

# Housing Market Analysis

Mid Ulster Housing Market Area

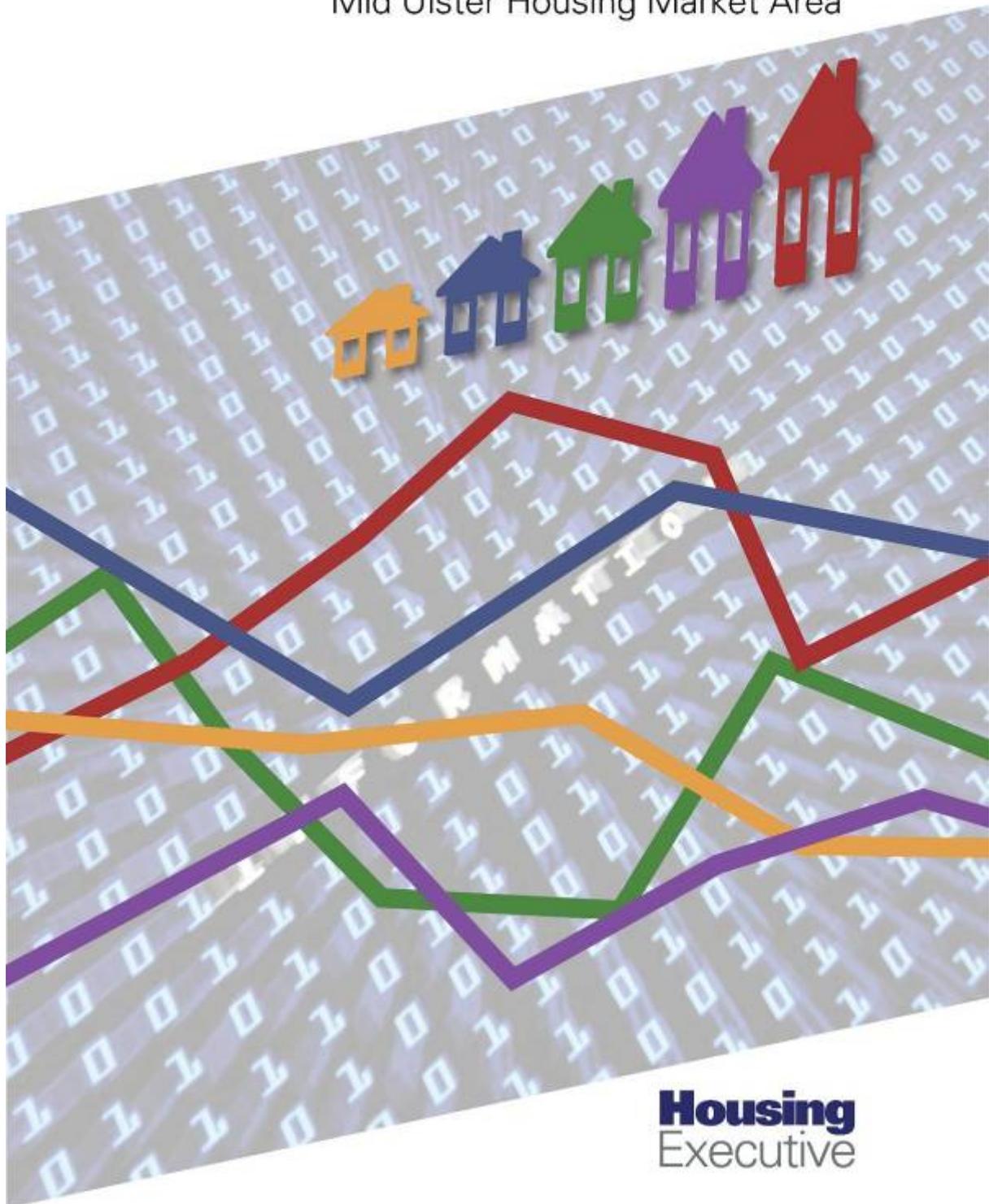


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We would like to extend our thanks and gratitude to the organisations, and individuals who contributed to the production of this document.

