Performance of the Private Rental Market in Northern Ireland

H2 2017 Issue Number 10

INTRODUCTION

This survey analyses the performance of the Northern Ireland rental market during the second half (July to December; 'H2') of 2017. The report provides an analysis of trends and patterns at regional level during this six month period drawing comparisons with the first half of the year as a measure of half yearly change and with the same period in 2016 as an indicator of annual change. The report is produced by Ulster University in partnership with the Northern Ireland Housing Executive and PropertyNews.com.

The statistics presented in this report are based on a sample of 8,627 rental transactions recorded on PropertyNews.com and NIHE (Housing Benefit in the PRS) database for the second half of 2017. The volume of transactions has decreased for this survey, reflecting ongoing transition in the rental sector, with a declining number of new rentals potentially related to a number of regulatory, political and economic challenges including uncertainty that had surrounded the roll out of welfare reform across the province. However, the reduced level of transactions may also reflect greater maturity in the sector, with longer lease structures and a greater number of lease renewals.

In this report, information is presented on the residential rental sector for Northern Ireland, with an analysis of average rental price by different property types and number of bedrooms. The overall performance of the private rental market is measured by two weighted rental indices, one reflecting the weighted average by property type and the other by number of bedrooms. The indices measure change in average rent over time and are set to a base value of 100 for the first quarter of 2013. Regional analysis considers trends in Local Government Districts (LGDs) across Northern Ireland.

KEY FINDINGS

The latest survey of the Northern Ireland private rental market indicates that, whilst rents have continued to grow over the last six months, there is some variability across the province. The report also notes a generally stable sector but in continuing flux. The report points towards a downward trajectory in rental transactions at the regional and sub-regional level, reflecting ongoing transition in the sector which may be related to welfare reform, regulatory and taxation changes, and longer lease terms.

The key headlines relating to the rental market in H2 2017 are:

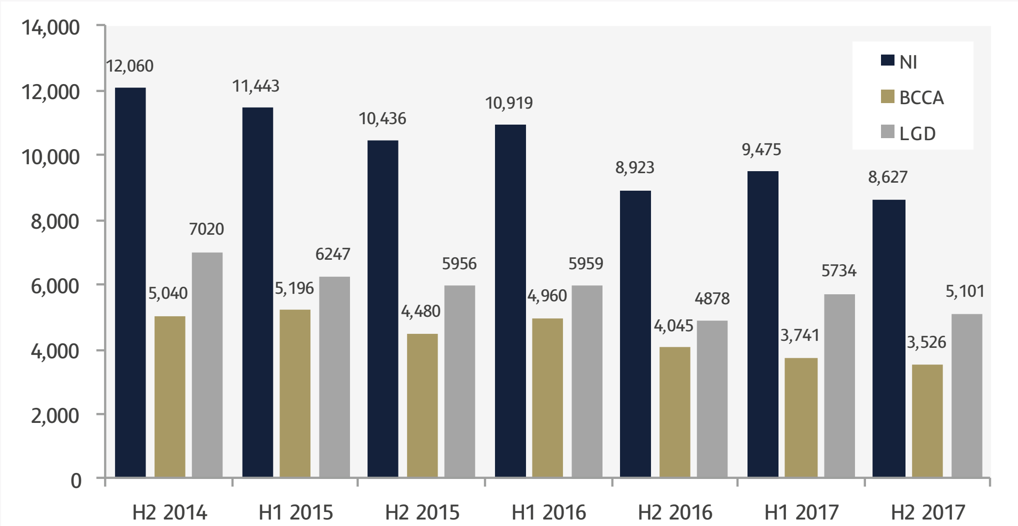
- the number of rental transactions fell in both annual (3.3%) and half yearly terms (8.9%)
- average rents across Northern Ireland continued to grow, rising by 0.5% over the second half of 2017 to £598 a month and by 3.3 per cent compared to H2 2016
- average rent (£653 per month) in the Belfast City Council Area decreased by 1.4% in the second half of 2017 compared to H1 2017 but increased by 4.8% relative to H2 2016
- outside of Belfast, the average LGD rental value was £559 per month in H2 2017, up 2.9% on H2 2016.

RENTAL TRENDS

Number of Lettings

During the second half (July-December) of the year there were 8,627 rental transactions in the private rented sector in Northern Ireland, reflecting a decrease of 8.9 per cent on the first six months of 2017. Annual comparison with the same period last year (H2 2016) represents a decrease of 3.3 per cent in the number of transactions **(Figure 1)**.

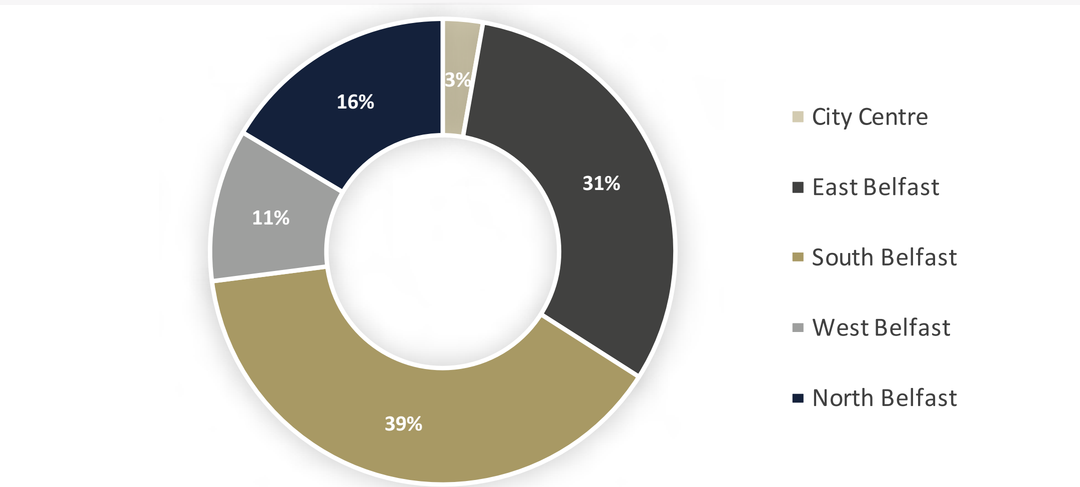
FIGURE 1 Number of lettings, NI, Belfast City Council area and other districts, H2 2014-H2 2017



Belfast City Council Area

Within the BCCA, there were 3,526 lettings in the second half of 2017, down 5.7% against the first half of the year and by 12.8% compared to H2 2016. This survey again confirms Belfast as the main rental market area, accounting for 41% of all rental transactions in Northern Ireland. The largest volume of lettings was in South Belfast (39%) followed by East Belfast (31%), generally reflecting the more dynamic and fluid market in these areas due to shorter lease profiles, turnover and product availability. By contrast, the number of lettings in North (16%) and West (11%) Belfast was lower, possibly reflecting a less well established private rental sector, a greater reliance on the social rented sector and less transitory population **(Figure 2)**.

