Performance of the Private Rental Market in Northern Ireland

Summary Research Report

July - December 2016

Housing Executive

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1.0 Introduction

The latest survey of the Northern Ireland private rental market indicates a stable sector but with evidence of a slowing down in the volume of transactions. The analysis also reveals growth in average rent, but with some variability by property type. This report focuses on the performance of the private rental market in Northern Ireland during the second half (July-December) of 2016 and provides analysis of trends at district council level during this six month period. Section 2 provides a brief overview of the methodology. Section 3 provides an insight into the number of properties let in Northern Ireland by property type and number of bedrooms as well as the average monthly rent by property type, number of bedrooms and location. The overall performance of the private rental market is measured and presented by weighted rental indices. Section 4 examines rental performance within the Belfast City Council Area. A rent grid is presented to highlight variance in rents across the wider Belfast region at postcode district level and by number of bedrooms. Section 5 analyses rental performance at the district council level by number of properties let and the average monthly rent by property type and number of bedrooms. Section 6 offers a brief analysis of the performance of the rental market in 2016, combining both H1 and H2 data. Section 7 presents conclusions.

2.0 Methodology

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 data sets, the rent data provided by the Housing Executive has been adjusted to the preferred monthly frequency and adjusted upward by property type to be inclusive of rates.

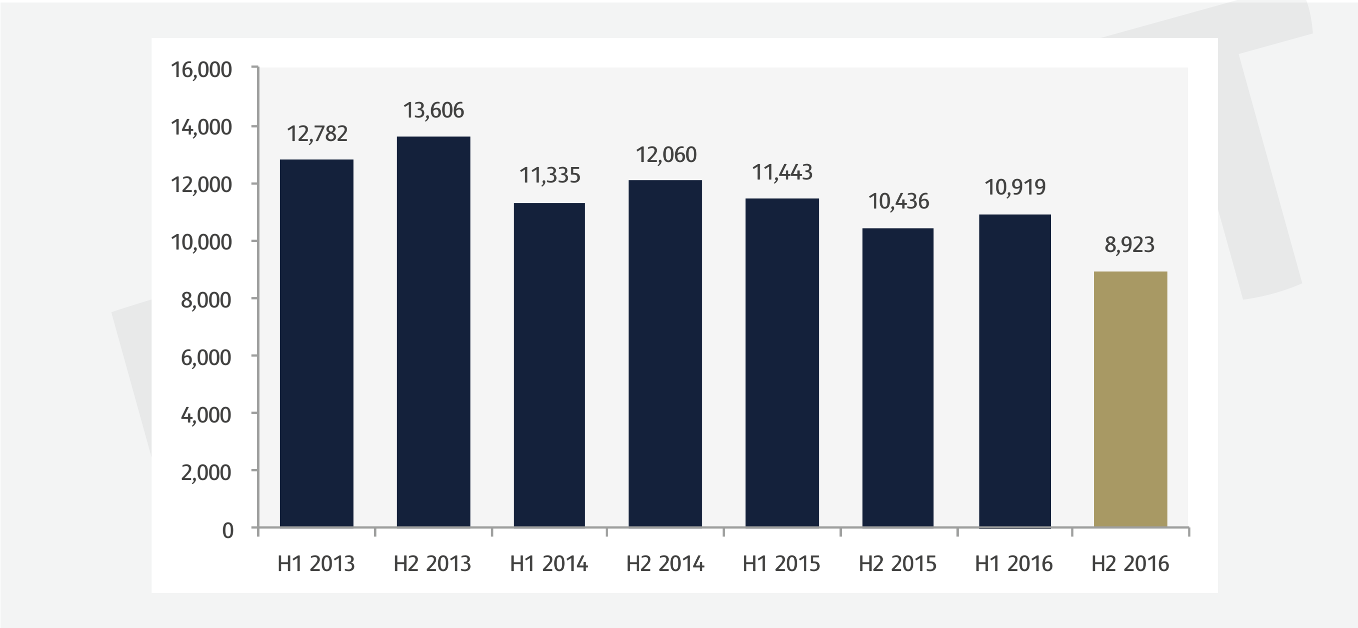
The statistics presented in this report are based on a sample of 8,923 rental transactions recorded on PropertyNews.com and NIHE (Housing Benefit in the PRS) database for the second half of 2016. The rental figures represent the average rent (per month) as advertised. Rented properties are classified 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 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 and are set to a base value of 100 for the first quarter of 2013.

3.0 Rental Performance in Northern Ireland

3.1 Distribution of Properties Let in Northern Ireland

During the second half (July-December) of 2016 there were **8,923** rental transactions in the private rented sector in Northern Ireland, representing a notable decrease of 18.3 per cent on the first six months of 2016. Annual comparison also shows a decrease of 14.5% on the same period the previous year (Figure 1). The general downward trend in the number of rental transactions since the peak of H2 2013 suggests that the private rented sector is becoming a longer term housing solution as the market becomes more mature. The availability of new finance products to first time buyers could also be a factor contributing to slightly lower demand for private renting

Figure 1: Number of dwellings let across Northern Ireland



Analysis by property type indicates that the rental market continues to be dominated by terrace/townhouse (39%) and apartment (33%) property types, which account for the majority of rental activity (See Table 1). The decrease in transactions over the second half of 2016 is reflected across all sectors with the largest decreases in the terrace (21.4%), and semi-detached (18.9%) property types.

Table 1: Properties let by type

Property Type	H2 2015	H1 2016	H2 2016	Half Year Change (%)	Annual Change (%)
Apartment	3,169 (30%)	3,477 (32%)	**2,967 (33%)**	-14.7%	-6.4%
Terrace/Townhouse	4,309 (41%)	4,384 (40%)	**3,445 (39%)**	-21.4%	-20.1%
Semi-detached	1,810 (17%)	1,907 (18%)	**1,547 (17%)**	-18.9%	-14.5%
Detached	1,148 (11%)	1,151 (11%)	**964 (11%)**	-16.2%	-16.0%
TOTAL	**10,436**	**10,919**	**8,923**	**-18.3%**	**-14.5%**

Two and three bedroom properties (39% respectively) remain the most common property size, accounting for almost four fifths (78%) of properties rented during the second half of 2016. The figures show that the proportion of one bedroom properties (9%) has remained largely consistent over the time period (Table 2). In terms of the volume of rental transactions, all bedroom categories observed sizeable decreases, with three (20.9%) and four or more (18.4%) bedroom properties showing the largest half yearly decreases, although there was a similar decline (17.9%) in the number of lettings of two bedroom properties over the period. Of note is the smaller decline recorded for one bedroom properties (6.3%). In annual terms, the number of transactions across all bedroom categories is lower, mostly notably in the four or more (23%) and three bedroom (17.7%) categories. Again, however, one bedroom properties show no change over the year.

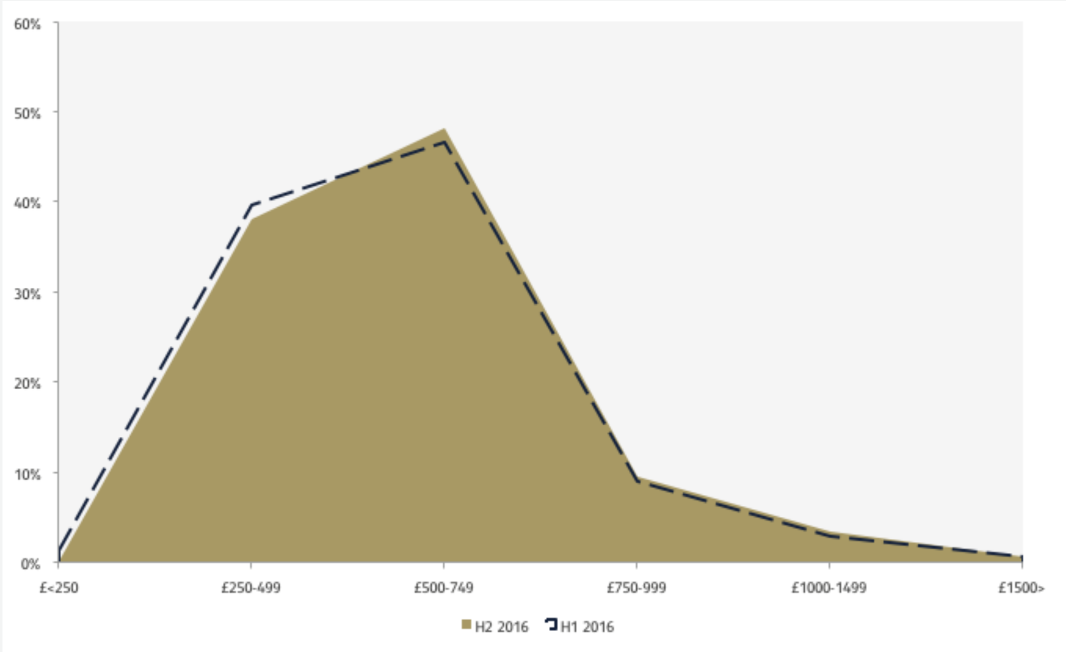
Table 2: Properties let by number of bedrooms

Number of Bedrooms	H2 2015	H1 2016	H2 2016	Half Year Change (%)	Annual Change (%)
1 bedroom	779 (8%)	831 (8%)	**779 (9%)**	-6.3%	0.0%
2 bedroom	3,927 (38%)	4,276 (39%)	**3,511 (39%)**	-17.9%	-10.6%
3 bedroom	4,199 (40%)	4,368 (40%)	**3,454 (39%)**	-20.9%	-17.7%
4/4+ bedroom	1,531 (15%)	1,444 (13%)	**1,179 (13%)**	-18.4%	-23.0%
TOTAL	**10,436**	**10,919**	**8,923**	**-18.3%**	**-14.5%**

3.2 Distribution of Banded Monthly Rent

Figure 2 shows that almost half (48%) of rental properties let during the last six months of 2016 were in the £500-£749 rental band. Just under two-fifths of properties (38%) were let in the £250-£499 band, while approximately 13% of rental properties let for £750 per month or more. Overall, the histogram shows a slight increase in the proportion of properties let in higher rent bands compared with the previous six months.