**Abbreviations**

Mid Ulster HMA	Mid Ulster Housing Market Area
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
PRS	Private Rented Sector

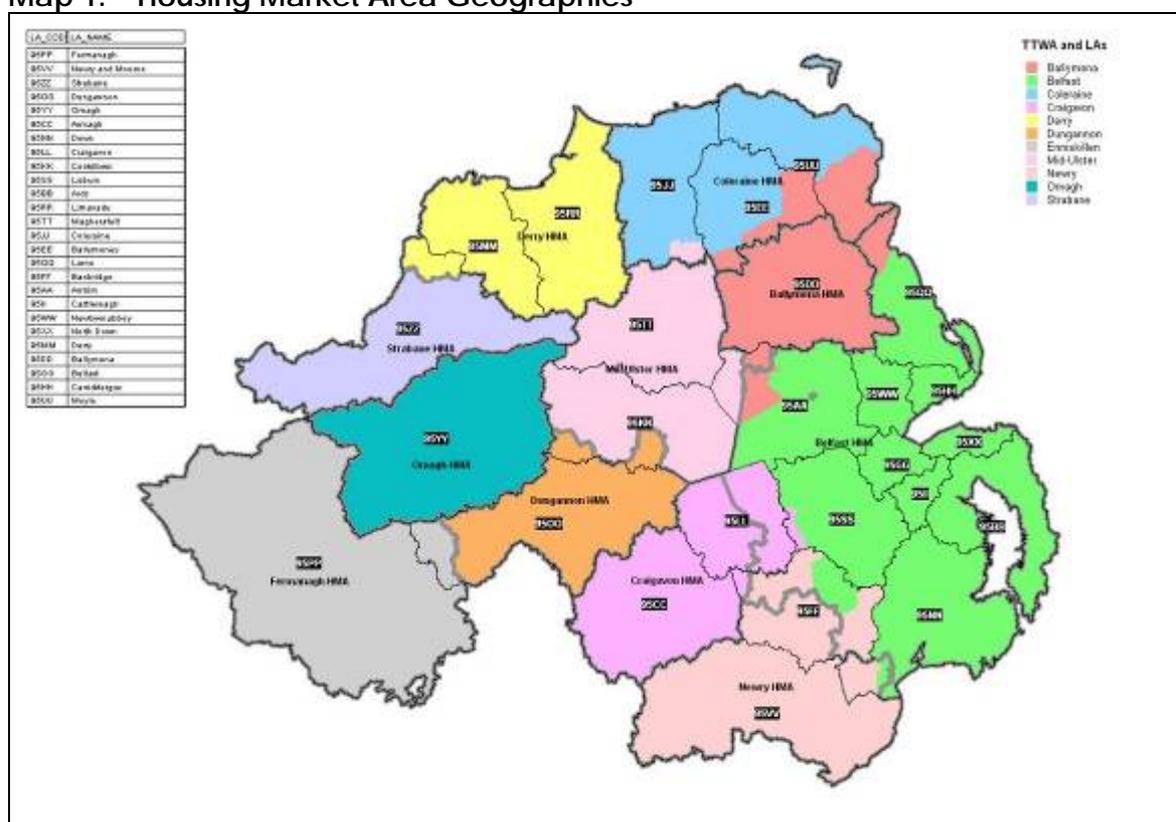


## PREFACE

In Northern Ireland, as elsewhere in the UK, planning for housing provision takes account of a range of housing market dynamics and policies in order to address the full range of housing demand and need.

In line with the 2007 DCLG published guidance on the Strategic Housing Market Assessment methodologies the Housing Executive has embarked on a programme of Housing Market Analysis in NI. Our initial Housing Market Analysis research (2009) established eleven functional housing market geographies in NI (See Map 1).

**Map 1: Housing Market Area Geographies**



In March 2011, a Belfast Metropolitan Housing Market Analysis pilot was concluded. It is planned to deliver a two year Housing Market Analysis programme (2011/12 – 2012/13) on the remaining 10 Housing Market Areas (HMAs), subject to available resources, see following table.

