

# At a Glance PRIVATE RENTAL MARKET PERFORMANCE 2023

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# INTRODUCTION

The year 2023 has observed continuing challenges for the sector relating to the ongoing impact of a supply crunch and considerable economic challenges relating to discretionary household income and mortgage rates at a 23-year high, which have driven rental price inflation. These market and economic forces continue to impact on landlords and tenants and filtrate into the market in terms of affordability, tenure options and rent arrears. The rapid rise in average rents forecast in previous rental index reports holds through the analysis presented in this annual report which points to an unsustainable rental market which will impact directly on renters and landlords. Market evidence indicates a vibrant market sector with strong, and in some instances, unprecedented annual rates of growth in average rents across some market locations, particularly those where evidence from rental agents indicates have considerable supply constraints. The evidence from this survey also points to an equilibrium pricing effect in the sector and glimpses that the rental market may cool over the course of 2024.

The statistics presented in this annual summary report are based on a sample of 11,209 rental transactions recorded on PropertyNews.com and the Housing Executive's 'LHA dataset for Housing Benefit' database in 2022. It should be noted that, unrelated to the COVID-19 pandemic, the Housing Executive's Housing Benefit Unit made a policy decision at the start of 2020 to reduce the overall volume of data collected for LHA purposes by approximately one third from that point on. While the processes involved in merging and cleaning the datasets from the Housing Executive and PropertyNews.com for this analysis mean that any change in the amount of data derived from the Housing Executive LHA database may not lead to a commensurate change in the number of transactions recorded in this report, it is worth bearing in mind that the changes outlined will have impacted the overall size of the data collection 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 increased to 11,209; marginally up by 1.4% on the previous year.
- Rental performance in 2023 depicts a market of strong rental growth across most locations and sectors, with average rents in Northern Ireland accelerating at an overall rate of 9.3% in 2023 compared with the previous year; the average rent over the full year stands at £833 per month.
- Rents in Belfast showed an annual increase of 9.6% in 2023 with an average monthly rent of £936
- Outside of Belfast, the average monthly rent was £764, up 11.5% on the previous year.
- The Rental Performance Index stands at 158.8 at Q4 2023, up by almost sixteen percentage points from the same period last year.

