Trends in Belfast Private Rented Sector

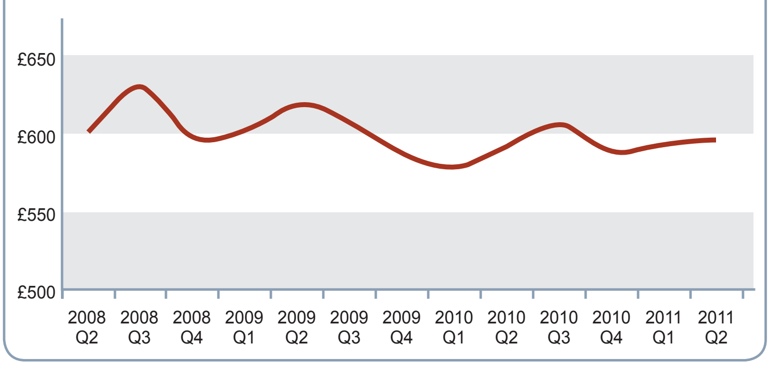
During the second quarter of 2011 average rents across Belfast increased slightly to £574, a rise of 1.2% from the same time last year and up £7 on the average figure for the first quarter of 2011. While the rental growth was relatively modest the other key indicator of demand within the Private Rented Sector (PRS) namely the average Time-to-Let (TTL) showed an encouraging improvement and now stands at 44 days which is actually the lowest figure seen in the three years Citylets have been collating data on the Belfast rental market.

Recent house price data published by the Department of Communities and Local Government (CLG) for May 2011 reaffirms that the sales market in Northern Ireland is still deflating with prices 13.2% down on the year. Average sale prices in May were £144,463 which is the same price as 5 years ago. However, the figure for May is up on April (£136,276) which gives hope that bottom of the market is approaching.

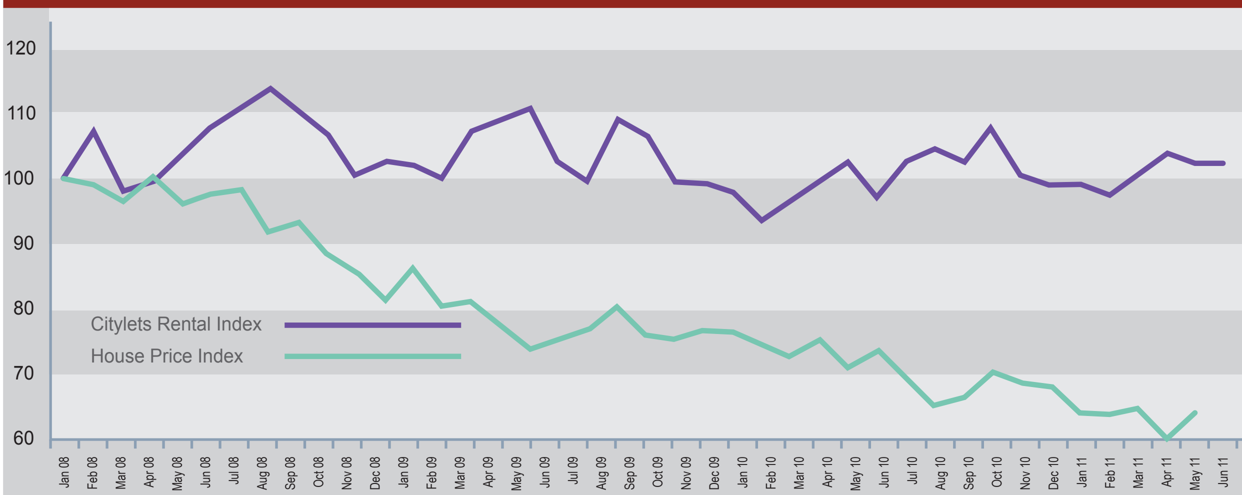
The latest house price report by University of Ulster and the Bank of Ireland for Q2 2011 suggests that Belfast prices fell by 23% over the year. though encouragingly, transaction volumes are increasing with the highest number of sales reported since Q4 2007. Evidence from the Council of Mortgage Lenders (CML) indicates that the number of mortgages has not increased which suggests that cash buyers are seeing value in cheaper property and the steady returns from the PRS are encouraging those landlords with capital to expand their portfolios. Given the very low interest environment we are experiencing and the recent dramatic downturns in the stock markets perhaps this is not surprising, though it is clear that capital appreciation of property is unlikely to be a significant factor for many years.

