

# 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 2022. The report provides an analysis of trends and patterns at a regional level during this six-month period, drawing comparisons with the first half of 2022 as a measure of half yearly change and with the same period in 2021 as an indicator of annual 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 5,958 rental transactions recorded on **PropertyNews.com** and the Housing Executive's 'LHA dataset for Housing Benefit' database for the second half of 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.

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 timeframes analysed. The findings continue to indicate that high demand and the lack of rental product is creating a highly competitive market which is driving rent price inflation across market areas. Overall, the analysis continues to show waning affordability within the rental sector and heightened warnings that the market is steering through the discernible trends of a supply crunch and over-heating rental market.

### **The key headlines relating to the rental market in H2 2022 are:**

- average rents across Northern Ireland increased by 4.8% over the half year to £778 per month; up 8.5% compared to the same period last year
- the average monthly rent across the Belfast City Council Area (BCCA) increased by 2.5% to £875, considerably up 12.7% in annual terms
- outside of Belfast, the average LGD rent was up by 7.9% over the half year period to £708 per month, and up a similar rate of 7.2% over the year.

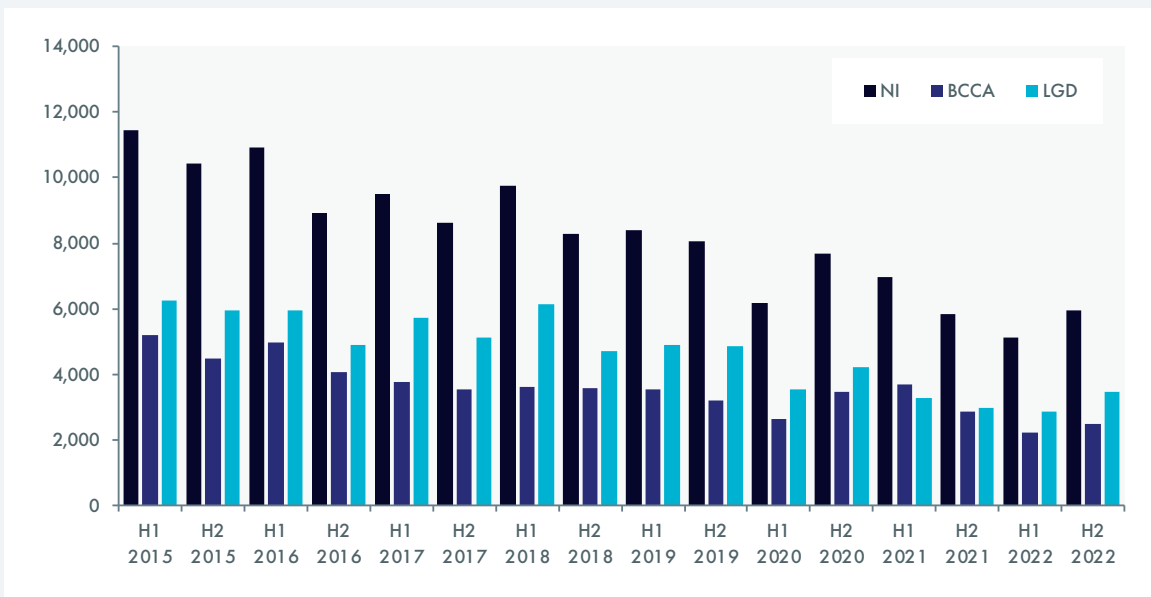


# RENTAL TRENDS

## Number of Lettings

Over the last six months of 2022, this survey captured 5,958 rental transactions across Northern Ireland, representing a 16.8% increase on the first half of the year<sup>1</sup>. Annual comparison with the same period last year (H2 2021) indicates a 2.4% increase in the number of rental market transactions, although the overall year-on-year volume of transactions is down by 13.5%. The longer-term trend (Figure 1) continues to provide evidence of inelastic supply within the rental sector due to the lack of rental stock and landlords exiting the sector.

**FIGURE 1** Number of lettings – NI, Belfast City Council Area and other LGDs, H1 2015-H2 2022

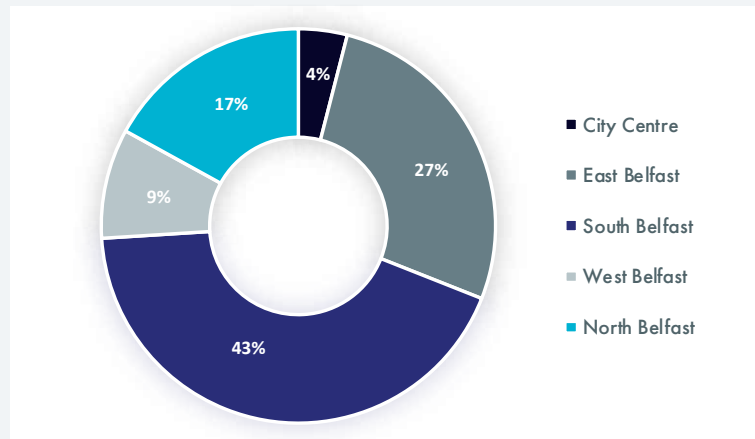


## Belfast City Council Area

Within the Belfast City Council Area (BCCA), there was a sample of 2,490 lettings across the second half of 2022, reflecting an 11.7% increase on previous six-month period. The annual trend, however, records a decrease in transactions in this reporting cycle, down 12.2% when compared to the same period in 2021 - indicating that the yearly sample captured the lowest number of lettings recorded by the index in any year since the research commenced. For this survey, the Belfast rental market accounts for 41.8% of all rental transactions over the half year period, falling again from the previous survey (43.6%) and illustrating the supply pressures and market stress within the Belfast area. Within the BCCA, this survey again confirms that market churn is highest in South (43% of lettings) and East Belfast (27%); the comparatively lower volume of activity in the North (17%) and West (9%) reflects the different housing market structures across the Belfast area (Figure 2).

<sup>1</sup> Note that methodological changed and reduced data sample means that the figures from H2 2021 and H2 2022 may not be directly comparable and may have affected the percentage change statistic.

