

At a Glance PRIVATE RENTAL MARKET PERFORMANCE 2020

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INTRODUCTION

The year 2020 has presented unprecedented circumstances and challenges for the private rental market relating to the impacts of the COVID-19 pandemic and Brexit. Nonetheless, following the period of exceptional market closure in the second quarter of the year, the sector rebounded strongly in terms of transactional evidence and performance of average rents. Indeed, the annual review of the Northern Ireland private rental market indicates a stable but spatially differentiated market sector demonstrating strong annual rates of growth in average rents across some market regions, particularly those with ongoing latent demand. Accordingly, the market evidence points to a resilient and buoyant market, although there are emerging signals of pressures in the sector, relating to inelastic supply and accelerating rents.

The statistics presented in this annual summary report are based on a sample of 13,831 rental transactions recorded on PropertyNews.com and the Housing Executive's 'LHA dataset for Housing Benefit' database in 2020. 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 is likely to be reflected in the overall size of the 2020 sample.

KEY FINDINGS

- The number of rental transactions decreased to 13,831, down by 16% on the previous year.
- Rental performance in 2020 depicts a market of rental growth, with average rents in Northern Ireland accelerating at a rate of 5% in 2020 compared with the previous year; the average rent over the full year stands at £658 per month.
- Rents in Belfast showed an annual increase of 5.3% in 2020 with an average monthly rent of £746.
- Outside of Belfast, the average monthly rent was £570, up 3.3% on the previous year.





Number of rental transactions per annum

The annual rent statistics for 2020 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. The figures show that the year-on-year trend of annual transactional decline continued into 2020 with the annual sample decreasing to 13,831 rental transactions, down by 16% on the previous year. It is important to note that the reduced sample comes against the backdrop of changing private sector behaviour, market filtering processes and longer leases which have, to a degree, limited rental stock availability. Overall, the level of transactions remains healthy and buoyant, with evidence of pent up demand in the private market sector in the latter half of the year.

FIGURE 1 Annual number of rental transactions in the survey sample, 2013-2020

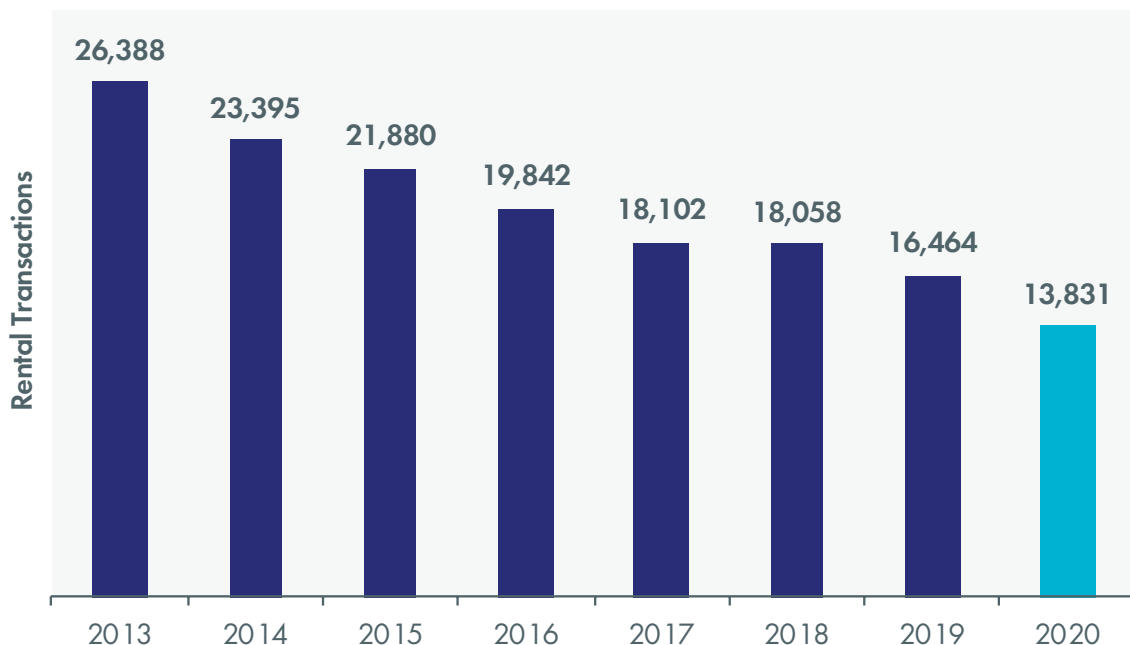


FIGURE 2

ANNUAL VARIANCE IN AVERAGE RENTS (comparing 2020 with 2019)