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 June 2011 stood at 102.0 which is a little down on the figure reported for March 2011 but still up on the figure at the beginning of this year (January 2011-97.1). When compared to the NI house price index by CLG which is down 36% form January 2008 the Citylets Rental Index has performed quite steadily.

Belfast Average Monthly Rent
Q2 2008 - Q2 2011



Citylets Rental Index v CLG House Price Index for NI
Jan 2008 - Jun 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	102.0
May	102.8	110.3	97.0	101.8
Jun	107.7	102.1	102.3	102.0
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	

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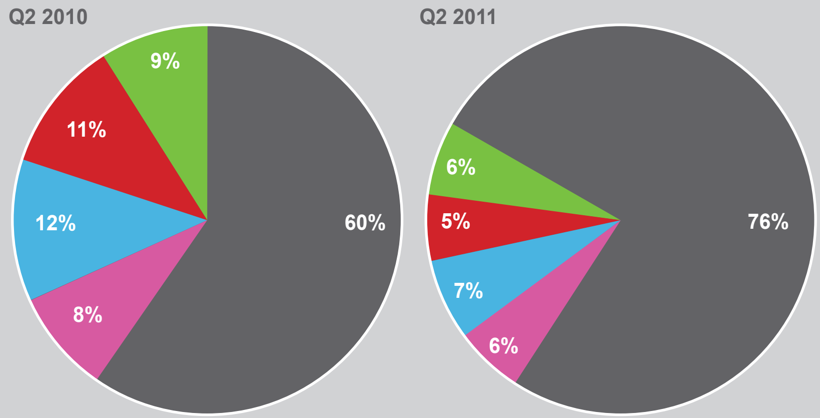
Time-to-Let Guide

During Q2 2011 the average TTL for all properties let in the Greater Belfast area was 44 days. This is significantly better than the TTL of 50 days seen in the previous quarter and an improvement of 4 days on the TTL figure of 48 days in Q2 2010. This quickening of the TTL is indicative of a well balanced market in which the demand for rental property is broadly being met by a steady supply of rental properties. For comparison it is interesting to note that cities like Edinburgh and Aberdeen both have average TTLs of 32 days while Glasgow stands at 37 days. If the Belfast rental market continues to expand then we can expect TTL figures to come down to comparable levels.

Time-to-Let
Q2 2010 - Q2 2011

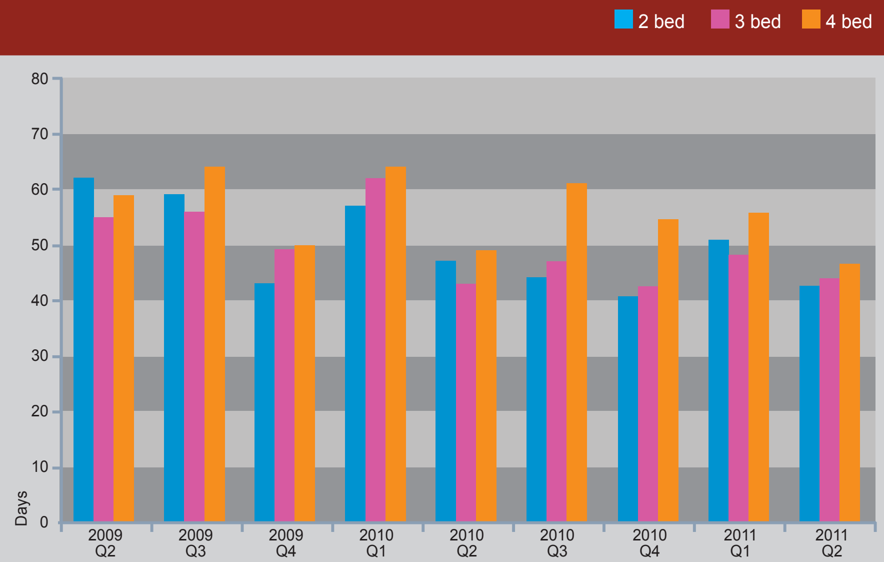
The proportion of properties taking more than 4 weeks to let in Q2 2011 (76%) was up from the 60% figure reported in Q2 2010. This is not of any great concern given that the overall average TTL figures have improved over the same period.