**Housing Market Areas**

Year 1 (2011/12)	Year 2 (2012/13)
Mid Ulster Housing Market Analysis	Omagh Housing Market Analysis
Ballymena Housing Market Analysis	Causeway Housing Market Analysis
Fermanagh Housing Market Analysis	Dungannon Housing Market Analysis
Newry Housing Market Analysis	Craigavon Housing Market Analysis
North West Housing Market Analysis	Strabane Housing Market Analysis

Two common themes run through Housing Market Analysis:

- The need to base local housing analysis on functional market areas that have some intrinsic rationale rather than simply on the basis of administrative boundaries;
- The need to integrate analysis of housing need with a more general investigation on how housing markets work. This should be based on a more accurate and fuller understanding of consumer choice and the impact of and market responses to economic investment.

The Housing Executive believes that Housing Market Analysis is an important planning tool for housing development. It demonstrates an understanding of current housing market trends and identifies potential future imbalances in the NI housing market. Housing Market Analysis Reports will provide a more detailed and rigorous inter-tenure analysis of the housing market to complement our housing need assessment.



## METHODOLOGY

### Study Aims and Objectives

The aim of this study is to:

- Produce a local housing system analysis (LHSA) for the Mid Ulster Housing Market Area (HMA), identified through a previous commission (Young et al, 2010).

Within these overall aims, the specific objectives were to:

- Undertake a data audit of the key economic, demographic and housing data for the Mid Ulster HMA;
- Provide a broad indication of the main housing sub-divisions within the Mid Ulster HMA;
- Conduct data analysis to establish the current position of the Mid Ulster HMA and likely future trends.

### Report structure

This report shows the findings from an analysis of the local housing system for the Mid Ulster HMA. The report is structured as follows:

- Section 1 summarizes the geography of the Mid Ulster HMA;
- Section 2 considers economic and demographic trends and their significance for the Mid Ulster HMA;
- Sections 3 to 5 consider each of the main tenures within the housing system;
- Section 6 evaluates the available evidence and identifies the key system imbalances facing the Mid Ulster HMA, including unmet housing need;
- The Appendices contain further details of information relating to that which is used in Mid Ulster HMA. In addition it presents the wider policy and planning context within which the Mid Ulster HMA operates and a Northern Ireland context.

This report is intended to provide a housing market wide understanding of the operation of the housing system. This report is therefore not sensitive to imbalances that can arise at a neighbourhood level or local rural areas.

This study relies primarily on secondary data sources. Some of these were supplied by the housing executive, including waiting list and stock data, and the Northern Ireland House Condition Survey (HCS). Summary house price evidence was 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 Northern Ireland Statistics and Research Agency (NISRA), especially statistics published through its neighbourhood information service website (NINIS).

The study team gleaned additional qualitative information through interviews with key players in the housing market including Estate and Letting agents and Housing Executive District Office staff.

The basic spatial building block employed for this study was the ward, which is the basis on which the Mid Ulster HMA has been defined. In most cases housing market and sub-geography totals are based on aggregated ward data. Time lags in the publication of data mean that some of the analysis is less timely than we would have hoped.

### **Delineating the Spatial Structure of the Mid Ulster HMA**

In order to analyse a housing market area, a vital first step is to define the spatial extent and structure of the HMA.

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 HMA 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 an HMA 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 HMA 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 divisions within a housing market area

The design, quality, tenure and characteristics of the housing stock vary across an HMA. 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 an HMA as a tiered entity where different spatial areas nest into each other such that:

**Housing market area:** A HMA 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.

Some parts of the Mid Ulster 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 the blockages that prevent households that live 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 more or less 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 Housing Market Analysis is not a 'one-size-fits-all' approach. The scale and complexity of the Mid Ulster HMA has highlighted the need to be clear about the spatial level at which different issues can be explored and to ensure analysis at different spatial scales are interlinked and flow from one to the other.

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 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

## EXECUTIVE SUMMARY

### Background

In recent years, the Northern Ireland housing market has faced severe problems of affordability and rising housing pressure, followed by a systemic crisis in the global financial system and an associated slow down in the local economy. It is essential that housing planners understand what is going on in the housing market, distinguish long-term trends from short-term changes, and better grasp the significance of the major challenges confronting the housing system. This is what Local Housing Systems Analysis (LHSA) attempts to do. This report is an examination of the housing system in Mid Ulster Housing Market Area.

