

Affordability in the private rented sector

in Northern Ireland, 2017

summer 2018

Introduction

The Housing Executive's 2006 House Condition Survey showed that the private rented sector had grown by two-thirds over the previous five-year period. In light of the increasing importance of private renting as a housing tenure in Northern Ireland and the lack of information available at the time on rental levels and lettings, the Housing Executive formed a partnership with PropertyNews.com and Ulster University to provide Northern Ireland's first detailed insight into the dynamics of the private rental market. The result of this analysis is a bi-annual rental index report: *Performance of the Private Rental Market in Northern Ireland*.

Two rental index reports were produced for 2017, covering the periods January-June and July-December. Each report analysed the performance of the Northern Ireland rental market during the six month period, providing an overview of trends and patterns at a regional level. Comparisons were made with the previous six month period as a measure of half yearly change and with the same period in 2016 as an indicator of annual change.

In addition to the two rental index reports, Ulster University has produced a short overview of rental affordability in 2017.

How is affordability analysed within the private rented sector?

The analysis of affordability in the private rented sector has a much simpler methodology than that applied to the home-ownership market, and is based on the ratio of rent to income. The first quartile of rent is used to represent the threshold for an affordable rent and income is based on the median¹. The unit of analysis is local authority areas and affordability is presented at an aggregate level.

If the ratio of rent to income exceeds 25%, it is considered that a local authority area has affordability issues in terms of tenants' ability to pay monthly rents. Affordability issues are represented by a positive 'affordability gap' figure, which indicates *the extent to which the rent-to-income ratio exceeds the 25% affordability ceiling*, in percentage points. Similarly, a value of 25% or below, with an associated negative 'affordability gap' of percentage points below 25%, suggests an absence of any acute affordability issues for that market as a whole. Using this methodology, Table 1 sets out the affordability analysis for Northern Ireland in 2017.

Table 1: Rental Affordability by Local Authority Area in 2017

Local Authority Area	Median Income (£)	First Quartile Rent (£)	Rent-to-Income Ratio	Affordability Gap 2017	Affordability Gap 2016	Affordability Gap 2015
Antrim & Newtownabbey	19,899	466	28.10	3.10	2.68	3.23
Ards & North Down	27,227	475	20.94	-4.06	-3.65	-3.91
Armagh, Banbridge & Craigavon	16,784	450	32.17	7.17	5.99	5.8
Belfast	16,047	500	37.39	12.39	11.35	11.41
Causeway Coast & Glens	22,378	450	24.13	-0.87	-2.63	-0.28
Derry & Strabane	16,455	467	34.06	9.06	7.16	7.95
Fermanagh & Omagh	22,402	412	22.07	-2.93	-3.25	-3.26
Lisburn & Castlereagh	25,936	500	23.13	-1.87	-1.64	-1.17
Mid & East Antrim	27,111	446	19.74	-5.26	-5.54	-5.38
Mid Ulster	27,111	455	20.14	-4.86	-4.68	-4.42
Newry, Mourne & Down	22,378	450	24.13	-0.87	-0.39	-0.56