Time-to-Let in Belfast Houses by Size
Q2 2009 - Q2 2011

Our breakdown of TTL by house size shows that there were quarterly improvements across all house sizes in Q2 2011. The annual comparison shows there has been a slight improvement in TTL for 2 bed houses which now have a TTL of 43 days from 47 days in Q2 2010.

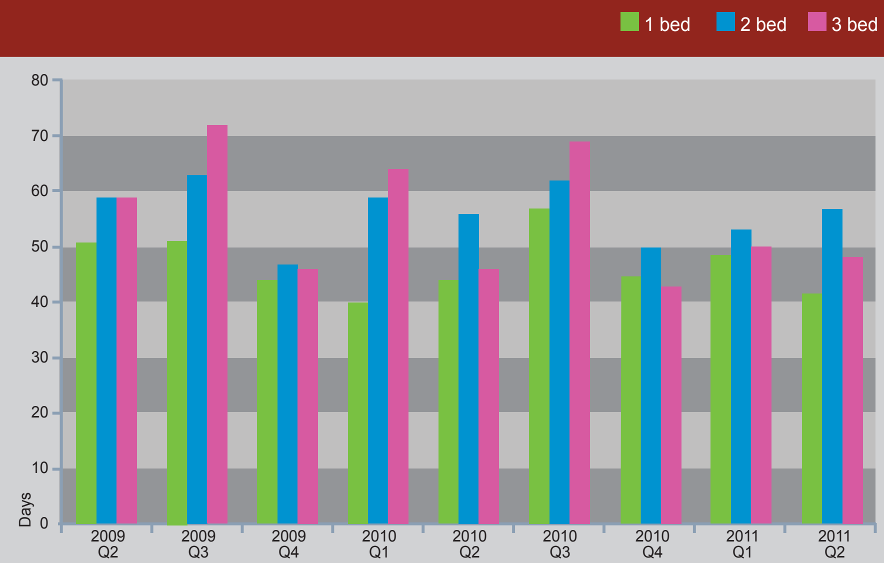
3 bed houses (44 days) are taking just a day longer to let than last year. Larger 4 bed houses have an average TTL of 47 days which is an improvement of 2 days on the figure of a year ago and 9 days on the figure for Q1 2011.



Time-to-Let in Belfast Apartments by Size
Q2 2009 - Q2 2011

In Q2 TTL figures for apartments of all sizes have recovered from the increases seen in Q1 and 1 bed apartments are now taking 42 days to let which is an improvement of 7 days.

2 bed apartments are taking 47 days while 3 bed apartments are now taking just 39 days which is the quickest TTL of any property type in Belfast. A comparison with Q2 2010 shows that 2 and 3 bed apartments saw annual improvements in TTL of 9 days and 7 days respectively while TTL for 1 bed apartments came down by 2 days over the year. Overall these are some of the best TTL figures we have seen for apartments since monitoring trends in 2008.



Detailed Rent Guide

Our analysis of the Belfast PRS shows that it has performed comparatively stably during the economic turmoil of the last four years and that PRS has filled the gap in supply caused by the slump in house sales and reduction of social housing provision.

It is clear though that that there will be continued pressure on PRS during the next few years as the full impact of the reductions in Housing Benefit begin to be felt.

