THE BELFAST METROPOLITAN HOUSING MARKET AREA:

a local housing system analysis

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Abbreviations

BELFAST METROPOLITAN HMA	Belfast Metropolitan Housing Market Area
BMA	Belfast Metropolitan Area
BMAP	Belfast Metropolitan Area Plan
CHI	Community Health Index
DRD	Department for Regional Development
DSD	Department for Social Development
HMA	Housing Market Area
HNA	Housing Needs Assessment
LGD	Local Government District
LHSA	Local Housing System Analysis
NIHE	Northern Ireland Housing Executive
NISRA	Northern Ireland Statistics and Research Agency
ONS	Office for National Statistics
PPS	Planning Policy Statement
RDS	Regional Development Strategy
SDS	Spatial Development Strategy
TTWA	Travel To Work Area

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executive summary

Background

The main report is a pilot examination of a local housing system for the Belfast Metropolitan Housing Market Area (HMA). In association with the accompanying guidance manual, it provides a planning for housing tool, which will be used by Northern Ireland Housing Executive planners to form a template for similar studies of other housing market areas in Northern Ireland, as well as more locally focused studies for each of the Belfast Metropolitan housing sub-market area studies.

The Belfast Metropolitan HMA is the main economic engine of Northern Ireland. It was chosen as a pilot case study because it is the most complex of the housing market areas in Northern Ireland. It also provides numerous lessons for the conduct of such studies elsewhere in Northern Ireland. It has also been at the centre of an unprecedented boom and bust housing market, the effects of which have spilled over into social and private renting, the land market and the sustainability of the wider economy.

Northern Ireland's housing market has faced severe problems of affordability and rising housing pressure at a time when the wider global economy and financial system has been in systemic crisis. It is essential that housing planners understand what is going on in the Belfast Metropolitan HMA, distinguish long trends from short term variations and better grasp the significance of the major challenges confronting the housing system. This is what the Local Housing Systems Analysis (LHSA) attempts to do.

What is Local Housing Systems Analysis?

Local housing systems analysis (LHSA) is a framework for collecting, analysing and interpreting evidence across a well-defined spatial housing system, such as a metropolitan region and its hinterland. It allows housing planners to identify what imbalances or problems the evolving housing system is likely to confront and whether further research is required to resolve important 'known unknowns'. The main features of the LHSA framework are:

- An assessment of the boundaries of the housing market area based on consumer choices (i.e. local migration patterns)
- An assessment of the linkages between housing and the wider economic, social and political environment in which it operates at the housing market and, where appropriate, sub-market area level. This should include an appraisal of likely future trends and their consequences for the housing system.
- Analysis of the internal structure and dynamics of the housing system. This involves looking at current and anticipated trends within and between the three main tenures. It can also involve looking at important segments within the housing system such as different types of local areas or particular groups of the population.
- The evidence collected should be able to allow planners to conduct an 'imbalance' assessment of the key problems facing their housing system. This is the key output of the LHSA process.

The Belfast Metropolitan Housing Market Area

Earlier analysis by the research team identified a complete set of housing market areas (HMA) for Northern Ireland (Young, et al, 2010). The Belfast HMA extends beyond the Belfast Metropolitan Urban Area, which is the term used to describe the continuous built up area centred on Belfast but extending in an arc from Jordanstown to Knocknagoney, together with the City of Lisburn, and the towns of Bangor, Carrickfergus and Holywood – see Table 1. There is a single functional Belfast Housing Market, which extends beyond the BMA. To the South it includes Ards LGD and virtually all of Down LGD. To the West it includes settlements that lie along the A7 road in Banbridge LGD and/or lie adjacent to Lisburn LGD. To the North it extends across Larne LGD and most of Antrim LGD.

Table 1: Local authorities wholly or partly within the Belfast Metropolitan HMA

Belfast Metropolitan Area LGDs	BMA hinterland	Other LGDs partly in Belfast HMA
Belfast Carrickfergus Castlereagh Lisburn Newtownabbey North Down	Ards Larne Antrim (all wards except Toome) Down (all wards except Tollymore)	Banbridge(all but 6 wards) Ballymena (3 wards in southern tip) Craigavon (4 wards in east of LGD)

NISRA 2008 based projections indicate that in 2010 the Belfast Metropolitan HMA was home to almost 390,000 households, equivalent to 56% of all households resident in Northern Ireland.
Within the Belfast Metropolitan HMA there are seven distinct sub-market areas which, although reasonably self-contained[1], experience significant levels of net in-migration from the rest of the Belfast Metropolitan HMA. In terms of household numbers, the largest sub-market area is Greater Belfast (218,400), followed by Lisburn (48,500) North Down (31,700), East Antrim (31,500), South Antrim (28,500) Down (23,500) and the Ards Peninsula (7,700).

Imbalances and the Future

The period to 2008 was one of sustained economic growth. The increasing prosperity of most households contributed to an upturn in residential mobility and a strengthening of the residential links between the Belfast Metropolitan Area and the surrounding areas in the years to 2008. One consequence of this increase in the numbers of households moving from the Belfast Metropolitan Area to nearby settlements was that the spatial boundary of the the Belfast Metropolitan HMA significantly extended as the market boomed. The very high rates of housing construction in the sub-markets of Lisburn, South Antrim, and Down and the comparatively low rate of housing construction in the Greater Belfast sub-market in the years up to 2007 helped to accelerate expansion.

The most significant imbalance that emerged in the decade to 2008 centred on the issue of affordability and access to owner occupation. The Belfast Metropolitan HMA experienced a period of sharp house price rises in the decade to 2007. House prices over the period increased far more rapidly than household earnings and incomes. The rate of house price inflation was such that even prices for lower priced areas and lower value property types were becoming unaffordable for most potential first time buyers by 2005. The price spike that occurred between 2005 and 2007 is widely believed to have been driven by speculator and investor activity rather than owner occupied purchase. This brought about a remarkable growth in the private rented sector and some decline in the owner occupied sector.

[1] In other words, each area includes the origin and destination of the majority of households that move house.

Changes in the housing market have had spillover effects on the social rented sector. In the eight years to 2008, the total number of applicants on the common waiting list assessed to be in housing stress has increased by some 40%. However, there has been no discernible increase in the annual numbers of new applicants joining the common waiting list in recent years. The lack of any such upward trend suggests that the expansion of private renting has ensured that the increase in the level of housing stress reported has been lower than it might otherwise have been[2]. Set against this, however, are that many new applicants that register each year already rent from a private landlord.

Since 2008 the Belfast Metropolitan HMA has been going through a prolonged and painful period of housing market correction. During 2008, the global credit crunch and the lack of liquidity brought about a swift reduction in the number of mortgages and other loans issued. This in turn led to a steep downturn in housing construction, property transactions and house prices. During 2009 and 2010 a recessionary economy and rising unemployment had a further downward effect on housing demand as both potential homeowners and developers lost further confidence in the market.

Between 2007 and 2009 figures from the Ulster University suggest that the median house price for the Belfast Metropolitan HMA fell from over £205,000 to £151,200. Likewise, the lower quartile price for 2 or 3 bedrooms properties, which is typically used to approximate the entry-level price threshold, fell from £109,500 to £94,500.

Short Term Prospects

On the surface, falling house prices have improved affordability. However, this has been more than offset by tighter lending criteria which have made it very difficult for potential homeowners to raise the necessary deposits and finance. At present, it is difficult to predict short-term price trends with any certainty. Likewise supply and demand in the private and social rental market remain very volatile. There are few signs that the overhang of new vacant apartment housing is diminishing rapidly and there are concerns that it is discouraging further investment in the sector.

There were few signs that house prices had begun to stabilise throughout 2010. Moreover, the underlying economic conditions required to pull the housing market out of recession are not in place and may not be for some considerable period. The planned public expenditure cuts in Northern Ireland in the wake of the UK Comprehensive Spending Review will result in a considerable fall in financial resources available over the next 4 years. Over £1.4 billion will be lost from the NI capital expenditure programme, which will more than likely mean that housing construction projects will be deferred or cancelled. The scale of the cuts suggests that they will have lasting implications for the Belfast Metropolitan HMA.

Long Term Challenges

The draft Regional Development Strategy (DRD, 2011) indicates a requirement for some 90,900 new houses over the 17 years to 2025. This equates to an average of some 5,350 units per annum, which is slightly lower than the 2006 based figure. Determining the future requirement for housing is not an exact science. Even during times of stable economic growth there is always ambiguity over long-term future household growth numbers. The changed economic circumstances and the tightening of public expenditure indicate that the assumptions on which long-range household projections are founded will require careful monitoring.

[2] If the profile of new applicants that join the CWL during the year is comparable to the profile of applicants on the CWL at the start of the year, we would expect an increase in the annual number of new applicants would be expected to lead to a corresponding increase in the total number of applicants assessed to be in housing stress.

Two other key challenges for the longer term involve both looking at ways to support the stabilisation - and possible modest expansion - of the private rented sector and proposals to improve residential choice in areas of weaker demand within the HMA. The latter would be supported by further work to better understand the push and pull factors that shape residential mobility decisions and then articulate policy that works with the grain of these forces.

Wider Lessons for LHSA in Northern Ireland

Short run difficulties that create hardship for particular segments of the population often merit some form of policy intervention. However, planners also need to think about long-term imbalances that may require more concerted intervention to resolve. In stable housing markets, differentiating between the two can be relatively straightforward. However, the volatility and rapid downturn in the Belfast Metropolitan HMA has posed significant challenges. Ultimately, decisions have to be based on judgement and assumptions based on the reading of the available evidence. In this respect LHSA is an art as well as a science.

Different housing market areas face different market contexts with associated challenges. It is therefore very useful to invest time at the inception of the LHSA to set out the key questions to be answered and determine which sources of data should help to answer these questions.

The reporting geography used should not be overly ambitious. For this first LHSA - in terms of reporting geography - less may be more. More fine-grained analysis could be attempted the second time around; – for example, the operation of the housing system in rural areas is often distinctive and requires a more fine-grained analysis at the local area level. This report is not sensitive to the imbalances that can arise at a neighbourhood level or in rural areas.

A large share of the time required to undertake LHSA, particularly the first time round, is spent collating the required time-series data. This pilot study has identified the most important data sources and the data preparation required to make best use of them. The accompanying guidance manual includes appendices that seek to share this knowledge.

introduction

Study Aims and Objectives

Northern Ireland is in a dynamic period of social, economic and political change. The region is in the process of harvesting the long-term economic benefits of the peace process whilst also having to contend with the consequences of the global credit crunch and the disproportionate local effects of the tightening of public finance. Northern Ireland's policy makers also need to address the longer-term implications of population ageing.

As elsewhere in the UK, most households look to the market to provide housing. It is therefore vital to take account of housing market dynamics when planning for housing provision and when developing policies for addressing future housing demand and need.

To meet the challenges posed by these changes and trends, the Northern Ireland Housing Executive (NIHE) commissioned the study team to assist in strengthening and adapting its housing strategy development capabilities. In essence, the commission was to equip NIHE with the tools needed to ensure housing planning in Northern Ireland can deal with the demands an increasingly complex, uncertain and market-oriented world, is placing upon it.

The aims of the project, as articulated in the research brief, were to:

- Produce a local housing system analysis (LHSA) for the Belfast Metropolitan housing market area (Belfast Metropolitan HMA), identified through a previous commission (Young et al, 2010).
- Provide NIHE planning staff with sufficient training to enable them to undertake LHSA work in house for other defined housing market areas on an ongoing basis.

Within these overall aims, the specific objectives were to:

- Undertake a data audit of the key economic, demographic and housing data for the Belfast Metropolitan HMA.
- Provide a broad indication of the main housing sub-markets within the Belfast Metropolitan HMA.
- Conduct data analysis to establish the current position of the Belfast Metropolitan HMA and likely future trends.
- Deliver an appropriate training programme for NIHE planning staff to ensure they acquire the understanding and competencies required to undertake LHSA.
- Prepare a guidance manual on conducting LHSA in Northern Ireland which draws on the experience of conducting the Belfast Metropolitan HMA case study and offers advice on:
    - How LHSA may be implemented successfully, taking into account ongoing public sector reforms (which are outlined in chapter 3;
    - Appropriate data sources and their uses; and
    - The most appropriate methods for undertaking LHSA in rural areas.

Report structure
This report is one of the main outputs from the commission. It reports the findings from an analysis of the local housing system for the Belfast Metropolitan HMA. The report is structured as follows:

- Section 2 summarises the geography of the Belfast Metropolitan HMA and its constituent sub-market areas and the work undertaken to define these sub-market areas.
- Section 3 presents the wider policy and planning context within which the Belfast Metropolitan HMA operates.
- Section 4 considers economic and demographic trends and their significance for the Belfast Metropolitan HMA.
- Sections 5 to 7 consider each of the main tenures within the housing system.
- Section 8 evaluates the available evidence and identifies the key system imbalances facing the Belfast Metropolitan HMA, including unmet housing need.
- Section 9 summarises our conclusions and recommendations in respect of the LHSA process.

A central principle of LHSA is that housing systems operate at different spatial scales. An important starting point, which is the focus of this report, is to understand the relationship between economic, social and demographic processes and the operation of the housing system. This report is intended to provide a housing market-wide understanding of the operation of the housing system. This is an essential part of the evidence base required to inform local assessments for each sub-housing market area to be prepared by NIHE. This report is therefore not sensitive to imbalances that can arise at a neighbourhood level or in rural areas.

This study relies primarily on secondary data sources. Some of these were supplied by NIHE, including NIHE stock data, housing register data and the Northern Ireland House Condition Survey (NIHCS). Summary house price evidence and access to the private rental sector database were very kindly provided by the University of Ulster. In addition, we drew on data issued by the Northern Ireland Department of Enterprise Trade and Investment (DETINI) and the Department for Social Development (DSD). We also made extensive use of statistics published by the Northern Ireland Statistics and Research Agency (NISRA), especially statistics published through its neighbourhood information service website (NINIS). NISRA also kindly provided an edited and anonymised ward level version of the Central Health Index (CHI) which was used to analyse local migration flows.

The spatial building block employed for this study was the ward, which is the basis on which the Belfast Metropolitan HMA and its constituent housing sub-market areas have been defined. In most cases housing market and sub-market totals are based on aggregated ward data[3]. Where possible the data presented in the draft report prepared during the summer of 2010 has been updated. Nonetheless, time lags in the publication of data mean that some of the analysis is less timely than we would have hoped.

[3] As discussed in the guidance manual, in some instances it was necessary (and feasible) to apportion data not published below local government district below sub-market area.

the belfast metropolitan housing market area

Introduction

In order to analyse a housing market area, a vital first step is to define the spatial extent and structure of the housing market area. This chapter therefore outlines the spatial boundaries of the Belfast Metropolitan Housing Market Area (Belfast Metropolitan HMA) and its seven sub-market areas, which is the geographical hierarchy used in subsequent chapters of the report.

Delineating the Spatial Structure of the Belfast Metropolitan HMA

What do we mean by a functional housing market area?

Markets exist when buyers and sellers come together to trade goods and services. Most households looking to move house want to continue to live in the same general area where they have family, friends and can commute to work. Housing markets therefore function over a spatial area that reflects the housing and location choices of consumers rather than administrative boundaries.

Housing demand is largely self-contained at the housing market area level. It is the area within which most adults both live and work. It is also the area within which most households will search for housing and where a change of residence unconnected with a change of employment or education will occur. As such, analysis of migration and commuting flows is often used to determine the geographical area over which a housing market functions and to map the boundaries across which relatively few households change residence or commute.

Over the past decade the concept of a housing market area has become central to the development of policies in relation to strategic planning, economic development and housing across the UK. Analysis of the dynamics of the housing system at the housing market area level can improve understanding of the linkages between housing and the wider economic, social and political environment in which it operates. More specifically, analysis of the inter-connections between these external forces and the supply and consumption of housing can improve the understanding of how well a housing system is functioning and why certain imbalances exist. This in turn can help to inform policies that seek to shape the volume and mix of market, social and affordable housing available. It can also inform policies that seek to make more effective use of the existing stock.

Spatial sub-divisions within a housing market area

The design, quality, tenure and characteristics of the housing stock vary across a housing market area. Households also vary in their location and housing preferences and in their willingness to search for housing over a wide area. Such variations influence the internal structure of the housing system. In particular, the short distance of many residential moves illustrates that housing systems can operate at different spatial levels. It is therefore useful to view a housing market area as a tiered entity where different spatial areas nest into each other such that:

- Housing market area: A housing market area (HMA) constitutes the 'upper tier' and represents the spatial area at which commuting patterns and migration patterns interact. It represents the widest geographical area where large numbers of households move house without changing employment or education.
- Sub-market area: Large and complex housing market areas that extend across large *metropolitan* areas can contain housing sub-markets. These areas typically display a reasonable degree of self-containment. Nonetheless, they are influenced by events and trends at the wider HMA level, not least because of demand from households that have relocated from elsewhere in the wider HMA. Sub-market areas therefore constitute a 'lower tier' that nest within the 'upper tier' housing market area.
- Local areas: Beneath the housing market area (and sub-market areas where they exist) there are other spatial units of interest. Examples include settlements and villages. Other examples include spatial areas of policy interest such as neighbourhood renewal areas and the housing management areas of social landlords.

Some parts of the Belfast Metropolitan HMA are predominately rural in nature. This does not necessarily mean that there is a distinctive rural housing sub-market area. Generally, household numbers and levels of residential mobility are too small to identify distinctive housing sub-market areas. However, the operation of the housing system in rural areas is often distinctive and requires fine-grained analysis at the local area level in order to assess any blockages that may prevent households living in rural areas from securing suitable housing.

In urban areas fine-grained analysis is also necessary to understand the characteristics of neighbourhoods and the extent to which different neighbourhoods are integrated into the wider housing system. This is particularly important in Northern Ireland, where market processes and policy interventions both impact on communal separation or integration.

The rural and neighbourhood examples outlined above indicate that LHSA is not a 'one-size-fits-all' approach. The scale and complexity of the Belfast Metropolitan HMA has highlighted the need to be clear about the spatial level at which different issues can be explored and to ensure analyses at different spatial scales are interlinked and flow from one to the other.

As highlighted in the guidance manual, the changing balance between housing supply and demand, and the external drivers underpinning housing system dynamics across the main tenures, are appropriately assessed at the housing market and sub-market area level.

By contrast, issues relating to the tenure mix, quality and popularity of housing in different places and their influence on the behaviour of consumers and agencies, often require local area analysis. Moreover, different research tools are often necessary. In particular, researching the perceptions and strategies of consumers and agencies is often central to understanding the factors that contribute to problems and frictions that can be acutely experienced at the local area level.

Definition of Belfast housing sub-markets used in this study

Consistent with this finding, the term "housing sub-market" is used in this report to refer to reasonably self-contained housing sub-markets[4] that nest within the Belfast Metropolitan HMA.

The Belfast Metropolitan HMA

The derivation of the Belfast Metropolitan HMA and the other 10 housing markets that function across Northern Ireland is set out in a separate report (Young et al, 2010). Essentially, the study assessed whether Travel to Work Areas (TTWAs) provided a reasonable approximation of housing market areas in 2001, by comparing Census commuting and migration patterns. Migration patterns between 2004 and 2007, which were derived from the Central Health Index (CHI)[5], were then analysed to develop a more detailed and timely understanding of the linkages between different areas and the influence of employment centres on residential flows. The validity of the HMA boundaries was also explored through stakeholder discussions.

The Belfast Metropolitan HMA is mapped in figure 2.1 whilst table 2.1 shows which local government districts (LGD) fall wholly or partly within the Belfast Metropolitan HMA. The Belfast Metropolitan HMA extends beyond the Belfast Metropolitan Area (BMA) to include:

- All of Larne LGD, virtually all of Antrim LGD and the wards of Kells, Grange and Glenwhirry in Ballymena LGD to the north.
- Ards LGD and almost all of Down LGD to the south, including the settlements of Downpatrick and Newcastle.
- Much of Banbridge LGD and the eastern edge of Craigavon LGD (the wards of Aghagallon, Donaghcloney, Magheralin and Waringstown) to the west.

Table 2.1: Local government districts wholly or partly within the Belfast Metropolitan HMA

Belfast Metropolitan Area LGDs	BMA hinterland	Other LGDs that partly fall within the Belfast Metropolitan HMA
Belfast Carrickfergus Castlereagh Lisburn Newtownabbey North Down	Ards Larne Antrim (all wards except Toome) Down (all wards except Tollymore)	Banbridge(all but 6 wards) Ballymena (3 wards in southern tip) Craigavon (4 wards in east of LGD)

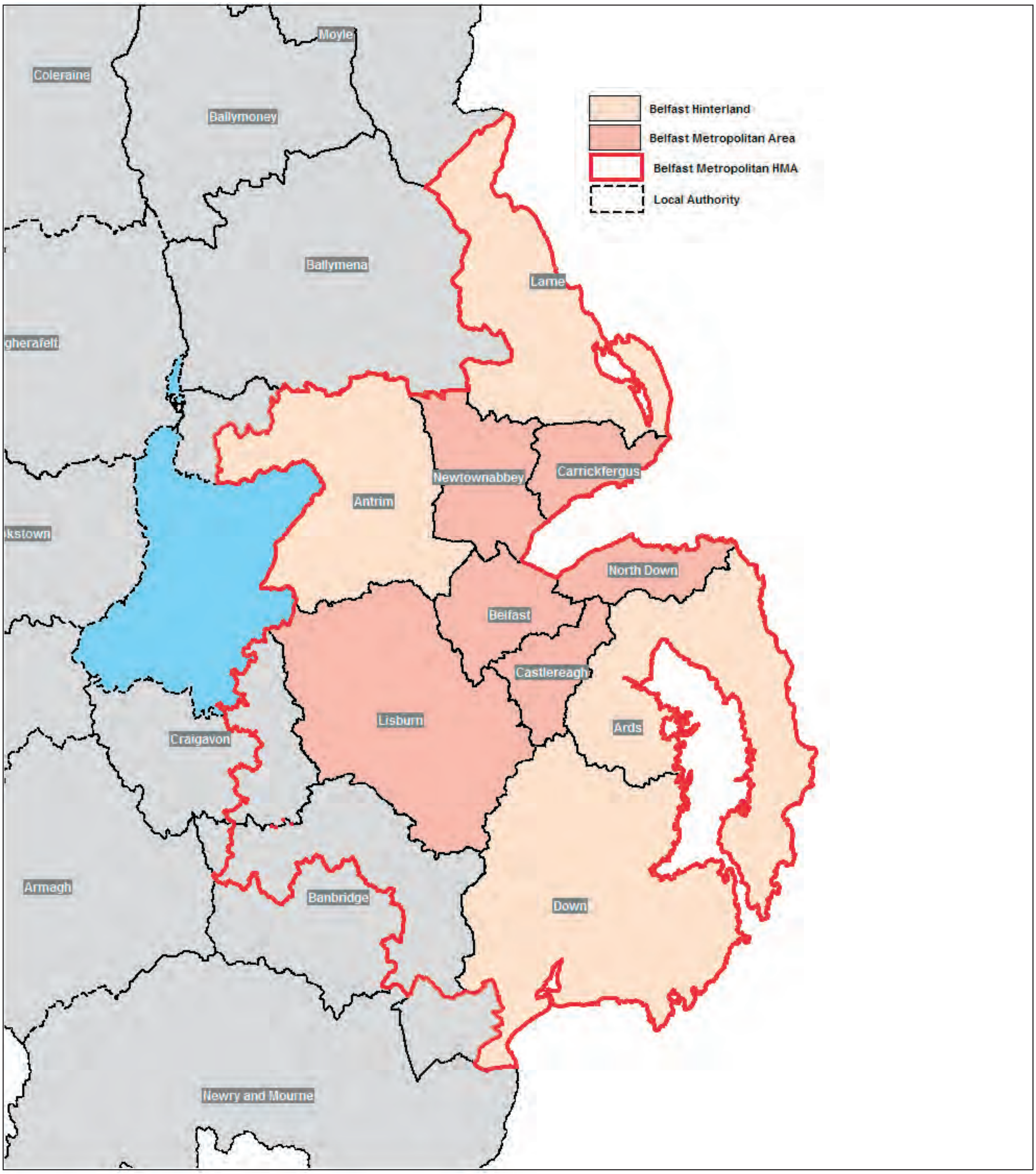
The Belfast Metropolitan HMA also extends beyond the Belfast Metropolitan Urban Area (BMUA), which is the term used to describe the continuous built up area centred on Belfast but extending in an arc from Jordanstown to Knocknagoney, together with the City of Lisburn, and the towns of Bangor, Carrickfergus and Holywood.

The Belfast Metropolitan HMA is home to some 936,500 individuals and 384,500 households, which equates to 54% of Northern Ireland's household population. Just over half of the Northern Ireland labour force also works in the Belfast Metropolitan HMA. This reflects the fact that the Belfast Metropolitan Area remains the primary economic engine for the region and that this area has experienced considerable levels of infrastructure investment subsequent to the signing of the '1998 Agreement'.

[4] Watkins (2001) noted that the term 'housing sub-market' has been used interchangeably to refer to different subdivisions of the housing system, including different forms of spatial areas, and the main tenures. Economists typically use the term 'sub-market' to describe a situation whereby a sub-set of dwellings demonstrate a different house price structure and rate of house price inflation from the surrounding housing market over a long period of time. However, a widely accepted, practical and transparent method for defining sub-markets consistent with this line of economic argument has proved elusive for over 40 years.

[5] The CHI collects information on residents of Northern Ireland who change GP registration.

Figure 2.1: Belfast Metropolitan Housing Market Area



Submarket Structure of the Belfast Metropolitan HMA

Summary of method applied to identify Belfast Metropolitan HMA sub market areas

As noted earlier, one objective of this study was to provide 'a broad indication' of the local housing sub-markets that function within the Belfast Metropolitan HMA. To assist in this process, further analysis of local migration patterns derived from the CHI dataset supplied by NISRA was undertaken.

As discussed in more detail in Appendix 2, these findings were used to identify and appraise the degree of connectivity between different urban areas, settlements and rural localities within the Belfast Metropolitan HMA. Based on our interpretation of the CHI evidence, discussions with the steering group and feedback from NIHE planning staff, seven sub-market areas within the Belfast Metropolitan HMA, were agreed.

Stakeholder interviews confirm that the 7 sub-markets, which are shown in figure 2.2, broadly correspond with estate agent and other local housing professionals impressions of the main spatial sub-divisions with the Belfast Metropolitan HMA.

Table 2.2 confirms that in 2001 owner occupation was the dominant tenure across each of the seven sub-market areas that nest within the Belfast Metropolitan HMA, although there was a much higher share of rented housing in the Greater Belfast sub-market[6].

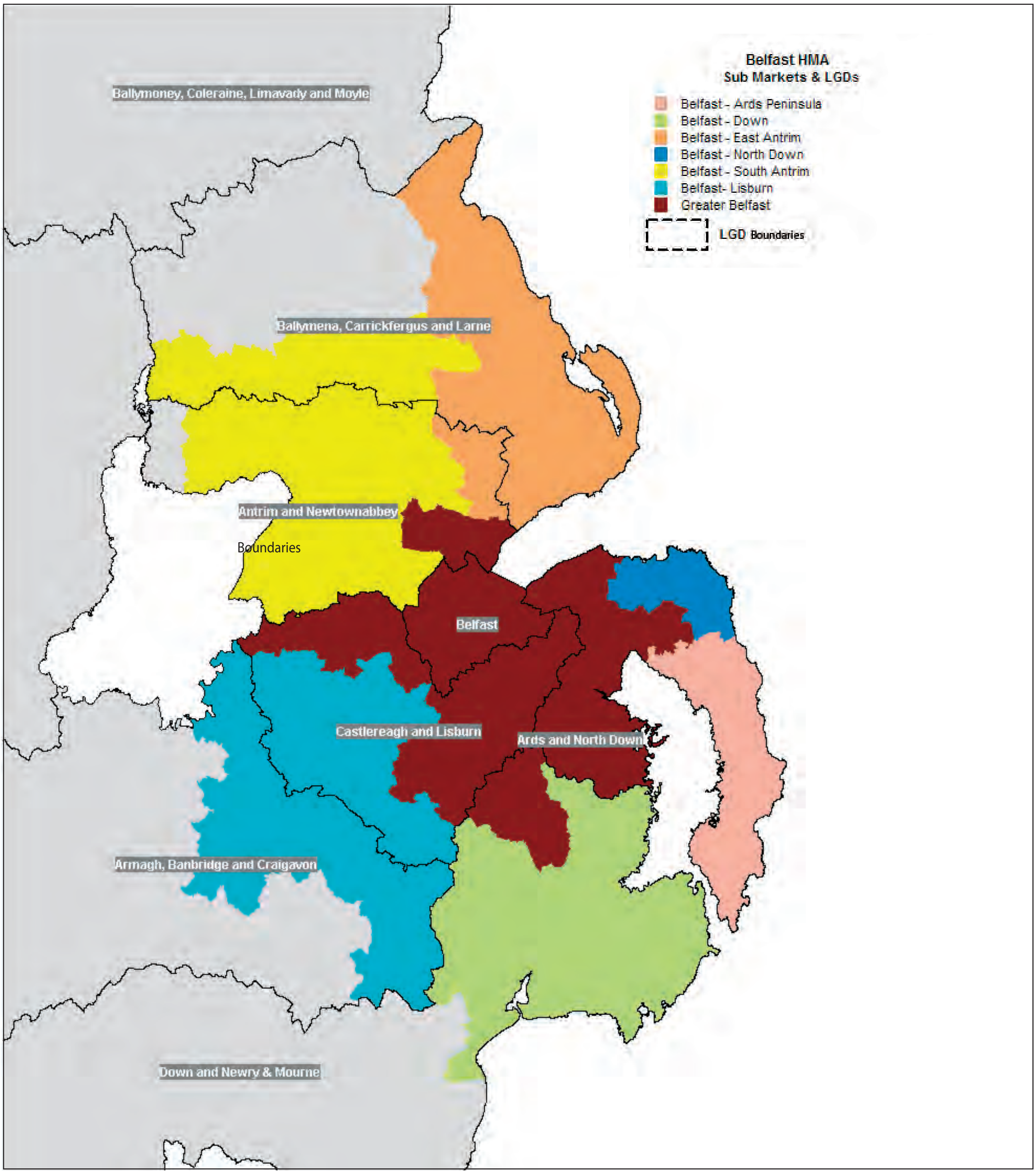
Table 2.2: Housing tenure of households, 2001

	Owner Occupied (%)	**Social renting** (%)	**Private Renting** (%)	**Other** (%)	**All** (%)	**No households**
Northern Ireland	70	21	7	2	100	626,711
Belfast Metropolitan HMA	69	23	6	2	100	355,294
Ards Peninsula	75	16	6	3	100	6,056
Down	71	18	7	4	100	19,298
East Antrim	75	18	5	2	100	28,092
Greater Belfast	63	27	8	2	100	206,662
Lisburn	76	17	4	3	100	42,107
North Down	77	15	6	2	100	28,264
South Antrim	74	17	4	5	100	24,815

Census (2001) Table KS18: Tenure (Numbers) – ward based outputs rounded to nearest percent.

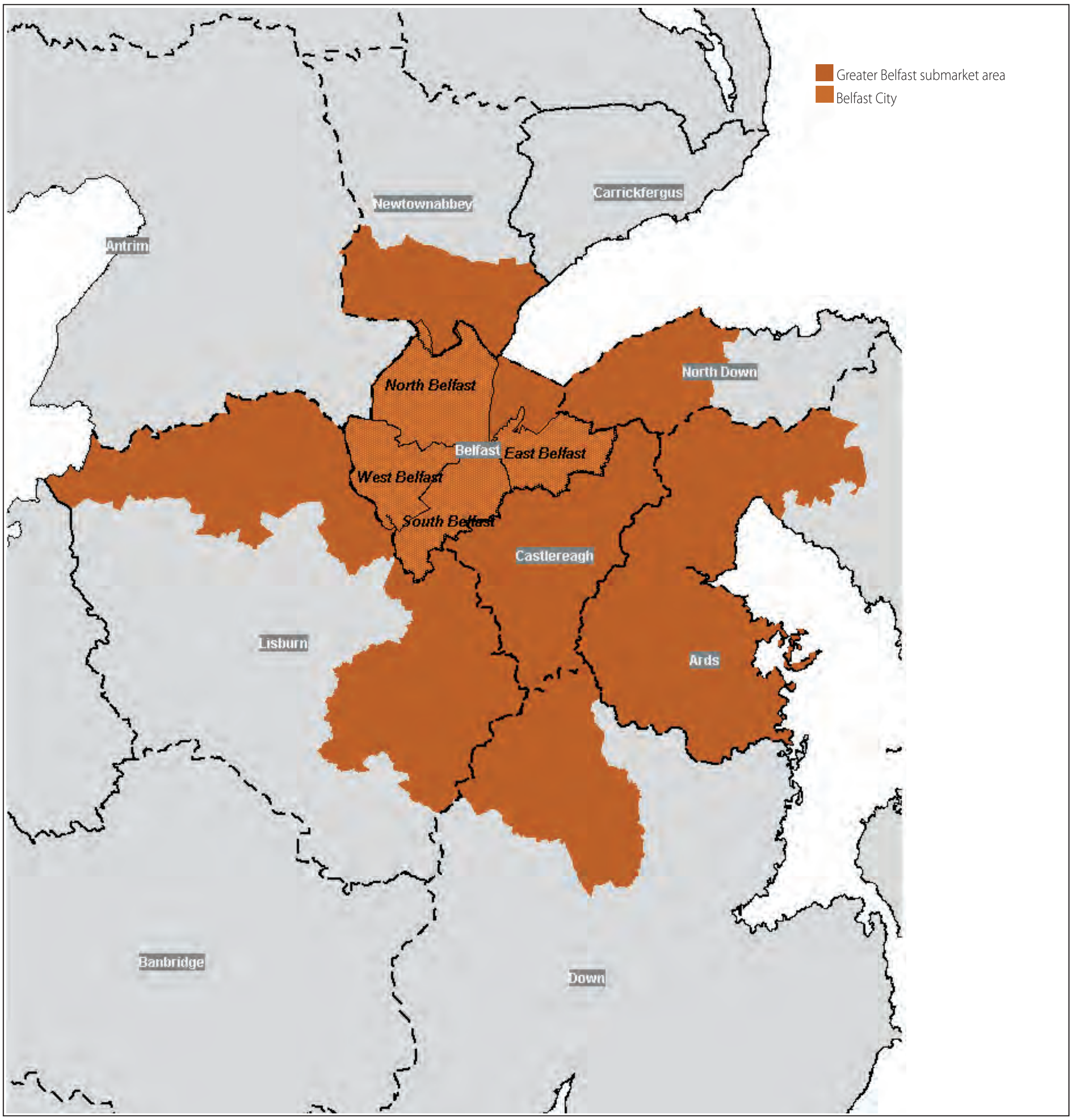
[6] Table A2.1 in appendix 2 lists all wards in each of the 13 Local Government Districts that fall wholly or partly within the Belfast Metropolitan HMA and (where appropriate) to which sub-market each ward has been assigned.

Figure 2.2: The Sub-market Areas of the Belfast Metropolitan HMA



Greater Belfast sub-market
The Greater Belfast sub-market area represents the urban centre of the Belfast Metropolitan HMA. Figure 2.3 shows that this sub-market is more tightly defined than the Belfast Metropolitan Area and extends across:

Figure 2.3: The Greater Belfast sub-market area.



- The Local Government Districts of Belfast and Castlereagh, which are very closely linked; upwards of 31% of people moving within or to Castlereagh come from Belfast LGD, rising to over 40% in some wards.
- Much of Newtownabbey LGD, including the area running alongside Belfast Lough as far as Whiteabbey and Jordanstown and along the M5 motorway to Mallusk. It therefore includes the majority of the area that NISRA define as the Newtownabbey Urban Area. In 2009 almost 8 out of 10 households in Newtownabbey LGD lived in Greater Belfast. Moreover, just under a quarter of people who moved within this area between 2004 and 2007 came from Belfast LGD or Castlereagh LGD.
- The area south of Castlereagh to include the two largest Ards LGD settlements of Newtownards, Comber and along the A7 road to Saintfield in Down LGD. In 2009 around 6 out of 10 households in Ards LGD lived within the boundaries of the Greater Belfast LGD.
- The area south of Belfast Lough to include Holywood, St Helen's Bay and Crawfordsburn, all of which lie within North Down LGD.
- Lisburn LGD wards that lie adjacent to Belfast LGD or Castlereagh LGD such as Dunmurry, Collin Glen, Poleglass, Twinbrook and Glenavy.

In the few instances where data could not be apportioned below LGD, level the combined figures for Belfast, Castlereagh and Newtownabbey LGDs are used as an approximation for Greater Belfast.

Lisburn sub-market
Most of the Lisburn Urban Area as well as Moira and Hillsborough form the nucleus of the Lisburn sub-market. In 2009 some 63% of the Lisburn LGD population lived in this sub-market. The Lisburn sub-market also includes those wards that form the western rim of the Belfast Metropolitan HMA and lie adjacent to Lisburn LGD. These include:
- The four Craigavon LGD wards that form the western edge of the Belfast Metropolitan HMA.
- The wards that make up the settlements of Banbridge Town, Dromore and Lawrencetown, which are all located in Banbridge LGD. These settlements all lie close to the A1 road and are within easy travelling distance of Lisburn and Belfast. The only exception is the settlement of Gilford which lies outside of the Belfast Metropolitan HMA and is more closely connected to parts of Craigavon and Armagh.

South Antrim sub-market
South Antrim extends across the whole of Antrim LGD with the exception of Toome ward, which is part of the Mid-Ulster HMA. It encompasses Antrim Town, Crumlin, Randalstown, Parkgate and Templepatrick and a reasonably extensive rural hinterland. It also includes:
- The three wards that make up the southern rural tip of Ballymena LGD that fall within the wider Belfast Metropolitan HMA.
- The four wards in the northern half of Newtownabbey LGD that make up Ballyclare and the surrounding rural area.

Consistent with the RDS 2001-25 proposals, South Antrim has witnessed high rates of new housing development in order to provide a "counter-balance" to the rate of growth in the BMA.

East Antrim sub-market
East Antrim comprises the local government districts of Carrickfergus and Larne and the rural ward of Ballynure located in the north east of Newtownabbey LGD.

Analysis of the CHI-derived migration flows confirms that there is connectivity between Carrickfergus and the Larne LGD villages of Ballycarry, Ballystrudder, Glynn, Ballygalley, Glenarm, Carnlough and the rural hinterland. By contrast, connectivity between Carrickfergus LGD and Larne Town is limited. Few people migrate into or out of Larne Town. Likewise, the town has comparatively low numbers of in-commuters and out-commuters; most migration and commuter flows are in and out of Carrickfergus.

The limited connectivity between Larne Town and the rest of East Antrim (and the wider Belfast Metropolitan HMA) appears to mirror the lack of inward investment and the decline in the town's appearance in the past decade or more. In June 2010 the Department for Social Development (DSD) issued a Masterplan for the town that seeks to reinvigorate its retail and commerce sectors and improve the physical appearance and environmental quality of the town. If these plans proceed, connectivity between Larne Town and the rest of East Antrim sub-market is very likely to increase.

North Down sub-market

The North Down sub-market is one of the more compressed sub-market areas within the Belfast Metropolitan HMA. It is centred on Bangor but extends over an area that includes Groomsport, Clandeboye, Conlig, Millisle and Donaghadee.

Bangor's seaside location and good road and rail links to Belfast make it an attractive and popular residential location and an important retail centre. Although house prices have fallen in recent months, they remain high and this has constrained the ability of households to access the owner occupied market. This has contributed to an increase in numbers of households that have moved south into the Ards peninsula area and the continuing high level of applicants seeking social housing.

Ards Peninsula sub-market

The Ards Peninsula sub-market includes the villages of Greyabbey, Kircubbin, Ballywalter and Portavogie. It also includes Portaferry which acts as a local service area. The Ards sub-market is rural in character. Although the villages share some similar characteristics, they are not highly integrated. Few people move from one year to the next and those that do tend to move within the same locality.

The area in and around Portavogie and Cloughey has experienced considerable levels of new housing construction in recent years. This has supported household growth and some increase in the numbers of households that have relocated from the urban centre of Greater Belfast. This is consistent with the fact that most people that move to the Ards Peninsula from elsewhere in Northern Ireland previously lived in Greater Belfast.

Down sub-market

The Down sub-market is also predominatly rural in character. It extends across the whole of Down LGD other than the Tollymore ward, which is more closely connected with the neighbouring wards in Newry than the Kilmore and Saintfield wards which fall inside the Greater Belfast sub-market area.

The main settlement of Downpatrick is connected to Belfast by the A7 road and is an important local employment and service centre. Consistent with the RDS 2001-25 policies, there has been much new housing development in this area "to counter-balance the Belfast Metropolitan Area".

The other main settlements include Ballynahinch and Newcastle. The area also includes several villages and an extensive rural hinterland.

Summary

Housing systems generally operate across a spatially defined area, which is typically identified by looking at migration and commuting flows. Beneath this outer shell, the internal structure of local housing systems can be very diverse and, for large housing market areas that extend across several local government district boundaries, it is often possible to discern housing sub-market areas.

The Belfast Metropolitan HMA is by far the largest and most complex housing market in Northern Ireland, reflecting the fact the Belfast Metropolitan Area is the economic driver for Northern Ireland and the largest retail and commercial centre. However, the Belfast Metropolitan HMA extends beyond the BMA, consistent with the fact that the economy draws in workers from adjoining Local Government Districts. To the South it includes Ards LGD and virtually all of Down LGD. To the west it includes settlements that lie along the A7 road in Banbridge and/or lie adjacent to Lisburn LGD. To the north it extends across Larne LGD and most of Antrim LGD.

Analysis of residential movement patterns between 2004 and 2007 and discussions with local stakeholders confirm that the Belfast Metropolitan HMA contains seven discernable housing sub-market areas which are:

- Ards Peninsula
- Down
- East Antrim
- Greater Belfast
- Lisburn
- North Down
- South Antrim

These sub-markets reflect the fact that a reasonably high share of housing demand is locally generated by households that move quite short distances. Looking across Northern Ireland, the Belfast Metropolitan HMA is perhaps the only housing market that is comprised of distinctive sub-market areas as the term is defined here.

Sitting beneath these sub-market areas are a mix of urban and rural areas, including areas that have particular policy significance, such as neighbourhood renewal areas.

The scope of the work was to analyse and promote understanding of how the housing system is operating at the Belfast Metropolitan HMA level and how the system may evolve in the future.

This report comments on the main differences between the operation of the housing system across the sub-market areas but it was outside the remit of this study to analyse housing system dynamics within each housing-market area. This report is therefore not sensitive to local circumstances, but should provide sufficient context and detail to provide a basis for interpreting the findings from analysis of housing system trends within each housing sub-market. An important dimension of the sub-market reports to be prepared by NIHE will be to examine urban and rural linkages in the housing sub-markets and the linkages between different places within the built up urban area.

the policy context

Introduction
This chapter describes the strategic housing and planning policy context within which the Belfast housing system functions. This chapter has been revised to take account of policy developments subsequent to the election of the UK Coalition Government. This includes ongoing reform of the Northern Ireland planning system and local government reform.

Programme for government and budget
Building a better future
The Northern Ireland Executive's (NI Executive) over-arching aim is to build a peaceful, fair and prosperous society. *The Programme for Government 2008-11* sets out priorities in pursuit of this aim for the three years to the end of March 2011, which are spread across the five strategic and inter-dependent policy themes of:
- Growing a dynamic, innovative economy
- Promote tolerance, inclusion, health and wellbeing
- Protect and enhance our environment and natural resources
- Invest to build our infrastructure
- Deliver modern high quality and efficient public services.

The *Budget 2008-11* and the *Investment Strategy for Northern Ireland (ISNI)* collectively outline how resources and capital investment are to be used in support of these priorities. In particular, the Investment Strategy for Northern Ireland outlined an £18 billion investment programme for the period to 2018, which covered:
- Social: regeneration, social housing, welfare reform and modernisation, culture, arts sports and inland waterways
- Networks: roads, public transport, gateways, telecoms, energy, which includes investment along the Belfast-Dublin corridor
- Skills: schools, higher and further education, youth services, libraries
- Health: primary care, public safety and technology, hospitals modernisation
- Environment: water and waste water, waste management, flood risk management, environment
- Productive: enterprise and innovation, tourism, rural development and primary industries, public sector reform.

The largest areas for investment identified at the time were roads, housing and regeneration, schools, health and environment.

At the heart of all three documents was the intent to grow the economy, to build cross-border links with the Republic of Ireland, and to encourage greater joint working and collaboration between government departments, local government districts and other stakeholders.

The Budget and associated departmental spending plans have been subject to two reviews that reflect the changing economic and public expenditure circumstances throughout the UK. Revised 2010-11 spending plans were agreed by the Northern Ireland Assembly in April 2010, whilst spending plans for 2011-15, which are discussed below, were open for consultation when this report was finalised.

Supporting Strategies

Sitting beneath these three central documents are a suite of more operationally focused plans. These provide further details about the intended policy direction on specific matters. Aside from the Regional Development Strategy (RDS), which is discussed later in this chapter, arguably the most important policy strategies at the Belfast Metropolitan HMA level are those relating to economic development and regeneration.

In the past decade several economic strategy documents have been issued but none have been fully implemented. Following on from the Independent Review of Economic Policy (2009) a permanent sub-committee of the Executive has been established to ensure a more holistic approach to economic development and to create a single coherent Economic Strategy for Northern Ireland.

The NI Executive sub-committee are preparing an economic strategy entitled *'Priorities for Sustainable Growth and Prosperity'.* A two-stage approach to developing and consulting on this strategy has been adopted to allow for the findings from the UK Government review on rebalancing the Northern Ireland economy to be taken into consideration. A consultative document was issued in January 2011. It is based around the twin aims of rebalancing the economy towards higher value added private sector activity in the longer term and rebuilding the economy and securing employment growth in the shorter term. A draft economic strategy will be subject to further public consultation later in 2011.

In terms of regeneration and tackling disadvantage, the 2003 *People and Place: A Strategy for Neighbourhood Renewal* (DSD, 2003) identified several communities that experience high levels of deprivation. It encouraged different departments and their local agencies to work together to achieve synergies through more integrated implementation of 'mainstream' programmes and the development of innovative and crosscutting initiatives. The strategy has been supported by three implementation plans covering Belfast, Londonderry and the regional towns and cities. Outside Belfast, the neighbourhood renewal areas that fall inside the Belfast Metropolitan HMA include Ballyclare, Bangor and Downpatrick.

Spending review and welfare reforms

UK Government spending

In October 2010 the UK Government's Comprehensive Spending Review (CSR) set out its spending plans for the 4 years from 2011/12 to 2014/5. This includes the block allocation to the Northern Ireland Executive. The spending plans will require Whitehall and the devolved administrations make the deepest cuts for over 65 years. The Government believe the cuts, together with tax changes and welfare benefit reforms, will reduce the UK deficit and provide the stability the private sector needs to expand and create new jobs.

Capital expenditure has been especially affected. The UK's capital budget is expected to fall by some 29% in real terms over the four years. In terms of housing, the capital budget for England is expected to fall by 74% in cumulative terms, including a 50% cut in grant funding for social rented and other forms of affordable house building.

The budget also confirmed measures to reduce housing benefit and other welfare benefit expenditure by some £18 billion over the 4 years, most of which were announced in the emergency budget of June 2010. Most measures will be introduced from 2011 or 2012. For private tenants these measures include the intention to calculate housing benefit entitlement with reference to local rents at the 30th percentile instead of the 50th percentile and a rise in the age threshold for the shared room rate from 25 to 35 years. Social and private tenants will also be subject to an increase in non-dependency reductions. The Government has also announced the following longer-term measures that will require primary legislation:

- Restriction of housing benefit to working age social rented tenants that under-occupy their home from April 2013.
- The uprating LHA rates by Consumer Price Index (CPI) as opposed to the Retail Price Index (RPI) from 2013/14.

In January 2011 the UK Government announced it is to establish an independent review of the planned housing benefit reforms, although this appears to be a retrospective review and may not report until 2013[7]. This followed the Select Works and Pensions Committee inquiry that reported in December 2010, which raised concerns about the degree of uncertainty around the combined impact of the proposals on households and uncertainty around the availability of private lettings, especially shared rooms.

Northern Ireland draft budget

In December 2010 the NI Executive published a draft budget setting out proposed spending plans for 2011-15. Since then, DSD and other Departments have published proposed spending plans. Public expenditure in Northern Ireland is made up of two separate forms of expenditure. The focus of the draft budget and associated documents are on the Departmental Expenditure Limit (DEL) where spending is at the discretion of the NI Executive. The draft budget therefore says little about Annually Managed Expenditure (AME), which consists of demand-led spending, mainly welfare benefit expenditure.

The draft budget and associated departmental plans were open for consultation and a subject of some controversy[8] when this report was finalised. Nonetheless, there are some clear steers:

- There will be an 8% real term reduction in DEL revenue expenditure, although the scale of cuts differs between departments. The Assembly's Library and Information Service (2011) figures indicate real revenue reductions for Departments concerned with health and the economy will be limited, the DSD revenue budget might fall by 9% and other departments (e.g. DRD and DOE) face cuts of 15% to 20%.

[7] House of Commons Pensions and Work committee uncorrected evidence 9 February 2011: Mr Duncan Smith: "Actually, the review will be complete before we start the process of moving across into Universal Credit. It is due to finish in 2013, so that will give us time to make any changes or decisions that are necessary".

[8] Whilst there has been support for the NI Executive in seeking to set a 4-year budget, there has been mixed views about what the budget priorities should be, whether the budget is balanced and whether Departmental Plans are sufficiently detailed.

- Capital funding is likely to fall by some 18% in real terms during the 4 years. This is lower than the 40% reduction outlined in the CSR settlement for Northern Ireland. It is proposed to achieve this through a mix of measures, including a switch from revenue to capital[7] and increased borrowing through the Reinvest and Reform Initiative (RRI)[8]. In reality, the reduction in capital expenditure may be greater than implied because there is provision for Departments to make a request to the Department of Finance and Personal (DFP) for capital monies to be converted to revenue.
- Revenue saving are to be delivered through a mix of reducing procurement costs,[9] reducing the Civil Service running costs, and introducing more shared corporate services. There is also an intention to reduce funding to arm's-length and independent bodies, although there are differing interpretations regarding whether civil service pay restraints will extend to bodies wholly or largely funded by public funding.
- The Executive is also seeking to raise finance. This draft budget includes proposals to use reserves held by various organisations such as housing associations, universities and the Belfast Port Authority. On the other hand, DSD spending plans query the DFP's assumption that £20 million per year could be released from housing association reserves to supplement the new build programme.

The Draft Budget statement concedes the spending reductions will be challenging to deliver. It is also explicit that the scale of spending reductions alongside the severity of the Republic of Ireland recession, which is a major destination for Northern Ireland exports, will impact on economic activity and employment in both the public and private sectors.

From a housing systems analysis perspective it is also of importance to note that:
- The economic downturn has already led to a fall in planning fee income. Consultation on proposals for revising planning fees and charges has just closed, but DOE spending plans indicate that this income stream, and thus new housing starts, will be reduced for some time.
- The scale of reduction in university funding may require the NI Executive to raise tuition fees,[10] although DEL spending plans do not refer to this issue. Future policy decisions on the matter are likely to have an impact on the Belfast HMA because of the high numbers of students living in this area.
- DSD state that as far as possible programmes targeted at the most vulnerable households will be protected. These programmes include new house building, supporting people, warm homes (linked to addressing fuel poverty) and neighbourhood renewal.
- DSD proposals refer to the GB welfare reforms, but the associated budget line does not appear to include all the funds transferred to the Executive as a consequence of these reforms. This and the proposed annual pattern of DSD spend of administrative related costs of welfare reforms hint that the pace of welfare reform for Northern Ireland may be slower than envisaged in GB.

[7] Over £250 million of current expenditure has been reclassified as capital investment over the 4 year period
[8] The RRI was introduced in 2002 to help resolve the deficit in infrastructure provision and to hand over former military site to the northern Ireland Executive.
[9] Significant progress on this has already been made in Northern Ireland in relation to the Social Housing Development Programme, through the establishment of procurement groups.
[10] Since this report was written, the Northern Ireland Executive has confirmed that tuition fees for atudents from Northern Ireland will only rise in line with inflation.

Welfare reform

On 11 November 2010 the DWP (2010b) published a Command Paper that outlines the UK Government's plans to introduce a 'Universal Credit' from 2013 to replace most in work and out of work benefits[11] for people of working age. The aim is to transfer all existing claimants onto the new system by October 2017.

Social Security is a devolved matter in Northern Ireland, albeit one that is subject to funding parity arrangements with the UK. On 23 November 2010, the Minister for Social Development told the Northern Ireland Assembly that the welfare reforms may require refinement to reflect the particular circumstances of Northern Ireland and that the reforms could not be divorced from the measures to reduce social security expenditure detailed in the UK budget.

Shortly afterwards, the Minister opened a period of consultation on welfare reform and gave a commitment to review and use the responses to inform discussions with the UK Government. In the interim the UK Government has stated that it intends to work with the NI Executive to ensure Universal Credit and associated pension reforms apply in Northern Ireland[12].

The key features of the proposed Universal Credit are:

- The introduction of a single 'taper' for the withdrawal of the Credit. This is intended to remove the need for most people to transfer from one set of benefits to another as their employment situation changes. As earnings rise, the Credit would be withdrawn at a rate of 65 pence for each pound of net earnings above a household's personal allowance, although some households would also be entitled to an earnings disregard before the taper was applied.
- The personal allowance would generally be comparable to the applicable amounts used to calculate Income Support and other income-tested benefits and therefore the basic allowance will remain lower for those under 25 years.
- The amount of Credit, when combined with Child Benefit and other benefits including assistance with housing related costs, would be subject to an upper limit. The only exception would be for households in receipt of Disability Living Allowance or War Widows Benefit or families on working tax credit. The stated purpose of the cap is to ensure that no household could receive more in welfare than net median earnings. This weekly cap may be around £500 for a household with children and £350 for single person household.
- The Credit would be accompanied by a contract based on one of four levels of conditionality, ranging from 'full conditionality' for jobseekers to 'no conditionality' for claimants such as carers and lone parents with a child under the age of one. Those on full conditionality contracts would be required to participate in mandatory work programmes and would face financial sanctions for non-compliance, which could lead to a loss of benefit for up to 3 years. In the case of couples, conditionality will apply to both partners individually.
- The use of the Consumer Price Index (CPI) to uprate all benefits, including existing benefits for claimants still in receipt of such benefits from 2013 onwards.

[11] UC will replace Working Tax Credit, Child Tax Credit, housing benefit, Income Support, Jobseekers' Allowance (income based) and Employment and Support Allowance. In Great Britain it will also replace Council Tax Benefit, although details remain vague. Contributory JSA plus Employment and Support would continue to exist but the treatment of earnings will be aligned with the way earnings are treated within UC. Other Benefits that would continue include Disability Living Allowance, Child Benefit, Statutory Sick Pay, Bereavement Payments, Statutory Sick Pay, Statutory Maternity/Paternity Pay and Industrial Injuries Disablement Allowance.

[12] Ian Duncan Smith, the Secretary of State for Work and Pensions stated to the House of Commons on 11 November "I want the reforms to apply to Northern Ireland, and they will".

The Universal Credit is to be accompanied by a new Citizen's Pension for people retiring from 2015 onwards but it is not yet clear what arrangements would be put in place to assist low-income pensioners meet their housing costs, including rates or council tax. For working age households the intention is that the universal credit include provision for an 'appropriate amount' for rent or mortgage housing costs whilst responsibility for deciding and paying council tax (rates) would be devolved to councils. DWP acknowledge that details of how housing costs and some other key elements of the Universal Credit system will work remain to be answered.

The degree of uncertainty means it is not possible to be definite about the impact of public expenditure reductions and welfare reforms on the housing system, although some possible impacts are discussed in subsequent chapters of this report.

Planning and local government reform

Planning framework

The planning system in Northern Ireland is undergoing a period of transformation. This process commenced with the Strategic Planning Northern Ireland Order 1999, which provided for the preparation of the *Regional Development Strategy* (RDS). It will culminate in a new form of planning, primarily located within the reformed local government structure. A similar shift to spatial planning has been taking place in mainland UK[13], the Republic of Ireland and much of Europe. This shift is intended to:

- Look beyond land use planning in order to integrate land use policies, new housing provision and development management with other policies that seek influence how communities function and evolve.
- Improve policy integration between different policy domains and between different scales of governance.

The Regional Development Strategy (RDS)

The first RDS, known as *Shaping our Future,* was issued by the Department for Regional Development (DRD) at the end of 2001. Consistent with commitments given in 2001, the RDS was reviewed in 2006 and 2010. In January 2011 a revised RDS to guide development to 2025 was issued for consultation until 31 March 2011.

<u>Regional Development Strategy 2001-2025</u>

The RDS 2001-25 set out a spatial plan to guide strategic policy choices and investment decisions in relation to:
- Priorities to strengthen the economy and tackle social and economic disadvantage whilst also seeking to protect and enhance natural and man-made assets.
- Land use planning, including land required to support residential development.
- The future development of transport and utilities infrastructure.

As Kinghan and colleagues (2006) observed, the RDS 2001-25 sought to support balanced spatial economic development and growth between the wider Belfast area and the rest of Northern Ireland. To this end, the RDS 2001-25 included a *Spatial Development Strategy* (SDS) which was centred on the following three broad areas:

[13] The announcement in July 2010 that that Regional Strategies for England will be abolished through the Localism Bill, which received its second reading on 17 January 2011 does not mean the end of spatial planning in England. Local government districts will still be required to draw up local spatial plans in conformity with national policy.

