £600 in LGDs outside of Belfast stood at 52.9%, almost 13 percentage points up on the previous survey (40%). The rent distribution over the second half of 2021, when compared with previous surveys, once again provides clear evidence of the continuing shift in rent distributions towards higher pricing bands, indicating an acceleration of rents across all regions and likely market shocks in terms of rental affordability, rental supply and rent inflation.

FIGURE 4 Proportion of properties let by rent band – NI, BCCA and other LGDs, H2 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 second half of 2021, lower quartile, median and mean rent levels increased across most LGDs, consistent with the general observation of shifting rents towards a higher pricing structure. 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 46%, followed by Belfast City Council Area, which stands 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, H2 2021

Council area	Average rent (£)	Coefficient of variance (%)	Median rent (£)	25 th percentile	75 th percentile
Antrim & Newtownabbey	£639	30	£599	£525	£695
Ards & North Down	£778	46	£675	£575	£825
Armagh Banbridge & Craigavon	£614	27	£588	£525	£663
Belfast	£776	35	£700	£600	£850
Causeway Coast & Glens	£598	20	£575	£521	£662
Derry & Strabane	£569	23	£557	£500	£604
Fermanagh & Omagh	£536	22	£520	£474	£587
Lisburn & Castlereagh	£746	32	£693	£595	£825
Mid & East Antrim	£575	21	£550	£497	£625
Mid-Ulster	£587	18	£583	£526	£656
Newry Mourne & Down	£649	28	£609	£550	£700

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 2021

Rental Price Annual Percentage Change

8.1 - 10.0%	2.1 - 4.0%
6.1 - 8.0%	0.1 - 2.0%
4.1 - 6.0%	(-2.1) - 0.0%

Mid and East Antrim

Average rent H2 2021	£575
Average rent H1 2021	£556
Half yearly variance	3.5%
Average rent H2 2020	£545
Annual variance	5.5%

Northern Ireland

Average rent H2 2021	£717
Average rent H1 2021	£703
Half yearly variance	2.0%
Average rent H2 2020	£670
Annual variance	6.9%

Antrim and Newtownabbey

Average rent H2 2021	£639
Average rent H1 2021	£612
Half yearly variance	4.5%
Average rent H2 2020	£606
Annual variance	5.5%

Causeway Coast and Glens

Average rent H2 2021	£598
Average rent H1 2021	£558
Half yearly variance	7.3%
Average rent H2 2020	£537
Annual variance	11.5%

Derry and Strabane

Average rent H2 2021	£569
Average rent H1 2021	£543
Half yearly variance	4.8%
Average rent H2 2020	£554
Annual variance	2.8%

Fermanagh and Omagh

Average rent H2 2021	£536
Average rent H1 2021	£497
Half yearly variance	7.9%
Average rent H2 2020	£499
Annual variance	7.4%

Mid Ulster

Average rent H2 2021	£587
Average rent H1 2021	£577
Half yearly variance	1.7%
Average rent H2 2020	£565
Annual variance	3.8%

Armagh, Banbridge and Craigavon

Average rent H2 2021	£614
Average rent H1 2021	£566
Half yearly variance	8.5%
Average rent H2 2020	£538
Annual variance	14.2%

Lisburn and Castlereagh

Average rent H2 2021	£746
Average rent H1 2021	£691
Half yearly variance	8.0%
Average rent H2 2020	£666
Annual variance	12.1%