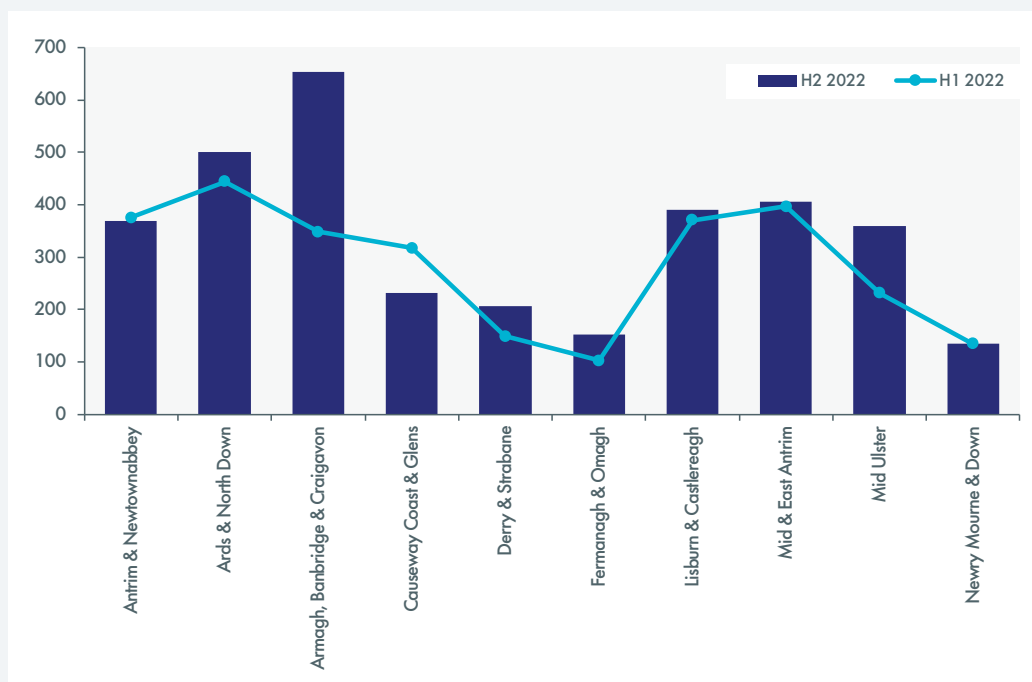
**FIGURE 2** Proportion of lettings by sub-market, Belfast City Council Area, H2 2022



## Local Government Districts

For this reporting period, there were 3,468 lettings in LGDs outside of Belfast: up 20.7% over the half year, and by 16.3% in annual terms. Both the half year and annual statistics suggest that renters are looking to LGDs outside of Belfast, and that there is considerable demand for rental properties (**Figure 3**). Overall, the survey indicates that LGDs outside of BCCA accounted for an increased market share at 58.2% of all rental transactions in Northern Ireland, up from the previous survey (H1 2022, 56.3%). Consistent with previous surveys, the rental markets within the wider Belfast metropolitan area and those on the main arterial corridor to Belfast record the highest levels of rental activity, although for this survey some differences have been observed. Armagh, Banbridge & Craigavon records the highest levels of activity (653), followed by Ards & North Down (501), Mid & East Antrim (407), Lisburn & Castlereagh (390) and Antrim & Newtownabbey (369). The rural districts of Fermanagh & Omagh (152), Newry, Mourne & Down (198) and the Derry & Strabane (206) area again displayed the lowest levels of transactional activity, albeit it at increased levels. Figure 3 shows the number of rental transactions across all LGDs in H2 2022 relative to the first half of the year.

**FIGURE 3** Number of lettings by Local Government District (outside Belfast), H2 2022 and H1 2022



# MARKET SHARE

Although the volume of rental transactions has decreased year-on-year, the composition of the private rental sector remains remarkably consistent across the survey evidence. For this survey, the variation in market structure recorded by the previous report holds, with the terrace/townhouse sector remaining the largest proportion of market share (38%) and apartments comprising a reduced share of lettings (34%). The market share of the semi-detached sector (17%) was relatively unchanged, and the detached sector increased its share to 11%, considerably up, albeit from a low base.

In the Belfast rental market, the largest sector remains apartments (45%), although this share continues to fall from previous surveys. The market proportion of terrace/townhouses (42%) was marginally down (by 1%); these sectors accounting for 87% of all rented properties in Belfast. Consistent with the previous reporting period, there is a low volume of lettings for semi-detached (10%) and detached properties (3%). For LGDs outside Belfast, the distribution of rental lettings by property type remained broadly similar. Terrace/townhouse properties marginally remain the largest sector (32%), although this share has reduced by five percentage points from the previous survey. Apartments also take a reduced share at 26% of the market, down from 29% previously. Semi-detached properties account for over one fifth (22%), with notable gain in the detached sector which increases to 17% of the market. The figures once again reflect the different market composition of the Belfast City Council Area compared with other local authority areas.

**TABLE 1** Properties let by type, H2 2022

Property type	NI	HY Δ	BCCA	HY Δ	LGDs	HY Δ
Apartment	2,028 (34%)	8.6%	1,119 (45%)	8.5%	909 (26%)	8.7%
Terrace/Townhouse	2,236 (38%)	10.7%	1,045 (42%)	9.4%	1,191 (32%)	11.8%
Semi-detached	1,030 (17%)	31.2%	254 (10%)	21.0%	776 (22%)	35.0%
Detached	664 (11%)	54.4%	72 (3%)	118.2%	592 (17%)	49.1%
<b>ALL</b>	<b>5,958</b>	<b>16.8%</b>	<b>2,490</b>	<b>11.7%</b>	<b>3,468</b>	<b>20.7%</b>