### What is Local Housing Systems Analysis?

Local housing systems analysis is a framework for collecting, analysing and interpreting evidence across a well-defined spatial housing system. 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 information gaps. 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 area level;
- Analysis of the internal structure and dynamics of the housing system involves looking at current and anticipated trends within and between the three main tenures;
- The evidence collected should be able to allow planners to conduct an 'imbalance' assessment of the key problems facing their housing system.

### The Mid Ulster Housing Market Area

The Mid Ulster HMA extends across Magherafelt LGD, a large portion of Cookstown LGD and includes a small area of Antrim LGD. Magherafelt town is the main settlement within Mid Ulster HMA.

### HMA Findings

- The Mid Ulster housing market area, like many other areas in Northern Ireland and Great Britain, has experienced considerable change over the past 10 to 15 years. Growth in the owner occupied and private rented sectors, affordability pressures and growth in social housing need despite the decline in the number of social housing stock. The credit crunch in 2007/08 resulted in a substantial slow down in house building, lower house prices and lending restrictions, further growth in the private rented sector and the prospect of a fragile housing market for the foreseeable future;

## Housing Market Analysis

### Mid Ulster Housing Market Area



- The Mid Ulster HMA population percentage increase (10%) was almost twice that for Northern Ireland between 2001 and 2008. The population of Mid Ulster HMA is projected to increase 14% between 2010 and 2023. This is significantly higher than the projected rate for Northern Ireland (8%) as a whole;
- The number of households in the Mid Ulster HMA increased by 18% between 2001 and 2010, almost twice the rate of the population growth. Around 72% of households were recorded as living in Mid Ulster Rural and 28% within Mid Ulster Urban. The growth in households was much greater in the Mid Ulster Rural area.
- Whilst the number of new migrants moving into Mid Ulster HMA has declined significantly, the numbers settling in the area is gradually rising. This is demonstrated by the growing number of applications from migrants on the Common Waiting list;
- Household growth was supported by the continuing trend towards the formation of one and two person households and an increased life expectancy, which has seen growing numbers of older households remain in their homes for longer;
- The underlying economic conditions required to regenerate the housing market are not yet in place and may not be so for a considerable period. While the public sector could have a role in stimulating the housing market, this will only have a limited effect due to expenditure cuts applied by government. Indeed job growth in the region is likely to be slow over the next ten years and will restrict future household growth;
- In terms of new house building the Mid Ulster HMA has only reached half of the policy intent set out in the RDS – Shaping Our Future. The average of 27 units per 1,000 households per annum has fallen to 19 post 2007. This would suggest that the fragile state of the housing market will continue to constrain household formation in the Mid Ulster HMA in the years ahead.
- In the decade to 2007, a significant feature of the housing market in the Mid Ulster HMA was increasing affordable housing pressures, which prevented households from gaining entry into the owner occupied sector. During this period, the Mid Ulster HMA experienced a period of sharp house price rises, which increased more rapidly than household earnings and incomes. In 2007, Mid Ulster (£247,121) had a higher average house price than that for Northern Ireland (£233,415);
- The price spike that occurred between 2005 and 2007 and believed to have been driven in part by speculator and investor activity appears to be more of a Greater Belfast phenomenon, having only a limited impact on the Mid Ulster HMA;
- Falling house prices have improved affordability as house price to income ratios have subdued. By 2010, the average house price in the Mid Ulster had reduced to £136,653; considerably lower than the Northern Ireland average house price (£158,421). However, this has been offset by tighter lending criteria which has made it difficult for potential first time buyers to raise the necessary deposits and mortgage finance. Consumer confidence in the housing market therefore, remains low;
- Lord Best's Commission on the Future for Housing in Northern Ireland has pointed to the possibility of introducing new forms of intermediate housing products to

address the need for affordable housing, particularly for first time buyers. We estimate that approximately 2,500 to 4,500 households under 40 years of age could benefit from intermediate housing in the Mid Ulster HMA.