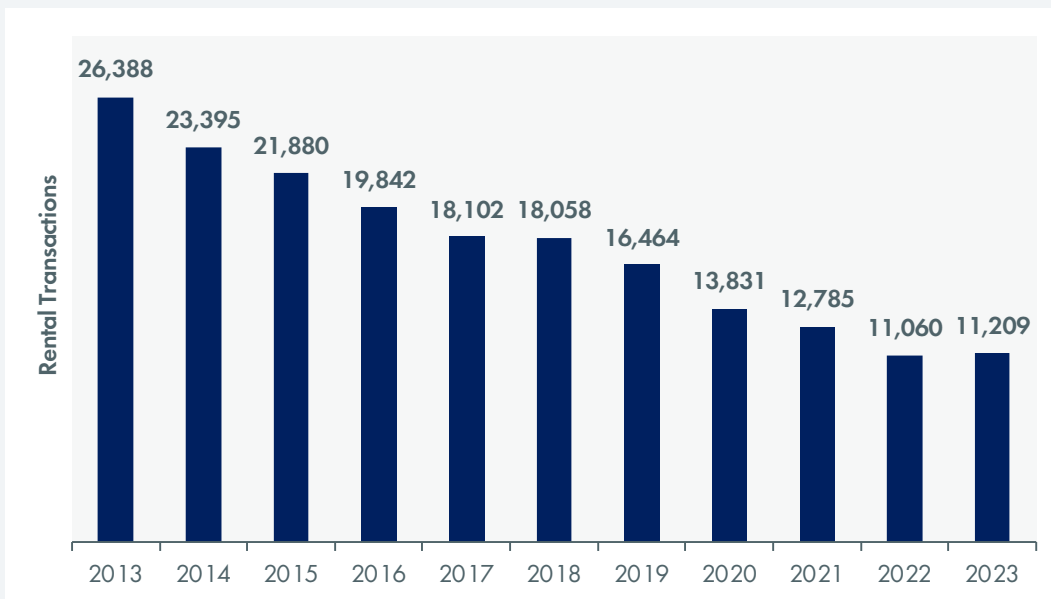




## Number of rental transactions per annum

The annual rent statistics for 2023 are based upon a sample of 11,209 rental market listings over the year. The analysis shows a break with the year-on-year trend of annual transactional decline, with the annual sample marginally increasing by 1.4% to 11,209 rental transactions on the previous year. Whilst the volume of rental inventory remains relatively flat from the previous year, the marginally increased sample provides an indication of some, albeit slight, improvements to stock flow in the sector most likely due to landlord retention and the re-listings of rental properties due to tenant arrears or where landlords need to cover costs. This suggests an equilibrium price adjustment based on micro and macro-economic drivers in the sector.

**FIGURE 1** Annual number of rental transactions in the survey sample, 2013-2023



**FIGURE 2**

# ANNUAL VARIANCE IN ANNUAL RENTS

(Comparing 2023 with 2022)

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 2023	£706
Average rent 2022	£635
Annual variance	11.2%

### Northern Ireland

Average rent 2023	£833
Average rent 2022	£762
Annual variance	9.3%

### Antrim and Newtownabbey

Average rent 2023	£736
Average rent 2022	£677
Annual variance	8.7%

### Belfast

Average rent 2023	£936
Average rent 2022	£865
Annual variance	8.2%

### Causeway Coast and Glens

Average rent 2023	£706
Average rent 2022	£618
Annual variance	14.2%

### Derry and Strabane

Average rent 2023	£698
Average rent 2022	£608
Annual variance	14.8%

### Fermanagh and Omagh

Average rent 2023	£614
Average rent 2022	£586
Annual variance	4.8%

### Mid Ulster

Average rent 2023	£658
Average rent 2022	£616
Annual variance	6.8%

### Armagh, Banbridge and Craigavon

Average rent 2023	£712
Average rent 2022	£643
Annual variance	10.7%

### Lisburn and Castlereagh

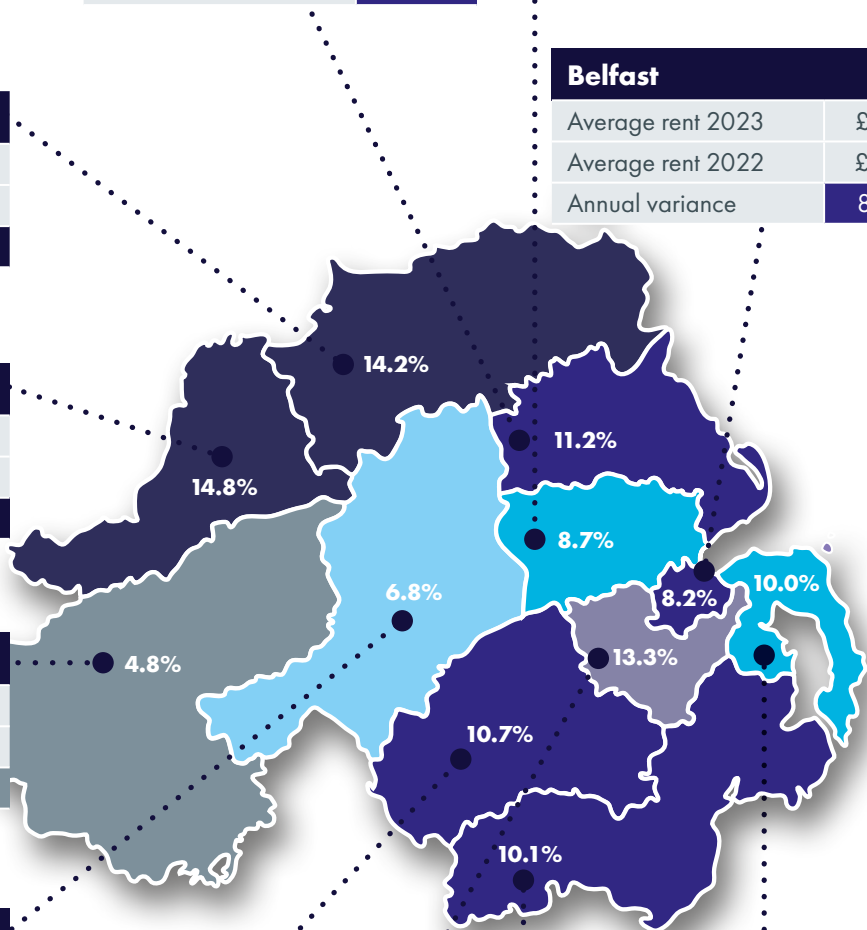
Average rent 2023	£896
Average rent 2022	£791
Annual variance	13.3%