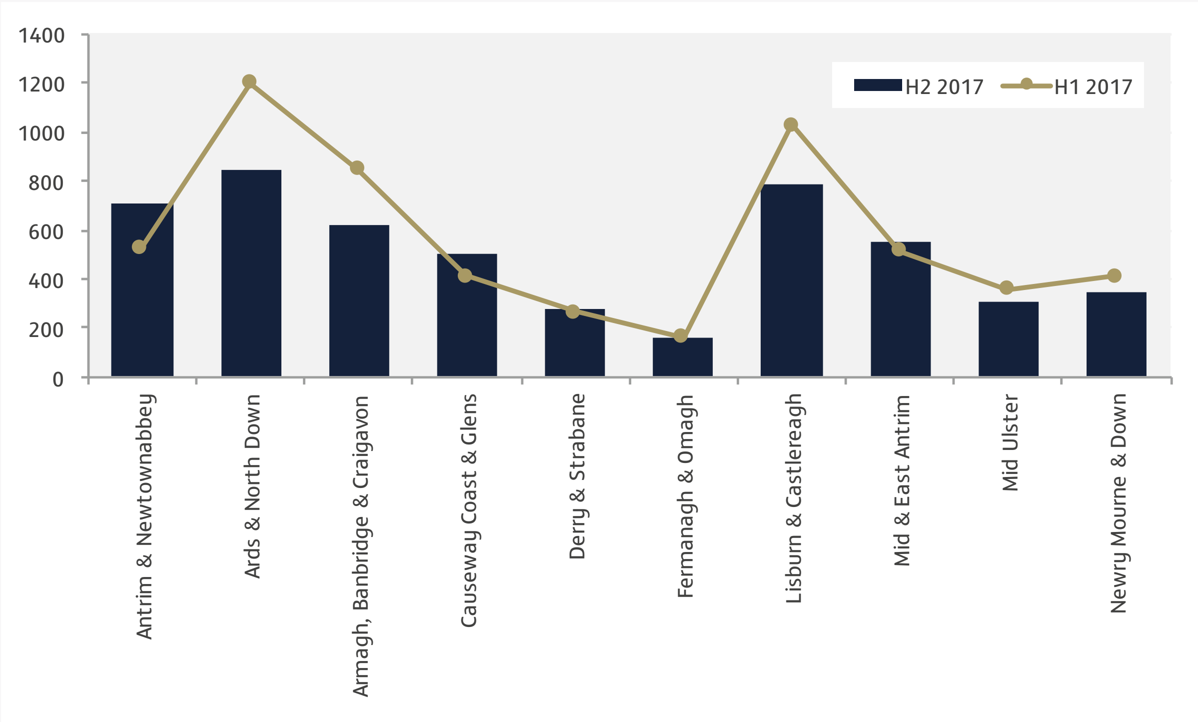
FIGURE 2 Proportion of lettings by sub-market, Belfast City Council area, H2 2017



Local Government Districts

For H2 2017, there were 5,101 lettings in LGDs outside of Belfast, a sharp decrease of 11% over the half year; however, there was a 4.6% increase in the number of lettings relative to H2 2016. Excluding Belfast, these LGDs represent 59% of all rental transactions. Nonetheless, the main rental markets were those within the wider Belfast metropolitan area; Ards & North Down (849), Lisburn & Castlereagh (789) and Antrim & Newtownabbey (704). Armagh, Banbridge & Craigavon also had a high market share, being the main arterial corridor to Belfast. Consistent with previous surveys, there were lower volumes of rental transactions in the more rural areas of Fermanagh & Omagh (157), Derry & Strabane (274), Mid-Ulster (308) and Newry, Mourne & Down (348) **(Figure 3)**.

FIGURE 3 Number of Lettings in LGDs (outside of Belfast), H2 2017



MARKET SHARE

Across Northern Ireland, the market share by property type remained broadly consistent with previous surveys. Overall, terrace/townhouse properties again dominated (40%) and took a slightly greater percentage share in this period, whereas that taken by the apartment sector (31%) was slightly lower. The percentage of semi-detached houses, at 18%, remained unchanged and the share taken by detached property was slightly down (11%) from 12% in the previous survey. In the Belfast rental market, the vast majority of lettings were in the terrace/townhouse sector, accounting for almost half of rental lettings (48%), followed by apartments (39%). In contrast, for LGDs outside of Belfast, there was a much more even spread of rental lettings by property type. Terrace/townhouse properties were the largest sector, accounting for just over one third of lettings (35%), with apartments (26%) and semi-detached houses (23%) representing approximately one quarter of lettings. Overall, the statistics confirm the difference in rental market structures by property type between Belfast and other local authority areas.

TABLE 1 Properties let by type, H2 2017

Property type	NI	HY ᐞ	BCCA	HY ᐞ	LGDs	HY ᐞ
Apartment	2,676 (31%)	-14.8%	1,371 (39%)	-15.2%	1,305 (26%)	-14.3%
Terrace/Townhouse	3,452 (40%)	-3.1%	1,675 (48%)	0.6%	1,777 (35%)	-6.3%
Semi-detached	1,587 (18%)	-5.8%	400 (11%)	8.1%	1,187 (23%)	-9.7%
Detached	912 (11%)	-16.2%	80 (2%)	-10.1%	832 (16%)	-16.7%
ALL	**8,627**	**-8.9%**	**3,526**	**-5.7%**	**5,101**	**-11.0%**

ᐞ denotes percentage change

When disaggregated by number of bedrooms, a similar pattern was evident across the market areas of the survey. Consistent with previous surveys, two and three bedroom properties were the most common property size, accounting for almost four fifths (79%) of properties rented in Northern Ireland during the last six months of 2017, up slightly on the previous survey **(Table 2)**. This trend was broadly reflected in the BCCA where over three quarters (76%) of properties were let in these categories, although two bedroom properties took the largest share (47%) and, by comparison, this area had the largest proportion of one bedroom properties let (10%). Across the LGDs, three bedroom properties had the largest share, accounting for half of all lettings (50%) with two bedroom properties accounting for just under one third of lettings. The survey highlights the different rent structure of the market by number of bedrooms.

TABLE 2 Properties let by size, H2 2017

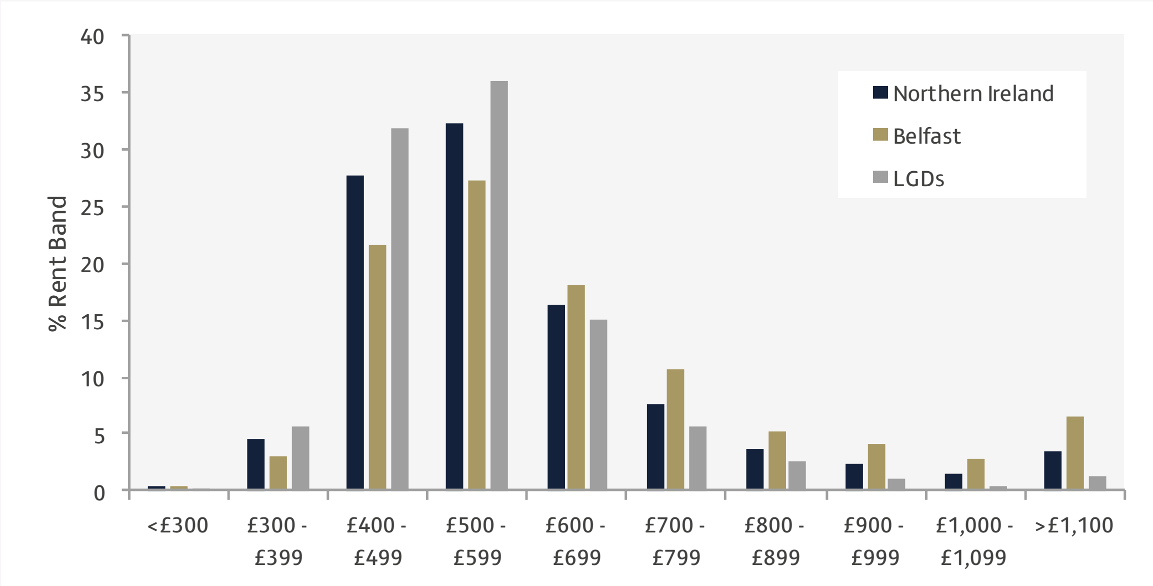
No. of bedrooms	NI	HY ᐞ	BCCA	HY ᐞ	LGDs	HY ᐞ
1 Bedroom	644 (8%)	-12.0%	335 (10%)	-0.6%	309 (6%)	-21.8%
2 Bedroom	3,252 (38%)	-8.2%	1,671 (47%)	-1.3%	1,581 (31%)	-14.5%
3 Bedroom	3,521 (41%)	-6.4%	979 (29%)	-2.6%	2,542 (50%)	-7.8%
4+ Bedroom	1,210 (14%)	-15.9%	541 (15%)	-23.4%	669 (13%)	-8.7%
ALL	**8,627**	**-8.9%**	**3,526**	**-5.7%**	**5,101**	**-11.0%**