Belfast

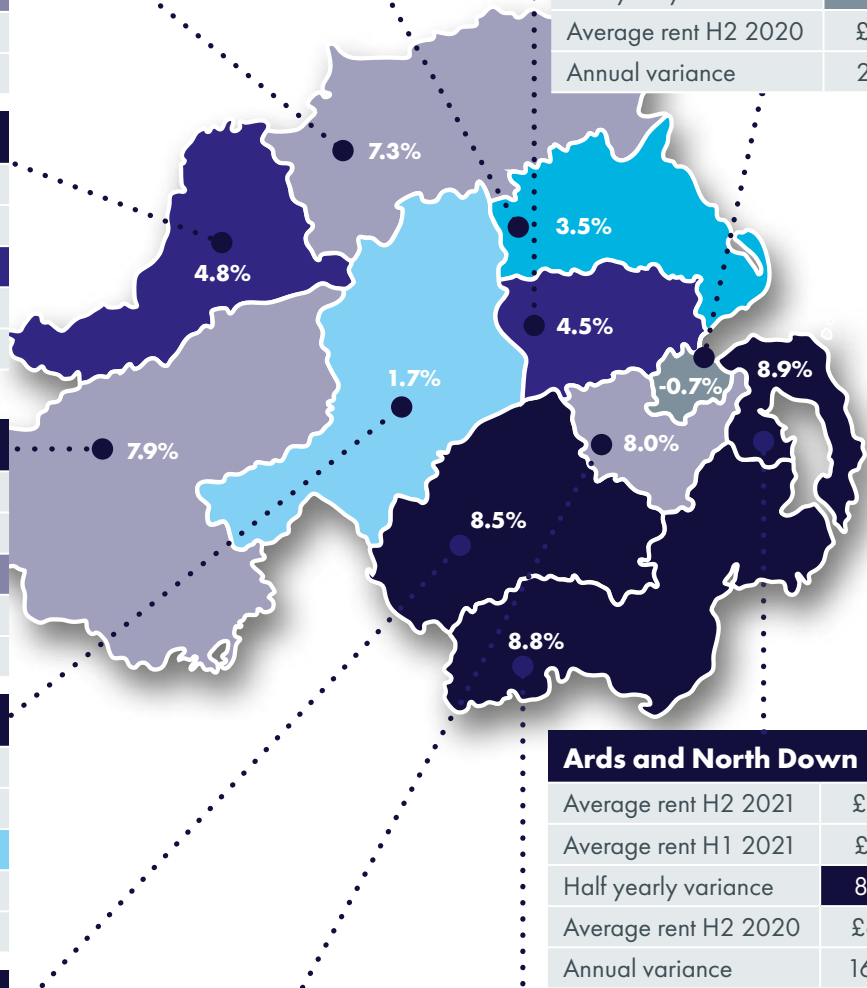
Average rent H2 2021	£776
Average rent H1 2021	£782
Half yearly variance	-0.7%
Average rent H2 2020	£758
Annual variance	2.4%

Ards and North Down

Average rent H2 2021	£778
Average rent H1 2021	£714
Half yearly variance	8.9%
Average rent H2 2020	£669
Annual variance	16.4%

Newry, Mourne and Down

Average rent H2 2021	£649
Average rent H1 2021	£597
Half yearly variance	8.8%
Average rent H2 2020	£596
Annual variance	9.0%



NORTHERN IRELAND

The statistics show that average rents continue to grow across Northern Ireland, with 2% growth recorded over the half year to £717 and average rents up by 6.9% in annual terms (Figure 5). When disaggregated by property type, performance over the half year is variable with increases recorded across all market sectors except the terrace/townhouse sector. Large gains were recorded in the detached and semi-detached sectors. For detached properties, the average rent is considerably up by 10.5% to £929 per month. Semi-detached properties also recorded strong rates of growth, up 5.8% to £732 per month, with apartments modestly up by 2.1% to £703 per month. Terrace/townhouses recorded slight decreases to £678 in average rents, down by a rate of 2.6%.

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 stands at £661 per month, appreciably up by 7.8% over the half year and stronger growth of 10.5% recorded annually. The average rent remains below the overall Northern Ireland average monthly rent of £717, although rental variance has narrowed 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 picture is one of rental growth across all Local Government Districts, albeit there is variability by property type. As with previous editions of the survey, comparatively higher rents by property type are observed in those districts near Belfast, although this survey also notes strong performance in rural areas.

TABLE 4 Average rent by property type (LGDs outside Belfast), H2 2021

Council area	Average rent by property type (£)				
	Apartment	Terrace/ Townhouse	Semi- detached	Detached	ALL
Antrim & Newtownabbey	£559	£605	£674	£ 925	£639
Ards & North Down	£735	£672	£788	£1,181	£778
Armagh Banbridge & Craigavon	£504	£574	£635	£799	£614
Causeway Coast & Glens	£531	£566	£639	£686	£598
Derry & Strabane	£497	£600	£601	£809	£569
Fermanagh & Omagh	£484	£505	£574	£638	£536
Lisburn & Castlereagh	£646	£662	£771	£1,045	£746
Mid & East Antrim	£536	£552	£629	£764	£575
Mid-Ulster	£470	£574	£636	£688	£587
Newry Mourne & Down	£563	£618	£636	£780	£649
ALL	£538	£557	£622	£783	£598