Figure 2: Histogram showing the distribution of banded monthly rent



3.3 Northern Ireland Average Monthly Rent

For the second half of 2016, the average monthly rent for Northern Ireland was £579, a 2.5% increase on the first half of 2016 (£565) and a 1.9% annual increase compared with the same period in 2015 (£568). However, in terms of property type, the analysis (Table 3) reveals some variation in the rate of increase in average rents over the half year period. Moderate half yearly increases in semi-detached (4%), detached (3.4%) and terrace/townhouse (2.8%) properties are apparent, but apartments showed a lower rate of rental growth (0.8%). In annual terms, average rents are appreciably up in the detached (12.7%) and semi-detached (5.9%) sectors, with nominal decreases in rent recorded for terrace/townhouse and apartments over the year in real terms.

Table 3: Average rent by property type

Property Type	H2 2015	H1 2016	H2 2016	Half Year Change (%)	Annual Change (%)
Apartment	£562	£550	**£554**	0.8%	-1.4%
Terrace/ Townhouse	£552	£536	**£551**	2.8%	-0.2%
Semi-Detached	£559	£569	**£592**	4.0%	5.9%
Detached	£656	£715	**£739**	3.4%	12.7%
ALL	**£568**	**£565**	**£579**	**2.5%**	**1.9%**

Table 4 indicates slight variation in average rents over the half year by number of bedrooms. Two (1.7%) and three (2%) bedroom properties have seen modest increases in average rent with one

bedroom (3%) properties showing slightly greater increases. Four or more bedroom properties perform the best over the period, up 6.4% over the half year. In terms of annual change, the analysis shows moderate growth in average rent across all bedroom categories.

Table 4: Average rent by number of bedrooms

Number of Bedrooms	H2 2015	H1 2016	H2 2016	Half Year Change (%)	Annual Change (%)
1 bedroom	£433	£429	**£442**	3.0%	2.1%
2 bedrooms	£513	£519	**£528**	1.7%	2.9%
3 bedrooms	£556	£562	**£573**	2.0%	3.1%
4/4+bedrooms	£807	£789	**£840**	6.4%	4.0%
ALL	**£568**	**£565**	**£579**	**2.5%**	**1.9%**

3.4 The Northern Ireland Private Rental Index

The Northern Ireland Private Rental Indices (NIPRIs) measure change in average rents by property type and number of bedrooms. The indices are calculated using a weighted average by property type and number of bedrooms at the base quarter (Q1 2013 = 100). Table 5 shows that the rental index by property type stood at 105.8 at Q4 2016, having risen at a steady rate over the year reflecting the strong performance of the market but declining sharply in the fourth quarter – a pattern that was also evident in previous years. Annual comparison reveals a nominal increase over the year. Similarly, the Index by number of bedrooms stands at 109.1, reflecting a relatively even quarterly increase over the first half of the year and into the third quarter, with a decline also observed in the last quarter. Over the year, a moderate annual increase is apparent compared with the same period in 2015, when the index stood at 105.4.

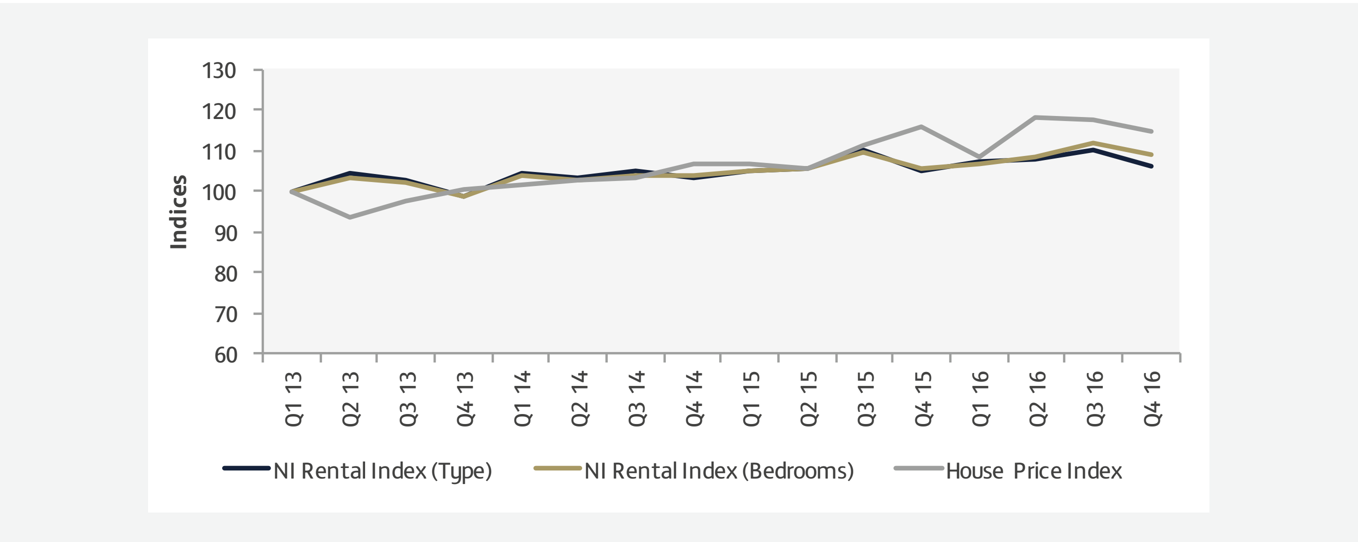
Table 5: Northern Ireland quarterly rental indices by type and bedrooms

Year	Quarter	NI Rental Index (HType)	Quarterly Change (%)	Annual Change (%)	NI Rental Index (Bedrooms)	Quarterly Change (%)	Annual Change (%)
2013	Quarter 1	100 (Base)			100 (Base)		
	Quarter 2	104.3	**4.3**		103.3	**3.3**	
	Quarter 3	102.9	**-1.4**		102.3	**-0.9**	
	Quarter 4	98.6	**-4.1**		98.8	**-3.5**	
2014	Quarter 1	104.2	**5.7**	4.2	103.9	**5.2**	3.9
	Quarter 2	103.2	**-1.0**	-1.0	102.9	**-1.0**	-0.4
	Quarter 3	104.9	**1.7**	2.0	103.9	**1.0**	1.5
	Quarter 4	103.1	**-1.7**	4.6	103.6	**-0.3**	4.8

Year	Quarter	NI Rental Index (HType)	Quarterly Change (%)	Annual Change (%)	NI Rental Index (Bedrooms)	Quarterly Change (%)	Annual Change (%)
2015	Quarter 1	105	**1.8**	0.7	104.9	**1.2**	0.9
	Quarter 2	105.5	**0.6**	2.2	105.4	**0.5**	2.4
	Quarter 3	110.2	**4.4**	5.0	109.2	**3.6**	5.2
	Quarter 4	105.2	**-4.5**	2.0	105.4	**-3.5**	1.7
2016	Quarter 1	107	**?**	?	106.8	**?**	?
	Quarter 2	107.5	**?**	?	108.3	**?**	?
	Quarter 3	110.2	**?**	?	111.6	**?**	?
	Quarter 4	105.8	**?**	?	109.1	**?**	?

The general trend over the course of 2014 and first half of 2015 was one of convergence of house prices and rents, indicating consolidation in the residential market with a steady upward trajectory in average rent running broadly in parallel with average house prices. During the latter half of 2014, property prices nominally increased beyond rental values which remained relatively flat in comparison. By the second quarter of 2015, house prices and rents once again converged; however, there was divergence during the second half of 2015, with house price performance reflecting strong and buoyant market conditions whereas average rents were more stable over that period. In the first half of 2016, the owner-occupied sector trend points towards a strongly performing residential market with high transaction levels and renewed price increases in the second quarter of the year. This may reflect the reduced base rate and increased mortgage approvals within the housing market. By contrast, average rents have shown a relatively smooth upward trajectory over the same timescale, reflecting strong rental market performance underpinned by buoyant transaction levels and increases in rents. Over the last six months of the year, both house prices and average rents declined, suggesting more uncertain market conditions.

Figure 3: Rental Indices v House Price Index Trend



4.0 Rental Performance in Belfast City Council Area

4.1 Distribution of Properties Let in Belfast City Council Area

In the period January-June 2016, there were **4,045** properties let in the Belfast City Council area (BCCA), a transaction decrease of 18.4 per cent on the first six months of 2016 and 9.7 per cent decrease over the year (Figure 4). Nevertheless, Belfast continues to be the main rental market in Northern Ireland representing 45 per cent of all rental transactions across the region.