ᐞ denotes percentage change

DISTRIBUTION OF RENTS

In terms of average rental bands, the majority of rental properties let across Northern Ireland in the last six months of 2017 fell within the £500-£599 band (32%). For BCCA, this proportion stood at 27%, comparatively lower than the other LGDs, where it was 36%. The next largest category was the £400-£499 rental band, which accounted for 28% of lettings across NI. A higher proportion of lettings in LGDs outside Belfast (32%) than in the BCCA (22%) fell into this category. Overall, the trend shows the comparatively higher proportion of rental lettings above £600 in BCCA compared with the NI and LGD average, whereas the higher proportions of lettings across the LGDs outside Belfast in the £400-£499 and £500-£599 range confirms the lower rental pricing structure outside Belfast **(Figure 4)**.

FIGURE 4 Proportion of Letting, H2 2017



Rent structure

Whilst the mean rent across the various regions of Northern Ireland is an important overall indicator of trends in the private rental market, further insight can be gained by taking account of the *distribution* and *variance* of rents within each district council area. The Coefficient of Variation (CoV) 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. The analysis reveals that during the last six months of 2017, Ards & North Down had the highest rental spread (39%) in comparison to other district council areas, followed by the Belfast council area (36%) – perhaps reflective of both the variety of dwelling types and sizes available and wide variations in rents **(Table 3)**.

TABLE 3 Average, median, 25th and 75th percentile rents and coefficient of variance by LGD, H2 2017

Council area	Average rent (£)	Coefficient of variance	Median rent (£)	25th percentile	75th percentile
Antrim & Newtownabbey	£557	25%	£525	£471	£600
Ards & North Down	£618	39%	£550	£476	£658
Armagh Banbridge & Craigavon	£540	21%	£520	£456	£588
Belfast	£653	36%	£595	£499	£745
Causeway Coast & Glens	£517	24%	£500	£450	£565
Derry & Strabane	£529	19%	£522	£477	£577
Fermanagh & Omagh	£470	20%	£460	£418	£523
Lisburn & Castlereagh	£613	26%	£589	£525	£675
Mid & East Antrim	£518	24%	£500	£450	£572
Mid-Ulster	£530	18%	£538	£476	£580
Newry Mourne & Down	£548	23%	£525	£475	£595

FIGURE 5
Rental Performance by Region, H2 2017

Northern Ireland	
Average rent H2 2017	£598
Average rent H1 2017	£595
Half yearly variance	+0.5%
Average rent H2 2016	£579
Annual variance	+3.3%

Rental Price Annual Percentage Change

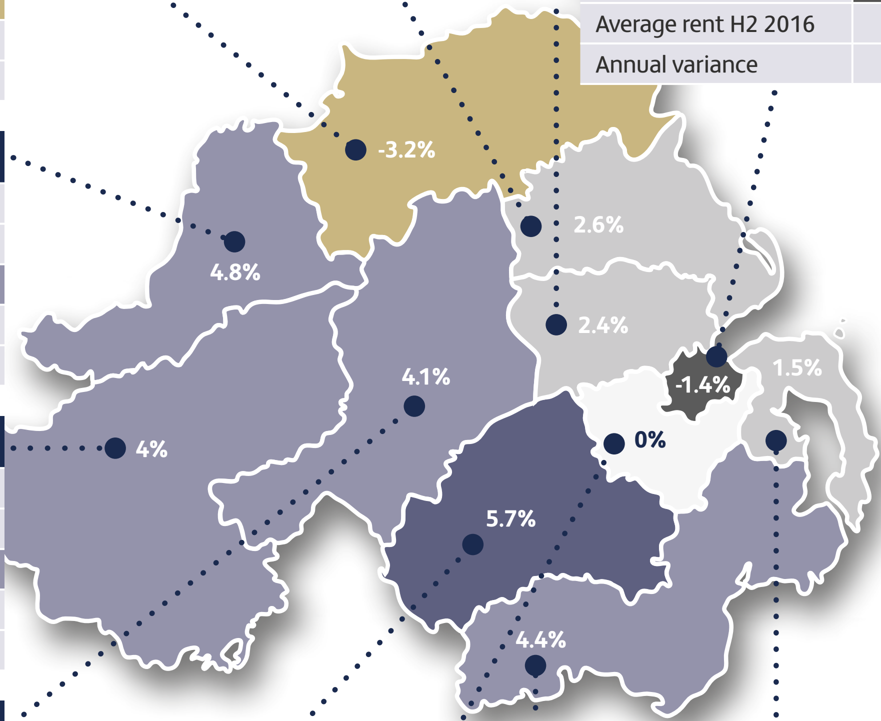
8.1 - 15.0%		0.4 - -0.4%	
5.1 - 8.0%		-0.5 - -3.0%	
3.1 - 5.0%		-3.1 - -5.0%	
0.5 - 3.0%		-5.1 - -8.0%	

Mid and East Antrim	
Average rent H2 2017	£518
Average rent H1 2017	£505
Half yearly variance	+2.6%
Average rent H2 2016	£506
Annual variance	+2.4%

Antrim and Newtownabbey	
Average rent H2 2017	£557
Average rent H1 2017	£544
Half yearly variance	+2.4%
Average rent H2 2016	£556
Annual variance	+0.2%

Causeway Coast and Glens	
Average rent H2 2017	£517
Average rent H1 2017	£534
Half yearly variance	-3.2%
Average rent H2 2016	£499
Annual variance	+3.6%

Belfast	
Average rent H2 2017	£653
Average rent H1 2017	£662
Half yearly variance	-1.4%
Average rent H2 2016	£623
Annual variance	+4.8%



Derry and Strabane	
Average rent H2 2017	£529
Average rent H1 2017	£505
Half yearly variance	+4.8%
Average rent H2 2016	£505
Annual variance	+4.8%

Fermanagh and Omagh	
Average rent H2 2017	£470
Average rent H1 2017	£452
Half yearly variance	+4.0%
Average rent H2 2016	£447
Annual variance	+5.1%

