

At a Glance PRIVATE RENTAL MARKET PERFORMANCE 2022

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INTRODUCTION

The year 2022 has observed continuing flux in the private rental sector relating to the ongoing impact of a supply crunch and considerable economic challenges for many households arising from the cost of living, consecutive mortgage rate increases for landlords and rental price inflation. Although the rental sector rebounded strongly following the period of exceptional closure in the second quarter of 2021, the effects of market forces, longer leases and economic impacts on landlords and tenants have continued to filtrate into the market in terms of affordability, supply and tenure options. This is borne out by the annual review of the Northern Ireland private rental market which indicates a market sector with strong, and in some instances, unprecedented annual rates of growth in average rents across some market areas, particularly those where evidence from rental agents indicates that demand cannot be met. Accordingly, the evidence points to a market where a cocktail of rapid price acceleration against the backdrop of limited supply and landlord exodus or passing costs to tenants has begun to grip the market and impact directly on renters in terms of rental affordability pressures.

The statistics presented in this annual summary report are based on a sample of 11,060 rental transactions recorded on **PropertyNews.com** and the Housing Executive's 'LHA dataset for Housing Benefit' database in 2022. From Q1 2022, methodological changes were implemented in the data collection, cleaning and merging of the LHA and PropertyNews.com datasets and in the reporting process. In addition to this, and as noted in previous surveys, at the start of 2020, the Housing Executive's Housing Benefit Unit made a policy decision to reduce the overall volume of data collected for LHA purposes by approximately one third. While the processes involved in merging and cleaning the datasets from the Housing Executive and PropertyNews.com mean that any change in the amount of data derived from the Housing Executive LHA database may not necessarily lead to a commensurate change in the number of transactions recorded, the reduced LHA dataset is likely to be reflected in the size of the datasets from H1 2020. It is worth bearing in mind that the changes outlined will have impacted the overall size of the half-yearly samples from H1 2020, and more so H1 2022, onwards and caution should therefore be applied when considering changes over time in the number of transactions captured in the analysis.

KEY FINDINGS

- The number of rental transactions decreased to 11,060, down by 13.5% on the previous year.
- Rental performance in 2022 depicts a market of strong rental growth across most locations and sectors, with average rents in Northern Ireland accelerating at a rate of 7.5% in 2022 compared with the previous year; the average rent over the full year stands at £762 per month.
- Rents in Belfast showed an annual increase of 10.9% in 2022 with an average monthly rent of £865.
- Outside of Belfast, the average monthly rent was £685, up 7.7% on the previous year.





Number of rental transactions per annum

The annual rent statistics for 2022 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 analysis shows that the year-on-year trend of annual transactional decline continued into 2022 with the annual sample decreasing to 11,060 rental transactions, down by 13.5% on the previous year (**Figure 1**). The reduced sample comes against the backdrop of a number of challenges for the rental sector, as reported in both reporting cycles for the half-yearly rental index in 2022. Principally, the surveys have warned of market headwinds relating to rental inflation, supply and demand imbalance and market unaffordability. Whilst the levels of transactions show a functioning market, earlier warnings are confirmed in this analysis which indicates that the strong demand for rental properties, in a context of inelastic supply, increasing interest rates and landlords exiting the sector, is driving unprecedented growth in average rents across all locations.