- The Belfast Metropolitan Area (BMA), which is identified as the region's engine of growth and where the aim is to ensure it can compete with European cities.
- Londonderry Urban Area, which is described as the economic hub of the North West.
- Rural Northern Ireland, where the priority is to promote decentralised growth through focusing development on a network of main and local hubs. This was to be facilitated by an upgrade of transport corridors.

The RDS 2001-25 contained 43 long-term strategic planning guidelines to improve the quality of the urban and rural environment within Northern Ireland and the Belfast Metropolitan Area. Although predating both *Building a Better Future* publications, these guidelines also reinforced the need to combine economic growth and social cohesion.

Consultative RDS 2011-25: 10 year review

The shift in emphasis at the higher strategic level has been complemented by a sharpening up of the proposed spatial framework at the sub-national level. It is proposed that a sub-regional approach should replace the 2001 HUB based SDS such that:

- Development would continue to be directed towards the principal cities of Belfast and Derry/Londonderry. In particular the consultative document continues to stress the importance of Belfast City and the Belfast Metropolitan Area (BMA) as the driver of regional economic growth and the focus for administration, commerce, specialised services and cultural amenities.
- There would be 9 sub-regional centres which would 'perform higher service centre roles' and where development would be directed. These centres are Ballymena, Coleraine, Cookstown, Craigavon, Downpatrick, Enniskillen, Newry, Newtownards and Omagh. This geographical spread is designed to ensure most households would live within 15 miles of a sub-regional centre.
- There would be settlement clusters based around the 9 sub-regional centres. It is suggested that each cluster should work together to provide the critical mass to attract investment and ensure a level of services, infrastructure and economic prosperity that might not otherwise be achievable.

In terms of the Belfast Metropolitan HMA there are two significant clusters. The first is the Craigavon, Banbridge and Armagh cluster whilst the second is the Ballymena and Antrim cluster. There is also a proposed cross-border cluster linking Newry and Dundalk.

The consultation document suggests this revised spatial framework should help balance regional economic growth, support the development of compact urban areas and make the best use of existing infrastructure.

In keeping with the tighter spatial focus, the proposed strategic guidance has been streamlined. Of the 27 strategic guidelines, 15 centre on geographical areas and 12 centre on cross cutting matters relating to society, economy and environment.

In terms of analysing the Belfast Metropolitan HMA, the proposed strategic guidance reiterates the need to:

- Increase the population of Belfast City and enhance its role as the regional centre. The drive to increase the scale and mix of housing in Belfast is linked to rebalancing the economy and the need for a thriving metropolitan area that can compete internationally as a place to locate private business and attract inward investment and high value jobs.
- Promote economic development at key urban locations throughout the BMA and ensure sufficient land is available for jobs. There is reference to the expansion of the employment and commercial base of Lisburn. There is also reference to the renewal of Bangor and Carrickfergus town centres, both of which have significant housing catchment areas that offer the potential to extend local retail base and to widen their economic and employment base.
- Manage the movement of people and goods within the BMA through improvements in transport infrastructure, including the Belfast rapid transit system, alongside better alignment between land use and improvements to public transport.
- Protect and enhance the quality of the setting of the BMA and its environmental assets, which is linked not only to conserving and protecting 'natural' assets in rural areas, but also the need for sustained efforts to regenerate deprived communities and to ensure citizens benefit from wealth creation.
- Promote population growth and economic development in Newtownards (and the other 8 sub-regional centres) through the provision of additional housing in these areas, although the consultation document poses a question whether Newtownards, which has been suggested as a sub-regional centre, should be included in any new area plans for the metropolitan area.
- Identify and consolidate the roles and functions of settlements within each cluster, including the provision of housing in urban centres such as Banbridge and Antrim to limit further decentralisation and support regeneration.

More generally, the Consultative RDS 2011-25 emphasises the expectation that there should be a minimum of 5 years supply of housing land within local government districts.

Planning Policy Statements and Development Plans

The implementation of the RDS is supported by and mediated through Planning Policy Statements and Development Plans. Responsibility for the preparation of both sets of documents now rests with the Department of Environment (DOE).

Planning Policy Statements contain policies on land-use and other planning matters. They set out the main considerations that the Department takes into account in assessing proposals for development and other information pertinent to the preparation of Local Development Plans. Of particular significance are PPS 12 *Housing in Settlements*[14], which was issued in 2005 and PPS 21 *Sustainable Development in the Countryside* which was issued in 2010:

[14] The Department of Environment assumed responsibility for PPS 12 from the DRD in 2008.

- PPS 12 confirms the importance of containing development, wherever possible, within existing settlements and other urban areas. It provides a framework for establishing the spatial distribution of housing allocations as part of the development plan process. It also allows for supply of land and other measures to facilitate the provision of new social and affordable housing predicated on the findings from the housing needs assessments conducted by the NIHE, which are discussed below. The ongoing review of PPS 12, which includes a review of developer contributions and other measures to support social housing, is expected to complete in 2011.
- PPS 21 was finalised in June 2010 and seeks to strike a balance between rural development and rural conservation. To support rural communities but limit unnecessary development it provides for the consolidation of existing residential clusters and for farmhouses to be built in suitable locations.

Development Plans seek to translate RDS policies and PPS guidance at the local level. These documents set out land allocations for a range of land uses, including residential development. A central task of the development plan is therefore to reconcile potential conflicts between the need for development and the need to protect the environment within a given area. In terms of the Belfast Metropolitan HMA:

- *The Belfast Metropolitan Area Plan 2015* (BMAP) was published in draft form in 2004 and subsequently amended in 2006 but has not yet been adopted. The Planning Appeals Commission (PAC) has completed its public inquiry into the BMAP and expects to submit their report to the DOE during 2011.
- *The Ards and Down Area Plan 2015* was adopted on 30 March 2009[15].
- *The Craigavon Town Centre Boundaries and Retail Designations Plan* was adopted in 2008. It is an addition to the *Craigavon Area Plan 2010*, which was adopted in August 2004 without town centre boundaries or related retail designations.
- *The Banbridge/Newry and Mourne Area Plan and North Area Plan* remain at draft or issues paper stage.

The Planning Reform Bill

Consultation on the *Planning Reform Bill* finished on the 14th January 2011. The bill is due to complete its passage through the NI Assembly before dissolution on 24 March. This will allow for the transfer of planning powers from the DOE to local government districts within a timeframe to be determined by the NI Executive. It will also allow:

- Local government districts to prepare Local Development Plans, which will replace DOE development plans. The Local Development Plan will include a Plan Strategy and a follow-on Local Policies Plan (LPP). The former will set out the strategic objectives for the area that are aligned to the RDS whilst the LPP will provide site-specific plans for the area.
- Two or more local government districts to prepare joint Local Development Plans
- Three categories of development: DOE will retain responsibility for regionally significant development, whilst local government districts will become responsible for major and local developments.
- DOE will have powers to monitor and intervene in the LDP process, including powers to direct councils to prepare joint LDPs and powers to prescribe the form and content of the Plan Strategy and the LLP.

Under the new arrangements DRD will remain responsible for the *Regional Development Strategy*, DSD will continue to have policy responsibilities for housing whilst the Department of Agriculture and Rural Development will continue to have responsibilities for rural development.

[15] Adopted development plans can be downloaded: http://www.planningni.gov.uk/index/policy/dev_plans/devplans_lgd.htm

By contrast, the Planning Service was dissolved in April 2011 and its staff absorbed into two DOE divisions. The Local Planning Operations Division will have responsibility for the LDP and development management functions until these responsibilities are transferred to local government districts. The Strategic Operations Division will take forward responsibilities that will remain with the Department.

Local government reform

As indicated already, reform of local government is also ongoing. It involves a reduction in the number of local government districts from 26 to 11 alongside the transfer of planning, regeneration and some other central government functions to local government. The proposed new councils are summarised in table 3.1.

The pace of reform has been slower than anticipated. A revised timetable for local government has yet to be finalised following a June 2010 decision by the NI Executive to delay creation of the new 11 councils. In the meantime, DOE have issued a consultation document which seeks to renew momentum in local government reform. The consultation is due to complete by 11 March 2011 and is mainly focused on modernising governance arrangements and performance management. However, it also:

- Reaffirms the intention to give local government districts new powers of well being and community planning. It therefore proposes that local government districts should be given a statutory duty to lead and facilitate community planning and should be required to consult and co-operate with the community and bodies responsible for providing public services.
- Proposes the setting up of an advisory Partnership Panel that would be made up of NI Ministers and local government representatives and would 'formalise the relationships between the Executive and local government districts and provide a forum for the collective consideration of strategic issues'.

Table 3.1: Proposed New Local Government Districts

New LGD	Current LGD
Belfast City	Belfast and some parts of adjacent LGDs
Lisburn City and Castlereagh	Lisburn; Castlereagh
Antrim and Newtownabbey	Antrim; Newtownabbey
Mid and East Antrim	Ballymena; Larne; Carrickfergus
North Down and Ards	Ards; North Down
Armagh City Banbridge and Craigavon	Armagh; Craigavon; Banbridge
Newry City, Mourne and Down	Newry and Mourne; Down
Mid Ulster	Cookstown; Dungannon; Magherafelt
Causeway Coast and Glens	Coleraine; Limavady; Ballymoney; Moyle
Derry and Strabane	Derry; Strabane
Fermanagh and Omagh	Omagh; Fermanagh

Partly because of the delay in completing local government reform, the timetable for the proposed transfer of the Local Development Plan function to local government districts has yet to be agreed. Nevertheless, it is clear that effective spatial planning will require a 'joined up' approach from different public bodies. A pilot programme is therefore to be put in place from April 2011 to test the arrangements for the delivery of planning functions and working relations between the Local Operations Division and the 11 council groups.

RDS housing requirements

As noted above, the RDS 2001-25 and more specifically the *Spatial Development Strategy* (SDS), aimed to influence the geography of economic development across Northern Ireland. In recognition of the relationship between new housing provision and economic development, the RDS sought to direct new housing construction to achieve sustainable patterns of development. This aim was reflected through:

- An indication of the projected housing growth required to respond to changing 'housing need'[16] and to facilitate economic growth for Northern Ireland as a whole. The RDS 2001-25 identified a net additional housing requirement for 160,000 additional dwellings between 1998 and 2015 throughout Northern Ireland.
- The use of Housing Growth Indicators (HGI) to allocate a proportion of the regional net additional housing requirement to each LGD, or in the case of the BMA area a cluster of LGDs. These indicative allocations were intended to provide a starting point for assessing future net housing additions required at the local level. As such it was anticipated that local HGI numbers would be adjusted to allow for local evidence in relation to housing need and other matters.
- Strong encouragement that new housing in urban areas should be concentrated in existing settlements in order to make use of existing infrastructure and services. Thus the RDS 2001-25 included a regional target that 60% of housing in urban areas should be situated in cities and towns with a population in excess of 5,000 people.

RDS national housing growth indicators

The 5-year RDS review, DRD (2005a) proposed that the 1998-2015 figure of 160,000 should be revised upwards to 200,000. This was to allow for higher levels of second homes and vacant private sector dwellings than originally anticipated and the higher rate of household growth suggested by the 2002-based NISRA household projections (Barry et al, 2005).

An independent panel (Kinghan et al, 2006) reviewed the DRD proposals. It endorsed the SDS and HGI approach but recommended that the HGI for Northern Ireland should be increased to 208,000 for the period to 2015 to allow for the inherent difficulty of projecting migration. This recommendation was accepted by the DRD and was incorporated into *'Adjustments to the Regional Development Strategy- 2025' (2008b)*.

The Consultative RDS 2011-25 'rolled' forward the HGI numbers to provide an indication of the net additional housing requirement for 2008 to 2025. At 189,500, the figure is lower than the comparable figure for the 18 years from 1998 to 2015. This is largely because, as discussed in chapter 4, the NISRA 2008-based household projections suggest household growth will slow in the period to 2025.

Overall, the above discussion indicates that changes in the HGI figures for Northern Ireland as a whole have generally reflected *changing demographic projections* rather than any assumed changes in *housing system dynamics* over the longer term.

RDS housing requirements for the Belfast Metropolitan HMA

The Belfast Metropolitan HMA, as noted in chapter 2, extends across the LGDs that make up the Belfast Metropolitan Area and BMA 'Hinterland' (see tables 2.1 and 3.2). The Belfast Metropolitan HMA also extends across much of the Banbridge LGD area, where there was substantial housing construction

[16] The RDS figures on "housing need" include households that are able to pay for housing as well as those that cannot. The RDS use of the term 'need' is usually termed 'total net housing requirement' elsewhere in the UK.

between 2001 and 2008. This development reflects the RDS 2001-25 aim to de-centralise growth by allowing for expansion of new housing in Banbridge, Antrim and other areas. As the RDS 2001-25 observed, places that:

> "…accommodate housing need related to the BMA, will also share in accommodating the future economic growth expected to take place at the heart of the Region (p 63)."

Table 3.2 summarises the original spatial distribution of HGI for 1998-2015. It also shows how the HGI allocations have changed over time. As DRD (2008b) notes, the spatial allocation of the revised 208,000-housing requirement to LGDs is intended to:

> "…..facilitate a scale of local housing development that broadly conforms with the overall *Spatial Development Strategy*...This will help to ensure that the total of housing land provision in all districts matches the projected need for the Region as a whole thus enabling better management of housing land supply to achieve strategic objectives"(p 42)."

The equivalent figures from the Consultative RDS 2011-25 for the period from 2008 to 2025 are summarised in table 3.3. It confirms that whilst the projected net additional housing requirement has fallen back at the Belfast Metropolitan HMA level, as at the Northern Ireland level, the share of net additional requirements allocated to the BMA and other areas within the Belfast HMA has changed little, if any.

Table 3.2: Housing requirement spatial allocation (housing growth indicators) 1998 to 2015

Area	Original allocation RDS 2001		DSD proposed revision 2005		DSD Revised allocation 2008	
	No	%	No	%	No	%
BMA	51,000	32	62,200	31	66,500	32
Hinterland:	26,500	17	31,200	16	33,300	16
Antrim	*7,500*	*5*	*8,000*	*4*	*8,000*	*4*
Ards	*7,750*	*5*	*9,450*	*5*	*10,500*	*5*
Down	*7,750*	*5*	*9,450*	*5*	*10,500*	*5*
Larne	*3,500*	*2*	*4,300*	*2*	*4,300*	*2*
Rest of NI	82,500	52	106,600	53	108,200	52
Banbridge	*4,000*	*3*	*6,000*	*3*	*6,000*	*3*
Northern Ireland	160,000	100	200,000	100	208,000	100

Source: DRD (2001, 2005a, and 2008)

This reflects the fact that the method adopted to identify net housing additions has been "rolled forward". Therefore the RDS 2001-25 intention that the 48% of the regional housing figure should be allocated to the BMA and hinterland area and the remaining 52% to the rest of Northern Ireland to help achieve balanced regional development remains unchanged.

Table 3.3: Proposed indicative housing requirement RDS 10 Year Review, 2008-2025

Area	No	%
BMA	60,600	32
Hinterland:	30,300	16
Antrim	*7,300*	*4*
Ards	*9,550*	*5*
Down	*9,550*	*5*
Larne	*3,900*	*2*
Rest of NI	98,600	52
Banbridge	5,500	3
Northern Ireland	189500	100

Source: DRD (2011)

NIHE Housing Need Assessment

The RDS 2001-25 and the Consultative RDS 2011-25 are based on a 'plan, monitor and manage' approach to provision of housing land. This approach requires regularly updated evidence on a range of matters, particularly at the development plan level. This includes regularly updated figures on housing construction, land availability and local housing needs and demands. The present spatial planning framework requires the NIHE to undertake a housing needs assessment, which is expected to form a technical supplement to support of local development plans. As PPS 12 states, the NIHE:

> " .. will provide a Housing Need Assessment (HNA) in relation to identified areas of the housing market to assist DOE Planning Service in their preparation of development plans. The findings of the HNA will be taken into consideration in the preparation of a development plan and will be updated at regular intervals during the life of the plan. The findings of the HNA will influence how development plans will seek to facilitate a reasonable mix and balance of housing tenures and types to cater for the identified range of housing needs".

Housing need and housing system analysis

Since the RDS 2001-25 was published, there has been have been debate about the housing figures set out in the RDS. Some believe the HGI figures provide a clear long-term perspective in terms of the future direction of housing growth required to achieve sustainable patterns of development. Others believe the HGI approach is inflexible and takes insufficient account of local housing market conditions and the potential for expansion in different places. The Review into Affordable Housing (Semple et al, 2007) offered the view that:

> "It reinforces my view that the 208,000 target may be too low…. I was also concerned that when the 208,000 regional requirement was disaggregated into Housing Growth Indicators (HGIs) for the Belfast Metropolitan Area and other District Council areas, this top down approach, when translated into Area Plan zoning, was too inflexible and took too little account of local market information " (p 12)

Much of this debate hinges on the issue of housing land allocations at the local level and the need to ensure a 5-year minimum effective land supply. As the RDS 2011-25 clarifies, the HGI figures provide a starting point and need to be interpreted in light of local assessments of housing need and local housing market conditions. This echoes the observation by Semple (2007) that the robustness of the NIHE housing need assessments would be enhanced if the findings were embedded within a wider local housing market assessment.

Although referred to by different terms in England, Scotland and Wales, housing system analysis has become a component of the local evidence base that local authorities in all three countries are required to produce to support planning and housing policy. In particular, housing systems analysis is expected to inform the 'plan, monitor and manage' process of setting and reviewing housing supply targets at the sub-regional and local level.

Over the past 2 years NIHE have developed a set of functional housing market area boundaries. This pilot housing systems analysis marks another important step towards ensuring the NIHE ongoing programme of housing need assessments are understood and interpreted in light of the workings of the wider housing system.

It is important to note that guidance prepared to support local government districts analyse local housing systems in England, Scotland and Wales all set out a general approach, but permit different methods to be employed. In part this is because the 'real world' environment in which different housing systems operate means that a single standardised approach is unlikely to be appropriate for all housing market areas. These real world differences include local housing market conditions, the availability of statistical data and other evidence available, and the different spatial scales at which housing system analysis is conducted.

Conclusions

The Belfast Metropolitan HMA continues to evolve within a policy framework set out in a variety of NI Executive policy documents, including the Regional Development Strategy.

The RDS 2001-25 and subsequent reviews map out long term requirements in respect of the volume, quantity and location of new housing required to 2025. Evidence presented in the 10-year review indicates that the RDS 2001-25 aims to achieve growth in the BMA and hinterland area have yet to be fully achieved. The Consultative RDS 2011-25 therefore points to a continuing requirement to give high priority to the promotion of economic growth and population growth in the Belfast Metropolitan HMA and in particular Belfast City. It also points to a need to raise the international profile of Belfast City.

Housing is central to the NI Executive ambition to rebuild and rebalance the economy, both at the Northern Ireland and the Belfast Metropolitan HMA level. Ensuring the right volume and mix of housing in the right locations will be central to increasing mobility amongst the internal workforce and encouraging people to come from abroad to take up employment.

Recent NI Executive budget and strategy documents highlight that it is going to be more challenging to expand the population and economy of the Belfast Metropolitan Area in the coming decade than in the previous decade. As the next chapter elaborates, over the past year it has become clear that the effects of the UK recession will be felt for several years. Reductions in public expenditure and the programme of welfare reforms are likely to have a greater impact on the local economy because of the comparative 'over-reliance' of the local economy on the public sector and the high welfare benefit dependency of the working age population relative to other UK regions.

There are many uncertainties surrounding welfare reforms, but the scale of expected cuts in welfare expenditure will undoubtedly impact on consumer spending and future trends in the need and demand for housing in different tenures. The precise impacts of these changes, however, remain uncertain. Continued monitoring and early identification of changing levels and patterns of housing need and demand will be vital if policy is to intervene and respond to emerging needs and demands in a timely fashion.

Reform of the planning system and local government will also have potentially far-reaching implications. The reforms will necessitate the creation of new intra-government relationships. It will require individual departments, agencies and local government districts to adopt a more integrated approach to spatial planning and to find new ways to ensure that local plans align with the community plan ambitions as well as the ambitions of the RDS.

It terms of the proposed revisions to the spatial framework underpinning the RDS 2011-25, it remains to be seen whether the sub-regional centre and cluster approach outlined in the draft RDS 2011-25 will prove acceptable to citizens and local government districts. In the case of the Belfast Metropolitan HMA it will be important to maintain a watching brief in terms of future developments:

- Banbridge LGD and Antrim LGD: The RDS 2001 identified the towns of Banbridge and Antrim as main hubs and indicated they had an important role in accommodating 'growth in the wider Belfast Metropolitan housing market'.
- Down LGD, where Newcastle is currently identified as a local hub, but is not referred to in the revised spatial framework proposed in the draft RDS 2011-25.

key economic & demographic trends

Introduction

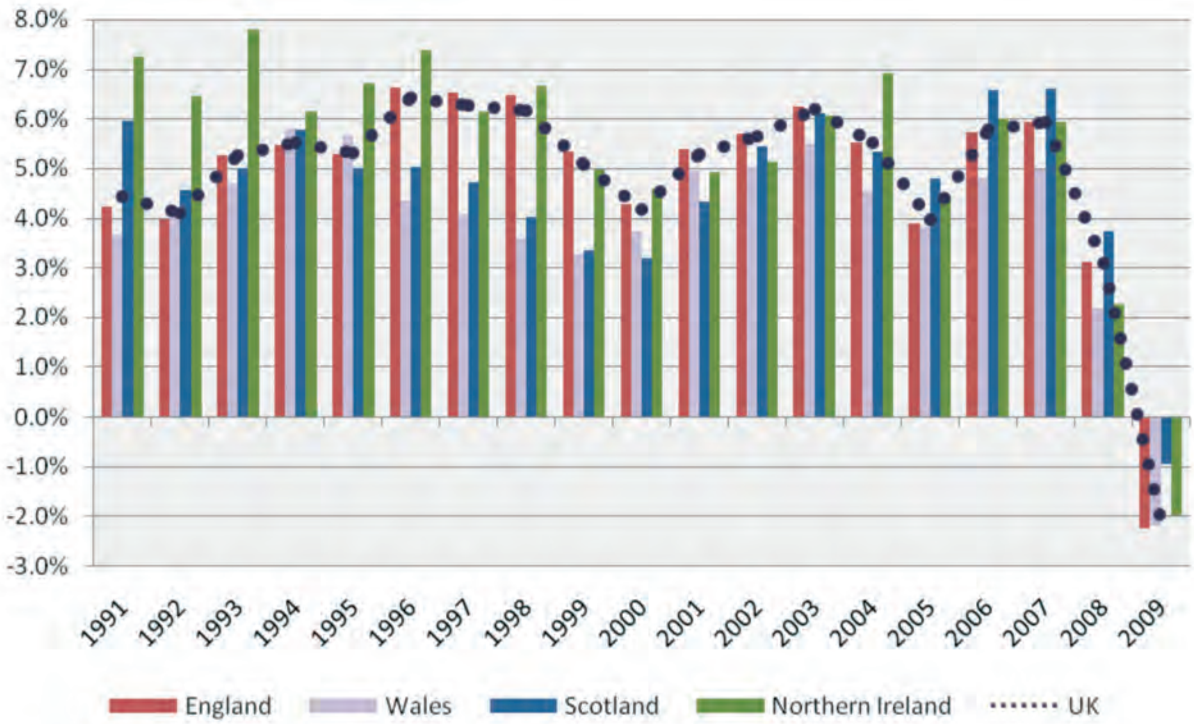
Various external factors influence housing system dynamics and the housing choices available to households. Of particular significance are recent and possible future trends in terms of economic performance, the operation of the labour market and demographic change, which are the focus of this chapter. The possible implications of these external drivers for the Belfast Metropolitan HMA are discussed towards the end of this chapter and subsequent sections of this report.

Recent trends in economic performance

Northern Ireland's economic performance

The relative economic performance of an area is an important factor in attracting households to move to or remain within an area and thus the aggregate demand for housing. Gross Value Added (GVA) is a measure of the value of the goods and services produced in the economy. It is the Office for National Statistics (ONS) preferred measure for monitoring economic performance at a sub–national level. Using this measure, figure 4.1 shows, Northern Ireland's economy prospered in the years from 1991 to 2009.

Figure 4.1: Total GVA (current prices) annual rate of growth, UK countries, 1991-2009

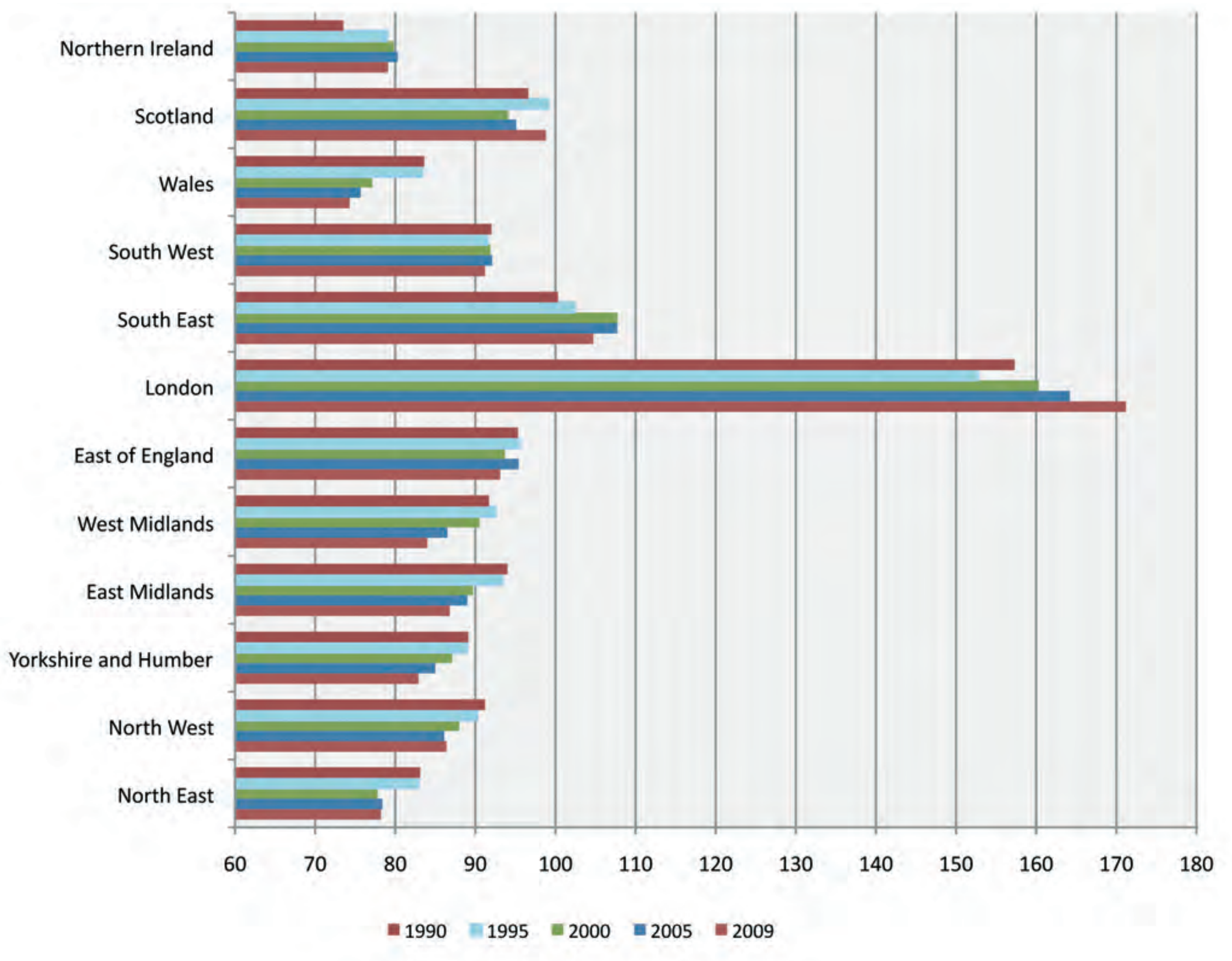


Source: ONS (December 2010) total annual workplace based GVA 1990-2008 per head at current prices
Note: UK figures are Extra- Regio and exclude statistical discrepancy and offshore contribution that ONS do not assign to any region. Also, the estimates presented are current prices and do not take account of inflation.

For much of this period Northern Ireland's economy grew at a faster rate than the UK economy as a whole. A combination of increased political and social stability, significant levels of UK and EU public funding, a favourable global economy and positive spillover effects from the Republic of Ireland economy all ensured strong economic growth.

In spite of this welcome development, Northern Ireland remained amongst the less prosperous regions of the UK. Figure 4.2 shows that in 2009 Northern Ireland ranked 9th lowest of the 12 UK regions in terms of the GVA per head. This was also the case in 2008.

Figure 4.2: GVA per head indices compared to UK average (100), 1990-2009



Source: ONS (2010) GVA per head of population index in 2009(UK =100)

As Barnett (2009) observed, Northern Ireland's GVA per head has remained around 80% of the UK average since the mid 1990s. In part this reflects the fact that the annual growth in GVA per head for the UK has been influenced by the high rates of growth achieved in London and the South East. Outside of these two regions, GVA per head indices in most regions have decreased or remained static. Nonetheless, as the NI Executive's 2011 consultative economic strategy highlights, low economic activity rates amongst the working age population have been a drag on productivity. This is one reason why the twin goals of improving productivity and increasing employment which were highlighted by the consultative document remain imperative.

In 2009 total GVA contracted in Northern Ireland and the rest of the UK. This was a direct consequence of the abrupt downturn in the economy in the latter half of 2008 in the wake of the global financial crisis also known as the credit crunch. During 2009, the economic recession deepened in spite of a series of moves to bolster the economy, including the reduction in interest rates from 5% to less than 1% in the six months to February 2009. Falling house prices and faltering labour market conditions led households to scale back spending, which reduced demand for housing and other goods and services. Lending became even tighter as banks sought to rebuild their balance sheets. This exerted further downward pressure on GVA as companies found it difficult to secure finance to help them adjust to the downturn in demand.

During 2010 the UK economy gradually eased out of the recession, but the fallout from the recession and public expenditure constraints discussed in chapter 3 will shape economic, labour market and housing market conditions for several years to come. Moreover, the pace of recovery in the Belfast HMA and elsewhere in Northern Ireland will be shaped by the underlying strength and industrial structure of the local economy. Future prospects for the economy and their potential implications for the housing system are discussed towards the end of this chapter.

Economic performance of the wider Belfast economy
According to the RDS 2011-25, the wider Belfast economy is the economic engine of Northern Ireland. In 2009, the latest year for which local data is available, GVA for the Belfast Metropolitan area (BMA) amounted to £13,661 million and accounted for 47% of the total GVA output for Northern Ireland output. Tables 4.1 and 4.2 also show that:

- From 1995 to 2008 the average annual growth rate for the BMA was 5.9%, which was higher than the equivalent rates for Northern Ireland (5.5%) and the UK (5.35%).
- Belfast City, in common with other cities such as Glasgow, has a higher GVA per head than the UK average. Cities are a major importer of labour and this has a large upward effect on GVA per head. This is partly because this ONS comparator mixes together workplace (GVA) and resident based measures (population denominator).
- The productivity of the BMA economy has increased at a higher rate than most other areas of Northern Ireland. This is indicative of the fact that service sectors tend to gravitate to urban centres. Retail and public services are typically located in areas with population concentrations whilst financial and business services tend to be attracted by the availability of office accommodation and people with specialist skills.
- Although the BMA wide level of GVA per head had converged with the comparable UK rate by 2008, the rate of employment growth has been lower than in the rest of Northern Ireland. This suggests that jobs growth in the rest of Northern Ireland has tended to be in the lower value added jobs or sectors of the economy.

Table 4.1: GVA growth for Northern Ireland, split by area, 1995-2008

	Total GVA 1995 (million)	Total GVA 2008 (million)	Ave annual growth (%)	GVA per head 1995	GVA per head 2008	GVA per head: % UK 1995	GVA per head: % UK 2008
Belfast City	£4,058	£8,657	6.0%	£14,045	£30,172	127.2	157.1
Belfast Metropolitan Area	£6,459	£13,661	5.9%	£9,839	£19,869	90.0	101.6
Rest of Northern Ireland	£7,934	£15,165	5.1%	£8,860	£14,511	80.2	65.9
Northern Ireland	£14,393	£28,826	5.5%	£8,725	£16,240	79.0	79.1
Glasgow	£8,312	£16, 888	5.6%	£13,760	£28,906	124.6	140.7
Strathclyde	£18,786	£35,406	5.0%	£10,372	£19,500	93.6	95.3

Source: ONS (2010) GVA NUTS 3 tables (current prices and workplace based).
Notes:
ONS produce GVA for the Nomenclature of Units for Territorial Statistics (NUTS), which is a European Commission's statistical classification. GVA figures are published down to NUTS 3 level. Belfast LGD is a NUTS 3 area. The other 5 LGDS that make up the BMA form a separate NUTS 3 area. Thus the BMA figures are the sum for both NUTS 3 areas. Further details can be found at: http://www.nisranew.nisra.gov.uk/census/geography/nuts3.html
ONS published revised historical figures for all previous years in December 2010

- The productivity of the BMA has increased at a faster rate than the comparable rate for the Glasgow metropolitan area (e.g. Strathclyde) and most other metropolitan areas that historically had a heavy industry and manufacturing base. However, GVA per head indices probably overstate the degree of divergence. This is because this measure does not allow for the growth in the numbers of in-commuters from Ards, Antrim, Down, Larne and Banbridge areas of the Belfast Metropolitan HMA that fall outside of the BMA Plan area.

Table 4.2: GVA for Northern Ireland and the Belfast economy by sector, 1995-2007

Northern Ireland				
	Total GVA 1995 (million)	**Total GVA 2008 (million)**	**As % of NI GVA 1995**	**As % of NI GVA 2008**
Agriculture, forestry and fishing	£730	£407	5	1
Production	£3,365	£4,894	23	17
Construction	£792	£2,256	6	8
Distribution, transport and communication	£2,580	£5,912	18	21
Business services and finance	£1,988	£6,622	14	23
Public administration, education, health & other services	£4,939	£8,737	34	30
Total GVA	£14,393	£28,826	100	100
Belfast Metropolitan Area				
	Total GVA 1995 (million)	**Total GVA 2008 (million)**	**As % of BMA GVA 1995**	**As % of BMA GVA 2008**
Agriculture, forestry and fishing	£68	£44	1	0
Production	£1,140	£1,437	18	11
Construction	£231	£635	4	5
Distribution, transport and communication	£1,206	£2,646	19	19
Business services and finance	£1,273	£4,305	20	32
Public administration, education, health & other services	£2,541	£4,594	39	34
Total GVA	£6,459	£13,661	100	100
Rest of Northern Ireland				
	Total GVA 1995 (million)	**Total GVA 2008 (million)**	**As % of GVA for RNI 1995**	**As % of GVA for RNI 2008**
Agriculture, forestry and fishing	£662	£363	8	2
Production	£2,225	£3,457	28	23
Construction	£561	£1,621	7	11
Distribution, transport and communication	£1,374	£3,266	17	22
Business services and finance	£715	£2,317	9	15
Public administration, education, health & other services	£2,398	£4,143	30	27
Total GVA	£7,934	£15,165	100	100

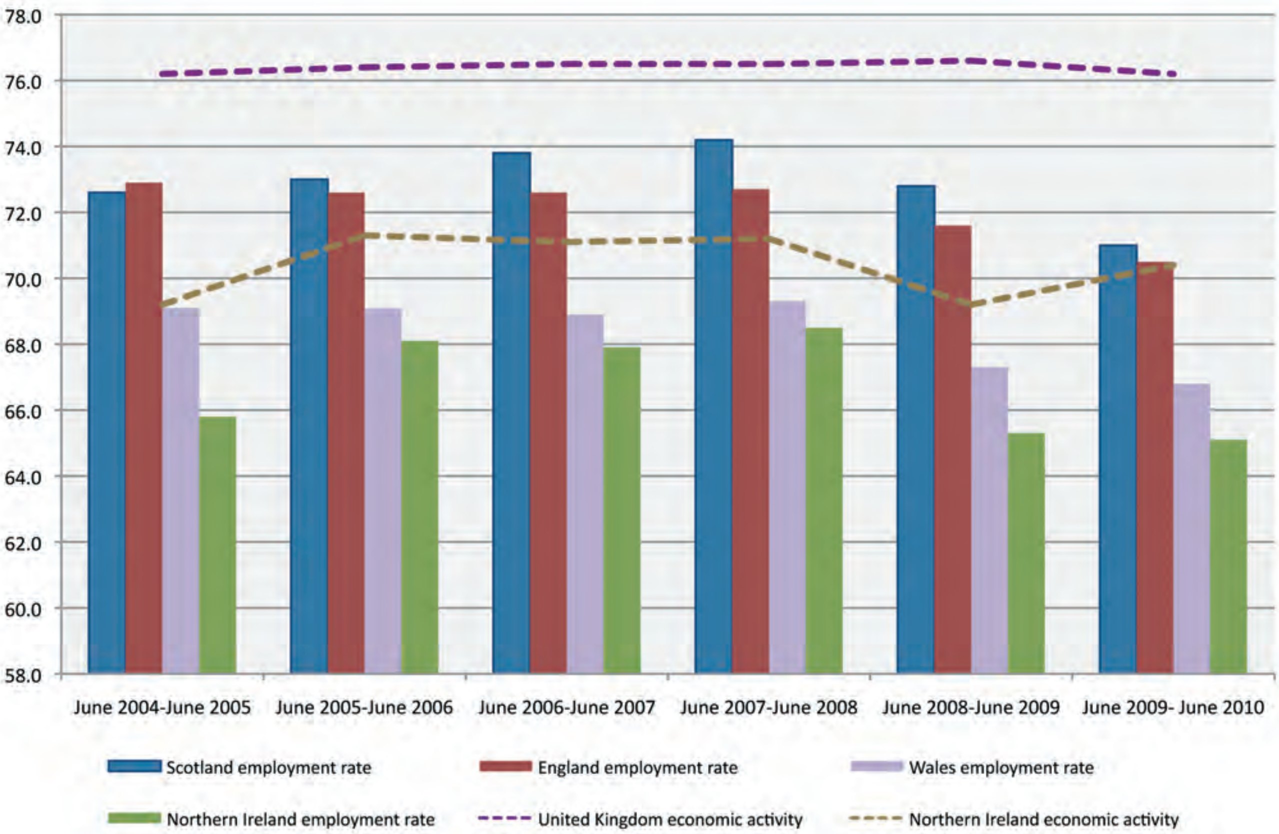
Source: ONS (2010) GVA headline figures by NUTS 3 area (current prices and workplace based).
Notes:
Data have been smoothed by ONS using a 5 year moving average and may also not sum due to rounding
Distribution includes hotels and restaurants; wholesale and retail trade; repair of motor vehicles, motorcycles and personal household goods; and transport, storage and communication.
Public administration includes defence; compulsory social security, education, health, social work, other community, social and personal service activities.
Business services etc includes real estate, renting and business activities.
Production is made up of mining and quarrying, manufacturing, and utilities supply.

Recent employment trends

Northern Ireland trends

Between 2002 and 2008 the proportion of the working age population aged 16 to 64 years in Northern Ireland classed as economically active increased by more than three pecentage points, although this proportion remained below the UK rate of 77%. This upward trend was accompanied by an increase in the numbers and proportions of working age adults in employment, although the rate remained the lowest of all countries that make up the UK (see figure 4.3). Official rates of unemployment rates also fell (see figure 4.4).

Figure 4.3: Working age economically active and employment rates across UK, 2004-10



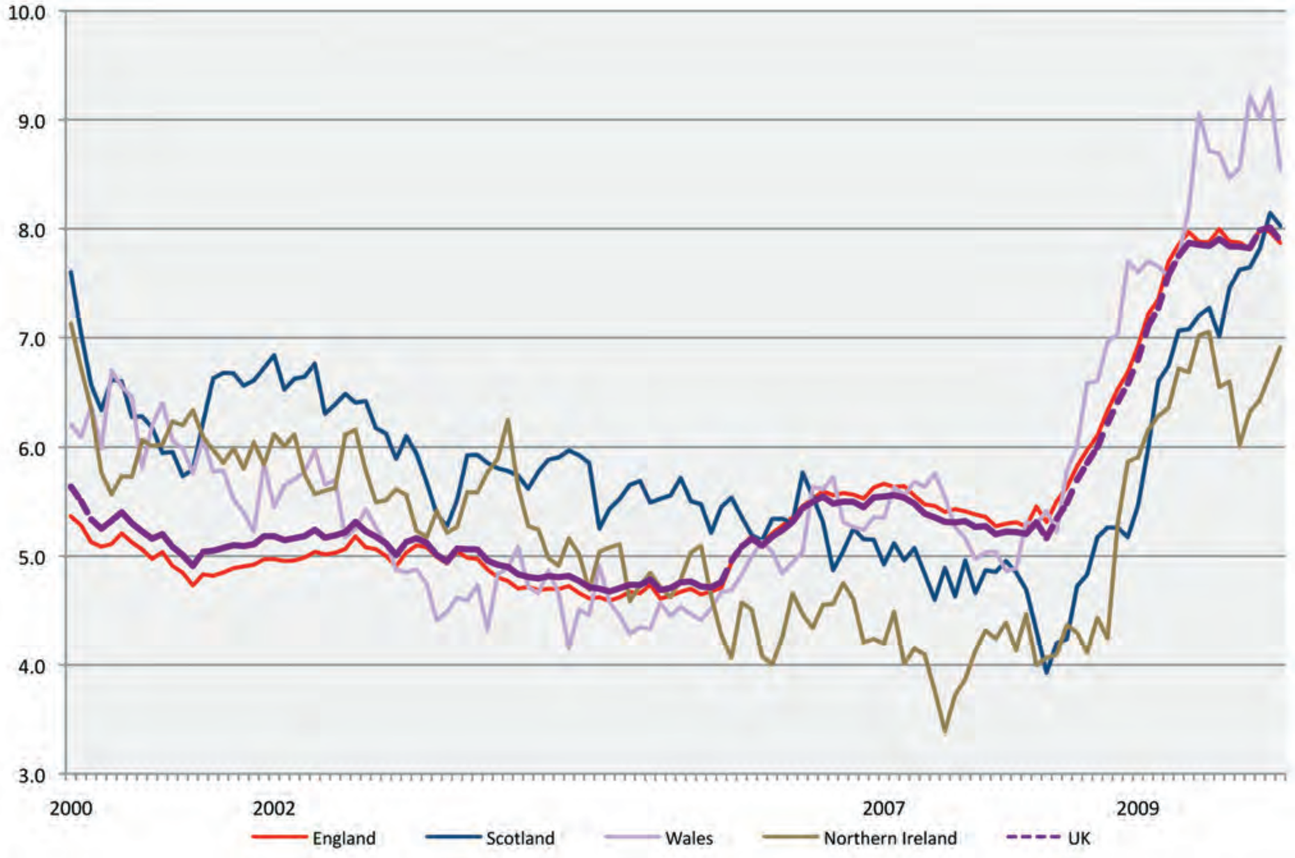
Source: Labour Force Survey and Annual Population Survey (via Nomis, DETINI and NISRA)

In spite of the improved economic performance in the decade to 2008, economic inactivity rates remained persistently higher than in any other UK region. In the year to September 2008 some 27% of the working age population of Northern Ireland were classified as economically inactive compared to the UK average of 21%. In the year to June 2010 the proportion of economically inactive working age adults living in Northern Ireland climbed to 339,000, around 30% of the working age population. Looking at economic inactivity patterns over the past 5 years:

- Around 1 in 6 have retired before reaching the age of sixty-five and are unlikely to return to the labour market.
- Around 1 in 4 are students that are likely to enter or re-enter the labour market at some future point and 1 in 10 want a job but are either not actively seeking work and/or are not immediately available to start a job.

- Around 1 in 5 are adults looking after children or caring for a dependant adult and 1 in 4 are classed as long term sick and disabled.

Figure 4.4: International Labour Office (ILO) defined unemployment rates, 2001-2010 (%)



Source: ONS Annual Population Survey and Labour Force Survey (via Nomis, DETI and NISRA)

Belfast Metropolitan HMA labour market trends

Labour market participation amongst working age population

Local Government District findings from the Labour Force Survey from 2005 to 2009, the latest year for which data is available, indicate that the economic activity rate for the Belfast Metropolitan HMA is above the Northern Ireland average. It has also declined more slowly than elsewhere in Northern Ireland following the onset of the recession. In 2009 around 73% of working age residents in the Belfast Metropolitan HMA were economically active compared to some 69% elsewhere in Northern Ireland.

Over the same period the average annual employment rate for the Belfast Metropolitan HMA remained above the comparable rate for Northern Ireland. In 2009 some 68% of working age residents in the Belfast Metropolitan HMA were employed compared to the Northern Ireland average of 65%. Estimated employment rates fluctuate from year to year but comparisons between the average annualised rates for 2005-7 and 2008-9 indicate that at the local government district level:

- Larne, Castlereagh, Banbridge and Antrim have high employment rates. In 2008-9 the annualised average rate in these 4 LGDs ranged from 73% to 77%.

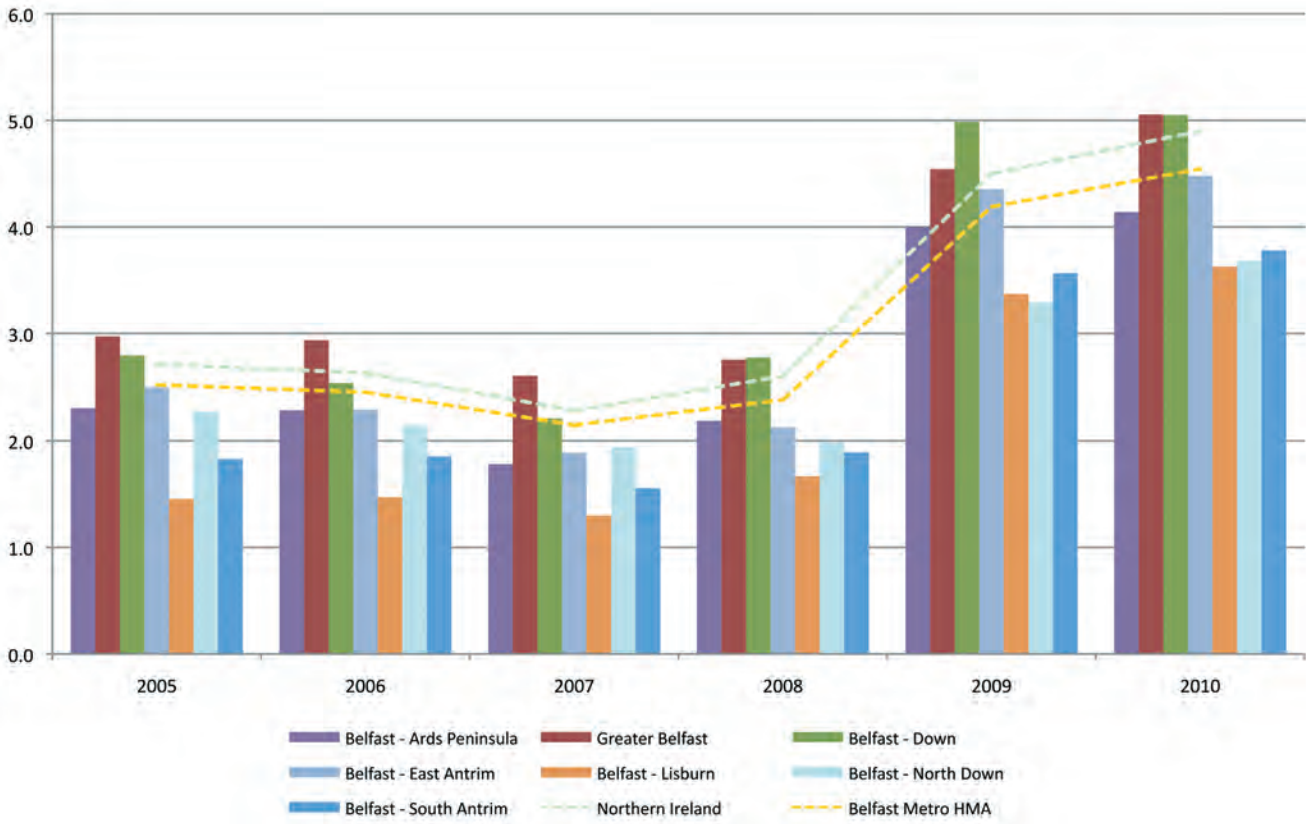
- Employment rates in Ards, Carrickfergus, Newtownabbey, Down and North Down have remained somewhat above the Belfast Metropolitan HMA annual average.
- There has been a very sharp fall in the Lisburn employment rate such that the employment rate (64%) has fallen below the Northern Ireland average. Belfast also experienced a sharp fall in the rate of employment. In 2009 the employment rate was just 58%.

Unemployment, worklessness and deprivation

One manifestation of the recession has been a sharp rise in unemployment. Claimant count based unemployment figures for the Belfast Metropolitan HMA and housing sub-market areas are summarised in figure 4.5 and show that:

- Claimant count based unemployment rates in all 7 housing sub-markets remained below 3% to 2008 but increased sharply in 2009 and continued to rise in 2010.
- In 2010 the annual average claimant count rate for the Belfast Metropolitan HMA was 4.5%, slightly below the comparable Northern Ireland figure of 4.9%.
- Across the Belfast Metropolitan HMA, Down (5.1%), Greater Belfast (5.1%) and East Antrim (4.5%) had the highest rates of unemployment whilst North Down (3.7%) and Lisburn (3.6%) had the lowest rates.

Figure 4.5: Annual claimant unemployment rate for Belfast Metropolitan HMA, 2005-10 (%)



Source: NISRA Annual Average Claimant Count (NINIS, 2011)

The continuing increase in unemployment during 2010 has occurred at a time when the fall in employee numbers appears to be stabilising. This emerging trend highlights that the economic recovery remains fragile and points to the possibility of a rather jobless recovery and continuing high levels of unemployment for some time to come. It also suggests that one of the reasons for the continued increase in unemployment is the continued expansion of the labour force as young people look to enter the market.

This has increased concern about the levels of youth unemployment. In 2010 around 3 out of 10 unemployment claimants in the Belfast HMA were aged below 25 years. This proportion varied by only one of two percentage points across the 7 housing sub-market areas[17]. Moreover, growing numbers of young adults have been employed for 6 months or more. In January 2006 less than 1,100 claimants below the age of 25 had been unemployed for at least 6 months. By the end of 2010 this figure had increased to around 2,900.

There has also been some suggestion that overseas migrants may have been more affected by rising unemployment and this may be an issue that merits further investigation through the sub-market studies to be prepared by NIHE.

Claimant count based unemployment does not provide a complete measure of worklessness. Figure 4.6 shows the proportions of working age adults in receipt of key state benefits[18] from 2002 to 2010. It indicates that:

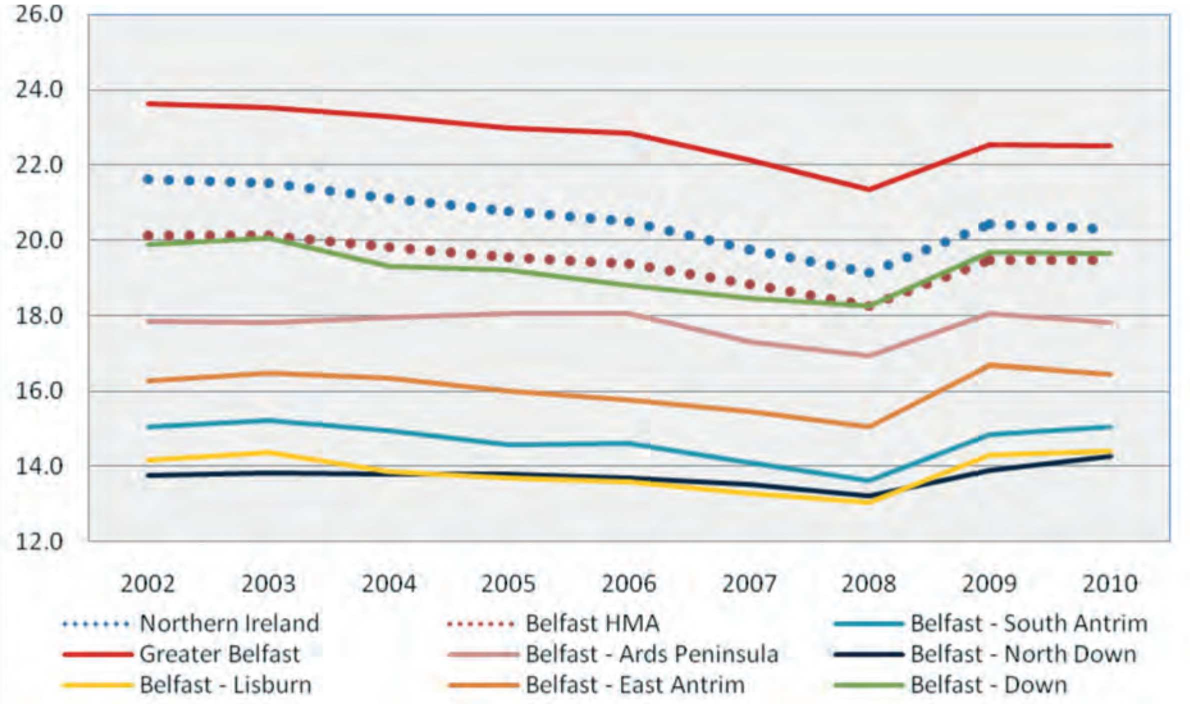
- Prior to 2009, the proportions of working age adults in receipt of key benefits had been falling slowly but steadily. In 2009 this trend went into sharp reverse nationally and locally, largely because of the increase in unemployment.
- Relative to the Northern Ireland rate, the percentage of working age adults in Greater Belfast in receipt of key benefits has remained high, whilst the proportions in Lisburn, North Down and South Antrim have remained low.

The Greater Belfast figures are strongly influenced by the high incidence of claimants in Belfast City. Over 1 out 5 working age adults living in Belfast City are key benefit claimants. This is more than double the rate for other council areas that lie within the Belfast Metropolitan HMA, with the exception of Down LGD (20%).

[17] At the Northern Ireland level, Labour Force Survey findings for January to March 2010 indicate that 16.1% of 18-24 year olds were unemployed, which was more than twice the overall unemployment rate of 6.9%.

[18] Numbers of working age claimants claiming at least one of the main benefits (Income Support, Jobseekers Allowance, Disability Living Allowance, Incapacity Benefit or Severe Disability Allowance and Pension Credit for males aged 60 - 64)

Figure 4.6: Working age adults in receipt of key benefits, 2002-10



Source: NINIS (2010) Receipt of key benefits

More specifically, the Greater Belfast figure is shaped by the very high proportion of working age claimants that live in North Belfast (35%) and West Belfast (42%) The corresponding figures for Belfast South (17%) and Belfast East (19%) are significantly lower and are below the rate for the Belfast Metropolitan HMA (20%) as a whole.

The high incidence of key benefit claimants in Belfast City is indicative of the fact that Belfast City remains the most deprived Local Government District according to the Northern Ireland Deprivation Measure 2010 (NISRA, 2010). A third of Belfast's 150 Super Output Areas (SOAs)[19], are in the most deprived decile for Northern Ireland. The deprivation measure also confirms that many of Belfast's communities affected by social and economic deprivation are located in the North and West of the city. In particular, the majority of the 51 most deprived SOA are situated in the West and North of Belfast. Long-term unemployment is also a serious problem in many of the most deprived neighbourhoods and communities in West and North Belfast as well as other deprived areas located in the wider Belfast Metropolitan HMA.

Labour market structure

Both the Northern Ireland and Belfast Metropolitan HMA employee job market are dominated by public and private services. As table 4.3 shows, in 2009 the largest employing industry in the Belfast Metropolitan HMA was the service sector (87%) followed a long way behind by manufacturing (8%), and construction (4%).

[19] Northern Ireland is made up of 890 SOAs with an average population of approximately 2,000. SOAs are wards or combinations/sub-divisions of Electoral Wards.