Mid Ulster	
Average rent H2 2017	£530
Average rent H1 2017	£509
Half yearly variance	+4.1%
Average rent H2 2016	£513
Annual variance	+3.3%

Ards and North Down	
Average rent H2 2017	£618
Average rent H1 2017	£609
Half yearly variance	+1.5%
Average rent H2 2016	£613
Annual variance	+0.8%

Armagh, Banbridge and Craigavon	
Average rent H2 2017	£540
Average rent H1 2017	£511
Half yearly variance	+5.7%
Average rent H2 2016	£501
Annual variance	+7.8%

Lisburn and Castlereagh	
Average rent H2 2017	£613
Average rent H1 2017	£613
Half yearly variance	0%
Average rent H2 2016	£604
Annual variance	+1.5%

Newry, Mourne and Down	
Average rent H2 2017	£548
Average rent H1 2017	£525
Half yearly variance	+4.4%
Average rent H2 2016	£515
Annual variance	+6.4%

NORTHERN IRELAND

Figures for the second half of 2017 show that average rents across Northern Ireland continued to grow slightly, rising by 0.5%, with the pace of growth observed at 3.3% over the year when compared with the same period in 2016 **(Figure 5)**. The average rent during H2 2017 was £598, up from £595 in the previous six months. This adds up to an additional £3 per calendar month or £36 over a year. Over this time horizon, the analysis suggests relative stability in average rents across the market, with nominal but positive rental growth. When disaggregated by property type, there is slight variability. The average rent for apartments was down 1.1% over the half year to £571 per month. In contrast, the average rent for terraced properties was up slightly, by 0.7% to £571 per month and the figure for semi-detached dwellings also increased modestly (1.6%) to £602 per month, while the largest increase was for detached properties, for which the average rent increased by 3.3% in the last six months to £750 per month.

LOCAL GOVERNMENT DISTRICTS OUTSIDE BELFAST

The average rent for properties let outside the BCCA in the second half of 2017 was £559 per month. This was up by 1.3% on the previous six months and 2.9% compared to H2 2016, although lagging the overall Northern Ireland average monthly rent of £598. As tends to be the case, **Table 4** shows that the picture was slightly more mixed across the local government districts; average rent change over the half year was most pronounced in more rural district areas to the south and east, with most regions demonstrating relatively modest increases in average rent over the period. However, average rents in rural council areas, notably in the west and north, were significantly below the Northern Ireland average. Council districts within the BMA remain the most expensive areas although performance has remained relatively modest.

TABLE 4 Average rent by property type (LGDs outside Belfast), H2 2017

Council area	Average rent by property type (£)				
	Apartment	Terrace/ Townhouse	Semi-detached	Detached	ALL
Antrim & Newtownabbey	£493	£516	£579	£766	£557
Ards & North Down	£539	£555	£635	£913	£618
Armagh Banbridge & Craigavon	£451	£486	£544	£687	£540
Causeway Coast & Glens	£452	£509	£523	££591	£517
Derry & Strabane	£476	£521	£565	£716	£529
Fermanagh & Omagh	£411	£459	£488	£580	£470
Lisburn & Castlereagh	£539	£573	£632	£820	£613
Mid & East Antrim	£480	£475	£563	£683	£518
Mid-Ulster	£468	£521	£538	£585	£530
Newry Mourne & Down	£478	£520	£533	£672	£548

BELFAST METROPOLITAN AREA

Within the Belfast Metropolitan area, the contiguous district council areas to Belfast all displayed relatively stable performance in average rents, although there was variability by property type.

In **Antrim & Newtownabbey** district council area, the overall average rent was £557, representing a 2.4% increase on the previous six months (£544). In annual terms, there was no real change from the same period in 2016 (£556). However, the overall average rent reflects considerable variability by property type, with the strongest performance apparent for terraced lettings (£516pm), which increased by 5.5% over the half year. Modest half yearly growth was also apparent for semi-detached properties (£579pm) which were up by 2.8% and less so for apartments, which increased by 1.2%, to £493 per month. In contrast, average rental levels for detached property declined by 6.2% to £766 per month in the second half of the year.

For **Ards & North Down** district, the overall average rent was £618 per month, which was a marginal increase over both the year (0.8%) and the half-year (1.5%). This was underpinned by modest to strong performance across the property types. For apartments, the average monthly rent was largely unchanged over the half year at £539 per month; however, modest to strong growth was observed for terraced (£555pm) and semi-detached (£635pm) lettings and notably the detached sector which was up 7.9% over the half year period to £913 per month.

In the **Lisburn & Castlereagh** district area, the average rent remained unchanged at £613 a month and was up modestly (1.5%) over the year. Within this area, detached properties showed the strongest performance, appreciably up by 7.6% over the half year to £820 a month. Terrace/townhouse properties were also up by 3.2% over the period to £573 a month, with the semi-detached sector remaining largely unchanged (0.2%) at £632 per month. In contrast, apartments (£539) recorded marginal decline (0.8%) in average rents over the half year.

NORTH & NORTH WEST

For district council areas in the North and North West, a variable performance was again apparent.

In **Mid & East Antrim**, average rents increased by 2.6% over the half year to £518 a month and by 2.4% in annual terms. Strongest performance was in the semi-detached sector (6.4%) with average monthly rents at £563. Detached properties and apartments also showed healthy growth in average rents, increasing by 3.9% to £683 and by 2.6% to £480 per month, respectively. The average monthly rent for terraced/townhouse properties also increased marginally (0.7%) to £475 in the second half of 2017.

The **Causeway Coast & Glens** area experienced a larger degree of variability in average rents over the last six months of 2017, with average rents declining by 3.2% to £517 a month, although they increased by 3.6% annually. Decreases in average monthly rent were recorded across all property types, except apartments; the largest was in the detached sector, where rents dropped by 9.6% to £591 a month. Terraced (£509) and semi-detached properties (£523) dropped in average rent, but at much lower rates, down 2.6% and 1.5% respectively. Apartments remained broadly at the same level, up by 0.3% to £452 a month.

For **Derry & Strabane** district area, more solid performance was observed with average rents up by 4.8% in both half yearly and annual terms. However, when considered by property type, the performance was largely driven by substantial gain in the detached sector, which was significantly up by 16.5% to £716 over the period. That said, increases in average rents were also observed in the semi-detached sector which was up by 5.7% to £565 a month and to a lesser extent for terraced/townhouses (2.6%) which averaged £521 a month. Apartments were also marginally up (0.4%) to £476 per month.

THE SOUTH

In the South of Northern Ireland, both district council areas exhibited strong performance in terms of half yearly change in average rent.

In the **Armagh Banbridge & Craigavon** area, the overall average monthly rent was £540, up strongly by 5.7% over the half year and 7.8% over the year. Disaggregation to individual property type shows strong but variable performance across most sectors. Considerable rental growth was observed in the detached sector which was significantly up by 12.4% to £687 a month, with terraced/townhouse (£486) and semi-detached (£544) properties showing much more modest rates of rental growth at 3.6% and 2% over the period. In contrast, the average monthly rent for apartments was slightly down – by 1.5% to £451 – in this survey.

For the **Newry Mourne & Down** district, the average monthly rent increased to £548 a month up relative to both half yearly (4.4%) and annual comparisons (6.4%), with strong performance observed across all property sectors. For terraced/townhouses (£520) the average monthly rent increased by 6.6% and apartments (£478) also exhibited strong rental growth (5.8%) over the six month period. The detached (£672) and semi-detached (£533) sectors showed much lower rates of increase, at approximately 2%.