- Following the crash in the housing market in 2007, many of the newly built dwellings in Northern Ireland, developed originally for owner occupation, entered the private rented sector. This trend was supported by the 58% rise in private housing benefit claimants between 2007 and 2011. Despite this additional supply, letting agents report that demand continues to substantially outstrip availability;
- At 2011, there were 33 registered HMOs in the Mid Ulster HMA, most of which were located in Magherafelt and Cookstown;
- There is consistent demand for social housing within Mid Ulster HMA. The 2011 social housing need assessment identified a five-year need of approximately 217 units for Mid Ulster. In addition, it is anticipated that the levels of new applicants and those in housing stress will rise further if the supply of private renting fails to meet affordable demand and if government funding for further new build social housing continues to be constrained;
- Welfare reforms have potential for far-reaching effects on the demand and supply of affordable housing and the type of affordable housing. Single tenants in the private sector under 35 years of age are already beginning to experience a reduced level of housing benefit if they are not living in shared accommodation. For social housing, the reduced housing benefit for working age tenants under-occupying a property will apply from 2013

## Future Challenges

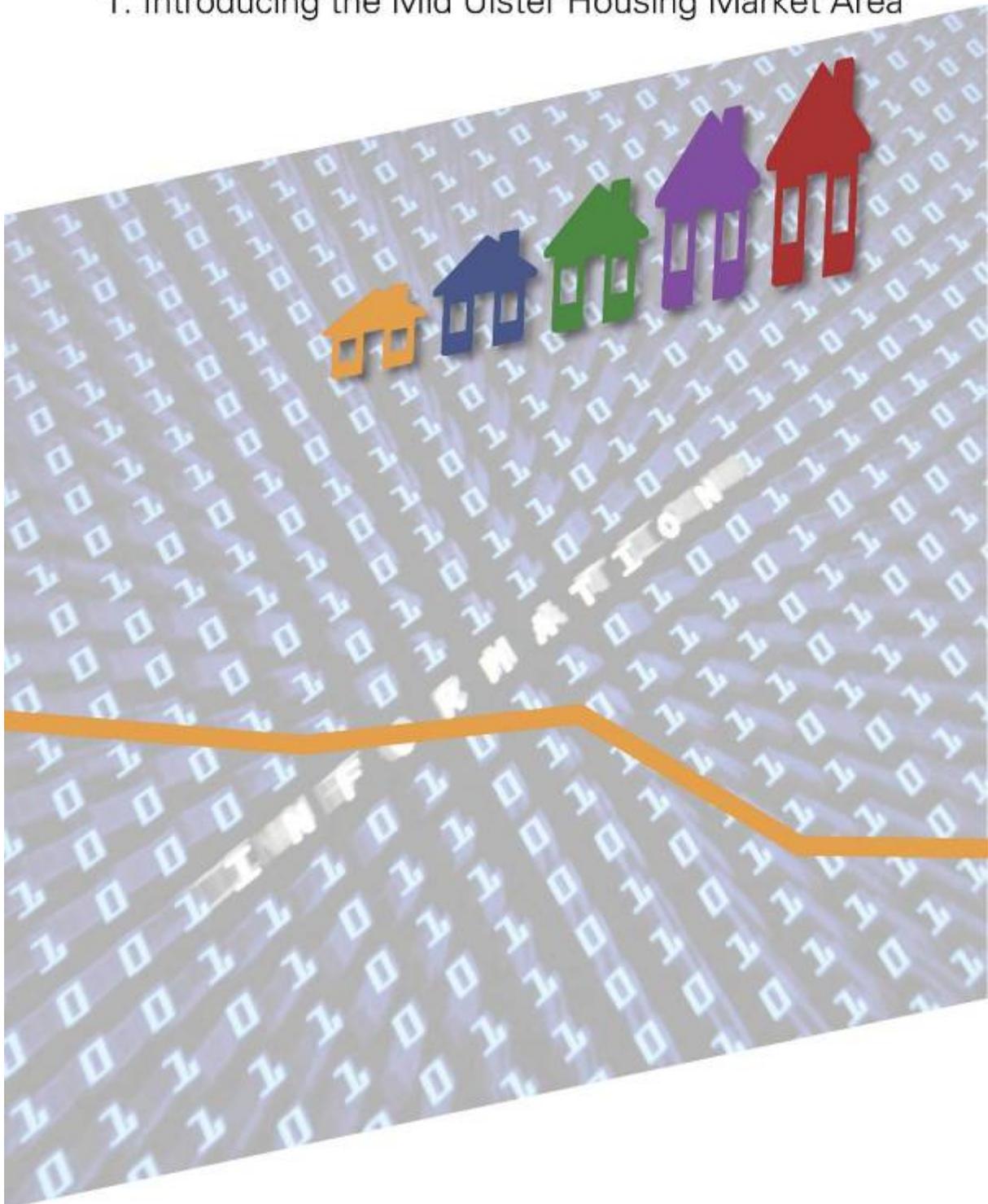
- The long-term challenges for the Northern Ireland and Mid Ulster HMA housing markets are tied to economic performance and job creation. The Northern Ireland Assembly's highest priority is to grow the private sector economy through exports. However, because of the high levels of debt across European economies, we should expect at least a decade of subdued growth. In addition, ongoing public sector cuts are likely to affect the Northern Ireland economy adversely, resulting in higher levels of unemployment;
- Depressed economic conditions will restrict the recovery of the housing market and suppress household growth. Expenditure cuts have already resulted in reduced spending on new social housing. Housing need in the Mid Ulster HMA is therefore likely to grow under the current financial regime and economic climate;
- The draft Revised Regional Development Strategy (DRD, 2011) indicates a requirement for 8,300 new houses in Cookstown and Magherafelt LGDs over the 17 years from 2008 to 2025. This equates to an average of some 490 units per annum, which is lower than the 2006-based figure. The accuracy of these long-range household projections will require careful monitoring, particularly under the existing and projected mid term economic conditions;
- Despite falling house prices, affordability will continue to face first time buyers in the short to medium term due to lending restrictions. Intermediate home ownership may address this issue on a larger scale than has hitherto been the