### Ards and North Down

Average rent 2023	£904
Average rent 2022	£822
Annual variance	10.0%

### Newry, Mourne and Down

Average rent 2023	£777
Average rent 2022	£706
Annual variance	10.1%



## Average NI Rent by Property Type

For 2023, the average monthly rent for Northern Ireland was £833, up 9.3% from the average rent in 2022 (£762). In terms of property type, strong annual rates of growth in average rents were recorded across all sectors, most notably the semi-detached sector which increased by 10.5% to £844 per month. Average rents accelerated in the apartment sector at a rate of 9.5%, followed by terrace/townhouse and detached sectors which grew by 7.8% and 6.8% respectively (Table 1).

**TABLE 1** Annual Average Rent by Property Type, Northern Ireland, 2019-2023

Property Type	2019	2020	2021	2022	2023	Δ 2022-2023
Apartment	£610	£648	£695	£724	£793	9.5%
Terrace/Townhouse	£608	£641	£688	£753	£812	7.8%
Semi-detached	£626	£649	£710	£764	£844	10.5%
Detached	£751	£785	£884	£928	£991	6.8%
<b>All</b>	<b>£627</b>	<b>£658</b>	<b>£709</b>	<b>£762</b>	<b>833</b>	<b>9.3%</b>

Δ denotes percentage change

## Average NI Rent by Number of Bedrooms

When analysed by number of bedrooms, the figures reveal that average rents in 2023 were appreciably up on the previous year (Table 2). The average rent for one-bedroom properties grew at a rate of 8% to £633 per month, and a higher rate of growth was observed for those properties with two-bedrooms which increased by 11.7% to £775 per month. Three-bedroom properties also recorded a similar rate of growth, up 11% to stand at £823 per month. Four or more bedrooms also recorded gains, up by 4.5% to £1,197 per month.

**TABLE 2** Annual Average Rent by Property Size, Northern Ireland, 2019-2022

No. of Bedrooms	2019	2020	2021	2022	2023	Δ 2022-2023
1 bedroom	£480	£513	£557	£586	£633	8.0%
2 bedrooms	£570	£605	£653	£694	£775	11.7%
3 bedrooms	£613	£635	£697	£741	£823	11.0%
4+ bedrooms	£908	£971	£1,046	£1,145	£1,197	4.5%
<b>All</b>	<b>£627</b>	<b>£658</b>	<b>£709</b>	<b>£762</b>	<b>£833</b>	<b>9.3%</b>