BELFAST METROPOLITAN AREA

Across the wider Belfast Metropolitan region, the district council areas adjacent to Belfast recorded strong half yearly and annual growth in average rents. The **Antrim & Newtownabbey** district council area recorded an average rent of £639, up by 4.5% over the half year, with a slightly stronger rate of growth observed annually (5.5%). In the **Ards & North Down** district, the average rent increased considerably by 8.9% over the half year to £778, significantly up by 16.4% in annual terms. In the **Lisburn & Castlereagh** area, average rents also displayed considerable gains, up by 8% over the half year to £746 per month, and by 12.1% over the year.

NORTH & NORTH WEST

The district council areas in the north and north and west also observed growth in average rents over the time periods, although there was a degree of variability by location. In **Mid & East Antrim**, the picture was also one of rental growth with average rent up by 3.5% on the previous six-months, to £575, reflecting a 5.5% increase in annual terms. In the **Causeway Coast & Glens** area, stronger performance was observed with average rents up by 7.3% over the half year to £598, with stronger performance noted over the year (11.5%). For **Derry & Strabane**, average rents were also up by 4.8% over the half-year, to £569 per month, with recorded annual growth more subdued at 2.8% when compared with the same period last year.

THE SOUTH

To the south, the picture is also one of strong rental growth over the half year and year. For the **Armagh Banbridge & Craigavon** region, average rents accelerated by 8.5% over the half year to £614, representing a 14.2% increase over the year. In the **Newry Mourne & Down** district, a similar rate of rental growth was recorded, with the average rent up 8.8% to £649 per month, and up by 9% in annual terms.

THE WEST

For the districts in the west of Northern Ireland, growth in rental performance was observed but with variability between districts. In **Fermanagh & Omagh**, the average monthly rent was up 7.9% to £536 per month. Over the year, average rents increased by a similar rate at 7.4%. In **Mid-Ulster** district more modest gains were observed with average rents increasing by 1.7% to £587 per month, and a stronger rate of growth was observed over the year (3.8%).