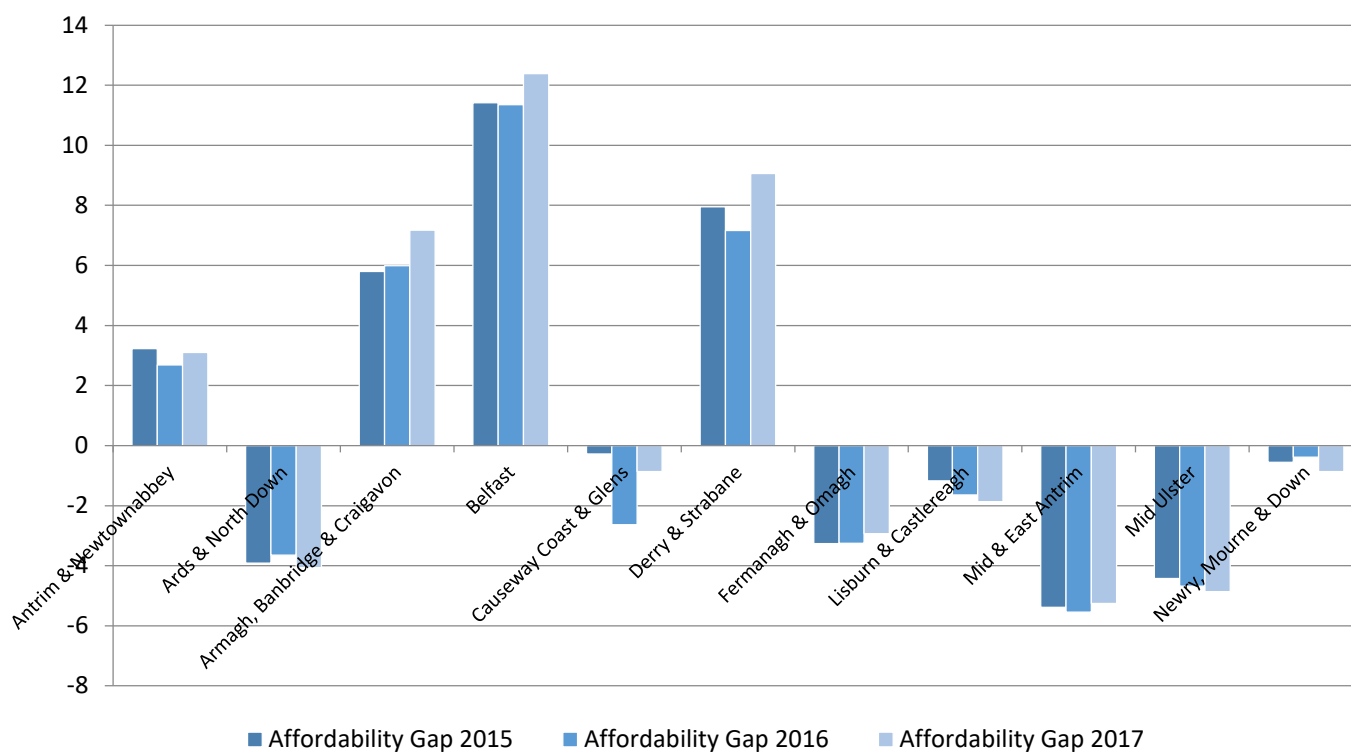
Figures in red refer to those Local Authority Areas where the rent to income ratio exceeded 25%

¹ Income data was sourced from the NIHE House Condition Survey 2011 but scaled up by a 2% wage inflation factor per annum to 2017 figures.

What the analysis tells us

The analysis for 2017 is highly consistent with previous years (2016 and 2015 comparisons are also included in Table 1), suggesting no significant changes in affordability by local authority area. This observation, which is illustrated in Figure 1, reflects the relatively stable rental market (in terms of average monthly rents) that has prevailed at both the Northern Ireland level and for local authorities, characterised by generally small percentage increases in the rents.

Figure 1: Rental Affordability Gap by Local Government Area, 2015-2017



Where affordability issues are apparent, the analysis is again highly consistent. The two main urban areas in Northern Ireland – namely the Belfast City Council area and the Derry & Strabane council area – continue to exhibit an affordability gap, which, on the basis of this analysis, widened between 2016 and 2017. In the case of Belfast, the gap increased to 12.39 in 2017, compared with 11.35 and 11.41 in the two previous years. Similarly, the affordability gap in Derry & Strabane widened to 9.06 in 2017 from 7.16 the previous year, a figure which had suggested a slight improvement in affordability by comparison with 2015.

The picture in the Armagh, Banbridge & Craigavon council area is similar, with a further deterioration in the affordability gap to 7.17, compared with 5.99 in 2016. This trend of reducing affordability is also apparent in Antrim & Newtownabbey, where the gap increased from 2.68 in 2016 to 3.10 in 2017.

All other local authority areas had negative affordability gaps in 2017, with the rent to income ratio below 25%. In the case of Newry, Mourne & Down, the gap was marginal (-0.87) but slightly improved from 2016, while for Causeway Coast and Glens the affordability gap had reduced substantially, to -0.87 – just below the affordability threshold. As was the case in 2016, the most affordable rental markets were Mid & East Antrim, Mid Ulster, Ards & North Down, and Lisburn & Castlereagh. Indeed, three of these council areas showed improved rates of affordability relative to 2016, the exception being Mid & East Antrim which nevertheless remained the most affordable rental market.

For a fuller analysis of rent levels and transactions during 2017 please see the *Performance of the Private Rental Market in Northern Ireland* reports:

https://www.nihe.gov.uk/private_rental_market_january_june_2017.pdf

https://www.nihe.gov.uk/private_rental_market_july_december_2017.pdf