case. Further research/pilot schemes could establish the viability of proactively building homes for the intermediate home ownership market.

- Housing experts believe the recent growth of the private rented sector will be a long-term phenomenon for Northern Ireland. A key challenge for the longer term involves looking at ways to support the private rented sector in the Mid-Ulster HMA, particularly in meeting the demand for affordable rented accommodation. It is clear that considerable additional research is necessary to understand the extent of the PRS at the functional housing market area level;
- There is much debate but little agreement on whether welfare reforms will present a long-term shift in affordable housing form and what impact this may have on local communities. It is unclear if the private rented market will respond by providing alternative suitable accommodation to meet the need for shared living at an affordable rent, particularly as there were only 33 HMOs recorded within the Mid Ulster HMA (10 in Magherafelt LGD and 23 in Cookstown LGD);
- Registered Social Landlords will require being flexible in the use of current social housing stock and allocation policies to react to the affordable needs of existing tenants and new social applicants;
- The level of vacant properties in the Mid Ulster HMA, has been consistently above the Northern Ireland average for the past decade, particularly in the rural areas. Further research is recommended to identify the reason for this.

## 1. Introducing the Mid Ulster Housing Market Area





## 1. Introducing the Mid Ulster Housing Market Area

### The Spatial Boundary of Mid Ulster HMA

The derivation of the Mid Ulster 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)<sup>1</sup>, 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 set of HMA boundaries were also explored through stakeholder discussions.

The Mid Ulster HMA is made up from the LGDs of Cookstown and Magherafelt and is detailed in Map 2. Magherafelt LGD covers an area of 214 square miles in Mid Ulster, spanning the foothills of the Sperrin Mountains and stretching to the Northwest corner of Lough Neagh. Magherafelt is centrally located on the A6, the main transport corridor from Derry to Belfast and on the A29 from Coleraine to Newry. It covers the town of Maghera, the villages of Bellaghy, Castledawson, Draperstown, Tobermore and several smaller settlements.

Cookstown LGD extends from the Sperrin Mountains in the west to the shore of Lough Neagh in the east. The principal town of Cookstown lies at the geographic centre of the district and acts as the primary retail sector for much of Mid Ulster. Cookstown has a strong rural settlement with approximately two thirds of the population living in villages or the countryside. In addition, the Mid Ulster HMA includes Toomebridge which is located within Antrim LGD.

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1 The CHI collects information of residents of Northern Ireland that change GP registration.