Table 4.3: No of employees in Belfast Metropolitan HMA by sub-market (workplace based), 2009

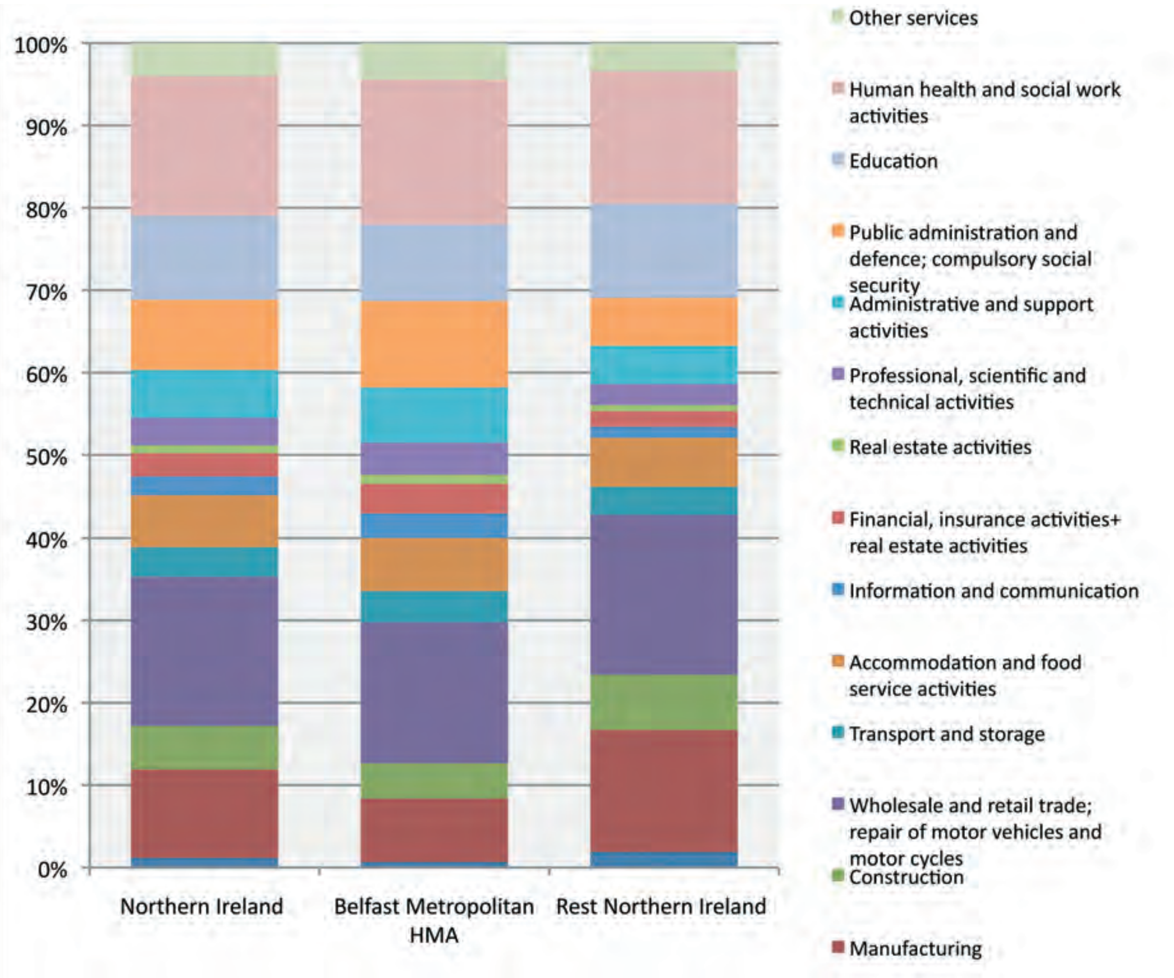
Area	Employee Jobs Total	Full Time (%)	Part Time (%)	Manufacture (%)	Construction (%)	Services (%)	Other (%)	Change 2001-9 (%)
Northern Ireland	691,395	65.0	34.9	10.7	5.3	82.8	1.2	9
Belfast Metro' HMA	402,074	65.8	34.2	7.8	4.2	87.0	1.0	7
Rest of NI	289,321	63.88	35.94	14.8	6.7	77.0	1.5	11
Belfast Metropolitan HMA housing sub-market areas								
Ards Peninsula	2,360	51.1	48.8	*	*	83.3	*	16
Down	16,218	57.0	43.0	6.7	7.1	84.6	1.6	5
East Antrim	16,189	57.9	41.7	17.2	3.4	75.6	3.8	-4
Greater Belfast	275,609	68.3	31.7	6.1	3.4	89.7	0.8	6
North Down	18,470	55.9	44.1	6.5	4.2	89.0	0.2	5
Lisburn	43,232	62.4	37.6	12.6	7.6	78.7	1.0	15
South Antrim	29,996	63.7	36.2	11.9	5.9	81.1	1.1	12

Source: Census of Employment: DETI LGD outputs and NINIS Ward level outputs
Notes
Sub-market full time and part time figures are based on ward employee counts whilst the broad industry category estimates are based on apportioning LGD outputs according to the number of employees that work in each ward.

The Standard Industrial Classification of Economic Activities (SIC 2007) employee statistics, which are summarised in figure 4.7, indicate that in 2009 most employees worked in health and social work (18%), wholesale and retail trade (17%), public administration and defence (11%) and education (9%). A further 12% were employed in real estate, scientific or technical professions and administrative support activities. These three sectors were formerly referred to as real estate, renting & business activities.

The numbers of employees working in the Belfast Metropolitan HMA peaked at over 408,000 in 2007 before falling back to just over 402,000 in 2009. Employee job growth from 2001 to 2007 was very heavily concentrated in the health and social work sector and the real estate, renting & business activities sector. These two sectors accounted for three quarters of the net employee job growth over the period.

Figure 4.7: Employees share by industry (SIC 2007 workplace based), 2009



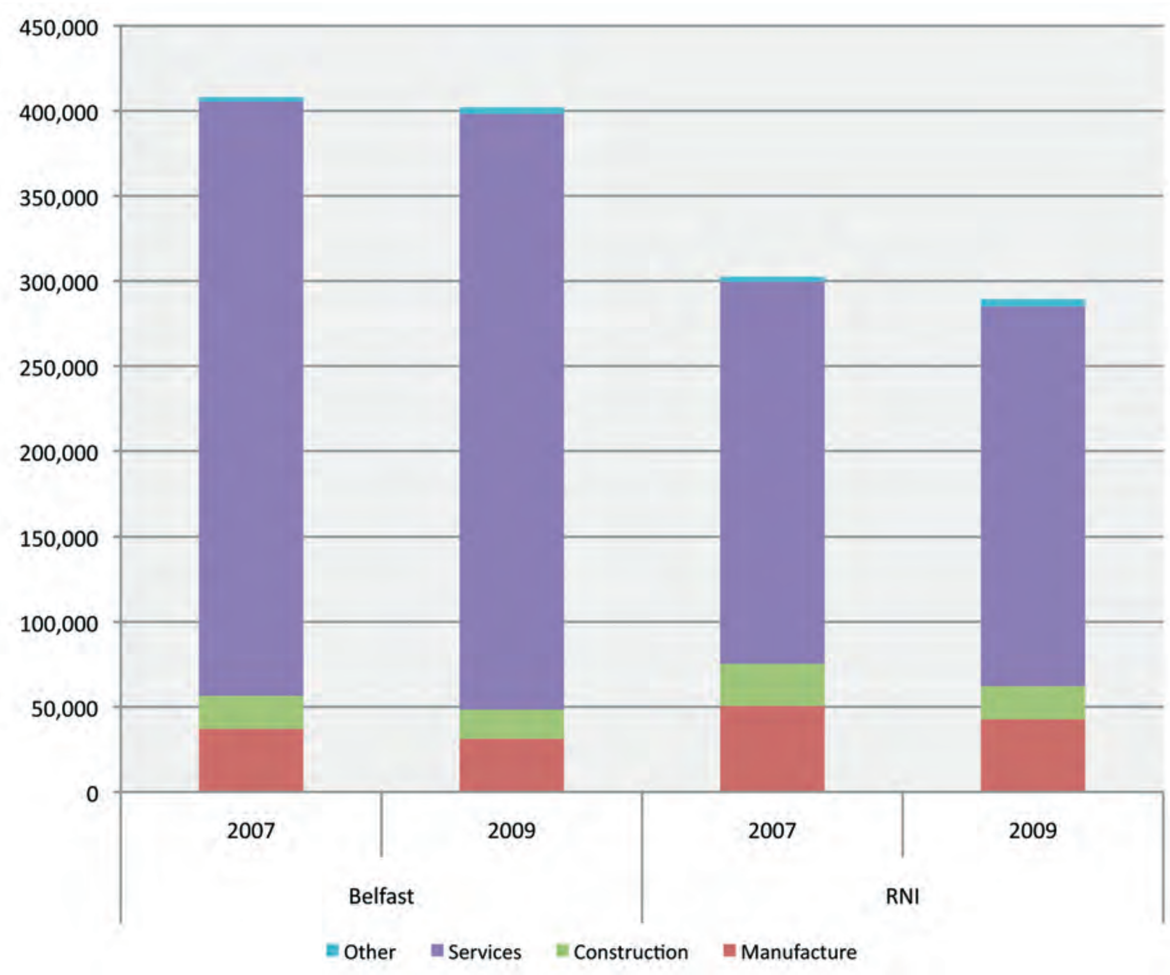
Source: Census of Employment, 2009 (DETINI, 2011)

Of the 31,417 additional employee jobs created in the Belfast Metropolitan HMA in the period to 2007, almost half were part time employee jobs, which was higher than the comparable figure for the rest of Northern Ireland (37%). The more modest growth in the overall numbers of employees in the Belfast Metropolitan HMA (8%) relative to the rest of Northern Ireland (16%) is not easy to explain.
One possibility is that the expansion of the construction sector from 2001 to 2007 created more job opportunities for those living outside the Belfast Metropolitan HMA. Another possibility is that lower input costs in the shape of land and labour costs, as well as the potential to draw in custom from the Republic of Ireland, encouraged warehouse style retailing and some other forms of businesses to locate to certain areas outside the Belfast Metropolitan HMA, including Newry.

A further possibility is that there may have been insufficient sites or incentives to support business growth in the Belfast Metropolitan Plan area. In the period to 2007 the local government districts of Newtownabbey, Castlereagh and Carrickfergus would have experienced a fall in employee jobs had the increase in part time jobs not compensated for the loss of full-time employee jobs.

Figure 4.8 shows that between 2007 and 2009 the fall in employee jobs was more pronounced outside the Belfast Metropolitan HMA. This is partly because job losses have been heavily concentrated in the construction and manufacturing sectors. In addition, the expansion of part time jobs in the Belfast Metropolitan HMA has helped to offset the loss of full time jobs.

Figure 4.8: Number of employees by sector, 2007-9



Incomes and earnings
Earnings
Table 4.4 indicates that in the 5 years to 2009, earnings in Northern Ireland remained below those for the UK at the lower, middle and upper end of the earning distribution. It also shows that the nominal rate of growth in earnings at the UK and Northern Ireland levels at different points of the distribution curve over this period was around 13%.

Table 4.4: Full time workers gross weekly pay, 2005-9

Year		2005	2006	2007	2008	2009
Northern Ireland	25 percentile	£277	£289	£289	£301	£312
	Median	£385	£403	£401	£418	£441
	75 percentile	£565	£577	£580	£609	£633
United Kingdom	25 percentile	£305	£315	£326	£339	£348
	Median	£431	£444	£458	£479	£489
	75 percentile	£612	£631	£651	£678	£693

Source: Annual Survey of Hours and Earnings (ASHE) (via NOMIS, May 2010)
Note: Changes to the method in 2006 may account for the apparent similarity of the 2006 and 2007 figures

Sub-national earning data presented in table 4.5 provides a broad indication of earnings across the Belfast Metropolitan HMA[20]. It shows that:

- Work based full time earnings are highest in Greater Belfast. For example, the median gross weekly wage for an employee working in Belfast LGD was £465. By contrast, the comparable figure for a full time employee working in Down LGD was £365.
- Outside Greater Belfast, resident based earnings are generally higher than work based earnings. For example, the median wage of residents of Banbridge was £437 whereas the median wage of employees that worked in Banbridge LGD was £325.

We interpret these findings to mean that individuals who commute to Greater Belfast from elsewhere in the Belfast Metropolitan HMA will typically earn more than their neighbours that live and work locally. Although this evidence is not conclusive, it does suggests that consumers that live and work outside Greater Belfast may be at a disadvantage in competing for housing with consumers that commute to Greater Belfast to work.

[20] ASHE outputs at LGD level are subject to sampling error and are often outputs are suppressed. ASHE 2010 data was released in 2011. However this table have not been updated, because of a need to ensure consistency with other income and price data available, which are all 2009 based. However, after allowing for sampling error, there were not significant changes in the broad patterns of gross weekly earnings.

Table 4.5: Full time employee gross weekly pay, 2009

	Lower Quartile		Median	
Local government districts	**residence**	**work based**	**residence**	**work based**
Antrim	£306	£299	£415	NA
Ards	£309	£317**	£393	£375
Banbridge	£320	£308	£437	£325
Belfast	£317	£328	£452	£465
Carrickfergus	£320	NA	£428	£306
Castlereagh	£360	£308	£539	£411
Down	£300	£280	£436	£365
Larne	£321	NA	NA	NA
Lisburn	£328	£298	£491	£344
Newtownabbey	£323	£318	£452	£432
North Down	£329	£261	£454	£380
Northern Ireland	£312	£311	£439	£439
Belfast Metropolitan HMA estimated average	£315	£305	£440	£420
Greater Belfast* estimated average	£325	£320	£465	£455
Rest of Belfast Metropolitan HMA estimated average	£310	£295	£430	£390

Source: DETINI (2010) ASHE
NOTES: Estimated for Belfast Metropolitan HMA and its two sub-divisions have been rounded to nearest £5
Greater Belfast defined as Belfast, Castlereagh and Newtownabbey (shaded in blue)
Rest of Belfast Metropolitan HMA includes the non shaded LGDs
**In 2010 the Ards LGD residence and work place lower quartile wage were £327 and £303 respectively

Household incomes

Earnings are only one source of income. The Family Resources Survey (FRS) 2008-9 report (DSD, 2009) suggests that upwards of a third of households in the Belfast Metropolitan HMA area rely on income from other sources. Data on the gross household income is therefore of importance to any assessment of housing demand.

Table 4.6: Gross household income distributions, 2009

Area	**Lower Quartile**	**Median**	**Upper Quartile**	**Average**
Northern Ireland	£18,597	£29,421	£44,793	£34,723
Belfast Metropolitan HMA	£19,044	£30,261	£46,486	£35,925
Belfast Metropolitan HMA sub-market area				
Ards Peninsula	£19,142	£29,874	£44,760	£34,685
Down	£19,237	£30,190	£45,545	£35,241
East Antrim	£19,873	£31,454	£47,964	£37,052
Greater Belfast	£18,108	£28,890	£44,528	£34,533
Lisburn	£21,319	£33,576	£50,633	£39,254
North Down	£20,512	£32,529	£49,548	£38,304
South Antrim	£20,600	£32,396	£48,871	£37,760

Source: CACI (2009) Paycheck

Consistent with CLG (2007) guidance, we analysed CACI PayCheck, which models gross annual household income from all sources including state benefits and savings. As discussed in appendix 3, comparisons with the FRS and other data sources, suggest this data source provides a useful indication of the distribution of households incomes at the Belfast Metropolitan HMA and housing sub-market area level. Table 4.6 illustrates that household incomes are highest in Lisburn and North Down and lowest in Greater Belfast (see table 4.6). Incomes in the Greater Belfast sub-market are heavily influenced by the high percentage of low-income households that live in Belfast LGD, especially in the North and West of the City.

<u>Incomes of younger working households</u>
At the Northern Ireland level, Wilcox (2009) reported that in 2007 the average income for a younger single earner (aged 20-39 years) was £20,413 whilst the average income for all younger working households was £31,088. He also noted that changes in the underlying data can result in some upward (or downward) adjustment to these average income figures from one year to another. Considering this, it seems plausible that the CACI lower quartile and median incomes provide a useful approximation of the average incomes of single and dual earning younger households.

<u>Incomes and tenure</u>
CACI Paycheck cannot be used to track trends, but some indication of change in household incomes can be gauged from the NI House Condition Survey. Figures presented in table 4.7 suggest that:

- The income profile of households living in the Belfast Metropolitan HMA is similar to the income profile of all households in Northern Ireland.
- As expected there has been some decline in the proportions of households with incomes of less than £10,000 and a corresponding increase in those with incomes of £30,000 or more. This pattern is evident at the Northern Ireland and Belfast Metropolitan HMA level.
- Almost 9 out of 10 households with an income of under £10,000 were represented by someone who was retired, unemployed or economically inactive.

Table 4.7: Income of households living in Belfast Metropolitan HMA, 2001 and 2006

	Belfast Metropolitan								Northern Ireland All	
	Owner occupied		Private rented		Social rented		All			
	2001 (%)	2006 (%)	2001 (%)	2006 (%)	2001 (%)	2006 (%)	2001 (%)	2006 (%)	2001 (%)	2006 (%)
Under £10,000	24	21	44	40	68	56	35	29	36	30
£10,000-£14,999	18	18	21	29	23	35	19	23	19	23
£15,000-£19,999	17	14	12	12	13	6	14	13	16	13
£20,000-£29,999	24	19	15	11	*	*	18	15	18	14
£30,000 plus	19	28	7	9	*	*	13	21	11	20
All	100	100	99	101	104	100	100	100		100

Source: NI House Condition Survey, 2001 and 2006 (% rounded)
NOTE: Household income is defined as the total annual income before tax for the respondent and partner (if applicable) and therefore should include income from savings, employment, benefits, etc
Percentages have been rounded.

- As household income increases so does the likelihood of owner occupation. In 2006 over 4 out of 5 households with an income of £15,000 or more were owner-occupiers.

Population Trends and Projections

Recent trends in population numbers

Table 4.8 shows population change for the Belfast Metropolitan HMA from 2001 to 2008, the latest year for which Northern Ireland Statistics and Research Agency (NISRA) small area population estimates are available. Over this period, the Belfast Metropolitan HMA population increased by 25,539, to 936,505. This equated to an increase of 2.8%, which was below the Northern Ireland (5.1%) average.

With a population of 515,000, Greater Belfast is the most populous sub-market. Its population is 4 times greater than Lisburn, which is the second most populous sub-market and over 27 times greater than Ards Peninsula, which is home to just 2% of all residents living in the Belfast Metropolitan HMA .

Table 4.8: Northern Ireland population estimates 2001 to 2008

	2001 (000's)	2004 (000's)	2008 (000's)	change 2001-8 (%)	change 2004-8 (%)
Northern Ireland	1,689,300	1,710,300	1,775,000	5.1	3.8
Belfast Metropolitan HMA	911,100	913,300	936,505	2.8	2.5
Belfast Metropolitan HMA housing sub-market					
Ards Peninsula	16,100	16,900	18,700	16.1	10.4
Down	55,100	57,300	59,800	8.5	4.4
East Antrim	71,400	72,600	74,500	4.3	2.6
Greater Belfast	518,100	510,800	515,000	-0.6	0.8
Lisburn	113,200	115,700	122,000	7.8	5.5
North Down	68,700	69,600	71,500	4.0	2.7
South Antrim	68,500	70,500	75,000	9.5	6.4

Source: NISRA(2010) Small area population (ward) estimates aggregated to HMA and sub-market area

As the discussion of migration trends below affirms, the Belfast Metropolitan HMA has experienced population decentralisation from Greater Belfast to the other sub-market areas, but there has been some recovery in the Greater Belfast population since 2004. The loss of population in Greater Belfast prior to 2004 mainly resulted from a fall in the population living in the local government districts of Belfast and Castlereagh and the urban core of Newtownabbey.

Elsewhere in the Belfast Metropolitan HMA:

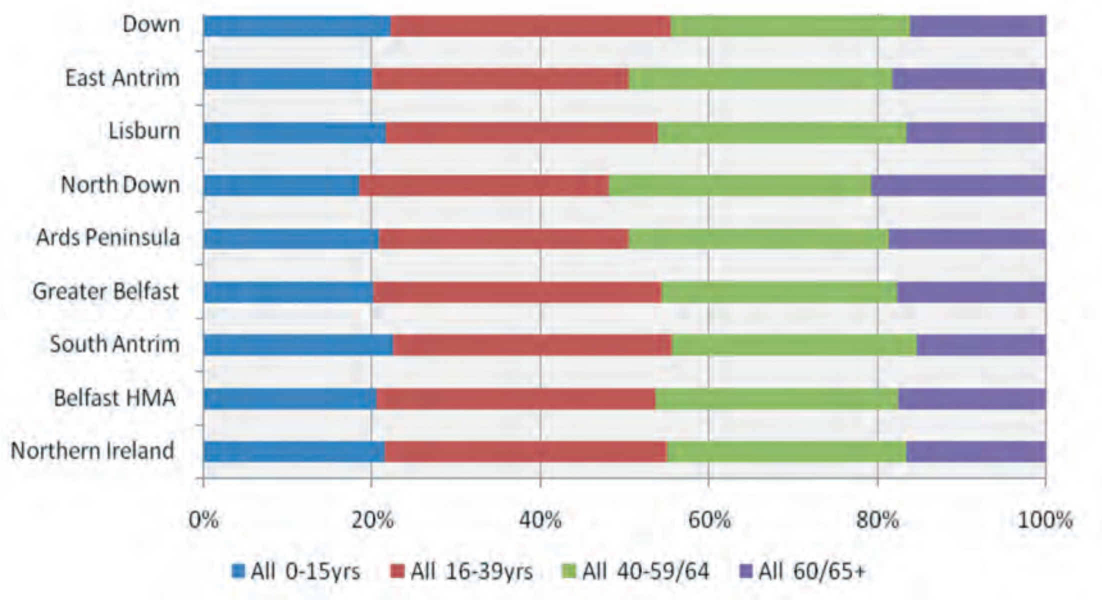
- The transport corridor that extends into Craigavon and Banbridge (which forms part of the Lisburn sub-market) plus the transport corridor that extends into Antrim to Ballymena (which forms part of the South Antrim sub-market) have seen comparatively high rates of population growth.
- Population growth in Ards LGD has tended to be concentrated in Ards Peninsula, including Portavogie and Ballywalter. By contrast, the population in Newtownards and Comber that form part of Greater Belfast has changed little.

Composition of population

Both Northern Ireland and the Belfast Metropolitan HMA have a higher share of children and a lower share of older people than the UK as a whole, but the extent of this difference has diminished over the past decade. ONS (2010) mid-year estimates for 2008 indicate that 18.8% of the UK population is aged 0-15 years and 19.2% are over retirement age. As figure 4.9 shows, the comparable figures for the Belfast Metropolitan HMA are 20.5% and 17.7%.

Relative to Northern Ireland, the Belfast Metropolitan HMA has experienced comparatively low rates of growth in the numbers of adults of working and/or retirement age and a sharper fall in the numbers of children. Nonetheless, the age composition of the Belfast Metropolitan HMA population remains similar to that for the population of Northern Ireland as a whole.

Figure 4.9: Population of the Belfast Metropolitan HMA by age, 2008 (%)



Source; NISRA (2010) Mid- Year Small Area Population Estimates for 2008

Looking across the Belfast Metropolitan HMA, table 4.9 and figure 4.9 indicate that:

- All 7 submarkets have seen a growth in the numbers of adults of working age, although there have been differences in the scale and rate of increase. Relative to the national trend, Ards Peninsula, North Down, Down, Lisburn and South Antrim have all experienced above average rates of growth, whilst the remaining sub-markets have experienced below average rates of growth.

Table 4.9: Northern Ireland population estimates 2001 to 2008

	Northern Ireland	Belfast Metro' HMA	Ards Peninsula	Down	East Antrim	Greater Belfast	Lisburn	North Down	South Antrim
Population 2008									
0-15 years	381,074	192,105	3,865	13,244	14,858	103,646	26,440	13,188	16,864
working age	1,098,109	579,120	11,302	36,851	46,007	319,745	75,206	43,456	46,553
retired	295,832	165,309	3,484	9,705	13,632	91,654	20,355	14,897	11,582
Total	1,774,995	936,505	18,650	59,798	74,496	515,060	121,996	71,528	74,994
Population 2001									
0-15 years	397,156	202,660	3,488	13,561	15,726	114,512	25,840	13,712	15,821
working age	1,029,939	558,031	9,868	33,309	44,017	315,061	70,405	42,021	
43,350									
Retired	262,225	150,446	2,699	8,265	11,679	88,482	16,967	13,008	9,346
Total	1,689,310	911,146	16,058	55,130	71,426	518,060	113,212	68,745	68,515
Change in population age group 2001-8 (numeric)									
0-15 years	-16,082	-10,555	377	-317	-868	-10,866	600	-524	1,043
working age	68,170	21,089	1,434	3,542	1,990	4,684	4,801	1,435	3,203
Retired	33,607	14,863	785	1,440	1,953	3,172	3,388	1,889	2,236
Total	85,685	25,359	2,592	4,668	3,070	-3,017	8,784	2,783	6,479
Change in population age group 2001-8 (percent)									
0-15 years	-4.0	-5.2	10.8	-2.3	-5.5	-9.5	2.3	-3.8	6.6
working age	6.6	3.8	14.5	10.6	4.5	1.5	6.8	3.4	7.4
Retired	12.8	9.9	29.1	17.4	16.7	3.6	20.0	14.5	23.9
Total	5.1	2.8	16.1	8.5	4.3	-0.6	7.8	4.0	9.5

Source; NISRA(2010) Mid- Year Small Area Population Estimates aggregated to housing market and sub-market area
Note: working age refers to women aged 16-59 years and men aged 16 to 64 years. It should also be noted that small area figures (due to rounding by NISRA) do not always aggregate precisely to LGD and national totals

- With the exception of Greater Belfast, rates of growth in the numbers of adults over retirement age have increased more sharply than at the national level.
- North Down, Ards Peninsula and East Antrim markets stand out as having higher proportions of middle age and older adults. Although Ards Peninsula has experienced a growth in the numbers of children (377), this has been outweighed by the increase in the numbers of adults (+1,867) aged 40 years or above.

- Bucking the national trend, South Antrim, Lisburn and Ards Peninsula all experienced growth in the numbers of children. By contrast, Greater Belfast (-9%) and the other sub-markets have all experienced a fall in the numbers of children.
- More than half the working age population in Down, South Antrim and Lisburn are under 40 years. This suggests that in recent years these sub-markets have proved attractive to those seeking to raise their families in less densely populated areas.
- Consistent with the fact that 55% of Belfast Metropolitan HMA residents live in Greater Belfast, the age composition for both areas is very similar.

Minority ethnic communities

According to the Census, in 2001 some 99.2% of the Northern Ireland population consider themselves to be white (non-traveller) compared to 92% for the UK as a whole. The largest minority ethnic communities in descending order were Chinese (0.25%), Mixed (0.2%), Irish Traveller (0.1%) and Indian (0.09%). Around 40% of the 14,271 people that belonged to a minority ethnic community had been born in Northern Ireland, 9% had been born in Britain, 3% had been born in the Republic of Ireland and 48% had been born overseas.

In 2001 some 8,850 individuals in the Belfast Metropolitan HMA belonged to a minority ethnic community[21]. This was equivalent to 62% of Northern Ireland's ethnic minority population but less than 1% of the Belfast Metropolitan HMA population. Of these 8,850 individuals, 70% lived in Greater Belfast, with over 23% living in South Belfast alone. No doubt this is because the two universities draw people from overseas to work and study. It is also likely that Greater Belfast offers greater opportunities for small businesses.

Since the EU expansion in May 2004, there has been an increase in the number of people living in Northern Ireland who were born in Eastern Europe[22]. Oxford Economics (2009) estimate that in 2008 some 56,000 individuals living in Northern Ireland had been born outside of the UK or the Republic of Ireland, although the true figure could range from 50,000 to 59,000. This figure includes some 30,000 individuals from the A8 countries who NISRA estimates live in Northern Ireland (see table 4.10). To put this in context, the Census reported that 720 residents had been born in Eastern Europe in 2001.

Looked at in the round, these estimates suggest that whereas the A8 population has increased rapidly there has been comparatively little change in the numbers and spatial distribution of individuals from a (non-white) minority ethnic community since 2001.

In terms of the spatial distribution of individuals who have migrated from the A8 countries, NISRA estimates indicate that 5,000 live in Belfast LGD and that some 10,400 live in the Belfast Metropolitan HMA. The number of migrants from Eastern Europe living in the Belfast Metropolitan HMA is comparatively low and indicates that the expansion in net-international migration from 2004 to 2008 had a larger impact on population growth elsewhere in Northern Ireland, particularly Dungannon.

Oxford Economics suggest that between 33,000 and 41,000 people born outside the UK and Republic of Ireland were working in Northern Ireland in 2008, many in the hospitality and manufacturing sectors.

[21] Likewise, 66% of the 3,649 Northern Ireland household representatives from a minority ethnic community lived in the Belfast Metropolitan HMA. It is also of interest to note that 77% of the 30,558 individuals living in Northern Ireland in 2001 that were born outside of the UK or the Republic of Ireland, came from Europe or English speaking countries

[22] Cyprus & Malta joined the EU in 2008, as did 8 other countries often referred to as the A8 (Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Slovakia and Slovenia). Romania and Bulgaria joined in 2007.

Table 4.10: NISRA estimated A8 Stock Population by Local Government District, 2007

LGD Name	A8 Population (2007)	2007 Mid Year Estimate	% of Population
Antrim	1,500	52,600	2.9
Ards	500	77,100	0.6
Armagh	1,200	57,700	2.1
Ballymena	1,600	62,100	2.6
Ballymoney	300	29,700	1.0
Banbridge	300	46,400	0.6
Belfast	5,000	267,500	1.9
Carrickfergus	100	40,000	0.2
Castlereagh	300	65,600	0.5
Coleraine	1,200	56,800	2.1
Cookstown	900	35,400	2.5
Craigavon	3,100	88,800	3.5
Derry	600	108,500	0.6
Down	600	69,200	0.9
Dungannon	3,700	54,300	6.8
Fermanagh	1,000	61,300	1.6
Larne	100	31,300	0.3
Limavady	300	34,400	0.9
Lisburn	1,000	113,500	0.9
Magherafelt	900	43,100	2.1
Moyle	100	16,700	0.6
Newry and Mourne	3,000	95,500	3.1
Newtownabbey	700	81,700	0.9
North Down	300	78,700	0.4
Omagh	1,200	51,500	2.3
Strabane	300	39,400	0.8
Northern Ireland	30,000	1,759,100	1.7
Assumed Belfast Metropolitan HMA	10,400	930,000	1.1

Source: NISRA (2008b) Size of the EU Accession (A8) Population Resident in Northern Ireland and NISRA (2010) Small Area population estimates (ward based).
Notes:
The A8 count for the Belfast Metropolitan HMA is the aggregate count for 11 of the 13 LGDs that fall wholly or partly within the HMA. The A8 population of Ballymena and Craigavon has not been included and are judged most likely to live and work live in the HMAs of the same name. The Belfast Metropolitan HMA total population for 2007 is derived from NISRA's ward level population estimate (i.e. outside the scope of the Belfast Metropolitian HMA).

Components of population change

The main components of population change are:

- Natural change (the difference between births than deaths)
- Internal migration, which refers to migration within Northern Ireland
- External migration, which refers to migration from Britain, the Republic of Ireland and the rest of the world. The term international migration refers to migration from outside the UK.

NISRA migration figures and assumptions used to inform population estimates and projections generally do not differentiate between internal and external migration at the local and small area level.

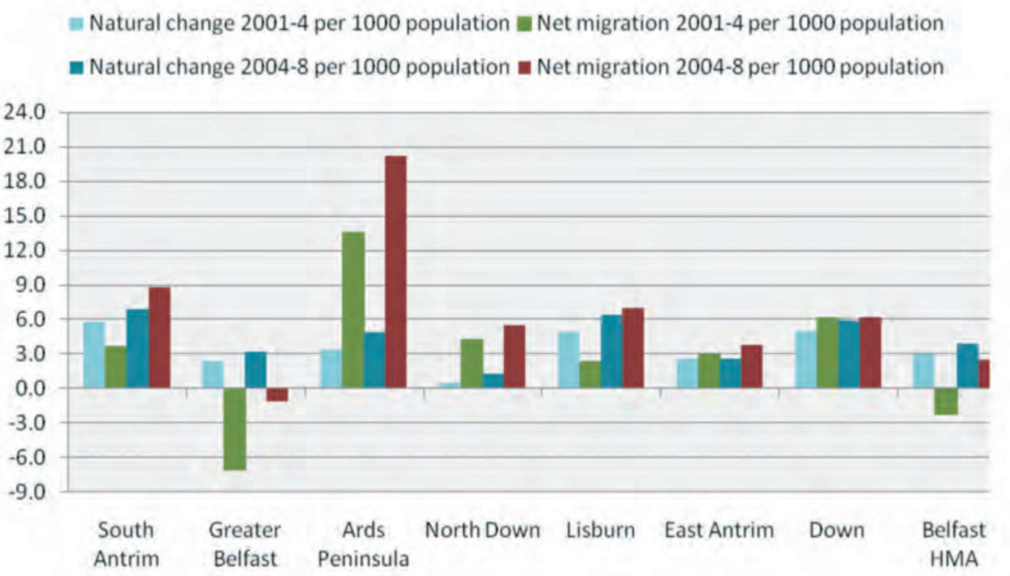
During the 1990s natural change was the main contributor to population growth in Northern Ireland, although the rate of growth was tempered by net out-migration. This remained the case until 2004 when the increase in international migration led to the emergence of net in-migration. NISRA (2009a) estimate in the decade to 2004 that the population of Northern Ireland increased by an average of 7,000 persons each year (0.4%) but this figure more than doubled to 16,100 between 2004 and 2008 (0.95%).

In spite of this recent trend, natural change has remained the main contributor to population growth in the Belfast Metropolitan HMA, although the relative importance of natural change and net migration has varied from one sub-market to another (see figure 4.10).

The decline in the Greater Belfast population from 2001-4 was the result of net out-migration, which was considerably in excess of natural growth. Between 2004 and 2008 a sharp increase in net migration largely offset the continuing outflow of individuals to the rest of Northern Ireland, primarily to other sub-markets in the Belfast Metropolitan HMA.

At the other end of the spectrum, net migration was the main driver of population growth in Ards Peninsula and North Down from 2001 to 2008. CHI evidence suggests that North Down tended to attract mainly middle aged and older residents from Greater Belfast. The Ards Peninsula tended to attract people from Greater Belfast and North Down, many of whom are aged over 40 years. There was also evidence of an increase in international migrants coming to the Ards Peninsula between 2001 and 2008, mainly from Europe.

Figure 4.10: Annual average rate in components of population change, 2001-2008



Source; NISRA (2010) small area ward based annual statistics for births and deaths aggregated to HMA, LGD and sub-market level and then cross referenced with HMA, sub-market and LGD population estimates

Population growth in Down, South Antrim, Lisburn and East Antrim has been a function of natural change and net migration. However, whereas South Antrim and Lisburn experienced a sharp rise in the rate of net migration between 2004 and 2008, East Antrim experienced only a modest increase in the rate of net migration. In Down the rate appears to have remained broadly static. Household trends, which are discussed below, suggest this divergence reflects recent housing market developments.

In the case of South Antrim, external migration has been a significant factor. It appears to be the only sub-market aside from Greater Belfast where external migration made a substantial contribution to population change from 2004 to 2008.

NISRA mid-year population estimates for 2009 confirm that one immediate consequence of the economic recession has been a sharp fall in external migration. In the year to summer 2009 net migration from Britain and the Republic of Ireland fell to less than 600. Over the same period, net international migration added some 1,543 individuals to Northern Ireland's population, down from over 8,300 in 2007.

McVeigh and McAfee (2009) suggest that another consequence of the recession has been an increase in the number of migrant workers who face financial hardship. They point out that migrant workers are not entitled to state benefits if they have not signed up to the Worker's Registration Scheme, or have not worked consecutively for 12 months. These restrictions are however due to be lifted in April 2011.

Northern Ireland level population projections

The latest NISRA population projections are based on the 2008 population estimates and trend-based assumptions regarding future fertility, mortality and migration rates. External migration rates for Northern Ireland are agreed with ONS. These and other inputs assume underlying trends will continue largely unchanged and therefore make no allowance for planned policy changes and other social and economic factors which may influence future demographic trends.

Table 4.11: NISRA alternative Northern Ireland population projections

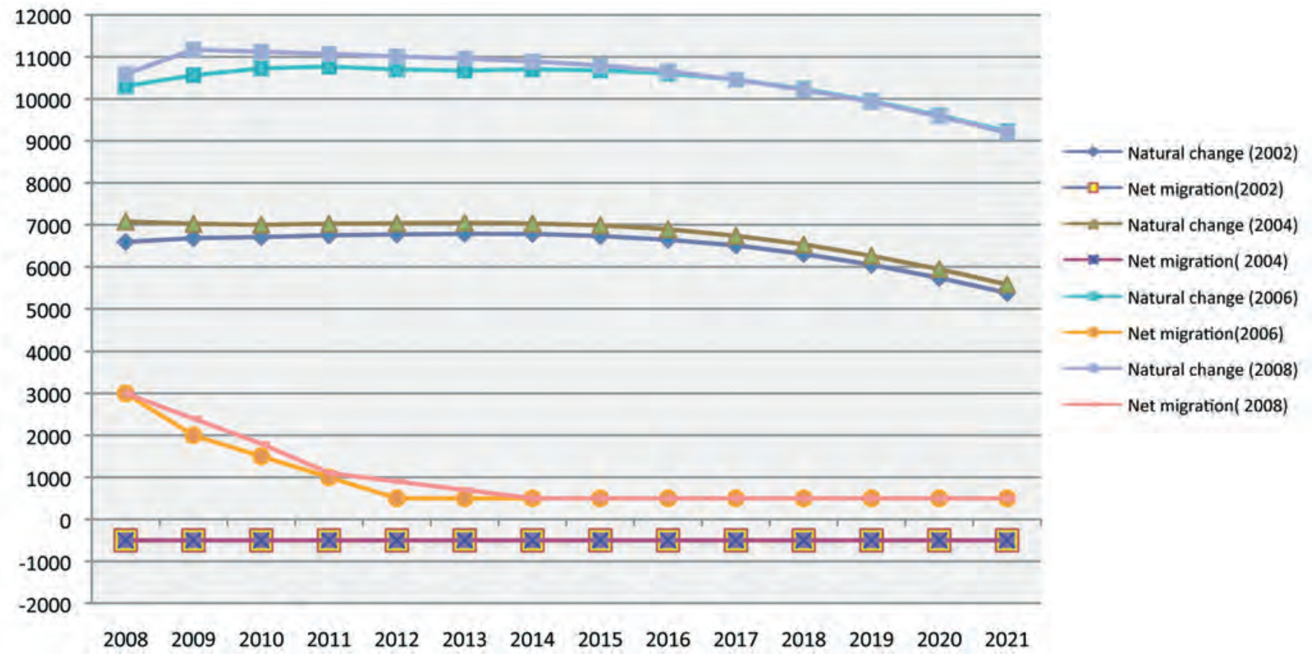
				Difference 2002 and 2008 based		Difference 2006 and 2008 based	
Year	**2002 based**	**2006 based**	**2008 based**	**No**	**%**	**No**	**%**
2008	1,732,000	1,774,000	1,775,000	43,000	2	1,000	0.06
2009	1,739,000	1,787,000	1,789,000	50,000	3	2,000	0.11
2010	1,745,000	1,799,000	1,802,000	57,000	3	3,000	0.17
2011	1,751,000	1,812,000	1,815,000	64,000	4	3,000	0.17
2012	1,757,000	1,823,000	1,827,000	70,000	4	4,000	0.22
2013	1,763,000	1,835,000	1,839,000	76,000	4	4,000	0.22
2014	1,770,000	1,846,000	1,851,000	81,000	5	5,000	0.27
2015	1,776,000	1,857,000	1,862,000	86,000	5	5,000	0.27
2016	1,782,000	1,868,000	1,874,000	92,000	5	6,000	0.32
2017	1,788,000	1,879,000	1,885,000	97,000	5	6,000	0.32
2018	1,794,000	1,890,000	1,896,000	102,000	6	6,000	0.32
2019	1,800,000	1,901,000	1,906,000	106,000	6	5,000	0.26
2020	1,806,000	1,911,000	1,917,000	111,000	6	6,000	0.31
2021	1,811,000	1,922,000	1,927,000	116,000	6	5,000	0.26

Source: NISRA - http://www.nisra.gov.uk/demography/default.asp3.htm
Notes: Figures rounded up by NISRA

Table 4.11 summarises alternative NISRA population projections for Northern Ireland for the period from 2008 to 2021. Figure 4.11 summarises the natural change and migration assumptions that underpin these alternative projections. Together they show that:

- The 2006 and 2008 based population projections are based on similar assumptions over the longer term. The only significant difference is that the 2008-based projections assume higher rates of natural change and net-migration in the period to 2014.
- There is a big difference between the 2002-based and the 2008-based projections. The 2008-based projections suggest there could be over 1.9 million people living in Northern Ireland by 2021, some 116,000 more people than the 2002 projections indicated. This illustrates that the upturn in net external migration and natural population growth that occurred from 2001 to 2008 is expected to have a permanent upward impact on the numbers of people living in Northern Ireland in the long term.

Figure 4.11: NISRA component of population change assumptions



Source: NISRA population projections

The net external migration assumptions incorporated into the 2008-based projections are higher than those assumed in 2002[23]. Nonetheless, they are modest compared to the rates of external migration witnessed from 2004 to 2008. In particular, NISRA assumes that the rate of net external migration will be very modest (around 500 pa) from 2014 onwards.

Oxford Economics (2009) have suggested that the 2004-8 period may prove to have been rather unusual and that weaker economic conditions will dampen inward migration for the foreseeable future. Others concur that migration will fall back. McVeigh *et al* (2009) and Bell *et al* (2009) suggest that whilst a mass exodus is unlikely, far fewer migrants will move to Northern Ireland in the coming years than in the 4 years to 2007 inclusive. Northern Ireland, therefore, is unlikely to experience a return to net out-migration. However, the combined impact of continuing weak labour market conditions, tighter UK entry requirements for those outside the EU and a relaxation of employment rules for A8 migrants elsewhere in Europe means the rates of net external migration could more or less remain in balance for much of the coming decade.

Belfast Metropolitan HMA level population projections

In May 2010 NISRA published local government district 2008-based population projections. NISRA (2010a) stresses that sub-national projections are less reliable than those for Northern Ireland due to the greater volatility of internal migration. Internal migration was particularly volatile in the period to 2008. This was closely linked to the high rates of house sales, private housing construction and residential mobility that occurred during this period. Comparison between the NISRA population estimates from

[23] The NISRA 2008 - based projections assumed that in the 6 years to 2013 some 9,900 more people may come to Northern Ireland than leave but in the following 6 years this figure could fall to 3,000. By contrast, the 2002-based projections assumed that for both 6-year periods some 3000 fewer people would come to Northern Ireland than leave each year.

2004 to 2008 with the 2004-based NISRA population projections for 2004-8 confirm that population change in the Belfast Metropolitan HMA, especially Greater Belfast, was very different from the underlying trend that was apparent in the period prior to 2004.

NISRA projections (see table 4.12) suggest that the Belfast Metropolitan HMA population could increase by over 2% in the period to 2015 and by over 5% by 2023.

Table 4.12: Belfast Metropolitan HMA population projections, 2010-23

				change 2010-23		change 2010-15
	2010	2015	2023	No	(%)	(%)
2008 based population projections						
Ards Peninsula	18,900	19,300	20,400	1,500	7.9	2.1
Down	60,500	62,500	65,200	4,700	7.8	3.3
East Antrim	75,100	76,100	77,600	2,500	3.3	1.3
Greater Belfast	517,800	525,100	534,700	16,900	3.3	1.4
Lisburn	124,600	131,100	139,400	14,800	11.9	5.2
North Down	72,100	72,800	73,700	1,600	2.2	1.0
South Antrim	75,800	78,800	83,900	8,100	10.7	4.0
Belfast Metropolitan HMA	944,800	965,700	994,900	50,100	5.3	2.2
Northern Ireland	1,802,200	1,862,200	1,945,800	143,600	8.0	3.3

Source: NISRA 2006-and 2008-based LGD population projections: pro-rata allocation to sub-markets
NOTES: Consistent with NISRA advice, projections have been rounded to the nearest 100.
The figures are based on NISRA projections for the 13 LGDs that fall within the Belfast Metropolitan HMA.
The share allocated to each sub-market is based according to the proportion of each LGD population that lived in each sub-market area in 2008, with some very minor adjustment to reflect changes to this figure over time. Further details can be found in the guidance manual.

The 2008-based projections for Greater Belfast are very different from the 2006-based projections. NISRA now projects that the number of people living in Greater Belfast will gradually increase by 16,900 to 534,700 by 2023, whereas previous projections suggested the population would decline. The reversal in the projected trend suggests that NISRA have allowed for higher rates of natural population growth, presumably linked to increased longevity, and lower rates of out-migration than had been previously assumed.

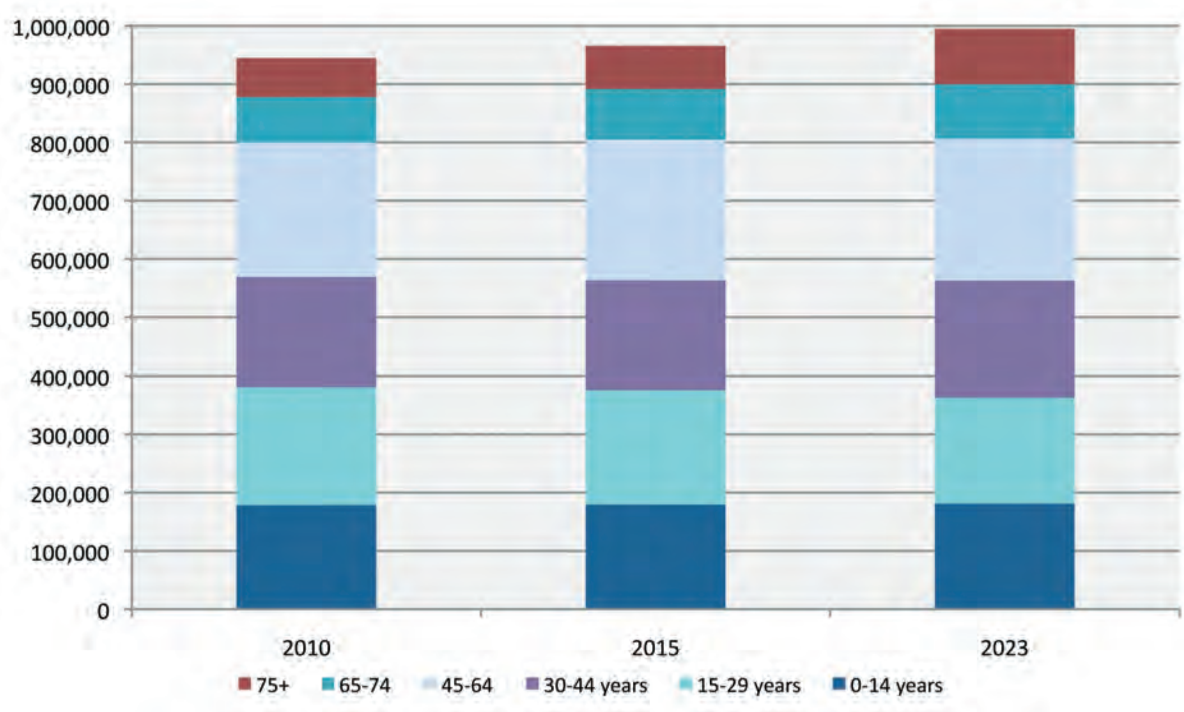
At around 12%, the rate of population growth projected for Lisburn over the period to 2023 is well in excess of the projected rate of population growth for Northern Ireland or the Belfast Metropolitan HMA as a whole. The same is true in respect of South Antrim.

NISRA projections suggest that the numbers of people living in the other 4 sub-markets in the Belfast Metropolitan HMA will continue to increase, albeit at a slower rate than previously projected. The projected age profile of the population suggests that this slowdown in population growth is associated with a scaling back of the number of people in their 30s and 40s projected to move from Greater Belfast to its neighbouring sub-markets.

In terms of NISRA's projected age profile for the Belfast Metropolitan HMA, figure 4.12 shows the following for the period 2010 to 2023:

- By 2023 some 63% of the population are likely to be adults of working age, 18% are likely to be children under the 15 years and 19% are likely to be aged 65+ years.
- The number of adults aged 15-29 years, which is the key household-forming age group, is lkely to decline by 10% to 182,200. Most of this decline (8%) is projected to occur after 2015. However, as the migration and the household formation patterns of this age group are influenced by economic conditions and the dynamics of the housing system, this long-term trend should be treated with caution.
- The number of people aged 65+ years could increase by some 43,900 or 30% to 188,800, whilst the number aged 75 years or above is likely to increase by 28,300 or 42% to 95,000. Thus 10% of the population is likely to be aged over 75 years by 2023. Most of the growth in the number of people aged 75+ years is projected to occur after 2015.
- There will be increasing numbers of people aged 30-44 years and 45-64 years and a corresponding increase in the numbers of children, other than in Greater Belfast, where the number of children is likely to remain broadly static.

Figure 4.12: Belfast Metropolitan HMA population projections by age, 2009-2021 (2008 based)



Source: NISRA (2010a) LGD level 2008-based population projections

Based on recent economic and demographic dynamics, the 2008-based projections for the period to 2015 appear to provide a more plausible scenario (than the 2006 projections) of the general direction of population change at the Belfast Metropolitan HMA level in the period to 2015. Continuing weak economic and housing market conditions suggest that further decentralisation from Greater Belfast to elsewhere in the Belfast Metropolitan HMA is likely to be modest, particularly in the period to 2015. However, there is a risk that the rate of population growth for the Belfast Metropolitan HMA and the rest of Northern Ireland could be somewhat lower than projected if continuing weak labour market conditions result in a sharper fall in net external migration than NISRA projects.

Looking further ahead to 2023, it is much less certain what future rates of internal and external migration might look like. Much will depend on how quickly employment levels return to 2007/8 levels, how quickly consumer and developer confidence in the housing market returns and where new private housing construction takes place.

Household trends

From a housing perspective the way in which the population organises itself into households and thus expresses demand and need in the housing system is of particular significance.

Belfast Metropolitan HMA household trends

A small proportion of people live in communal establishments, such as 'medical and care' establishments, army barracks and student accommodation. According to the 2001 Census, some 2.7% of the Belfast Metropolitan HMA population lived in a communal establishment compared to 1.2% of the Northern Ireland population[24]. Most people, however, live in private households.

Table 4.13: Belfast Metropolitan HMA household estimates 2001-9

			change 2001-9	
	2001	2009	No	(%)
Northern Ireland	628,500	697,400	68,900	11%
Belfast Metropolitan HMA	356,100	385,600	29,500	8%
Ards Peninsula	6,200	7,600	1,400	23%
Down	19,300	23,100	3,800	20%
East Antrim	28,200	31,200	3,000	11%
Greater Belfast	206,800	216,500	9,700	5%
Lisburn	42,200	47,700	5,500	13%
North Down	28,600	31,400	2,800	10%
South Antrim	24,800	28,100	3,300	13%

Source: NISRA (2010)
Notes: Ward level occupied stock estimates adjusted to sum to NISRA LGD 2008 based household projections for 2009 and numbers rounded to nearest 100

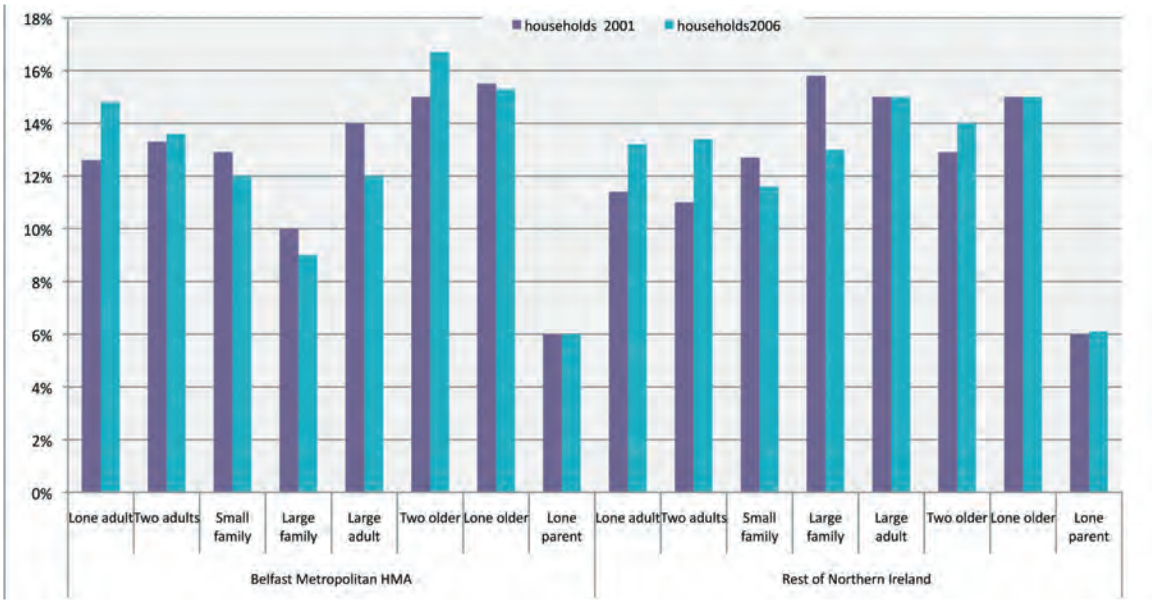
[24] Those living in communal establishments were concentrated in Greater Belfast & North Down.

The long-run trend towards the formation of smaller, including single person, households has ensured that household growth has occurred throughtout the Belfast Metropolitan HMA and the rest of Northern Ireland. The increase in single person households throughout the UK reflects a mix of factors. These include higher divorce rates and higher numbers of adults delaying marriage and child bearing until they are in their 30s. However, the factor that has become of most significance is that older people who outlive their partners continue to live alone for a much longer time than in the past.

Household estimates[25], which are summarised in table 4.13, suggest that between 2001 to 2009:

- The numbers of households in the Belfast Metropolitan HMA increased by 8% to 385,600, which was below the comparable rate for Northern Ireland (11%).
- Household growth was particularly pronounced in the Ards Peninsula, Lisburn and South Antrim. All three sub-markets experienced a sharp increase in private housing construction activity between 2004 and 2007.
- There was also a large increase in the number of households living in Down, although the annual rate of growth has slowed in recent years.
- Household growth in East Antrim and North Down was more modest. This partly reflects the fact that private sector housing construction rates in these two sub-markets did not increase significantly from 2004 to 2007.
- The number of households living in Greater Belfast increased to 216,500. Although the rate of increase (5%) was low, there has been a sharp upturn in the number of households living in this sub-market since 2004.

Figure 4.13: Change in household composition in the Belfast Metropolitan HMA, 2001-6



Source: North Ireland House Condition Survey, 2001 and 2006

[25] NISRA prepares local authority level household projections but not annual household estimates. This analysis used occupied stock numbers to produce household estimates for the Belfast Metropolitan HMA and its sub-market areas. These estimates were controlled to the NISRA projected numbers of households at the LGD level. As discussed in appendix 4, this method has drawbacks but it provides useful insights into the direction of change.

NI House Condition Survey evidence (see figure 4.13) suggests that there has been a steeper decline in the proportion of the Belfast Metropolitan HMA population living in larger adult and/or family households than elsewhere in Northern Ireland. This trend has been most pronounced in Greater Belfast[26.] Although hardly conclusive, this suggests that the expansion of private renting may have contributed to higher rates of household formation than elsewhere.

Household projections

Future household trends are more sensitive to economic, housing market and policy changes than future population trends. As a result, household projections are subject to a greater degree of uncertainty than population projections. As Barry et al (2005) observed in relation to the 2002-household based projections:

"LGD household projections should be treated as best estimates of what might happen in the future if past trends are allowed to continue without any policy intervention and without taking account of changing local needs. They should, in other words, be viewed more as a 'do nothing' policy outcome scenario that may help to inform future policy thinking. They are included here only for the sake of completeness and should not be taken as forecasts of what is actually going to happen at local level".

Northern Ireland projections

NISRA's latest 2008-based household projections are summarised in table 4.14. NISRA projects there could be 810,400 households living in Northern Ireland by 2023 and that this figure could increase to 880,400 by 2033. Around half of the 104,000 additional households projected from 2010 to 2023 will arise as a result of the projected increase in population. The other half flows from a combination of the changing age structure of the population and the continued trend towards single and smaller person households.

[26] Those living in communal establishments were concentrated in Greater Belfast & North Down.

Table 4.14: NISRA 2008 based household projections for Northern Ireland, 2010-33

2008 based projections	2010	2015	2023	2033	change 2010-15	change 2010-33
Household size						
1 person	213,000	236,400	273,800	326,400	11%	53%
2 person	203,800	220,200	242,300	268,100	8%	32%
3 person	111,400	114,400	116,500	116,100	3%	4%
4 person	103,000	105,500	108,100	106,300	2%	3%
5+ person	75,200	72,600	69,800	63,500	-3%	-16%
All Households	706,400	749,200	810,400	880,400	6%	25%
Average household size	2.51	2.44	2.36	2.24	NA	NA
Household type						
Single person households	213,000	236,400	273,800	326,400	11%	53%
Two adults without children	184,800	200,800	222,000	248,800	9%	35%
Other households without children	98,300	96,100	88,100	88,500	-2%	-10%
Lone adult households with children	37,000	37,100	37,500	34,500	0%	-7%
Other households with children	173,300	178,800	189,000	182,300	3%	5%
Total households	706,400	749,200	810,400	880,400	6%	25%
Comparison with 2006-based projection						
Projected household count	712,000	753,900	812,000	NA	6%	NA
Average household size	2.48	2.42	2.34	NA	NA	NA

Source: NISRA 2008 based household projections (2010)
Figures rounded by NISRA

In terms of household composition, NISRA projects that if underlying trends remain unchanged then:

- Most of the additional households will comprise single person or two person households. By 2023 therefore, more than 6 out of 10 households living in Northern Ireland may comprise of 1 or 2 adults.
- In contrast to some other regions of the UK, the number of households with dependent children will continue to rise until 2023, after which the number of families and lone parents may begin to fall back.
- The number of households with three or more adults without dependent children (i.e. other households without children) is projected to decline, but the scale of decline is modest relative to other regions of the UK. This may be partly explained by the fact that this category includes households that contain individuals aged 16-18 who are still in full time education.

