

Trends in Belfast Private Rented Sector

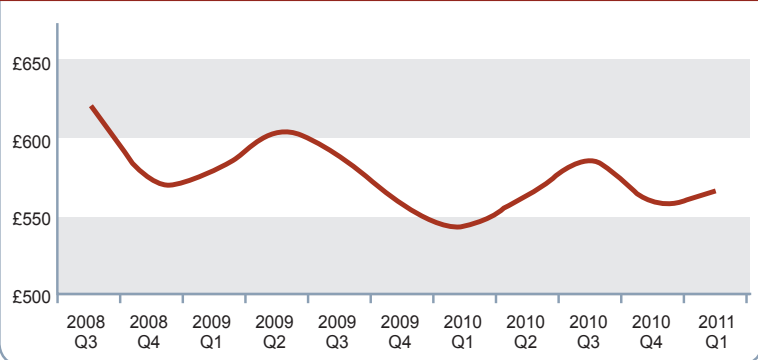
Belfast has seen average rents increase to £567 in Q1 of 2011, a rise of 4.2% from the same time last year and up 1.4% on the previous quarter. One-bedroom apartments recorded an annual increase of 7.9%, an upturn that was anticipated in our previous report on the back of improving Time-to-Let figures during the Q4 of 2010. It is encouraging that average rent values are appreciating when one considers the extent the PRS market has expanded over the last four years as a result of the significant demographic and economic upheavals. While landlords are no longer able to rely on capital appreciation they can be satisfied that rental income has at least demonstrated a reassuring stability over the period.

The most recent house price figures from the Department of Communities and Local Government (CLG) for Feb 2011 show they are down 42% from the peak seen in Aug 2007. Average sale prices are now at their March 2006 level but it is worth noting they are still 63% higher than in Feb 2002.

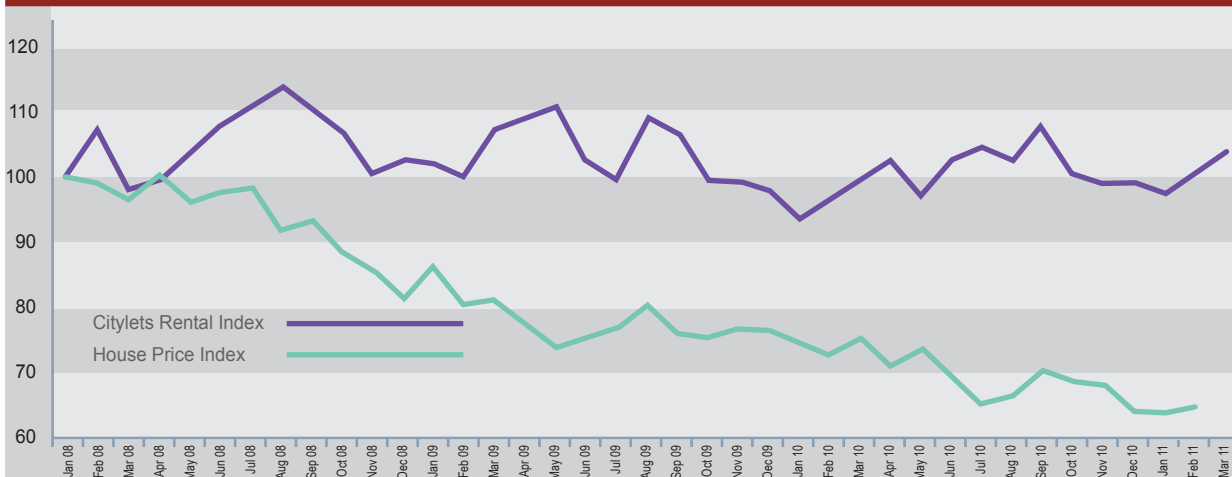
In this context rental yields are far more attractive now as the capital value of residential property has come down. For those landlords that have access to finance there are clearly opportunities. However, it is also evident from discussions with agents that the increased supply of rented property has resulted in improvements in both quality and choice for tenants. This means older property in less popular areas is in less demand and rents here are unlikely to appreciate in line with the overall trend.

The Citylets rental index for Belfast has been mix adjusted and reflects movements in rent rather than changes in the types of property being rented which often has a seasonal component. Our index was initiated in January 2008 (100) and at March 2011 stood at 103.4 which shows that the PRS has adapted very well to the downward shifts in the housing sales market – the index is up 3.4% in that time. Over the same period the NI Housing Index (CLG) was down 35%.