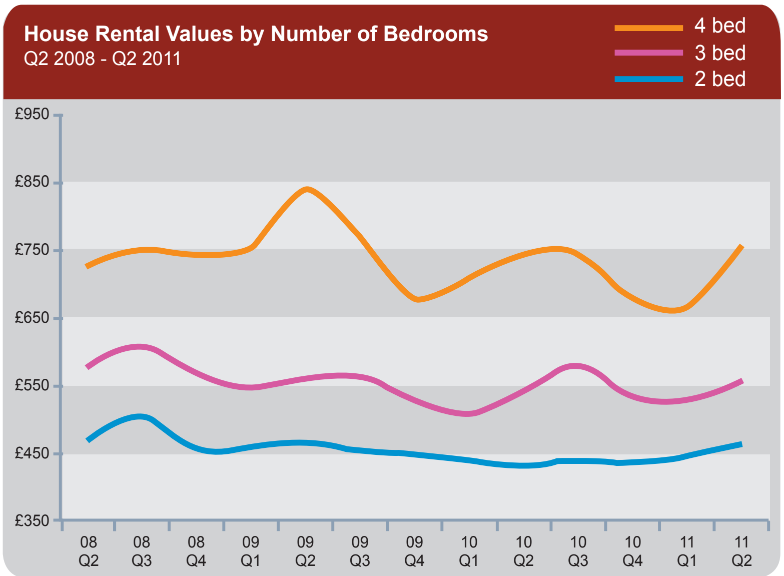
The adjacent charts show detailed trends in rental values by property type and size and highlight that average monthly rents for houses of all sizes went up in the most recent quarter.

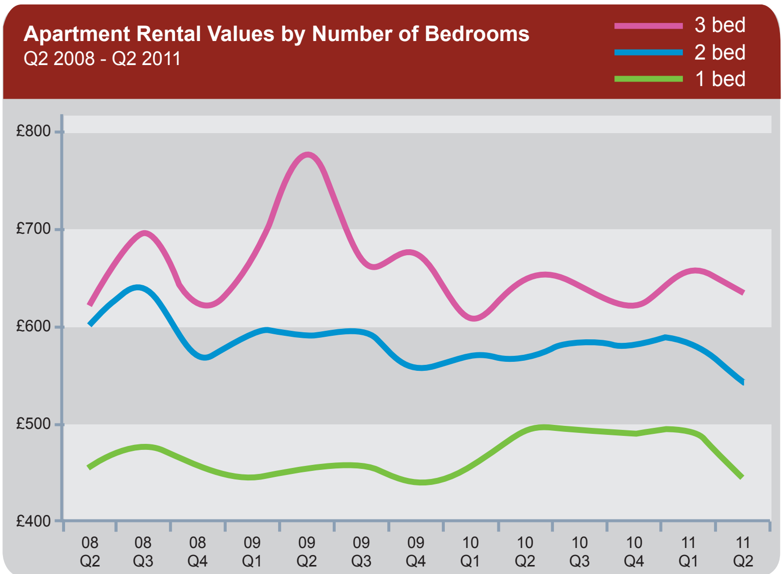
Over the year 2 bed houses rose 7.6% from Q2 2010 (£432) to Q2 2011 (£465). 3 bed houses saw a 3.1% upturn in Q2 2011 with average monthly rents now at £557 up from £540 in Q1 2010. Average rents for 4 bed houses rose 1.7% over the year from £744 in Q2 2010 to £757 in Q2 2011.

The rental growth that was seen in houses in Q2 2011 was certainly not repeated for apartments. 1 bed apartments are now averaging £446 which is 9.5% down on the figure of £493 a year ago. The average monthly rent for a 2 bed apartment was £543 in Q2 which represents a 4.4% decline over the year. The larger 3 bed apartments have also seen a slight fall from Q2 2010 (£651) to Q2 2011 (£635) which equates to an annual drop of 2.5%.