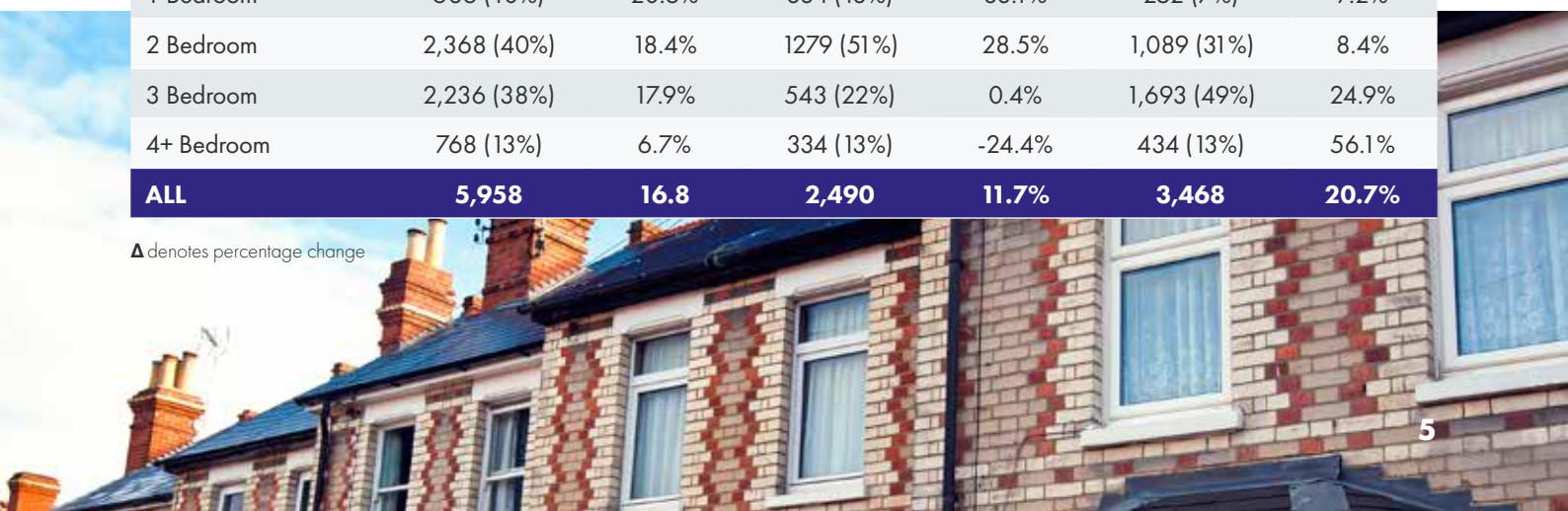
Δ denotes percentage change

When disaggregated by number of bedrooms, the market composition is largely consistent with previous reports but with a degree of change recorded. At the Northern Ireland level, two and three-bedroom properties remain the most common property sizes, accounting for the majority of all lettings (78%) over the second half of the year, up from 76% in the previous survey. This trend was also seen in the BCCA, where 73% of properties let were in these categories, with two-bedroom properties accounting for more than half of the market share (51%). By comparison, the analysis of LGDs outside of the BCCA indicate that three-bedroom properties accounted for almost half of rental transactions (49%), with two-bedroom properties comprising just under one third (31%) of lettings. The analysis once again confirms the difference in market composition by bedroom categories.

**TABLE 2** Properties let by size, H2 2022

No. of bedrooms	NI	HY Δ	BCCA	HY Δ	LGDs	HY Δ
1 Bedroom	586 (10%)	20.6%	334 (13%)	33.1%	252 (7%)	7.2%
2 Bedroom	2,368 (40%)	18.4%	1,279 (51%)	28.5%	1,089 (31%)	8.4%
3 Bedroom	2,236 (38%)	17.9%	543 (22%)	0.4%	1,693 (49%)	24.9%
4+ Bedroom	768 (13%)	6.7%	334 (13%)	-24.4%	434 (13%)	56.1%
<b>ALL</b>	<b>5,958</b>	<b>16.8</b>	<b>2,490</b>	<b>11.7%</b>	<b>3,468</b>	<b>20.7%</b>

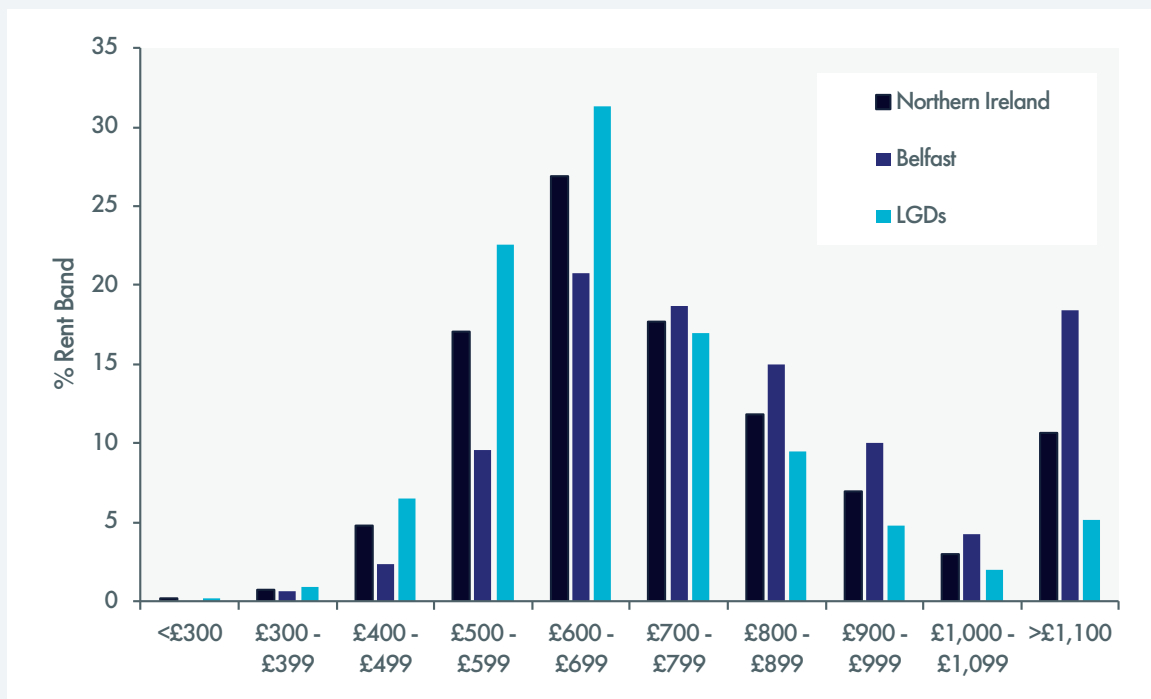
Δ denotes percentage change



# DISTRIBUTION OF RENTS

Considering the distribution of average rents, 17% of rental properties let across Northern Ireland in the second half of 2022 fell within the £500-£599 band – down six percentage points from the previous survey (23%: H1 2022) and pointing to acute escalation of average rents over the period. For BCCA, the proportion in this category stands at 9.6%, down by almost four percentage points over the last six months and significantly lower than the comparative statistic for the aggregated LGDs which stands in this survey at 22.6%, and has also reduced from the previous survey (30.1%: H1 2022). The £400-£499 rental band accounted for 4.8% of lettings across Northern Ireland, which has also reduced from the previous reporting cycle (H1 2022; 7.4%). A higher proportion of lettings in LGDs outside Belfast (6.5%) fell within the £400-£499 band in comparison to the BCCA which stands at 2.4% for this survey, although the range has narrowed. The proportions of lettings across the LGDs outside Belfast in the £400-£499 and £500-£599 range has decreased sharply from 41.6% from the last survey to 29.1% for H2 2022; the comparative figure for the BCCA is 12%, down from 15.5% in the previous six months. Overall, the proportion of rents in Northern Ireland above £600 has increased considerably to 77.1% - up by almost ten per cent (68.6%: H1 2022), highlighting the acceleration in average rents over the period. For the BCCA, the proportion of rental lettings above £600 increased from 84.5% in H1 2022 to 87.2%. Similarly, the proportion of rents above £600 in LGDs outside of Belfast has increased to 69.8%, up considerably over the half year (56.4%: H1 2022). The analysis of rent distribution over the second half of 2022, when compared with previous surveys, provides important evidence underlining the quick escalation in average rents towards higher pricing bands. Overall, these statistics indicate a sizeable shift in the distribution of market rents over the half year and year, signalling strong warnings for the market in terms of rental affordability (Figure 4).

**FIGURE 4** Proportion of properties let by rent band – NI, BCCA and other LGDs, H2 2022



## 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 records that lower quartile, median and mean rent levels have increased across most LGDs, with rental variance also evident across some locations. The analysis, together with that considering rent distributions, illustrates the shifting trend of rents towards a higher pricing structure due to market forces, including the upward pressures of rental



demand and evidence of rent waiting lists and bidding. The Coefficient of Variation (CoV)<sup>2</sup> 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, Belfast City Council Area displayed the highest comparative rental spread at 41%, followed by Ards & North Down and Mid and East Antrim Areas, which each stand at 39% – reflecting the variation and availability of rental stock in these areas (Table 3).