Belfast Average Monthly Rent
Q3 2008 - Q1 2011



Citylets Rental Index v CLG House Price Index for NI
Jan 2008 - Mar 2011



Citylets Rental Index
Base: Jan 2008 = 100

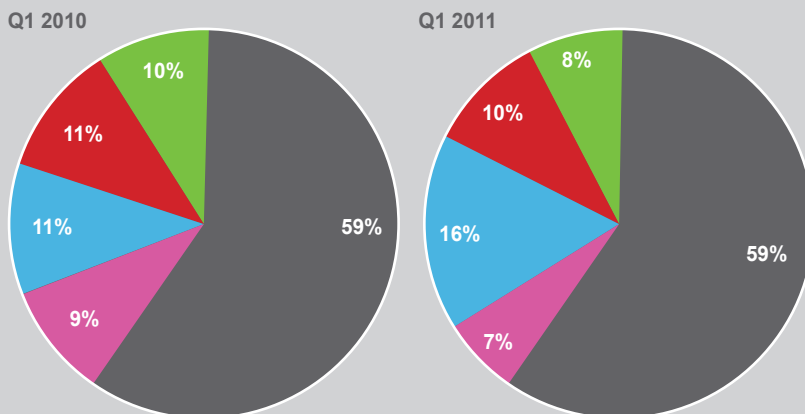
Month	2008	2009	2010	2011
Jan	100.0	101.8	93.0	97.1
Feb	106.8	99.8	96.1	100.2
Mar	97.7	106.9	98.9	103.4
Apr	99.1	108.9	102.1	
May	102.8	110.3	97.0	
Jun	107.7	102.1	102.3	
Jul	110.3	99.3	104.1	
Aug	113.4	108.9	102.1	
Sep	109.6	106.2	107.5	
Oct	106.6	99.3	100.2	
Nov	100.2	98.9	98.8	
Dec	102.3	97.5	98.9	

Time to Let Guide

During Q1 2011 the average Time-to-let (TTL) for all properties let in the greater Belfast area was 50 days. This is slightly longer than the TTL of 48 days seen in the previous quarter but a significant improvement of 7 days on the TTL figure of 57 days in Q1 2010 and far better than the 70 days seen in Q1 2009, a period when there was a sudden increase in the supply of properties to rent from so called reluctant landlords unable to sell their properties.

Time To Let Q1 2010 - Q1 2011

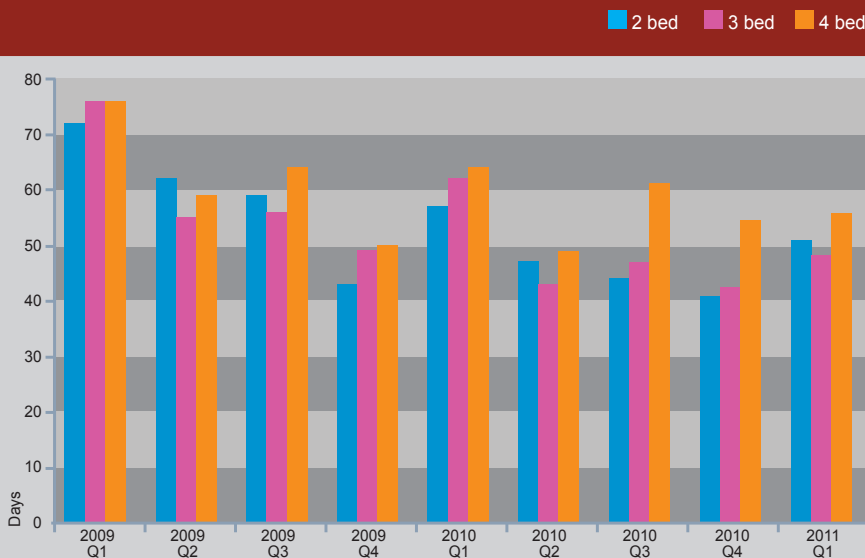
The proportion of properties letting in less than 4 weeks remained the same in Q1 2011 (41%) as it did in Q1 2010. Of note is the slight increase in the proportion of properties taking two weeks or less to let which has increased to 23% in Q1 2011 from 20% in Q1 2010.