THE WEST

The districts in the West of Northern Ireland were characterised by strong rates of half yearly rent growth.

In **Fermanagh & Omagh** district, the average monthly rent was £470 per month, up by 4% over the half year and 5.1% annually. The strong rate of growth was reflected in significant increases in the average rent of detached properties (£580), up 13.1% over the period, and semi-detached houses (£488) which were appreciably up by 8.5%. Terraced/townhouse properties (£459) also performed well, up by 5.4%. In contrast, apartments showed a 1% decline in average rent, dropping to £411 a month.

For **Mid-Ulster** district, average rents increased by 4.1% to £530 a month for the second half of the year and were up 3.3% over the year. This performance was driven by strong rates of growth across all property sectors, particularly apartments which are up 9.8% to £468. Terraced/townhouse (£521) and semi-detached dwellings (£538) also performed well, up 4.7% respectively. The average rent for detached properties (£585) also increased over the half year, although to a lesser extent (3.2%).

BELFAST CITY COUNCIL AREA

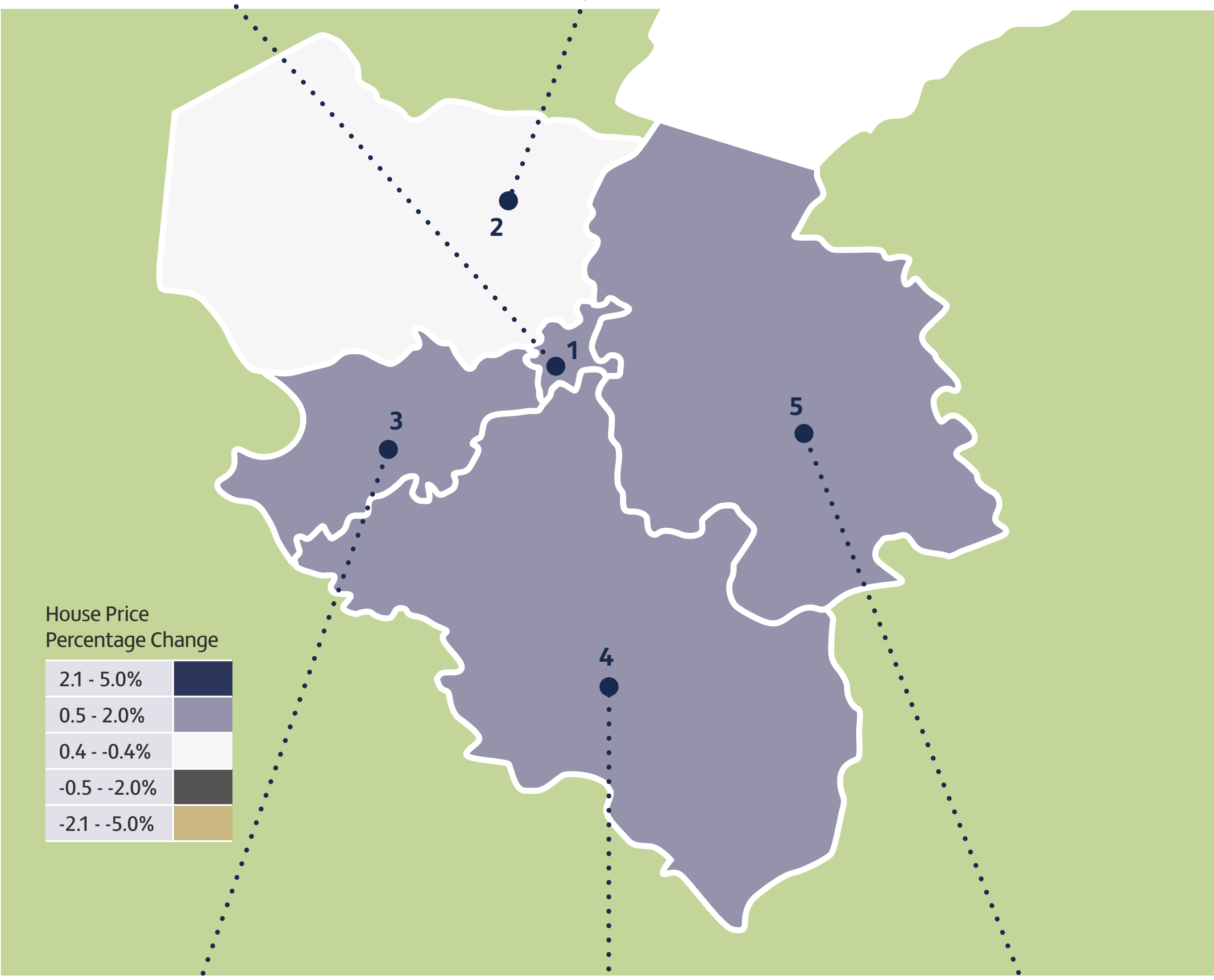
This section briefly considers at the average rental values for rental sub-markets across the Belfast City Council Area.

FIGURE 6 Average rent in BCCA, H2 2017

1. Belfast City Centre	
Average rent H2 2017	£782
Average Rent H1 2017	£773
Half Yearly Variance	+1.2%
Average Rent H2 2016	£727
Annual variance	+7.6%

2. North Belfast	
Average rent H2 2017	£492
Average Rent H1 2017	£494
Half Yearly Variance	-0.4%
Average Rent H2 2016	£468
Annual variance	+5.1%

Belfast LGD	
Average rent H2 2017	£653
Average Rent H1 2017	£662
Half Yearly Variance	-1.4%
Average Rent H2 2016	£623
Annual variance	+4.8%



3. West Belfast	
Average rent H2 2017	£545
Average Rent H1 2017	£542
Half Yearly Variance	+0.6%
Average Rent H2 2016	£544
Annual variance	+0.2%

4. South Belfast	
Average rent H2 2017	£792
Average Rent H1 2017	£777
Half Yearly Variance	+1.9%
Average Rent H2 2016	£741
Annual variance	+6.9%

5. East Belfast	
Average rent H2 2017	£591
Average Rent H1 2017	£584
Half Yearly Variance	+1.2%
Average Rent H2 2016	£565
Annual variance	+4.6%

At £653 for the second half of 2017, the average monthly rent across the BCCA declined by 1.4% relative to H1 2017, although average rents were up by 4.8% compared with the same period the previous year (H2 2016). Average rents in the city centre increased slightly over the half year (by 1.2% to £782), and increased appreciably in annual terms (7.6%). The South Belfast sub-market area showed the strongest half yearly growth (up 1.9% to £792) and was the most expensive rental location. In East Belfast, the average rent increased marginally, to £591, while in West Belfast average rent (£545) showed little change in both half yearly and annual terms. North Belfast (£492) remained the lowest priced location in the BCCA, and whilst relatively unchanged in the latter six months of 2017, was up by 5.1% over the year **(Figure 6)**.