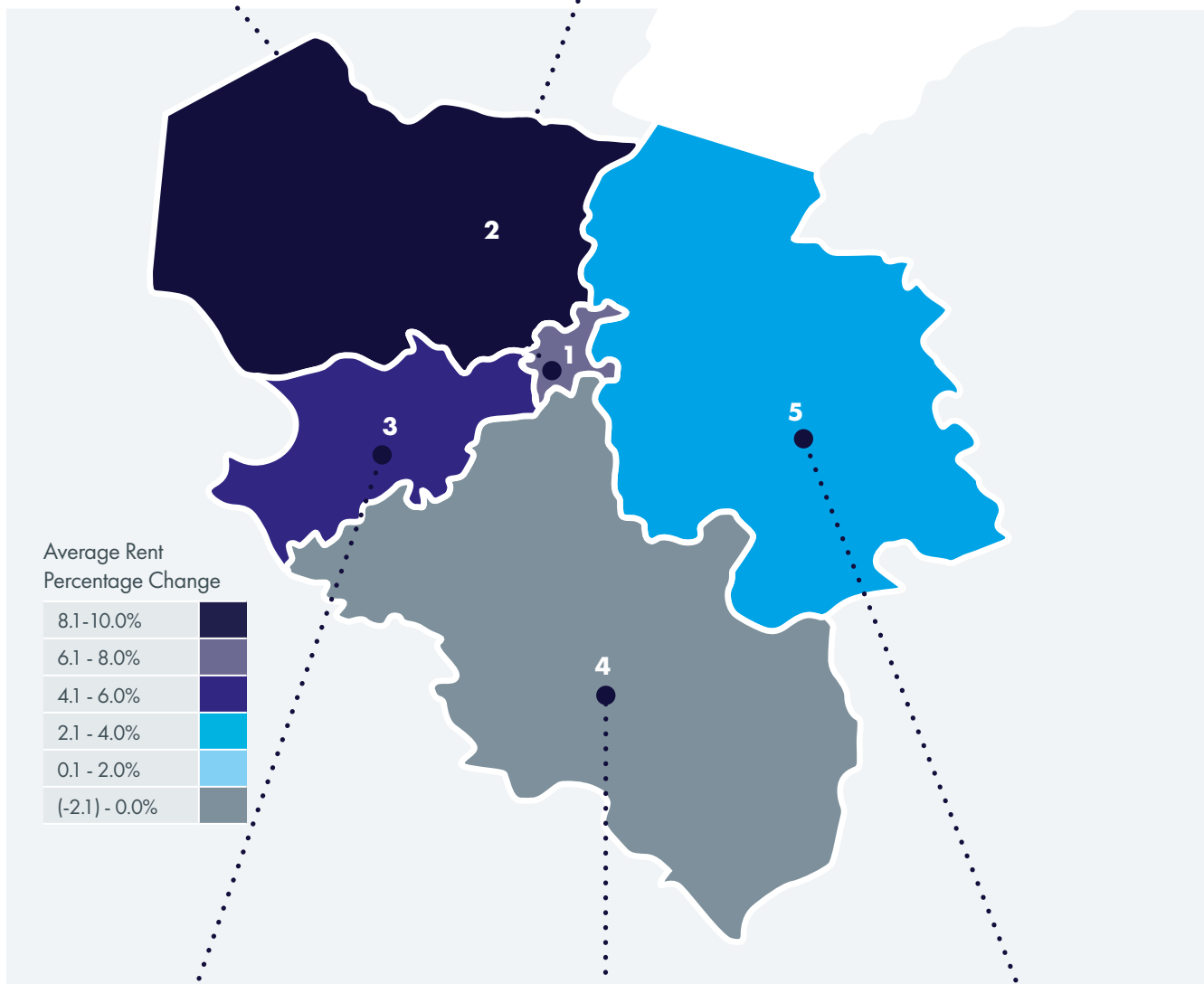


BELFAST CITY COUNCIL AREA

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 2021

1. Belfast City Centre		2. North Belfast		Belfast LGD	
Average rent H2 2021	£921	Average rent H2 2021	£617	Average rent H2 2021	£776
Average rent H1 2021	£856	Average rent H1 2021	£571	Average rent H1 2021	£782
Half yearly variance	7.5%	Half yearly variance	8.1%	Half yearly variance	-0.7%
Average rent H2 2020	£846	Average rent H2 2020	£552	Average rent H2 2020	£758
Annual variance	8.9%	Annual variance	11.8%	Annual variance	2.4%



3. West Belfast	
Average rent H2 2021	£670
Average rent H1 2021	£633
Half yearly variance	5.7%
Average rent H2 2020	£610
Annual variance	9.8%

4. South Belfast	
Average rent H2 2021	£901
Average rent H1 2021	£911
Half yearly variance	-1.1%
Average rent H2 2020	£897
Annual variance	0.4%

5. East Belfast	
Average rent H2 2021	£707
Average rent H1 2021	£682
Half yearly variance	3.7%
Average rent H2 2020	£659
Annual variance	7.4%

For this survey, the average rent for the BCCA stood at £776 per month, slightly down (0.7%) relative to the previous half year but representing a 2.4% increase in annual terms. Across the sub-market areas, the analysis depicts a more variable picture but one generally of strong growth across all locations over the half year period, except for South Belfast. The City Centre location recorded a half yearly increase in average rents, up 7.5% to a peak of £921 per month, with a stronger rate of growth in average rent recorded annually (8.9%). This invariably reflects continued latent market pressures and lack of rental product. North Belfast recorded an average monthly rent of £617, representing a strong half-yearly gain of 8.1%, with higher gains observed over the year (11.8%). A similar picture was evident in West Belfast where average rents grew by 5.7% to £670 per month, reflecting growth of 9.8% annually. In East Belfast, the average rent increase was more subdued, up 3.7% to £707 per month, with a stronger rate of performance recorded over the year at 7.4%. Average rent in the South Belfast sub-market also displayed slight decrease over the half year period, down 1.1% to £901 per month but nominally up by 0.4% in annual terms.