Time To Let in Belfast Houses by Size Q1 2009 - Q1 2011

A detailed look at TTL by house size shows that there were quarterly increases across all house sizes in Q1 2011, though it should be emphasised that this deterioration in TTL is normal at the beginning of the year. When the annual comparison to Q1 2010 is considered there is a decent improvement in TTL for all houses.

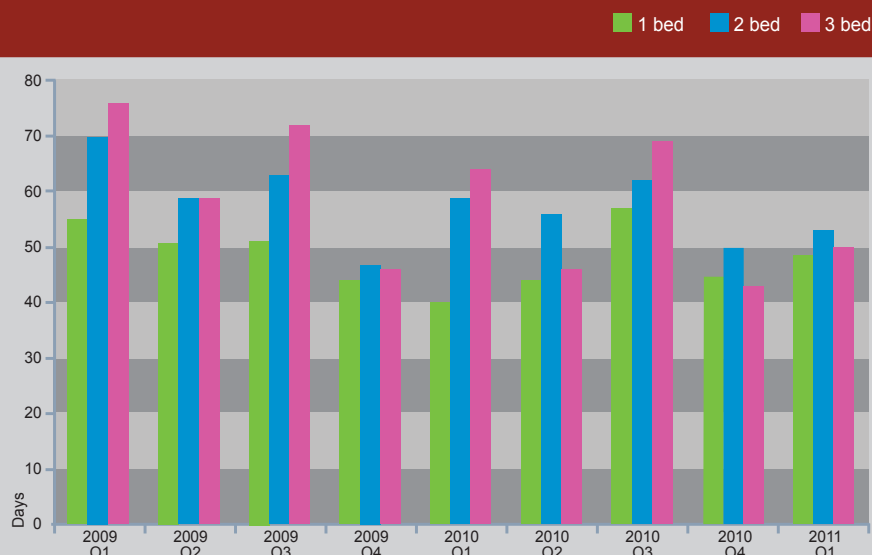
Smaller 2 bed houses now have a TTL of 51 days which is slightly higher than 3 bed houses (49 days) and is considerably higher than the record 41 days reported last quarter. It will be interesting to note in forthcoming reports if this increase in TTL is indicative of a lowering demand for 2 bed houses or just a seasonal anomaly.



Time To Let in Belfast Apartments by Size Q1 2009 - Q1 2011

The TTL figures for apartments of all sizes have deteriorated very slightly in Q1 from the previous quarter and the smaller 1 bed apartments are now taking the least time to let (49 days) versus 52 days for 2 bed apartments and 50 days for 3 beds. However, this slight deterioration was not unexpected given the time of year and the relatively quiet January and February that were reported by some agents.

A comparison with Q1 2010 shows that 2 and 3 bed apartments saw annual improvements in TTL of 7 days and 14 days respectively while TTL for 1 bed apartments actually increased by 9 days. 3 bed apartments which made up 7% of the PRS lettings market by volume in Q1 2011 are now taking 50 days to let which is a big improvement on the 64 days taken in Q1 2010.