Figure 4: Number of dwellings let in Belfast City Council Area

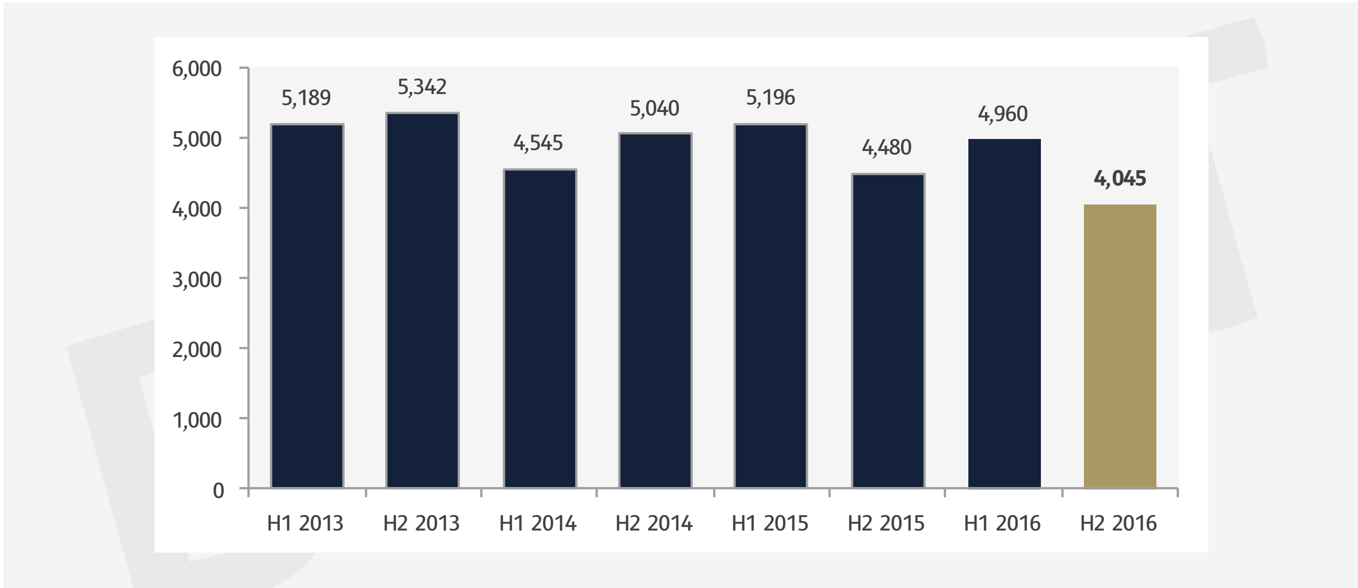


Table 6 shows the distribution of rented properties by property type. More than four fifths (86%) of properties let in the BCCA were terrace/townhouses (44%) and apartments (42%). These proportions were higher than for Northern Ireland as a whole (39% and 33% respectively). However, the analysis shows considerable half yearly decreases in the volume of rental transactions in both relative and absolute terms across each property type, most notably in the terrace/townhouse and semi-detached sectors. The annual picture is less sharply defined; while the number of lets in the terrace/townhouse (15.4%) sector was down by 15.4%, with a similar rate of decrease (12.3%) in the number of semi-detached properties let, there was a substantial decrease in the number of detached houses let over the year. In contrast, the number of apartment properties was up slightly (2.2%) over the same period, possibly reflecting increasing supply in this sector.

Table 6: Properties let in Belfast City Council Area by property type

Property Type	H2 2015	H1 2016	H2 2016	Half Year Change (%)	Annual Change (%)
Apartment	1,647 (37%)	1,924 (39%)	**1,684 (42%)**	-12.5%	2.2%
Terrace/Townhouse	2,079 (46%)	2,293 (46%)	**1,758 (44%)**	-23.3%	-15.4%
Semi-detached	530 (12%)	599 (12%)	**465 (12%)**	-22.4%	-12.3%
Detached	224 (5%)	144 (3%)	**138 (3%)**	-4.2%	-38.4%
TOTAL	**4,480**	**4,960**	**4,045**	**-18.4%**	**-9.7%**

Table 7 shows that two bedroom properties represent the most common property size, accounting for almost half of all properties let in Belfast (48%), again a higher proportion than Northern Ireland as a whole (39%). Three bedroom dwellings are the next largest group, accounting for just over one quarter (28%) of properties let over the time period, a significantly lower proportion than Northern Ireland as a whole (39%), which reflects the different structure of the rental market in Belfast.

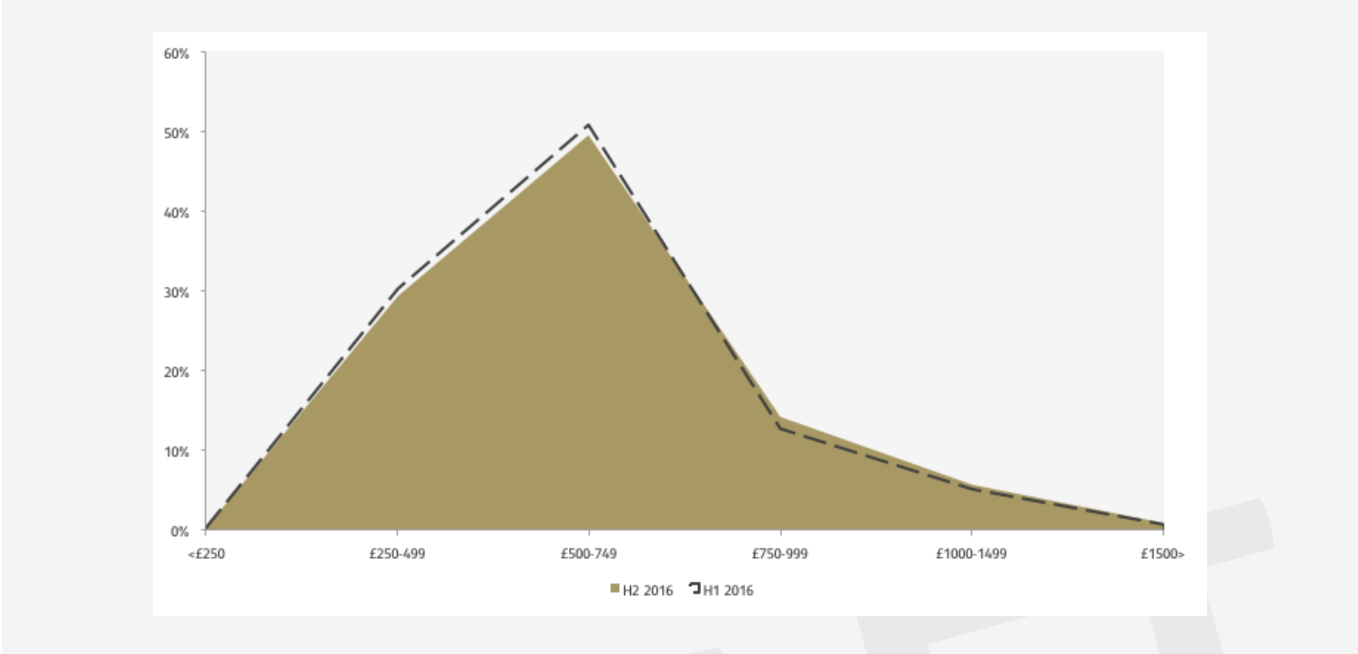
Table 7: Properties let in Belfast City Council Area by number of bedrooms

Number of Bedrooms	H2 2015	H1 2016	H2 2016	Half Year Change (%)	Annual Change (%)
1 bedroom	424 (10%)	438 (9%)	**460 (11%)**	5.0%	8.5%
2 bedroom	2,082 (47%)	2,363 (48%)	**1921 (48%)**	-18.7%	-7.7%
3 bedroom	1,275 (29%)	1,522 (31%)	**1115 (28%)**	-26.7%	-12.5%
4/4+ bedroom	699 (16%)	637 (13%)	**549 (14%)**	-13.8%	-21.5%
TOTAL	**4,480**	**4,960**	**4,045**	**-18.4%**	**-9.7%**

4.2 Distribution of Banded Monthly Rent in Belfast City Council Area

The frequency distribution (Figure 5) shows that half of all rental properties in the BCCA were let in the £500-£749 band (50%), with an average rent of £593 within this band, followed by the £250-£499 band (29%), with an average rent of £437 – towards the upper end of this rent band. One fifth (20%) of all rental properties in the BCCA were let for more than £750 per month, comparatively higher than the rest of Northern Ireland (13%) confirming the higher rent structure in Belfast. The histogram captures the slight changes in the distribution of monthly rent over the second half of 2016 when compared with the first half of the year.

Figure 5: Histogram showing the distribution of banded monthly rent in Belfast City Council Area



4.3 Average Rent in Belfast City Council Area

The average monthly rent across the BCCA was £623 for the second half of 2016. This was higher than the Northern Ireland average (£579) and represented a 2.5 percentage point increase on the previous six months. There was slight variation in average rents within the Belfast council area compared with the first half of 2016; South Belfast (£741) was the most expensive rental location increasing by 4 per cent, followed by the city centre (£727) which observed a 3.3 per cent decline in average rent. North Belfast (£468) remained the lowest priced location in the BCCA (Table 8). Over the year, rental growth in the BCCA was variable, with increases in the south, east and west of the city whereas the north and city centre recorded a slight decline in performance.

Table 8: Average rent in Belfast City Council Area

Location	H1 2015	H2 2015	H1 2016	H2 2016	Half Year Change (%)	Annual Change (%)
Belfast City Council Area	£594	£612	£608	**£623**	2.5%	1.8%
Belfast City Centre	£745	£741	£751	**£727**	-3.2%	-1.9%
North Belfast	£456	£476	£464	**£468**	0.9%	-1.7%
South Belfast	£713	£718	£712	**£741**	4.0%	3.2%
East Belfast	£539	£556	£556	**£565**	1.6%	1.6%
West Belfast	£519	£538	£538	**£544**	1.1%	1.0%

4.3.1 Average Rent by Property Type

Average rental levels across the property types increased marginally over the second half of the year (Table 9). Detached (6.5%) properties showed the strongest rate of rental growth, with terrace/townhouse properties (3.3%) and semi-detached (2.9%) experiencing similar increases in average rental level over this time period. The figures show that detached properties remain the most expensive to rent (£995) and terrace/townhouse properties the least expensive (£597). In annual terms, there was greater variability; apartment and terrace/townhouse properties showed a slight nominal decline in average rents whereas detached properties increased strongly (24.4%), albeit from a low base.

