

Affordability in the private rented sector

in Northern Ireland, 2018

summer 2019

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 2018, 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 2017 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 2018.

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 median. The unit of analysis is local authority areas and affordability is presented at an aggregate level. It should be noted that this analysis refers to revised income statistics. For the 2017 rental affordability report, income data sourced from the 2011 NIHE House Condition Survey was scaled up by a 2% wage inflation factor per annum to 2017 figures. For this report, income data was obtained from the 2016 House Condition Survey and scaled up by a 4% wage inflation factor to 2018 figures.

For the purposes of the rental affordability analysis, 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 therefore 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 2018.

Table 1: Rental Affordability by Local Authority Area in 2018

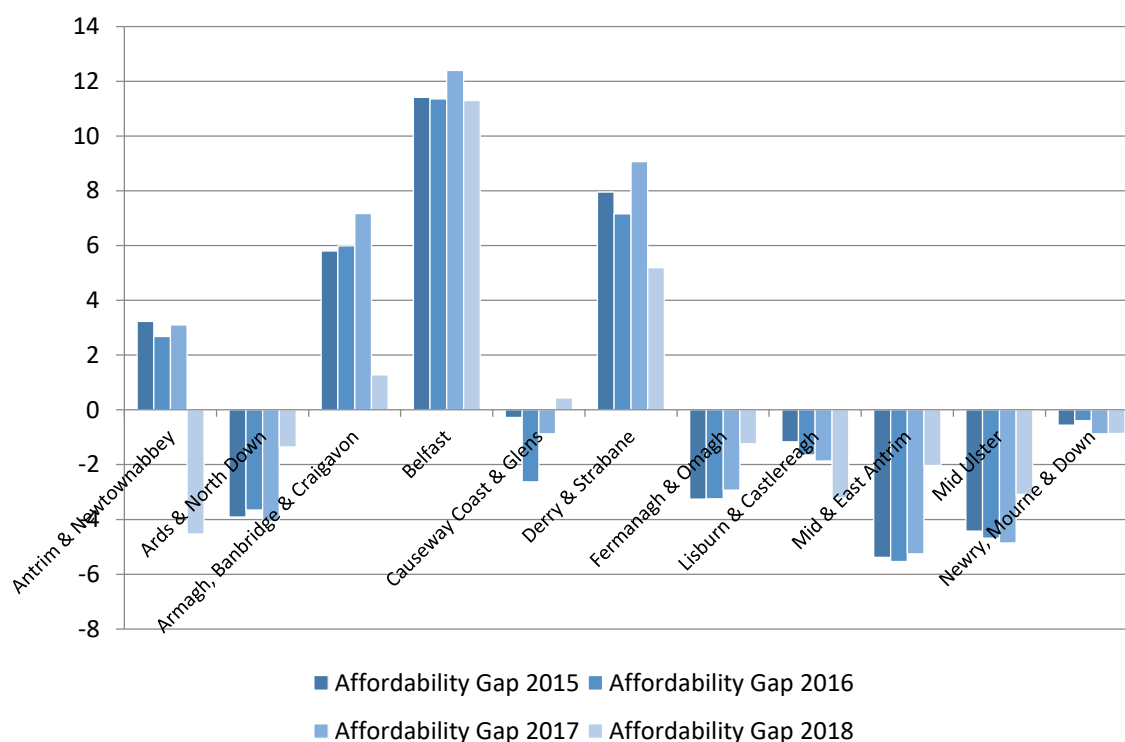
Local Authority Area	Median Income (£)	First Quartile Rent (£)	Rent-to-Income Ratio	Affordability Gap 2018	Affordability Gap 2017	Affordability Gap 2016	Affordability Gap 2015
Antrim & Newtownabbey	27,840	475	20.47	-4.53	3.10	2.68	3.23
Ards & North Down	25,118	495	23.65	-1.35	-4.06	-3.65	-3.91
Armagh, Banbridge & Craigavon	20,551	450	26.28	1.28	7.17	5.99	5.8
Belfast	17,361	525	36.28	11.29	12.39	11.35	11.41
Causeway Coast & Glens	21,607	458	25.44	0.44	-0.87	-2.63	-0.28
Derry & Strabane	18,406	463	30.19	5.19	9.06	7.16	7.95
Fermanagh & Omagh	20,551	407	23.77	-1.23	-2.93	-3.25	-3.26
Lisburn & Castlereagh	28,302	514	21.79	-3.21	-1.87	-1.64	-1.17
Mid & East Antrim	23,509	450	22.97	-2.03	-5.26	-5.54	-5.38
Mid Ulster	27,208	497	21.92	-3.08	-4.86	-4.68	-4.42
Newry, Mourne & Down	23,611	475	24.14	-0.86	-0.87	-0.39	-0.56

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

What the analysis tells us

The analysis for 2018 remains consistent with previous years (2017, 2016 and 2015 comparisons are also included in Table 1), suggesting a broadly similar pattern of affordability for this sector of the housing market by local authority area. These trends reflect 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 rents.

Figure 1: Rental Affordability Gap by Local Government Area, 2015-2018



Where affordability issues are apparent, the analysis is again highly consistent. Figure 1 shows that 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. However, evidence for 2018 suggests that in both of these market areas the affordability gap narrowed, largely due to the revised income statistics rather than any decline in rental values. In the case of Belfast, the affordability gap reduced slightly to 11.29 in 2018, compared with 12.39, 11.35 and 11.41 in the three previous years. Similarly, the affordability gap in Derry & Strabane narrowed to 5.19 in 2018, representing a significant reduction in the affordability gap (and therefore improved affordability) from 9.06, 7.16 and 7.95 in the three previous years.

In Armagh, Banbridge & Craigavon, the affordability gap reduced greatly, to 1.28 in 2018, compared with 7.17, 5.99 and 5.8 over the previous three years. Again, however, this significant reduction reflects changes resulting from the updated income figures, rather than any reduction in the first rental quartile.

The impact of the revised income statistics is probably most apparent in Antrim & Newtownabbey. In 2017 an affordability issue was evident in this area, as the rent to income ratio was above 25% (by 3.10); however, in 2018 the analysis indicates that this local market was affordable, with the rent to income ratio (20.47%) yielding a negative affordability gap of 4.53.

Causeway Coast and Glens experienced a minor shift in affordability, moving from slightly affordable in 2017 (affordability gap of -0.87) to slightly unaffordable in 2018 (affordability gap of 0.44).

All other local authority areas retained broadly the same affordability status as in 2017, characterised by a negative affordability gap, with rent to income ratios below 25%. In the case of Newry, Mourne & Down, the degree of affordability was marginal at -0.86 and essentially unchanged from the 2017 figure (-0.87). The remaining council areas – namely Mid & East Antrim, Mid Ulster, Ards & North Down, Lisburn & Castlereagh and Fermanagh and Omagh – were all below the 25% benchmark and had negative affordability gaps ranging from -1.23 to -3.21 which were indicative of markets with a stock of affordable properties to rent.

For a fuller analysis of rent levels and transactions during 2018 please see the *Performance of the Private Rental Market in Northern Ireland* reports:

[Performance of the Private Rental Market in Northern Ireland January-June 2018](#)

[Performance of the Private Rental Market in Northern Ireland July-December 2018](#)