Δ denotes percentage change

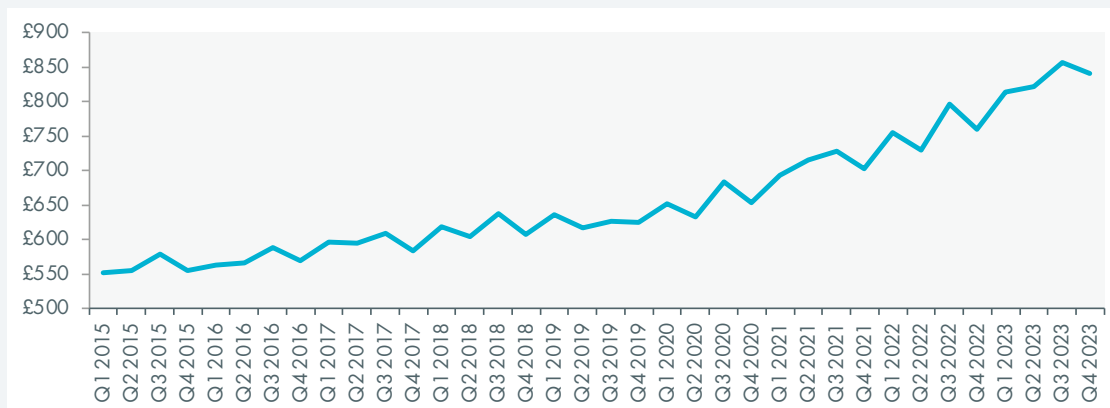




## Average NI Rent by year and quarter

Figure 3 shows the general trend of upward, albeit it uneven, movement of average rents each quarter from 2015-2023. The trend for 2023 depicts sharp acceleration in average rents over the first quarter with a smoothing of the trend on an upward trajectory to its peak of £856 in Q3 2023, with rents falling slightly in the traditionally quieter quarter four of the year.