FIGURE 1 Annual number of rental transactions in the survey sample, 2013-2022

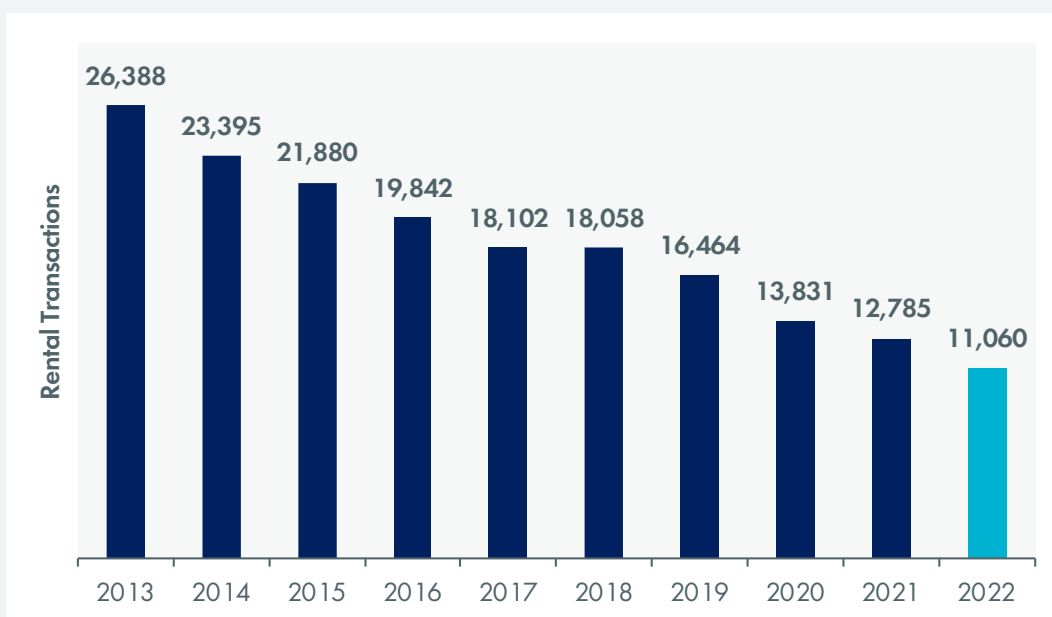


FIGURE 2

ANNUAL VARIANCE IN ANNUAL RENTS (Comparing 2022 with 2021)

Rental Price Annual Percentage Change

4.1 - 6.0%	10.1 - 12.0%
6.1 - 8.0%	12.1 - 14.0%
8.1 - 10.0%	14.1 - 16.0%

Mid and East Antrim

Average rent 2022	£635
Average rent 2021	£565
Annual variance	12.4%

Northern Ireland

Average rent 2022	£762
Average rent 2021	£709
Annual variance	7.5%

Antrim and Newtownabbey

Average rent 2022	£677
Average rent 2021	£625
Annual variance	8.3%

Belfast

Average rent 2022	£865
Average rent 2021	£780
Annual variance	10.9%

Causeway Coast and Glens

Average rent 2022	£618
Average rent 2021	£576
Annual variance	7.3%

Derry and Strabane

Average rent 2022	£608
Average rent 2021	£555
Annual variance	9.6%

Fermanagh and Omagh

Average rent 2022	£586
Average rent 2021	£513
Annual variance	14.2%

Mid Ulster

Average rent 2022	£616
Average rent 2021	£581
Annual variance	6.0%

Armagh, Banbridge and Craigavon

Average rent 2022	£643
Average rent 2021	£589
Annual variance	9.2%

Lisburn and Castlereagh

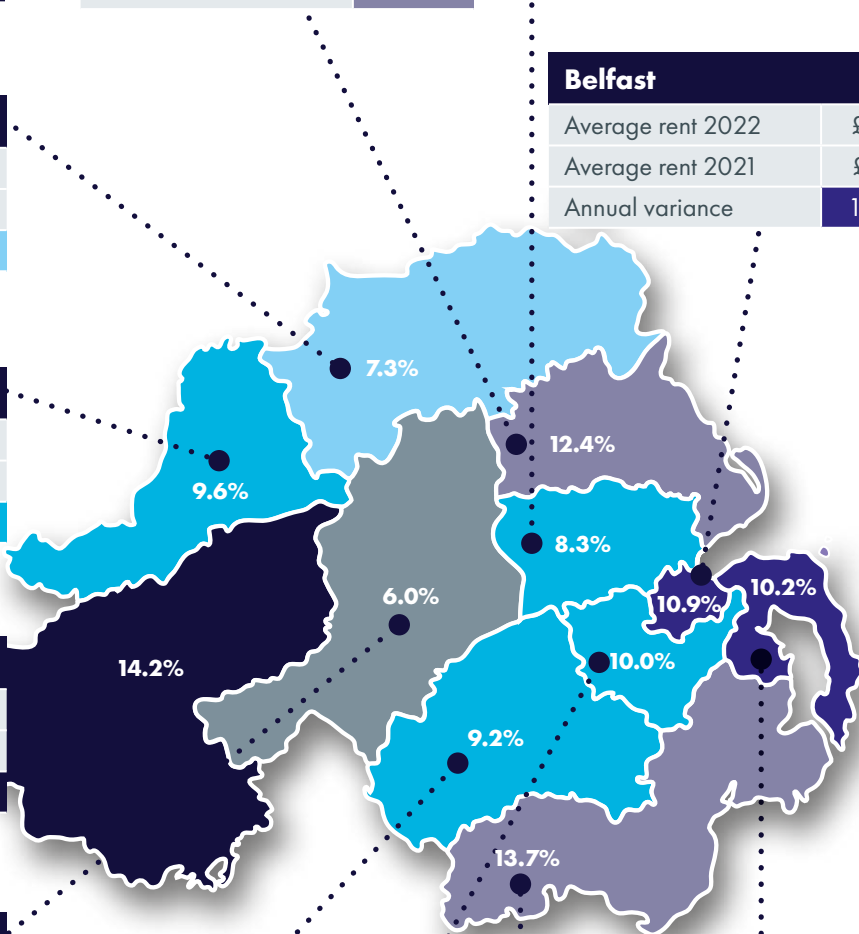
Average rent 2022	£791
Average rent 2021	£719
Annual variance	10.0%