BCCA AVERAGE RENT BY TYPE

Average rental levels in the Belfast City Council area varied by property type during the second half of 2017 **(Table 5)**. The rate of growth was greatest for detached properties, for which average rents increased by 3.8%; these remained the most expensive to rent by some margin, while rents for semi-detached properties, with only 0.2% growth, remained relatively unchanged over this time period. The figures show that both apartment (-1.8%) and terraced/townhouse (-1.5%) properties exhibited a broadly similar rate of rental decline over the last six months of the year. In annual terms, the picture was one of moderate to strong rental growth across all property types, with detached dwellings (7.7%), terraced/townhouse properties (6.4%) and apartments (5.6%) showing strong rates of growth and semi-detached (2%) properties recording more modest growth over the year.

TABLE 5 Average rent by property type, Belfast City Council Area, H1 2016-H2 2017

Property type	BCCA H1 2016	BCCA H2 2016	BCCA H1 2017	BCCA H2 2017	% change H1-H2 2017	% change H2 2016-H22017
Apartment	£609	£609	£655	**£643**	-1.8%	5.6%
Terrace/Townhouse	£578	£597	£645	**£635**	-1.5%	6.4%
Semi-detached	£646	£665	£677	**£679**	0.2%	2.0%
Detached	£934	£995	£1,033	**£1,072**	3.8%	7.7%
ALL	**£608**	**£623**	**£662**	**£653**	**-1.4%**	**4.8%**

WIDER BELFAST AREA RENT GRID

The rent grid **(Table 6)** summarises rents across the wider Belfast region and highlights the considerable variation in average monthly rents at postcode district level by number of bedrooms. For example, the average rent for a typical three bedroom property varied from £463 in BT13 to £1,223 in BT2.

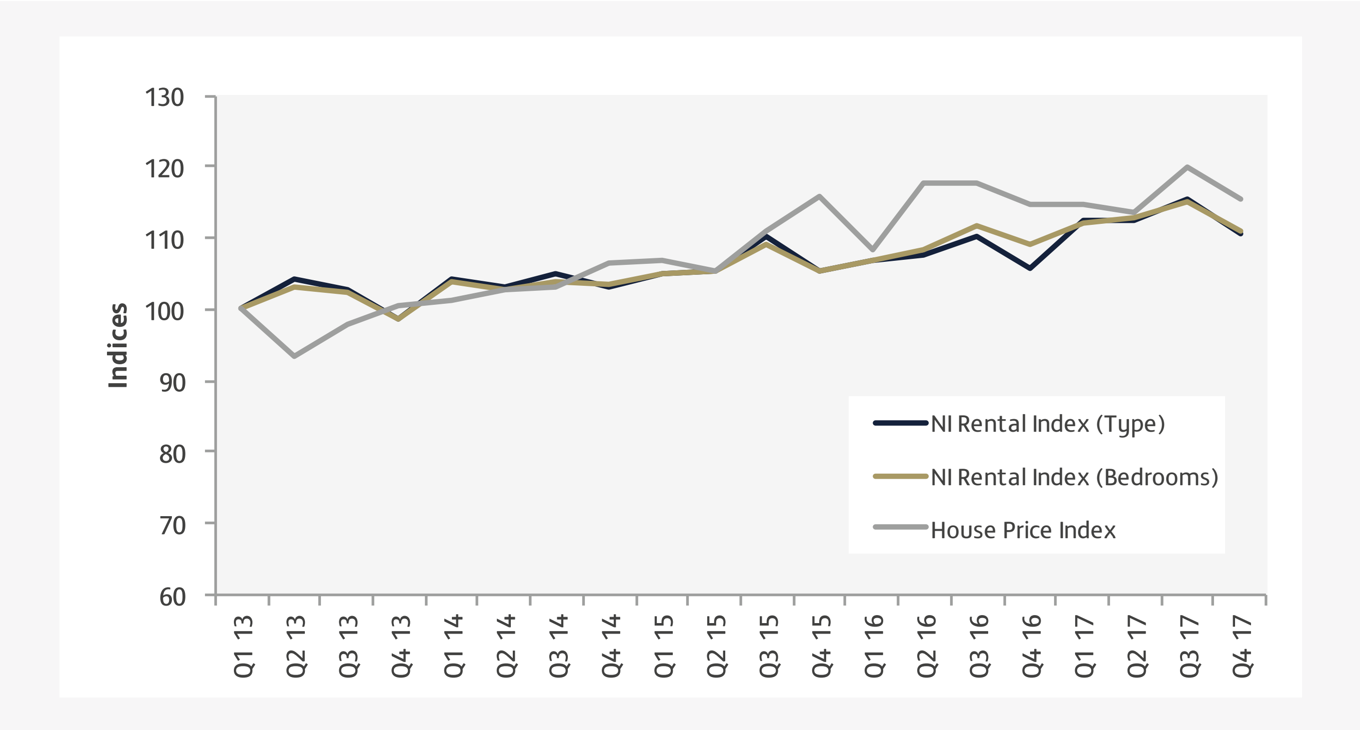
TABLE 6 Average rent by postcode district and property size, Belfast, H2 2017

Postcode	1 Bed	2 Bed	3 Bed	4+ Bed	ALL
BT1	£677	£775	£1,034	-	£827
BT2	£669	£727	£1,223	-	£722
BT3	£625	£743	-	-	£794
BT4	£523	£554	£610	**£939**	£608
BT5	£449	£530	£647	**£797**	£573
BT6	£542	£538	£634	**£751**	£589
BT7	£489	£633	£731	**£1,012**	£780
BT8	£424	£585	£676	**£852**	£649
BT9	£541	£683	£839	**£1,108**	£806
BT10	£442	£626	£680	**£929**	£679
BT11	£457	£584	£614	**£578**	£583
BT12	£468	£515	£548	**£709**	£531
BT13	£369	£439	£463	**£544**	£447
BT14	£403	£472	£552	**£618**	£509
BT15	£418	£495	£562	**£765**	£526
BT16	£413	£571	£612	**£756**	£600
BT17	£481	£531	£601	**£1,172**	£596
BT18	£489	£666	£739	**£1,462**	£792
BT19	£453	£579	£636	**£962**	£661
BT20	£440	£522	£612	**£847**	£579
BT23	£399	£501	£598	**£863**	£559
BT26	£527	£641	£651	**£945**	£681
BT27	-	£502	£579	**£923**	£586
BT28	£463	£550	£586	**£799**	£608
BT36	£401	£530	£548	**£774**	£557
BT37	£399	£487	£523	**£776**	£528
BT38	£396	£488	£535	**£707**	£514

THE NOTHERN IRELAND PRIVATE RENTAL INDEX

The Northern Ireland Private Rental Indices (NIPRIs) measure weighted change in average rents by property type and number of bedrooms by comparison with the base quarter for the survey, the first quarter of 2013. **Figure 7** shows that the overall index, standing at 110.7 (at Q4 2017) increased at a steady rate over the year, reflecting the strong performance of the market, but declined sharply in the fourth quarter, consistent with seasonal effects. However, annual comparison reveals a strong performance over the year. Similarly, by the final quarter of 2017 the index by number of bedrooms stood at 111.1, reflecting a relatively even quarterly increase over the first half of the year and into the third quarter, with a steep decline also observed in the last quarter. Over the year, a moderate annual increase was apparent compared with the same period in 2016, when the index stood at 109.1.

FIGURE 7 Rental Indices v House Price Index trend, 2013-2017



2017 AT A GLANCE RENTAL PERFORMANCE

Key Findings

- The number of rental transactions decreased by 8.8% on the previous year.
- Average rents in Northern Ireland rose by 4.4% in 2017 compared with the previous year; the average rent over the full year was £596 per month.
- Rents in Belfast increased by 7% in 2017, compared to 2016; the average monthly rent was £658 a month
- Outside of Belfast, the average NI rental value was £555 in 2017, this was up 3.7% on the previous year.