**FIGURE 3** Average Rent by Quarter, Northern Ireland, 2015-2023



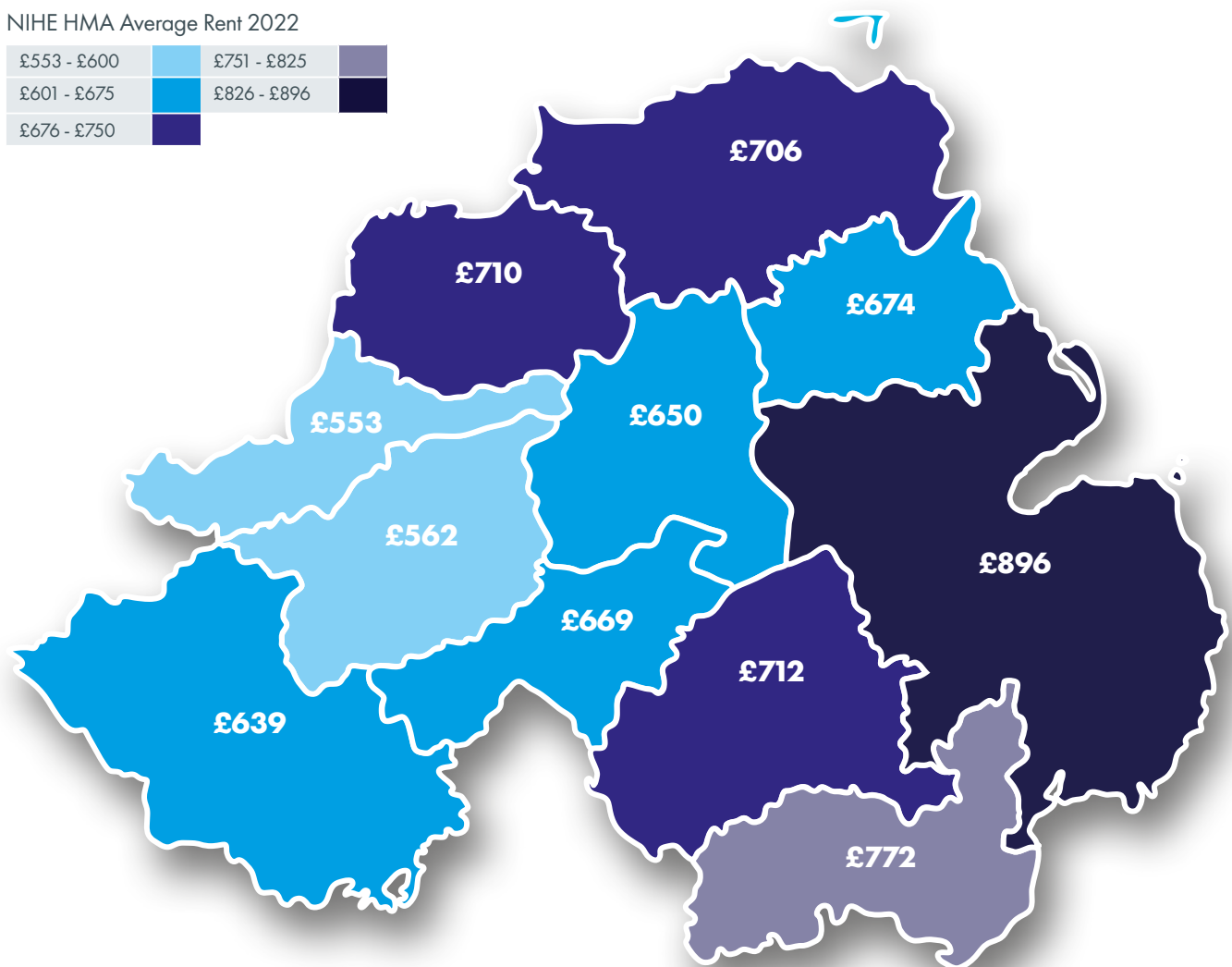
# REGIONAL PERFORMANCE BASED ON HOUSING MARKET AREAS

Regional analysis is also undertaken 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>1</sup>. **Figure 4** presents the average rent statistics across the HMAs for 2023. Compared with the previous year, the picture is one of a spatially differentiated market but with strong rental growth across all HMAs, except Omagh and Strabane where growth was subdued or negative. The Belfast Metropolitan HMA displayed an average rent of £896 per month, up 9.7% on the previous year. The Craigavon (£712) and Dungannon (£669) HMAs, on the urban corridor, were up by 10.8% and 4% respectively on the previous annual survey. To the West, average rents in Cookstown HMA were up by 8% over the year to £650 per month and the Fermanagh HMA observed modest gains up 2.4% annually to stand at a high of £639. The Omagh HMA was appreciably up marginally by 2.1% over the year, recording an average rent of £562 per month. To the South, the Newry HMA recorded strong gains up by 8.2% to £772 per month. In the North, the Ballymena HMA observed the strongest gains, up by 6.6% to £674. The Derry (£710) and Causeway Coast (£706) HMAs also recorded the strongest rates of growth, up by 16.1% and 14.2% respectively. The Strabane HMA observed negative growth, down by 1.7% annually to £553 in this survey.