BCCA AVERAGE RENT BY TYPE

The average rent across the Belfast City Council Area remained relatively unchanged, marginally down by 0.7% over the half year period to £776 per month. When disaggregated by property type, rental growth was recorded across all property types over the half year period, except for terrace/townhouse properties. (Table 5). Average rent for detached properties grew by 19.8% to £1,273, with semi-detached properties up by 5.5% to £825 per month and apartments observing a low rate of growth (1%) at £771 per month. Terrace/townhouse properties recorded decreases over the half year (5.7%) and annually (0.6%). Overall, the picture depicts variable strong rental growth across most sectors and points to constrained supply.

TABLE 5 Average Rent by Property Type, Belfast City Council Area, H2 2020-H2 2021

Property type	BCCA H2 2020	BCCA H1 2021	BCCA H2 2021	Half Yearly Δ	Annual Δ
Apartment	£752	£763	£771	1.0%	2.5%
Terrace/Townhouse	£751	£792	£747	-5.7%	-0.6%
Semi-detached	£773	£782	£825	5.5%	6.8%
Detached	£1,044	£1,062	£1,273	19.8%	21.9%
ALL	£758	£782	£776	-0.7%	2.4%

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 £613 in BT7 to £1,392 in BT18. 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, H2 2021

Postcode	1 Bed	2 Bed	3 Bed	4+ Bed	ALL
BT1	£862	£963	£1,114	*	£953
BT2	£756	£894	*	*	£862
BT3	*	£946	*	*	£946
BT4	£594	£651	£739	£1,359	£721
BT5	£554	£644	£775	£965	£681
BT6	£615	£678	£770	£910	£719
BT7	£683	£835	£946	£1,244	£916
BT8	*	£637	£858	£972	£768
BT9	£655	£820	£983	£1,372	£906
BT10	*	£856	£766	*	£818
BT11	*	£660	£750	*	£668
BT12	£675	£642	£655	£919	£668
BT13	£537	£563	£621	£684	£583
BT14	*	£575	£659	*	£603
BT15	£479	£593	£806	£1,013	£660
BT16	*	£664	£741	*	£741
BT17	*	£644	£777	*	£664
BT18	£713	£848	£1,392	£1,653	£1,076
BT19		£735	£775	£1,092	£777
BT20	£513	£633	£808	*	£681
BT23	£510	£635	£724	£1,015	£681
BT26	*	£845	£949	*	£966
BT27	*	£578	£735	£1,001	£688
BT28	*	£628	£714	£947	£698
BT36	*	£607	£661	£888	£646
BT37	*	£556	£613	*	£595
BT38	£438	£557	£622	£896	£599

* 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 2021

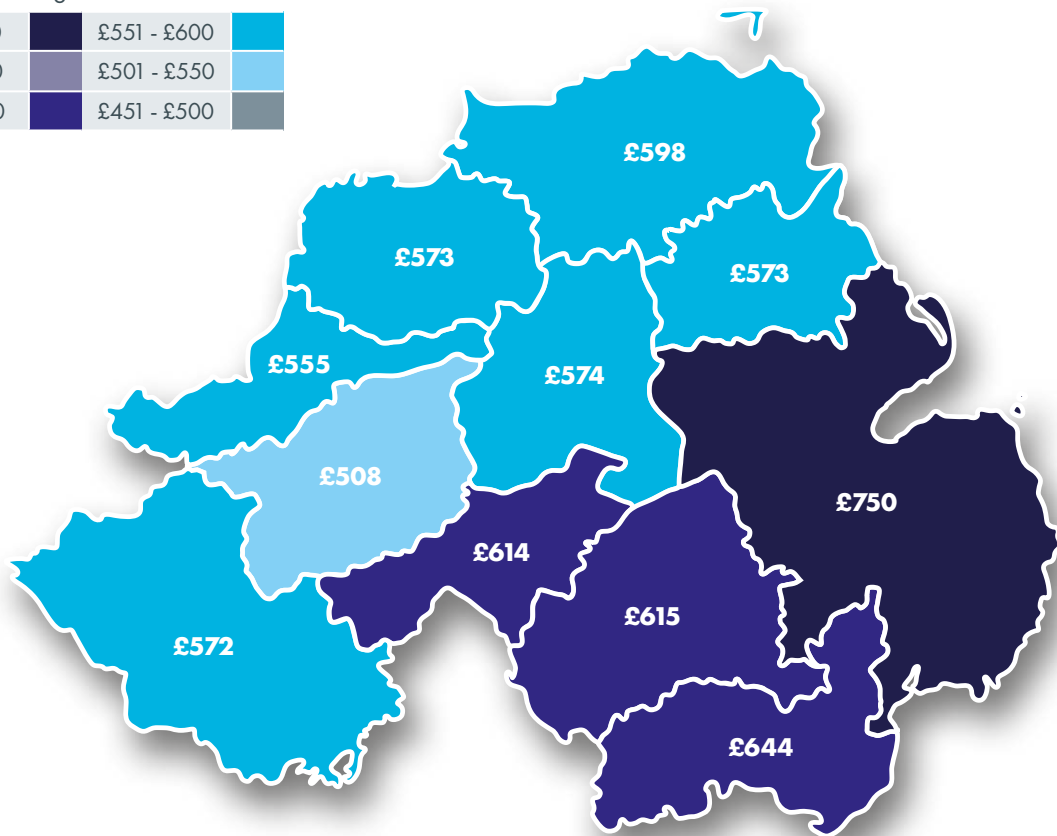
Figure 7 presents the average rents across the HMAs, with the statistics revealing variability in rental price change across market areas. The Belfast Metropolitan HMA displayed an average rent of £750 per month, remaining the highest price rental area comparatively across the HMAs, with average rents marginally up 1.2% on the previous half year average. Likewise, the Dungannon HMA (£614) recorded slight growth in average rent, up 0.2% over the half year. The Craigavon (£615) HMA recorded strong rate of growth in average rent, up 8.7% on the previous survey.