Number of rental transactions per annum

In 2017, there were 18,102 private rental transactions in the sample captured by this survey across Northern Ireland, representing an 8.8% decrease on the previous year. Whilst the figures show a healthy rental market, the downward trend **(Figure 8)** in rental transaction levels year on year reflects the wider recovery of the private residential market, improving mortgage finance products, longer leases and constrained supply in the rented sector.

FIGURE 8 Annual number of rental transactions in the survey sample, 2013-2017

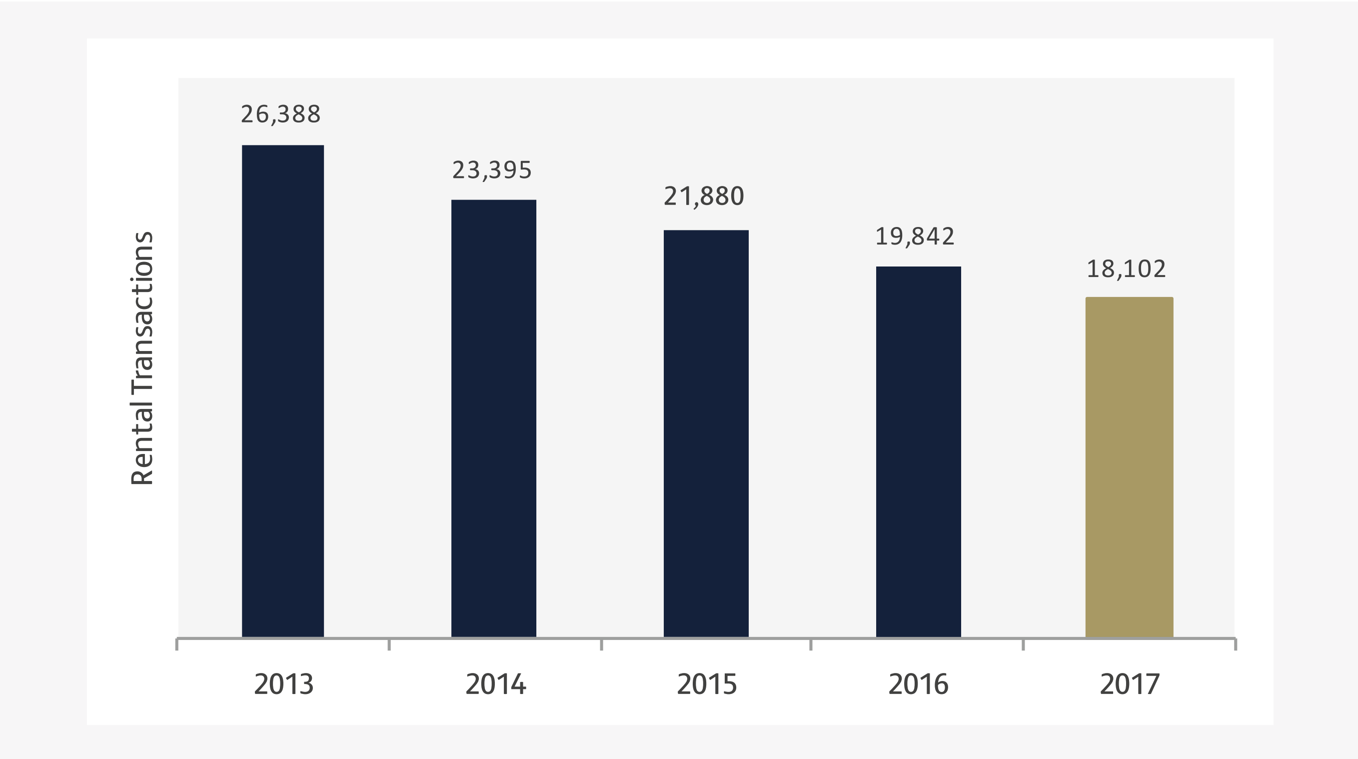


FIGURE 9
Annual Variance in Average Rents

Rental Price Annual Percentage Change

8.1 - 15.0%		0.4 - -0.4%	
5.1 - 8.0%		-0.5 - -3.0%	
3.1 - 5.0%		-3.1 - -5.0%	
0.5 - 3.0%		-5.1 - -8.0%	

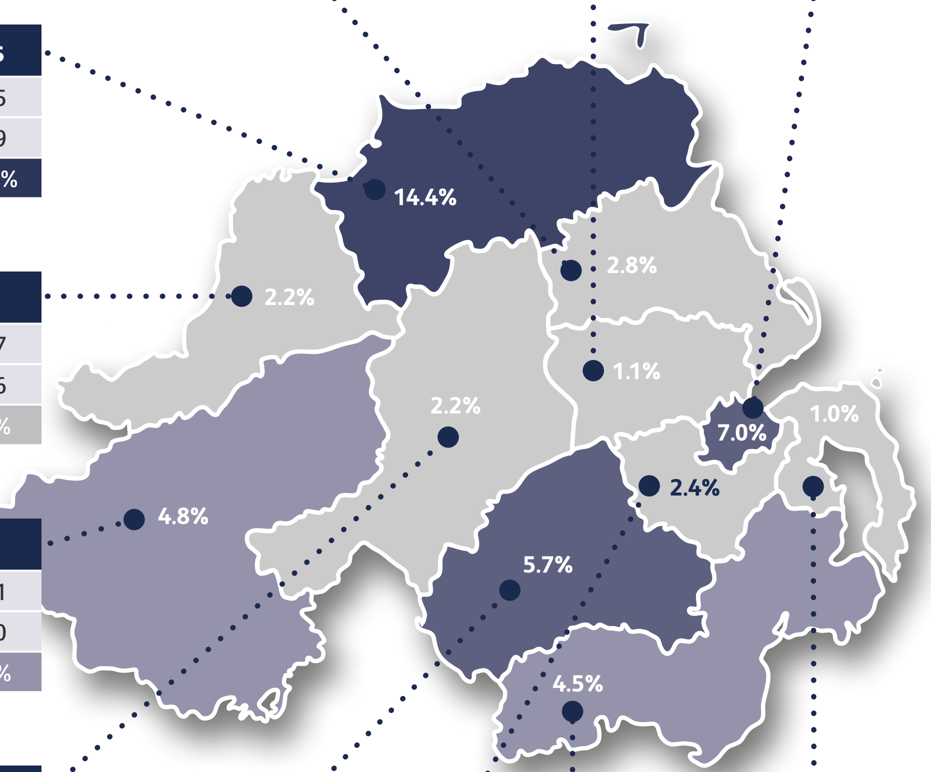
Northern Ireland	
Average rent 2017	£596
Average rent 2016	£571
Annual variance	+4.4%

Antrim and Newtownabbey	
Average rent 2017	£551
Average rent 2016	£545
Annual variance	+1.1%

Mid and East Antrim	
Average rent 2017	£511
Average rent 2016	£497
Annual variance	+2.8%

Belfast	
Average rent 2017	£658
Average rent 2016	£615
Annual variance	+7.0%

Causeway Coast and Glens	
Average rent 2017	£525
Average rent 2016	£459
Annual variance	+14.4%