Ards and North Down

Average rent 2022	£822
Average rent 2021	£746
Annual variance	10.2%

Newry, Mourne and Down

Average rent 2022	£706
Average rent 2021	£621
Annual variance	13.7%



Average NI Rent by Property Type

For 2022, the average monthly rent for Northern Ireland was £762, up 7.5% on the average rent in 2021 (£709). In terms of property type, modest to strong annual rates of growth in average rents were recorded across all sectors, most notably the terrace/townhouse sector which increased by 9.4% to £753 per month. Average rents accelerated in the semi-detached sector at a rate of 7.6%, followed by detached and apartment sectors which grew by 5% and 4.2% respectively (Table 1).

TABLE 1 Annual Average Rent by Property Type, Northern Ireland, 2018-2022

Property type	2018	2019	2020	2021	2022	Δ 2021-2022
Apartment	£603	£610	£648	£695	£724	4.2%
Terrace/Townhouse	£594	£608	£641	£688	£753	9.4%
Semi-detached	£614	£626	£649	£710	£764	7.6%
Detached	£742	£751	£785	£884	£928	5.0%
ALL	£616	£627	£658	£709	£762	7.5%

Δ denotes percentage change

Average NI Rent by Number of Bedrooms

When analysed by number of bedrooms, the figures reveal that average rents in 2022 were appreciably up on the previous year (Table 2). The average rent for one-bedroom properties grew at a rate of 5.2% to £586 per month, with a slightly higher rate of growth observed for two-bedroom properties which were up by 6.3% to £694. Three-bedroom properties also increased by 6.3% to £741 per month. Four or more bedroom dwellings saw the largest increase, up by 9.5% to stand at £1,145 per month.

TABLE 2 Annual Average Rent by Property Size, Northern Ireland, 2018-2022

No. of bedrooms	2018	2019	2020	2021	2022	Δ 2021-2022
1 bedroom	£480	£480	£513	£557	£586	5.2%
2 bedrooms	£556	£570	£605	£653	£694	6.3%
3 bedrooms	£597	£613	£635	£697	£741	6.3%
4+ bedrooms	£905	£908	£971	£1,046	£1,145	9.5%
ALL	£616	£627	£658	£709	£762	7.5%

Δ denotes percentage change

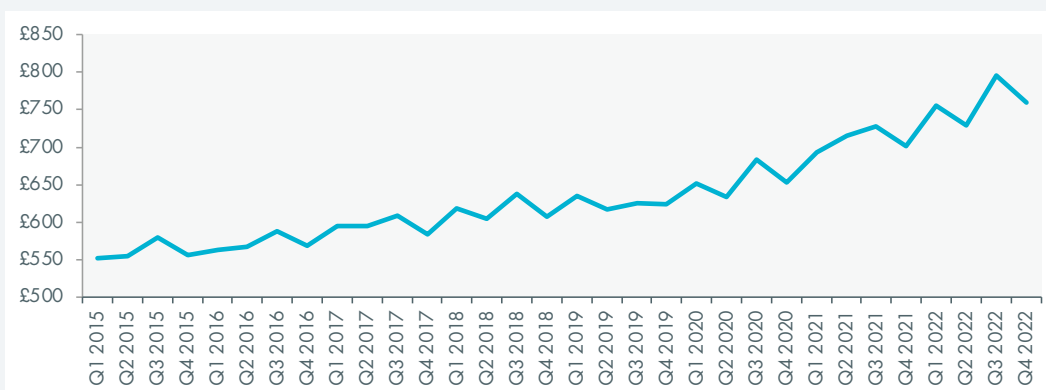




Average NI Rent by year and quarter

Figure 3 shows the general trend of upward, albeit it uneven, movement of average rents each quarter from 2015-2022. The trend for 2022 depicts the rapid acceleration in average rents over the first quarter and third quarter of the year to its peak in Q3 2022, with rents falling slightly in the traditionally quieter fourth quarter of the year.