In the more rural HMAs the picture was again varied but generally one of higher rates of growth in average rents. In the West, average rents displayed modest to strong growth with the Cookstown HMA increasing by 3.8% over the half year to £574 per month, and the Fermanagh HMA appreciably up by 10.4% to £572. The Omagh HMA observed strong increase of 5.8%, recording an average rent of £508 per month. To the South, the Newry HMA stands at £644 per month, appreciably up by 7.7% over the half year. In the North, the Ballymena HMA increased by 4.2% to £573, with Causeway Coast considerably up by 9.1% to £598. Derry recorded more modest gains, up 2.2% to £573. The Strabane HMA also recorded considerable gains, up 9.1% to £555 over the half year.

FIGURE 7 Rental Performance by functional Housing Market Areas (HMAs), H2 2021

NIHE HMA Average Rent H2 2021

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



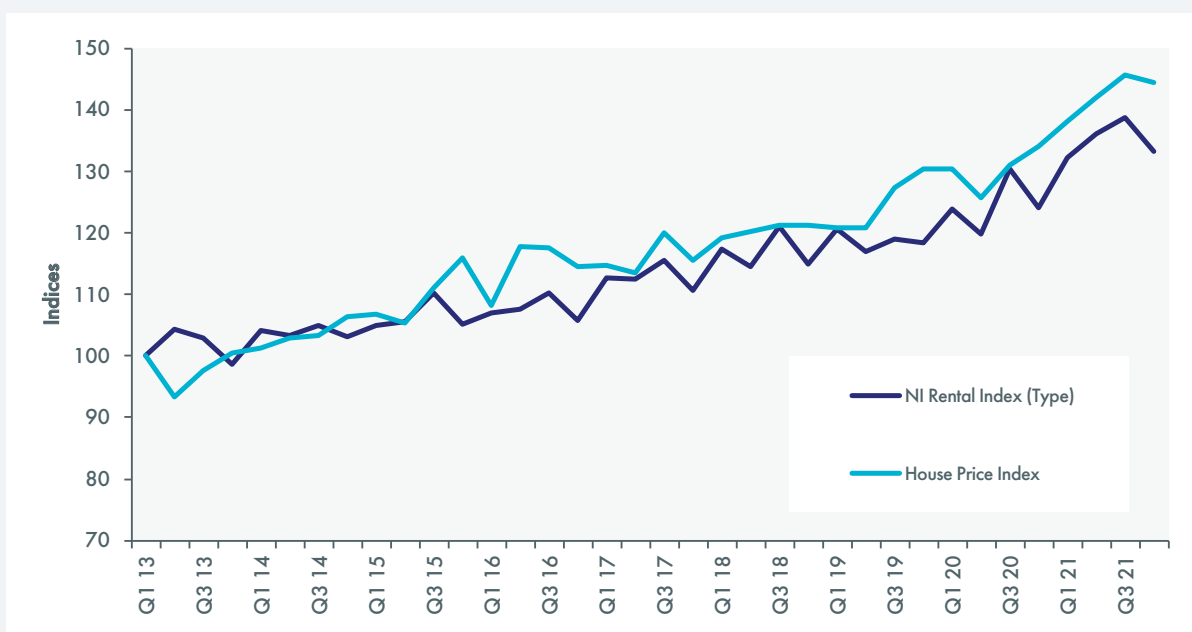
² The research identified eleven broad housing market areas within Northern Ireland. See: www.nihe.gov.uk/getmedia/4ae016fe-6702-4080-983e-dac39738b342/Mapping-Northern-Irelands-Housing-Market-Areas.pdf.aspx?ext=.pdf