Table 9: Average rent in Belfast City Council Area by property type

Property Type	BCCA H1 2015	BCCA H2 2015	BCCA H1 2016	BCCA H2 2016	Half Year Change (%)	Annual Change (%)
Apartment	£605	£612	£609	**£609**	0.0%	-0.5%
Terrace/ Townhouse	£567	£600	£578	**£597**	3.3%	-0.4%
Semi-Detached	£618	£624	£646	**£665**	2.9%	6.5%
Detached	£838	£800	£934	**£995**	6.5%	24.4%
ALL	**£594**	**£612**	**£608**	**£623**	**2.5%**	**1.8%**

4.3.2 Average Rent by Number of Bedrooms

Over the second half of 2016 the rate of rental growth ranged from 0.2% for one bedroom properties to 4% for four/four plus bedroom houses (Table 10). In terms of annual change, average rents show moderate performance across all bedroom categories but particularly four or more (5.6%) and two (3.5%) bedroom properties.

Table 10: Average rent in Belfast City Council Area by number of bedrooms

Number of Bedrooms	BCCA H2 2014	BCCA H1 2015	BCCA H2 2015	BCCA H2 2015	Half Year Change (%)	Annual Change (%)
1 bedroom	£444	£468	£472	**£473**	0.2%	1.1%
2 bedroom	£528	£540	£544	**£559**	2.8%	3.5%
3 bedroom	£594	£621	£621	**£637**	2.5%	2.5%
4/4+ bedroom	£890	£898	£911	**£948**	4.0%	5.6%
ALL	**£594**	**£612**	**£608**	**£623**	**2.5%**	**1.8%**

4.4 Wider Belfast Area Rent Guide

Table 11 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 varies from £439 in BT13 to £1,198 in BT3.

Table 11: Average rent grid by postcode

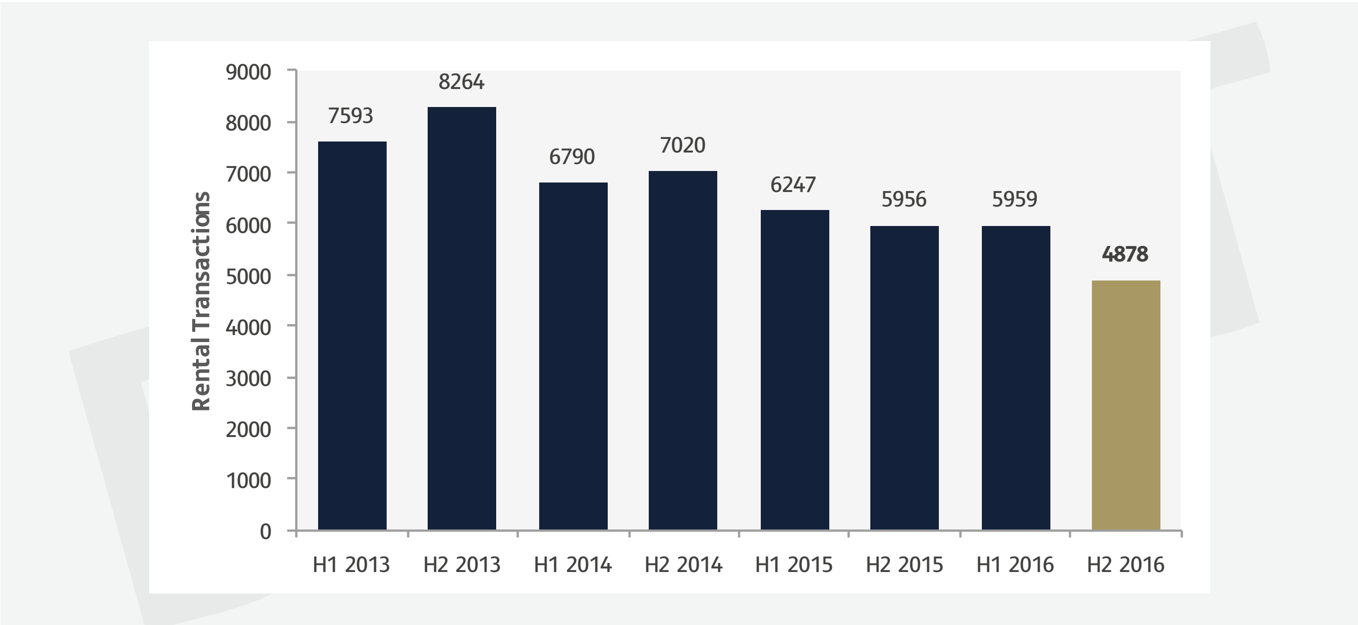
Poscode	1 Bed	2 Bed	3 Bed	4/4+ Bed	ALL
BT1	£600	£776	£818	-	**£706**
BT2	£578	£740	-	-	**£770**
BT3	£614	£826	£1,198	-	**£842**
BT4	£469	£553	£578	£874	**£584**
BT5	£423	£499	£625	£748	**£536**
BT6	£496	£525	£626	£683	**£571**
BT7	£472	£614	£705	£969	**£722**
BT8	£430	£582	£681	£814	**£653**
BT9	£489	£648	£806	£1,119	**£774**
BT10	£534	£575	£656	£867	**£643**
BT11	£441	£558	£596	£582	**£567**
BT12	£354	£520	£530	£661	**£523**
BT13	£375	£422	£439	£493	**£427**
BT14	£421	£455	£478	£610	**£471**
BT15	£426	£489	£516	£694	**£503**
BT16	£394	£531	£642	£730	**£576**
BT17	£483	£551	£599	£923	**£587**
BT18	£534	£616	£812	£1,271	**£793**
BT19	£462	£536	£629	£963	**£633**
BT20	£444	£527	£627	£848	**£604**
BT23	£403	£508	£572	£942	**£567**
BT26	£479	£557	£732	£1,108	**£733**
BT27	-	£512	£575	£871	**£583**
BT28	£407	£546	£589	£808	**£597**
BT36	£463	£532	£542	£874	**£557**
BT37	£369	£477	£520	£836	**£530**
BT38	£368	£487	£536	£650	**£519**

5.0 Rental Performance across the Local Government Districts[1]

5.1 Distribution of Properties Let by Local Government Districts

During the second half of 2016, **4,878** properties were let outside of the BCCA, accounting for approximately 55 per cent of all rental transactions in Northern Ireland. Compared with the first six months of 2016, rental transactions decreased by 18 percentage points and there was a similar reduction (18.1%) cent over the year (Figure 6).

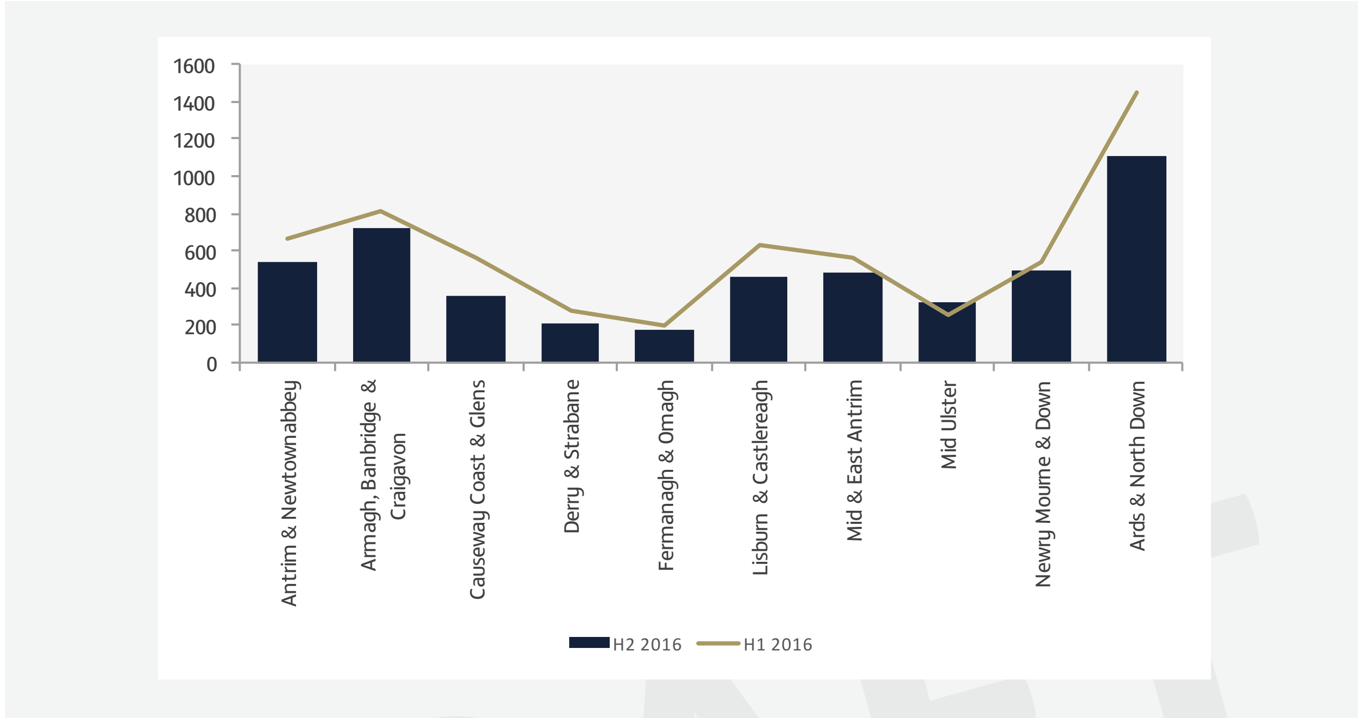
Figure 6: Total number of properties let in Local Government Districts outside Belfast



The distribution of rental transactions (Figure 7) indicates that the Ards & North Down (1,105), Armagh, Banbridge and Craigavon (725) and Antrim & Newtownabbey (535) districts are the largest rental markets outside of Belfast. Collectively, these three district council areas account for almost half (49%) of all rental transactions outside of Belfast. Consistent with previous surveys, there were lower volumes of rental transactions in the more rural areas of Fermanagh & Omagh (177) and Mid Ulster (323). However, it is notable that the second lowest volume of rental transactions (207) was in Derry and Strabane.