Rental Price Annual Percentage Change

5.1 - 6.0%	2.1 - 3.0%
4.1 - 5.0%	1.1 - 2.0%
3.1 - 4.0%	0.0 - 1.0%

Mid and East Antrim

Average rent 2020	£539
Average rent 2019	£527
Annual variance	2.3%

Northern Ireland

Average rent 2020	£658
Average rent 2019	£627
Annual variance	5.0%

Antrim and Newtownabbey

Average rent 2020	£587
Average rent 2019	£563
Annual variance	4.3%

Belfast

Average rent 2020	£746
Average rent 2019	£708
Annual variance	5.3%

Causeway Coast and Glens

Average rent 2020	£533
Average rent 2019	£533
Annual variance	0.0%

Derry and Strabane

Average rent 2020	£542
Average rent 2019	£521
Annual variance	4.0%

Fermanagh and Omagh

Average rent 2020	£492
Average rent 2019	£491
Annual variance	0.2%

Mid Ulster

Average rent 2020	£552
Average rent 2019	£536
Annual variance	2.9%

Armagh, Banbridge and Craigavon

Average rent 2020	£537
Average rent 2019	£528
Annual variance	1.8%

Lisburn and Castlereagh

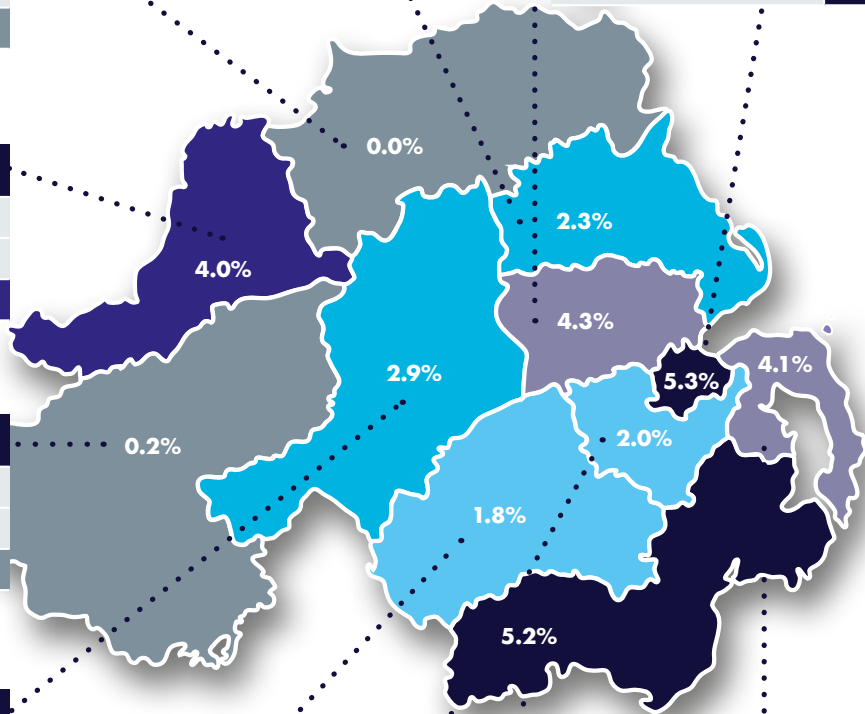
Average rent 2020	£666
Average rent 2019	£653
Annual variance	2.0%

Ards and North Down

Average rent 2020	£661
Average rent 2019	£635
Annual variance	4.1%

Newry, Mourne and Down

Average rent 2020	£585
Average rent 2019	£556
Annual variance	5.2%



Average NI Rent by Property Type

For 2020, the average monthly rent for Northern Ireland was £658, up 5% on the average rent in 2019 (£627). In terms of property type, strong annual rates of growth in average rents were apparent across all sectors. Average rents in the apartment sector grew by 6.3%, followed by the terrace/townhouse sector which recorded growth of 5.4%. Detached (4.5%) and semi-detached (3.6%) dwellings also recorded rent acceleration over the year (Table 1).

TABLE 1 Annual Average Rent by Property Type, Northern Ireland, 2017-2020

Property Type	2017	2018	2019	2020	% change 2019-2020
Apartment	£574	£603	£610	£648	6.3%
Terrace/ Townhouse	£574	£594	£608	£641	5.4%
Semi-detached	£598	£614	£626	£649	3.6%
Detached	£737	£742	£751	£785	4.5%
All	£596	£616	£627	£658	5.0%

Average NI Rent by Number of Bedrooms

When analysed by number of bedrooms, the figures reveal that average rents in 2020 were appreciably up on the previous year (Table 2). The average rent for one-bedroom properties grew at a rate of 6.8% to £513 per month, and a slightly higher rate of growth was observed for those properties with four or more bedrooms which increased by 7% to stand at £971 per month. Strong rates of annual rental growth were also recorded for two-bedroom (6.1%) and three-bedroom (3.7%) properties.