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 133.2 at Q4 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, 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 sharply in the last quarter. 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 decline into the traditionally quiet fourth quarter, albeit the rental index falls significantly. 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 cast a long shadow on the rental sector in terms of both unaffordability and tenure options.

FIGURE 8 Rental Index v House Price Index trend, Q1 2013-Q4 2021



CONCLUSION

The headline findings from this survey is one of a supply crunch and over-heating rental market with sharp increases in average rents observed across many sub-markets. As was cautioned in previous editions of the survey, the impact of COVID-19, market forces in the private sector and evidence of inelastic supply projected that average rents would continue to accelerate into the traditionally quieter second half of the year. Indeed, the pricing analysis in this report continues to point to a rental market which shows signs of overheating with average rents continuing to rise by 2% over the last six months of the year and by 6.9% annually. At the regional level, average rents were variable and recorded strong pricing performance across the half year and annually in most rental locations. In districts outside of Belfast, large gains were observed, reflected in a rate of growth of 7.8% over the period, with average rent considerably up by 10.5% in annual terms. In the BCCA, performance was dampened with average rents marginally down by 0.7% to £776, with a stronger rate of performance observed annually (2.4%).

Against the backdrop of the sustained growth in average rents is reduced transactional activity due to a lack of available rental product which will not be able to sustain market tenure choice and affordability for renters in the longer term. This is observed in the analysis which recorded that rental transactions captured by this research were down 16.5% for this survey, and by 24.1% when compared with H2 2020. As has been noted previously, this likely reflects ongoing impact of COVID-19 on renters' behaviour and the general lack of good quality rental stock and tenure choice options following the reopening of the market in the second half of last year.

Accordingly, the survey depicts a supply crunch where inelastic supply is leading to significant acceleration and growth of average rents and although this has been forecast in previous surveys, a key finding is that there is rental growth across specific sectors of the market which indicates that the longer-term effects of the impact of COVID-19 are beginning to become clearer. Further, a key finding from the survey is the strong price acceleration in the detached sector of the market. This is important as research indicates that price acceleration in the detached sector is a driver of sustained price growth which can ripple 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)³ and more recently the impact of COVID-19 on the private sector (McCord et al, 2022)⁴.

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.





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-H2 2021

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
H1 2021	6,967	3,700	3,267
H2 2021	5,818	2,837	2,981

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

LGD	H1 2021	H2 2021
Antrim & Newtownabbey	321	280
Ards & North Down	586	579
Armagh, Banbridge & Craigavon	458	407
Causeway Coast & Glens	256	211
Derry & Strabane	135	124
Fermanagh & Omagh	128	90
Lisburn & Castlereagh	482	492
Mid & East Antrim	400	362
Mid Ulster	254	224
Newry, Mourne & Down	247	212
TOTAL	3,267	2,981

FIGURE 4 Proportion of properties let by rent band – NI, BCCA and other LGDs, H2 2021

Rental Band	NI	Belfast	LGDs
<£300	0%	0%	0.1%
£300 - £399	1.2%	0.5%	1.9%
£400 - £499	8.6%	4.2%	12.7%
£500 - £599	25.9%	19%	32.4%
£600 - £699	25.7%	25%	26.4%
£700 - £799	15%	17.8%	12.4%
£800 - £899	8.8%	11.9%	5.7%
£900 - £999	4.8%	7%	2.8%
£1,000 - £1,099	2%	3%	1.1%
>£1,100	7.9%	11.5%	4.5%

Average Rent by Quarter, Northern Ireland, Q1 2015 - Q4 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	£728	£702