Derry and Strabane	
Average rent 2017	£517
Average rent 2016	£506
Annual variance	+2.2%

Fermanagh and Omagh	
Average rent 2017	£461
Average rent 2016	£440
Annual variance	+4.8%

Mid Ulster	
Average rent 2017	£519
Average rent 2016	£508
Annual variance	+2.2%

Ards and North Down	
Average rent 2017	£613
Average rent 2016	£607
Annual variance	+1.0%

Armagh, Banbridge and Craigavon	
Average rent 2017	£523
Average rent 2016	£495
Annual variance	+5.7%

Lisburn and Castlereagh	
Average rent H2 2017	£609
Average rent H1 2017	£595
Annual variance	+2.4%

Newry, Mourne and Down	
Average rent 2017	£536
Average rent 2016	£513
Annual variance	+4.5%

Average NI Rent by Property Type

For 2017 the average monthly rent for Northern Ireland was £596 **(Figure 9)**, up 4.4% on the average rent in 2016 (£571). In terms of property type, variable annual rates of increase in average rents were apparent with the terrace/townhouse (5.7%) sector performing strongest, followed by apartments (4.1%) **(Table 7)**.

TABLE 7 Annual average rent by property type, Northern Ireland, 2015-2017

Property type	2015	2016	2017	% change 2016-2017
Apartment	£554	£552	£574	4.1%
Terrace/Townhouse	£539	£543	£574	5.7%
Semi-detached	£557	£579	£598	3.2%
Detached	£667	£726	£737	1.5%
ALL	**£560**	**£571**	**£596**	**4.4%**

Average NI Rent by Number of Bedrooms

Similarly, average rents were up across all property sizes **(Table 8)**. The average rent for properties with four or more bedrooms increased by 5.4% over the year. Notably, average rents for one bedroom properties increased by 3.6%, with three bedroom properties also showing a similar rate of annual growth (3.1%).

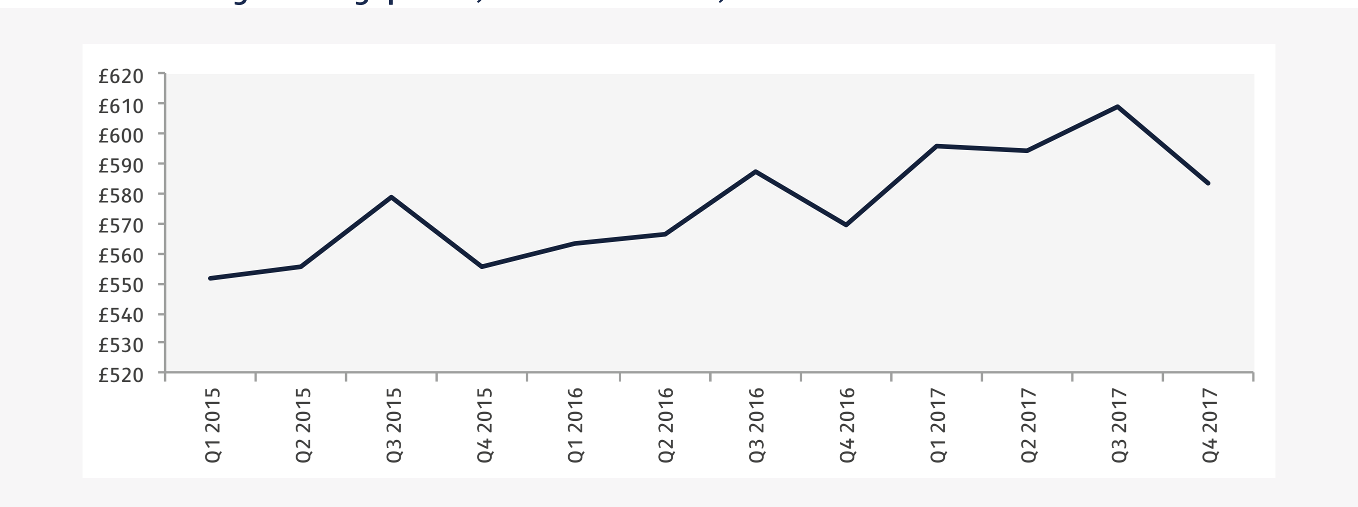
TABLE 8 Annual average rent by property size, Northern Ireland, 2015-2017

No. of bedrooms	2015	2016	2017	% change 2016-2017
1 bedroom	£423	£435	£451	3.6%
2 bedrooms	£509	£523	£537	2.7%
3 bedrooms	£549	£567	£585	3.1%
4+ bedrooms	£803	£812	£856	5.4%
ALL	**£560**	**£571**	**£596**	**4.4%**

Average Rental values in NI by quarter

Figure 10 shows the general trend of upward movement of average rents each quarter from 2015-2017.

FIGURE 10 Average rent by quarter, Northern Ireland, 2015-2017



Annual Household Rent to Income Ratio by Region

The analysis of rental affordability presented in **Table 9** is premised on the ratio between the median rental value and the median household income for each local government district. Generally, the analysis for 2017 is consistent with previous years, indicating no significant changes in rental affordability across most district council areas. This reflects the relatively static rental market in terms of average rents across Northern Ireland. For 2017, the rent to income ratio was highest in the BCCA, Derry & Strabane and Antrim & Newtownabbey district council areas which had average rent to income ratios above the Northern Ireland average.

TABLE 9 Ratio of median rental value to median income by LGD, 2015-2017

Council area	2015	2016	2017
Ards & North Down	31.1%	31.1%	31.4%
Armagh, Banbridge & Craigavon	24.3%	24.7%	24.2%
Antrim & Newtownabbey	35.3%	34.8%	35.7%
Belfast	42.8%	42.3%	44.5%
Mid & East Antrim	26.5%	26.0%	26.8%
Derry & Strabane	37.2%	37.0%	36.7%
Fermanagh & Omagh	24.7%	24.2%	24.3%
Newry, Mourne & Down	26.7%	26.6%	26.8%
Lisburn & Castlereagh	21.9%	21.4%	21.9%
Mid Ulster	23.0%	22.8%	23.1%
Causeway Coast & Glens	27.3%	27.1%	27.1%

CONCLUSION

This survey of the private rental market for the second half of 2017 suggests that the rental market continues to show variability. The volume of transactions at the regional and local level decreased appreciably in both half yearly and annual terms. In terms of market composition, this is reflected in the noticeable half yearly decrease in apartments and detached properties. In terms of average rents, a more consistent picture is apparent, with rental growth observed both half-yearly and annually across most district council areas. Overall, the figures show relative consolidation of rental values over the survey period with a slight but positive growth of 0.5% relative to H1 2017, although the pace of rental growth was stronger, at 3.3%, when compared to the same period (H2) in 2016. At a district council level, Belfast had a lower average rent over the second half of 2017 compared with the first six months of the year, but appreciably higher, in annual terms, relative to H2 2016. Outside of Belfast, strong increases in average rent were evident across most LGDs, both on a half yearly basis over the last six months of 2017 and in annual terms compared with the second half of 2016.

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 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) as advertised. Rented properties are classified as those that were let during the specified time period. The data has been cleansed to remove outliers, invalid observations, multiple entries and anomalies. 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

www.nihe.gov.uk/index/corporate/housing_research/completed/private_rented_sector_and_rents.htm

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