TABLE 2 Annual Average Rent by Property Size, Northern Ireland, 2017-2020

No. of Bedrooms	2017	2018	2019	2020	% change 2019-2020
1 bedroom	£451	£480	£480	£513	6.8%
2 bedrooms	£537	£556	£570	£605	6.1%
3 bedrooms	£585	£597	£613	£635	3.7%
4+ bedrooms	£856	£905	£908	£971	7.0%
All	£596	£616	£627	£658	5.0%

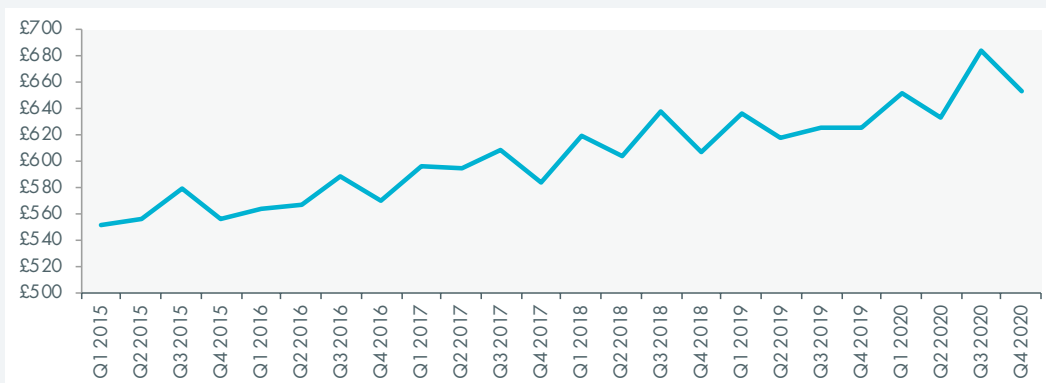




Average NI Rent by year and quarter

Figure 3 shows the general trend of upward, albeit it uneven, movement of average rents each quarter from 2015-2020.