The 2008-based projections suggest there may be fewer households in the period to 2015 and (to a lesser extent) to 2023 compared with the 2006-based household projections. This is in spite of a higher starting population in 2008. The most likely explanation is that the household propensity rates applied to the 2008 population projections by NISRA assume that a higher proportion of the population will live in larger households than for the 2006-based projections[27]. The corresponding rise in average household size reported by NISRA supports this assumption.

[27] To project household numbers, NISRA applies age-sex specific household membership probabilities to the population projections for the same base year. These probabilities are derived from changes in household composition between the 1991 and 2001 Census.

NISRA sub-national household projections and household composition

NISRA issued 2008-based sub-national household projections to 2023 for the Belfast Metropolitan HMA, which are summarised in table 4.15. It shows that consistent with what the analysis underpinning this research anticipated:

- NISRA projects that 438,800 households may be living in the Belfast Metropolitan HMA by 2023, which is significantly higher than the 2006-based projections indicated. Thus the rate of projected household growth for the Belfast Metropolitan HMA to 2015 and 2021 has become more closely aligned to the rate for Northern Ireland as a whole.

Table 4.15: NISRA 2008 based household projections for Belfast Metropolitan HMA 2010-23

2008 based	2010	2015	2021	2023	change 2010-15	change 2010-21	change 2010-23
Belfast - Ards Peninsula	7,700	8,100	8,500	8,700	5%	10%	13%
Belfast – Down	23,500	25,100	26,600	27,100	7%	13%	15%
Belfast - East Antrim	31,500	33,000	34,500	35,000	5%	10%	11%
Greater Belfast	218,400	227,900	238,100	241,800	4%	9%	11%
Belfast – Lisburn	48,500	52,300	56,400	58,000	8%	16%	20%
Belfast - North Down	31,700	32,800	33,900	34,300	3%	7%	8%
Belfast - South Antrim	28,500	30,700	33,000	33,900	8%	16%	19%
Belfast HMA	**389,800**	**409,900**	**431,000**	**438,800**	**5%**	**11%**	**13%**
Rest of Northern Ireland	316,600	339,300	363,400	371,600	7%	15%	17%
Northern Ireland	706,400	749,200	794,400	810,400	6%	12%	15%

Source: NISRA 2008 based household projections (2010)
Figures rounded to be consistent with NISRA reporting conventions

- There has been a substantial upturn in the projected rate of household growth in Greater Belfast. The 2008-based projections indicate that from 2010 to 2021 the number of households living in Greater Belfast will increase by 9% to 238,100. The 2006-based projections suggested the rate of growth for the same period would be less than 3%.
- Consistent with recent population trends, Lisburn and South Antrim are projected to experience very high rates of household growth over the period to 2023.
- The rate of projected growth for the Ards Peninsula has slowed, but it should be noted that the assumed rate for this area is heavily dependent on household projections for Ards LGD. The figures should therefore be considered illustrative rather than robust.
- The other sub-markets are also projected to experience a lower rate of household growth over the next 10 to 15 years than had been previously assumed. Other than in North Down, however, the downward adjustments are small in numerical terms.

The pace of growth for Greater Belfast is heavily influenced by the fact that the number of households living in the Belfast LGD and Castlereagh LGD are expected to continue to rise over the period to 2023 whereas the 2006 based projections suggested the numbers of households living in both areas could begin to fall back after 2015[28].

[28] Household growth in Newtownabbey is expected to be minimal after 2015 (1.5%), whilst household growth rates in North Down (6%) and Larne (6.1%) are also modest. By contrast, household growth in Carrickfergus (13.3%) Ards (15.4%), Down (18.4%), Lisburn (16.5%) and Antrim (24.5%) are projected to be in line or above the Northern Ireland average.

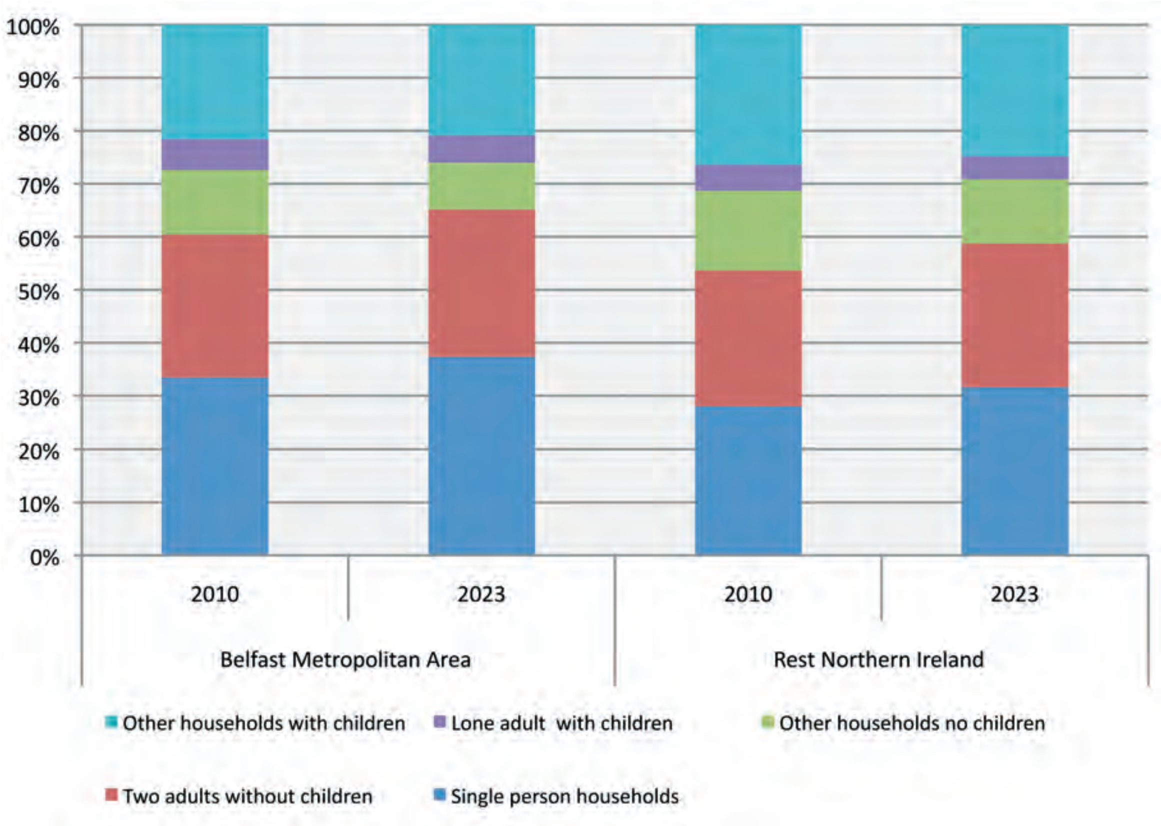
Table 4.16: NISRA 2008 based projected households by household type to 2023

				change 2010-23		
	2010	**2015**	**2023**	**No**	**%**	**change 2010-15**
Northern Ireland						
Single person households	213,000	236,400	273,800	60,800	29%	11%
Two adults without children	184,800	200,800	222,000	37,200	20%	9%
Other households no children	98,300	96,100	88,100	-10,200	-10%	-2%
Lone adult with children	37,000	37,100	37,500	500	1%	0%
Other households with children	173,300	178,800	189,000	15,700	9%	3%
All households	706,400	749,200	810,400	104,000	15%	6%
Belfast Metropolitan Area						
Single person households	92,500	101,000	114,700	22,200	24%	9%
Two adults without children	74,600	79,400	85,600	11,000	15%	6%
Other households no children	33,700	31,800	27,100	-6,600	-20%	-6%
Lone adult with children	16,000	15,800	15,800	-200	-1%	-1%
Other households with children	59,700	61,100	64,100	4,400	7%	2%
All households	276,500	289,200	307,200	30,700	11%	5%
Rest Northern Ireland						
Single person households	120,500	135,400	159,100	38,600	32%	12%
Two adults without children	110,200	121,400	136,400	26,200	24%	10%
Other households no children	64,600	64,300	61,000	-3,600	-6%	0%
Lone adult with children	21,000	21,300	21,700	700	3%	1%
Other households with children	113,600	117,700	124,900	11,300	10%	4%
All households	429,900	460,000	503,200	73,300	17%	7%

Source: NISRA household projections 2008 based
NOTE: Belfast Metropolitan Area (which is NUTS 3 areas of Belfast and Outer Belfast) includes the LGDs of Belfast, Carrickfergus, Castlereagh, Lisburn, Newtownabbey and North Down.
Figures for the BMA and hinterland based on corrected figures provided by NISRA in January 2011

NISRA does not produce LGD level projections for household composition. Table 4.16 therefore shows projections for the Belfast Metropolitan Area. It shows that household growth will be driven by an increase in smaller and single person households, albeit the rate of growth is projected to be lower than in the Rest of Northern Ireland. It also shows that there is likely to be a comparatively sharp decline in the numbers of larger households without children. Consequently, as figure 4.14 shows, by 2023 almost 2 out 3 households living in the BMA may comprise of single or two person households.

Figure 4.14: Change in household composition in the Belfast Metropolitan HMA, 2001-6



Household projections do not attempt to predict the possible impact of future government policies, changing economic circumstances or other factors on demographic behaviour. Any set of projections therefore requires judgement as to how likely the trends are to continue.

The NISRA's 2008-based projections, in contrast to the 2006-based projections, show a continued increase in the number of households living in Greater Belfast and some slowdown in the number of households moving from Greater Belfast to the other sub-markets within the Belfast Metropolitan HMA in the period to 2015 and possibly in the period from 2015-2023. These patterns seem consistent with recent demographic dynamics and appear to us to be more probable than those suggested by the 2006-based projections.

It is less certain whether the projected scale of increase in the number of households at the Belfast Metropolitan HMA and sub-market level projected will materialise. If current weak economic conditions continue for some considerable time this would have a sustained downward impact on internal and external migration flows and patterns of household formation and thus overall levels of household growth.

Short and longer term economic outlook and associated challenges

The immediate impact of economic recession on the housing system

As noted earlier, Northern Ireland saw an abrupt downturn in the economy during 2008 following the tightening of credit and the commencement of the economic downturn, which made it difficult for firms to secure funds to invest in their business and for consumers to secure funds to purchase housing and other services.

The economic slowdown alongside increased borrowing costs had a very immediate and severe impact on the housing market. There was a sharp decline in sales to first-time buyers as well as a sharp fall in sales to 'buy to let' investors throughout the Belfast Metropolitan HMA. This in turn led to a steep downturn in housing construction, property transactions and house prices. As prices fell back sharply house builders scaled back development activity and reduced employee numbers to cut costs and reduce exposure to risk. During 2009 and 2010 rising unemployment had a further downward effect on housing demand.

The private sector, especially the construction sector and the business & financial services sector, which includes sectors vulnerable to housing market weakness such as banks, solicitors, quantity surveyors, and estate agents, has been severely impacted by the recession.

DETINI's (2010b) economic commentary in June 2010 observed that output in the business & finance service sector has fallen by some 40% since its peak in summer 2007. Likewise, output in the construction sector has fallen by around 15% and that some 20,000-construction sector employee and self-employed jobs have disappeared. The scale of decline in employment in the construction sector may have been even greater if not for the Executive's capital infrastructure investment programme introduced on 2007.

Short to medium term outlook

The UK economy has now pulled out of recession, but signs of improvement in economic and labour market conditions in the Belfast Metropolitan HMA, as in the rest of Northern Ireland, remain tentative. There is still much uncertainty about how quickly the local economy will recover and what scale of recovery is likely.

The June 2010 Ulster Bank Purchasing Managers Index suggested that the private sector economy in Northern Ireland had remained weak and that sectors related to the property market, such as construction and conveyancing, had not returned to growth. By February 2011 Ulster Bank reported that the private sector economy was still 'waiting for recovery' and that the construction sector had weakened. The 3 month moving averages for each of the 4 months to January 2011 in terms of output, orders and employee numbers were all down compared to the numbers for the same period to January 2010. Belfast City Council (2010) have also observed that where demand for private sector goods and services has expanded, private businesses have sought to increase the productivity of their workforce rather than appoint new staff.

One reason for the lack of economic recovery in Belfast and the rest of Northern Ireland has been the regional economy's exposure to the Republic of Ireland's economy, which experienced one of the deepest recessions in Europe. As DETINI (2010c) observed in December 2010, the Republic of Ireland accounts for 29% of manufacturing exports by Northern Ireland companies and there has been a sharp fall in shopping expenditure by households visiting Northern Ireland from the Republic of Ireland.

The economy in Belfast and the rest of Northern Ireland is also more vulnerable than any other UK region to public fiscal tightening. This reflects the comparatively high levels of public spending, the high share of public sector jobs and the high proportions of working age households reliant on state benefits. The Organisation of Economic Co-Operation and Development (OECD, 2008) report that Northern Ireland receives 30% more in public funding per capita than the UK average whilst Varney (2008) observed that public expenditure represented 67% of GVA compared with 45% in the UK as a whole.

The reduction in the NI Executive spending plans over the next 4 years, which were discussed in chapter 3, are likely to exert downward pressure on economic growth as well as consumer spending and confidence. Associated job losses are also likely to see the rate of unemployment climb further. Various commentators suggest that unemployment in Northern Ireland will continue to rise during 2011 and may not peak until 2012 and that employment growth will remain modest until 2013 at the earliest[29].

As discussed in chapter 5 therefore, there is also little prospect of consumer confidence in the housing market recovering to any significant extent until the economy recovers and the availability of mortgage finance improves. This is likely to increase demand for rented housing. Whether the rented sector will respond to this anticipated growth in demand is uncertain. Constraints on funding for new social housing construction will mean that a growing share of households seeking to rent will have to look to the private rental market.

The difficulty is that the UK Government's welfare reforms, which were outlined in chapter 3, could dampen private rental supply at the lower end of the market. The Social Security Advisory Committee (2010) and others have expressed scepticism that landlords will reduce rents. They have also voiced concern that greater pressure on the availability of housing at the lower end of the private rental market could increase housing problems such as overcrowding and homelessness. That said, predicting the reaction of private landlords to changes in housing benefit is difficult. Ultimately, the behaviour of private landlords is likely to be shaped by the market they operate in. Chapter 6 returns to this theme.

Finally, weak economic and housing market conditions are likely to see some increase in the number of people who decide to continue to live with their parents, move back to live with their parents, or share housing with others. As a result, household formation rates for the Belfast Metropolitan HMA and elsewhere in Northern Ireland may be below the projected trend for the next 3 to 5 years. If this does arise, the numbers of households living in the Belfast Metropolitan HMA by 2015 may be somewhat lower than NISRA projects.

Longer term prospects

From a planning for housing perspective it is important to look beyond the short to medium term dynamics of the economy and its impact on the housing system, and consider whether underlying trends will re-establish themselves in the long term. This in turn requires a judgement as to whether economic fundamentals are strong.

There is a widespread consensus that the rapid growth in retailing and public administration jobs that occurred in the decade to 2008 was supported by a unique set of circumstances that will not be repeated in the decade ahead. Over the next 10 years and beyond, job growth in the region is likely to

[29] PWC (2011) reports that unemployment could increase to around 11% during 2011 whilst Ulster Bank (2010b) suggests unemployment may rise for another 18-24 months. Moreover, Belfast City and Oxford Economics (2010) suggest that the Belfast economy will experience no significant growth in employment until 2013.

be slow relative to the UK unless the economic performance and competitiveness of other sectors of the economy can be improved.

If this 'policy neutral' scenario was to arise, future levels and patterns of external and internal migration would differ from the trend-based migration assumptions embedded in the latest NISRA population and household projections. One consequence of this would be that long-term rates of population and household growth would be lower than NISRA currently projects. Another possible downside risk is that demand for housing would moderate over the long term due to proportionately fewer households having the capacity to purchase housing.

Richard Barnett's (2009) review of economic policy, OECD's (2008) review of the Belfast economy and more recent reports by Oxford Economics (Belfast City Council, 2008 & 2009 Centre for Cities, 2009) all concur that the root problem of the Northern Ireland economy is that the private sector is under-developed. In order to close the productivity gap with the UK (excluding London and the South East) their reports point to a need to:

- Expand the private sector, particularly in terms of higher value added financial and business services.
- Attract a skilled population to help secure high value economic growth. An important dimension of this will be a need to ensure housing policies help to ensure that the 'quality of life' on offer in the Belfast Metropolitan HMA is sufficiently attractive to retain 'local' graduates and attract graduates from elsewhere.
- Address the stubborn persistence of deprivation in many neighbourhoods, particularly in Belfast City, and ensure that the shift to higher levels of graduate level jobs is accompanied by expansion of other employment opportunities and skills development to prevent further social and economic marginalisation of low skilled workers.

As noted in chapter 3, the NI Executive's Economic Strategy, which is currently in preparation, will have an important influence on the future direction of housing policy. It will be important to reflect on the mix of housing that might be required to support the type of employment that strategy seeks to promote. For example, an influx of professional and executive posts may increase demand for family market housing whilst service and customer-care related jobs may attract younger single people seeking smaller and lower value dwellings.

Summary

In the decade to 2008 a dynamic economy and strong employment growth fed through into rapid demographic change across Northern Ireland. There was a significant upturn in the number of migrants coming from Britain, the Republic of Ireland and overseas to Northern Ireland as well as a sharp upturn in residential mobility amongst existing residents.

One consequence of this dynamism was that the numbers of people and households living in the Belfast Metropolitan HMA increased at a faster rate than witnessed in the 1990s. Household growth was also supported by the continuing trend towards the formation of one and two person households and an increase in life expectancy which saw a growing number of older households remain in their homes for longer.

Looking across the Belfast Metropolitan HMA, the population of Greater Belfast declined in the years prior to 2004, mainly because of households moving to one of the other sub-market areas. Most of these moves involved house purchasers.

Although the outflow of households from Greater Belfast to the adjacent sub-market areas continued, the population of Greater Belfast began to recover from 2004. As far as we can ascertain, this recovery was supported by an increase in students and other younger adults relocating from elsewhere in Northern Ireland, Britain and the Republic of Ireland and to a lesser extent from overseas. NISRA projections indicate that if underlying conditions remain unchanged, the population of Greater Belfast could continue to recover in the decade ahead.

The strongest population and household growth in numerical terms occurred in the Lisburn and South Antrim sub-markets, supported by high rates of private housing construction in both areas. NISRA projections indicate both sub-markets may continue to experience strong population and household growth but this will partly depend on how quickly the housing market recovers.

Sustained economic and household growth fed through into strong and rising housing demand over the period to 2007. In addition, growing housing wealth and the ensuing consumer boom in Northern Ireland and the Republic of Ireland, further stimulated growth in the retail sector as well as growth in businesses with an active interest in the housing sector.

In the wake of the 'credit crunch' there has been a steep downturn in the housing market in the Belfast Metropolitan HMA and elsewhere in Northern Ireland. Prior to 2008 the Belfast and Northern Ireland economy continued to experience long standing structural problems, including a high reliance on public sector investment, an under-developed private sector and persistently high levels of economic inactivity amongst the working age population. Within the Belfast Metropolitan HMA, there were high concentrations of low income and benefit dependence amongst the working age population of Greater Belfast, which restricted their financial capability to exercise choice in the housing market.

Planned reductions in public spending and welfare reforms (which will reduce consumer spending at the aggregate level) point to a slow and rather jobless economic recovery. One possible consequence of this may be an increase in the number of people who delay setting up an independent home and reduce rates of household formation until unemployment levels fall back. This could serve to reduce the requirement for housing and suppress the number of households seeking private or social housing in the short to medium term.

In the longer term, a lack of sustained economic growth and a stronger and more dynamic private sector economy may exacerbate the trend towards residential segregation that has been developing over the past two decades. At the housing market level this has contributed to the fall in the number of people living in Greater Belfast prior to 2004.

Essentially, more affluent households that have the ability to exercise choice in the housing market have increasingly chosen to move from Greater Belfast and to purchase a property in one of the other Belfast Metropolitan HMA sub-markets. Consequently, those with few choices in the housing market have become increasingly concentrated in Greater Belfast, and in particular parts of the Belfast City. Without sustained in-migration to sustain and grow the population, particularly in Belfast City, there is a risk the existing residents may face dwindling economic opportunities and have access to fewer and poorer amenities.

The NI Executive has therefore identified that a major policy challenge will be to secure private sector-led future economic growth that will deliver employment growth and expand the employment and skills development opportunities for residents and inward migrants.

Household projections suggest that the number of households living in the Belfast Metropolitan HMA could increase by some 49,000 to 438,800 by 2023. These projections have informed the Consultative RDS 2011-25 Housing Growth Indicators, but the actual rate of growth in household numbers and the likely level of net additional dwellings required will be shaped by economic conditions over the period.
The projections also point to a continued growth in the numbers of one and two person households but the implications this will have for the type and size of housing required in the future is uncertain. A large and growing share of these smaller households will be older households that will want to continue to live in their family home.

The planning for housing implications of the mix of housing required to support improved economic performance will therefore require careful consideration alongside the housing implications of household growth and in particularly the growth in older households.

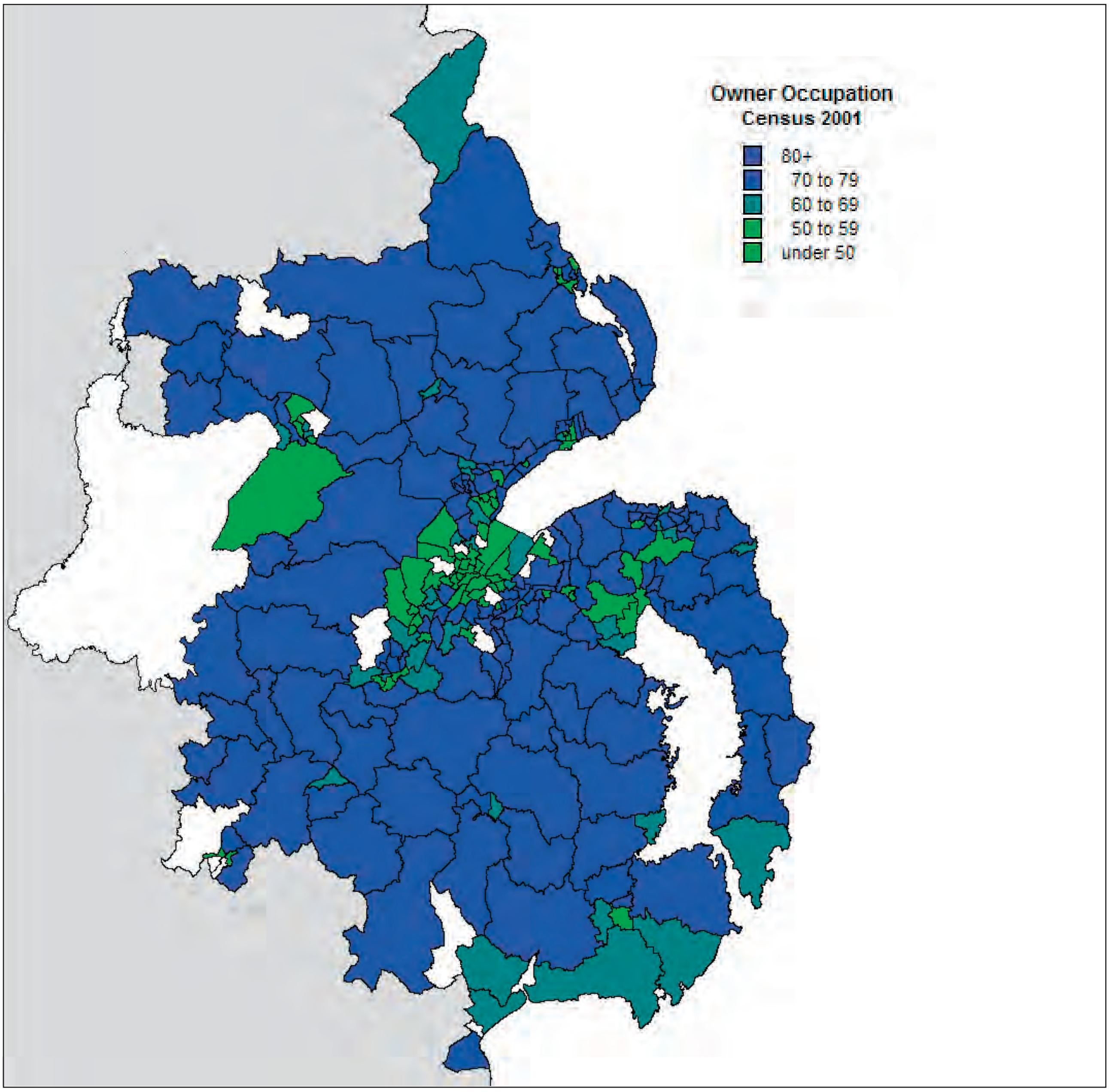
Over the past 12 months it has become clear that the severity and depth of the economic recession will shape future patterns of housing need and demand in the period to 2020 and beyond but the precise nature of these effects remains difficult to forecast with any certainty.

The possible implications of recent and future demographic and economic trends on the dynamics of the housing system are examined in the following chapters. However, it is important to keep in mind that the situation has changed rapidly over the past 12 months and is continuing to change rapidly. As a result some of the implications that have been discussed have involved a degree of informed conjecture based on an assessment of available local evidence, emerging findings from other research and the professional opinions of the research team.

the belfast metropolitan hma:
the owner occupied sector

Introduction
This chapter considers the characteristics and dynamics of the owner occupied sector of the Belfast Metropolitan HMA, including recent housing supply and prices trends.

Figure 5.1: Census percentage of households living in owner occupied sector in 2001, by ward



Profile of the owner occupied sector

Stock attributes

In 2001 some 69% of households in the Belfast Metropolitan HMA were living in the owner occupied sector, almost identical to Northern Ireland as a whole but there were marked urban and rural differences. As figure 5.1 shows, in 2001 there were very high concentrations of owner occupation in most rural wards but these proportions generally decreased significantly as you moved closer to the centre of Belfast and some other larger settlements. In 2001, a total of 14 out of the 17 wards where owner occupation fell below 40% were located in Belfast City – mainly the city centre, Belfast West and North.

Dwellings in the owner occupied sector are generally larger than those in other tenures. Three quarters of owner occupied dwellings in the Belfast Metropolitan HMA contain 5 or more rooms, although a higher share of owners in the Belfast Metropolitan HMA (24%) occupy dwellings containing 4 or less rooms than in the rest of Northern Ireland (12%). The majority of owner occupied dwellings in the Belfast Metropolitan HMA comprise detached or semi detached houses and bungalows as opposed to terraced houses and flats.

Recent tenure trends

Evidence from the NI House Condition Survey suggests that between 2001 and 2006 the numbers of occupied dwellings in the owner occupied sector across Northern Ireland increased by 35,700 to 468,800. However, at 67% there was little change in the proportion of the total housing stock made up of such dwellings (see figure 5.2). Likewise, there was little, if any, change in the proportion of households that owned their home (71%). Findings from the Continuous Household Survey also suggest that the proportion of households that were homeowners began to stall during this period.

Figure 5.2: Tenure of occupied stock plus vacant stock in Northern Ireland, 2001-2009

Source: NI House Condition Survey

Since 2006 there has been some decline in the owner occupied sector. In 2009 there were 461,800 occupied and 18,600 vacant dwellings in the owner occupied sector. Thus in 2009 the occupied dwellings in the owner occupied sector accounted for around 62% of the total stock. This proportion increased to 65% once vacant dwellings in the sector were included.

Between 2001 and 2006 the proportion of households in the Belfast Metropolitan HMA that owned their own home remained around 70%, whilst the proportion of the housing stock comprising on owner occupied dwellings hovered around 69%. By contrast the proportion of owner occupied dwellings in the rest of Northern Ireland fell by 2%.

The main reason for this difference appears to be the continued expansion of the owner occupied sector in the South Antrim, Down and Lisburn sub-markets, which was facilitated by high private housing construction rates in these areas. The upward trend in these sub-markets offset a slight decline in the size of owner occupied sector in Greater Belfast. Although not conclusive, this perception is supported by:

- NI House Condition Survey (NIHCS) findings for 2001 and 2006, which suggest that the proportion of occupied dwellings in the owner occupied sector in South Antrim (+7%) Down (+4%) and Lisburn (+1%) increased, whilst the proportion in Greater Belfast (-1%) and the other sub-markets stayed the same or fell slightly.
- Family Resources Survey (FRS) evidence in respect of LGDs that fall within the Belfast Metropolitan HMA, which suggests that from 2003/4 to 2006/7 the proportions of households that owned their home increased in Lisburn (+4%) and Belfast (+2%) but decreased in Ards (-2%), Castlereagh (-2%) and North Down (-1%)[30].

Since 2006 tenure trends in the Belfast Metropolitan HMA have mirrored national trends. There has been a fall in the proportion of households living in the owner occupied sector and an increase in the proportion renting their home from a private landlord. Evidence from the NIHCS and FRS indicates that in the period from 2006/7 to 2008/9 the proportion of homeowners in the Belfast Metropolitan HMA has fallen by some 3% to 67%. The decline in the numbers and proportions of homeowners has been greatest in the Belfast LGD and elsewhere in the Belfast Metropolitan Area. In 2008-9 we estimate that some 52% of households in Belfast LGD and 62% of households in Greater Belfast were homeowners.

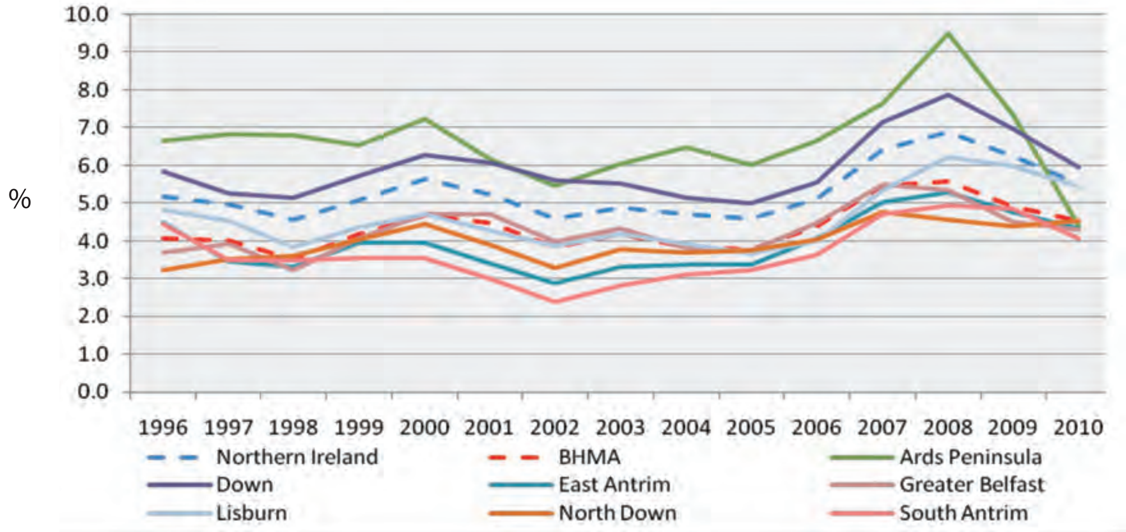
Vacant dwellings

A minimum level of vacant dwellings is required to allow households to move from one dwelling to another. In addition, a number of dwellings at any point in time will be vacant because they are undergoing repair or have just been completed. In looking at the balance between the supply of dwellings and the numbers of dwellings required to meet the housing requirements of households it is always necessary therefore to allow for a small proportion of stock to be vacant at any point in time.

The Regional Development Strategy 2011-25 assumes that a vacancy rate of 5.7% is necessary at the Northern Ireland level. Compared against this benchmark, evidence from the NIHCS indicates that vacancies rates for the Belfast Metropolitan HMA as a whole have tended to remain at or below the 5%. Likewise figure 5.3 shows that vacancy rates for the Belfast Metropolitan HMA and most sub-markets have been below this benchmark as well as the Northern Ireland wide rate throughout this period. The two exceptions are the rural orientated sub-markets of Ards Peninsula and Down where upwards of 9 out of 10 vacant properties are privately owned. It is likely the underlying trend for these sub-markets to have higher vacancy rates is due to a mix of factors, including length of journey to work to Belfast.

[30] For the most part Ards Peninsula has been excluded from the NI HCS analysis because of the very small numbers involved. Likewise it should be noted that the FRS data does not provide tenure breakdown for Larne, Carrickfergus and until 2006/7 Antrim was also not separately reported.

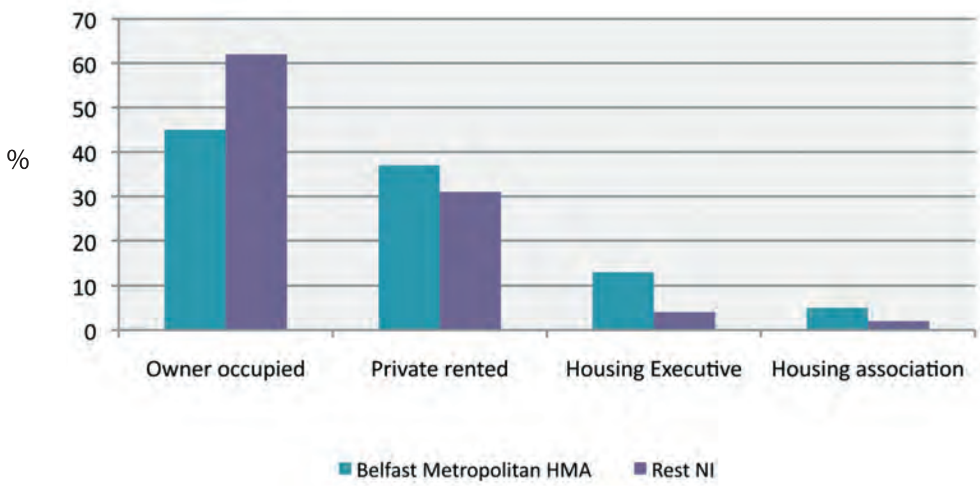
Figure 5.3: Annual vacancy rates across Belfast Metropolitan HMA, 1996-2010



Source: NINIS (2011) RCA and DSD Small area vacant and occupied stock

It is sometimes assumed that vacancy rates considerably in excess of 5% signal weak demand, whilst rates considerably below this may signal excess demand. A limitation of this assumption however, is that vacancy rates typically vary between tenures. In the intensively managed social rented sector, vacancy rates of 2% or less are common. In the private rented sector vacancy rates of 10% or more are common due to the much shorter duration of tenancies and higher turnover rates.

Figure 5.4: Tenure of vacant stock, Belfast Metropolitan HMA and the Rest of NI, 2006



Source: NI House Condition Survey, 2006

NI House Condition Survey findings for 2006 confirm that most vacant dwellings are in the private sector. As figure 5.4 shows, 82% of vacant stock in the Belfast Metropolitan HMA was privately owned (45%) or rented (37%). In the case of the Belfast Metropolitan HMA this does not mean high proportions of owner occupied dwellings are lying vacant. In 2006 just 3% of the owner occupied stock in the Belfast Metropolitan HMA was vacant, less than half the rate for the rest of Northern Ireland (6%).

The Belfast Metropolitan HMA and elsewhere in Northern Ireland experienced a sharp increase in the numbers and proportions of vacant stock between 2006 and 2008. However, the numbers of vacant dwellings appear have fallen back in the past 2 years. In the Belfast Metropolitan HMA there were 22,335 vacant dwellings in 2008, some 8,700 more than in 2005. By 2010 the number of vacant dwellings had fallen back to 18,356, which was equivalent to some 4.5% of the stock.

Interviewees suggested that the upturn in vacancies prior to the downturn in the housing market in 2008 was largely due to increasing numbers of investors purchasing properties in the expectation of making sufficient profit through capital gain without the need to rent out their dwellings. This has undoubtedly been a factor but the scale of increase at the Belfast Metropolitan HMA level (54%) as well as for the province as a whole (57%) suggest other factors must also have been at play.

One strong possibility is that the growth in the private rental market has increased the numbers of transitional vacancies in this sector, which has fed through into higher vacancy rates. In 2006 some 16% of all private rented properties were recorded as vacant in the Belfast Metropolitan HMA, suggesting that the normal 'churn' in this sector has been a significant factor in terms of the increase in vacancy rates.

Another possibility is that the high numbers of new units constructed in the 3 or 4 years to 2008 pushed up vacancy rates. Greater levels of new supply more often than not lead to some increase in vacancies in the short term. The onset of the recession combined with severe credit constraints and an ebbing away of consumer confidence has probably heightened the impact of this short-term effect.

Whatever the reasons for the recent and possibly short-term upturn in vacancies, we believe few dwellings that have been vacant for 12 or more months are likely to be in a location or of a type that could assist to ameliorate housing need amongst those seeking social housing. It is also important to note that evidence from Britain indicates that measures to bring empty properties back into use have shown very limited success and that the UK Government has announced that the rules relating to the use of Empty Dwelling Management Orders by councils are to be tightened up. The new rules include a requirement for buildings to be in a state of disrepair, which will effectively rule out their use on new properties.

Housing stock flows

New house building

Various factors shape changes in the volume and mix of housing. Housing construction is the most important influence, but inter-tenure stock transfers, property conversions and demolitions can also have an influence.

Between 2000/1 and 2006/7 the Belfast Metropolitan HMA experienced strong levels of house building, but new starts increased dramatically in the 3 years to 2006/7 inclusive. As table 5.1 shows, over this 4-year period, the annual average numbers of housing starts jumped to around 7,222 each year, mainly due to a sharp increase in new private housing construction.

Between 2000/1 to 2006/7 an average of almost 18 units per 1,000 households were started in the Belfast Metropolitan HMA. Although below the comparable rate of 21 units per 1,000 households for Northern Ireland, this rate was much higher than, for example, the comparable Scotland-wide rate of 10 units per 1,000 households for the same period.

Looking beneath the Belfast Metropolitan HMA wide picture, private housing construction activity was highest in Lisburn, Antrim and Down. In all three LGDs, rates of new private housing construction exceeded 20 new units per 1,000 households. This compared to 16 new units per 1,000 households at the Belfast Metropolitan HMA level. Ards LGD also experienced high rates of new private housing construction in the 7-year period to the end of 2006/7. However, it is not possible to establish what proportions of new private house starts were located in each of the 3 sub-markets that operate in different parts of Ards LGD.

Table 5.1: New dwelling sector starts in the Belfast Metropolitan HMA , 2000-10

year	New Dwelling Starts Private Sector	New Dwelling Starts Housing Associations	New Dwelling Starts Total All Sectors	HA starts as % of all New Dwellings
2000/1	5,462	722	6,184	13
2001/2	4,516	522	5,038	12
2002/3	5,130	547	5,677	11
2003/4	5,734	954	6,688	17
2004/5	6,221	834	7,055	13
2005/6	6,284	1,164	7,448	19
2006/7	6,629	534	7,163	8
2007/8	5,724	996	6,720	17
2008/9	2,311	563	2,874	24
2009/10	2,929	1,089	4,018	27
Average 2000/1- 2003/4	5,211	686	5,897	12
Average 2004/5- 2006/7	6,378	844	7,222	12
Average 2007/8-2009/10	3,655	883	4,537	19
Average 2001/2 – 2009/10	5,094	793	5,887	13
Total Belfast Metropolitan HMA	50,940	7,925	58,865	13
Total BMA +Hinterland	46,138	7,766	53,904	14
Northern Ireland	114,007	10,282	124,289	8.3

Source: NINIS(2011) Total Number of New Dwellings Started in NI
Notes: Figures are aggregated from LGD figures, as small area data is not available. The LGDs include all LGDs in the Belfast Metropolitan HMA aside from Craigavon and Ballymena

Aside from Ards, private construction rates have been comparatively low in the Greater Belfast area. Between 2000/1 and 2006/7 the combined private housing construction rates in the 3 LGDS of Belfast, Castlereagh and Newtownabbey averaged 10 units per 1,000 households. This was in spite of the doubling of new private starts for the Belfast LGD in the period 2004-7 compared to 2001-3. By contrast, over 4 out of 5 new housing association starts have been heavily concentrated on sites located in the local authority areas of Belfast and, to a lesser extent, Lisburn.

The sustained high level of new private housing in the 7 years to March 2007 supported the growth in the numbers (as distinct from the proportion) of households living in the owner occupied sector. The lack of a corresponding increase in the proportion of owners reflects the large share of newly constructed private dwellings that entered the private rented sector, often as 'buy to let' investments.

House building relative to RDS 2001-25 targets

The Housing Land Availability Summary Report 2010 issued by the Planning Service in January 2011 indicates that by July 2010 some 112,028 dwellings had been completed since the 31st December 1998, which was the start of the RDS 2001-25 housing allocation period. This sum includes 55,663 in the BMA and hinterland area. These completion figures are not fully comprehensive because they focus primarily on construction activity within settlements and do not necessary include all housing completions in rural areas.

Table 5.2 therefore compares the annual average numbers of starts over the 10 years to March 2010 with the annualised equivalent housing growth indicator (HGI) and the average net annual household growth to 2010. The NISRA projections could be considered to provide a 'policy neutral' scenario in the sense they indicate what would happen if underlying trends were to continue. It suggests that:

- At the Northern Ireland wide level, the numbers of starts have exceeded the current HGI targets in spite of the dip in house starts since 2008/9. In the 2 years to March 2010 less than 7,400 units were started each year compared to an average of almost 14,000 for the 7 years to March 2007. Start rates have also outstripped household growth.

Table 5.2: Comparison of annual average starts relative to RDS and household growth annual averages in 10 years to march 2010

Area	HGI 1998-2015 (adjusted 2006)	HGI annualised equivalent (divided by 17 and rounded)	Net average annual household growth (rounded)	Annual average number of starts	Starts as % HGI	Starts as % of net annual household growth
Northern Ireland	208,000	12,200	8,000	12,429	102%	155%
BMA + Hinterland	99,800	5,800	3,200	5,390	93%	168%
Rest of Northern Ireland	108,200	6,400	4,800	7,039	110%	147%

Source: NINIS(2011) Total Number of New Dwellings Started in NI
NISRA 2008 based household projections for 2010 and previous projections for earlier years.
The comparison provides a reasonable approximation of trends and not a precise statement of trends. The time periods involved are not fully compatible and multiyear targets do not necessarily translate easily to annualised equivalents. NISRA projection methods have also changed over time. In addition some starts will be intended to replace housing that has been demolished or closed and therefore do not add to the overall stock of dwellings. These caveats notwithstanding, we believe the information summarised in table 5.2 provides a useful indication of long run trends.

- Performance in the BMA and hinterland region has been reasonably close to policy intent, but significantly above the 'policy neutral' scenario implied by the NISRA household projections. This suggests that in recent years the numbers of new dwellings developed have risen faster than the market could absorb in the short term.
- Rates of new build in the Rest of Northern Ireland have exceeded the rate of growth that the RDS anticipated and the NISRA projections implied.

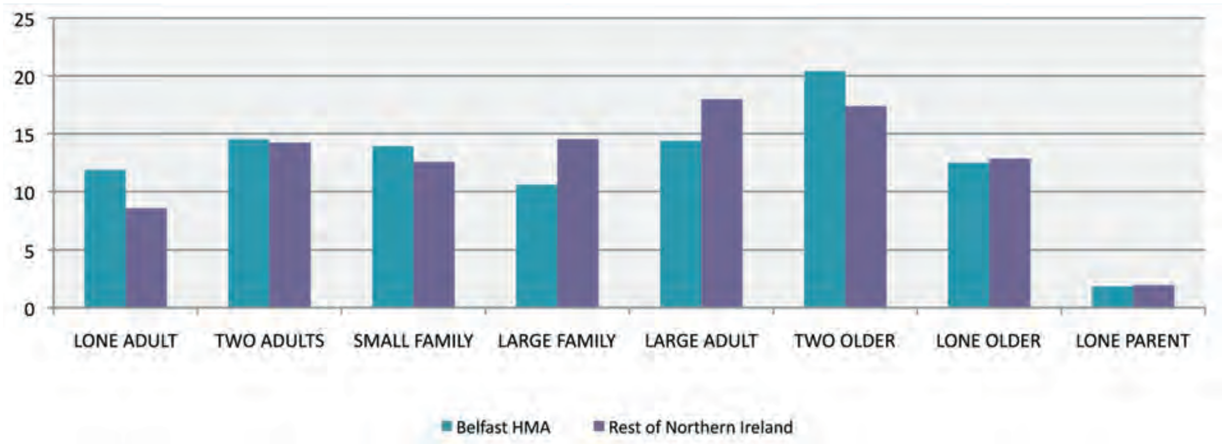
Other stock flows

Stock changes resulting from demolitions, conversions and closures are notoriously difficult to quantify, but statistics (NIHCS 2009) suggest that between 2001 and 2008 somewhere between 500 and 1,000 properties have been lost from the Belfast Metropolitan HMA housing stock each year.
The sale of social housing has also contributed to the growth in owner occupation, although sales rates have fallen back since the start of the decade. Between 2000/1 and 2003/4 sales to sitting tenants added on average 2,850 units to the owner occupied sector in the Belfast Metropolitan HMA each year. Since then sales to sitting tenants in the Belfast Metropolitan HMA and the rest of the UK have declined sharply. In 2008/9 there were just 23 sales in the Belfast Metropolitan HMA, although this number increased to over 200 in 2009/10.

Profile of Owner Occupiers

The socio-economic profile of households living in the owner occupied sector in the Belfast Metropolitan HMA is almost identical to the Northern Ireland profile. Likewise, there are few substantive differences between the profile of owners in the Belfast Metropolitan HMA and the rest of Northern Ireland.

Figure 5.5: Owners by household type, 2006



Source: NI House Condition Survey, 2006

Aside from the community background the main difference is that, relative to owners in the rest of Northern Ireland, owner-occupiers in the Belfast Metropolitan HMA are more likely to live in smaller household units. As figure 5.5 shows over 3 out of 5 owners in the Belfast Metropolitan HMA live in households that contain 1 or 2 adults.

Likewise, the profile of households living in the owner occupied sector in the remaining Belfast Metropolitan HMA sub-markets are reasonably similar, with one or two important exceptions:

- On average, owners living in South Antrim and Lisburn report higher incomes. In 2006, 3 out 5 owners in these two sub-markets reported an income in excess of £20,000 compared to less than half in the other sub-markets. This reflects the higher incidence of dual earner family households and the lower incidence of older and/or retired households in South Antrim and Lisburn relative to the rest of the Belfast Metropolitan HMA.
- Although some degree of sampling error cannot be ruled out, findings across a range of indicators give a distinct impression the older owners in North Down and Ards Peninsula are at higher risk of living in a poor condition and thermally inefficient property than older households in the other sub-market areas. They also tend to under-occupy large buildings which can contribute towards fuel poverty.

House price and transaction trends

Exploring house price movements and the volume of dwellings sold over time is central to understanding housing market supply and demand dynamics. There is a close link between housing demand, housing supply and affordability. Residential migration within a housing market area tends to be influenced by the price and affordability of housing as well as locational attributes such as the quality of a place and the accessibility of transport infrastructure.

There are two main sources of house price data. The first is the Regulated Mortgage Survey [31](RMS) which is the basis for comparing price movements in Northern Ireland relative to the UK. The second is the Ulster University house price dataset[32] used to prepare the Northern Ireland House Price Index published by University of Ulster in partnership with Bank of Ireland and the NIHE. Specific prices differ depending on which data source is used, but both show similar patterns in term of trends over time at the Northern Ireland level.

At the sub-regional level, the University of Ulster dataset is the more accessible and robust. It contains a much larger sample for each of the Northern Ireland HMAs and the Belfast Metropolitan HMA sub-markets than the RMS. On the other hand, sample sizes for both surveys, which were always low for sparsely populated areas[33], have fallen since 2007. Only very limited analysis for the Ards Peninsula and other low market activity rural markets is therefore possible.

Northern Ireland trends

<u>House prices</u>

The RMS mix-adjusted house price index figures presented in figure 5.6 suggest that over the past 40 years house prices in Northern Ireland have tended very broadly to follow the UK pattern, albeit often with a substantial time lag. However price movements in Northern Ireland have become somewhat distinctive in the past 15 years.

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[31] The Regulated Mortgage survey is a monthly DCLG and CML survey of price data from lenders (although some types of loans such as BTL mortgages are excluded). In 2007 the RMS contained some 50,000 records per month supplied by about 60 lenders. In the 6 months to April 2010 it contained an average of 24,000 records per month from 35 lenders. The RMS is the price data used by Wilcox (2007, 2009)

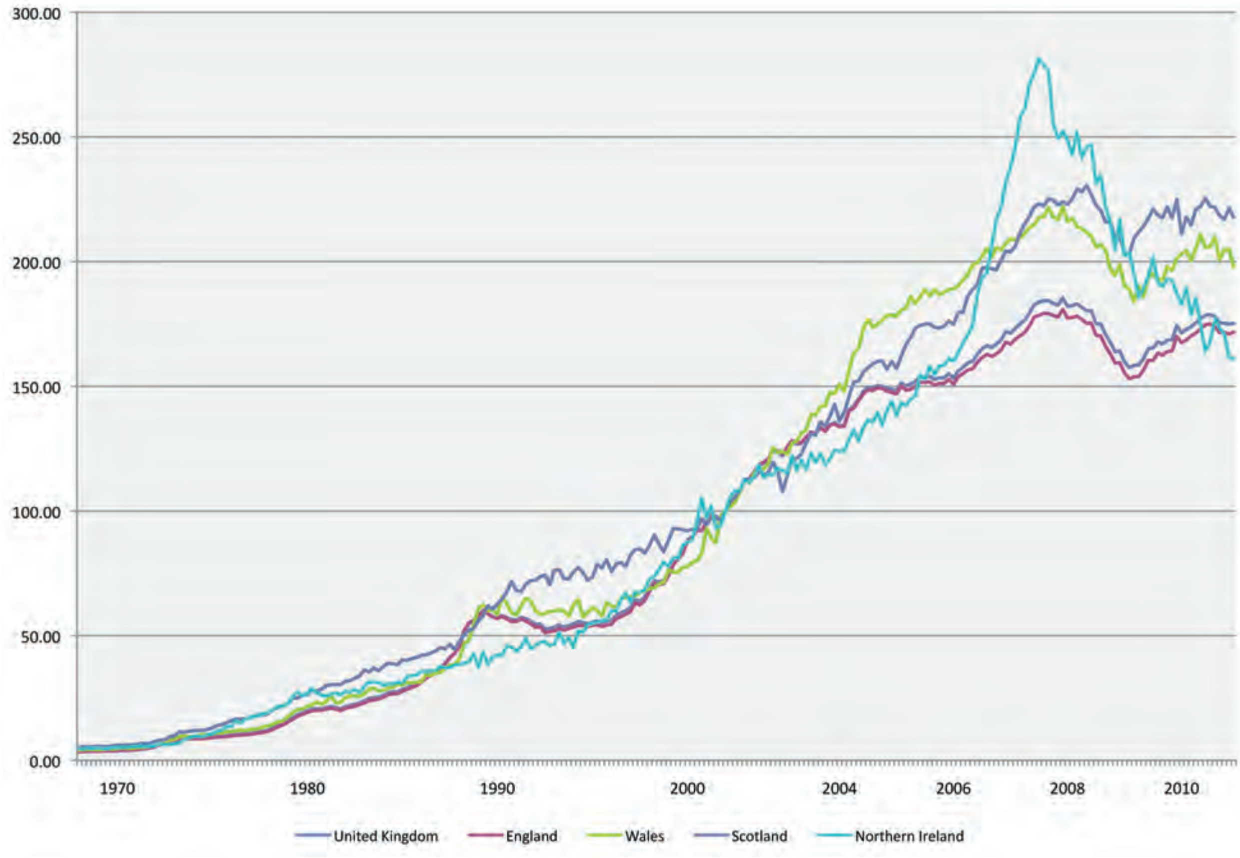
[32] The University of Ulster's price dataset is based on a sample of open market transactions gathered from a network of estate agents throughout Northern Ireland

[33] The low sample in rural areas is indicative of the fact that sales volumes in these areas are low and that neither survey is designed to monitor price movements at the small area level.

Between 1994 and 2000 Northern Ireland prices increased by 48% whereas UK prices increased by 38%, or 25% if London is excluded. Thus one of the impacts of the peace process and improving economic conditions was an upturn in housing demand and a recovery of house prices that had increased little in real terms during the previous two decades.

Throughout the UK there was a sustained period of rapidly rising prices in the decade to 2007. This resulted from a potent mix of historically low interest rates, abundant credit availability, high levels of employment and household income growth. In parts of the UK there were also shortfalls in new housing supply, often linked to barriers to development such as a lack of effective land supply and lack of investment to develop the necessary infrastructure.

Figure 5.6: Mix adjusted house price index for UK and regions to 1968 to January 2011 (%)

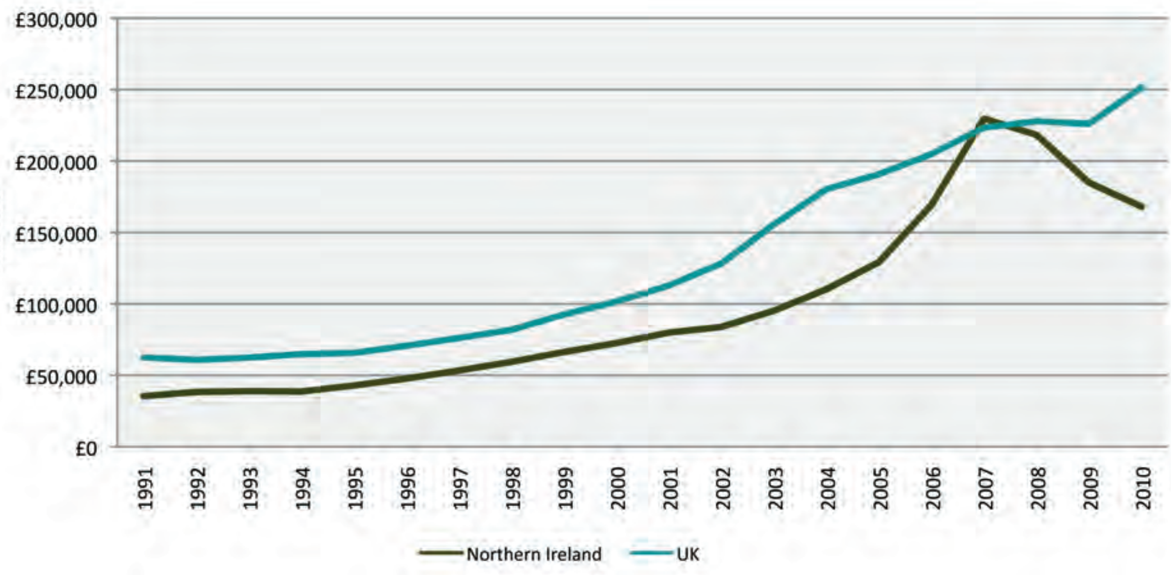


Source: DCLG live tables (Table 590) price as % of price for quarter 1 of 1968

Toward the end of this boom, house prices in Northern Ireland increased at rates that far surpassed anywhere else in the UK. Gibb, et al (2007) report expert interviewees who suggested that this was linked to increased demand in the form of buy to let investors and cross border investment activity from the Republic of Ireland. The upturn in population and household growth discussed in chapter 4 is also likely to have been a contributing factor.

One consequence of this very steep price rise was that the ratio of house prices in Northern Ireland relative to UK prices, which had been widening in the first half of the noughties, disappeared. As figure 5.7 shows, at the peak of the housing boom the average house price in Northern Ireland (£229,701) exceeded the comparable UK wide price by 3%.

Figure 5.7: Simple average house prices in Northern Ireland and the UK, 1991 to 2009



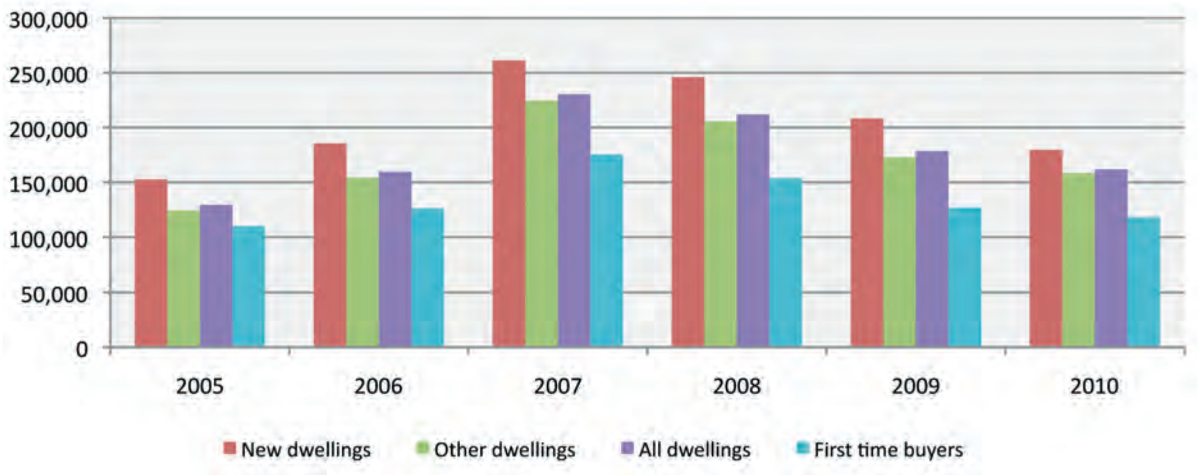
Source: DCLG live tables (Table 571)

Although there was broad agreement that both the UK and the Northern Ireland housing market was over-priced, the scale and speed of the downward adjustment in the wake of the credit crunch and liquidity crisis was something few envisaged. According to the RMS, the average price for a property in Northern Ireland fell from £229,701 in 2007 to £168,033 in 2010. By 2010 therefore the average Northern Ireland house price was equivalent to 67% of the average UK house price of £251,634.