**TABLE 3** Average, median, 25<sup>th</sup> and 75<sup>th</sup> percentile rents and coefficient of variance by LGD, H2 2022

Council area	Average rent (£)	Coefficient of variance (%)	Median rent (£)	25 <sup>th</sup> percentile	75 <sup>th</sup> percentile
Antrim & Newtownabbey	£714	24%	£675	£608	£781
Ards & North Down	£859	39%	£771	£650	£950
Armagh Banbridge & Craigavon	£656	24%	£625	£565	£720
Belfast	£875	41%	£795	£650	£960
Causeway Coast & Glens	£645	24%	£645	£571	£700
Derry & Strabane	£629	25%	£600	£537	£700
Fermanagh & Omagh	£599	23%	£600	£500	£674
Lisburn & Castlereagh	£823	34%	£771	£666	£900
Mid & East Antrim	£670	39%	£615	£550	£708
Mid-Ulster	£627	19%	£625	£563	£677
Newry Mourne & Down	£729	31%	£686	£600	£783

<sup>2</sup>The 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 2022

Rental Price Annual Percentage Change

0.1 - 2.0%	6.1 - 8.0%
2.1 - 4.0%	8.1 - 10.0%
4.1 - 6.0%	10.1 - 12%

## Mid and East Antrim

Average rent H2 2022	£670
Average rent H1 2022	£600
Half yearly variance	11.7%
Average rent H2 2021	£575
Annual variance	16.5%

## Northern Ireland

Average rent H2 2022	£778
Average rent H1 2022	£743
Half yearly variance	4.8%
Average rent H2 2021	£717
Annual variance	8.5%

## Antrim and Newtownabbey

Average rent H2 2022	£714
Average rent H1 2022	£640
Half yearly variance	11.5%
Average rent H2 2021	£639
Annual variance	11.7%

## Causeway Coast and Glens

Average rent H2 2022	£645
Average rent H1 2022	£598
Half yearly variance	7.9%
Average rent H2 2021	£598
Annual variance	7.9%

## Derry and Strabane

Average rent H2 2022	£629
Average rent H1 2022	£579
Half yearly variance	8.8%
Average rent H2 2021	£569
Annual variance	10.7%

## Fermanagh and Omagh

Average rent H2 2022	£599
Average rent H1 2022	£568
Half yearly variance	5.5%
Average rent H2 2021	£536
Annual variance	11.7%

## Mid Ulster

Average rent H2 2022	£627
Average rent H1 2022	£599
Half yearly variance	4.5%
Average rent H2 2021	£587
Annual variance	6.8%

## Armagh, Banbridge and Craigavon

Average rent H2 2022	£656
Average rent H1 2022	£618
Half yearly variance	6.2%
Average rent H2 2021	£614
Annual variance	6.8%

## Lisburn and Castlereagh

Average rent H2 2022	£823
Average rent H1 2022	£758
Half yearly variance	8.6%
Average rent H2 2021	£746
Annual variance	10.3%

## Belfast

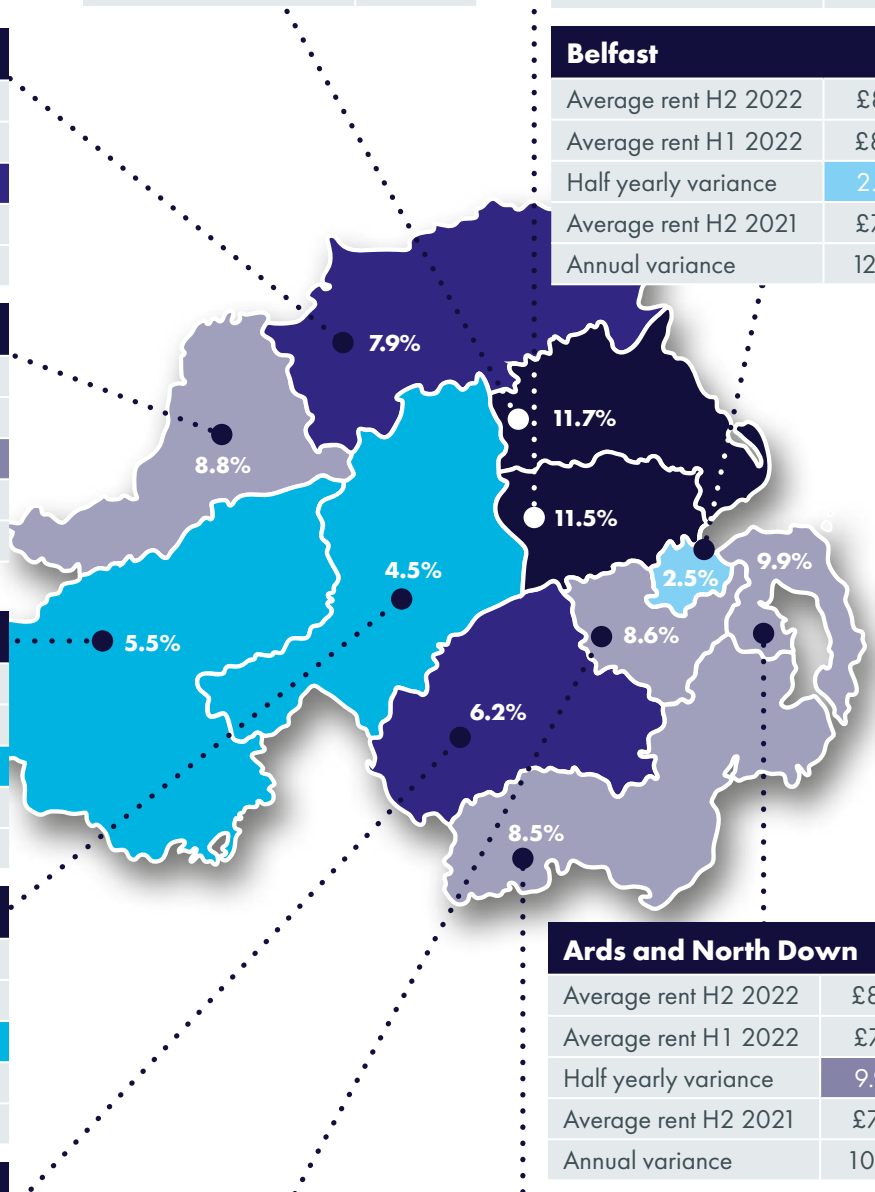
Average rent H2 2022	£875
Average rent H1 2022	£853
Half yearly variance	2.5%
Average rent H2 2021	£776
Annual variance	12.7%

## Ards and North Down

Average rent H2 2022	£859
Average rent H1 2022	£781
Half yearly variance	9.9%
Average rent H2 2021	£778
Annual variance	10.3%

## Newry, Mourne and Down

Average rent H2 2022	£729
Average rent H1 2022	£672
Half yearly variance	8.5%
Average rent H2 2021	£649
Annual variance	12.4%





# NORTHERN IRELAND

The statistics show strong rates of growth in average rents across Northern Ireland, which are up by 4.8% over the half year to £778, and up by 8.5% annually (**Figure 5**). Across property type, performance over the half year is variable with growth across all market sectors. The average rent for terrace/townhouse properties is up by 4% to £767 per month. Semi-detached properties also recorded similar growth, up 4.7% to £779 per month, with apartments also up by 3% to £734 per month. Detached properties recorded the largest gain over the period, standing at £948 in average rents, up by a rate of 6%.