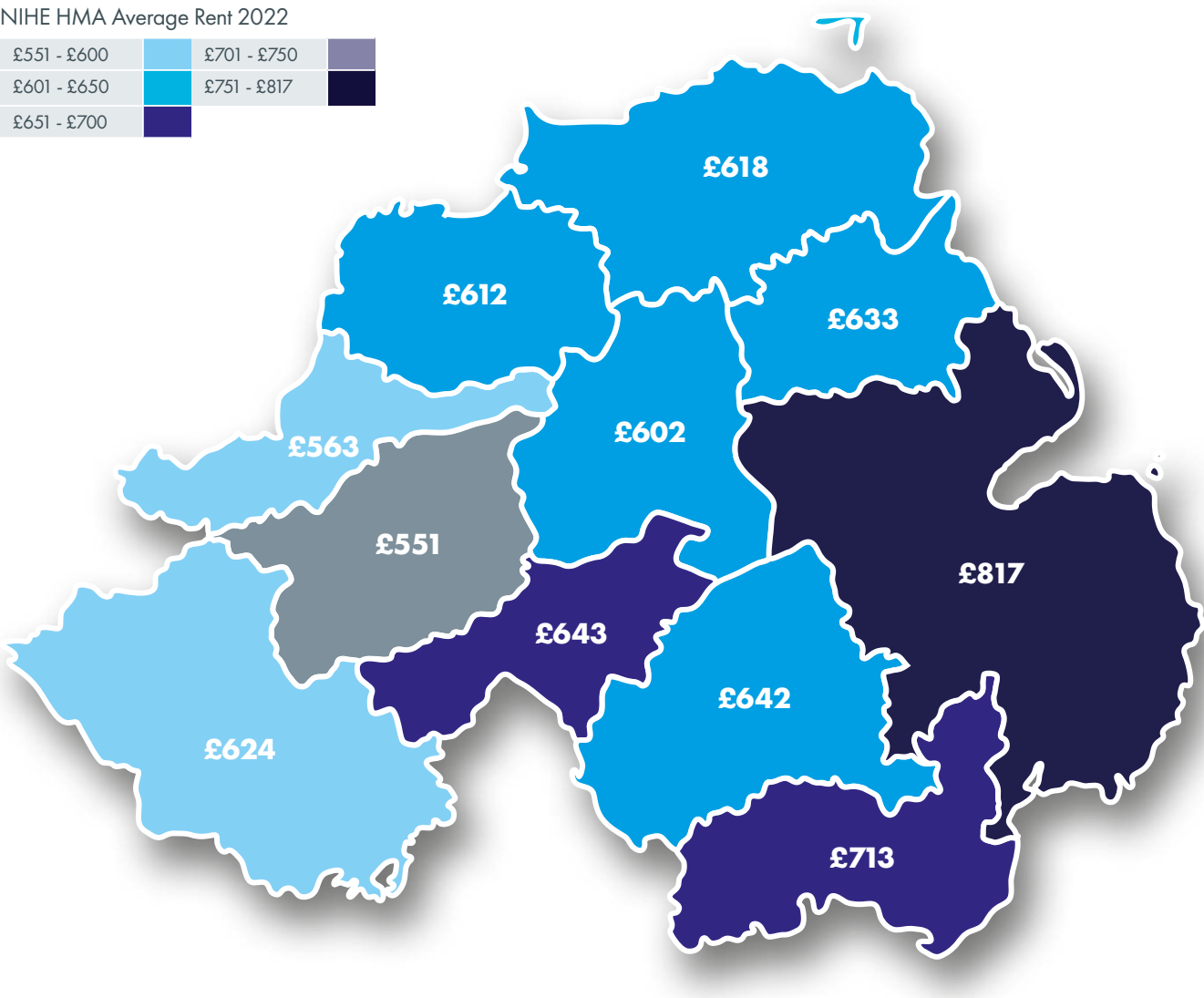
FIGURE 3 Average Rent by Quarter, Northern Ireland, 2015-2022



REGIONAL PERFORMANCE BASED ON HOUSING MARKET AREAS

Regional analysis is also carried out 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 2022. Compared with the previous year, the picture is one of a spatially differentiated market but with strong rental growth across all HMAs. The Belfast Metropolitan HMA displayed an average rent of £817 per month, up 9.6% on the previous year. The Craigavon (£642) and Dungannon (£643) HMAs, on the urban corridor, were up by 9% and 4.8% respectively on the previous annual survey. To the West, average rents in Cookstown HMA were up by 6.2% over the year to £602 per month and the Fermanagh HMA observed strong gains up 15.7% annually to stand at a high of £624. The Omagh HMA was appreciably up by 11.7% over the year, recording an average rent of £551 per month. To the South, the Newry HMA recorded the strongest annual growth of all HMA locations, considerably up by 15.9% to £713 per month. In the North, the Ballymena HMA also observed strong gains, up by 12.8% to £633. The Derry (£612) and Causeway Coast (£618) HMAs also recorded strong rates of growth, up by 8.1% and 7.8% respectively. The Strabane HMA was also up by 7.7% annually to £563 in this survey.