FIGURE 3 Average Rent by Quarter, Northern Ireland, 2015-2020



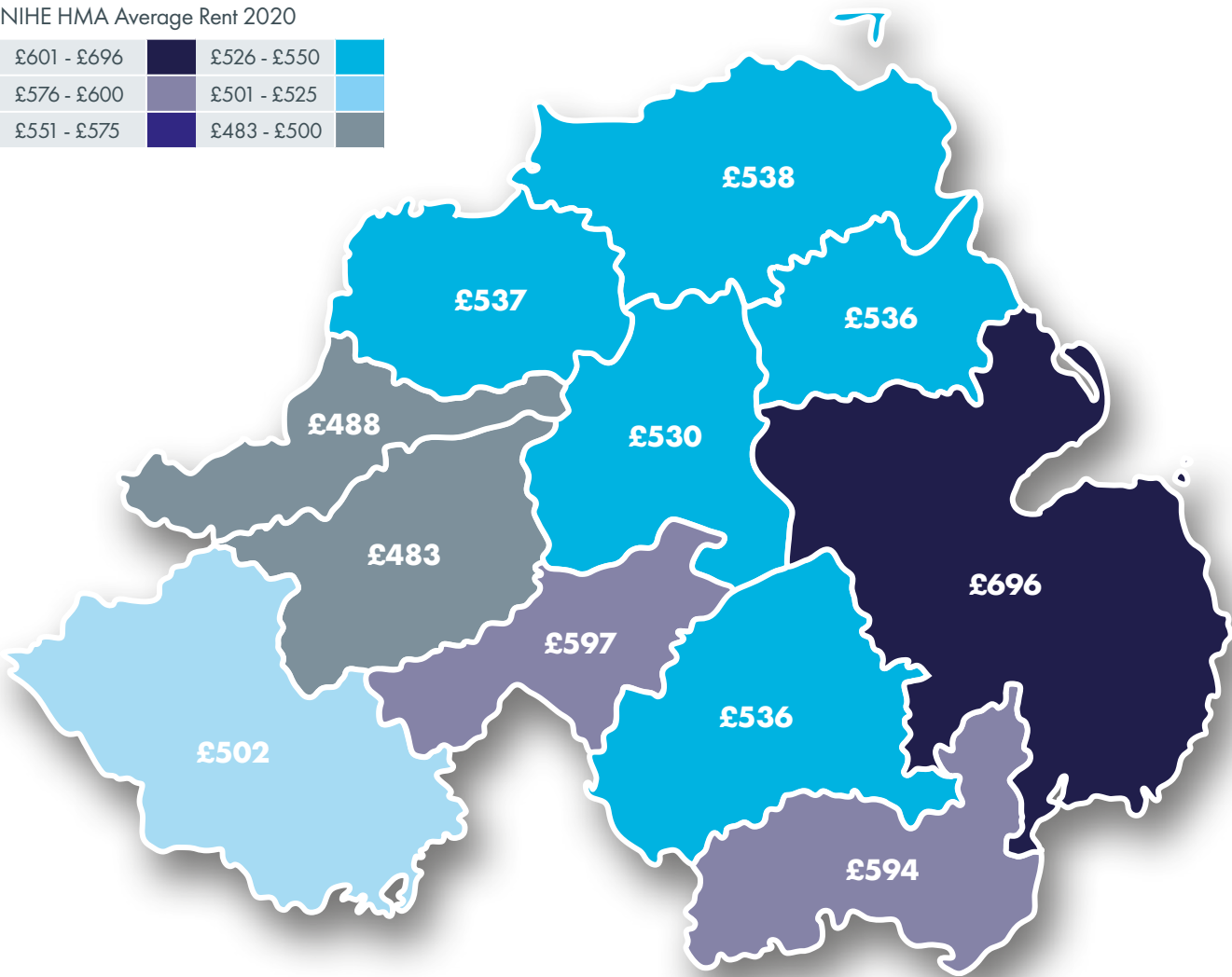
REGIONAL PERFORMANCE BASED ON HOUSING MARKET AREAS

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 2020.

FIGURE 4 Rental Performance by functional Housing Market Areas (HMAs), 2020

NIHE HMA Average Rent 2020

£601 - £696	£526 - £550
£576 - £600	£501 - £525
£551 - £575	£483 - £500



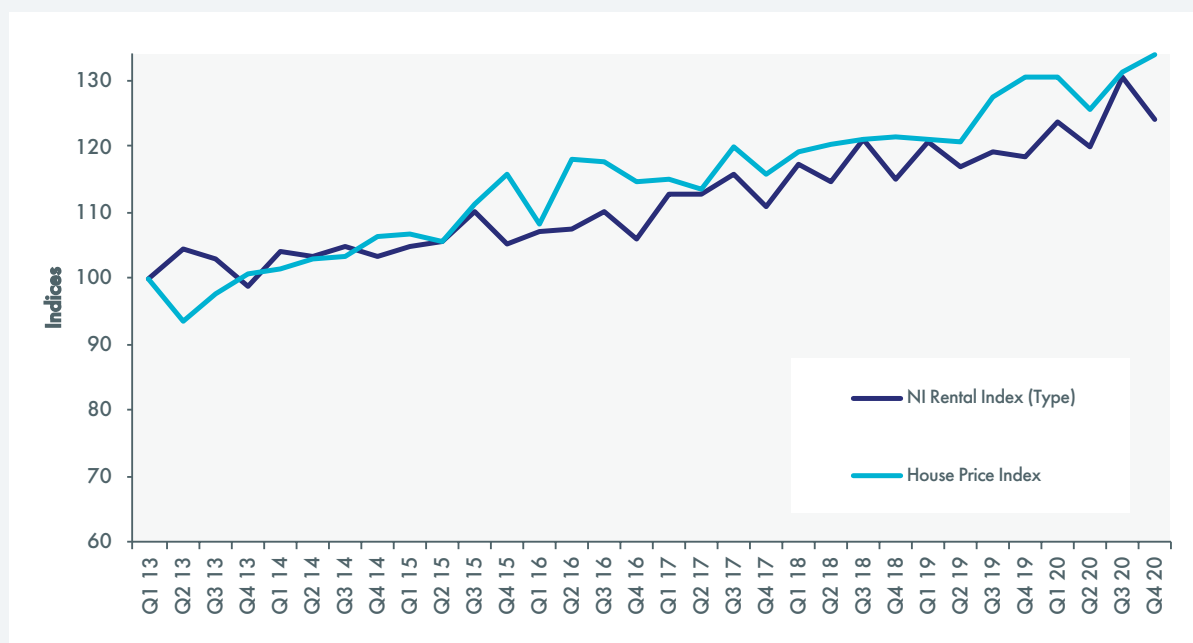
¹ The research identified eleven broad housing market areas within Northern Ireland. See: www.nihe.gov.uk/getmedia/4ae016fe-6702-4080-983e-dac39738b342/Mapping-Northern-Irelands-Housing-Market-Areas.pdf.aspx?ext=.pdf



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 124 at Q4 2020 (**Figure 5**). 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 any great extent, with the index values displaying a relatively normal market in terms of pricing levels. In Q3, the rental index accelerated sharply, at a faster rate than house prices, and converged with the house price index for the first time since Q1 2019, although this declined into Q4. The index shows that rents were 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 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 5 Rental Index v House Price Index trend, Q1 2013-Q4 2020



While evidence suggests a stable, resilient and buoyant private rented sector; **the most recent publication of the Performance of the Private Rental Market in Northern Ireland, covering the period July-December 2020**, again pointed 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.