## LOCAL GOVERNMENT DISTRICTS OUTSIDE BELFAST

For district council areas outside the BCCA, the survey reveals strong rates of rental growth across most locations, albeit to varying degrees. Taken together, the average rent stood at £708 per month, appreciably up by 7.9% over the half year, with a similar rate of growth (7.2%) recorded annually. The average rent remains below the overall Northern Ireland average monthly rent of £778, with the rental gap narrowing to £70 from £86 in the previous survey. **Table 4** (below) details the recorded average rents by property type across the local government districts. Generally speaking, increases in average rents were recorded across most Local Government Districts by property type with comparatively higher rents by property type in those districts near Belfast.

**TABLE 4** Average rent by property type (LGDs outside Belfast), H2 2022

Council area	Average rent by property type (£)				
	Apartment	Terrace/ Townhouse	Semi- detached	Detached	ALL
Antrim & Newtownabbey	£649	£675	£765	£963	£714
Ards & North Down	£746	£784	£860	£1,249	£859
Armagh Banbridge & Craigavon	£553	£609	£682	£823	£656
Causeway Coast & Glens	£556	£610	£670	£774	£645
Derry & Strabane	£551	£613	£729	£831	£629
Fermanagh & Omagh	£509	£609	£640	£672	£599
Lisburn & Castlereagh	£703	£760	£867	£1,068	£823
Mid & East Antrim	£597	£623	£709	£948	£670
Mid-Ulster	£521	£593	£643	£711	£627
Newry Mourne & Down	£639	£659	£750	£866	£729
<b>ALL</b>	<b>£628</b>	<b>£657</b>	<b>£734</b>	<b>£901</b>	<b>£708</b>

# BELFAST METROPOLITAN AREA

Across the wider Belfast Metropolitan region, the district council areas adjacent to Belfast recorded strong rates of half-yearly and annual growth in average rents. The **Antrim & Newtownabbey** district council area recorded an average rent of £714, appreciably up by 11.5% over the half year, and by a similar rate annually (11.7%). In the **Ards & North Down** district, the average rent also performed well, up by 9.9% over the half year to £859 per month, with slightly stronger growth observed over the year (10.3%). A similar picture was evident in **Lisburn & Castlereagh**, where average rents displayed considerable gains over the half year, up 8.6% to £823 per month, with a strong rate of growth also seen over the year (10.3%).

## NORTH & NORTH WEST

The district council areas in the North and North West also observed strong rates of growth across some areas over the half-year and year, although the performance was variable by location. In **Mid & East Antrim**, rental growth was considerable with average rents up by 11.7% on the previous six-months, to £670 per month, reflecting an increase of 16.5% over the year. In the **Causeway Coast & Glens** area, average rents were also up over the half year by 7.9%, standing at £645, representing a 7.9% increase in annual terms. Likewise, for **Derry & Strabane** average rents were appreciably up by 8.8% over the half-year, to £629 per month and recorded a stronger rate of annual growth of 10.7% when compared with the same period last year.

## THE SOUTH

To the south, the picture is also one of a healthy market over the time periods analysed in terms of performance. For the **Armagh Banbridge & Craigavon** district the rate of growth over the half year was 6.2% to £656 per month, representing a rate of increase of 6.8% over the year. In the **Newry Mourne & Down** district, stronger rental growth was recorded, with the average rent up by 8.5% over the half year to £729 per month, which represents sizable growth of 12.4% annually.

## THE WEST

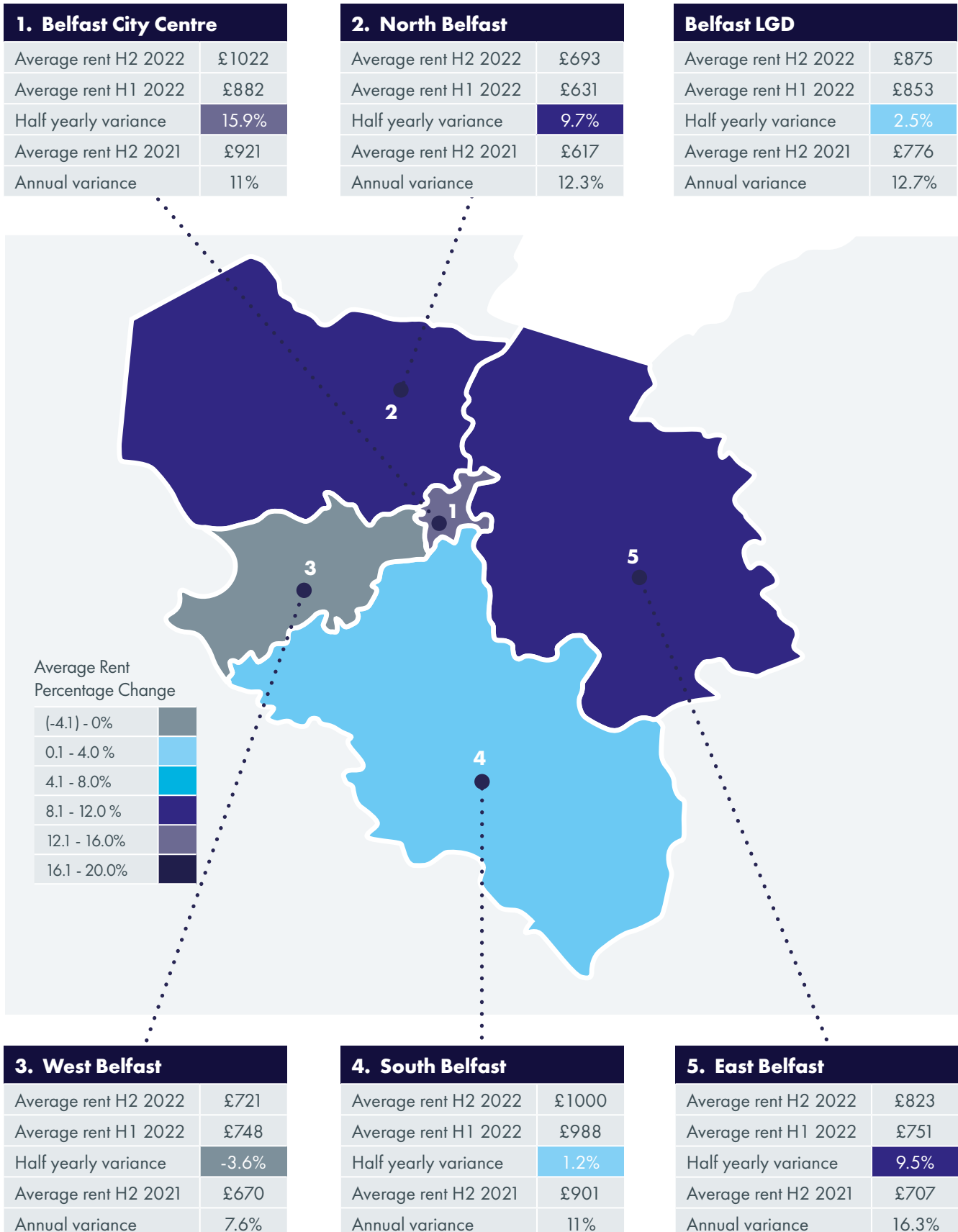
For the districts in the west of Northern Ireland, rental performance was strong but with more variability in growth observed over the year. In **Fermanagh & Omagh**, the average monthly rent increased by 5.5% over the half year to £599 per month. Over the year, average rents have appreciably increased by 11.7%. In **Mid-Ulster** district, performance was more modest with average rents increasing by 4.5% over the half year to £627 per month. However, a stronger rate of growth was observed over the year (6.8%).