[1] This section analyses all LGDs in Northern Ireland except Belfast LGD which is excluded.

Figure 7: Number of properties let in Local Government Districts H2 2016 outside Belfast



Terrace/townhouse properties represented the largest proportion of rented properties, accounting for 35 per cent of the total rental activity (Table 12). Apartments accounted for just over one quarter of lettings (26%) and semi-detached properties for 22 per cent of rented dwellings. The market share of detached dwellings remained the smallest, accounting for 17 per cent of all properties let. A similar decline in the number of lets was apparent across the respective property types, generally down by 18 per cent compared with the first half of 2016. Over the year, the picture was more variable, with terrace/townhouse properties showing the greatest decrease (24.3%) in the number of lettings.

Table 12: Properties let by property type in Local Government Districts outside Belfast

Property Type	H2 2015	H1 2016	H2 2016	Half Year Change (%)	Annual Change (%)
Apartment	1,522 (26%)	1,553 (26%)	**1,283 (26%)**	-17.4%	-15.7%
Terrace/Townhouse	2,230 (37%)	2,091 (35%)	**1,687 (35%)**	-19.3%	-24.3%
Semi-detached	1,280 (22%)	1,308 (22%)	**1,082 (22%)**	-17.3%	-15.5%
Detached	924 (16%)	1,007 (17%)	**826 (17%)**	-18.0%	-10.6%
TOTAL	**5,956**	**5,959**	**4,878**	**-18.1%**	**-18.1%**

Table 13 shows that just over four fifths (81%) of properties let outside BCCA during the second half of 2016 were either two or three bedroom properties. Consistent with the previous half year, three bedroom properties were the most common size, representing almost half (48%) of rented properties with an average rent of £543 per month, up on the previous survey (£530). Two bedroom properties represented the second most popular property size and accounted for one third (33%)

of properties let, with an average rent of £491 per month, which was slightly up on the previous six months (£489).

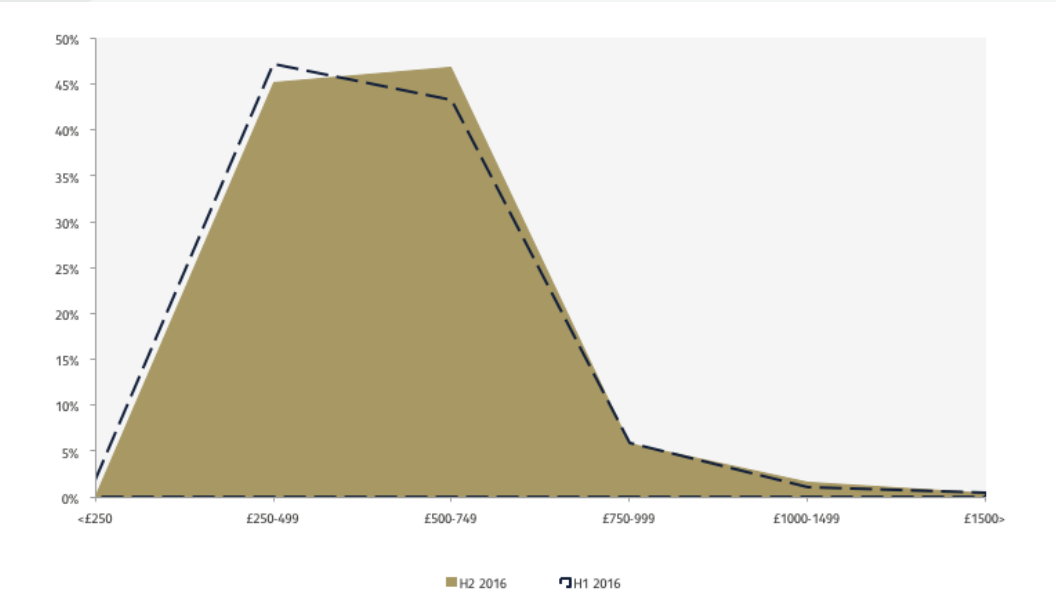
Table 13: Properties let by number of bedrooms in Local Government Districts outside Belfast

Number of Bedrooms	H2 2015	H1 2016	H2 2016	Half Year Change (%)	Annual Change (%)
1 bedroom	355 (6%)	393 (7%)	**319 (7%)**	-18.8%	-10.1%
2 bedroom	1,845 (31%)	1,913 (32%)	**1590 (33%)**	-16.9%	-13.8%
3 bedroom	2,924 (49%)	2,846 (48%)	**2339 (48%)**	-17.8%	-20.0%
4/4+ bedroom	832 (14%)	807 (13%)	**630 (13%)**	-21.9%	-24.3%
TOTAL	**5,956**	**5,959**	**4,878**	**-18.1%**	**-18.1%**

5.2 Distribution of Banded Monthly Rent across the Local Government Districts

Figure 8 shows that 45 per cent of all rental properties outside BCCA were let in the £250-£499 per month rent band; the average rent for this band of £436 per month. The proportion of properties let in the £500-£749 band increased to 47 per cent in this survey, with an average rent of £579, which is towards the lower end of this band. Overall, the statistics continue to show the lower rent structure outside of Belfast as well as providing evidence of a general upward shift in average rents.

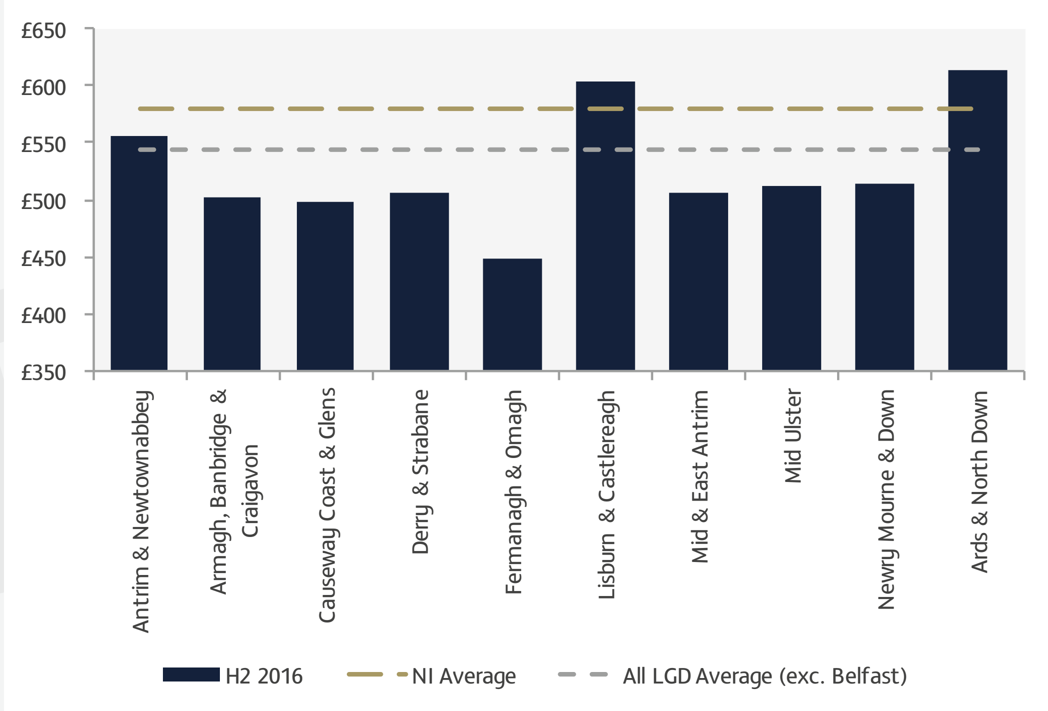
Figure 8: Histogram showing the distribution of banded monthly rents across Local Government Districts outside Belfast



5.3 Average Rent by Local Government Districts

The average rent for properties let outside the BCCA in the second half of 2016 was £543 per month, up by 2.6% on the previous six months but lagging the overall Northern Ireland average monthly rent of £579. In particular, as illustrated in Figure 9, average rents in rural council areas – particularly districts in the west and north – were significantly below the Northern Ireland average. In contrast, the Belfast Metropolitan area (BMA) and the urban council districts of Ards & North Down (£613) and Lisburn & Castlereagh (£604) remained the most expensive council areas. The lowest average rents were in the Fermanagh & Omagh (£447), Causeway Coast & Glens (£499), Armagh, Banbridge & Craigavon (£501) and Mid & East Antrim (£506) council areas, although rents increased across all local authority areas.

Figure 9: Average monthly rent by Local Government Districts outside Belfast



5.3.1 Average Rent by Property Type

Table 14 provides analysis by property type at district council level. The highest average rents for apartments were in the Lisburn & Castlereagh (£527) and Ards & North Down (£521) council areas, followed by Antrim & Newtownabbey (£501); average apartment rents in all three areas were in line with the first half of the year. The lowest average rents for this property type were in the districts of Fermanagh & Omagh (£404), Mid-Ulster (£432) and Armagh Banbridge & Craigavon (£450), although there were slight increases in average rent in these areas over the period.

The highest average rents for terrace/townhouse properties were again in Ards & North Down (£552) and Lisburn & Castlereagh (£584), with Derry & Strabane (£508) remaining the highest rental location outside of BMA council areas in the second half of 2016. The lowest average rents for terrace/townhouse properties were in Fermanagh & Omagh (£442) and Armagh, Banbridge and Craigavon (£455), although both showed nominal increases.