The RMS mix-adjusted average house prices for new and other (resale) dwellings for 2005 to 2010 are summarised in figure 5.8 along with the average price paid by first time buyers in Northern Ireland. It shows that in terms of the mix adjusted average price:

- The average price for all sales in 2010 was £161,824, some 30% lower than in 2007. A similar scale of decline was apparent in the new build and resale price.
- The average new build house price in 2010 was £179,596, the lowest price achieved since 2005.
- The average resale price was £158,231 which was within £4,000 of the comparable price in 2006.
- The average price paid by a first time buyer in 2010 had fallen to £117,779, the lowest price paid since 2005.

Figure 5.8: Mix adjusted Northern Ireland prices by new and other dwellings and first time buyer, 2005-10



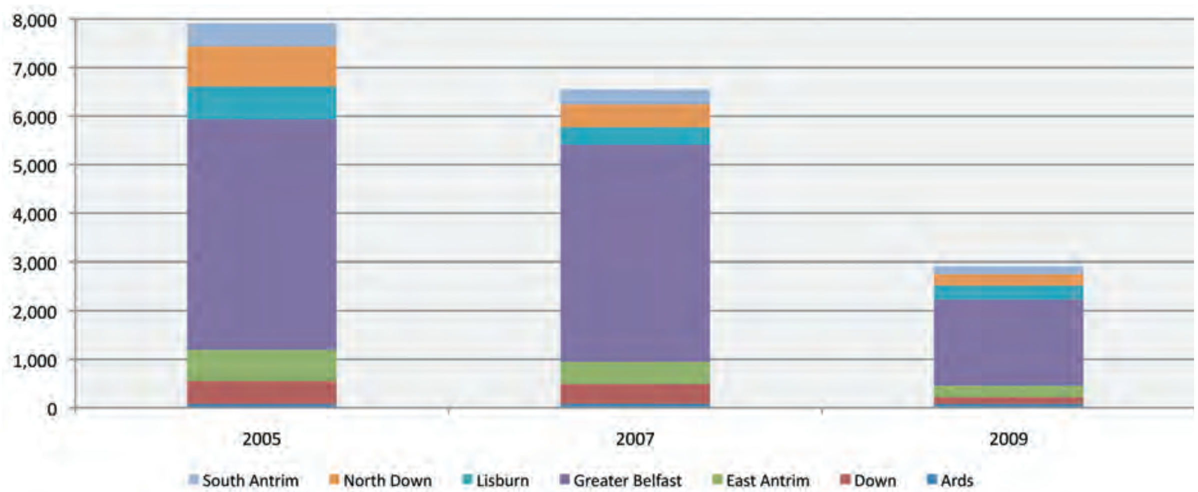
Source: DCLG live tables (Table 507)

In terms of market developments over the past 12 months, Ulster University (2011) latest quarterly house price index reports that after some tentative signs of recovery at the start of the year, house prices at the Northern Ireland level fell back during the second half of 2010. In the fourth quarter of 2010 the weighted average house price in Northern Ireland was £149,795, which was 7.2% lower than the fourth quarter of 2009.

Volume of transactions

The fall in house prices has been accompanied by an even starker fall in the number of properties being sold. Although prices tend to grab the headlines, it has been the reduction in house sales which has highlighted the ongoing housing market recession most plainly.

Figure 5.9: Sample of sales volumes across Belfast Metropolitan HMA, 2005 to 2009



Source: University of Ulster House Price Index (based on outputs supplied for this study)

At the UK level there were some 885,000 sales with a value of £40,000 or more in 2010, around 45% fewer than recorded in 2007 (DCLG, live table 530). The Office for National Statistics has not updated figures on the numbers of sales in Northern Ireland since early 2008. Figures from the University of Ulster, which are based on a sample covering 30-40% of activity, suggest that the numbers of new build and second hand sales in 2009 were 56% lower than in 2007. As figure 5.9 shows, this pattern has been replicated across the Belfast Metropolitan HMA, with the possible exception of the Ards Peninsula where the very small sample sizes make it difficult to discern local trends.

The fall in house sales reflects the increased difficulties faced by first-time buyers because of the decline in the availability of mortgage finance discussed later in this chapter. The fall in sales also reflects reluctance on the part of existing homeowners (unless obliged to do so) and other potential buyers (including buy to let investors) to enter the market whilst house prices have looked likely to continue to fall.

House prices in the Belfast Metropolitan HMA

Price trends by dwelling attribute

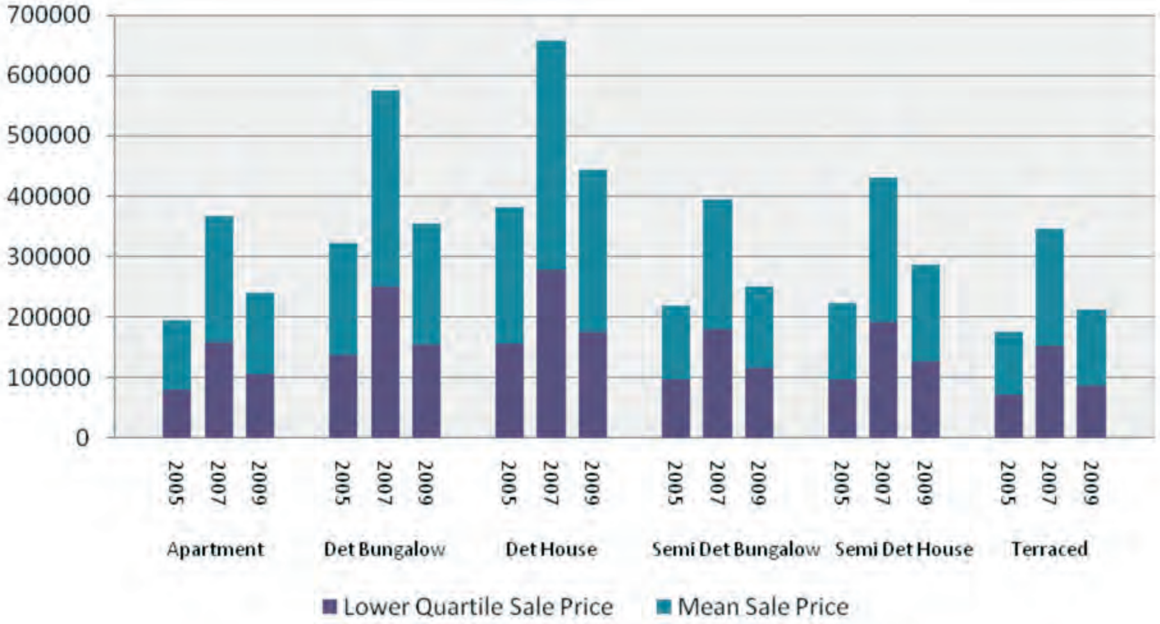
Figure 5.10 summarises simple average and lower quartile[34] prices from 2005, 2007 and 2009 for the Belfast Metropolitan HMA by dwelling type, which were derived from data supplied by the University of Ulster. The Northern Ireland peak to trough price pattern has been replicated across all dwelling types in the Belfast Metropolitan HMA. Between 2007 and 2009 the average non-adjusted house price fell by some 32% to £164,000.

Perhaps surprisingly, there was little evidence that price falls were particularly marked in respect of any specific property type or at the lower end of the price distribution curve between 2007 and 2009. As expected, detached dwellings were the most expensive. Throughout the period from 2005 to 2009 the average price of a detached dwelling was approximately double the average price of a terraced house and/or apartment. The average price for a terraced house and apartments (flats) also remained reasonably close to one another and provided the least expensive dwelling type in the Belfast Metropolitan HMA.

Across the UK new build prices have traditionally commanded a premium relative to second hand properties. University of Ulster (Adair et al 2009b) identified that one effect of the housing market downturn has been a narrowing of this gap. The authors explained that this was mainly due to deep discounting of new house prices by developers, although they also pointed to a tendency for some mortgage providers to 'instruct valuers to exercise conservatism in their approach to valuing properties'. Whatever the reasons, the non-adjusted price data supplied by University of Ulster suggests that the difference in the average price for second hand and new build apartments in the Belfast Metropolitan HMA narrowed between 2007 and 2009. Low sales volumes make it difficult to draw firm conclusions, but it appears that the value of new built apartments fell more steeply than for other types of new dwellings.

[34] If all sales in a given period are ranked in descending order, the lower quartile price is the price of the dwelling which marks the point where one quarter of sales fall below it.

Figure 5.10: Mean and lower quartile Belfast Metropolitan HMA price by dwelling type, 2005-9

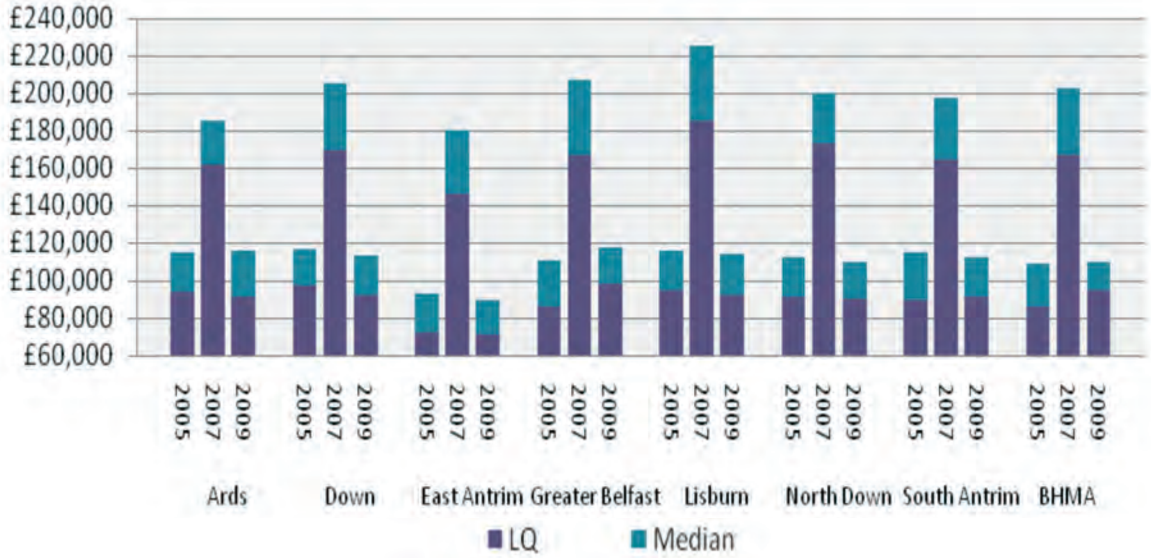


Source: University of Ulster House Price Index (based outputs provided for this study)

Price trends by sub-market

As with any large housing market area, average property prices vary from one sub-market to another. Over the 2005-9 period prices remained lower in East Antrim than in the other sub-market areas. Although figure 5.11 suggests that the relative ranking of the other sub-markets can change from year to year, this is generally a reflection of variation in the type and size mix of dwellings sold from one year to the next.

Figure 5.11: Average house price by Belfast Metropolitan HMA sub-market, 2005 to 2009



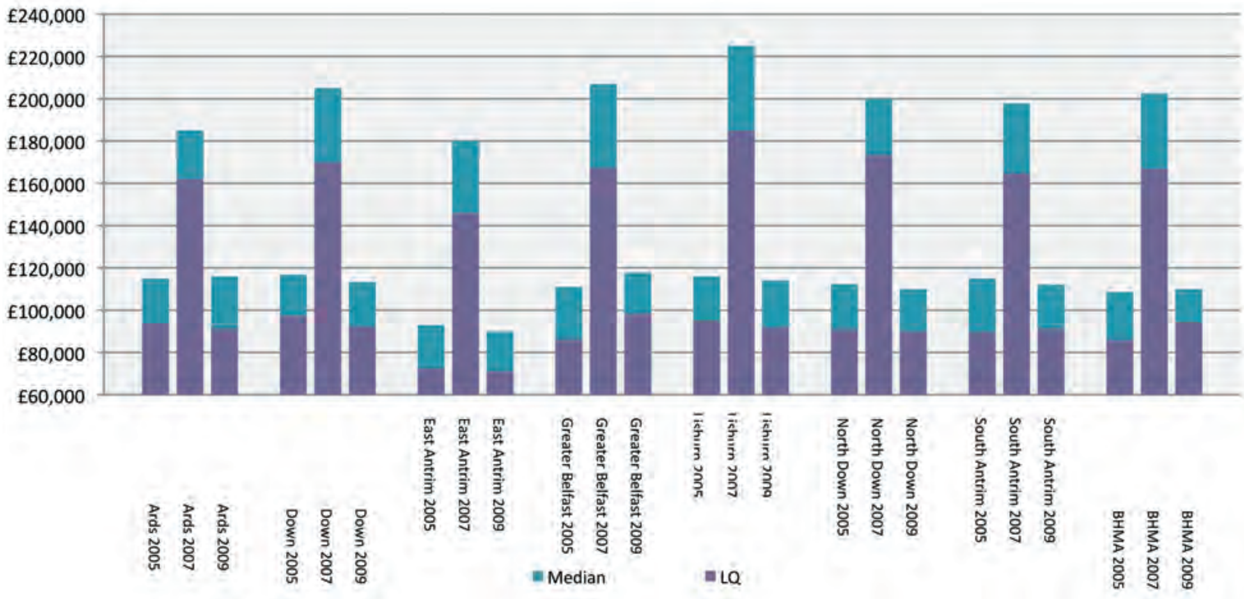
Source: University of Ulster House Price Index (based outputs provided for this study)

Overall, house prices in the Belfast Metropolitan Area remained rather variable during 2010 (Ulster University, 2011). Whilst some areas such as East Antrim have recovered some lost ground, others have yet to show any signs of a sustained upturn in house prices. However, some property types such as detached houses and apartments appear to be showing some potential signs of potential recovery.

Median and lower quartile prices for 2/3 bedroom properties

Any analysis of the affordability of the housing market requires a judgement about the appropriate house price threshold. The Department for Communities (DCLG 2007) and Scottish Government (2008) guidance on the assessment of housing markets suggest that lower quartile house prices provide a reasonable indication of the price threshold that households wishing to enter the owner occupied sector could pay. In other words, the lower quartile price point provides an indication of the price threshold above which access to housing for first time buyers becomes unaffordable.

Figure 5.12: Lower quartile and median house prices for 2/3 bedroom properties, 2005-09



Source: University of Ulster House Price Index (outputs provided for this study)

Although not always apparent at the regional and national level, local house price trends can be 'distorted' by changes in the type and size mix of dwellings transacted from one point in time to another. This is particularly the case in smaller and rural areas where the volumes of sales are low. To allow for this, the lower quartile price for 2 or 3 bedroom properties has been used as an approximation for the entry level price threshold above which access to housing for prospective first time buyers is likely to become unaffordable. This measure is broadly consistent with the affordability measure adopted by Wilcox (2007, 2008).[35]

[35] As part of this exercise explored alterative entry-level price thresholds were explored. The 2/3 bedroom option was preferred partly because it produced the largest sample from the Ulster University database. More importantly, the Ulster University LGD level lower quartile 2/3 bedroom prices for 2006 were broadly comparable to those from the RMS. In 3 out of the 13 LGDs we checked, the price variation was in excess of £10,000 but in two of these cases the Ulster University sample was considerably larger. In Antrim it was concluded that the RMS price was too low relative to other LGDs.

In 2009 the lower quartile threshold price in the Belfast Metropolitan HMA for 2/3 bedroom dwellings was £94,500. This was £15,000 below the median for a 2/3 bedroom property of £109,500 in 2007 and just £8,500 above the comparable lower quartile price in 2005.

With the exception of East Antrim, the variation in the lower quartile and median price across the 7 sub-market areas for a 2/3 bedroom property was less than might have been anticipated. In every other sub-market both the lower quartile price and median price in 2009 was within 5% of the comparable Belfast Metropolitan HMA wide price. A similar pattern was evident in 2005 and 2007 at the peak of the market. One probable explanation for this pattern is that former public sector houses make up a substantial share of second hand properties that sell at or below the lower quartile price for a 2/3 bedroom dwelling. McGreal et al (2007) point out that in each of the 9 years to 2006 inclusive, between 9% and 11% of second hand sales each year involved former NIHE property and that there were clusters of resales in Belfast, Carrickfergus, Lisburn and Newtownabbey, Bangor, Newtownards and Larne. The research team also pointed out that prices for former NIHE dwellings tended to be lower in East Antrim.

The lower quartile price for a 2/3 bedroom property is equivalent to 86% of the lower quartile price for all such properties (£110,000) in the Belfast Metropolitan HMA. This suggests that in 2009, prices at the lower end of the housing market had returned to levels similar to the co-ownership 2005-purchaser limits, which were set at £115,000 for Belfast, Newtownabbey, Lisburn, Castlereagh, North Down and Ards and £102,000 for the other local government districts that fall wholly or partly within the Belfast Metropolitan HMA boundary.

Affordability of owner occupation

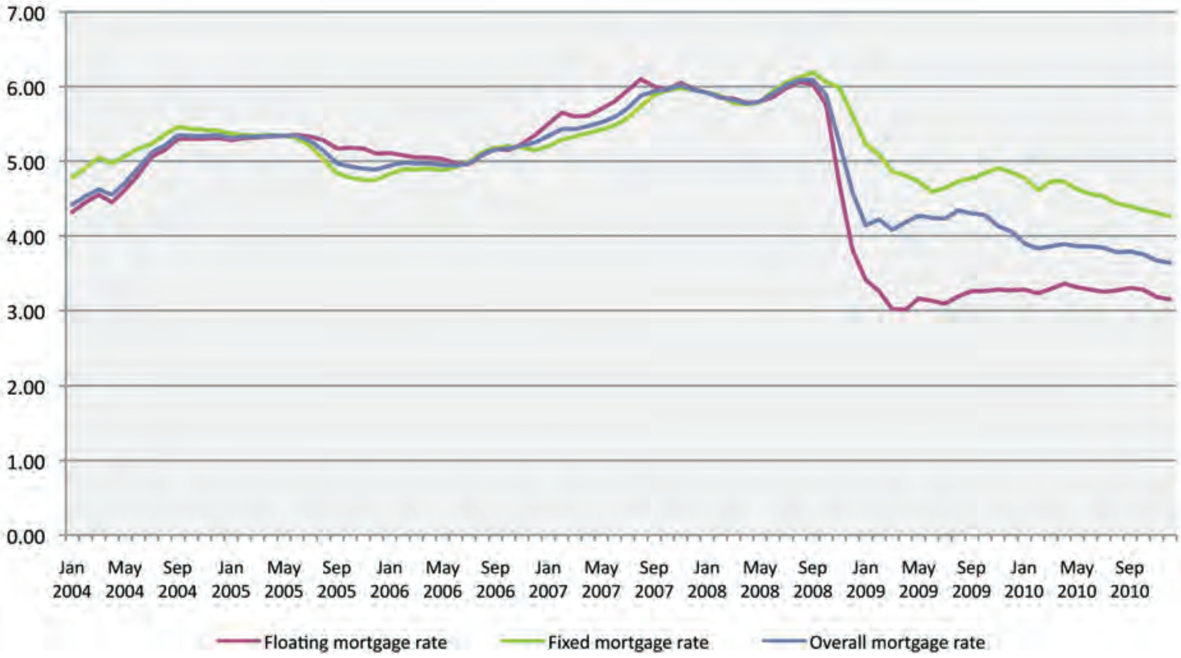
Recent trends

Rapid increases in house prices in the decade to 2007 relative to wage growth resulted in a deterioration in the affordability of the owner occupied sector across the Belfast Metropolitan HMA and the rest of Northern Ireland. As Wilcox (2009) has noted, at the peak of the housing boom in 2007, Northern Ireland had become the least affordable part of the UK outside of London. For Northern Ireland as a whole, house prices for 2/3 bedroom dwellings in 2007 represented a 5.67 multiple of the earned incomes of younger working households compared to 3.46 in 2005. Since 2007 house price to income ratios have fallen to under 4.0.

However, the ability of households to purchase a property is not driven solely by the relationship between income and price. As recent market conditions have highlighted, other key factors are the cost and availability of credit finance.

Since the Bank of England cut base interest rates to less than 1% in early 2009, the effective mortgage rate has declined (see figure 5.13). Although the effective mortgage rate continues to exceed the base rate, it remains low by historic standards. For households buying their home with a mortgage, lower interest rates have generally brought a reduction in interest payments as a proportion of income. This has eased affordability pressures for most households with a mortgage.

Figure 5.13: Effective rates for new mortgage lending 2004-2010



Source: Bank of England (2011)

The predicament for prospective first time buyers is that few have been able to take advantage of lower house prices and lower interest rates because of the continued credit constraints that have found expression through loan to value (LTV) ratios. Deposit requirements increased sharply in 2008 as lenders sought to minimise their risk of exposure to mortgage default. In 2009 and 2010 most first time buyers continued to require a deposit of 20% to 30% to access mortgage products. As the Bank of England Credit Conditions Survey Q4 2010 confirms, most available mortgage products have a LTV of 75% or less. This is a major barrier in particular for those first time buyers who have to save a deposit from their own earnings and cannot rely on support from their family.

Negative equity is a constraint on a households' ability to secure mortgage finance and therefore their ability to move home. In April 2009 CML (2009) estimated that some 5% of homeowners across Northern Ireland had negative equity, in line with the UK average. It is possible the proportion has increased slightly since then. This existence of negative equity may have contributed to the sharp fall in second-hand properties coming onto the market for resale.

Relative to the housing market downturn at the start of the 1990s repossessions have remained low, possibly assisted by the introduction of various preventative measures by the UK Government such as changes to the rules relating to Income Support for mortgage interest and greater lender "forbearance". Although there has been some upturn in mortgage arrears and repossessions in recent months (NIHE, 2010, 2011) there are few signs that a major problem is emerging.

Affordability ratios across the Belfast Metropolitan HMA

An affordability ratio measures the relationship between the lower quartile price for an area and the incomes of households at the lower quartile of the income distribution. In our opinion this is a useful measure for illustrating the variability of affordability pressures across the Belfast Metropolitan HMA.

As discussed in chapter 4, fully robust small area data on household earnings and household incomes that can be aggregated to the Belfast Metropolitan HMA or sub-market area level is not available. We therefore used CACI Paycheck income probability estimates for 2009 to approximate lower quartile and median gross annual household incomes.

At the Northern Ireland level, Wilcox (2009) reported that in 2007 the average income for a younger single earner under 40 years of age was £20,413 whilst the average income for all younger working households was £31,088. He also noted that changes in the underlying data can result in some upward (or downward) adjustment to these average income figures from one year to another.

Keeping this is mind and the fact that some younger households will not be in employment, it seems plausible that the CACI PayCheck 2009 estimates of lower quartile (£18,597) and median incomes (£29,421) provide a reasonable approximation of the distribution of incomes amongst single and dual income households aged under 40 years.

The UK and Scottish Governments suggest that a household should be considered able to afford to buy a home if it costs no more than 3.5 times the gross household income for a single income household or 2.9 times the gross household income for a dual income household. Taking this as a benchmark, table 5.3 compares the lower quartile and median house price for a 2/3 bedroom property in 2009 with the lower quartile and median CACI PayCheck income point for each of the Belfast Metropolitan HMA sub-markets.

Table 5.3: Belfast Metropolitan HMA affordability ratios for 2/3 bedroom properties, 2009

Area	lower quartile price	median price	lower quartile income	median household income	lower quartile ratio	median ratio	LQ price to median income
Ards Peninsula	£91,375	£116,000	£19,142	£29,874	4.8	3.9	3.1
Down	£92,450	£113,250	£19,237	£30,190	4.8	3.8	3.1
East Antrim	£71,250	£89,950	£19,873	£31,454	3.6	2.9	2.3
Greater Belfast	£98,450	£117,750	£18,108	£28,890	5.4	4.1	3.4
Lisburn	£91,950	£114,000	£21,319	£33,576	4.3	3.4	2.7
North Down	£90,110	£109,950	£20,512	£32,529	4.4	3.4	2.8
South Antrim	£91,250	£112,000	£20,600	£32,396	4.4	3.5	2.8
Belfast Metropolitan HMA	£94,500	£109,500	£19,044	£30,261	5.0	3.6	3.1

Source: Non adjusted simple price data supplied by Ulster University and CACI Paycheck, 2009 used to reduce incomes

Assuming the lower quartile income point is reasonably similar to the incomes of younger single income households and the median income point is similar to the income of younger dual income households, the findings in table 5.3 suggest that:

- Lower quartile prices, in spite of the scale of recent falls, remain above affordable levels for younger single income households across all sub-market areas. These figures suggest that with the possible exception of East Antrim, younger single income households would struggle to purchase a home unless they had considerable savings or access to other sources of funds.
- Lower quartile house prices have become more affordable for dual income households and other households with incomes close to or above the median income, but remain close to the 3.5 affordability benchmark in Greater Belfast.
- Median house price to median incomes ratios exceed the 3.5 affordability benchmark in Greater Belfast, Ards Peninsula and Down.
- Greater Belfast, Ards Peninsula and Down had the highest affordability ratios across all three measures, suggesting that households living in these three sub-markets continued to face the most acute affordability difficulties in 2009.

Alternative affordability measures

Affordability ratios give no indication of the proportions of households experiencing affordability problems. The analysis of affordability has therefore been extended to look at the costs of buying and renting privately.

This analysis, which is summarised in table 5.4, is intended to illustrate the potential proportions of younger households under the age of 40 that may lack the purchasing power to access the private housing market without some form of public sector intervention. It is not intended to provide a definitive measure of the numbers of younger households that cannot access the private housing market. Instead it seeks to provide a consistent measure that can be used to consider the relative difficulty of accessing the lower end of the privately owned and rented market from one geographical area to another.

The analysis is based on the following assumptions:

- The cost of purchasing a dwelling at the lower quartile 2/3 bedroom property in 2009 with a mortgage equivalent to 80% or 95% of the purchase price.
- The median rent payable for a 2 bedroom private flat in 2009. These figures are derived from the private rental index database in the Belfast Metropolitan Area, which is discussed in more detail in chapter 5. As a large share of the records relate to Greater Belfast, the rent figure for the "Rest of the Belfast Metropolitan Area" has been used for the 6 other housing sub-market areas.
- In terms of house purchase, a household could borrow 3.0 times their income and secure a 25-year repayment mortgage with an interest rate of 4.7%.
- In terms of rent payments, this should not exceed 25% of gross household income. This rent and the above owner occupation benchmarks are broadly consistent with CLG (2007) and Scottish Government Guidance (2008).
- The income distribution amongst households of less than 40 years is similar to the income distribution for all households. For example if 10% of all households have a income of less than £10,000 then it is probable that 10% of households under 40 years will have an income of less than £10,000.
- The 95% loan to value ratio is consistent with DCLG guidance (2007) whilst the 80% loan to value ratio reflects current market conditions and the deposit requirements of mortgage lenders.

Although there has been a gradual increase in the levels of inter-generational transfers of wealth used to assist new households buy a home, no wealth adjustment factor has been applied. Another caveat is that some younger households will already be suitably housed and will not be looking to buy or rent. This will include households already living in the social rented sector as well as households that have already become homeowners.

The findings presented in table 5.4 suggest that:

- Just under half (49%) of younger households in the Belfast Metropolitan HMA could not afford to purchase a dwelling of the value of £94,500 assuming lenders were willing to provide mortgages with a loan to value ratio of 95%. At the sub-market area level the proportion of new households unable to purchase ranges from 31% in East Antrim to 55% in Greater Belfast.

Table 5.4: Comparison of the cost of owning and private renting

	BHMA	Ards	Down	East Antrim	Greater Belfast	Lisburn	North Down	South Antrim
Estimated number of households under 40 years	107,346	1,459	5,830	7,038	37,353	14,719	6,901	10,174
Lower quartile purchase price (2/3 bed lower quartile)								
95% mortgage	£89,775	£86,806	£87,828	£67,688	£93,528	£87,353	£85,605	£86,688
80% mortgage	£75,600	£73,100	£73,960	£57,000	£78,760	£73,560	£72,088	£73,000
Weekly cost of option (25 year repayment mortgage at 4.7% interest)								
95% mortgage	£119	£115	£116	£90	£124	£116	£113	£115
80% mortgage	£100	£97	£98	£75	£104	£97	£95	£97
Private median rent for a 2 bedroom dwelling	£114	£109	£109	£109	£114	£109	£109	£109
Gross income required to access open market								
3.0 multiplier and 95% mortgage	£29,925	£28,935	£29,276	£22,563	£31,176	£29,118	£28,535	£28,896
3.0 multiplier and 80% mortgage	£25,200	£24,367	£24,653	£19,000	£26,253	£24,520	£24,029	£24,333
Rent equals 25% gross income	£23,712	£22,672	£22,672	£22,672	£23,712	£22,672	£22,672	£22,672
Affordability test 1: Lower quartile purchase: 95% mortgage & 3.0 multiplier								
No unable to buy	52,921	696	2,798	2,182	20,394	6,079	2,912	4,375
% unable to buy	49.3	47.7	48	31	54.6	41.3	42.2	43
Affordability test 2: Lower quartile purchase: 80% mortgage & 3.0 multiplier								
No unable to buy	42,080	547	2,198	1,619	16,547	4,681	2,257	3,378
% unable to buy	39.2	37.5	37.7	23	44.3	31.8	32.7	33.2
Affordability test 3: private rent 2 bedroom dwelling (not exceeding 25% gross income)								
No unable to afford	38,386	487	1,926	2,202	14,365	4,102	2,050	3,008
% unable to afford	35.8	33.4	33.0	31.3	38.5	27.9	29.7	29.6

Sources: CACI PayCheck, Ulster University Price Index and published Rental Index dataset 2009
Note: NIHCS 2006 percent of householders aged 17-39 years applied to NISRA projections to derive household count for younger households for each sub-market.

- If we assume households could raise a deposit in order to secure a mortgage with a loan to value ratio of 80%, around 39% of younger households in the Belfast Metropolitan HMA could not afford to purchase a dwelling of the value of £94,500.
- Some 36% of younger households in the Belfast Metropolitan HMA have an income below the level suggested by the DCLG guidance that a rent should not exceed 25% of gross household income. The sharp fall in house prices has therefore seen the gap between the cost of purchase and the cost of private renting narrow considerably.

The estimates are sensitive to the price threshold and mortgage multiplier adopted. For example, if the multiplier was increased to 3.5, the proportion of households in the Belfast Metropolitan HMA unable to afford to purchase a dwelling of the value of £94,500 with a 95% mortgage would fall to 41%. If the price increased to £120,000, the proportion would increase to 67%. A price threshold of £120,000 and a multiplier of 3.5 would suggest 56% would be unable to buy in the Belfast Metropolitan HMA as a whole.

Potential for intermediate housing

Intermediate housing is a term used by the UK Government to refer to properties which have prices and/or rents higher than those for the social rented sector but lower than the prevailing market rate. The term therefore covers a wide range of types of provision but the essential features of intermediate housing products are that:

- The housing should meet the requirements of eligible households and the cost should be low enough for them to afford.
- There should be provision for affordable homes to remain at affordable prices for future eligible households or for the subsidy to be recycled for further affordable housing provision.

Intermediate housing products are not intended for households in receipt of housing benefit. The numbers and proportions of younger households that may benefit from some form of intermediate housing are estimated on the basis that they should have more than sufficient income to a pay a social rent without recourse to housing benefit, but insufficient income to purchase an a 2/3 bedroom house with a 95% mortgage[36].

This approach is broadly comparable with that adopted by Wilcox (2007, 2008). The findings suggest that at the Belfast HMA level:

- 19% of younger households are unlikely to be able to pay a social rent without recourse to full or partial housing benefit. For these younger households social housing provision may be a more appropriate long-term housing option.
- Consistent with affordability test 1 outlined in table 5.4, more than 51% of younger households could afford to purchase on the open market with a 95% mortgage and would not require some form of intermediate tenure option.
- 30% of younger households could afford to pay a social sector rent without recourse to housing benefit but could not afford to buy locally. This suggests that there may be a potential for intermediate housing tenure in the Belfast Metropolitan HMA.

Set against this however, at least half of the younger households that could afford an intermediate tenure product could also afford a private rent for a 2-bedroom dwelling and considerably more could afford the median private rent for a 1-bedroom dwelling. This suggests that there is a distinct risk that intermediate housing would simply result in households moving from the private rented sector.

[36] Effectively an upper social rented sector threshold of £80 or so per week was assumed, partly to allow for higher rents in the HA sector and partly to discount low income households likely to be on the margins of housing benefit.

A clear limitation of this approach is that it takes no account of demand. In other words, it simply provides an estimate of the numbers of households that may be in a financial position to pay for intermediate housing. Any policy decisions regarding intermediate housing would therefore need to consider whether various intermediate tenure options would be attractive to consumers.

Previous research (McGreal and Murie et al 2005) has shown that Co Ownership, which is a long-standing housing finance model that operates in Northern Ireland, is a popular product for which there has been sustained demand. By contrast, evidence from the UK is at best mixed about the strength of demand and popularity of intermediate tenure products.

Co-ownership housing

The Northern Ireland Co-Ownership Housing Association (NICHA) plays a key bridging role in the local housing market through its Do-it-Yourself-Shared-Ownership Scheme.

In 2009/10, the average purchase price for Northern Ireland as a whole was £127,310. Whilst below the prevailing average open market purchase price, the figure is above the lower quartile price for 2 or 3 bedroom properties.

Over the past decade, an increasing share of those purchasing through co-ownership have been single person and single income households. In 2009/10 the average single income of those purchasing through Co-Ownership was £19,600, which is very similar to our assumed income for younger single income households. This suggests that the scheme is playing a valuable role in assisting new and recently formed households with modest incomes to purchase housing that is consistent with their preferences and aspirations.

Future prospects

By the end of 2010 there was little evidence that house prices in the Belfast Metropolitan HMA or the rest of Northern Ireland had stabilised. Even in regions of the UK which have seen some recovery in house prices, transactions and housebuilding remain weak. Most commentators therefore remain cautious about the future direction of the housing market.

The general impression is that a sustained rise in real house prices will only occur once unemployment levels decline, wages rise and credit constraints have eased for consumers and developers alike. Reductions in public union sector spending, heightened uncertainty over future employment prospects and work in hand by the EU and Financial Service Authority (FSA) to tighten regulation of the mortgage market are likely to dampen the pace of economic and housing market recovery.

One plausible scenario is that nominal house prices in the Belfast Metropolitan HMA may gradually stabilise over the next year or so but a return to sustained real house price growth may not occur before 2015. If economic recovery occurs over several years it may take to 2020 or beyond before house prices climb back to intersect with the long-term trend level. The upside is that this would allow house price to income ratios to return to long-term trend levels. A more prudent lending environment may also help to counteract a potential threat of another housing bubble emerging.

The sharp fall in new build starts since 2008 demonstrates that the economic recession hit the house building industry hard. Without knowing when a return to real house price growth may occur, it is not possible to predict when private sector construction rates will climb back to those seen in the early part of the last decade.

The housing slump forced house-builders and developers to mothball developments and take measures to reduce costs such as cutting back on staff. There are fears that this may have reduced the industry's capacity to respond promptly to any recovery in demand.

Aside from potential recruitment problems, recessions tend to make housing developers risk averse and they often prefer to focus on sites that pose the least challenge. For the same reasons they often prefer to build traditional 3 to 5 bedroom family houses as opposed to apartments because demand for the former tends to be more stable. This may not necessarily be a bad thing in the Belfast Metropolitan HMA where there is a clear perception that there was a growing glut of high-density apartments, especially in Belfast City, many of which were lying vacant at the onset of the credit crunch.

On balance, the continuation of modest private house-building rates during 2011 and 2012 may be manageable because of a possible short-term moderation in household growth noted in chapter 4.

On the other hand, continued modest house building rates for 5 or more years would pose a risk that the level of new housing would fall below the current RDS housing growth indicators and the lower housing growth indicators proposed in the Consultative RDS 2011-25 (see chapter 3). In effect, as time progresses it would become more difficult for the construction sector to 'catch up'. Whether this would create a gap between supply and demand, and therefore push up prices and increase affordability problems is highly uncertain. Ultimately the outcomes of a myriad of demographic, economic and policy processes on the long-term direction of the owner occupied sector and the building industry will only become clear as events unfold.

Conclusion

The Belfast Metropolitan HMA is dominated by owner occupation, although only Lisburn, South Antrim and Down experienced a discernable increase in the size of the sector in recent years. Much of the owner occupied stock outside of Greater Belfast is comprised of larger houses and bungalows. Even allowing for higher turnover of smaller dwellings, this does raise questions as to whether there are reasonable opportunities to purchase smaller properties in some sub-markets to the south and east of Greater Belfast.

Stock condition in the owner occupied sector is generally above the average for Northern Ireland, but there are signs of a higher concentration of poorer quality dwellings in North Down and Ards Peninsula. This may be linked to the higher proportions of older homeowners in both these sub-markets and is an issue that may warrant further investigation at the sub-market level.

More generally, demographic projections presented in chapter 4 illustrate that there will be a continued upward trend in the numbers of older households over the next 15 years and beyond. The large majority of these older households will be homeowners. This implies that there may be an increased demand for property adaptations or services to allow older homeowners to continue to live independently. Building suitable housing that presents few barriers to mobility that will entice older households to move from their family home may help ease pressure on adaptation and equipment budgets.

Whilst overall vacancy rates suggest there may be some potential to make better use of the existing housing stock to meet housing demands and needs, the scope for this with specific regard to owner occupied sector stock seems very limited.

In the decade to 2007, the Belfast Metropolitan HMA experienced a steep rise in house prices. Over this period, rates of housing construction were broadly in line with RDS ambitions and exceeded household growth. Supply shortfalls were not therefore a major factor in the rise in prices. By contrast, the rapid expansion of the numbers of 'buy to let' investors and other speculative investors entering the housing market contributed to the overly optimistic house price expectations that underpinned the housing bubble witnessed in the Belfast Metropolitan HMA and the rest of Northern Ireland in the 3 years to 2007.

The housing market has been at the forefront of the economic recession. By 2009 the housing market slump had led to an extraordinary decline in the levels of new construction, house transaction numbers and house prices. The sharp decline in the number of first-time buyers and 'buy to let' investors in response to the imposition of tighter lending criteria had a knock on impact across the housing market. The economic recession and the resulting contraction of the labour market further weakened the housing market.

The rapid decline in prices has improved affordability ratios across the Belfast Metropolitan HMA. If sustained over the long term this should lead to an upturn in the numbers of first time buyers. In the short term however, continuing uncertainty regarding the housing market and labour market and tight mortgage lending criteria, have collectively undermined the affordability benefits arising from falling prices.

Most existing homeowners have benefited from lower mortgage interest rates. On the downside, the scale of price decline means that negative equity will remain a continuing risk for homeowners who purchased their home in the last few years. This, together with continuing difficult wider economic conditions and lack of renewed consumer confidence in the housing market is likely to suppress sales and turnover in the sector for some time.

There is also little prospect of consumer confidence in the housing market recovering to any significant extent until the availability of mortgage finance improves, employment rates increase and earnings begin to rise. Reductions in public sector spending and pay restraint polices are likely to have a dampening effect on housing demand.

Overall, the economic conditions required to secure a return to stable but modest real house price growth and to secure sustained expansion in private housing construction are unlikely to reappear in the near future.

The lack of a sustained recovery in the owner occupied sector is likely to increase demand for private renting over the period to 2015 and possibly beyond. Whilst the total numbers and share of the housing stock in private hands is therefore likely to remain high, it is possible that the level of owner occupation will either remain static or decline slightly.

Continued weak economic conditions point to the possibility that house-building rates may not recover for several years. If this were to happen, new house building rates would fall below the RDS housing growth indicators, including the somewhat lower proposed HGI set out in the Consultative RDS 2011-25 as outlined in chapter 3.

To mitigate this risk will require close alignment and co-ordination between economic, planning and housing strategies.

Although land values are reported to have fallen back, this may be a mixed blessing depending on the scale of developer land banks. In response to falling land prices, landowners prefer to wait and see if prices recover. This could limit the availability of land and thus stall new housing development. The Belfast Metropolitan HMA sub-market studies and the other housing market studies might usefully explore this issue.

In terms of the Ards Peninsula sub-market and other housing market areas across Northern Ireland with very low levels of turnover in the property market, the value of price data as a pointer towards market change is likely to be limited until the housing market recovers. In such instances it would be beneficial to seek input from local experts on market activity trends and development.

private renting within belfast metropolitan hma

Introduction

This chapter explores the dynamics of the private rented sector (PRS) in the Belfast Metropolitan HMA. It highlights the distinctive features of the different segments found within the sector. It also looks at a number of key issues, including affordability, and inter-tenure flows and the significance of private renting for the wider housing system. The chapter concludes by considering future prospects for the sector.

This chapter draws upon evidence from the Northern Ireland House Condition Survey to augment analysis of 2001 Census data.[37] It also draws on evidence from the private rental database for the Belfast Metropolitan area, which the NIHE has developed in partnership with the University of Ulster and PropertyNews.com, and NIHE commissioned research on private renting which provides valuable insights into the view of landlords and local experts on the sector.

Expansion of private renting

Figure 6.1 shows that in 2001 the highest concentrations of households in the PRS were to be found in the Greater Belfast sub-market, particularly the south of Belfast LGD and in more outlying rural areas of the other sub-market areas.

Nationally the PRS has experienced a major revival. The NI House Condition Survey and the Continuous Household Survey both indicate that between 2001 and 2006 the PRS share of the total housing stock for Northern Ireland increased from just under 8% to 13%. NIHE (2009, p74) note that at the start of the decade, annual growth in the PRS for Northern Ireland as a whole was around 2,300 units but in the 5 years to 2006 PRS annual growth exceeded 6,000 units per year.

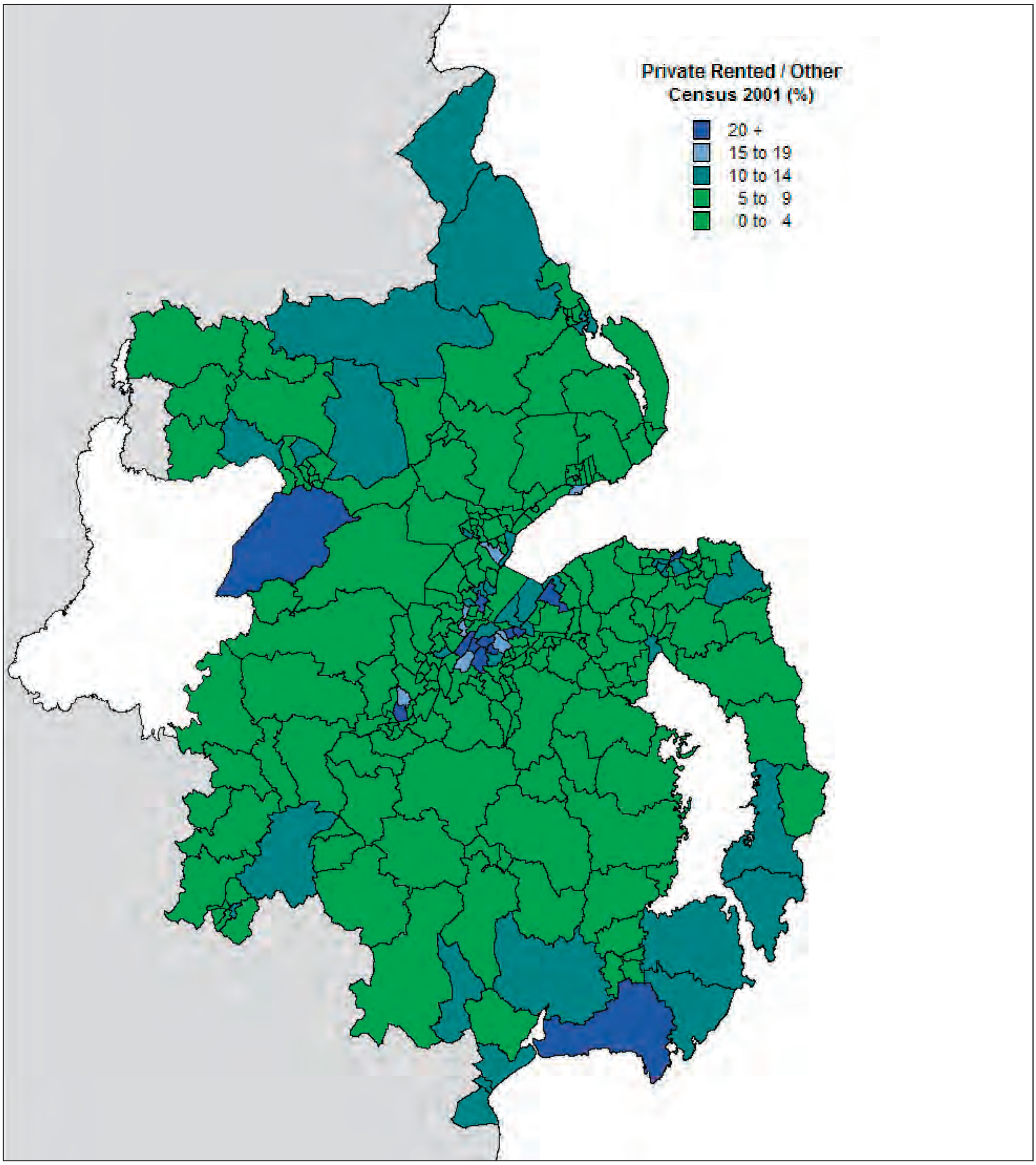
Since 2006 evidence from the NI House Condition Survey 2009 (NIHE, 2010) indicates that the sector has continued to expand rapidly. Between 2006 and 2009 the occupied PRS stock increased by 43,800 to 124,600 units whilst the total PRS stock (i.e. including vacant units) increased by 47,400 to 142,000. Thus by 2009 the PRS sector accounted for almost 17% of the total occupied stock and almost 20% of the total stock[38].

At the Belfast Metropolitan HMA level, the proportion of the total stock in the PRS increased from 8% to over 12% in the period from 2001 to 2006. Based on national trends anywhere from 16% to 18% of the total stock in the Belfast Metropolitan HMA may now be in the private rented.

[36] The NI House Condition Survey 2006 sample size is sufficient to report robust evidence for the Belfast Metropolitan HMA but not at sub-submarket area level where it is often necessary to draw on Census 2001 data.

[37] NIHE assign vacant dwellings to the tenure of their last occupancy. In 2009 there were some 43,400 of which 17,400 (40%) were assessed to be in the private rental sector.

Figure 6.1 Proportion of the stock in the private rented sector, 2001



Source: Census, 2001

The rapid expansion of the PRS both at the Northern Ireland and housing market area level since 2001 is consistent with anecdotal evidence that:

- There was considerable investment in the PRS, including a substantial inflow of funds from the Republic of Ireland and UK Buy to Let (BTL) investors.
- Since the downturn in the housing market noted in chapter 6, there has been a marked increase in the share of newly constructed housing taken up by PRS landlords as well as an increase in PRS supply from frustrated homeowners renting out properties, albeit temporarily.

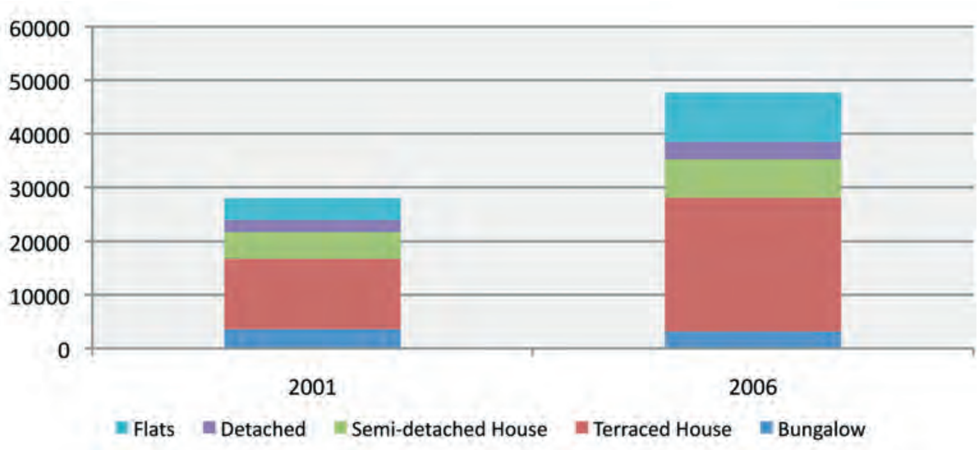
Profile of privately rented stock

Dwelling type

Figure 6.2 shows that the expansion of the PRS since 2001 has been accompanied by a change in the composition of PRS stock in the Belfast Metropolitan HMA. Between 2001 and 2006:

- The number of terraced houses has increased by some 11,700, so that by 2006 over half of all PRS stock comprised terraced housing (up from 47% to 52%).
- The numbers of flats/apartments more than doubled, with the result that the proportion of PRS stock made up of flats increased from 15% to 19%.
- The numbers of detached and semi-detached properties increased, but this increase was comparatively modest. As a result, the proportion of semi-detached properties and detached properties both reduced (18% to15% and 8% to 7% respectively).
- The number of bungalows in the sector changed little, but the proportion of PRS stock comprising bungalows fell from 13% to under 7%.

Figure 6.2: Private rental stock in Belfast Metropolitan HMA by type, 2001 and 2006



Source NI House Condition Survey 2001 and 2006; edited dataset

What is perhaps most striking is that whilst PRS stock accounted for just over 12% of all dwellings in the Belfast Metropolitan HMA in 2006, 18% of all terraced properties and 24% of flats/apartments in the housing market area were in the PRS.

Most PRS dwellings in the housing market area are single-family dwellings (85%), but there does appear to have been some slight increase in the number of shared houses in the 5 years to 2006.

As expected, most shared housing (88%), all bedsits and the majority (71%) of converted flats in the Belfast Metropolitan HMA are to be found in the PRS.

Vacancies

In 2006, no less than 15% of PRS dwellings in the Belfast Metropolitan HMA were vacant compared to 5% for the housing stock as a whole. The comparable figure for the PRS in the rest of Northern Ireland was 14%. Anecdotal edivence would indicate that this is linked, at least to an extent, to short run speculative investment behaviour.

Dwelling age and condition

The 2006 House Condition Survey (see table 6.1) indicates that approximately one third of the sector was constructed before 1919 and a further quarter was built during the period 1919-44. A much lower proportion of private rented properties were built between 1945 and 1964. The proportion of more modern dwellings (built since 1980) in the PRS has increased a little again to around 15%. Compared with the housing stock as a whole in the Belfast Metropolitan HMA, the PRS is significantly older. In comparison with elsewhere in Northern Ireland, the Belfast PRS also tends to be older 33% of PRS dwellings built before 1919 compared to 14% for Belfast Metropolitain HMA as a whole.

Table 6.1 Comparison of dwelling age of PRS dwelling in Belfast Metropolitan HMA and Rest of Northern Ireland (RNI), 2006

Age band	Belfast Metropolitan HMA PRS	Belfast Metropolitan HMA all dwellings	RNI Ireland PRS	RNI all dwellings
Pre 1919	33	14	29	18
1919-44	24	14	7	5
1945-64	12	21	16	18
1965-80	15	24	16	24
Post 1980	15	26	32	34
	100	100	100	100

Source: NIHCS 2006

The 2006 Survey also provided some information at the Belfast Metropolitan HMA level on housing conditions in the PRS. Approximately 30% of the Belfast Metropolitan HMA PRS failed the Decent Homes Standard compared to 22% for the stock as a whole. Further analysis indicates that the Belfast Metropolitan HMA PRS fared less well than the stock as a whole for all the elements of the Decent Home Standard:

- Thermal comfort: 23% failed on this element compared with 18% for the total housing stock in the Belfast Metropolitan HMA.
- Disrepair: 11% failed on this element compared with only 4% for the total stock in the Belfast Metropolitan HMA.
- Unfitness: 6% failed compared with 3% for the Belfast Metropolitan HMA as a whole.
- Modernisation: 8% of the PRS failed on this element compared with 3% of all dwellings in the Belfast Metropolitan HMA.

The 2009 NIHCS indicates that the overall level of unfitness has fallen from 3.4% of the stock in 2006 to 2.4% of all dwellings. For the private rented sector, comparable figures show a fall from 2.6% to 2.2%. The figure was 8.7% in 2001. However, the 2009 results indicate that unfitness is increasingly associated with vacancy (nearly 3 in 5 unfit dwellings in 2009 were vacant), but a declining proportion of vacancies are unfit, something which can be attributed to the growing proportion of vacant, more recently built, buy to let properties. Unfitness is also associated with older pre-1919 properties and the 2009 NIHCS suggests that within Belfast the highest level of unfitness was in South Belfast, which has a relatively high share of total stock in the PRS and includes many older dwellings.

With respect to the bedroom standard, once again the PRS fared poorly. For the Belfast Metropolitan HMA PRS, 6% of homes were one or more bedrooms below the standard, while for all Belfast Metropolitan HMA properties this was true of only 3% and for the PRS elsewhere, this was the case for only 4% of dwellings.

Households

The private rented sector (PRS) plays a pivotal role in the local housing system. It is the tenure where wider pressures are often exhibited and remedied, even if only temporarily. The private sector is heterogeneous and can cater for a diverse range of niche markets. It can provide flexible accommodation for young professionals, migrant workers and students. It can also provide for households that cannot or do not want to buy or rent from a social landlord. Private renting has also had a traditional role both in providing permanent housing for long term tenants (now dwindling) and providing emergency housing of last resort (e.g. to assist with homeless applications).

Turning to the people who live in the sector, Table 6.2 provides a profile of household types for 2001 and 2006, for Belfast and the rest of Northern Ireland. The largest groups within the Belfast Metropolitan HMA PRS are lone adults (22%), two adult households (20%) and lone parents (18%). Pensioner households account for 18% of the total PRS in Belfast. Comparing 2006 and 2001, there has been substantial growth in the proportion of lone parents (up from just 7.5% in 2001) and big declines in the proportion of large families and a smaller reduction in lone adult households.

In 2006, the Belfast Metropolitan HMA PRS was dominated by one and two person households accounting for, respectively, 35% and 37% of all PRS households in Belfast. Only 12% the sector had 4 or more persons in the property. In 2006 the Belfast PRS was slightly smaller in household size terms than the PRS elsewhere. Between 2001 and 2006, comparison suggests that the Belfast Metropolitan HMA PRS increased its number of 2 and 3 person households while reducing one person and larger (four or more persons) households. In terms of all households, the PRS in Belfast was under-represented in larger sized households, but had a proportionate (i.e. 13% of the total) number of single person households.

Table 6.2 PRS Household Type, 2001 & 2006, Belfast Metropolitan HMA and RNI %

Household type	2001 BELFAST METROPOLITAN HMA	2001 RNI	2006 BELFAST METROPOLITAN HMA	2006 RNI
Lone adult	25	35	22	24
Two adults	17	11	20	14
Small family	8	11	7	11
Large family	7	10	2	7
Large adult	11	5	12	5
Two older	10	5	6	5
Lone older	14	8	13	12
Lone parent	8	13	18	22

Source: 2001 and 2006 NIHCS

The Belfast Metropolitan HMA PRS has a striking age profile. Just over 21% of respondents in 2006 were aged between 18-24 and another 35% were between 25 and 39. This is younger than households in the non-Belfast PRS and comparisons with 2001 suggest a significant increase in young people in the PRS (in 2001 only 12% of the total were aged 18-24). There was a corresponding reduction in middle aged respondents (40-59) and those over 75. Overall, the Belfast Metropolitan HMA PRS houses 53% of all Belfast's 18 to 24 year olds.

Residents in the PRS have a distinct economic activity profile. Analysis of the 2006 NIHCS indicates that 44% of the Belfast Metropolitan HMA PRS heads of household are in employment, more than 19% are unemployed, 4% are students, 18% are retired and 8% are looking after the family home. The Belfast Metropolitan HMA features higher concentrations than the PRS elsewhere for people in work, the unemployed, students and the retired. However, compared to 2001, the number in work has fallen (from 46%), unemployment has risen (from 14% to 19%), the proportion who are retired has fallen as has the proportion of students.

In the Belfast Metropolitan HMA PRS, 31% of households had a member who had a long term illness (up from 27% in 2001) compared to 27% of all households in the Belfast Metropolitan HMA in 2006. At the same time, 10% of Belfast Metropolitan HMA PRS households have a member who has an aid or adaptation (6% in the RNI) but down from 2001 when the figure was 12%.

The NIHCS produced household banded income figures (Table 6.3 compares the PRS with all households for 2006 and also indicates what proportion of each income band is composed of PRS households). Table 6.3 suggests that there are proportionately more PRS households in the lowest income band and in broad terms PRS households are found disproportionately in income bands below £15,000 and are less likely to be found in income bands above £15,000, particularly above £30,000. There is no clear pattern in 2006 when comparing Belfast with the rest of Northern Ireland.

Table 6.3 PRS and All Households Banded Income, 2006 %

Banded income per annum	Belfast Metropolitan HMA PRS	Belfast Metropolitan HMA (all households)	PRS share of each band
Under £5000	7	4	20
£5000-6999	7	8	10
£7000-9999	25	18	15
£10000-14999	29	22	14
£15000-19999	12	12	10
£20000-29999	11	15	8
£30000-39999	7	13	5
£40000-49999	2	4	5
£50000 or above	1	4	2

Source: NIHCS 2006

PRS households accounted for approximately 11% of all households in the Belfast Metropolitan HMA. The final column shows the share of each band accounted for by the PRS, i.e. that 20% of the lowest income band came from the PRS. It also suggests that in two of the other lower income bands between £7,000 and £15,000, the PRS is over-represented. As one might expect, it is also the case that the PRS is particularly under-represented in the four highest income bands.