# 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 2022



For this survey, the average rent for the BCCA stood at £875 per month, up by 2.5% relative to the previous half year, and considerably up by 12.7% in annual terms. Whilst there is a degree of variability in performance across the sub-market areas, the analysis depicts a picture of strong growth in average rents across the year. The City Centre recorded a considerable increase in average rents over the half year, up 15.9% to a peak of £1022 per month, with the average rent up by 11% in annual terms. North Belfast recorded an average monthly rent of £693, the highest recorded for this location - representing a large half-yearly gain of 9.7%, with a stronger rate of growth observed over the year (12.3%). A similar picture was evident in East Belfast, where the average rent also increased over the half year, up 9.5% to £823 per month, with rents up by 16.3% over the year. In the South Belfast sub-market, average rents also recorded a modest rate of growth over the half year period, up 1.2% to £1000 per month, although this represents an increase of 11% in annual terms. In contrast, rental growth was more subdued in West Belfast where average rents fell by 3.6% over half the year to £721 per month, however up by 7.6% annually (Figure 6).

## BCCA AVERAGE RENT BY TYPE

The average rent across the Belfast City Council Area increased modestly over the half year period (2.5%) to £875 per month but recorded considerable gains in annual terms (12.7%). Rental growth was recorded across all property types, except in the detached sector (Table 5); the largest growth was in the semi-detached sector, which was up 6.9% to £918. Terrace/townhouse properties were modestly up by 2% to £892 per month, and apartments also recorded slight growth over the half year, up 0.6% to £820 per month. Detached properties fell by 7.2% to £1,335 per month. In annual terms, the picture is one of considerable rental growth across all sectors, particularly in the terrace/townhouse sector. The analysis, particularly over the year, points to market pressures in the Belfast market in terms of rental inflation and perhaps moving towards a rental ceiling.

**TABLE 5** Average Rent by Property Type, Belfast City Council Area, H2 2021-H2 2022

Property type	BCCA H2 2021	BCCA H1 2022	BCCA H2 2022	Half Yearly Δ	Annual Δ
Apartment	£771	£815	£820	0.6%	6.3%
Terrace/Townhouse	£747	£874	£892	2.0%	19.4%
Semi-detached	£825	£859	£918	6.9%	11.3%
Detached	£1,273	£1,438	£1,335	-7.2%	4.9%
<b>ALL</b>	<b>£776</b>	<b>£853</b>	<b>£875</b>	<b>2.5%</b>	<b>12.7%</b>

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 £663 in BT13 to £1,132 in BT18. Consistent with the previous survey evidence, this survey suggests less market churn in the one-bedroom and four-bedroom sectors at the postcode geography. This survey also observes the notable increase in rental pricing points of 4+ bedroom properties across a number of postcode locations.

<b>TABLE 6 Average rent by postcode district and property size, Belfast area, H2 2022</b>					
<b>Postcode</b>	<b>1 Bed</b>	<b>2 Bed</b>	<b>3 Bed</b>	<b>4+ Bed</b>	<b>ALL</b>
BT1	£982	£1,090	*	*	£1,083
BT2	£802	£915	*	*	£923
BT3	*	£966	*	*	£941
BT4	£675	£743	£884	£1,412	£829
BT5	£594	£761	£928	£1,305	£813
BT6	£592	£738	£923	£1,045	£823
BT7	£654	£867	£955	£1,445	£986
BT8	£642	£725	£1,009	£1,215	£935
BT9	£697	£894	£1,061	£1,500	£1,015
BT10	*	£802	£903	*	£840
BT11	£545	£676	£702	*	£655
BT12	£601	£689	£704	£1,300	£737
BT13	*	£619	£663	*	£631
BT14	£541	£591	£706	£977	£652
BT15	£541	£638	£793	£1,534	£767
BT16	*	£735	£957	£1,705	£883
BT17	*	£722	£807	*	£768
BT18	*	£903	£1,132	£1,607	£1,066
BT19	*	£731	£934	£1,213	£897
BT20	£551	£737	£893	£990	£769
BT23	£575	£683	£869	£1,200	£832
BT26	*	£783	£805	£1,334	£920
BT27	*	£670	£823	£1,112	£788
BT28	*	£657	£783	£1,074	£742
BT36	*	£699	£749	£945	£746
BT37	*	£655	£703	£1,011	£698
BT38	£497	£604	£712	£1,161	£693