A similar trend was apparent for semi-detached properties, for which the range of average rents was relatively narrow. The highest priced districts were again found in the BMA (Lisburn & Castlereagh (£625) and Ards & North Down (£634), which were appreciably up on the previous half year) with Derry & Strabane (£548), the highest rental location for this property type outside of the BMA, showing strong growth. Although Fermanagh & Omagh (£489) and Causeway Coast & Glens (£498) recorded increases in average rents for semi-detached properties, they were the lowest priced regions for this property type.

For detached properties, the spread of average rent was generally much larger – ranging from £501 to £859 with increases in all districts. The highest average rent for this type of property was in Ards & North Down (£859), whereas Fermanagh & Omagh (£501), Mid Ulster (£563) and Causeway Coast & Glens (£566) were the lowest priced regions.

Table 14: Average monthly rent across Local Government Districts outside Belfast by property type

Council Area	Average Rent by Property Type (£)				
	Apartment	Terrace/ Townhouse	Semi Detached	Detached	ALL
Antrim & Newtownabbey	£501	£488	£563	£790	£556
Armagh, Banbridge & Craigavon	£450	£455	£532	£642	£501
Causeway Coast & Glens	£447	£473	£498	£566	£499
Derry & Strabane	£462	£508	£548	£643	£505
Fermanagh & Omagh	£404	£442	£489	£501	£447
Lisburn & Castlereagh	£527	£584	£625	£763	£604
Mid & East Antrim	£466	£472	£544	£653	£506
Mid-Ulster	£432	£503	£530	£563	£513
Newry Mourne & Down	£451	£486	£517	£623	£515
North Down & Ards	£521	£552	£634	£859	£613

5.3.2 Average Rent by Number of Bedrooms

There was a small sample base of one bedroom rental properties across the council areas (outside of Belfast), with a general clustering of rents (Table 15). In common with previous surveys, the highest average rents in this category were in Ards & North Down (£431), Lisburn & Castlereagh (£443) and Derry & Strabane (£429), while the lowest average rents were in more rural council areas such as Fermanagh & Omagh (£328) and Newry, Mourne & Down (£359).

The average rents for two bedroom properties were between £420 and £504, with those local authorities adjacent to Belfast namely Lisburn & Castlereagh (£532) and Ards & North Down (£528) having the highest average monthly rent. The lowest average rents for two bedroom properties were, again, in Fermanagh & Omagh (£420) and Armagh Banbridge & Craigavon (£444). For three bedroom properties, the highest average rents were in the BMA council areas of Ards & North Down (£614) and Lisburn & Castlereagh (£608) followed by Antrim and Newtownabbey (£537), locations which are all characterised by slight increases in average rent. However, despite experiencing sizeable increases in average rental prices, Fermanagh & Omagh (£477) and Causeway Coast & Glens (£503) once again had the lowest average rent for three bedroom properties, followed by Armagh Banbridge & Craigavon (£506). Larger properties (four and plus bedrooms) had a larger spread of average rents, ranging from £953 in Ards & North Down to £538 in Fermanagh and Omagh.

Table 15: Average monthly rent across Local Government Districts outside Belfast by number of bedrooms

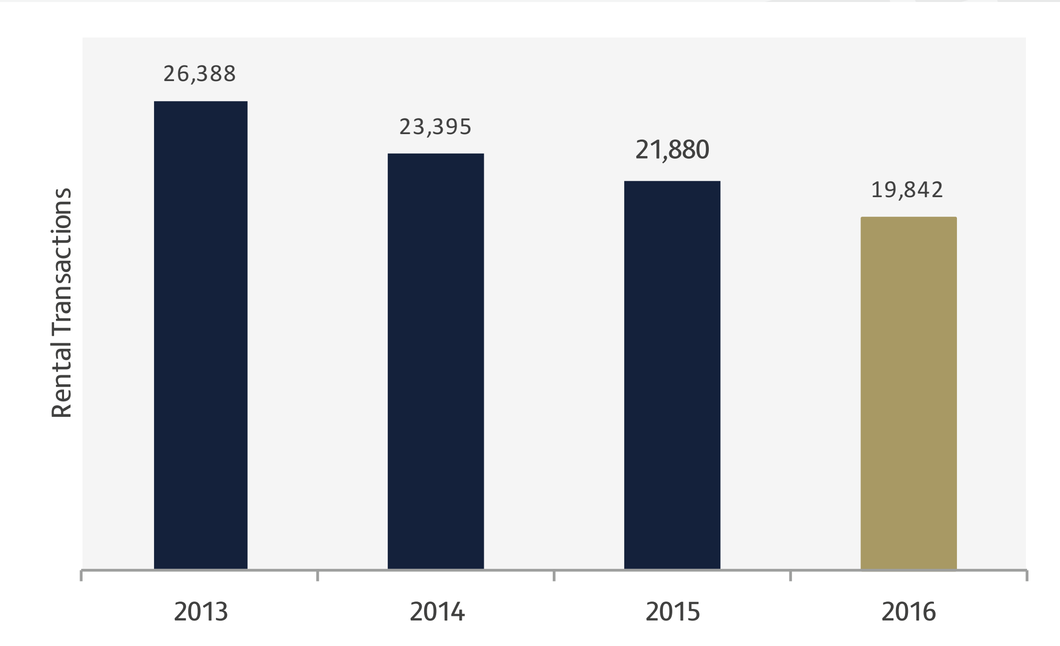
Council Area	Average Rent by Number of Bedrooms (£)				
	1	2	3	4/4+	All
Antrim & Newtownabbey	£387	£504	£537	£826	£556
Armagh, Banbridge & Craigavon	£374	£444	£506	£685	£501
Causeway Coast & Glens	£380	£445	£503	£583	£499
Derry & Strabane	£429	£494	£528	£603	£505
Fermanagh & Omagh	£328	£420	£477	£538	£447
Lisburn & Castlereagh	£443	£532	£608	£867	£604
Mid & East Antrim	£367	£464	£529	£654	£506
Mid-Ulster	£373	£468	£525	£580	£513
Newry Mourne & Down	£359	£471	£522	£645	£515
North Down & Ards	£431	£528	£614	£953	£613

6.0 Performance of the Rental Market in 2015

6.1 Distribution of Properties Let in Northern Ireland in 2015

In 2016, there were 19,842 transactions in the private rented sector in Northern Ireland, representing a 9.3 per cent decrease on the previous year (Figure 10). Indeed, the evidence suggests a continuing decline in new rentals year on year, coinciding with recovery and improving macro economic conditions, growth in the house sales market and also evidence of longer leases in the rental sector. and constrained rental product. Nonetheless, the figures do continue to show a healthy demand for rental properties.

Figure 10: Number of dwellings let across Northern Ireland in 2016



Analysis by property type indicates little change in the rental market composition in 2016, with terrace/townhouse (40%) and apartment (33%) properties continuing to dominate the market, in total accounting for almost three quarters (73%) of all rental activity over the year. The relative market share of semi-detached (17%) and detached properties (11%) has remained unchanged over the year (Table 16). Whilst the overall decline in rental volume in 2016 is reflected in transaction decreases across all property types, this is most pronounced in the terrace/townhouse sector (-13.7%).

Table 16: Properties let by type in 2016

Property Type	2014	2015	2016	Annual Change (%)
Apartment	7,059 (30%)	6,787 (31%)	**6,444 (33%)**	-5.1%
Terrace/Townhouse	9,430 (40%)	9,073 (42%)	**7,829 (40%)**	-13.7%
Semi-detached	4,185 (18%)	3,730 (17%)	**3,454 (17%)**	-7.4%
Detached	2,721 (12%)	2,290 (11%)	**2,115 (11%)**	-7.6%
TOTAL	**23,395**	21,880	19,842	**-9.3%**

The figures for 2016 are largely consistent with the two previous years and confirm that two (39%) and three (39%) bedroom properties are the most common property size in the Northern Ireland rental market, accounting for almost four fifths (78%) of properties rented during the year (Table 17). In terms of the number of rental transactions, all bedroom types exhibit an overall decline in volume, most notably for three and four plus bedroom property.

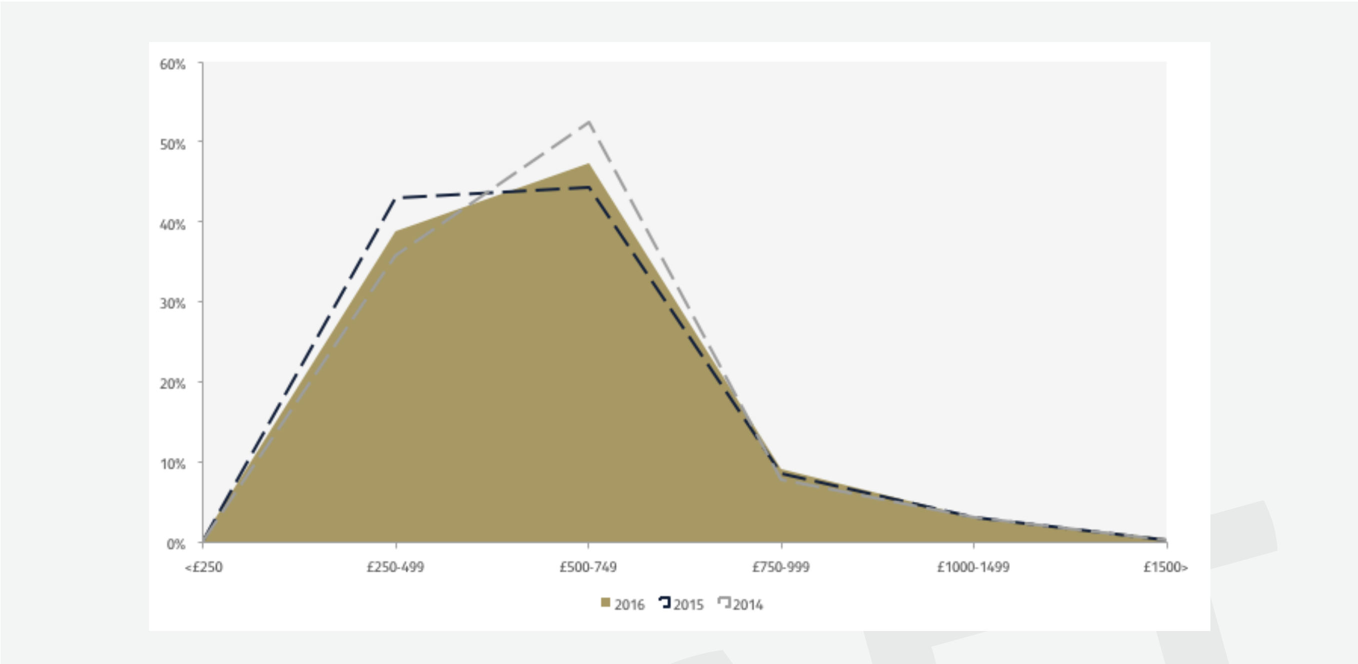
Table 17: Properties let by number of bedrooms in 2016