An important issue is whether the Belfast Metropolitan HMA PRS weakens or reinforces wider community divisions. In the Belfast Metropolitan HMA in 2006, 54% of households described themselves as Protestant and 29% considered themselves Catholic, with 17% reporting as mixed/other or none. Interestingly, compared with 2001 this is an increase for both the main religions (marginally for Catholic but up from 48% to 54% for Protestants) and a corresponding decline for the combined total of the other options. Nonetheless, when compared to all households in the Belfast Metropolitan HMA in 2006, these figures are lower for Protestants (63% overall) and higher for Catholics (25% overall). This latter point reinforces the Northern Ireland wide finding that Catholics are over-represented in the PRS (NIHE, 2009).

While ethnicity questions indicate that the Belfast Metropolitan HMA PRS is overwhelmingly white (96% in 2006, down from 97% in 2001) with the non-white ethnic composition dominated by Chinese, Indian, Pakistani and Bangladeshi groups, there are interesting nationality dimensions. A large proportion of private tenants hold Republic of Ireland passports (21% of the Belfast Metropolitan HMA PRS), but there are also CEE Accession country nationalities. For instance, 2% of households in the PRS in 2006 were Polish and 1% Lithuanian.

Landlords

The size and diversity of the sector and the range of motivations for investing in and holding PRS properties, and the reluctance of many investors to participate has made it difficult a to gather information on landlords. However, the NIHE commissioned a series of follow up research studios on the PRS in Northern Ireland, re-analysing and in some cases augmenting NIHCS data. One such study concerns landlords and involves a follow up survey of 191 landlords conducted in 2009 for Northern Ireland as a whole.[39]

Key findings from this study included the following points:

- The majority of landlords are small scale (two-thirds have no more than 5 properties) though their portfolios are increasing. Many entered the market during the period of rapidly rising prices in the mid noughties and stated financial reasons as the main explanation for this decision. Nonetheless, there is an a small but significant number of landlords with large portfolios in Northern Ireland.

- The survey confirms that many of the landlords are new to the sector and have been active in it for less than 5 years. The vast majority of those surveyed said they became a landlord for financial reasons, about 15% said they were accidental landlords and many identified pension income, investment and long term reasons that combined both rental and capital growth returns.

- About 30% own their portfolio outright. The rest have borrowed in different ways including BTL. A substantial number had quite a low percentage of their loans outstanding (suggesting scope to lever in more finance if required) although this was higher than UK evidence from CML in 2005. The majority do not use a letting agent but manage directly and approximately two-thirds would be interested in leasing schemes.

Expert interviews dwelt at length on the investment market confronting actual and potential landlords. The spectacular growth of the sector was commonly seen to have ended in the aftermath of the 2007 credit crunch. The BTL market is currently flat (and not expected to pick up in the near future) for a number of reasons rents are relatively low compared to other UK markets, there is a continuing overhang of new or recent supply (particularly in apartments) and the tightening of specific BTL lending rules (large deposits of 40% plus, credit and income checks, a lease/tenant in place and minimum requirements that rents cover at least 125% of mortgage repayments). New supply is virtually at a standstill.[40]

[39] McAnulty, U and Gray, P (2011), *The private rented sector: the Landlord Perspective.*

[40] It should be noted that key actors disagreed about current market dynamics and whether or not market tightening might lead to rising rents alongside a high vacancy rate in apartments in Belfast.

What are the main implications of this profile?

Northern Ireland's private rented sector quadrupled between 1991 and 2009, rising from 30,000 units to 125,000 units. The PRS has become a major tenure once more and is disproportionately active because turnover is so much higher in the sector – its impact at the margin outweighs its absolute and relative size; its dynamic growth is therefore all of the more important when trying to understand the wider housing system.

The PRS in Belfast is dominated by terraced properties (52%) and by flats/apartments (19%). The PRS accounts for just under a quarter of all of Belfast's flats/apartments. The proportion of both these property types in the PRS both increased between 2001 and 2006.

Vacancy rates are important to understanding the balance and pressure in housing markets and in 2006 turnover and vacancies rates were significantly higher in the PRS than in other tenures. More than 15% of PRS dwellings were vacant in Belfast compared to 5% for all dwellings.

The private rental housing stock within Belfast city council is relatively old despite the comparatively high rates of newly constructed dwellings that have entered this sector in recent years. In 2006, over 30% of the PRS in Belfast failed the Decent Homes Standard, though this fell to just 2% in 2009. Successive House Condition Surveys show that unfitness is associated with vacancy and the PRS has a higher level of vacancy. It could therefore be assumed that a disproportionate number of PRS dwellings would be unfit. This however, is not the case (except in South Belfast where there are concentrations of older privately rented properties) because a significant proportion of the vacant properties are newly built apartments or townhouses.

PRS households in Belfast are predominantly single person and couple households and lone parents. The sector houses more than half of Belfast's 18-24 year old households (nearly 63% of student households live in the PRS). Between 2001 and 2006 there was a striking increase in "single" as the marital status of the household reference person(HRP).

Between 2001 and 2006, the proportion of households in Belfast's PRS where the HRP was in work fell and the proportion unemployed increased (and is relatively high compared to the unemployment rate for all HRPs in Belfast. The PRS also has a relatively large proportion of households (31%) who have a member with a long term illness (and this increased 2001-2006). Income data from the NIHCS suggests that PRS households in Belfast are more likely to be found in lower income bands than households as a whole in the HMA. These three points together (joblessness, illness and income) suggest that the PRS caters for many households who in the 1980's and 1990's might have been in the social rented sector.

PRS landlords have small portfolios, are often new to the sector, but the vast majority are pursuing longer term financial or investment goals and many have declared an interest in providing longer tem leasing opportunities to help tackle homelessness.

Key issues

Affordability

The Housing Executive, in partnership with the University of Ulster and Propertynews.com has developed a unique private rental index database based on website, rental market property transactions recorded by the Propertynews.com. website. This database provides information on transactions by property type rent, location and number of bedrooms for all new lettings. The analysis tracks the level of activity in the market (disaggregated by these variables too). This study combined descriptive and distributional analysis of rents for two and three bedroom properties with CACI income data for different geographies – in order to look more closely at rental affordability. The affordability criterion adopted is whether the market rent is less than or equal to 25% of gross household income (according to calculations based on CACI income analysis). The BMA used as the basis of the private rental index is smaller than the LHSA Belfast Metropolitan HMA, which means that the results reported here do not cover all of the HMA. This study therefore looks at four specific geographies of the housing system (in descending size order):

- Belfast Metropolitan Urban Area (BMUA)
- Greater Belfast submarket area
- Belfast LGD
- South Belfast sub-area of Belfast LGD.

Main findings

Median rents are the same for each of the BMUA, Greater Belfast and LGD levels for both 2 and 3 bed properties, but they are appreciably higher in South Belfast. The lower quartile rents are the same for all of the 3 larger geographies for both property sizes (with a significantly higher lower quartile rent in South Belfast).

Table 6.4 Two Bed Rental Affordability, 2009

Geography	Measure	Rent £ per week	Cannot afford (%)
Belfast Metropolitan Urban Area			
	Median	£114	37
	Mean	£116	38
	Lower Quartile	£98	29
Greater Belfast			
	Median	£114	39
	Mean	£117	40
	Lower Quartile	£98	30
Belfast LGD			
	Median	£114	43
	Mean	£117	45
	Lower Quartile	£98	35
South Belfast			
	Median	£121	43
	Mean	£125	44
	Lower Quartile	£103	34

Source: Propertynews.com and CACI

For two bed properties (see table 6.4) the proportion who cannot afford the median rent (i.e. it takes more than 25% of of their gross household income) varies from 37% for the BMUA to 39% for Great Belfast to 43% for Belfast LGD and South Belfast. In the case of lower quartile rents, the proportion of households who cannot afford the rent (i.e. it takes more than 25% of their gross household income) rises from 29% in the MUA to 35% in Belfast LGD (but is slightly lower at 34% in South Belfast).

For three bed properties, (see table 6.5) the proportions who cannot afford median rents are all considerably higher, in some cases much more so. The proportion unable to afford median rents rises from 43% in the BMUA to approximately 50% in Belfast CGD and South Belfast. The same spatial pattern is apparent in the case of lower quartile rents, where the proportion of households unable to afford these rents rises from 35% in the BMUA to 43% in South Belfast.

Lower incomes and lower rents for Belfast LGD as a whole result in simiilar levels of affordability problems as in South Belfast where rents, but also incomes, tend to be higher. More than one third (35%) for 2 bed and more than two fifths (41%) for 3 bed cannot afford the lower quartile rent in Belfast LGD, whereas the equivalent non-affordability percentages for South Belfast are 34% and 43%.

Table 6.5 Three Bed Rental Affordability, 2009

Geography	Measure	Rent £ per week	Cannot afford (%)
Belfast Metropolitan Urban Area			
	Median	£12	43
	Mean	£128	44
	Lower Quartile	£110	35
Greater Belfast			
	Median	£12	45
	Mean	£13	46
	Lower Quartile	£110	36
Belfast LGD			
	Median	£127	50
	Mean	£132	52
	Lower Quartile	£110	41
South Belfast sub-area			
	Median	£138	50
	Mean	£147	54
	Lower Quartile	£121	43

Source: Propertynews.com. and CACI

These findings suggest that the level of gross rents and incomes in the Belfast Metropolitan HMA PRS lead to significant affordability problems for those not able to access Housing Benefit through the Local Housing Allowance (LHA). On the face of it this might imply that the PRS would generally be unsuitable for low income households as an alternative to social housing. However, NIHE (2009) reports that between 2001 and 2006, the proportion of PRS households, receiving HB, grew from 37% to 45%. Of tenants paying rent in full or where HB did not cover the market rent in full, 45% said they found it very or fairly difficult and 5% were at least a fortnight in arrears. Table 6.6 repeats the affordability analysis above but uses the estimated levels of LHA that would apply at the same geographies (for two bed properties).

Table 6.6 Local Housing Allowance Affordability (2 bed)

Market	LHA (£)	cannot afford (%)	PRS median rent (£)	% cannot afford (%)
Belfast Metropolitan Urban Area	£102	31	£114	37
Greater Belfast	£102	33	£114	39
Belfast LGD	£102	37	£114	43
South Belfast sub-area	£102	33	£121	42

Source: Propertyweeknews.com. and CACI

Table 6.6 contrasts the two bed local housing allowance level of rents in the PRS with the actual rents based on the propertynews.com/database. Looking at 2009 data, the analysis compares the LHA with the median for two bed rents. The table also shows the proportion who could not afford such rents at each of the different scales of geography reported (using the same definition of rental affordability as before).

The main points from Table 6.6 are that:

- The LHA is the same value irrespective of the different spatial scales analysed, but it generates higher levels of non-affordability at the Belfast LGD level – as before this may reflect low incomes in large parts of the city rather than relatively high rents.
- Rents median are always higher than the LHA particularly for South Belfast.

The key issue is the extent to which the LHA alleviates affordability issues for PRS households. This can be assessed by subtracting the median rent from the LHA. This indicates that those paying median rent and are eligible for full LHA could expect to have £102 of £114 or 90% of their rent met if they live in the BMUA, Greater Belfast or the Belfast LGD area but only £102 of £121 or 85% in South Belfast.

Expert interviews confirmed the importance of the Housing Benefit. Commentators argued that a large part of the PRS was currently underpinned by public funding through the LHA. Unlike in the rest of the UK there were no changes to direct payment of rent when LHA was introduced in Northern Ireland. Most landlords therefore still receive LHA rental payments directly from NIHE rather than the tenant. They argued that consequently any future cuts in HB and/or the ending of direct debit payment (NIHE, 2009,p.81) as part of wider fiscal austerity measures would have serious implications for the sector's future. This also has implications for the potential for the sector to take on long term leasing to homeless households.

Tenancy management issues

There an estimated 14,000 HMOs in NI, playing a key role in meeting the housing needs of single people in temporary work, on low incomes, students and since 2004, increasingly migrant workers. HMOs are now subject to a statutory registration scheme which is designed to ensure management standards improve. Research carried out by the University of Ulster suggested that almost 90% of tenants had a good relationship with their landlord/letting agent and 85% were satisfied/very satisfied with the overall service provided.

Inter-tenure flows

There is considerable evidence that since the end of Northern Ireland's investment boom in 2007 and the subsquent "credit crunch", particularly since 2007, the PRS has increasingly replaced owner-occupancy as a housing solution for frustrated first time buyers. Key actors interviewed as part of the research study noted that landlords were able to out-compete potential first time buyers, that the sector was price competitive and increasingly quality-based. It is also clear that the growth of the PRS in Northern Ireland and its embedded co-existence with owner-occupation means that now and in the future the two private sector parts of the housing system will co-evolve.

The relationship between the PRS and social renting is multi-faceted and potentially important if the PRS is to contribute more and more to meeting the ongoing high levels of housing need. Key actors from social housing clearly felt that the PRS is being used as a substitute for social renting. As one commentator argued, despite the lesser degree of security, such a choice offered flexibility, a different lifestyle without the perceived stigma of social housing as well as (often) the higher quality that goes with a new house – supported by HB. One Government spokesman argued that competition between the PRS and the social rented sector is more evident in suburban towns and West of the Bann than in Belfast itself.

In terms of whether the PRS can make a bigger contribution to meeting housing need it is important to know who are the current PRS clientele and who are they likely to be in the future. If the growth in private renting is simply meeting the requirements of households who would previously have been buying unassisted in the open market, then that growth holds little advantage for meeting the needs of those traditionally reliant on the social rented sector. On the other hand, if the sector is housing households in housing stress, who are not finding their way into social housing, there may well be a longer term role for the private rented sector in meting housing need.

In a separate study for NIHE, Newhaven Research (2010) suggested that the rapid growth in the PRS since 2000 has been accompanied by a rapid increase in the number of households assessed to be in housing stress - the total doubled between 2001 and 2008. However, although the PRS may be providing easy access to housing, for many private renters it is not perceived as a permanent or possibly even a satisfactory solution.

All in all, therefore, the evidence suggests that the PRS is perceived by a significant and growing number of landlords as an investment vehicle first and as a going concern a distant second; by an increasing number of tenants it is perceived at best, as no more than a staging post as they take steps to secure social housing in an area of their choice. On this basis, trends in the size of the sector alone "would have limited significance for meeting long term need."(p.6)

The research by Newhaven concluded that:

> "The Housing Executive should use the current local housing market research project to investigate ways to improve assessment of the potential for the PRS to make a contribution to meeting housing need in specific areas" (p.23).

The qualitative evidence from key actors does not support the view that the PRS has been making a major contribution to addressing unmet need as waiting lists remain high, but that does not mean that it would be unable contribute more by means of innovations, such as long term leasing.

Future prospects
In spite of the comparatively abundant volume of evidence available, analysis of the PRS continues to be constrained by the diffuse nature of the sector. Expert views on the sector exhibit uncertainty and evidence is interpreted in a contradictory way. There also remains little consensus on the role played by the sector in the Belfast Metropolitan HMA and how it might evolve.

Despite the apparent levelling-off of growth and the stalling of new investment, the prospects for the PRS remain good, not least because of continuing affordability problems in respect of home ownership. The NIHE observation that while:

> 'qualitative evidence would indicate that some investors are leaving the sector.... the expected continued demand, for private renting from first time buyers.... and migrant workers and the continuing pressure on the social housing budget,' indicates that the 'risk of large-scale disinvestment is seen as low' (NIHE, 2009, p.84) continues to be valid.

Key actors point to the importance of the future direction taken by the economy in Belfast and Northern Ireland. While there is a significant overhang of vacant property, there does seem to be strong ongoing demand from existing owner occupiers, but little sense of a recovery in supply , at least not until mortgage lending conditions in the BTL market ease. While it is important to remain somewhat sceptical about the PRS for the sector to make a major contribution to meeting the housing requirements of those most vulnerable sections of households in need, it is equally important to recognise the large number of households who with the help of HB find accommodation in properties which would otherwise be unaffordable.

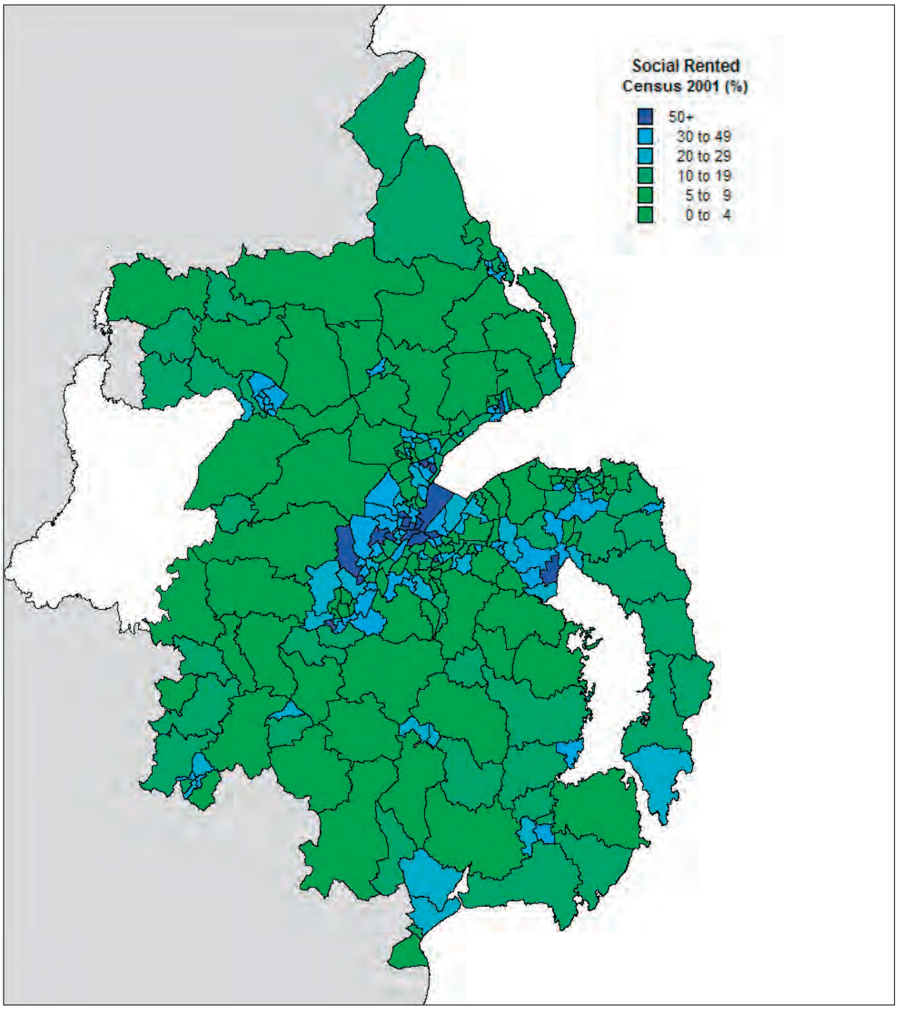
Given that almost one fifth of all housing in Northern Ireland is in the private rented sector, there is a clear need to build on the recent investment in research on the sector.

social housing within the belfast metropolitan hma

Introduction

This chapter examines the social rented sector. It looks at the changing profile of social housing provision and its occupants as well as the expressed demand for the sector.

Figure 7.1: Percent of households living in social rented sector in 2001, by ward



Source: Census, 2001

Profile of the social housing stock

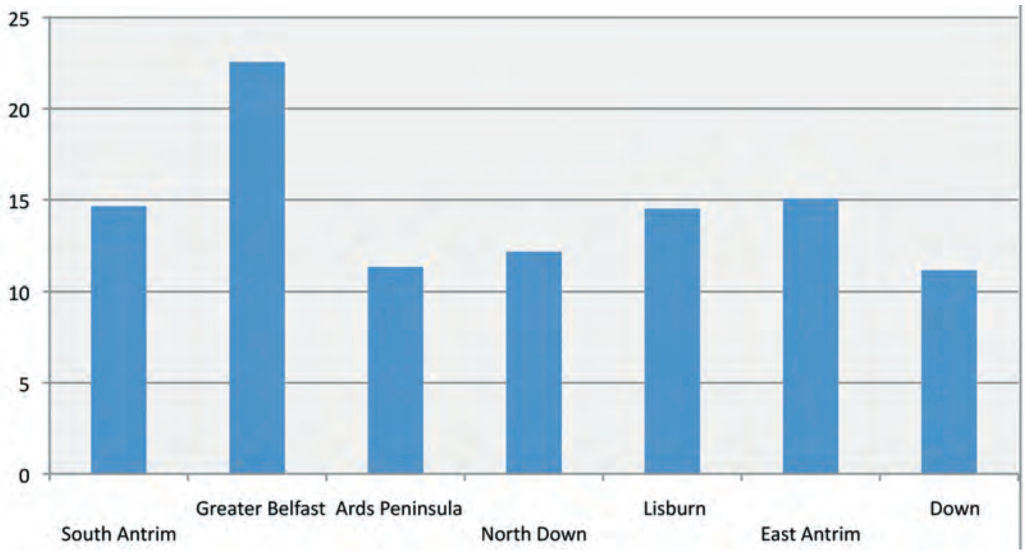
Spatial distribution of social housing

At March 2010 the Northern Ireland Housing Executive (NIHE) owned 89,300 dwellings across Northern Ireland, whilst housing associations managed 26,800 self-contained dwellings and a further 4,500 non-self-contained units.

At the Belfast Metropolitan HMA level, the number of households renting from a social landlord has steadily declined over the last decade. Figures 7.1 and 7.2 show that:

- In 2001 some 79,800 households in the Belfast Metropolitan HMA rented from social landlords, equivalent to 23% of all households. Of these households, almost 7 out of 10 lived in Greater Belfast, mainly in Belfast City (44%) or one of the other settlements (25%) in this sub-market.
- In 2006 some 72,300 households lived in social housing, equivalent to 19% of the households Belfast Metropolitan HMA. At the sub-market level the proportion ranged from 11% in Ards Peninsula and Down to 23% in Greater Belfast.
- By 2009 there were some 70,000 social rented dwellings in the Belfast Metropolitan HMA; the proportion of households living in the sector had fallen to 18%.

Figure 7.2: Percentage of Belfast Metropolitan HMA households in the social rented sector, 2006



Source: NI House Condition Survey, 2006

Just over 3 out of 4 social tenants in the Belfast Metropolitan HMA rent their home from NIHE and 1 out of 4 rent their home from a housing association.

<u>Changes is stock numbers over time</u>

The decline in social rented stock has been driven by the sale of NIHE dwellings, which has outweighed the construction of new social rented dwellings by all social landlords. Between 2001/02 and 2009/10 some 14,460 NIHE dwellings were sold. In common with the rest of the UK, sales began to fall away in 2005/06. In the 3 years to March 2010 there was an average of 217 sales each year compared to an average of 3,192 sales in the 3 years to March 2004. Aside from modifications to the eligibility criteria in respect of house purchase, the decline in house sales has been shaped by changes in the profile of the stock and the tenant base as well as wider housing market conditions[41].

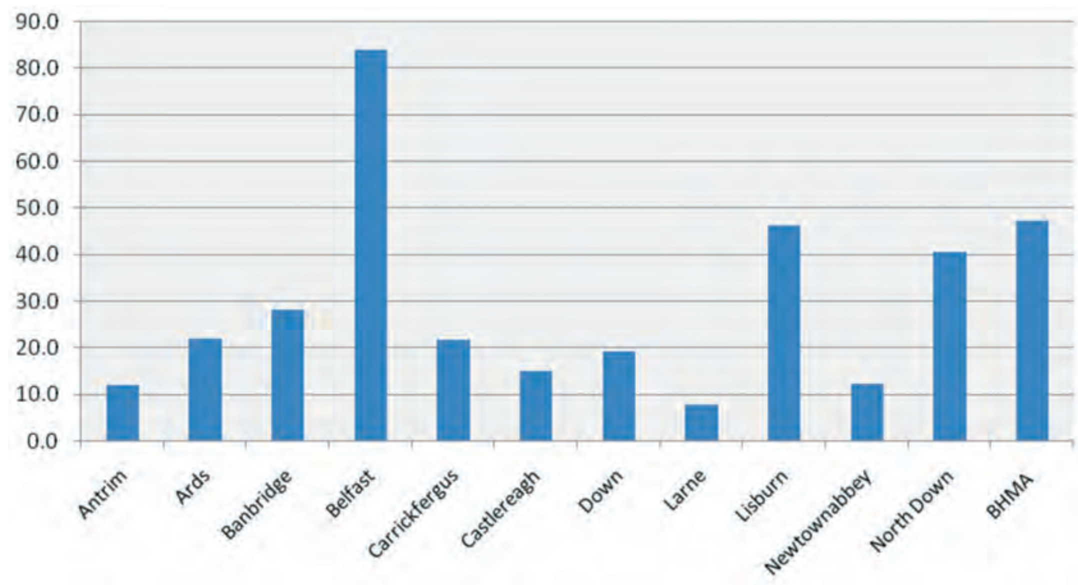
Table 7.1: Social rented sector completions and NIHE sales 2000/1 to 2009/10

Area	Total 2001/2 -2009/10		
	No social completions	No NIHE sales	Completions as % of sales
Northern Ireland	9,192	25,626	35.9
Belfast Metropolitan HMA	6,812	14,462	47.1
Rest of NI	2,380	11,164	21.3

Source: NINIS (2011) Social rented completions and NIHE sales to 2009/10
Notes: Belfast Metropolitan HMA defined as all LGDs in area except Ballymena and Craigavon Greater Belfast based on figures for Belfast, Castlereagh and Newtownabbey LGDs
Sales total excludes a very small number of 'special' NIHE sales as well as all HA sales.

Table 7.1 shows that in the 9 years to March 2010 around 74% of social housing completions in Northern Ireland were located within the Belfast Metropolitan HMA. On average 757 new social rented dwellings were constructed each year in the Belfast Metropolitan HMA, compensating for 47% of the dwellings lost to the sector as a result of NIHE sales. This 'replacement ratio' is higher than the Northern Ireland average (36%)[42]. Looking across the Belfast Metropolitan HMA, figure 7.3 shows that over the same period the replacement ratio ranged from 84% in Belfast City to less than 8% in Larne LGD.

Figure 7.3: Social rented housing completions as a percent of NIHE sales, 2001/02-2008/09



Source: NINIS (2011) social rented completions as % of NIHE sales (replacement ratios)

[41] There was a modest upturn in sales in 2009/10 which probably reflect the more stable housing market.
[42] Housing associations also acquire existing dwellings, including some in need of modernisation. The total number of such dwellings is low (200-250 pa for Northern Ireland), Acquisitions increased prior to 2007 but have fallen back as cheaper land and construction costs made new build more affordable.

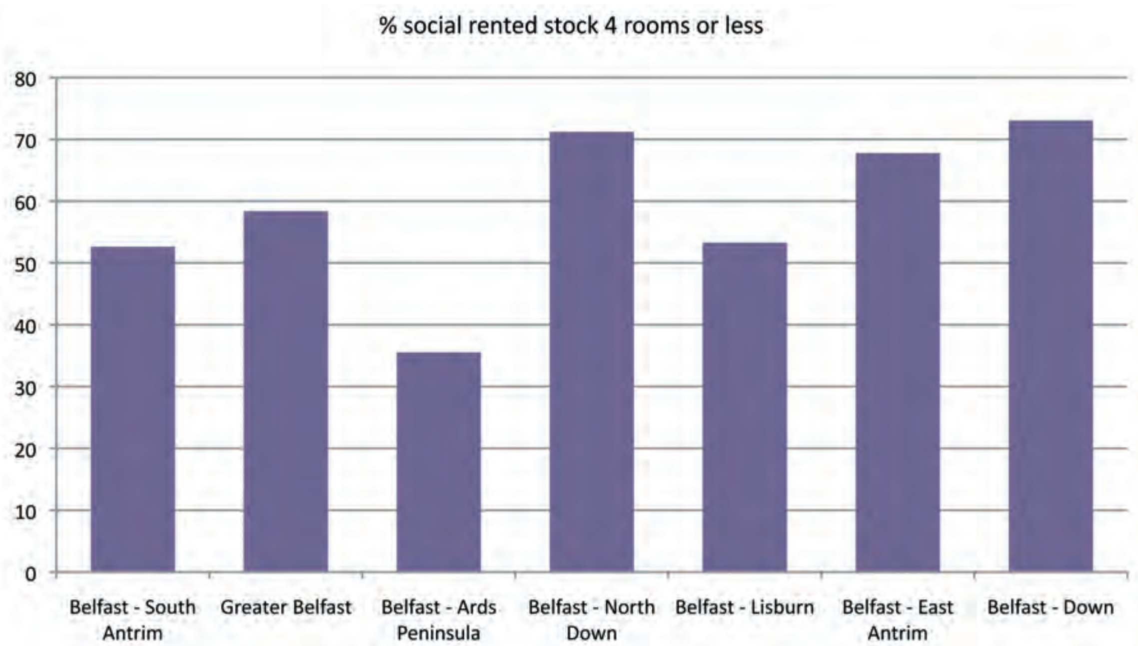
Most of the social housing development programmes in the Belfast Metropolitan HMA and elsewhere in Northern Ireland comprise projects of less than 100 units.

Dwelling attributes

Size and dwelling type

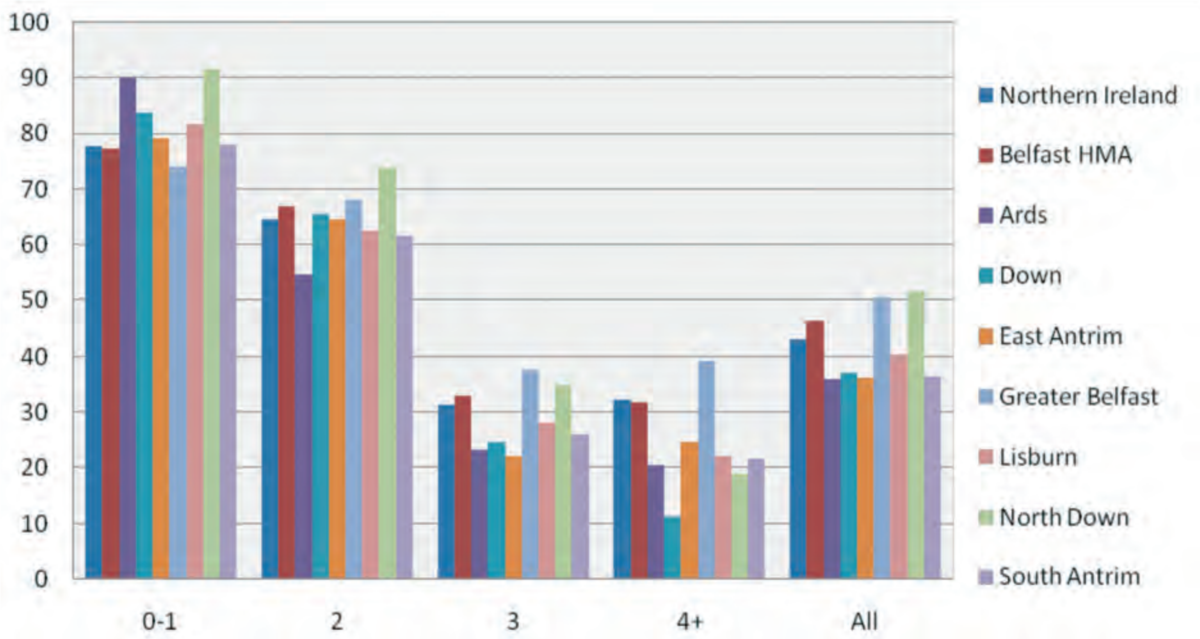
With the exception of the Ards Peninsula, upwards of half of the social rented stock in the Belfast Metropolitan HMA areas is comprised of 4 rooms or less. This reflects the trend to build smaller units and the fact that a much higher share of family size dwellings containing 5 or more rooms have been sold (see figure 7.4).

Figure 7.4: Percent of social rented stock with 4 or less rooms, 2006



Source (2006) NIHCS

Figure 7.5: NIHE 2010 stock as a percentage of 1979 stock by number of bedrooms

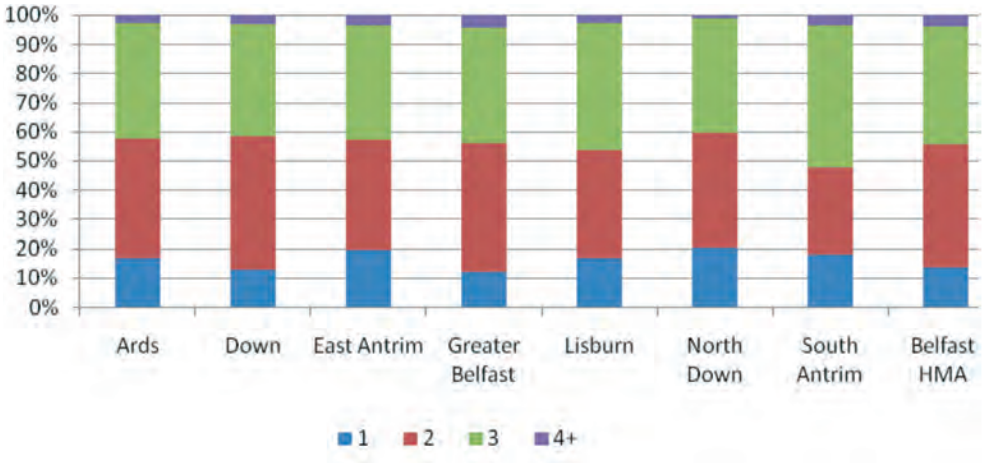


Source: NIHE own stock data, 2010

Figure 7.5 shows that since the House Sales Scheme was introduced in 1979, over 60% of all 3 and 4 bedroom properties that were owned by NIHE at that time had been sold by the end of 2009. This was true at the Northern Ireland, Belfast Metropolitan HMA and the sub-market area level. By contrast, comparatively few small properties (bedsit and one-bedroom properties) have been sold, indicative of the fact that these tend to be the least popular dwellings. A similar picture is apparent in terms of dwelling type. Only a third of houses and cottages remains compared to three quarters of all flats and maisonettes that were owned by NIHE in 2009.

NIHE 2010 stock distributions by dwelling size and by dwelling type are shown in figures 7.6 and 7.7. At the start of 2010, more than half of the NIHE dwellings in the Belfast Metropolitan HMA contained up to 2 bedrooms and just 4% contained 4 or more bedrooms, although there was some variation between the sub-markets. Moreover, in spite of the proportionately greater loss of houses through sales to sitting tenants, most NIHE dwellings in each sub-market continue to comprise houses of one form or another as opposed to flats and maisonettes.

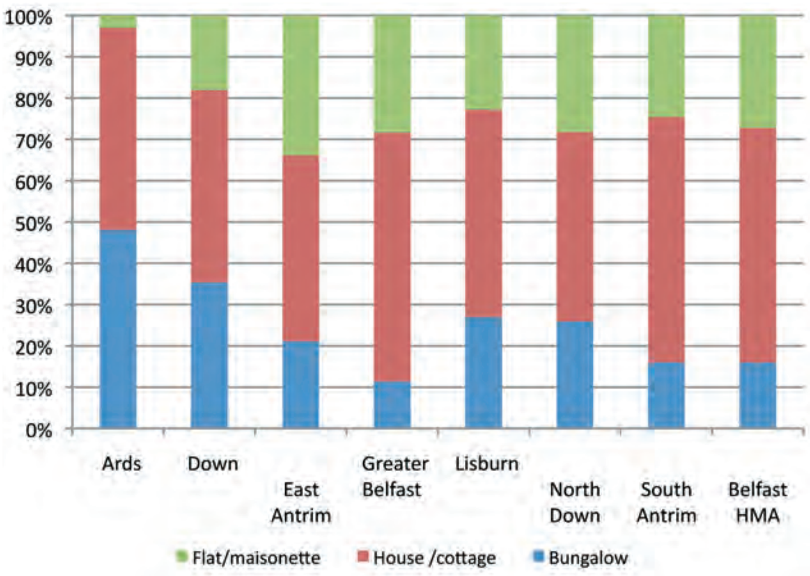
Figure 7.6: NIHE 2010 stock distribution by number of bedrooms (%)



Source: NIHE stock data, 2010

The NI House Condition Survey 2006 data suggests that, in terms of the Belfast Metropolitan HMA, housing association stock is comprised largely of units with 2 bedrooms (or less).

Figure 7.7: NIHE 2010 Stock distribution by dwelling type (%)

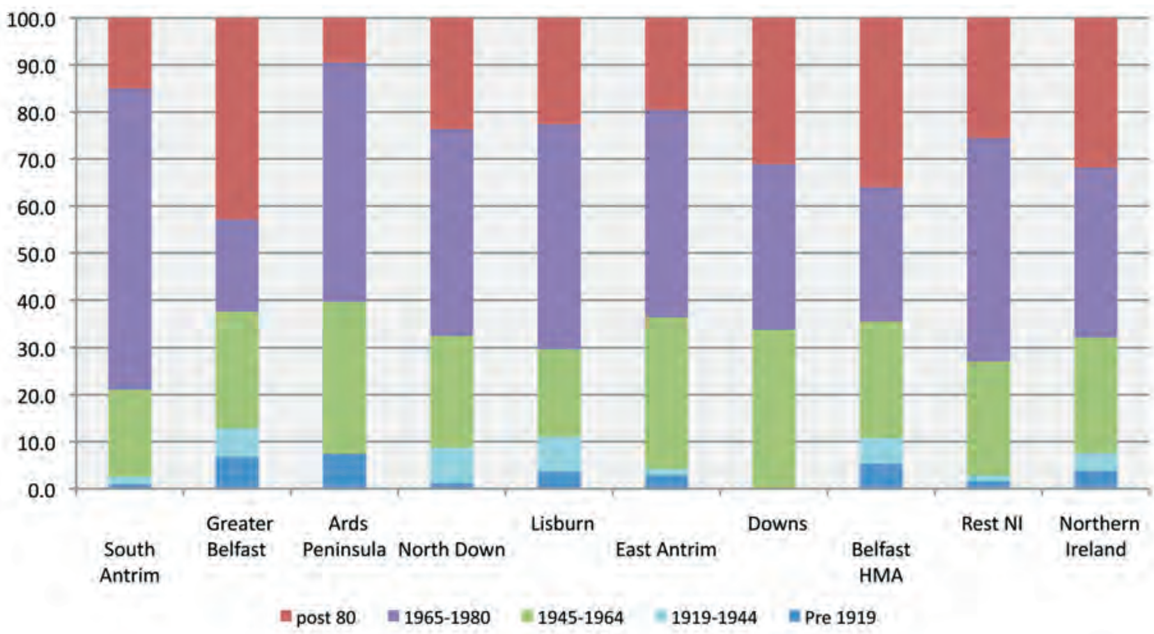


Source: NIHE stock data, 2010

Dwelling age

Just over half (53%) of the social rented housing stock in the Belfast Metropolitan HMA was constructed between 1945 and 1980 and a further 36% was constructed after 1980. More than 90% of NIHE stock was constructed from 1945 onwards. By contrast, housing association stock largely comprised dwellings constructed after 1980 (80%) or older pre-1919 (11%) dwellings that were acquired and brought up to modern standards.

Figure 7.8: Social rented stock distribution by year of construction (%)



Source: Northern Ireland HCS, 2006

Figure 7.8 shows the distribution of social housing stock by year of construction. Most areas have a spread of stock in terms of age band but there has been a comparatively high rate of social rented housing provision in Greater Belfast (43%) since 1980, reflecting the high concentration of housing association new build activity in this sub-market. At the other end of the spectrum, comparatively little social rented housing provision has been constructed since 1980 in South Antrim or the Ards Peninsula.

Stock condition

Information from the NI House Condition Survey 2006 provides some insight into the condition and quality of houses in the social rented sector for the Belfast Metropolitan HMA and some sub-markets. At the Northern Ireland and Belfast Metropolitan HMA level unfitness is minimal.

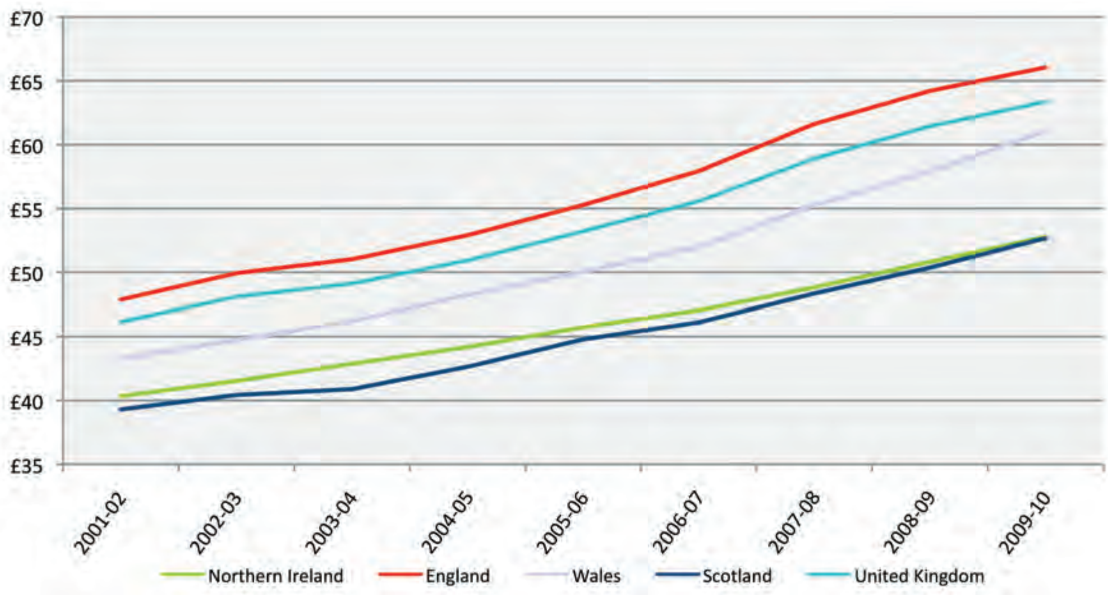
In terms of the Decent Homes Standard, 19% of the social rented stock in the Belfast Metropolitan HMA failed the standard, which was below the Northern Ireland average of 22%. Even allowing for sampling error, a higher proportion (36+%) of social rented dwellings in Ards Peninsula, Down and South Antrim were below the standard in 2006. Of the 13,900 social rented dwellings in the Belfast Metropolitan HMA that failed this standard in 2006, 97% failed the thermal comfort criterion.

In the intervening period, the NIHE improvement programme, which includes the replacement of inefficient solid fuel or electrical heating with (mainly natural gas) central heating, has increased the proportion of social rented dwellings that comply with the Decent Homes Standard. Most housing association stock is less than 25 years old and is widely assumed to be in good condition and to comply with the Decent Homes Standard.

Rents

Figure 7.9 shows that over the past decade the average public sector rent in Scotland and Northern Ireland has remained below the comparable rent for England and Wales. Between 2001-2 and 2009-10, the average annual NIHE rent increase was 3.4%. This was above the average annual increase in the retail price index (RPI of 3%) and consumer price index (CPI of 2%) for this period, but below the annual average UK public sector rent increase of 4.1%.

Figure 7.9: Average public sector rent by selected UK region 2000/01 to 2009/10 (£)



Source: DCLG live tables No 701 (Note rents for England for 2009/10 were not available in June 2010)

In 2009/10 the average NIHE weekly rent was £53, which was lower than the average weekly housing association rent of £73 in 2008/09. To a considerable extent this difference reflects the fact that housing association dwellings constructed after 1992 are subject to higher rent levels, whereas rent levels for older housing association dwellings are broadly comparable to those of NIHE properties of a similar size and standard.

NIHE rents reflect the type, size and age of dwellings and (where applicable) the provision of certain amenities or services. Any variation in the average rent between one sub-market area and another is therefore simply a reflection of variations in the characteristics of the NIHE housing stock.

Profile of existing social rented tenants
Household composition
Over time there has been a decline in the in the number and proportion of couple households and families in the social rented sector. There has also been a decline in the proportion of tenants in employment and an increase in the proportion of tenants who are economically inactive. Moreover, tenants who are in work tend to be in lower paid occupations and often work part-time. These long-term trends reflect the fact that the social rented sector now mainly accommodates households who cannot afford to secure private rented or owner occupied housing that is appropriate for their circumstances from their own resources.

Table 7.2: Characteristics of social renters in the Belfast Metropolitan HMA & Rest of Northern Ireland, 2006

	Belfast Metropolitan HMA	Rest NI	Northern Ireland
Age			
17-24	5	5	5
25-39	22	21	22
40-59	32	39	35
60 plus	41	36	39
Gender			
Male	41	48	44
Female	59	52	56
Household Size			
1 person	49	49	49
2 persons	23	25	24
3 persons	16	12	14
4+ persons	12	15	13
Economic status			
Employed	17	19	18
Unemployed	25	22	24
Retired	34	28	32
Permanently sick/disabled	13	19	15
Other	11	12	11
Religion			
Protestant	63	35	52
Catholic	32	59	43
Mixed/other/none	5	5	5
Household			
Lone adult	22	25	23
Two adults	7	9	8
Small family	7	8	7
Large family	6	8	7
Large adult	5	7	5
Two older	9	7	8
Lone older	27	23	26
Lone parent	18	12	16
Banded income			
under £7000	20	21	20
£7000-£9999	36	36	36
£10000-£14999	34	30	33
£15000-£19999	6	9	7
£20000+	3	5	4

Source: NIHCS, 2006 (figures rounded)

Table 7.2 also illustrates that the profile of households in the social rented sector in the Belfast Metropolitan HMA is reasonably similar to the profile of households in the social rented sector in the Rest of Northern Ireland, although there are some important differences.

The Belfast Metropolitan HMA has a higher proportion of social tenants aged 60+ years (41%) than the rest of Northern Ireland (36%). This may be partly influenced by the fact that a large share of housing association accommodation for older people is located in the Belfast Metropolitan HMA. Comparison with evidence from the 2001 NI House Condition Survey suggests that the proportion of tenants aged 60+ years has fallen back in recent years. The most likely reason for this is that the House Sales Scheme led to large numbers of households that would be in their 60s and 70s today leaving the sector in the 1980's and 1990's. The expansion of general needs provision in the housing association sector is also likely to have had some impact.

The Belfast Metropolitan HMA has also seen continued growth in the proportion of tenants that are households with one adult, up by 3% to 49% in the period from 2001 to 2006. In 2006 22% of the social tenants in the Belfast Metropolitan HMA were lone adult households and a further 27% were older lone adults. Over this period the proportion of social tenants made up of larger households (4+ persons) has fallen from 18% to 12%.

Relative to the Belfast Metropolitan HMA household population, lone parents are over-represented in the social rented sector and families and working age couples are under–represented. In 2006 some 12,200 lone parent households lived in this sector, which was equivalent to 50% of all lone parent households in the Belfast Metropolitan HMA. By contrast, just 12% of families and 9% of working age couples rented their home from a social landlord.

There are differences in the religious denomination of tenants in the Belfast Metropolitan HMA and the rest of Northern Ireland. This is largely a reflection of the religious make up of the household population for the Belfast Metropolitan HMA as a whole. Consistent with wider demographic patterns outlined in chapter 4, very few social rented tenants living in either the Belfast Metropolitan HMA (1%) or elsewhere in Northern Ireland (0.5%) are from a black or minority ethnic group.

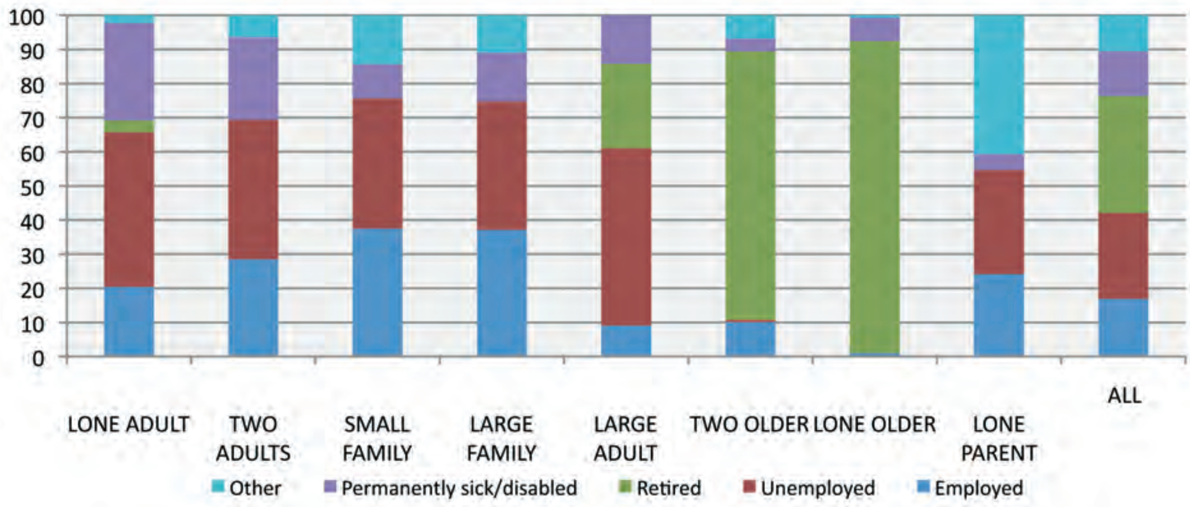
There is limited statistically valid information on the socio-economic status of tenants in the social rented sector at sub-market level, except for Greater Belfast, which has a similar tenant profile to the Belfast Metropolitan HMA as a whole. The NIHE Continuous Tenants Omnibus Survey (CTOS) evidence suggests that the only substantive and consistent difference is that North Down and East Antrim both have higher proportions of older tenants. In both areas around a third of all these tenants are older single person households.

Economic status and incomes

As figure 7.10 shows, less than a fifth of tenants in the social rented sector in the Belfast Metropolitan HMA and the rest of Northern Ireland are in employment. Although families and couples have higher rates of employment than single people or single parents, rates of employment amongst all working age households are very low. Tenants in the social rented sector are therefore heavily reliant on housing benefit and/or other state benefits.

In September 2009 some 53,560 of all tenants in the social rented sector in the Belfast Metropolitan HMA (78%) were claiming housing benefit. Comparisons with the evidence from the CTOS suggests that the proportion of NIHE tenants living in the Belfast Metropolitan HMA and claiming housing benefit has increased by 2-3% since the onset of the downturn in the labour market. It seems likely that a similar uplift has occurred in respect of housing association tenants.

Figure 7.10: Economic status of social renters in the Belfast Metropolitan HMA, 2006



Source: NI House Condition Survey, 2006

In chapter 4 it was reported that in 2006 the NI House Condition Survey found that 56% of all tenants in the social rented sector in the Belfast Metropolitan HMA reported an income of less than £10,000 and 91% had an income of less than £15,000 (see table 4.7).

Evidence from the CTOS indicates that this proportion remained much the same in 2008. The fact that the majority of tenants report incomes of around £10,000 or less, alongside very substantial rises in fuel costs have increasingly become the main factors associated with the continuing serious and difficult-to-resolve problem of fuel poverty in the social rented sector. In 2009 it was estimated that 55% of households in the social rented sector were assessed to be fuel poor compared to 44% of all households.

Annual supply of social housing

Lettings from 2003 to 2008

In terms of the ability of the social rented sector to respond to those looking to be rehoused in the sector, the annual flow of lettings is of much greater significance than stock numbers. Table 7.3 therefore shows the numbers of lettings by sub-market from 2003 to 2009 inclusive and exclusive of lettings to households transferring from one house to another within the social rented sector. The figures in table 7.3 are based on relets of existing NIHE stock plus allocations of new and existing housing association stock. To allow for the variation in the number of households in each sub-market, table 7.3 shows the average annual number of lettings for 2007 to 2009 per 1,000 estimated resident households in 2009.
Table 7.4 presents comparable information for NIHE relets from 2005 to 2009.

Table 7.3: All Belfast Metropolitan HMA social rented sector allocations by applicant type and sub market , 2003-2009

Area	**NI Metropolitan HMA**				**Belfast**				**Ards**	
Year	All	Wait List	Transfer	% Wait List	All	Wait List	Transfer	Wait List %	All	Wait List %
2003	12,477	8,975	3,502	72	7,469	5,195	2,274	70	88	78
2004	11,536	8,629	2,921	75	6,763	4,858	1,905	72	74	72
2005	10,793	8,085	2,708	75	6,557	4,701	1,856	72	71	73
2006	10,576	7,981	2,595	75	6,547	4,749	1,798	73	54	72
2007	10,017	7,806	2,211	78	6,192	4,655	1,537	75	68	78
2008	9,730	7,479	2,251	77	6,050	4,474	1,576	74	85	80
2009	11,673	9,026	2,672	77	7,063	5,217	1,846	74	94	73
2003-5 ave	11,602	8,563	3,044	74	6,930	4,918	2,012	71	78	74
2005-6 ave	10,685	8,033	2,652	75	6,552	4,725	1,827	72	63	73
2007-9 ave	9,874	7,643	2,231	77	6,121	4,565	1,557	75	77	79
Per 1,000 households	15	12	3		17	12	4		11	9

Source: NIHE: All NIHE and HA allocations to social sector in year to 30 September each year; Belfast Metropolitan HMA and sub-markets based on aggregation of CLA and LHA figures

Table 7.4: All Belfast Metropolitan HMA NIHE relets, by applicant type and by sub-market 2005-2009

Area	**NI Metropolitan HMA**				**Belfast**				**Ards**	
Year	All	Wait List	Transfer	% Wait List	All	Wait List	Transfer	Wait List %	All	Wait List %
2005	7,797	6,140	1,657	79	4,679	3,518	1,161	75	63	76
2006	7,309	5,780	1,529	79	4,394	3,350	1,044	76	46	70
2007	6,612	5,374	1,238	81	3,806	2,986	820	78	52	75
2008	6,082	4,876	1,206	80	3,623	2,793	830	77	63	83
2009	7,906	6,383	1,523	81	4,572	3,542	1,030	77	69	72
2005-6 ave	7,553	5,960	1,593	79%	4,537	3,434	1,103	76	55	73
2007-9 ave	6,347	5,125	1,222	81%	3,715	2,890	825	78	58	79
Per 1,000 households	10	8	2		10	8	2		8	6

Source: NIHE: NIHE allocations to social in year to 30 September each year; Belfast Metropolitan HMA and sub-markets based on aggregation of CLA and LHA figures

Down		E Antrim		G Belfast		Lisburn		N Down		S Antrim	
All	Wait List %	All	Wait List %	All	Wait List %	All	Wait List %	All	Wait List %	All	Wait List %
361	78	687	74	4,840	67	504	66	497	76	492	75
320	79	641	75	4,426	70	456	68	413	79	433	77
279	75	539	75	4,466	70	477	74	397	73	328	83
234	76	495	77	4,641	71	556	79	309	76	258	78
249	76	418	78	4,365	74	561	80	250	79	281	81
251	82	370	74	4,316	73	475	76	303	77	250	77
257	80	521	76	4,659	72	739	73	410	80	383	81
320	77	622	74	4,577	69	479	70	436	76	418	78
257	76	517	76	4,554	71	517	77	353	75	293	81
250	79	394	76	4,341	74	518	78	277	78	266	79
11	9	14	11	21	15	13	10	10	8	11	9

Down		E Antrim		G Belfast		Lisburn		N Down		S Antrim	
All	Wait List %	All	Wait List %	All	Wait List %	All	Wait List %	All	Wait List %	All	Wait List %
209	77	440	75	2,946	74	389	75	334	75	298	84
173	77	405	80	2,854	75	455	79	222	76	239	80
190	75	302	81	2,492	77	355	82	194	80	221	84
172	85	268	76	2,457	77	281	77	185	78	197	76
198	81	399	79	2,835	76	415	75	315	82	341	82
191	77	423	78	2,900	75	422	77	278	76	269	82
181	80	285	79	2,475	77	318	80	190	79	209	80
8	6	10	8	12	9	7	6	7	6	9	7

In the period from 2003 to 2008, the overall trend across the Belfast Metropolitan HMA was one of reducing supply. Essentially, the decline in relets was not been fully compensated for by the increase in allocations of newly constructed properties. Between 2005 and 2008 NIHE relets fell by 23% to 3,623 (see table 7.4) whilst lettings from all sources fell by 8% to 6,050 (see table 7.3)[43].

The decline in lettings has been accompanied by an upward trend in the proportion of lettings to waiting list applicants, including homeless applicants. Transfer moves have therefore contracted more sharply than lettings to waiting list tenants. In the 2003-8 period, lettings to waiting list applicants in the Belfast Metropolitan HMA fell by 14% whilst lettings to existing tenants fell by 31%.

One likely reason for this decline was that rising house prices in the years prior to 2008 reduced the ability of working households on modest incomes to move out of the social rented sector. That said, it is likely that the declining affordability of house prices has had less impact on relet rates in the social rented sector than elsewhere in the UK because of the very low proportion of tenants in employment (17%) relative to other parts of UK (around a third[44]).

This suggests that policy factors appear to have had at least as large an impact as housing market conditions in shaping the downward trend in lettings, especially transfer lets. In short:

- Implementation of NIHE's improvement strategy and associated capital investment programme to upgrade NIHE stock to the Decent Homes Standard and wider community regeneration programmes have improved the popularity of stock.
- The provision of adaptations and housing support have increased the number of older tenants and other vulnerable tenants able to remain in their own home.
- The decline in the number of larger properties since 1979 has gradually eroded the opportunities for tenants to transfer to larger properties as their family has grown.