\* denotes insufficient sample size

# REGIONAL ANALYSIS BASED ON HOUSING MARKET AREAS

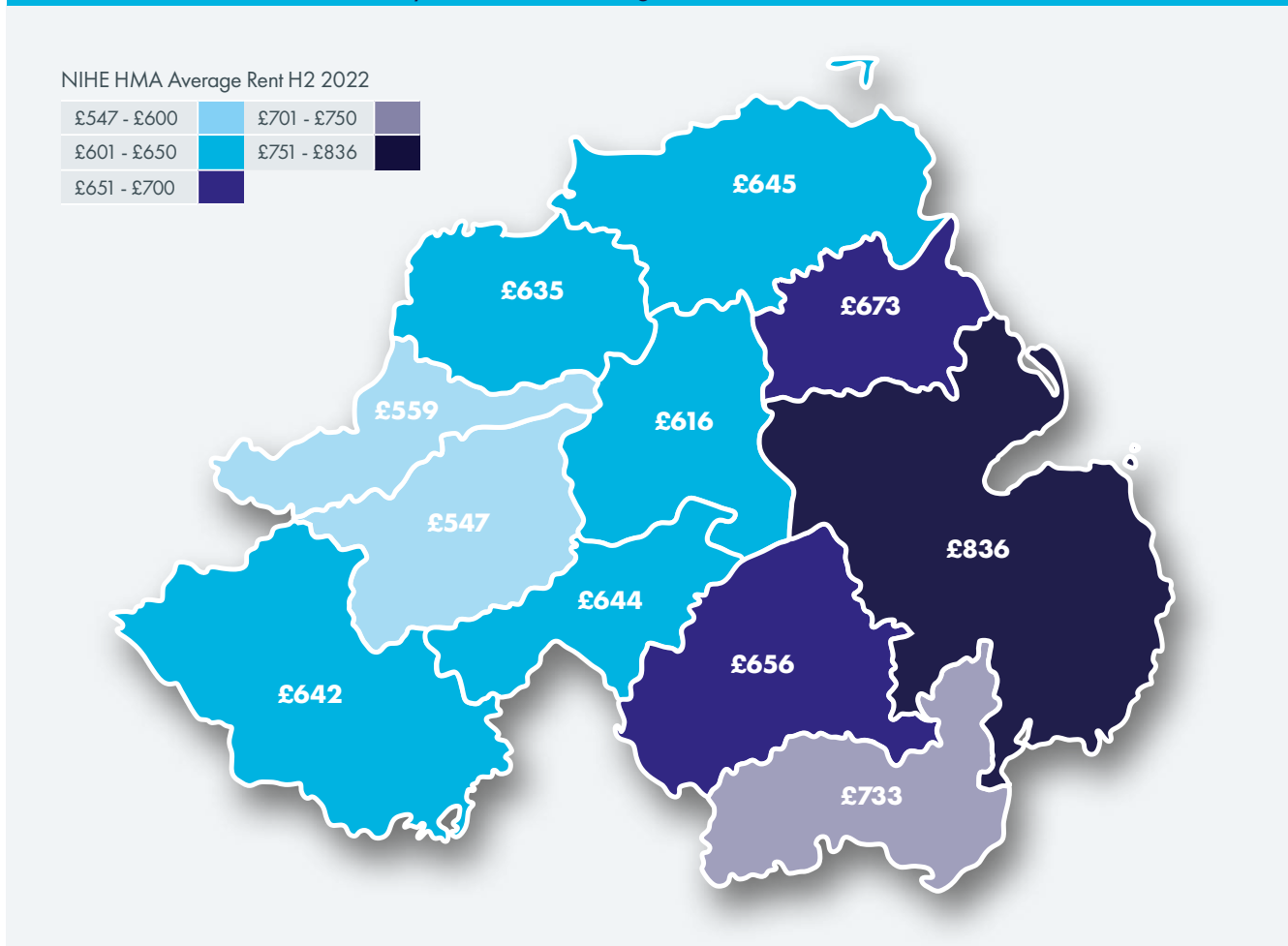
Regional analysis is also carried out using the functional Housing Market Areas (HMAs), defined on the basis of research that was undertaken for the Housing Executive to help guide spatial study of the housing system<sup>3</sup>.

## Functional Housing Market Areas H2 2022

Figure 7 presents the average rents across the HMAs, with the statistics revealing varying degrees of rent price change and with strong gains recorded across most areas. The Belfast Metropolitan HMA displayed an average rent of £836 per month, up 5.2% on the previous half year. On the urban belt, the Craigavon HMA is up by 6.2% (£656) with Dungannon (£644) marginally up by 0.6% on the previous survey.

In the more rural HMAs the picture was more diverse. In the West, average rents in Cookstown HMA were up by 6% over the half year to £616 per month and the Fermanagh HMA observed strong gains, up 9.4% over the period to stand at a high of £642. The Omagh HMA was marginally down up by 1.4% over the half year, recording an average rent of £547 per month. To the South, the Newry HMA was also appreciably up by 6.7% to £733 per month. In the North, the Ballymena HMA observed the strongest gains, up by 11.6% to £673. The Derry (£635) and Causeway Coast (£645) HMAs also recorded strong rates of growth, up by 9.7% and 7.9% respectively. The Strabane HMA was down by 1.8% over the half year to £559 in this survey.

**FIGURE 7** Rental Performance by functional Housing Market Areas (HMAs), H2 2022



<sup>3</sup> 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>

# AGENTS INSIGHTS H2 2022

Previous editions of the survey have highlighted rental growth against constrained supply as a key challenge to the sector. In addition to the reported data analysis, this survey also reports on rental agent sentiment from across the market to gather current insights on rental performance and issues.

## Market activity

The general view from agents is that the rental market remains very busy, demand is strong and there are high levels of enquiries with insufficient rental product to meet the levels of demand.

- *“Demand is high and constant, supply is low.”*
- *“Demand really strong, not enough stock.”*
- *“Shortage of properties. Rentals are in high demand.”*

The picture therefore remains one of a supply crunch in terms of available rental properties with a number of applications for each property listing: As one agent in the North Down & Ards area explains:

*We have successfully marketed and confirmed a tenant for nine properties since the start of 2023. All properties received over 30 enquiries each, with 20 plus viewings taking place in blocks. We have seen similar levels to this over the last 6 months, with a small dip in enquiries with properties over the December period.*

Similarly, an Agent from the South Down area states:

*The rental market has expanded at a rapid rate over the last 18 months, for example we would have a property on the rental market, and we would get about 15/20 enquiries on one house. This is a constant pattern and is continuously increasing. In reasoning with this rapid rental increase then has affect the rental price, sending the price per month over and above what the house was priced say 2 years ago.*

This was echoed by other agents, with one from South and East Belfast indicating they have had to hold viewings on competitively priced rentals:

*The rental market is busy with great responses to most properties going onto the market. We do have to usually put a hold on viewings due to such a high level of interest - these would usually be more competitively priced properties. We are still seeing a number of enquiries come through for long term rentals, short term rentals for people in between buying properties and a lot of individuals relocating for employment/studies.*

## Rent Inflation

Considering rental performance, the buoyancy of the market and the lack of supply has driven price inflation across market sectors. In some areas, this includes rent biddings or overpayment:

- *“Rental market is very fast paced at the moment: higher level of enquiries, less rentals about so higher demand, monthly rent has went up.”*
- *“Yes, rent has increased due to a number of reasons including a high demand in people searching for rental properties and willing to offer more rent per month, to secure a suitable rental property.”*
- *“Rents have increased, they have soared over the last 18 months and this is due to the shortage of properties.”*
- *“Rents are up approximately 10% in past year. Again, lack of supply with exceptional demand.”*

The evidence from market agents also suggests that the considerable rent growth, against current economic pressures, are creating affordability pressures for tenants in the sector and further issues for landlords:

- Rents are up 10-20% year-on-year, it's getting to the stage I can't see affordability continuing.
- We recommended this year to our landlords not to increase [rents] due to cost of living, 50% agreed.