Number of Bedrooms	2014	2015	2016	Annual Change (%)
1 bedroom	1,728 (7%)	1,718 (8%)	**1,610 (8%)**	-6.3%
2 bedroom	8,432 (36%)	8,256 (38%)	**7,787 (39%)**	-5.7%
3 bedroom	9,782 (42%)	8,797 (40%)	**7,822 (39%)**	-11.1%
4/4+ bedroom	3,453 (15%)	3,109 (14%)	**2,623 (13%)**	-15.6%
TOTAL	**23,395**	**21,880**	**19,842**	**-9.3%**

6.2 Distribution of Banded Monthly Rent in 2016

Figure 11 shows that the majority of properties let in 2016 were in the £500-749 (47%) and £250-499 (39%) rent bands. Approximately 13% of rental properties were let for £750 per month or a higher rent. The histogram shows that the proportion of transactions across the higher rent category has decreased compared with 2014, but is up compared to the 2015 picture.

Figure 11: Histogram showing the annual distribution of banded monthly rent in 2016



6.3 Northern Ireland Average Monthly Rent in 2016

For 2016 the average monthly rent for Northern Ireland was £571, up two percentage points on the average rent in 2015 (£560). In terms of property type, variable annual rates of increase in average rents were apparent across the sectors, except for apartment properties which remained relatively unchanged (Table 18).

Table 18: Average rent by property type in 2016

Property Type	2013	2014	2015	2016	Annual Change (%)
Apartment	£530	£535	£554	**£552**	-0.4%
Terrace/Townhouse	£513	£525	£539	**£543**	0.7%
Semi-Detached	£534	£546	£557	**£579**	4.0%
Detached	£636	£669	£667	**£726**	8.8%
ALL	**£538**	**£549**	**£560**	**£571**	**2.0%**

Similarly, average rents were up across all bedroom types (Table 19). The average rent for a three bedroom property increased by 3.3% over the year, performing marginally better than one and two bedrooms properties which are up by 2.8% respectively.

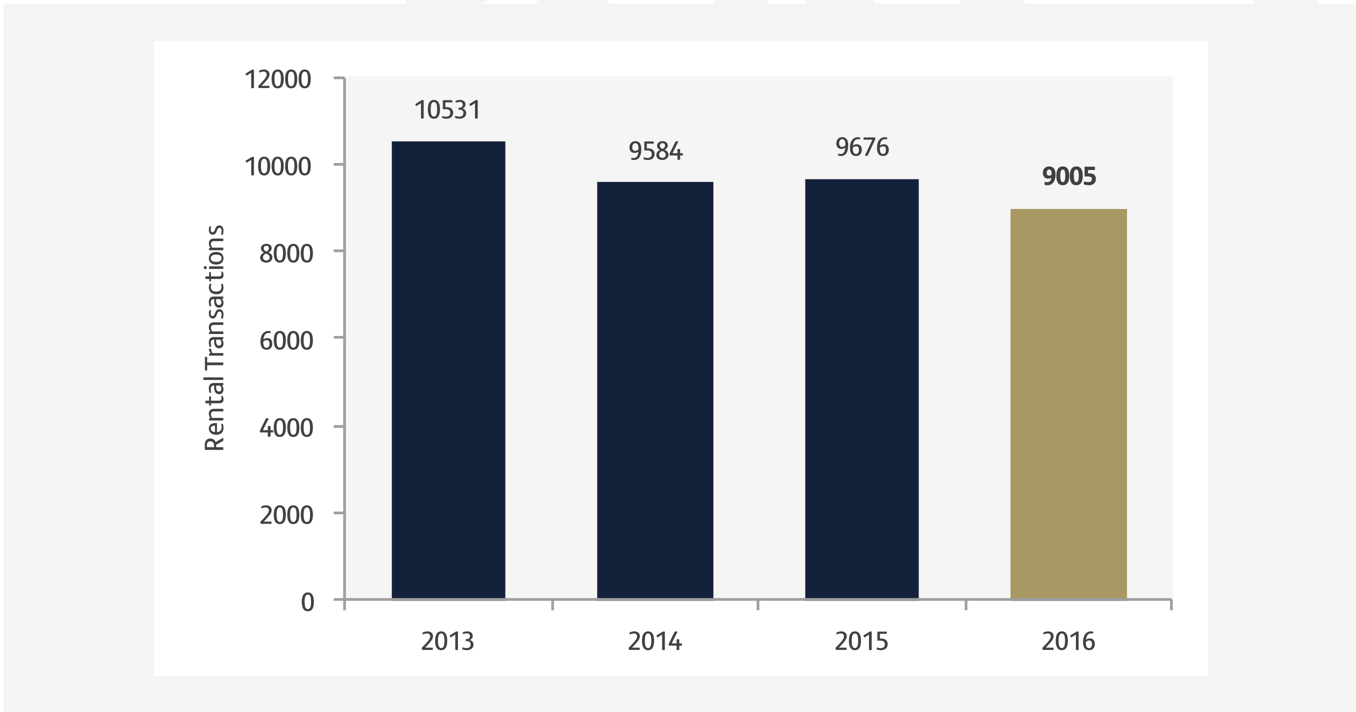
Table 19: Average rent by number of bedrooms in 2016

Number of Bedrooms	2013	2014	2015	2016	Annual Change (%)
1 bedroom	£415	£412	£423	**£435**	2.8%
2 bedrooms	£491	£496	£509	**£523**	2.8%
3 bedrooms	£526	£534	£549	**£567**	3.3%
4/4+bedrooms	£733	£785	£803	**£812**	1.1%
ALL	**£538**	**£549**	**£560**	**£572**	**2.1%**

6.4 Rental Transactions in Belfast City Council Area in 2016

In 2016 9,005 properties were let in the Belfast City Council area (BCCA), a decrease of 6.9% relative to 2015 (Figure 12). Belfast continues to be the main rental market in Northern Ireland, representing 45% of all rental transactions in 2016 (44% in 2015 and 41% in 2014). The figures indicate a continuing expansion of the Belfast market.

Figure 12: Number of dwellings let in Belfast City Council Area in 2016



6.4.1 Average Rent in Belfast City Council Area in 2016

The average monthly rent across the BCCA for 2016 was £615, representing a small increase (2.2%) on the average for 2015. In general, there was relatively little change in average rents within the City; East (2.4%) and West (2.3%) Belfast showed the greatest (albeit modest) increases in average rent compared with the previous year. The annual figures confirm that North Belfast (£466) remained the lowest priced location in the BCCA while, in spite of a slight reduction over the year, Belfast City Centre (£739) remained the highest (Table 20).

Table 20: Average rent in Belfast City Council Area in 2016

Location	2013	2014	2015	2016	Annual Change (%)
Belfast City Council Area	£581	£595	£602	**£615**	2.2%
Belfast City Centre	£722	£721	£743	**£739**	-0.5%
North Belfast	£480	£458	£465	**£466**	0.2%
South Belfast	£677	£707	£716	**£725**	1.3%
East Belfast	£525	£524	£547	**£560**	2.4%
West Belfast	£512	£511	£528	**£540**	2.3%

6.4.2 Average Rent in Belfast City Council Area in 2016 by Property Type

Average rental levels increased for all property types in BCCA during 2016, most notably in the detached sector (28.4%), though as apparent from Table 21 there has been considerable variability in the average rental for this property type. Semi-detached properties performed well over the year with a 5.4% increase in average rent. Apartments and terraced/townhouses showed little change in average rent over the year.