Lettings in the year to September 2009

There were approximately 1,000 more lettings in the year to September 2009 in the Belfast Metropolitan HMA than in the year to September 2008. It is difficult to discern if this upturn is simply a one off event or an emerging trend but some of the increase in relets is due to an increase in the numbers of:

- Newly constructed social housing being let for the first time in line with the recent upturn in housing association new build activity.
- Tenants transferring to another dwelling. This includes NIHE tenants transferring to housing association dwellings. Many of these moves appear to be associated with tenants moving to a larger or smaller property better suited to their needs.

However, these two factors alone cannot account for the scale of the upturn in lettings. It is therefore clear that there has been a substantial increase in tenants leaving the sector.

Some former tenants may have moved back to their parental home or, in the case of migrant workers, returned to Europe. However, the reportedly sharp rise in the number private tenants in receipt of housing benefit in recent months indicates that there was an increase in the number of former tenants, including households with children, who moved to the private rented sector.

[43] Comparable data for housing associations is not available but it is assumed housing association re-lets have also fallen back because the increase in housing associations lettings has been lower than the inflow of newly constructed units into this sector would imply.

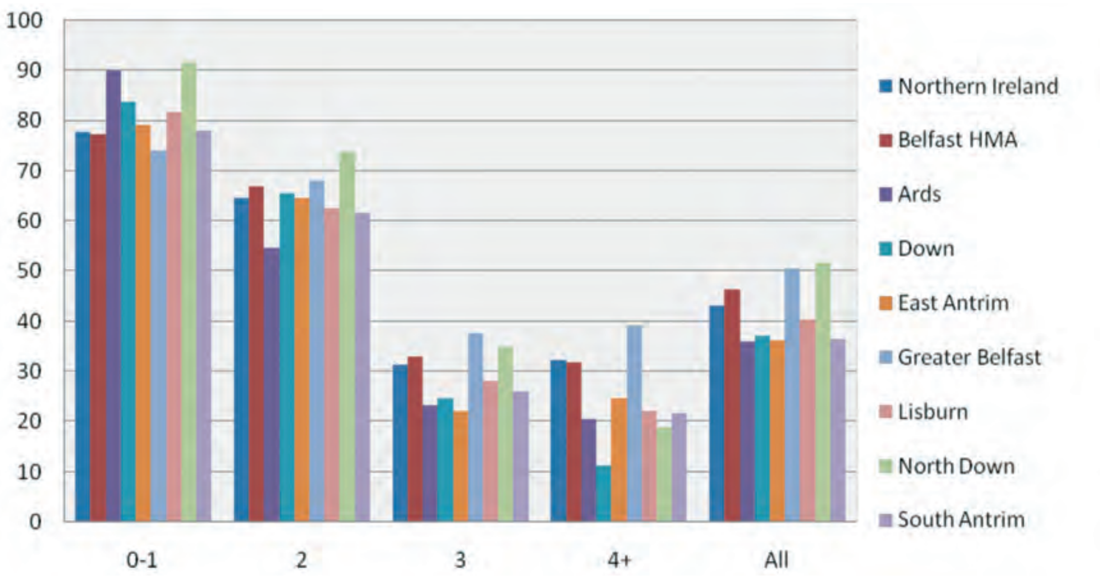
[44] The English Household Survey 2008/9 reports that 34% of social tenants in England were in employment whilst CORE and SCORE data show that over a third of 'new' tenants in England or Scotland were in employment.

This suggests that the expansion of private renting has made it easier for social tenants to give up their tenancy. The expected changes to the housing benefit system, including Local Housing Allowances are likely to have a significant impact on this trend.

Variation in lettings by sub-market and dwelling size

The number of lettings vary from one sub-market area to another. This variation generally reflects differences in the volume of social rented stock in each sub-market. NIHE stock turnover rates in Lisburn are low whilst those in East Antrim are high. In the 3 years to September 2009 the average annual stock turnover rate for Lisburn was 7%, compared to 8% for the Belfast Metropolitan HMA and 10% for East Antrim.

Figure 7.11: NIHE relets by property size, 2008 & 2009



Source: NIHE lettings (deletions) data and supplementary data provided by NIHE (excludes HA stock)

Figure 7.11 shows the distribution NIHE relets by dwelling size for the 2 years to September 2009[45].
It indicates that:

- Most relets comprise smaller dwellings with 3 or less bedrooms. 49% of all NIHE relet properties in the Belfast Metropolitan HMA contain 2 bedrooms, although this proportion increased to 55% in Greater Belfast. A further 23% of relets contain 3 bedrooms.
- 24% of relets contain small 0-1 bedroom properties whereas just 13% of the NIHE stock contains 0-1 bedroom properties. This pattern is repeated in every sub-market.
- Just 2% of relets properties contain 4+ bedroom properties (which account for 4% of the stock), In Ards Peninsula and Down the proportion of relets comprising of 4+ bedroom properties is less than 1%.

[45] Data on the number of bedrooms for NIHE properties (not housing associations) relet in 2008 and 2009 was supplied in a separate file from the other allocations data. It was possible to match 70% cases for 2008 and 99% cases for 2009 but it is possible that the figures are subject to a small margin of error.

Applications for social housing

Changes in total applicant numbers

The potential 'demand' for social housing can be assessed in different ways, but the simplest is by reference to the total number of households that have applied for social housing. Table 7.5 therefore shows trends in the total numbers of applicants recorded on the Common Waiting List (CWL) at the end of September each year.

Table 7.5: Total number of applicants on Common Housing Waiting List at September, 2002-2009

	Year									
Area	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**change 2002-9**	**% hoho 2009**
Total numbers of applicants (including transfers)										
Belfast HMA	24,762	24,139	24,008	25,467	26,553	28,978	30,299	29,808	5,046	7.8
Ards	290	296	315	314	319	374	360	343	53	4.5
Down	1,307	1,275	1,144	1,258	1,362	1,425	1,560	1,517	210	6.5
East Antrim	1,986	1,825	1,725	1,756	1,798	2,051	2,148	2,055	69	6.7
Greater Belfast	16,608	16,156	16,170	17,008	17,683	19,035	19,813	19,782	3,174	9.2
Lisburn	1,816	1,781	1,852	2,131	2,211	2,586	2780	2,596	780	5.3
North Down	1,606	1,636	1,645	1,718	1,784	1,981	2028	2,035	429	6.5
South Antrim	1,149	1,170	1,157	1,282	1,396	1,526	1610	1,480	331	5.2
Rest of NI	13,324	13,670	14,067	15,502	16,598	18,511	19,158	17,961	4,637	5.6
Northern Ireland	38,086	37,809	38,075	40,969	43,151	47,489	49,457	47,769	9,683	6.8

Source: NIHE Common Waiting List- figures relate to 30 September each year
Notes: Figures exclude 200 to 250 cases each year that could not be assigned to any geography

In 2009 there were approximattely 29,800 applicants that wished to be considered for housing in the Belfast Metropolitan HMA, virtually all (98%) of whom already lived in the area. Prior to 2005, total applicant numbers were somewhat smaller, but remained at a level equivalent to 7% of all households in the Belfast Metropolitan HMA.

From 2005 to 2008 total applicant numbers increased sharply. By 2008 applicant numbers had increased to a level equivalent to almost 8% of all households. Applicant numbers fell back in 2009 but remained significantly higher than in 2005. These findings are consistent with the perception that the build up of affordability pressures in the wider housing market has been reflected in the build up of accumulated 'demand' for social housing.

The rate of increase in applicant numbers in the Belfast Metropolitan HMA in the 2002-2009 period was slightly lower than the Northern Ireland average. This was most likely because - whilst new social housing provision has been concentrated in the Belfast Metropolitan HMA - household growth has been higher outside the Belfast Metropolitan HMA. In September 2009 there were 23,435 applicants registered for social housing in the Belfast Metropolitan Housing Market Area. Between 2002 and 2009 there was a marked upward trend in the number of applicants registered for th Belfast Metropolitan Housing Market Area as well as this region's share of total applicants registered for social housing in Northern Ireland (71% to 79%). In contrast the number of transfer applicants for the Belfast Metropolitan Housing Market Area has fluctuated, averaging around 6500 over the same period.

Social rented pressure ratios

An alternative measure of the potential 'demand' for social housing is to look at the total number of waiting list applicants at a given point in time relative to the number of properties that become available for letting in the previous 12 months.

Table 7.6: New applicant to let ratios annual average 2003 - to 2009

	2003	2004	2005	2006	2007	2008	2009
Total numbers of waiting list applicants (excluding transfers)							
Belfast HMA	17,415	17,464	19,129	20,323	22,816	23,974	23,435
Ards	220	236	252	259	317	295	286
Down	988	885	1,001	1,116	1,196	1,290	1,271
East Antrim	1,339	1,315	1,366	1,423	1,661	1,722	1,656
Greater Belfast	11,414	11,416	12,421	13,162	14,650	15,357	15,173
Lisburn	1,305	1,409	1,685	1,768	2,118	2,275	2,100
North Down	1,287	1,295	1,400	1,488	1,639	1,716	1,715
South Antrim	862	908	1,004	1,107	1,235	1,319	1,234
Rest of NI	10,015	10,561	12,076	13,293	15,257	15,652	14,539
Northern Ireland	27,430	28,025	31,205	33,616	38,073	39,626	37,974
Total numbers of social rented lettings (excluding transfers)							
Belfast HMA	5,195	4,858	4,701	4,749	4,655	4,474	5,217
Ards	69	53	52	39	53	68	69
Down	282	252	210	178	188	207	205
East Antrim	509	478	403	383	324	273	398
Greater Belfast	3,251	3,105	3,122	3,277	3,218	3,140	3,364
Lisburn	335	311	353	437	447	361	541
North Down	378	326	290	234	198	233	330
South Antrim	371	333	271	201	227	192	310
Rest of NI	3,780	3,760	3,384	3,232	3,151	3,005	3,788
Northern Ireland	8,975	8,618	8,085	7,981	7,806	7,479	9,005
Ratio of applicants (excluding transfers) to all (non transfer) lettings							
Belfast HMA	3.4	3.6	4.1	4.3	4.9	5.4	4.5
Ards	3.2	4.5	4.8	6.6	6.0	4.3	4.1
Down	3.5	3.5	4.8	6.3	6.4	6.2	6.2
East Antrim	2.6	2.8	3.4	3.7	5.1	6.3	4.2
Greater Belfast	3.5	3.7	4.0	4.0	4.6	4.9	4.5
Lisburn	3.9	4.5	4.8	4.0	4.7	6.3	3.9
North Down	3.4	4.0	4.8	6.4	8.3	7.4	5.2
South Antrim	2.3	2.7	3.7	5.5	5.4	6.9	4.0
Rest of NI	2.6	2.8	3.6	4.1	4.8	5.2	3.8
Northern Ireland	3.1	3.3	3.9	4.2	4.9	5.3	4.2

Source: NIHE Common Waiting List and NIHE all allocations in year to 30 September each year

Sometimes referred to as the social rented pressure ratio, this ratio of waiting list to lettings can be used to determine the relative popularity of areas as well as a rough guide to the average length of time a waiting list applicant may have to wait for re-housing. Ratios that fall to between 1 and 2 tend to be regarded as an indicator that a low demand problem may be emerging.

This ratio is only an approximate measure of waiting time because some applicants leave the list without being housed and applicants are re-housed in line with their level of points for an area i.e. those with highest points are re-housed first. Not withstanding the limitations of the ratio, it provides a useful measure of the relative demand for housing in different areas as well as changes in relative demand over time.

Looking at waiting list to letting ratios for the period from 2003 to 2009, table 7.6 shows:
- At the Northern Ireland and Belfast Metropolitan HMA level there has been a build up of pressure in the social rented sector over the period, although this eased slightly in 2009, mainly because of the upturn in lettings discussed earlier.
- Likewise there was a marked increase in pressure in the social rented sector in the sub-market areas in the period to 2008. This was particularly pronounced in South Antrim and North Down.
- Relative to the Belfast Metropolitan HMA ratio of 4.5, the sub-markets with the highest relative pressure in 2009 were Down (6.2) North Down (5.2)
- There was a particularly sharp fall in the ratio of waiting list to allocations for Lisburn from 2008 to 2009. This may be because new social housing construction in 2006/07 encouraged some households to apply for social housing that might not otherwise have done so, as well as the completion and allocation of the same new build housing.

Waiting List applicants assessed to be in housing stress
Not all households that wish to be considered for social housing have a pressing housing need. NIHE therefore assesses each applicant's circumstances against several criteria. These 'points based' criteria include insecurity of tenure, housing conditions, overcrowding, intimidation and health & social well-being. Applicants with 30 or more points are assessed to be in housing stress (NIHE, 2007). As O'Sullivan (2010) notes, these criteria are similar to the housing need indicators outlined in the Strategic Housing Market Assessment Guidance (DCLG, 2007).

Table 7.7 summarises the number of households on the waiting list assessed to be in housing stress from 2002 to 2009 and shows that:
- At the Northern Ireland and Belfast HMA level there was an increase in the total number of applicants on the CWL assessed to be in housing stress in the period from 2002 to 2008. Again the numbers fell back slightly in 2009.
- In 2009 some 3.3% of the estimated household population in the Belfast Metropolitan HMA were waiting list applicants assessed to be in housing stress.
- The proportion of households assessed to be in housing stress across the sub-market areas ranged from 1.7% in Ards Peninsula to 4.1% in Greater Belfast. However, it is likely that the Ards Peninsula figure is more affected by the tendency for fewer households in housing stress to apply for social housing in rural settlements and outlying rural areas, where there are few, if any, social rented properties.

Table 7.7: Annual number of applicants in housing stress 2002-2009

	Year									
Area	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**change 2002-9**	**% hoho 2009**
Waiting list applicants in housing need (30+ points and applied in last 5 years)										
Belfast HMA	9,179	9,424	9,610	10,772	11,689	13,096	13,333	12,807	3,628	3.3
Ards	102	100	106	139	133	156	131	131	29	1.7
Down	504	497	478	560	645	663	699	684	180	2.9
East Antrim	671	627	592	617	659	813	822	708	37	2.3
Greater Belfast	6,242	6,500	6,560	7,224	7,836	8,730	8,787	8,701	2,459	4.1
Lisburn	684	646	781	981	1,013	1,214	1,299	1,150	466	2.3
North Down	551	575	606	683	768	864	906	880	329	2.8
South Antrim	425	479	487	568	635	656	689	553	128	2.0
Rest of NI	4,013	4,538	4,974	5,856	6,686	7,734	7,719	7,075	3,062	2.2
N Ireland	13,192	13,962	14,584	16,628	18,375	20,830	21,052	19,882	6,690	2.8

Source: NIHE Common Waiting List- figures relate to 30 September each year

<u>Comparisons with other evidence</u>
It is widely acknowledged that some households in housing need may not register because they perceive their chances of rehousing to be low. To make some allowance for this, DCLG (2007) recommend that housing register data should be 'triangulated' with other evidence on the number of households in "backlog" need. DCLG also recommend that existing social tenants in housing need should therefore be subtracted from the demand side of any housing needs calculation.

Consistent with this advice the numbers of owner-occupied and private rented households in housing need in the Belfast Metropolitan HMA have been estimated using the data from the NI House Condition Survey 2006. This measure is based on the number of households that occupied an unfit or overcrowded private sector dwelling and had an annual income of under £15,000[46]. This is an incomplete count of all households that might be considered to be in housing need according to the DCLG measure. Nonetheless, it does provide a useful benchmark.

It suggests that in 2006 some 2.2% of the household population in the Belfast Metropolitan HMA were in housing need. Allowing for sampling error, the true figure is likely to fall somewhere in the range from 1% to 4%. Keeping in mind the partial nature of this measure, and the fact that the numbers in housing stress has increased since 2006, this finding suggests that the CWL provides a good indication of the general scale and direction of trends in terms of housing need over time.

Annual flow of new (waiting list) applicants
The upward trend in the total number of waiting list applicants in housing stress clearly shows there has been an accumulated build up of pressure for social housing.

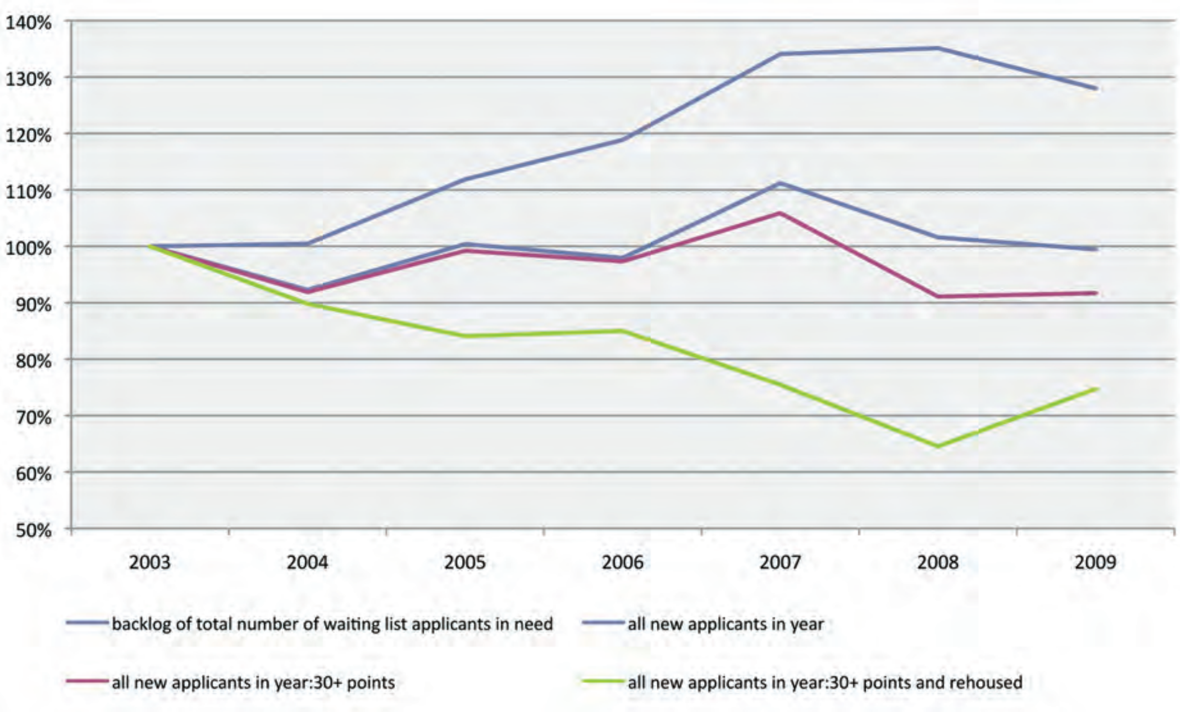
[46] Data from the NI House Condition Survey do not permit the estimation of the number of concealed households or involuntary sharing households, although there tends to be a large overlap between these two measures and overcrowding. Likewise, it does not permit an allowance to be made for those requiring a move for medical or health related reasons.

To provide some insight in relation to the extent to which this accumulated pressure has been due to a growth in the numbers of 'new' applicants assessed to be in stress over time, the annual flow of new waiting list applicants was analysed. The annual numbers of 'new' waiting list applicants for each year from 2003 to 2009 were identified by adding together:

- All waiting list applicants that had registered for rehousing in the 12 months to September each year, plus
- All non-transfer applicants who applied for and were rehoused in the 12 months to 30 September. These applicants were therefore identified through the allocations data.

Figure 7.12 shows the numbers of applicants for each year split by whether the applicant was assessed to be in housing stress or not. In order to examine change over time, the numbers of applicants were calculated as a percentage of the number of new applicants for the year to September 2003.

Figure 7.12: Change in annual numbers of new waiting list applicants in Belfast Metropolitan HMA, 2003-9



Although numbers may not be fully comprehensive, figure 7.12 shows that:

- Whereas the total number of applicants in housing stress in the Belfast Metropolitan HMA has increased over time there has been little substantive change in the numbers of new applicants applying each year.
- The number of new applications received each year has generally fluctuated between 12,000 and 13,000, aside from the year to September 2007 when the number of new applicants increased sharply to 14,370.

- Likewise there has been little substantive change in the annual flow of new applicants assessed to be in housing stress. The number of new applicants assessed to be in housing stress fluctuated within a few percent of 7,800 each year to 2006 and then spiked to 8,528 in 2007. The numbers then fell back. In 2008 and 2009 on average there were 7,361 applicants assessed to be in housing stress.
- The number of new applicants assessed to be in housing stress and rehoused within 12 months has declined over time. In the year to September 2003 some 3,625 new applicants in housing stress were rehoused. In the year to September 2008 and 2009 the comparable figures were 2,107 and 2,440 respectively.

Overall, these figures suggest that the increase in the total number of households in stress has largely resulted from the fall in the annual supply of social housing (lettings) as opposed to any sustained year on year increase in the annual number of new applicants joining the waiting list and assessed to be in housing stress.

The lack of any sustained upward trend in the annual number of new applicants in housing need (or otherwise) in recent years is surprising, especially in light of rates of household growth and the growing constraints faced by prospective first time buyers documented earlier in the report.
It can therefore only be concluded that:

- A growing share of households that have not been able to secure access to the owner occupied market have selected to rent privately and have not sought, and perhaps do not wish, to access social housing.
- Some households that may have traditionally sought social housing have perhaps selected to rent privately. On the other hand, a third of those applying for social housing currently rent from a private landlord. This suggests that for these households private renting is a short term rather than permanent housing option.
- The build up in the number of total applicants in housing stress has meant that a smaller proportion of new applicants in housing stress are being housed within a year. This is consistent with the increase in the applicant to letting ratios set out in table 7.7.

<u>Profile of new applicants in housing stress</u>
Evidence from the CWL indicates that applicants in housing stress in the Belfast Metropolitan HMA tend to fall into one of three groups. These are:

- Those between the ages of 16 and 44 (75%): This group is mainly comprised of newly forming or recently formed single person or lone parent households that are living in shared accommodation (including those looking to moving out of someone else's home, such as their parents'), or in the private rented sector. A proportion also lives in temporary accommodation.
- Those between the ages of 45 to 64 (15%): This group of established households tend to be seeking rehousing due to a change in personal circumstances. Many of this group are also seeking to transfer from privately owned or rented accommodation into the social rented sector. A few live in temporary or shared accommodation.
- Those aged over the age of 65 (10%): Older established households tend to be seeking more suitable or supported accommodation, or perhaps to move nearer their family. Most are older lone households and half are seeking to move from the owner occupied sector.

It is difficult to predict the number of established households that are likely to require a transfer from the owner occupied or the private rented sector to the social rented sector each year because the numbers are very small and their personal circumstances are varied. However, CWL evidence suggests that perhaps around 120 owners and 75 private renters aged over 45 look to transfer into the social rented sector each year.

Capacity of applicants to access private rental or owner occupied market
Households on the CWL are to a large extent self-selecting some applicants could potentially have sufficient income to afford market entry house prices or private rents without recourse to housing benefit, however, evidence from the NI House Condition Survey 2006 and the CTOS 2008 suggests few applicants are likely to be in a position to access the private housing market without some form of public assistance.

Both surveys suggest that less than 10% of households that had moved to their present home in the previous 12 months have an annual income in excess of £15,000. The CTOS also indicated that upwards of 64% of recent entrants are in receipt of full housing benefit. These patterns are evident at Northern Ireland and the Belfast Metropolitan HMA. Sample size limitations preclude sub-market area level analysis.

NIHE assessment of housing need

A Net Stock Model was originally developed by the University of Ulster in 1994 and was designed to project the potential number of social houses required for Northern Ireland as a whole. The model, therefore, is not designed to identify imbalances in the provision of social housing at a local level. NIHE commissions University of Ulster to update a net stock model to provide regularly updated 10-year projections of the potential requirement for new social housing at the Northern Ireland level. At the time of writing, the most recent version was produced in 2010 and covers the period 2006-2016 (Paris, 2010). It estimated that there was an ongoing requirement for 1,900 new social dwellings each year. However, given the cumulative backlog in the programme which has built up since 2001, the Housing Executive considers that an annual programme of 2,500 new social dwellings is appropriate (NIHE, 2010a, p.51).

At the sub-national level, NIHE produce annually updated local estimates of housing need. The NIHE local housing needs assessments rely primarily on the analysis of waiting list evidence. These estimates are based largely on the current number of households in housing stress, plus the net change in housing stress over the last 5 years, plus allocations to households in housing stress over the last 5 years. These estimates are generally carried out at the small area level and then aggregated up to the district level.

Consistent with models of housing need adopted in other parts of the UK, the NIHE model is focused on the potential requirement for additional social rented supply. As such, it assumes that social tenants will have their needs met through transfers within the social stock. Nonetheless, it is important to consider what challenges meeting the needs of existing social tenants might entail.

Aside from the issue of fuel poverty which was highlighted earlier, the other substantive issue is overcrowding. Whilst overcrowding is not a major problem at the Belfast Metropolitan HMA or Northern Ireland level for the population as a whole, it is an issue in parts of the social rented sector.

The NI House Condition Survey indicates that in 2006 some 5% of households in the social rented sector were overcrowded. This is equivalent to over a third of all overcrowded households in the Belfast Metropolitan HMA.

This problem is concentrated among households with children and other larger households that require larger accommodation with three and more significantly four or more bedrooms. The key issue appears to be that once allocated a dwelling, households have found it increasingly difficult to move to a larger dwelling in an area they wish to live in as their household expands. This is consistent with and no doubt is a reflection of the fact that very few larger properties become available for relet each year.

At the other end of the spectrum, 16% of households in the social rented sector occupy dwellings with 2 or more rooms than the bedroom standard suggests is strictly necessary. This compares with 32% of tenants in the private rented sector and 53% of home owners. Of the 11,000 households living in the social rented sector that have two or more rooms than they require, around half are working age households.

Conclusion

The proportion of households living in the social rented sector across the Belfast Metropolitan HMA, in common with the rest of Northern Ireland and the UK, has been declining for many years. However, the rate of this downward trend has slowed greatly in recent years. This has been the result of a combination of an upturn in new social housing completions and a sharp sustained fall in house sales.

Looking ahead over the next 5 years the most likely 'policy neutral' scenario is that further changes in the size of the sector are likely to be minimal. Continuing difficult economic and housing market conditions will continue to limit the capacity or confidence of the relatively small number of tenants in employment to purchase their current home or to purchase on the open market.

As the social sector has declined in size, the proportion of working age households outside of the labour force has increased. Close to 8 out of 10 social tenants in the Belfast Metropolitan HMA currently rely on full or partial housing benefit to meet the cost of their rent.

Looking ahead, the age profile of existing tenants in the Belfast Metropolitan HMA alongside the age profile of recent entrants suggest that there is likely to be a fall in the number and proportion of older tenants living in the social rented sector over the next 5 to 10 years.

Households generally remain in their current tenure as they age. Most households in the age groups that will be retiring at some point between 2015 and 2020 have a much lower tendency to be social tenants than those in their 60s and 70s at present. Likewise, if the upward trend in the proportion of lettings to single persons and lone parents in their 20s and 30s continues, the number of working age families and couples in this sector is likely to decline further.

More immediately, a combination of wider housing market conditions and policy drivers have led to a reduction in the annual supply of relets in the social rented sector, which has not been fully offset by the increase in new social housing activity. The net result has been an increase in overall levels of the numbers of applicants in housing stress.

The downward trend in the annual supply of social housing has been partly compensated for by the recent expansion of the private sector. This has enabled households to find housing in the market sector. Analysis of the annual flow of new applicants suggests the expansion of private renting has, in the short term at least, dampened the numbers of new applicants' that have selected to apply for social housing.

It may also be possible that the expansion of private renting has contributed to the upturn in turnover rates within the social rented sector in the 12 months to 2009. Only time will tell if this is an emerging trend or a one off event. Forthcoming adjustments to the LHA and housing benefit system may result in more households turning to the social rented sector.

The interaction between private renting and social renting will require careful monitoring by the Housing Executive in the coming months. There is a high risk that the amendments to Housing Benefit and LHA announced in the most recent UK Government budget could lead to a fall in demand for private renting and a corresponding increase in the numbers of new applicants seeking social housing.

There are mounting problems for tenants of social landlords in terms of fuel poverty, but the resolution of fuel poverty issues remains a challenging and difficult problem due to the low incomes of tenants and high fuel prices.

There is also a higher rate of overcrowding in the sector compared to the other tenures. By contrast, the rate of under-occupation amongst households in the social rented sector is lower that in the other two main tenures. The UK Government's plans to limit housing benefit for working age tenants to the size of property they are judged to require from April 2013, suggesting that it may be opportune to re-evaluate what potential incentives and other measures might release the supply of larger dwellings, including measures to assist smaller households to downsize. This may help to reduce the number of working age households at risk of having their housing benefit reduced in the future. It may also free up larger properties that could be allocated to transfer applicants in order to ease overcrowding. Alternatively there may be some scope to extend some properties or convert two properties.

bringing the evidence together & identifying imbalances

Introduction

This chapter draws on the evidence presented in chapters 3 to 7 to identify the main housing system imbalances in the Belfast Metropolitan HMA and to consider how the housing system may develop in the future.

Any attempt to predict the future of the housing system is a difficult and somewhat speculative task due to the complexity of the housing system and the difficulty of gauging the possible impact of wider economic, social, political and cultural processes. The repercussions of the credit crunch mean the future is even less likely to continue in the same way as the past. It is therefore important to appreciate the inevitable uncertainty associated with anticipating future housing system developments as there are with all projections and forecasts.

Dynamics and imbalances in the period to 2008

The economy and housing market are highly cyclical and intertwined. These close links and the interaction between Belfast City and the surrounding area have long been recognised in the shape of the Belfast Metropolitan Area (BMA), which includes the Local Government Districts of Belfast, Lisburn, Carrickfergus, Castlereagh, Newtownabbey and North Down. Although yet to be finalised, the Belfast Metropolitan Area Plan (BMAP) seeks to provide a unified framework to facilitate growth, guide land use and public and private investment for this area.

Expansion of the spatial extent of the Belfast Metropolitan HMA

The period to 2008 was one of sustained economic growth, falling unemployment and real increases in earnings. The increasing prosperity of most households contributed to an upturn in the rate of residential mobility and a strengthening of the migration links between the Belfast Metropolitan Area and the surrounding areas in the years to 2008. Migration patterns indicate that the Belfast Metropolitan HMA now extends beyond the BMA to include the 4 surrounding 'hinterland' local government districts of Antrim, Ards, Larne and Down. It also includes the main population centres of Banbridge LGD and the rural edge of Ballymena LGD in the North and the rural edge of Craigavon LGD in the west.
The latest NISRA projections indicate that in 2010 the Belfast Metropolitan HMA was home to almost 390,000 households, which is equivalent to some 56% of all households resident in Northern Ireland.

Within the Belfast Metropolitan HMA there are 7 smaller sub-market areas which, although reasonably self-contained[47], experience significant levels of net in-migration from the rest of the Belfast Metropolitan HMA. In terms of household population, the largest sub-market area is Greater Belfast (218,400), followed by Lisburn (48,500) North Down (31,700), East Antrim (31,500), South Antrim (28,500) Down (23,500) and the Ards Peninsula (7,700).

[47] In other words, each area includes the origin and destination of the majority of households that move house.

The very high rates of housing construction in the sub-markets of Lisburn, South Antrim, and Down and the low rate of housing construction in the Greater Belfast sub-market in the years up to 2007 helped to accelerate the expansion of the Belfast Metropolitan HMA.

The age profile of adults moving from Greater Belfast to one of the other sub-market areas (and vice versa) suggests that the pattern of migration flows within the Belfast Metropolitan HMA reflect the long established UK wide trend for cities to import young adults and to export families and other established households.

The movement of households from Greater Belfast to one of the other sub-market areas therefore appears to be linked to a desire for more spacious accommodation in a location that is perceived to offer a safe and high quality environment. This has led some to question whether this housing market process is reinforcing or defusing economic, tenure and religious segregation at the neighbourhood, community and settlement level.

Migration flows from overseas have been one of the more visible trends that have impacted on the Belfast Metropolitan HMA and the rest of Northern Ireland in the period since 2004. However, there has also been an increase in net migration from the UK and the Republic of Ireland. The increase in the number of people moving to Northern Ireland has contributed to population growth and the recovery in the number of people living in Greater Belfast since 2004.

Housing demand and inter-tenure dynamics

The combination of strong demographic and economic growth alongside the expansion in the money supply and the willingness of financial institutions to offer consumers and firms credit at low interest rates and generous lending terms also shaped housing demand and inter-tenure dynamics in the period to 2008.

Arguably the most significant imbalance that emerged in the decade to 2008 centred on the issue of affordability and the increasing difficulties faced by households seeking to gain entry to the owner occupied sector. In common with the rest of Northern Ireland and much of the UK, the Belfast Metropolitan HMA experienced a period of sharp house price rises in the decade to 2007. House prices over the period increased far more rapidly than household earnings and incomes. The rate of house price inflation was such that even prices for lower priced areas and lower value property types (i.e. terraced houses and apartments) were becoming unaffordable for most potential first time buyers by 2005.

The increase in investors, some from the UK and the Republic of Ireland, further fuelled demand and added to the upward pressure on house prices. In particular the price spike that occurred between 2005 and 2007 is widely believed to have been driven by speculator and investor activity rather than owner occupied purchase. Certainly the growth in the numbers of terraced houses and flats in the private rented sector (see chapter 6) supports local perceptions that potential first time buyers became increasingly unable to compete with investors and speculators that entered the 'buy to let' market during this period.

One consequence of heightened affordability problems has been that the growth in the proportion of households in home ownership has halted at both Northern Ireland and Belfast Metropolitan HMA levels. Looking across the housing market area, the proportion of households living in the owner occupied sector appears to have halted or reversed since 2004, especially outside the sub-markets of Lisburn and South Antrim.

At the same time, there has been an extraordinary growth in the size of PRS sector. Since 2001 the number of private rented units in the Belfast Metropolitan HMA has more than doubled. However, the sector contains a high number of vacant dwellings. A considerable proportion of these vacancies are due to the high rates of turnover found in this sector. Nonetheless, it is likely that a proportion of vacant private housing stock was acquired by investors that were primarily interested in equity growth not rental income.

Although the rise in private renting tends to be discussed solely in terms of rising house prices and speculative investment, broader factors have also been at play:

- Faced with the burden of student debt and less employment security, growing numbers of individuals appear to have altered their behaviour. In short, increasing numbers of adults in their twenties appear to be delaying entering into long-term commitments associated with forming a partnership, child rearing and house purchase.
- In the case of the Belfast Metropolitan HMA the upturn in people coming from the rest of Northern Ireland to study or from overseas to work has also help to bolster demand for the rental market.
- In the specific case of Belfast City, households have been attracted by the fact that high proportions of stock in this sector are located in sought after locations.

Changes in the housing market have also had spillover effects on the social rented sector. Since 2000 there has been a significant rise in the number of applicants in housing stress. In the eight years to 2008, the number of households on the waiting list for social housing assessed to be in housing stress increased by over 40%.

This increase in housing stress reflects a mix of factors, not least the fall in the number of social rented dwellings that become available for let each year. However it is striking that there has been no discernable increase in the annual number of new applicants joining the waiting list in recent years.

The lack of any such upward trends suggests that a growing share of households that have been unable to buy or consider they have little chance of securing a social tenancy in the short term have selected to move to the expanded private rented sector. Consequently, the increase in the level of housing stress has probably been lower than it might otherwise have been[48].

Set against this however, many new applicants that register each year are already renting from a private landlord. On balance, the evidence suggests that PRS is playing a vital role in providing accessible housing, but it is not necessarily seen as providing a satisfactory long term or permanent housing solution by a sizeable proportion of existing tenants.

Current housing market dynamics and short term prospects

Following this long period of sustained and strong growth, the Belfast Metropolitan HMA has been going through a prolonged and painful period of housing market correction. The impact of the global credit crunch and the subsequent UK wide economic recession on the housing market has been worse than most initially expected.

[48] If the profile of new applicants that join the waiting list during the year is comparable to the profile of applicants on the waiting list at the start of the year, we would expect an increase in the annual number of new applicants to lead to a corresponding increase in the total number of applicants assessed to be in housing stress.

During 2008, the global credit crunch and the lack of liquidity in the financial market brought about a swift and painful reduction in the number of mortgages and other loans issued. This in turn led to a steep downturn in housing construction, property transactions and house prices. During 2009 and 2010 a recessionary economy and rising unemployment had a further downward effect on housing demand as both potential homeowners and developers lost further confidence in the market.

Between 2007 and 2009 figures from the Ulster University suggest that the median house price for the Belfast Metropolitan HMA fell from over £205,000 to £151,200. Likewise, the lower quartile price for a 2 and 3-bedroom dwelling, which is typically used to approximate the entry-level price threshold, fell from fell from £109,500 to £94,500. During 2010 available evidence indicates that house prices continued to fall back.

On the surface falling house prices have improved affordability in the sense that price to income ratios have reduced. However, this has been more than offset by tighter lending criteria which have made it extremely difficult for potential first time buyers to raise the necessary deposits and finance. In the long term a more prudent lending environment may constrain house price rises and help to prevent the re-emergence of affordability problems of the kind witnessed between 2005 and 2007. In the short term however, it is difficult to see what housing-based interventions and policies at the Belfast HMA level (as distinct from the national level) could do to increase the supply of loan finance.

Most existing owners that are buying their home with a mortgage have benefited from lower housing costs resulting from the reduction in mortgage rates since 2007. For those unfortunate to have seen a fall in income due to a reduction or loss in earnings, UK wide policy measures, such as the changes to the rules relating to Income Support for mortgage interest have helped to protect them from the more extreme effects of the recession.

Nonetheless, Northern Ireland has witnessed an increase in mortgage arrears and repossessions in recent months (NIHE, 2010). Figures from CML also suggest that at least 5% of owners are faced with negative equity. This suggests that some lower income homeowners in the Belfast Metropolitan HMA and the rest of Northern Ireland may continue to face affordability related problems for some time.

At present, it is difficult to predict short-term price trends with any certainty. Likewise supply and demand in the private and social rental market remain very volatile.

There are emerging signs that during 2010 the sharp upturn in vacant stock in 2008 went into reverse and that private rents began to moderate. This suggests that some property owners have selected to rent out properties they were holding vacant in the hope of selling them quickly. There remain concerns however that the overhang in vacant apartment in parts of Belfast City and elsewhere may be discouraging further investment in the sector. Although this may be a relatively short term oversupply issue, there is a risk that it may delay recovery of the housing market.

More generally, the underlying economic conditions required to pull the housing market out of recession are not in place and may not be in place for some considerable period.

The planned public expenditure cuts in Northern Ireland in the wake of the UK Comprehensive Spending Review will result in a considerable cut in financial resources available to the Northern Ireland Executive over the next 4 years. For example, over £1.4 billion will be lost from the NI capital expenditure programme which will almost inevitably mean housing construction projects will be deferred or cancelled. The scale of the cuts suggests that they will have lasting implications for the Belfast Metropolitan HMA for the next decade and possibly beyond. As the Northern Ireland Executive (2010) Draft Budget 2011-15 observes:

> "The public expenditure reductions from the UK Spending Review will have a negative impact on economic prospects going forward. In addition, the impact of these public expenditure cuts will be felt more severely in Northern Ireland given our relatively higher dependence on the public sector ---- In fact, public expenditure in Northern Ireland represents 62.6 per cent of total output. This is significantly higher than the 39.8 per cent for the UK as a whole. It is clear that public expenditure reduction of the magnitude outlined previously will have significant negative consequences for economic growth and employment (p14-15)"

Longer -term housing system challenges

Total housing requirements

The draft Regional Development Strategy (DSD, 2011) issued for consultation in January 2011 includes updated housing growth indicators. These indicate a requirement for some 190,000 new houses over the 17 year period to 2025. This equates to an average to some 11,150 units per annum, which is slightly lower than the 2006-based figure of 12,235. A similar downward adjustment has occurred in respect of the rest of Northern Ireland and is primarily a consequence of using the 2008-based household projections.

Determining the future requirement for housing is not an exact science. Even during times of stable economic growth there is always ambiguity over long-term future household growth and the overall level of housing that may be required to meet housing demand and need. The changed economic circumstances and the tightening of public expenditure indicate that the assumptions on which long-range household projections and thus the RDS housing growth indicators are founded will require careful monitoring. In particular:

- It is an open question whether internal migration will continue to provide people to replace those who leave Greater Belfast for the other sub-market areas and whether more young people can be persuaded to stay in Belfast city or other settlements in the Greater Belfast sub-market as they enter their 30s and 40s and form couples and families.
- It is very difficult to forecast future rates of international migration and the pace of economic recovery across the EU is likely to influence this rate. Faster economic growth in parts of Europe relative to Northern Ireland could mean that international out-migration from the UK and Northern Ireland may be greater than ONS and NISRA project.
- There is much debate but little agreement on whether changes to the eligibility criteria for Housing Benefit and other state benefits may dampen rates of household formation or lead to a change in the occupancy status (say a shift in demand from single family to shared housing) of housing sought.
- There is some evidence that low rates of economic growth can reduce household formation, at least over the short to medium term, as more adults in their twenties defer leaving home.

Until 2007 housing construction rates for the Belfast Metropolitan HMA[49] have been reasonably similar to the RDS housing growth indicators and above projected household growth. Annual private housing construction rates are currently very modest, but should improve once credit constraints ease, employment levels increase, and consumer confidence in the market returns.

The difficulty is that it is unclear when this recovery period will emerge. The continuation of low rates of private housing construction for a further couple of years seems likely, but of greater concern is the risk that the construction sector may be unable to develop sufficient numbers of new dwellings to achieve the RDS housing growth indicators if housing demand does not recover within 5 years.

Ultimately the outcomes of these different processes will only become clear by regular monitoring of household growth and housing supply and subsequent revisions to demographic projections to reflect emerging evidence.

Continuation of weak housing market conditions and limited new construction will limit the potential for securing social or affordable housing through the use of planning agreements, which has been a policy ambition for some time. Once a sustained upturn in the housing market is apparent, sensitive application of this mechanism should help to deliver more affordable housing and infrastructure. In the meantime, it may be beneficial to investigate additional approaches that might facilitate the delivery of new housing across all sectors.

Responding to housing need

The NIHE annual assessment of housing need indicates that at the Belfast Metropolitan HMA the requirement for additional social housing has been well in excess of social housing construction rates for most of the past decade. Annualised average estimates from the latest assessments suggest that somewhere between 2,400 and 2,700 additional social units may be required in the Belfast Metropolitan HMA in the period to 2015 and possibly beyond.

A need to look afresh at how best to respond to housing need

Looking forward, the level of resources that the Northern Ireland Executive will be able to make available to help address housing need or housing stress will be very constrained. In this regard it is important to remember that the estimate of 'housing need' generated by the housing need assessment is not strictly speaking the same thing as the numbers of new social rented housing units required. In practice, how best to respond to 'housing need' and the potential shortfall in social rented housing provision is a policy decision.

Given the severe funding constraints set out in the NI Executive's Draft Budget 2011-15, it will be necessary to look at different options for addressing housing stress. In particular it will be essential to look beyond 'bricks and mortar' solutions. In this context there may be merit in looking at the potential for housing policies and social landlords to work more with the grain of the market than has tended to be the case to date.

Lord Best's recent Commission on the Future for Housing in Northern Ireland pointed to the possibility of introducing some form of intermediate housing. Evidence presented in chapter 5 indicates that on paper there appears to be potential to introduce some form of intermediate housing in the Belfast HMA. In practice however, any new products may, by and large, largely displace consumer demand from the

[49] As noted in chapters 3 and 5, the Belfast Metropolitan HMA is similar to the Belfast Metropolitan Area + hinterland area. The main difference is the latter does not include those parts of Banbridge LGD, Ballymena LGD and Craigavon LGD that lie within the outer rim of the housing market area.

private rented sector. Moreover, Co-Ownership has proved a very successful and popular model. We suspect this would also limit consumer interest in alternatives.

Some of the recently completed new build provision in the private sector is not yet occupied. This suggests there may be opportunities to harness some under-used 'buy to let' stock to accommodate lower income households that see private renting as a realistic alternative to social renting or owner occupation, at least for a transitional period. This might include current applicants for social housing as well as existing social tenants who may be willing to leave the sector, thereby creating a vacancy for a household assessed to be in housing stress.

Such possibilities are now being considered as part of the Department for Social Development's *Building Sound Foundations, a strategy for the private rented sector*, and include the introduction of a rent deposit scheme. The announcement that empty homes will have the same rating liability as occupied homes from 1 October 2011 may also increase the potential opportunity to enter into some form of private leasing arrangement to bring empty homes back into use.

Finally, it is important to note that sizeable proportions of public sector employees, who are likely to lose their jobs, will be homeowners in their 30s to 50s. Early preventative action to assist this group of households may help to minimise the threat of repossession and homelessness and upward pressure on housing stress indicators.

Transforming housing systems

Older households

The population of Northern Ireland is expected to age over the next 10 to 20 years, although relative to other parts of the UK and Europe, the proportion of older households will remain comparatively low.

The increase in the number of older households will contribute to the increase in the overall aggregate demand for housing. The growth in older people aged 80 years or above will also have implications in terms of the demand for housing adaptations, specialist housing, or personal or nursing care.

Although the 'care' related needs of the most vulnerable and frail older people remain a vital policy concern, it is important to stress that the large majority of older households that will be living in the Belfast HMA in 10 or 20 years time will be homeowners living in the general housing stock. This is in line with national policy, which seeks to enable older households to live independently for as long as possible. It also reflects the fact that older households prefer to remain in their own home.

Looking across the UK, older people often experience a reduction in income on retirement. In the case or older homeowners a decline in incomes and a gradual decline in fitness can diminish their capacity to carry out repairs. If not addressed, this can lead to levels of disrepair that can be detrimental to the health and well-being of occupants. This suggests that the potential role for care and repair style services is likely to increase.

There may also be merit in investigating the housing aspirations of those in their 50s to 60s and the factors that might attract them to move to housing better suited to their changing needs as they age.

This information could be shared with developers to encourage them to provide 'mainstream' housing that is appealing for older households and is conveniently located near to services and facilities. In the longer term such an approach may:

- Result in greater numbers of family orientated larger houses becoming available within the second hand market than would have been the case. These are the types of properties which the population age profile for the Belfast Metropolitan HMA suggests will remain in high demand for the next decade and beyond.
- Help to reduce pressure on adaptation and equipment budgets (assuming the housing is designed to limit barriers to mobility) and care and repair budgets.
- Gradually ease pressure in the Ards Peninsula and other rural and semi-rural parts of the Belfast Metropolitan HMA, which appear to have experienced comparatively high rates of inward migration from households that were about to retire or had retired and were able to use their considerable equity to out-bid other prospective buyers.

<u>Looking to create a more stable private rented sector</u>

As noted earlier, the private rented sector has grown in size and importance relative to other tenures. Views vary as to whether small investors will continue to favour housing in the future. On the one hand, there are factors that may support the continuation of investor interest in housing and support further growth in the private rented sector:

- The shift to higher rates of employment in the private sector envisaged in Northern Ireland Executive's (2011) Consultative Economic Strategy may see a further shift towards greater labour market flexibility. This would mean fewer permanent full time jobs and more fixed term and part time jobs.
- A potential legacy of the credit crunch is that there may be less lending and as a result fewer households may be assessed to have the financial standing to access mortgage funding.
- The growth in single person and lone parent households that are reliant on single earnings and are in a weaker financial position to buy.

On the other hand, there are factors which may encourage investors to withdraw from the market. These include:

- Continued uncertainty about the potential to secure capital gains over the longer term and increasing mortgage interest rates that may reduce the rate of return possible from rental income.
- The projected decline in the numbers of adults in the key household formation age group (15-29 years) after 2015.

Looking forward, the private rental market is likely to continue to expand, albeit at a much more modest pace than witnessed over the past decade. The future rate of growth is likely to depend on a mix of factors, including:

- What alternative investment opportunities emerge for smaller investors and whether these are perceived to be more attractive and less risky.
- The Coalition Government's proposed welfare changes including changes to Housing Benefit, the downward adjustment to the Local Housing Allowances and the eventual introduction of the Universal Credit.
- The extent to which the private rental market in each of the different sub-markets is orientated (or otherwise) towards housing low-income households that are reliant on state assistance to pay their rent.

- The appetite in Northern Ireland to emulate other parts of the UK in exploring leasing of private rented properties to address homelessness and other forms of housing stress.
- The willingness of more affluent households currently in their 50s and 60s that own their home to trade down and use released equity to invest in the private rental market.

Improving the residential options
There is a continuing trend for families and couples to move from Greater Belfast sub-market to urban centres, smaller towns and villages in the other sub-market areas. Viewed from the consumer perspective the upturn in residential mobility in recent years has been a positive development. That said, there are also important policy issues in terms of the impact these residential flows have on residents in those areas that people move to or away from.

At the settlement level, rapid in-migration may create challenges in terms of ensuring that the social, economic and transport infrastructure is in place to meet the expectations' and needs of an expanding population. By contrast, out-migration from settlements or neighbourhoods may reduce demand for services and lead to a lowering of the quality and range of services provided. Sustained out-migration also risks exacerbating patterns of deprivation and segregation noted earlier in this chapter.

Improving the quality of the residential offer in parts of Greater Belfast will remain an important policy priority if the RDS ambitions to secure population and household growth in the BMA and in particular Belfast City are to be delivered.

For this and other reasons it may be valuable for the LHSA studies for each of the Belfast Metropolitan HMA sub-market areas to investigate what factors are influencing households decisions to leave one location and move to another location.

This might include drawing on the local knowledge of housing management staff, local authority and other public and private partners engaged in the planning and/or delivery of housing to explore:
- The locational characteristics that have 'pulled' households to particular parts of the Belfast Metropolitan HMA such as a sense of security, privacy, access to green spaces, safety for children to play, and the quality of local schools and other public services.
- The 'push' factors that have shaped individuals decision to exit an area and have thus contributed towards the pattern of decentralisation evident across the Belfast Metropolitan HMA.

Over time, the development of this more qualitative approach to such matters as part of the ongoing LHSA for each sub-market offers the potential to:
- Enhance understanding of these more elusive changes in the housing system in order to inform discussions about the planning, housing and regeneration policy responses that might be appropriate.
- Provide a better understanding of "what is missing" in terms of the residential offer in RDS specified settlement growth points and what residential developments in terms of the mix of dwellings (tenure/type/size) and other factors might increase selective 'residential mobility' to these areas.

conclusions & recommendations on the LHSA process

Study purpose

This report was designed to pilot the LHSA framework. More specifically, it was designed to show what analysis was possible when this framework was applied to the Belfast HMA, the largest and most complex housing market area in Northern Ireland.

The report is one of the core outputs from a larger study that was designed to produce a local housing system analysis for the Belfast Metropolitan HMA by early 2010 and to provide Northern Ireland Housing Executive planners with sufficient training and written guidance to enable them to undertake LHSA on an ongoing basis.

The relevant objectives of the overall study for this report were to:

- Produce a local housing system analysis (LHSA) for the Belfast Metropolitan HMA and in so doing conduct data analysis to establish the current position of the BHMA and likely future trends
- Provide a broad indication of the main submarkets within the Belfast Metropolitan HMA.

This concluding section:

- Reflects on how well the research has fitted with the initial project aims.
- Identifies a number of important evidence gaps relevant both for the analysis of the Belfast Metropolitan HMA and other HMAs across Northern Ireland.
- Offers advice on any further improvements on data collection and accessibility or further research that would support an LHSA approach to housing planning.

In terms of the substantive findings from the Belfast LHSA, it is not the intention of this concluding chapter to repeat detailed points from individual chapters as these are set out at the end of each chapter. The main findings and conclusions about the dynamics of the Belfast Metropolitan HMA and the imbalances that exist across the area are also drawn together in a previous chapter.

Reflections on the Belfast Metropolitan HMA Pilot

It is important to recognise that the housing systems analysis set out in this report intended to provide a consistent city-region framework within which more fine-grained and detailed local assessments of the functioning of the housing system in each of the 7 sub-markets can sit. It has therefore focused considerable attention on:

- The economic, demographic, social and policy processes and their impact on the operation of housing system across the Belfast Metropolitan HMA.
- Teasing out and exploring the connections and feedbacks between the housing market, the economy and demographic change.

- Inter-tenure dynamics and the ways in which changes in demand and supply typically impact on the other main tenures. As such, it has sought to stress that when analysing a specific tenure it is vital to think about why some trends are occurring and whether these trends 'fit' with developments in other parts of the housing system.
- Identifying which imbalances may be of a relatively short-term duration and those that may continue for some time to come.

A vital task of any LHSA is to look ahead and to try to identify long-term trends as well as shorter oscillations. Short run difficulties that create hardship for particular segments of the population often merit some form of policy intervention. However, planners also need to think about long-term imbalances that may require more concerted intervention to resolve. In stable housing markets, differentiating between the two can be relatively straightforward. However, the volatility and rapid downturn in the Belfast Metropolitan HMA has posed challenges in terms of trying to separate out:

- Short-term (or transient) imbalances that are likely to resolve themselves once housing market conditions improve. For example, we decided that the sharp upturn in newly constructed apartments lying empty in Belfast was likely to be a troubling but ultimately transient problem.
- Longer-term developments that reflect a significant and continuing change in the structure or functioning of the housing market. For example, the growth of private renting was judged to represent a long-term change in terms of the tenure structure of the local housing market.
- Analysing time – series data rather than relying on data for a single year or two makes it possible to appreciate and understand the dynamics of the housing system.
- Analysing time – series can also help planners to consider the future direction of the housing system and therefore make them better placed to make inferences about long-term and short-term trends.
- Where possible it is useful to look and compare evidence on a particular topic from different sources of data to try and work out what is happening on the ground.
- It is useful to read research from other parts of the UK and to speak to local experts to see if there is a consensus on the causal processes in order to help differentiate between long-term patterns and volatile short run behaviour.

The Belfast Metropolitan HMA report contains relatively little in terms of the assessment of housing need amongst the general household population or amongst frailer older people and other households that may have 'special' or 'distinctive' housing and/or support needs. This reflects the priorities set for this project as opposed to any insurmountable difficulty with their inclusion.

Lessons from Piloting the LHSA

The LHSA for the Belfast Metropolitan HMA is a detailed and involved report. It may seem forbidding to those looking to prepare a local housing systems analysis for the first time. However, it is important to keep in mind:

- The Belfast Metropolitan HMA has a much larger and much more complex housing system than any other the housing market area in Northern Ireland. The analysis undertaken reflects the complex nature and the extent of the problems suggested in the data.
- Much of the analysis required to explore economic and demographic trends for the Belfast Metropolitan HMA will not be necessary or useful for other housing market areas. For example, much time and effort was spent exploring migration flows, population turnover and household change.

This reflects the extreme volatility of demographic patterns across the Belfast Metropolitan HMA over the period to 2008. By contrast, most other Northern Ireland housing market areas operate across stable and settled areas with relatively low rates of population turnover where such analysis would not be warranted.

- As stated in chapter 2, large and complex housing market areas that extend across large metropolitan areas contain housing sub-markets whereas smaller more tightly defined housing markets generally do not. Planners should therefore not try to replicate the analysis that was undertaken to establish the sub-market areas for the Belfast Metropolitan HMA.
- The absence of a functional sub-market does not mean that analysing different local areas within a more tightly drawn local housing market area is not important. Indeed the internal operation of the housing system can vary from place to place, especially in rural areas. Consequently, more fine-grained analysis is vital to assess local imbalances. Planners should review the RDS and other pertinent strategy documents to identify which reporting geography it would be useful to use.
- Likewise, different housing market areas face different market contexts with associated challenges. It is therefore very useful to invest time at the inception of the LHSA to set out the key questions to be answered and which sources of data should help to answer these questions.
- In preparing an LHSA it is easy to feel overwhelmed and to lose focus. This often occurs when the reporting geography is overly ambitious and the study is trying to compare several different areas at different spatial areas simultaneously. For the first LHSA less may be more. The process of preparing the first LHSA may provide a platform for identifying and agreeing which localities would benefit from more fine grained analysis the second time around.
- A large proportion of the time required to undertake LHSA, particularly the first time around, is to collate the required time-series data. This involves not just sourcing usable and accessible data; it also requires that the data be assembled and that appropriate spatial markers and other derived variables are added. The Belfast study has identified the most important data sources and the data preparation activity required to make best use of each of these data sources. The accompanying guide includes appendices that seek to share this knowledge. Likewise, the pilot has re-affirmed the view that the preparation of a regularly updated central evidence base that can be used to inform each HMA should minimise the resources required to collect, collate and clean data.
- An important task for the Belfast Metropolitan HMA was to compare UK and Northern Ireland wide trends. This contextual evidence should prove valuable for the other LHSA studies and there should be no need for planners to replicate this analysis in the short term. The central planning team should update this analysis periodically.

Looking forward, the NIHE should give further thought to how it might nurture information sharing partnerships with different private, public and voluntary organisations that hold data and that could support continued development of the LHSA. Although sharing of data to support research and planning would be a significant public good, there are often barriers and commercial pressures that hinder data sharing. In particular, there can be limitations on the data that quasi-public bodies are permitted or feel able to share.

Revisiting some HMA boundaries

From the outset it was known that spatial boundary of the Belfast Metropolitan HMA and its constituent sub-markets would pose challenges in terms of collecting and collating time-series data on a wide range of topics. The practical problem is that some key data sources are not readily available at ward level, or other small scales, that permit aggregation to the housing market area level.