Agents have also pointed to the implications of economic stress this year, rent inflation and the mortgage environment. A major driver of rental increases over the last six months has therefore been the rise of mortgage interest rates, meaning that many landlords with existing tenants are now looking at increasing their rent to cover the increasing costs of mortgages, insurance and costs:

- The rental values of the majority of properties have risen significantly in the last year. Various reasons such as mortgage rates increasing and lack of rental properties available have fuelled this. [Rents have increased] by about 10% over last 12 months.
- A lot of landlords have sold their property so seems to be less rental properties, also with the mortgage rates higher a lot of landlords are needing to put rents up to cover this outlay. But with demand prices have increased.
- Landlords have also been facing a lot of increases in costs meaning they have no option but to increase rental income. Landlords know there is a demand and their mortgages have gone up so need to cover payments.
- Interest rates increasing, meaning fewer buy to let properties becoming available and existing landlords looking to increase rents.

Some agents have also pointed to the constrained supply and price inflation to the lack of new investors in the market:

- *Insufficient properties to meet demand. Investors off-loaded properties when market was strong after Covid. New investors are limited.*
- *Investors, [due to] mortgage rates, are not so keen to purchase; landlords not wanting to upkeep.*

## Key challenges

Evidence from agents continues to point to several key pressures and challenges within the rental sector. Agents identify that supply continues to be the key issue for the market. The availability of rental stock is being impacted by longer lease renewals and landlords exiting the rental sector due to the current economic conditions, including mortgage interest rate rises. This is fuelling unaffordability in the market. Others have noted that increasing regulation is also an issue currently:

- Stock levels. Tenants know how difficult it is to secure a new rental and thus [are] renewing leases. [In the case of] landlords that decide to sell, property is being bought by first time buyers, reducing supply further.
- The main issue is there is not enough houses on the market to fulfil the high demand required for our clients.
- With the mortgage rates being so high it is putting potential landlords off buying or keeping their rental properties.
- Increasing regulation is causing pressure on landlords.

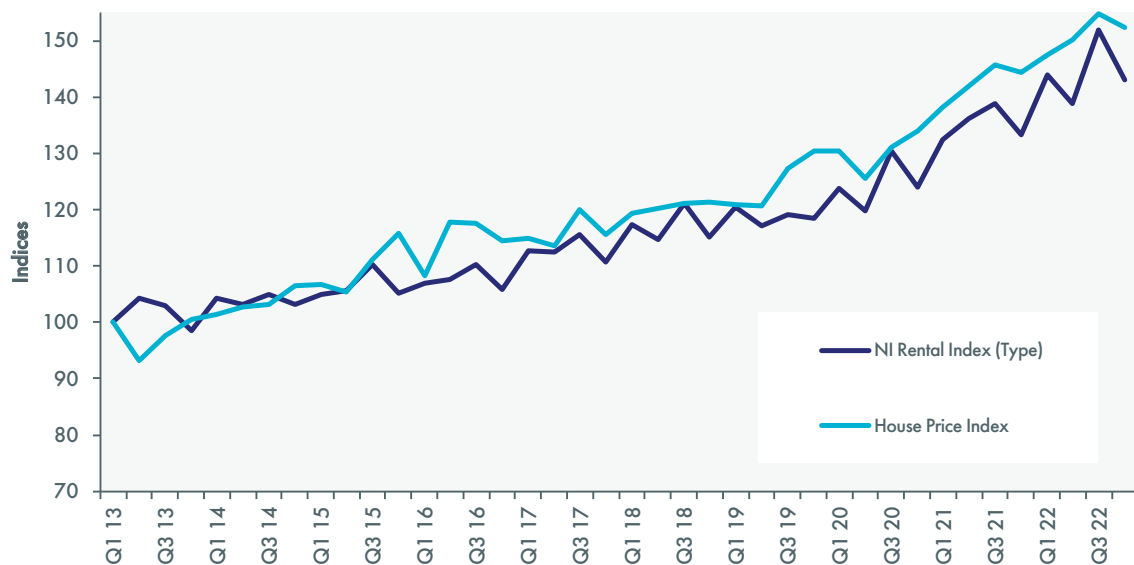




# THE NORTHERN IRELAND PRIVATE RENTAL INDEX

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 8)** 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, continues 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 8** Rental Index v House Price Index trend, Q1 2013-Q4 2022



# CONCLUSION

Previous editions of the survey have warned of market headwinds relating to rental inflation, supply and demand imbalance and market unaffordability. These warnings are borne out in this survey with the analysis indicating that the strong demand for rental properties, against inelastic supply, and increasing interest rates has driven unprecedented growth in average rents across a number of rental market locations over the half year and annually.

The analysis for the second half of this year indicates that the average rent has increased by 4.8% on the previous six months to £778 per month, up 8.5% annually. At the regional level, average rents were more subdued in the BCCA over the half year, up by 2.5% to £875; however, the rate of annual growth was 12.7%. In districts outside of Belfast, a stronger rate of growth was observed over the period, with average rents up by 7.9% to £708 and by 7.2% annually. Whilst there is regional variability, the statistics are supported by rental agent opinion which indicates that rents have increased considerably and that the market is fast paced, with higher level of enquires and insufficient rental properties to meet demand, due to landlords exiting the sector. As the previous survey noted, following seven consecutive interest rate hikes, many landlords will seek to pass the cost to tenants and are also feeling the effects of new regulation and legislation. With the continuing effects of cost of living and economic inflation, the acceleration of rents over this reporting period is concerning and undoubtedly leading to affordability pressures for tenants and difficulties for landlords. Thus, the dominant conclusion of the report echoes previous warnings that the upward trajectory of rents is now causing difficulty for many in terms of affordability, quality of rental property and choice.





## 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](https://www.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) first recorded as let agreed during the specified time period. The data has been cleansed to remove outliers, invalid observations, multiple entries and anomalies within a three-month period. 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](https://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](https://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 2022

Half/Year	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
H1 2022	5,102	2,229	2,873
H2 2022	5,958	2,490	3,468

**FIGURE 3** Number of lettings by Local Government District (outside Belfast), H1 2022- H2 2022

LGD	H1 2022	H2 2022
Antrim & Newtownabbey	376	369
Ards & North Down	444	501
Armagh, Banbridge & Craigavon	349	653
Causeway Coast & Glens	318	232
Derry & Strabane	149	206
Fermanagh & Omagh	103	152
Lisburn & Castlereagh	371	390
Mid & East Antrim	397	407
Mid Ulster	231	360
Newry, Mourne & Down	135	198
<b>TOTAL</b>	<b>2873</b>	<b>3468</b>

**FIGURE 4** Proportion of properties let by rent band – NI, BCCA and other LGDs, H2 2022

Rental Band	NI	Belfast	LGDs
<£300	0.2	0	0.2
£300 - £399	0.8	0.7	0.9
£400 - £499	4.8	2.4	6.5
£500 - £599	17.1	9.6	22.6
£600 - £699	26.9	20.8	31.3
£700 - £799	17.7	18.7	17
£800 - £899	11.8	15	9.5
£900 - £999	7	10	4.8
£1,000 - £1,099	3	4.3	2
>£1,100	10.7	18.4	5.2

Average Rent by Quarter, Northern Ireland, Q1 2015 – Q4 2022

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
2022	£755	£729	£795	£759