FIGURE 4 Rental Performance by functional Housing Market Areas (HMAs), 2022

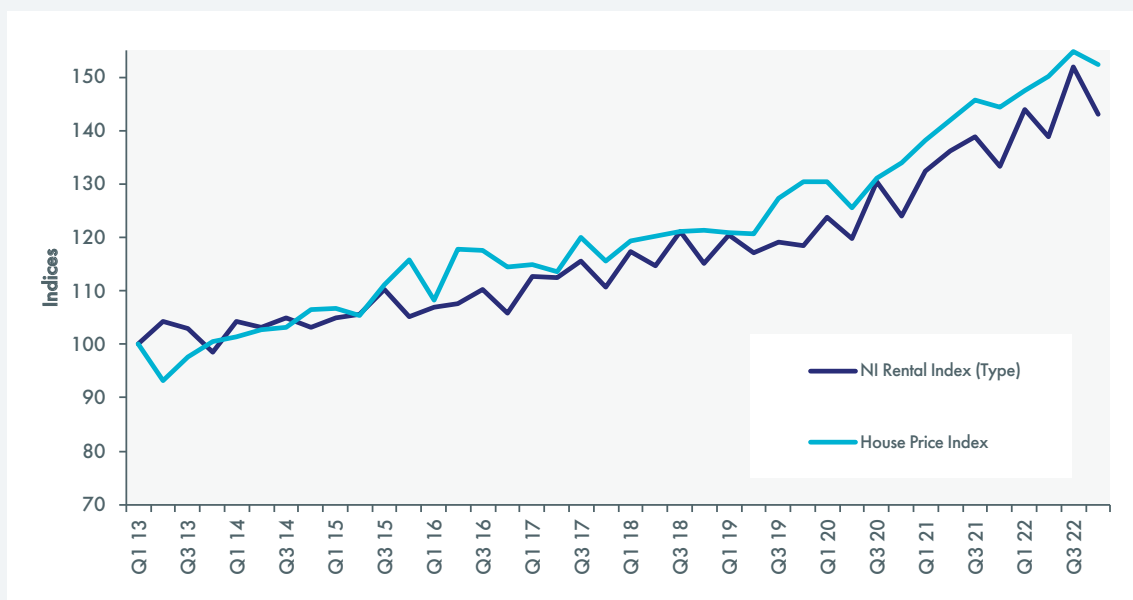


¹ The research identified eleven broad housing market areas within Northern Ireland. See: <https://www.nihe.gov.uk/getattachment/825be76f-2e80-4116-88e5-98fc15c983df/Mapping-Northern-Irelands-Housing-Market-Areas.pdf>

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 143.1 at Q4 2022, up almost ten points from the same period last year (**Figure 5**). The quarterly trend shows that the index increased sharply over the first quarter of the year, reflecting the continuing effect of market forces in terms of average rents. As tends to be the case, the index then decreases into the second quarter of the year before increasing rapidly - reflecting an increase in rents over the year and market pressures. Over the same period, the Northern Ireland house price index rose sharply and in a smoother fashion; whilst rents converged towards accelerating property value in the first and third quarters, house prices have accelerated slightly away from rents. Both indices decline into the traditionally quiet fourth quarter, albeit the rental index falls significantly. This is important, as accelerating house prices, together with lack of supply across market sectors continue to put upward pressure on average rents. As noted in the previous survey, the market evidence indicates that accelerating house prices, together with lack of supply across market sectors, and economic and inflation pressures, continue to drive average rents upwards to new levels and present real difficulties for both tenants and landlords.

FIGURE 5 Rental Index v House Price Index trend, Q1 2013-Q4 2022



SUMMARY

The headline findings from this survey remains that of a supply crunch and over-heating rental market with rapid growth in average rents seen across many locations and sub-markets. Previous editions of the rental survey have cautioned of the impacts of prevailing market headwinds and conditions on the market, primarily led by the price filtration and rippling effects of house prices which radiate into the rental sector. This has undoubtedly continued with the stark demand and supply imbalance, coupled with the pervasive effects of cost of living for tenants and mortgage rate increases for landlords across 2022, culminating in sharp increases in average rents across the sector. The rapid rise in average rents forecast in previous rental index reports holds through the analysis presented in this report, which points to an unsustainable rental market that will impact directly on renters and landlords.