For smaller housing market areas such as Strabane and Mid-Ulster where there is a reasonably close fit between the housing market boundary and the current LGD, one option may be to adjust the HMA boundaries at the margin to align them to the local government boundary or simply to assume LGD level findings are applicable at the HMA wide level.

This does however assume that the existing LGD boundaries will remain one of the main spatial building blocks for the publication of government statistics once the new local government districts are established.

The statistical evidence base

An important objective of the overall study was to conduct a data audit and to offer comment on the comprehensiveness of the evidence base and its implications for undertaking LHSA in other housing market areas in Northern Ireland.

The quality and range of available evidence to support housing systems analysis has improved considerably in recent years. This reflects improvements in data collection and release, most noticeably through the development of the NISRA NINIS website.

It was possible to undertake a substantial analysis of the key external economic and demographic drivers and to combine these in order to inform the guidance manual for future LHSA work in Northern Ireland.

In the case of the Belfast HMA, which covers a large share of the Northern Ireland population, it has also been possible to draw on evidence from national surveys, including the NI House Condition Survey.

However, this is not likely to be an option for some of the smaller and more rural housing market areas elsewhere in Northern Ireland. For other housing market areas there is likely to continue to be little option but to over-rely on Census data to establish local tenure patterns, the profile of the housing stock and its occupants at the local area level.

NIHE may therefore wish to consider whether it may be possible to use survey data to produce some approximation of possible trends. For example it may be possible to look at tenure trends from the NI House Condition Surveys for 2001, 2006 and 2009 for groupings of HMAs or LGDs and then to 'apply' these trend assumptions to the Census baseline for each individual HMA to provide an 'assumed ' approximation of change.

Although the Belfast Metropolitan HMA benefited from access to a wider range of data sources, the pilot study did highlight a number of gaps in the evidence base, some of which are central to understanding and monitoring of housing system dynamics. Some of the more significant data gaps include:

- The lack of readily accessible and routinely updated data on the performance of local economies and economic forecasts at sub Northern Ireland level. Whilst there is a reasonable amount of data on labour market participation (employees, unemployment, benefit dependency etc) forecasts and commentary on the performance and future prospects for the local economy are not readily accessible or routinely updated on a consistent basis.
- Although the volume of ASHE data that is routinely published has improved, the robustness and reliability of earnings distribution data (lower quartile, median and upper quartile) at local government district level is highly variable.
- In common with the rest of the UK, there is an absence of a readily accessible household income data that commands widespread support, let alone income data that can be split by age of household or tenure. On the other hand, the research indicated that the distribution of gross household income derived from CACI PayCheck is consistent with evidence from the FRS at the Belfast Metropolitan HMA level (see appendix 3).
- The limited availability of evidence on migration flows. NISRA provided access to CHI data in this instance but considerable resources would be needed to prepare local migration reports that showed migration flows across Northern Ireland.
- Household estimates by household composition at local authority level and below.
- Tenure breakdown which allows changes in tenure structure at HMA, LGD, settlement and neighbourhood levels to be monitored over time.
- Lack of routinely published house price and transactions data at the lower, middle and upper end of the housing market at local authority and HMA level.
- Lack of data on private rents outside the Belfast Metropolitan Urban Area, with the exception of rents payable by those in receipt of housing benefit.
- Variable quality of data on the dwelling starts, completions, and vacant stock,
- Variable quality of data recorded on NIHE own stock data (including the CWL) dataset, particularly in terms of postcodes as well as an absence of data on important issues such as reason for tenancy termination and split between housing association first let and relet.

Given the resource constraints faced by the Northern Ireland Housing Executive and other public bodies it will clearly not be possible to address all these data gaps simultaneously. The main priorities for the coming 3 years should be:

- Greater disaggregation of the housing statistics collated and published by DSD to LGD level and below, which should be made available in excel file format.
- Modification of NIHE ICT systems to ensure postcode data is entered correctly and to create new fields to permit HMA, other spatial markers and other variables to be added to the data.
- NIHE and Ulster University should investigate the feasibility and cost of producing annual figures on prices and sales at the lower, mid and upper end of the housing market at LGD and HMA level for inclusion in the House Price Index.
- Investigate the potential to expand the private rental database to extend its contents beyond the BMUA.

- Plan for the expansion the NI House Condition Survey to include additional questions required to examine the circumstances, attitudes, perceptions, preferences and wants of private rented tenants with particular attention focusing on exploring their future housing intentions.
- Hold discussions with NISRA regarding the production of household estimates and the potential development of migration flows table at a suitable spatial scale.

Drawing on qualitative evidence to support and enhance statistical analysis

Statistical data is an essential pre-requisite, but it is not the only source of evidence. Gaps and lags in statistical data often make it imperative to use qualitative evidence and to draw on the intelligence of individuals with local knowledge and expertise in an area or specific issue. This is particularly the case when surprise events can lead to sudden or substantive changes in the local housing system. Examples might include the opening or closure of a new office or factory, which would have a sudden effect on household incomes. Another example might be the launch of a new regeneration programme which can sometimes attract speculative investment into an area in the hope and expectation of making capital gain windfalls.

As discussed in chapter 8, qualitative evidence is often necessary to understand matters which are hard to pin down: such as:

- Reasons for changes in the behaviour of consumers or firms.
- The push and pull factors that might encourage consumers to consider other possible options.
- The incentives that may encourage firms engaged in providing and managing housing to modify their approach.

Monitoring the Belfast Metropolitan HMA

Housing systems are dynamic and evolve on a continuous basis. They often respond to policy interventions in ways that are unexpected and in ways that are not desired. For this and other reasons that annual monitoring of the Belfast Metropolitan HMA should be put in place once the first round of sub-market studies have been completed. One of the potential long–term benefits of regularly monitoring the housing system at different spatial scales is that over time policy makers will develop a better understanding of the housing demands, expectations, needs and aspirations of different groups of consumers and how these changes might be shaped by policy processes.

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appendix 2: identifying the belfast metropolitan hma sub-market areas

CHI analysis for sub-markets

As noted in chapter 2, the Belfast Metropolitan HMA exerts influence over a much larger area than the other Northern Ireland HMAs. A key task of the Belfast LHSA study therefore was to define a set of sub-market areas.

The process for establishing the sub-markets within the wider Belfast Metropolitan HMA built on the analysis of migration flows using the CHI dataset used to produce a set of HMA boundaries for Northern Ireland. Hence an edited version of the CHI dataset provided by NISRA, which contains 564,000 records, was used to analyse localised movement patterns at ward level. These findings were used to identify and appraise the degree of connectivity between different urban areas, settlements and rural localities across the Belfast Metropolitan HMA.

Wards formed the basic building block because these are the lowest spatial level at which data was made available. Some wards that make up a settlement were grouped together for the purpose of analysis. Two or three adjacent wards in rural areas were also sometimes grouped together to facilitate analysis where there were low numbers of records and where it seemed evident that patterns of migration flows were similar.

More detailed description of approach

Step 1: Establish Greater Belfast sub-market area

Belfast and Castlereagh were selected as the core of the Greater Belfast sub-market as these two local authority areas are very much intertwined. For example, over 3 out of 10 of all persons that move within or to Castlereagh come from Belfast. In some wards such as Upper Braniel and Wynchurch the proportion is closer to 50% and exceeds the proportions that move within the ward or come from elsewhere in Castlereagh.

To establish the spatial extent of the Greater Belfast sub-market, the process sought to determine the strength of influence of the Belfast LGD and Castlereagh LGD over individual wards (or cluster of wards) elsewhere in the Belfast Metropolitan HMA. The numbers of migrants that moved into each ward (or cluster of wards) from Belfast/Castlereagh we examined, expressed as a proportion of the total number of all migrants who moved within or to that area. In terms of ascribing influence and connectivity:

- If the proportion of all in-migrants to a ward from the Belfast/Castlereagh Area exceeded 20%, the ward was deemed to be subject to major influence from the originating core area.
- If the proportion of all in-migrants to a ward from the Belfast/Castlereagh Area ranged from 15% to 19% and less than 5% of all in-migrants originated from another adjacent LGD then the ward was deemed to be subject to major influence from the originating Greater Belfast sub-market.
- If these tests proved inclusive, both tests we re-applied using origin based migration flows for those aged 25 to 44 years. This age group, as discussed in the report by Young et al (2010), was selected to seek to ensure findings reflected the movement of people most likely to move for housing related reasons.

Step 2: Establish other sub-markets
Having established a provisional boundary for the Greater Belfast sub-market, step 2 involved appraising the pattern of migration flows elsewhere in the Belfast Metropolitan HMA in order to define a provision set of sub-market areas.

This analysis primarily centred on the number of migrants that moved into a ward (or cluster of wards) from adjacent local authority areas or larger settlements such as Antrim and Lisburn, as a proportion of the total number of all migrants who moved within or to that area. In terms of ascribing influence and connectivity:

- Wards (or clusters of wards) that were subject to major influence from an adjacent LGD (or major settlement) were assigned to the corresponding sub-market. Consistent with Young et al (2010), a somewhat lower threshold was employed compared to that used in connection with Greater Belfast. Thus, if the proportion of all in-migrants to a ward coming from a named LGD/settlement exceeded 10% of all migrants, the ward was deemed to be subject to major influence from the originating LGD/settlement.
- Before assigning a ward to a specific sub-market the checked that the ward (or cluster of wards) was not subject to a significant inflow (defined as 5%) from any other adjacent LGD. Likewise formigration flows for those aged 25-44 years where there was evidence of potential influence from an adjacent LGD.
- If there remained some uncertainty, destination-based flows (i.e. where those leaving a ward or cluster of wards moved to) were examined to identify which sub-market the ward (or cluster of wards) would be best assigned to. Destination based flows were based solely on those aged 25-44 years in order to discount the influence of student flows to and from the Belfast area.

Based on this analysis 7 sub-market areas were identified across the Belfast Metropolitan HMA.

Step 3: Assign outstanding wards and refining sub-market boundaries
For the large majority of wards it was possible to assign them to a proposed sub-market on the basis of the first two steps. However, in some cases neither origin nor destination based flows provided a clear signal. These wards (or cluster of wards) were typically characterised by very high rates of self-containment (often in excess of 85%) and/or low numbers of migration flows (i.e. less than 100 over the entire period).

In most instances there was only one possible option in terms of the sub-market to assignment. For example, Portaferry ward could only really be assigned to the Ards Peninsula sub-market. However, for other wards there was no obvious choice.

Following discussion with the project steering group and NIHE planners some refinements and adjustments were made to the provisional boundaries. Although the sub-market areas all display some degree of overlap with adjacent sub-market areas, all 7 sub-market boundaries were all defined to be coterminous (i.e. non overlapping).

Table A 2.1: Local Government Districts that fall wholly or partly within Belfast Metropolitan HMA and to which sub-market each ward assigned

LGD	Housing Market Area	Belfast sub-markets	Ward
Antrim	Belfast	Belfast - South Antrim	Aldergrove
	Belfast	Belfast - South Antrim	Balloo
	Belfast	Belfast - South Antrim	Ballycraigy
	Belfast	Belfast - South Antrim	Clady
	Belfast	Belfast - South Antrim	Cranfield
	Belfast	Belfast - South Antrim	Crumlin
	Belfast	Belfast - South Antrim	Drumanaway
	Belfast	Belfast - South Antrim	Farranshane
	Belfast	Belfast - South Antrim	Fountain Hill
	Belfast	Belfast - South Antrim	Greystone
	Belfast	Belfast - South Antrim	Massereene
	Belfast	Belfast - South Antrim	Parkgate
	Belfast	Belfast - South Antrim	Randalstown
	Belfast	Belfast - South Antrim	Shilvodan
	Belfast	Belfast - South Antrim	Springfarm
	Belfast	Belfast - South Antrim	Steeple
	Belfast	Belfast - South Antrim	Stiles
	Belfast	Belfast - South Antrim	Templepatrick
	Mid Ulster	NA	Toome
Ards	Belfast	Greater Belfast	Ballygowan
	Belfast	Greater Belfast	Ballyrainey
	Belfast	Belfast -Ards Peninsula	Ballywalter
	Belfast	Greater Belfast	Bradshaw's Brae
	Belfast	Belfast -Ards Peninsula	Carrowdore
	Belfast	Greater Belfast	Central
	Belfast	Greater Belfast	Comber East
	Belfast	Greater Belfast	Comber North
	Belfast	Greater Belfast	Comber West
	Belfast	Belfast -North Down	Donaghadee North
	Belfast	Belfast -North Down	Donaghadee South
	Belfast	Greater Belfast	Glen
	Belfast	Greater Belfast	Gregstown
	Belfast	Greater Belfast	Killinchy
	Belfast	Belfast -Ards Peninsula	Kircubbin
	Belfast	Greater Belfast	Lisbane
	Belfast	Greater Belfast	Loughries
	Belfast	Belfast -North Down	Millisle
	Belfast	Greater Belfast	Movilla
	Belfast	Belfast -Ards Peninsula	Portaferry
	Belfast	Belfast -Ards Peninsula	Portavogie
	Belfast	Greater Belfast	Scrabo
	Belfast	Greater Belfast	Whitespots

LGD	Housing Market Area	Belfast sub-markets	Ward
Ballymena	Ballymena	NA	Academy
	Ballymena	NA	Ahoghill
	Ballymena	NA	Ardeevin
	Ballymena	NA	Ballee
	Ballymena	NA	Ballykeel
	Ballymena	NA	Ballyloughan
	Ballymena	NA	Broughshane
	Ballymena	NA	Castle Demesne
	Ballymena	NA	Craigywarren
	Ballymena	NA	Cullybackey
	Ballymena	NA	Dunclug
	Ballymena	NA	Dunminning
	Ballymena	NA	Fair Green
	Ballymena	NA	Galgorm
	Ballymena	NA	Glenravel
	Belfast	Belfast - South Antrim	Glenwhirry
	Belfast	Belfast - South Antrim	Grange
	Ballymena	NA	Harryville
	Belfast	Belfast - South Antrim	Kells
	Ballymena	NA	Moat
	Ballymena	NA	Park
	Ballymena	NA	Portglenone
	Ballymena	NA	Slemish
	Ballymena	NA	Summerfield
Banbridge	Belfast	Belfast-Lisburn	Ballydown
	Belfast	Belfast-Lisburn	Ballyward
	Belfast	Belfast-Lisburn	Banbridge West
	Newry	NA	Bannside
	Belfast	Belfast-Lisburn	Dromore North
	Belfast	Belfast-Lisburn	Dromore South
	Belfast	Belfast-Lisburn	Edenderry
	Belfast	Belfast-Lisburn	Fort
	Craigavon	NA	Gilford
	Belfast	Belfast-Lisburn	Gransha
	Newry	NA	Katesbridge
	Belfast	NA	Lawrencetown
	Newry	NA	Loughbrickland
	Belfast	Belfast-Lisburn	Quilly
	Newry	NA	Rathfriland
	Belfast	Belfast-Lisburn	Seapatrick
	Belfast	Belfast-Lisburn	The Cut

LGD	Housing Market Area	Belfast sub-markets	Ward
Belfast	Belfast	Greater Belfast	Andersonstown
	Belfast	Greater Belfast	Ardoyne
	Belfast	Greater Belfast	Ballyhackamore
	Belfast	Greater Belfast	Ballymacarrett
	Belfast	Greater Belfast	Ballynafeigh
	Belfast	Greater Belfast	Ballysillan
	Belfast	Greater Belfast	Beechmount
	Belfast	Greater Belfast	Bellevue
	Belfast	Greater Belfast	Belmont
	Belfast	Greater Belfast	Blackstaff
	Belfast	Greater Belfast	Bloomfield
	Belfast	Greater Belfast	Botanic
	Belfast	Greater Belfast	Castleview
	Belfast	Greater Belfast	Cavehill
	Belfast	Greater Belfast	Cherryvalley
	Belfast	Greater Belfast	Chichester Park
	Belfast	Greater Belfast	Cliftonville
	Belfast	Greater Belfast	Clonard
	Belfast	Greater Belfast	Crumlin
	Belfast	Greater Belfast	Duncairn
	Belfast	Greater Belfast	Falls
	Belfast	Greater Belfast	Falls Park
	Belfast	Greater Belfast	Finaghy
	Belfast	Greater Belfast	Fortwilliam
	Belfast	Greater Belfast	Glen Road
	Belfast	Greater Belfast	Glencairn
	Belfast	Greater Belfast	Glencolin
	Belfast	Greater Belfast	Highfield
	Belfast	Greater Belfast	Island
	Belfast	Greater Belfast	Knock
	Belfast	Greater Belfast	Ladybrook
	Belfast	Greater Belfast	Legoniel
	Belfast	Greater Belfast	Malone
	Belfast	Greater Belfast	Musgrave
	Belfast	Greater Belfast	New Lodge
	Belfast	Greater Belfast	Orangefield
	Belfast	Greater Belfast	Ravenhill
	Belfast	Greater Belfast	Rosetta
	Belfast	Greater Belfast	Shaftesbury
	Belfast	Greater Belfast	Shankill
	Belfast	Greater Belfast	Stormont
	Belfast	Greater Belfast	Stranmillis
	Belfast	Greater Belfast	Sydenham

LGD	Housing Market Area	Belfast sub-markets	Ward
Belfast	Belfast	Greater Belfast	The Mount
	Belfast	Greater Belfast	Upper Malone
	Belfast	Greater Belfast	Upper Springfield
	Belfast	Greater Belfast	Water Works
	Belfast	Greater Belfast	Whiterock
	Belfast	Greater Belfast	Windsor
	Belfast	Greater Belfast	Woodstock
	Belfast	Greater Belfast	Woodvale
Carrickfergus	Belfast	Belfast - East Antrim	Blackhead
	Belfast	Belfast - East Antrim	Bluefield
	Belfast	Belfast - East Antrim	Boneybefore
	Belfast	Belfast - East Antrim	Burleigh Hill
	Belfast	Belfast - East Antrim	Clipperstown
	Belfast	Belfast - East Antrim	Eden
	Belfast	Belfast - East Antrim	Gortalee
	Belfast	Belfast - East Antrim	Greenisland
	Belfast	Belfast - East Antrim	Killycrot
	Belfast	Belfast - East Antrim	Knockagh
	Belfast	Belfast - East Antrim	Love Lane
	Belfast	Belfast - East Antrim	Milebush
	Belfast	Belfast - East Antrim	Northland
	Belfast	Belfast - East Antrim	Sunnylands
	Belfast	Belfast - East Antrim	Victoria
	Belfast	Belfast - East Antrim	Whitehead
	Belfast	Belfast - East Antrim	Woodburn
Castlereagh	Belfast	Greater Belfast	Ballyhanwood
	Belfast	Greater Belfast	Beechill
	Belfast	Greater Belfast	Cairnshill
	Belfast	Greater Belfast	Carrowreagh
	Belfast	Greater Belfast	Carryduff East
	Belfast	Greater Belfast	Carryduff West
	Belfast	Greater Belfast	Cregagh
	Belfast	Greater Belfast	Downshire
	Belfast	Greater Belfast	Dundonald
	Belfast	Greater Belfast	Enler
	Belfast	Greater Belfast	Galwally
	Belfast	Greater Belfast	Gilnahirk
	Belfast	Greater Belfast	Graham's Bridge
	Belfast	Greater Belfast	Hillfoot
	Belfast	Greater Belfast	Knockbracken
	Belfast	Greater Belfast	Lisnasharragh
	Belfast	Greater Belfast	Lower Braniel
	Belfast	Greater Belfast	Minnowburn

LGD	Housing Market Area	Belfast sub-markets	Ward
Castlereagh	Belfast	Greater Belfast	Moneyreagh
	Belfast	Greater Belfast	Newtownbreda
	Belfast	Greater Belfast	Tullycarnet
	Belfast	Greater Belfast	Upper Braniel
	Belfast	Greater Belfast	Wynchurch
Craigavon	Belfast	Belfast-Lisburn	Aghagallon
	Craigavon	NA	Annagh
	Craigavon	NA	Ballybay
	Craigavon	NA	Ballyoran
	Craigavon	NA	Bleary
	Craigavon	NA	Brownstown
	Craigavon	NA	Church
	Craigavon	NA	Corcrain
	Craigavon	NA	Court
	Craigavon	NA	Derrytrasna
	Belfast	Belfast-Lisburn	Donaghcloney
	Craigavon	NA	Drumgask
	Craigavon	NA	Drumgor
	Craigavon	NA	Drumnamoe
	Craigavon	NA	Edenderry
	Craigavon	NA	Kernan
	Craigavon	NA	Killycomain
	Craigavon	NA	Knocknashane
	Belfast	Belfast-Lisburn	Magheralin
	Craigavon	NA	Mourneview
	Craigavon	NA	Parklake
	Craigavon	NA	Taghnevan
	Craigavon	NA	Tavanagh
	Craigavon	NA	The Birches
	Belfast	Belfast-Lisburn	Waringstown
	Craigavon	NA	Woodville
Down	Belfast	Belfast -Downs	Ardglass
	Belfast	Belfast -Downs	Audley's Acre
	Belfast	Belfast -Downs	Ballymaglave
	Belfast	Belfast -Downs	Ballymote
	Belfast	Belfast -Downs	Ballynahinch East
	Belfast	Belfast -Downs	Castlewellan
	Belfast	Belfast -Downs	Cathedral
	Belfast	Belfast -Downs	Crossgar
	Belfast	Belfast -Downs	Derryboy
	Belfast	Belfast -Downs	Donard
	Belfast	Belfast -Downs	Drumaness
	Belfast	Belfast -Downs	Dundrum

LGD	Housing Market Area	Belfast sub-markets	Ward
Down	Belfast	Belfast -Downs	Dunmore
	Belfast	Belfast -Downs	Killough
	Belfast	Belfast -Downs	Killyleagh
	Belfast	Greater Belfast	Kilmore
	Belfast	Belfast -Downs	Murlough
	Belfast	Belfast -Downs	Quoile
	Belfast	Greater Belfast	Saintfield
	Belfast	Belfast -Downs	Seaforde
	Belfast	Belfast -Downs	Shimna
	Belfast	Belfast -Downs	Strangford
	Belfast	NA	Tollymore
Larne	Belfast	Belfast - East Antrim	Antiville
	Belfast	Belfast - East Antrim	Ballycarry
	Belfast	Belfast - East Antrim	Ballyloran
	Belfast	Belfast - East Antrim	Blackcave
	Belfast	Belfast - East Antrim	Carncastle
	Belfast	Belfast - East Antrim	Carnlough
	Belfast	Belfast - East Antrim	Central
	Belfast	Belfast - East Antrim	Craigy Hill
	Belfast	Belfast - East Antrim	Gardenmore
	Belfast	Belfast - East Antrim	Glenarm
	Belfast	Belfast - East Antrim	Glynn
	Belfast	Belfast - East Antrim	Harbour
	Belfast	Belfast - East Antrim	Island Magee
	Belfast	Belfast - East Antrim	Kilwaughter
	Belfast	Belfast - East Antrim	Town Parks
Lisburn	Belfast	Belfast-Lisburn	Ballinderry
	Belfast	Belfast-Lisburn	Ballymacash
	Belfast	Greater Belfast	Ballymacbrennan
	Belfast	Belfast-Lisburn	Ballymacoss
	Belfast	Belfast-Lisburn	Blaris
	Belfast	Greater Belfast	Collin Glen
	Belfast	Greater Belfast	Derryaghy
	Belfast	Belfast-Lisburn	Dromara
	Belfast	Greater Belfast	Drumbo
	Belfast	Greater Belfast	Dunmurry
	Belfast	Greater Belfast	Glenavy
	Belfast	Belfast-Lisburn	Harmony Hill
	Belfast	Belfast-Lisburn	Hilden
	Belfast	Belfast-Lisburn	Hillhall
	Belfast	Belfast-Lisburn	Hillsborough
	Belfast	Greater Belfast	Kilwee
	Belfast	Belfast-Lisburn	Knockmore

LGD	Housing Market Area	Belfast sub-markets	Ward
Lisburn	Belfast	Belfast-Lisburn	Lagan Valley
	Belfast	Belfast-Lisburn	Lambeg
	Belfast	Belfast-Lisburn	Lisnagarvey
	Belfast	Belfast-Lisburn	Maghaberry
	Belfast	Belfast-Lisburn	Magheralave
	Belfast	Belfast-Lisburn	Maze
	Belfast	Belfast-Lisburn	Moira
	Belfast	Belfast-Lisburn	Old Warren
	Belfast	Greater Belfast	Poleglass
	Belfast	Greater Belfast	Seymour Hill
	Belfast	Belfast-Lisburn	Tonagh
	Belfast	Greater Belfast	Twinbrook
	Belfast	Belfast-Lisburn	Wallace Park
Newtownabbey	Belfast	Greater Belfast	Abbey
	Belfast	Belfast - South Antrim	Ballyclare North
	Belfast	Belfast - South Antrim	Ballyclare South
	Belfast	Greater Belfast	Ballyduff
	Belfast	Greater Belfast	Ballyhenry
	Belfast	Belfast - East Antrim	Ballynure
	Belfast	Belfast - South Antrim	Ballyrobert
	Belfast	Greater Belfast	Burnthill
	Belfast	Greater Belfast	Carnmoney
	Belfast	Greater Belfast	Cloughfern
	Belfast	Greater Belfast	Collinbridge
	Belfast	Greater Belfast	Coole
	Belfast	Belfast - South Antrim	Doagh
	Belfast	Greater Belfast	Dunanney
	Belfast	Greater Belfast	Glebe
	Belfast	Greater Belfast	Glengormley
	Belfast	Greater Belfast	Hawthorne
	Belfast	Greater Belfast	Hightown
	Belfast	Greater Belfast	Jordanstown
	Belfast	Greater Belfast	Mallusk
	Belfast	Greater Belfast	sMonkstown
	Belfast	Greater Belfast	Mossley
	Belfast	Greater Belfast	Rostulla
	Belfast	Greater Belfast	Valley
	Belfast	Greater Belfast	Whitehouse
North Down	Belfast	Belfast -North Down	Ballycrochan
	Belfast	Belfast -North Down	Ballyholme
	Belfast	Belfast -North Down	Ballymaconnell
	Belfast	Belfast -North Down	Ballymagee
	Belfast	Belfast -North Down	Bangor Castle

LGD	Housing Market Area	Belfast sub-markets	Ward
North Down	Belfast	Belfast -North Down	Bloomfield
	Belfast	Belfast -North Down	Broadway
	Belfast	Belfast -North Down	Bryansburn
	Belfast	Belfast -North Down	Churchill
	Belfast	Belfast -North Down	Clandeboye
	Belfast	Belfast -North Down	Conlig
	Belfast	Greater Belfast	Craigavad
	Belfast	Greater Belfast	Crawfordsburn
	Belfast	Greater Belfast	Cultra
	Belfast	Belfast -North Down	Dufferin
	Belfast	Belfast -North Down	Groomsport
	Belfast	Belfast -North Down	Harbour
	Belfast	Greater Belfast	Holywood Demesne
	Belfast	Greater Belfast	Holywood Priory
	Belfast	Greater Belfast	Loughview
	Belfast	Belfast -North Down	Princetown
	Belfast	Belfast -North Down	Rathgael
	Belfast	Belfast -North Down	Silverstream
	Belfast	Belfast -North Down	Springhill
	Belfast	Belfast -North Down	Whitehill

appendix 3: caci paycheck and family resources survey incomes compared

Introduction
It is necessary to exercise care when dealing with modelled information as opposed to 'actual data'. As part of the preparation of the LHSA for the Belfast Metropolitan HMA the research team was asked to consider whether CACI PayCheck is suitable for the intended purpose. In particular, CACI income estimates were to be comparedwith evidence from the Family Resources Survey (FRS) as a means of verifying that the CACI outputs provided a reasonable approximation of the distribution of incomes at the Belfast Metropolitan HMA and sub-market area level. This appendix provides a summary description for each data source and sets the our findings from the verification exercise.

Family Resources Survey
The Family Resources Survey (FRS) is the official source of information about income and poverty for the UK and its constituent countries. Northern Ireland was included in the survey for the first time in 2002-03. This specialised survey, which is sponsored by Department for Work and Pensions, collects detailed information about respondents' incomes from earnings and other sources. In 2007/8 there were 1,861 fully co-operative and 81 partially co-operative interviews with private households in Northern Ireland. Addresses are drawn from the Valuation and Lands Agency (VLA) property database.

The FRS is widely acknowledged as one of the best sources for understanding changes to the distribution of income over time. At the Northern Ireland and UK level the FRS income figures are considered to be among the most robust available from any source. These estimates however, are not available at Local Authority level. Responses are weighted and grossed up to be representative of all private households and benefit units.

The definition of a household used in the FRS is:

> 'a single person or group of people living at the same address who either share one meal a day or share living accommodation such as a living room.'

For example, a group of three adults living in a flat with a shared living room would be counted as a single household, whereas three adults living in bedsit accommodation at the same address would not.

The term benefit unit refers to an adult plus their spouse or partner (if applicable) plus any dependent children they are living with. Thus other adults living at the same address are classified as a separate benefit unit, even if they are related. For example, a young adult living with his or her parents would count as one 'household' but two 'benefit units'. Likewise the 3 adults living in a flat which a shared living room would be counted as 3 benefit units.

CACI PayCheck

PayCheck is a commercial dataset produced by CACI Limited. It is based on 'probability estimates' of gross household income from all sources, including earnings, investment income and social security benefits (including housing benefit). PayCheck provides modelled estimates of the probable mean, median and mode (i.e. the most common) gross household income. It also provides estimates of the proportion of households in each of the 21 income bands of £5,000, which range from £0 - £5,000 to £100,000 and over. It does not contain information relating to household composition or tenure. Although published at a number of geographic levels down to unit postcode level, most analysts report outputs at ward level and above.

CACI judge their modelling procedures to be commercially sensitive and do not publish details but discussions with researchers making use of these indicate that the CACI Paycheck model draws upon government data sources as well as lifestyle survey records. More specifically:

- The model draws on the most recent 3 years lifestyle data from Data Locator Group (DLG), which contains records on some 8 million UK households. Estimates suggest that the DLG data contains information on at least 20% of households in each local authority area in Scotland. Comparable evidence for Northern Ireland is not available but there is no reason to think the pattern would be very different.
- Data from the most recent 4 years of Expenditure and Food Survey (EFS), which annually collects information on some 6,000 households' resident in the UK[50], is used to establish a reference control distribution. ONS time series data on changes in average earnings are used to 'inflate' survey and lifestyle data from earlier years.
- Statistics from the 2001 Census are used to model the association between income and other variables (demographic and socio-economic) to support and improve the estimates at small area level.

It is possible that for some small areas (such as postcode units) the model incorporates very few (if any) actual observations and instead relies solely on imputed data, which is created from the known relationship between income and household characteristics. CACI data is regularly updated but it is not designed to permit time series analysis because methodological changes typically limit year on year consistency.

[50] From 2008 the Living Costs and Food (LCF module of the Integrated Hoousehold Survey (IHS), has replaced the EFS.

The FRS data suggests that almost 44% of households living in the BMUA were estimated to have a gross annual income of less than £20,000 in 2007/8. For benefit units, which effectively separate out complex households into separate units, the proportion was even higher at just under 56%. At the other end of the spectrum some 13.5% of households have an income of £50,000 or more.

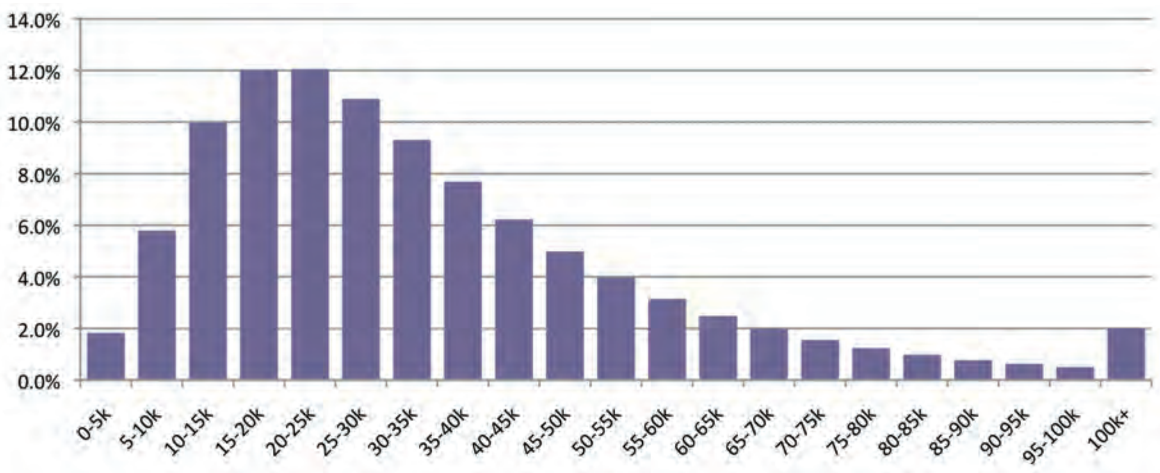
Table A3.1: Total annual income for the BMUA Area, 2007/8

Income Bands £	Number of households		Number of Benefit units	
	Thousands	%	Thousands	%
Under £10,000	35.0	15.6	71.5	25.2
£10,000- £19,999	63.0	28.0	86.9	30.7
£20,000- £29,999	38.1	16.9	47.9	16.9
£30,000-£39,,999	36.1	16.1	36.8	13.0
£40,000-£49,999	22.1	9.8	18.3	6.5
£50,000 and above	30.3	13.5	22.1	7.8
BMUA	224.8	100.0	283.5	100.0

Source: Family Resources Survey NI, 2007/08
NOTE: this is the latest FRS data available

Figure A 3.1 shows the distribution of households in the BMUA across the £5,000 bands of household income according to CACI Paycheck in 2009. Only approximately 30% of households are recorded as having gross incomes of less than £20,000. Most households have a gross income in the range from £10,000 to £40,000. Almost 20% of households had an income greater than £500,000 per annum.

Figure A3.1: Distribution of gross annual income, 2009

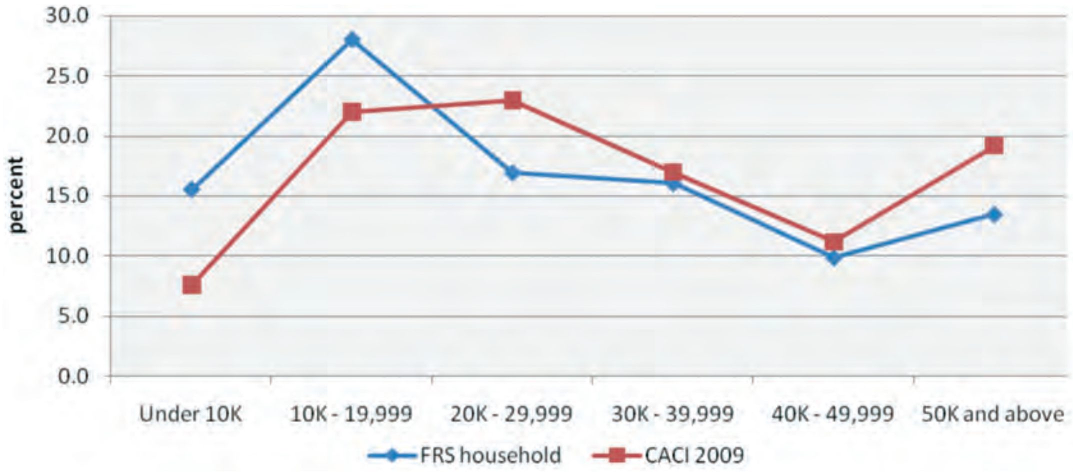


Source: CACI Paycheck 2009

Figure A3.2 compares the FRS 2007/8 gross income with the equivalent CACI Paycheck for 2009. It shows:

- CACI incomes are generally higher than those reported through the FRS but this is expected given the FRS data is now somewhat dated.
- In both datasets just over 60% of households are estimated to have a gross income of between £10,000 and £40,000.
- Relative to the FRS, the CACI suggests that a much lower proportion of households have a gross income of under £10,000 This difference cannot be explained solely be reference to the time lag in respect of the FRS
- CACI suggests a higher proportion have a gross income in excess of £50,000, although the gap is much less that at the lower end of the income distribution.

Figure A3.2: Comparison of FRS and CACI distribution of gross annual income, BMUA



Source: FRS 2007/8 and CACI PayCheck 2009

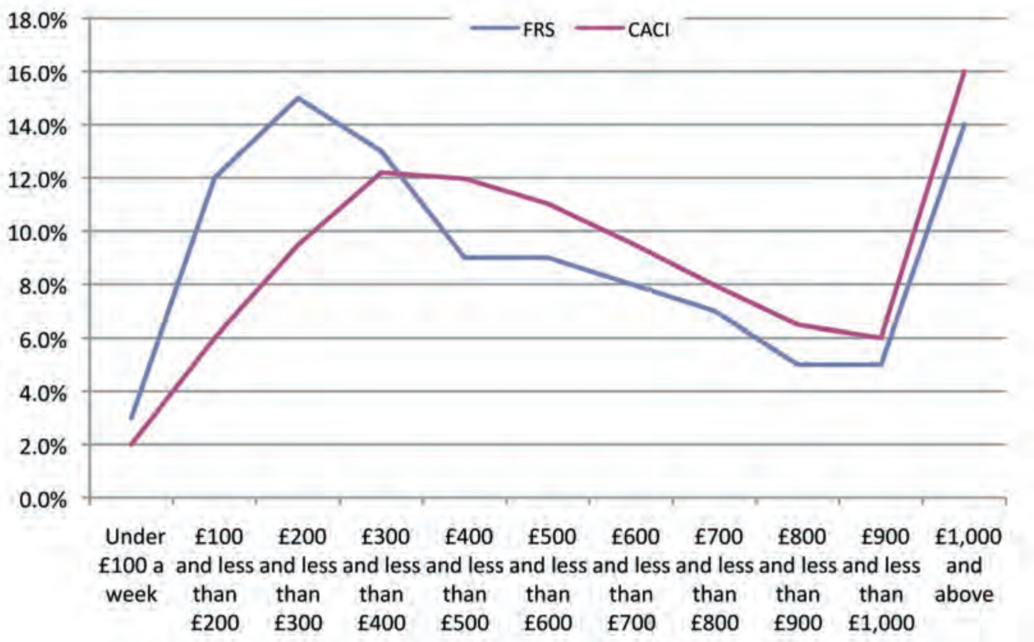
There are several possible reasons why FRS and CACI are not more closely aligned:

- The term household applied by CACI is intended to be consistent with the Census but it probably relates to all adults living at the same address. In the BMUA and the rest of Northern Ireland, where there is an above UK average proportion of large adult households, this will tend to boost gross household income. As comparisons between the FRS household and benefit unit income distributions illustrate, the 'measurement' unit adopted has a clear impact of the observed income distributions.
- There are difficulties collecting savings and investment information through household surveys, including the FRS. These are sensitive issues for some respondents and non-response or misreporting of these income components may be significant.
- A possible weakness of the CACI model is over-reliance on geo-demographic classification, but we any such limitation would be smoothed out for a large urban area such as the BMUA.
- ONS and others have observed that the FRS is known to under-report receipt of state benefits when compared with administrative data on benefits. This is partly because benefit take up can vary between different population groups and between localities, which is difficult to allow for the process of FRS income imputation.

- In contrast, CACI seeks to allow for state benefit and tax credit transfers by ascribing similar gross incomes to households dependent on state benefits regardless of location and whether benefits are claimed. This would have the affect of 'smoothing out' the lower end of the income distribution.

Figures A3.3 compares FRS and CACI PayCheck findings for Northern Ireland. It supports the view that the CACI model most likely involves 'smoothing' which may flatten out some of the extremes on the ground.

Figure A3.3: Comparison of FRS and CACI gross annual income distribution, Northern Ireland



Source: FRS 2007/8 and CACI PayCheck 2009

Overall conclusions

The shortcomings of CACI should not be denied, but nor should they be over-played. Overall:

- Because of the size of the underlying dataset, CACI PayCheck estimates are a useful and readily accessible source of data on income distributions and certainly provide a more realistic view of household incomes than averaged data or reliance on national survey data alone.
- This source of data should provide a useful insight into the distribution of incomes and variations in come across the Belfast Metropolitan HMA , especially down to sub-market and LGD level.
- CACI PayCheck may not, however, be of sufficient quality to provide precise estimates of the gross household incomes for smaller geographic areas that are sparsely populated.

appendix 4: changes in households and occupied stock numbers for 2001-8

Introduction

Household projections are estimates of the future number of households based on assumptions about the future population growth, household composition and size based on past trends. In summer 2010 the latest available NISRA household projections were 2006 based. These household projections were therefore shaped by trends prior to 2005. As NISRA (2008c) stress:

> "While these household projections will contribute to the assessment of future housing demand in Northern Ireland, they are only one element in this process and their limitations should be fully recognised. The projections are trend-based and only demonstrate what will happen to future household numbers if past household formation trends continue and if the latest population projections hold true" (page 4)

NISRA also caution that LGD level figures are less robust than those produced for Northern Ireland or large regional areas. An important dimension of local housing system analysis is therefore to explore whether household projections fit particular local circumstances and local events.

In the case of the Belfast Metropolitan HMA, it was determine if the housing market boom in the Belfast Metropolitan HMA in the period up to and including 2007 may have given rise to a situation where the household projections had become out of date. At the same time, the research team wanted to explore whether other data sources might shed light on recent developments in terms of the numbers of households resident within the Belfast Metropolitan HMA and the movement patterns of households across the Belfast Metropolitan HMA.

The purpose of this appendix is therefore to set out the analysis undertaken to investigate this matter. It considers the extent to which recent housing system dynamics are likely to explain the apparent divergence between the projected annual numbers of households at the local level and the numbers of occupied dwellings.

The analysis presented below led to the conclusion that at the Northern Ireland level the direction and scale of changes suggested by the NISRA household projections in the period from 2001 to 2008 appear to be broadly consistent with evidence on changes in the numbers of occupied stock and other evidence. This appeared to be the case in respect of the Belfast Metropolitan HMA as a whole. By contrast, disparities between household projections and occupied stock estimates at the sub-market area could not be explained by measurement errors alone and that that some of the disparity reflected housing market and economic developments that occurred in the 5-year period to 2008.

Relationship between projected household and occupied dwelling counts

As table A4.1 shows, in the period from 2001 to 2008, NISRA household projections have tended to outstrip the numbers of occupied stock. There are several reasons why the numbers of occupied dwellings and the projected numbers of households rarely match:

Table A 4.1: Northern Ireland occupied stock and projected household numbers, 2001-9

Year	Occupied Stock	NISRA household projection	Occupied stock as a % of households
2001	620,000	628,500	99
2002	633,200	637,000	99
2003	642,500	645,000	100
2004	653,200	652,900	100
2005	662,600	660,700	100
2006	667,700	672,600	99
2007	664,400	684,300	97
2008	676,500	693,300	98

- A proportion of households share their home or dwelling with another household. At the national and regional level this proportion can range from 0.5% to 1%.
- The household projections are derived from household propensity rates applied to NISRA mid-year population estimates. The projected numbers are therefore not direct estimates of the number of households in a given year and nor are they designed to forecast year-to-year fluctuations.
- The Rates Collection Agency(RCA) stock dataset used by DSD and NISRA to prepare total, occupied and vacant dwelling counts may be incomplete. It may under-report conversions. There may also be a lag between the time a dwelling is completed and when it appears on the RCS dataset used to compile dwelling estimates.
- The household projections and occupied dwelling count cover slightly different periods. The RCA stock dataset[51] reports stock figures for 31 March each year whereas projections relate to mid year (June).
- Private landlords that enter into an agreement with Land and Property Services to pay the total rates liability for all their properties (regardless of occupancy) by 30 September receive a 15% discount. As there is no financial incentive to do so, some landlords may not report the extent to which their stock is occupied or vacant.

In short, there is no simple one to one relationship between households and occupied dwellings in any given year. Nonetheless:

- Over time it is customary to expect to see a relatively close relationship between the two variables. There is no hard and fast rule, but as a rule of thumb these numbers would usually be expected to be within 1 or possibly 2 percentage points of each other.
- Annual occupied stock figures have the advantage that they are less likely to 'drift' between each Census. This is because they are updated annually and do not rely on assumptions based on the changes between the 1991 and 2001 Census.

[51] The data on the dwelling stock comes from 'Land & Property Services (LPS), which was formerly the Rates Collection Agency and is a snapshot of occupied stock at 31st March (from 2002 onwards). The dataset is still referred to as the RCA stock dataset by NISRA.

Projected household growth and annual occupied dwelling count compared

Occupied stock to projected household ratio

Table A4.2 compares the rates of occupied stock to projected households for Northern Ireland, and the Belfast Metropolitan HMA for 2001 to 2008. It also reports the comparable ratios for the 7 sub-markets in the Belfast Metropolitan HMA. These findings suggest that:

- Although subject to annual fluctuation, the occupied stock numbers to projected household numbers ratios for the Belfast Metropolitan HMA and for Northern Ireland have changed little. Thus it appears that the gap between the numbers of occupied dwellings and the projected numbers of households has not widened to any significant extent.
- There has also been no substantive change in the gap between the count of occupied dwellings and the projected numbers of households in Lisburn, North Down and South Antrim and to a lesser extent East Antrim.
- Greater Belfast has seen a substantial change in this ratio. There appears to have been some widening of the gap between the count of occupied dwellings and the projected household count in the Down and Ards Peninsula sub-markets, although the small population of Ards means this measure may simply reflect data errors.

Looking more closely at Greater Belfast:

- From 2001 to 2005 the projected numbers of households living in Greater Belfast exceeded the occupied stock count. For example, in 2001 there were 206,800 households in Greater Belfast compared to 203,300 occupied dwellings. A similar picture was evident for Belfast LGD, which had a household population of 113,900 and 111,600 occupied dwellings.
- Since 2006 the projected household count has fallen below the count of occupied stock. In 2008, the NISRA projections indicated that some 213,000 households lived in Greater Belfast of which 115,400 lived in Belfast LGD. By contrast RCA estimates indicate there were 215,000 occupied dwellings in Greater Belfast, including 118,600 occupied dwellings in Belfast LGD (which was 4% higher than the household count).

Table A 4.2: Occupied stock as a % of households across the Belfast Metropolitan HMA 2001-9

Year	Northern Ireland	Belfast Metropolitan HMA	Greater Belfast	Ards Peninsula	Down	East Antrim	Lisburn	North Down	South Antrim
2001	99%	98%	98%	100%	100%	100%	97%	98%	97%
2002	99%	99%	99%	100%	100%	100%	98%	98%	98%
2003	100%	99%	100%	99%	101%	101%	98%	98%	98%
2004	100%	100%	100%	98%	101%	101%	98%	97%	98%
2005	100%	100%	100%	98%	102%	100%	98%	97%	98%
2006	99%	100%	101%	98%	99%	100%	97%	97%	97%
2007	97%	98%	100%	96%	96%	99%	95%	96%	95%
2008	98%	99%	102.5%	96%	96%	98%	96%	97%	96%

Source: NISRA (2008) household projections and NISRA (DSD) ward level occupied stock estimates published on NINIS aggregated up to selected geographies. Figures for 2007 should be treated with caution as there appears to be some under-reporting of occupied stock in some wards.

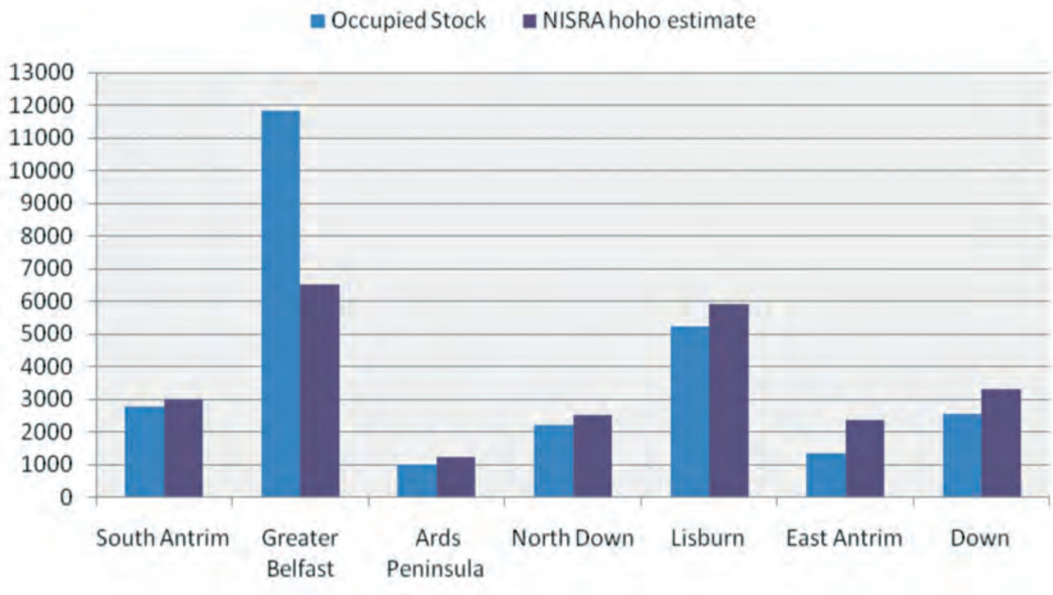
Rate of change in projected household numbers and occupied dwelling count

A related issue is the rate of growth in the projected numbers of households relative to the reported rate of growth in the numbers of occupied dwellings.

Between 2001 and 2008 the numbers of occupied dwellings in Northern Ireland increased by 9% whilst the projected numbers of households increased by 10%. As expected, the rate of growth in the Belfast Metropolitan HMA has been lower in respect of both the numbers of occupied dwellings (8%) and the projected numbers of households (7%). However, there has been more marked variation at the sub-market level. As figure A4.1 shows over this period:

- The numbers of occupied dwellings in Greater Belfast have increased at a greater rate than projected household numbers. We estimate that the occupied stock increased by some 6% whereas NISRA projected households increased by 3%.
- In Down, East Antrim and Ards Peninsula projected household growth has exceeded the rate of growth in the numbers of occupied dwellings. Some of this difference may reflect 'noise' in the data, especially in the case of Ards Peninsula. In the case of East Antrim it appears that the change in households projected for Carrickfergus has been greater than the recorded growth in occupied stock.
- In Lisburn, North Down and South Antrim the difference between the rate of projected household growth and the rate of growth in the numbers of occupied dwellings has generally been in line with the national trend.

Figure A4.1: increase in occupied dwellings and projected household numbers, 2001-8



Relationship between occupied and vacant stock

The above discussion has implicitly assumed that 'measurement errors' are likely to have occurred on the demand side; i.e, that the household projections are not wholly representative of recent trends.

However, it is also useful to consider the extent to which it is possible that in fact there has been an over estimatation of occupied dwellings.

The RCA dataset which records total stock is sub-divided into vacant stock and occupied stock prior to release. It is possible that the count of occupied dwellings somewhat overstated and the count of vacant dwellings is somewhat understated. In particular, it may be that not all transitional vacancies[52] that arise as part of the process of households moving from one dwelling to another have been allowed for.

More generally, lags in the reporting of empty dwellings tend to be greatest in urban areas with high turnover and areas with a high proportion of private renting.

On the other hand it is difficult to see how any such measurement difficulties could fully account for the scale of divergence between the occupied dwelling count and the projected household count detailed above in respect of the Greater Belfast. This is because:

- The numbers of vacant properties in Greater Belfast fell in the period from 2000 to 2004, which is consistent with trends in cities elsewhere in the UK. It therefore seems probable that housing market conditions and the increase in property transactions exerted a downward pressure on vacancies. Nonetheless throughout this period the numbers of projected households continued to exceed the numbers of occupied stock, although the gap reduced.
- Between 2005 and 2008 the increase in the numbers of occupied dwellings was accompanied by an increase in the number of vacant properties. This is consistent with local perceptions that a sizeable share of new constructed dwellings and other dwellings purchased primarily as an investment vehicle were left unoccupied.
- The vacancy rate would need to increase to over 6% in Greater Belfast (and to almost 9% in Belfast LGD) to bring occupied stock estimates and projected household numbers back into alignment. To put this in context, over the past 15 years the annual vacancy rate has fluctuated between 3.5% and 4.5% aside from 2007 and 2008 when it increased to 5.5%.

It is also doubtful that occupied stock measurement difficulties would fully explain the divergence between the projected household count and the growth in occupied dwellings for Down and Ards Peninsula. In these sub-markets the issue is whether there is an under-count of occupied dwellings. Looking at each case in turn:

- In the Down sub-market, the vacancy rate would need to fall to 2% to bring the count of occupied stock and household projections for 2008 into alignment. In a largely rural area this seems improbable, as it would require vacancy rates to be 3% to 4% below the historical trend for this area.
- In the Ards Peninsula area the vacancy rate would need to fall to 4.5%, which is 2% below the lowest rate reported at any point in the past decade.

Overall it would seem that household estimates based solely on the numbers of occupied dwellings are subject to some degree of uncertainty. Notwithstanding this, possible measure problems could not explain away the 'gap' between occupied household counts and the projected household numbers for Greater Belfast and Down.

[52] A property is only classed as vacant for rate purposes if it is unoccupied, unfurnished and not used for storage. To be deemed devoid of furniture all furniture not permanently attached to a wall, floor or roof must be removed and remaining "white" (kitchen) goods must not be connected.

Housing market dynamics

Greater Belfast

On balance we judge that in the case of Greater Belfast recent increases in the numbers of occupied dwellings from 2004/5 to 2008/9 provides a better indication of recent demographic developments than the household projections. There are several reasons why the actual numbers of households living in Greater Belfast has increased at a higher rate than NISRA 2006 projections assumed:

- As discussed in chapter 4, the 2008 NISRA population estimates confirm that internal and external migration to Greater Belfast has been higher than the 2006-based demographic projections allowed for[53].
- In-migrants typically add to the household population as opposed to the communal establishment population. Consequently the proportion of the population living in a communal establishment will fall over time. In-migration in recent years has no doubt eroded the accuracy of the 'proportionate method' that NISRA apply to estimate the communal population.
- Likewise, care in the community policies have probably reduced the numbers of people remaining in or moving to communal establishments. In 2001 Greater Belfast was home to almost 59% of Northern Ireland's communal population. The decline in the numbers and proportion of people living in communal establishments is likely to have had a much bigger impact on household formation and household growth in this sub-market than the rest of Northern Ireland.

Another important factor has been the expansion of the private rental market in Greater Belfast. As discussed in chapter 6, this expanding sector has provided a practical housing solution not just for higher income households seeking an alternative to owner-occupation, but also for lower income households looking for an alternative to social renting. Estimates suggest that as many as 2 out of 5 private rented tenants are in receipt of Housing Benefit, which is very high relative to elsewhere in the UK (NIHE, 2009).

Even assuming the population base had remained unchanged, this increased supply is likely to have made it easier for younger households to form new households. This, alongside the increase in student numbers, suggests that rates of household formation and the propensity to form 1 to 3 person households in Greater Belfast is likely to have been higher than the Northern Ireland wide household propensity rates for assume.

Down, Ards Peninsula and East Antrim

In contrast it seems possible that these three areas have experienced lower rates of household growth than NISRA projections allowed for. As discussed in chapter 4, the NISRA 2008-based population estimates confirm that population growth in East Antrim and Down sub-market areas have been lower than NISRA previously projected.

Another and perhaps more important factor has been affordability constraints in the local owner occupied market and an insufficient supply of alternative private or social rented housing options. Other things being equal this would appear to have led young adults that have not already formed separate households to delay forming a new household. It is therefore likely that household formation, especially amongst adults under the age of 30 years has been more constrained in these local markets than the Northern Ireland wide household propensity rates assume.

[53] In the case of internal migration, the CHI tends to under-report the inflow of young adults moving to Greater Belfast to pursue higher education or employment opportunities. More specifically, the CHI tends to under-estimate internal migration flows of certain sections of the population, particularly young male adults who often do not register with a GP and some students who leave home but choose to remain with the family doctor.

In other words, the 2006-based household projections appear to have over-estimated the rate of household formation and household growth, at least in the short to medium term, in all 3 sub-market areas.

Other HMAs

It should be noted that some of the housing market areas in the south and west of Northern Ireland also appear to have experienced lower rates of household growth than NISRA projected. This includes Dungannon HMA and Newry HMA.

Aside from possible affordability constraints, in areas where population growth has been strongly influenced by net-international migration, the application of Northern Ireland wide household propensity rates may tend to over-estimate the rate of household growth, at least in the short to medium term. This is because inward migrants from overseas tend to live initially in large households (i.e. low household formation rates) but over time adopt household formation patterns that are similar to the indigenous population.

Conclusion

NISRA's annual population estimates confirm that the growth in the number of people in the Belfast Metropolitan HMA from 2001 to 2008 have been greater than projected, especially since 2004.

This undercount is judged very unlikely to have had a significant bearing on the reliability of the general scale and direction of trends in the population and household growth at the Belfast Metropolitan HMA level over this period.

At the sub-market level, it appears that the projected numbers of households living in Greater Belfast may have been understated, whilst those in the East Antrim, Down and possibly Ards Peninsula sub-market areas may have been overstated. It is likely that this situation has been influenced by a combination of inter-linking factors but:

- Recent migration patterns and a decline in the communal population have added to the household population in Greater Belfast from which new households form.
- Recent housing market dynamics, including the extent to which the expansion of private renting has provided a realistic alternative to owner occupation and social renting in the local area has resulted in some variation in household formation rates across the different sub-market areas.

Deviations from the long-run trends built into the NISRA demographic projections appear to have been shaped by recent local housing market dynamics and not measurement errors.

August 2011

Housing Executive

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