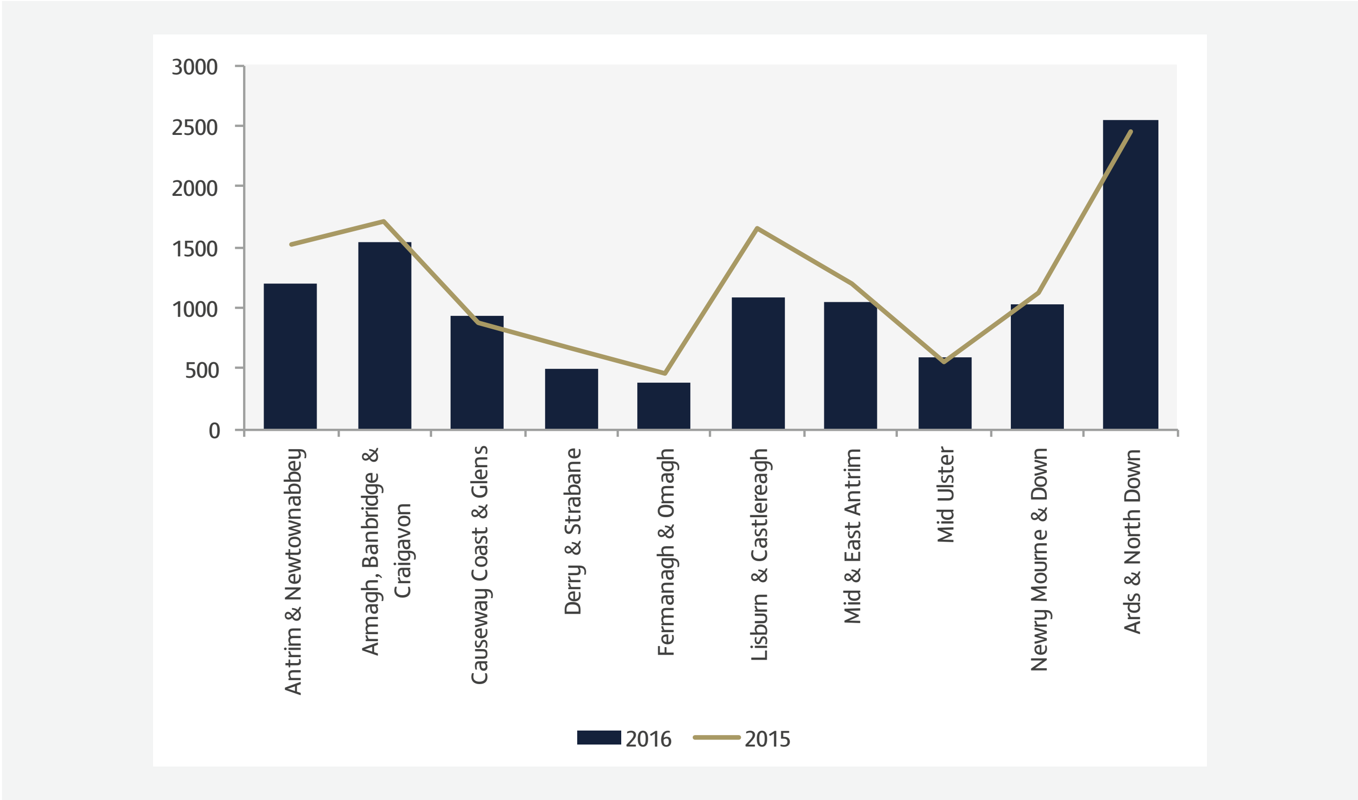
Table 21: Average rent in Belfast City Council Area by property type in 2016

Property Type	BCCA 2013	BCCA 2014	BCCA 2015	BCCA 2016	Annual Change (%)
Apartment	£583	£593	**£608**	**£609**	0.1%
Terrace/ Townhouse	£557	£578	**£582**	**£586**	0.7%
Semi-Detached	£597	£613	**£621**	**£655**	5.4%
Detached	£878	£859	**£751**	**£964**	28.4%
ALL	**£581**	**£595**	**£602**	**£615**	**2.2%**

6.5 Distribution of Properties Let by Local Government Districts in 2016

There were **10,837** properties let outside of the BCCA during 2016, accounting for approximately 55 per cent of all rental transactions in Northern Ireland, a slightly lower proportion compared with previous years (2015, 56%; 2014, 59%). Indeed, LGDs outside the BCCA experienced an overall 11.2 per cent decrease in the number of lettings, from 12,204 in 2015. The distribution of rental transactions (Figure 13) indicates that the rental market areas with the greatest level of activity are Ards & North Down (2,552), Armagh, Banbridge & Craigavon (1,537) and Antrim & Newtownabbey (1,205).

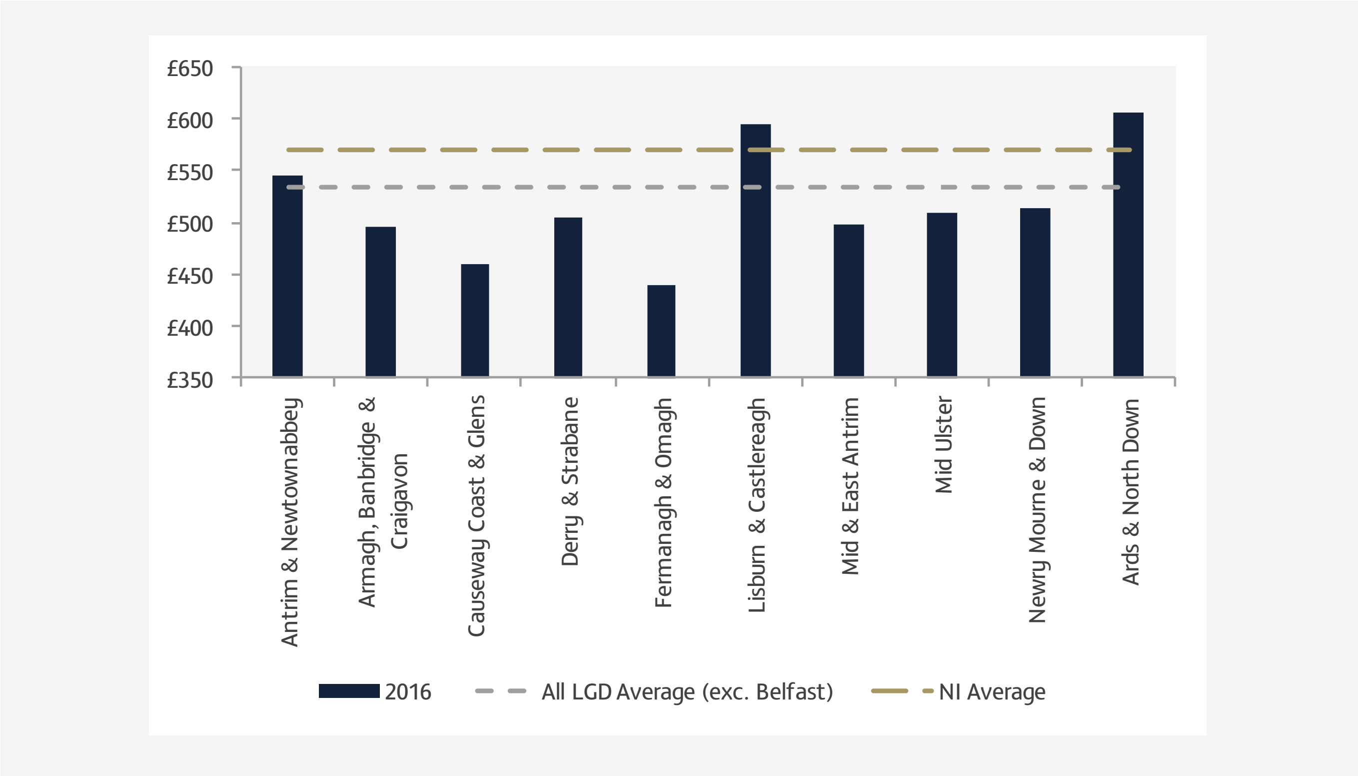
Figure 13: Number of properties let in Local Government Districts in 2016



6.5.1 Average Rent by Local Government Districts in 2016

Analysis of rental levels for properties rented outside of the BCCA reveals that the average rent for 2016 was £535 per month, a 1.5 per cent increase on the 2015 average (£527) but below the Northern Ireland 2016 average rent of £571. Figure 14 highlights the variance in average rents by local government district. Overall, the rent statistics show that average rents in rural regions, particularly those districts in the west and north of the province, were significantly below the Northern Ireland average. The Belfast Metropolitan Area (BMA) urban council districts of Lisburn & Castlereagh (£595) and Ards & North Down (£607) were the most expensive council areas.

Figure 14: Average monthly rent by Local Government Districts in 2016



7.0 Conclusion

Overall, the figures for the second half of 2016 continue the pattern of a marginal downward trend in private rental activity, as observed in previous reports. The period from June to December 2016 indicates an 18.3% decrease in the number of rental transactions over the first half of the year and overall a 14.5% annual decrease. However, whilst the number of transactions decreased, average rents increased. The composition of properties let by type remains consistent. Apartments and terrace/townhouses were the dominant property types, collectively accounting for 72% of rental lets, a figure that was unchanged from the first half of the year. Similarly, two and three bedroomed properties accounted for 78% of properties rented during the second half of 2016 (79% in H1).

The report shows that the overall average monthly rent (£579) during the second half of 2016 was relatively higher than the first half of 2016. The proportion of properties let in higher rent bands has resulted in a 1.9% increase in annual terms and a 2.5% increase over the first half of 2016. Some mild fluctuation in average rent can be observed in annual terms, with both apartments and terrace/townhouses showing a small decrease of 1.4% and 0.2% respectively, while semi-detached and detached property showed higher rates of rental growth.

Comparison of the rental market with the residential sales market suggests that the house sales market is more variable in performance trends, while the rental sector has been characterised by greater consistency and stability. Both markets showed a downward dip in the latter half of 2016, reflecting signs of greater uncertainty in the Northern Ireland housing market. The Belfast City Council area continues to display a different distribution to the rest of the province, with higher average rents (£623) and a higher proportion of apartments and townhouses (86%) and two bedroom properties (48%).

Endnote

[i] Rent statistics in PropertyNews.com are generally inclusive of rates. To ensure rent datasets are comparable, NIHE rent statistics for Housing Benefit in the PRS need to be adjusted upward to ensure consistency in average rents across the sample. Following wide and detailed analysis of the council areas, rates poundage and the range of adjustment required for each property type across the LGD areas, the research identified the median percentage adjustment for the NIHE datasets to be as follows: apartments 11%; detached 17%; semi-detached 13%; and terrace 13%. It was observed that there was only slight variance in the range across the LGD areas and therefore the percentage uplift could be applied uniformly to the dataset across all LGD areas.

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