It is unusual to see such a clear difference in market performance between apartments and houses and we have yet to determine precisely why this is the case. It may be because of an increase in the supply of apartments to the market some of which were previously in the hands of the lenders or possibly that demand for houses increased because they are room for room more affordable than apartments.

Considering all properties together it is evident that rent growth in Q2 was directly proportional to size with the smaller 1 bed properties experiencing the largest falls in rent over the year (-5.4%) while the larger 4 bed properties appreciated at 5.3%. TTL figures have improved for all sizes of property and are very close to the overall 44 day average. Approximately a quarter of all properties are letting within a month of being advertised on the Citylets portal.





1, 2, 3 and 4 Bedroom Comparison

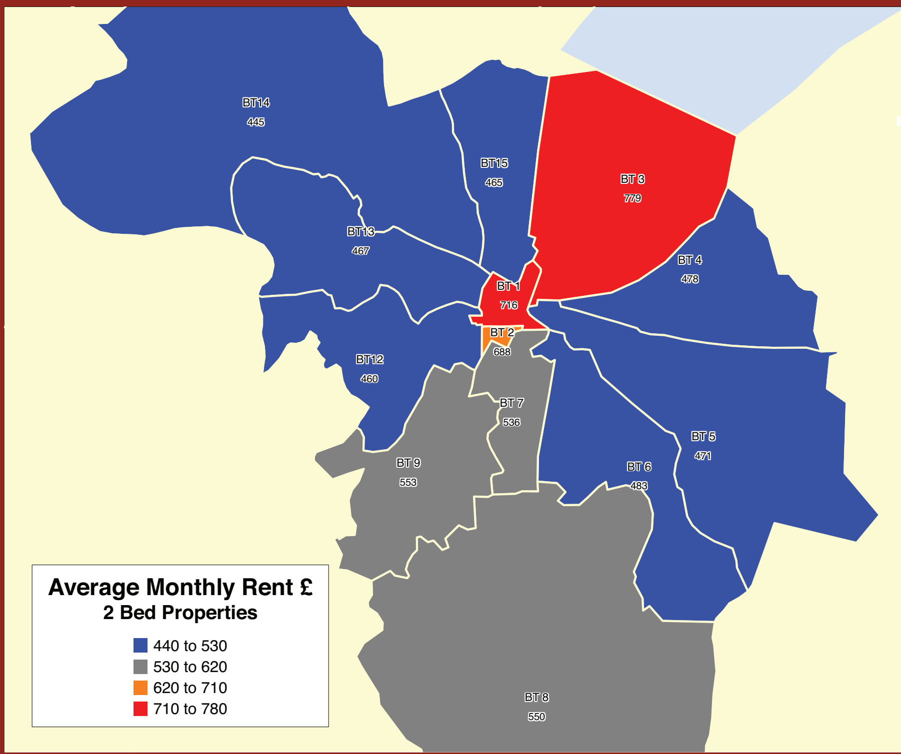
Bedroom	Average Rent Q2 2011	Growth Q2 2010-Q2 2011	Average TTL (days) Q2 2011	Change Q2 '10 - Q2 '11	Let within a week	Let within a month
1 bed	£459	-5.4%	42	-1	4%	22%
2 bed	£515	2.0%	45	-7	7%	26%
3 bed	£592	4.4%	42	-2	5%	25%
4 bed	£798	5.3%	44	-4	6%	24%

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		£716				53
BT2		£688				51
BT3		£779				73
BT4		£478	£505	£741		50
BT5	£403	£471	£520			60
BT6	£442	£483	£550			51
BT7	£455	£536	£623	£803	£997	41
BT8		£550	£603			46
BT9	£495	£553	£643	£866	£1008	43
BT12		£460	£438			45
BT13		£467	£457			49
BT14		£445	£475			47
BT15	£417	£465	£531	£589		41



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

Whilst we have made every effort to ensure information published in this report is correct Citylets gives no warranty or representation as to the accuracy or completeness of the information. The report does not constitute legal or other professional advice. We reserve the right to change methodology, discontinue or revise indices or other analysis at any time.

About Citylets

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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