Detailed Rent Guide

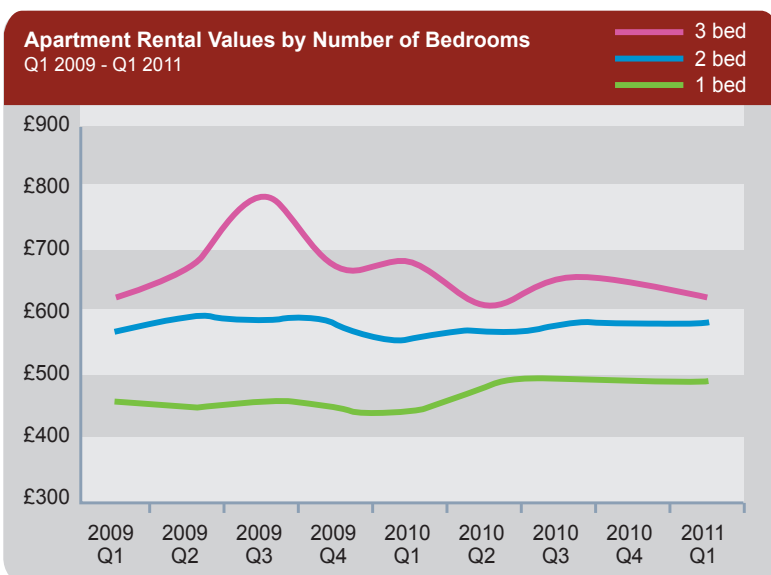
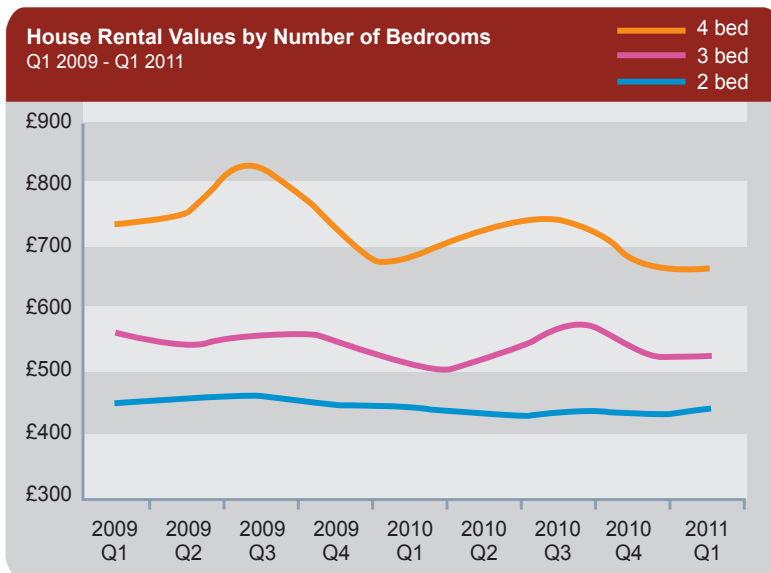
The total number of households within Northern Ireland is projected to grow steadily over the next decade (706,400 in 2010 to 786,800 in 2020) and it is particularly interesting to see that almost all this growth is expected to come from 'single person households' and 'two adult households without children'. These household types are more likely to seek the PRS to meet their housing needs which indicates that the proportion of households within the PRS will also continue to grow.

Detailed trends in rental values by property type and size can be seen in the adjacent charts and show that average monthly rents for 2 bed houses have changed very little over the year (up 0.9%) from Q1 2010 (£442) to Q1 2011 (£446). Average rents for 4 bed houses fell 5.9% over the year from £710 in Q1 2010 to £668 in Q1 2011 though these family homes make up just 10% of the properties analysed so values are more likely to fluctuate.

3 bed houses saw an upturn in Q1 2011 with average monthly rents now at £531 up from £508 in Q1 2010. This 4.5% growth is encouraging given the feedback from agents that January and February were quieter months than usual, though March did give an early Spring boost to activity.

Apartments experienced stronger overall rental growth than houses. 1 bed apartments are now averaging £492 which is 7.9% up on the figure of £456 a year ago. The average monthly rent for a 2 bed apartment was £587 in Q1 which represents a 2.8% improvement over the year. The larger 3 bed apartments have also seen a decent increase from Q1 2010 (£609) to Q1 2011 (£657) which equates to an annual rise of 7.8%.

Considering all properties by size it is clear that the smaller properties have experienced the largest increases in rent over the year. It is interesting to note that the TTL figures are remarkably similar for all sizes of property and are very close to the overall 50 day average. This suggests an even demand for properties of all sizes, a view that is backed up by agent feedback which highlights that with the low confidence in the sales market there are a growing number of quality tenants who are making a lifestyle choice to rent and get the stability offered by the PRS. It is likely that these more discerning long term tenants will push up demand for higher quality property and we can expect the gap between the bottom and top ends of the PRS market to widen.



1, 2, 3 and 4 Bedroom Comparison

Bedroom	Average Rent Q1 2011	Growth Q1 2010-Q1 2011	Average TTL (days) Q1 2011	Change Q1 '10 - Q1 '11	Let within a week	Let within a month
1 bed	£501	10.1%	49	9	10%	41%
2 bed	£534	4.7%	51	-7	7%	39%
3 bed	£557	6.9%	49	-13	4%	40%
4 bed	£712	1.1%	51	-12	7%	40%