**FIGURE 4** Rental Performance by functional Housing Market Areas (HMAs), 2023

NIHE HMA Average Rent 2022

£553 - £600	£751 - £825	
£601 - £675	£826 - £896	
£676 - £750		

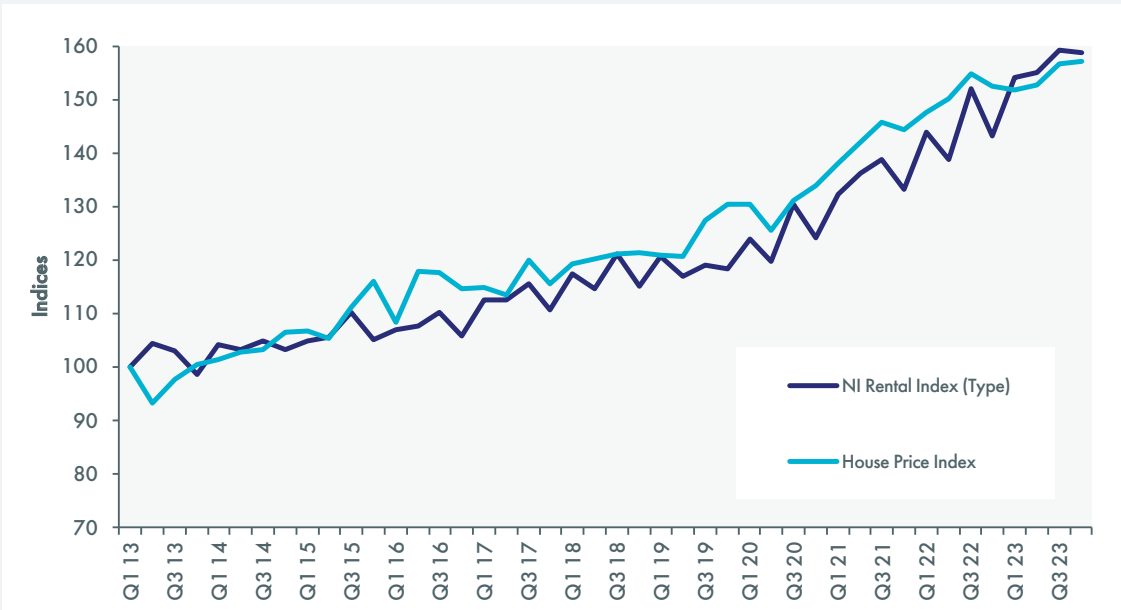


<sup>1</sup> The research identified eleven broad housing market areas within Northern Ireland. See: [www.nihe.gov.uk/getattachment/825be76f-2e80-4116-88e5-98fc15c983df/Mapping-Northern-Irelands-Housing-Market-Areas.pdf](http://www.nihe.gov.uk/getattachment/825be76f-2e80-4116-88e5-98fc15c983df/Mapping-Northern-Irelands-Housing-Market-Areas.pdf)

# 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 158.8 at Q4 2023, up by almost sixteen percentage 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. In a break with trend, the index increased over quarter two of the year, albeit at a slower rate. Into the third quarter, rents again increased to an index peak of 159.1, before dropping slightly in the traditionally quieter fourth quarter of the year. A slight smoothing of the trend line suggests that growth in average rents is slowing and could be reaching a rental ceiling. Over the same period, the Northern Ireland house price index largely held, with a smoothing of the trend on a slightly north trajectory, demonstrating a stable market where there has been modest but dampened growth due to the economy and mortgage interest rates. The historical index trend shows that there have been previous points where the indices have converged; however, the trend shows that the Rental Index and House Price Index converged at Q1 2023 and since then that rents have outperformed house prices, reflecting the continued upward acceleration of average rents against holding house prices over the year. The index continues to illustrate the difficult market conditions in the rental sector, particularly in terms of the demand and supply imbalance and average rents.

**FIGURE 5 Rental Index v House Price Index trend, Q1 2013-Q4 2023**





# SUMMARY

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 an uncertain economic and mortgage environment, characterised by a peak in mortgage interest rates and technical recession. Within the sector, there remains stark demand and supply imbalance which has propelled strong rates of growth in average rents across the market segments. The headline findings from this survey therefore remain that of a supply crunch and a peak in average rents across many rental areas and ongoing challenges related to rental inventory, affordability and tenure and alternative accommodation options.

That said, there is evidence of some improvements to stock flow in the sector, most likely due to landlord retention and the re-listings of rental properties due to tenant arrears or where landlords need to command a higher rental income to cover costs. In such circumstances, this will continue to drive rents upward and provides evidence of an equilibrium price adjustment based on micro and macro-economic drivers in the sector. Looking forward, reducing inflation and a hold on mortgage interest rates is a welcome sign for rental inventory and pricing structure as gradually improving inflation levels will create competitiveness in the sales market and keep landlords in the sector, which may impact rental demand and a cooling of the market later into 2024.