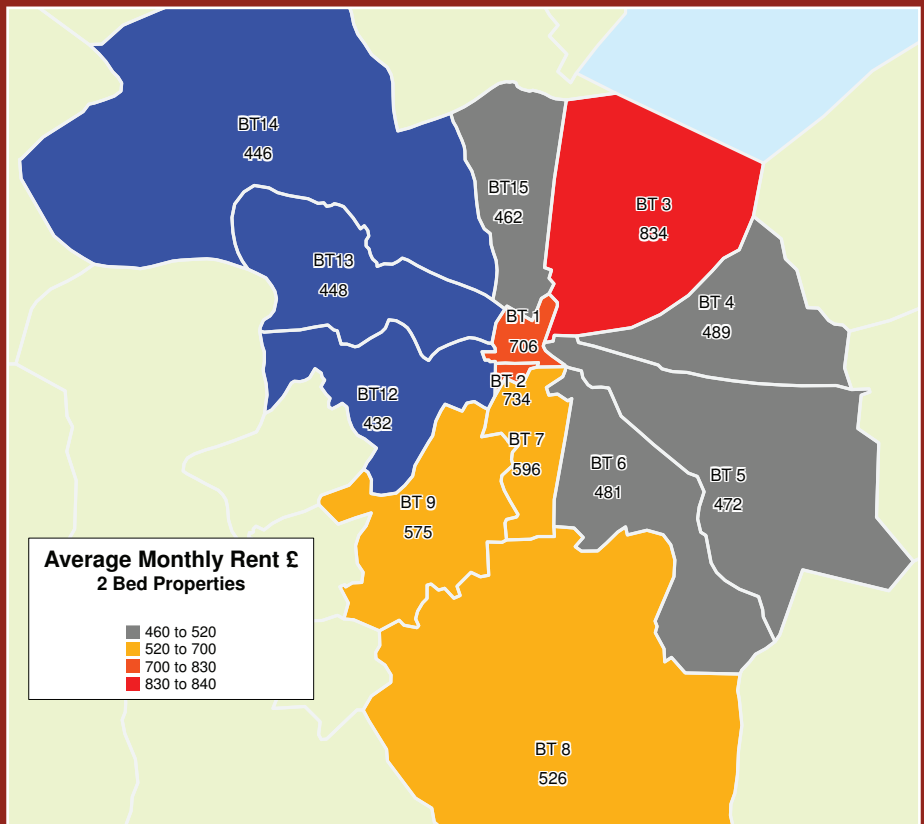
Area Rent Guide

In this section of the report we look at a local analysis of the rents across the wider Belfast region and provide a unique 'heat map' identifying the most expensive and cheapest areas to rent.

Average Monthly Rent by Postcode District						
postcode	1 bed	2 bed	3 bed	4 bed	5 bed	TTL(days)
BT1		£706				63
BT2		£734				68
BT3	£765	£834				64
BT4	£445	£489	£513	£675		49
BT5	£414	£472	£537			52
BT6	£450	£481	£571			46
BT7	£529	£596	£603	£742	£925	50
BT8		£526	£592	£773		44
BT9	£533	£575	£652	£819	£941	48
BT12		£432	£438			49
BT13		£448	£476			47
BT14		£446	£477			44
BT15	£395	£462	£527	£577		42

It should be noted that there are many factors other than location and number of bedrooms that can influence rental values. The tables above should only be used as an indicator and not as a definitive guide to set actual rents.

* Note these average figures are based on most recent 6 months of data. In some areas figures have not been calculated because there were insufficient observations to be statistically sound.



Methodology

The statistics are based on rental properties advertised on Citylets. Rather than employ snapshot sampling our observations are recorded when a property is removed from the site as let. We believe such transaction-based observations provide a better reflection of the market.

The data is cleansed to remove multiple entries and other anomalies. Our cleansing process continues to guide refinements to data recording.

Averages are calculated on a monthly or quarterly basis as weighted (mix-adjusted) means. Indices are constructed holding composition (property type and number of bedrooms) fixed at the average of the last three years. This ensures that changes in the index reflect rent changes and not changes in composition, which are likely to occur seasonally.

Disclaimer

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Founded in 1999, Citylets is Scotland and Northern Ireland's original residential lettings portal & network advertising more than 50,000 properties per year on behalf of over 400 letting agents. Citylets Network is an exclusive group of sites for property to rent including s1homes, FindaProperty, Primelocation and Globrix. Privately owned, Citylets is fully independent of any estate / letting agent group, media or financial organisation and is managed by its founding team in the West End of Edinburgh.

Enquiries

Please feel free to get in touch with us if you would like to discuss any aspect of this report or would like to consider advertising property on the Citylets Network.

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