**Table 1: Mid Ulster wards**

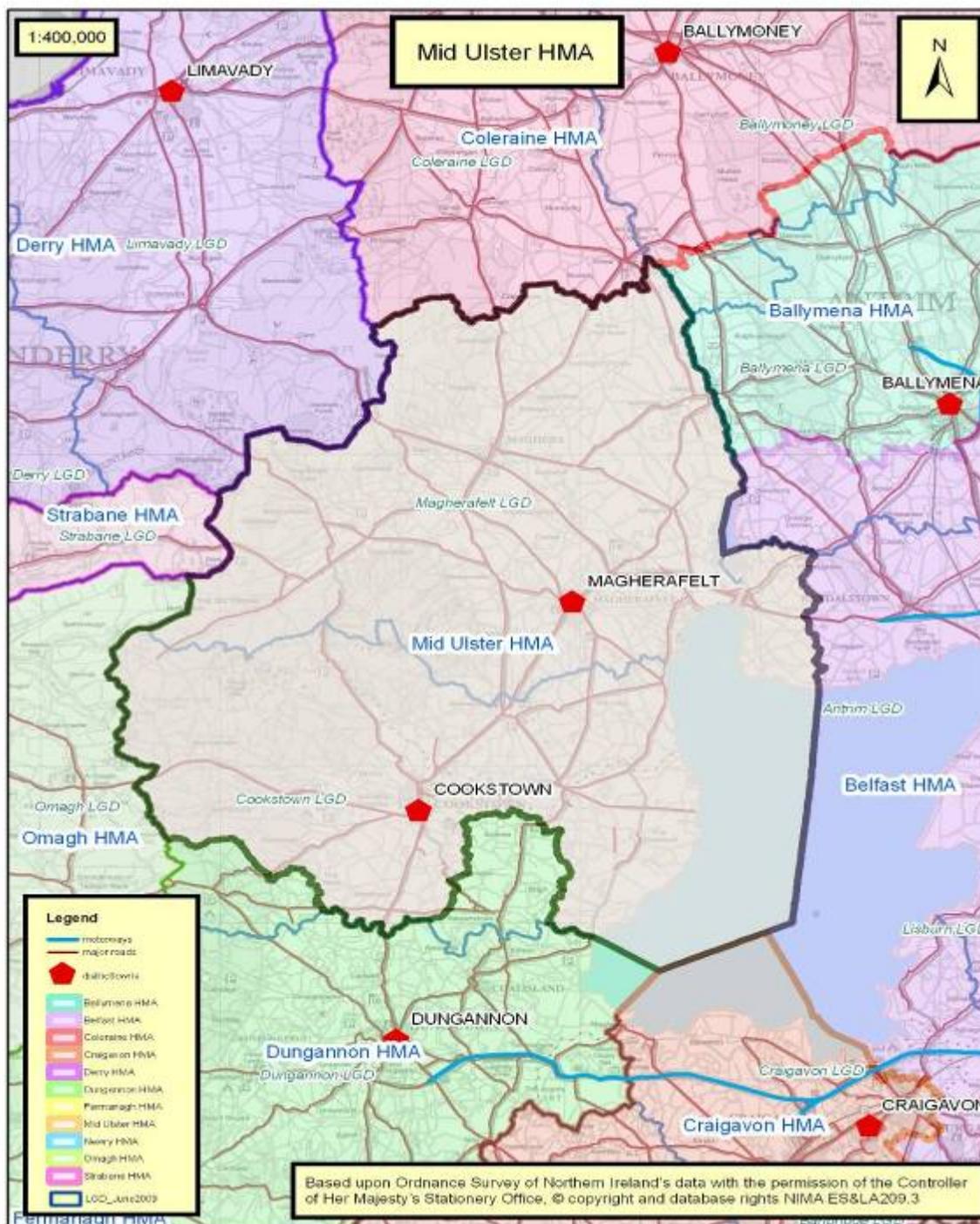
<b>LGD</b>	<b>Housing Market Area</b>	<b>Belfast sub-markets</b>	<b>Ward</b>
Antrim	Mid-Ulster	Mid-Ulster Rural	Toome
Cookstown	Mid-Ulster	Mid-Ulster Rural	Ardboe
	Mid-Ulster	Mid-Ulster Rural	Coagh
	Mid-Ulster	Mid-Ulster Rural	Dunnamore
	Mid-Ulster	Mid-Ulster Rural	Killycolpy
	Mid-Ulster	Mid-Ulster Rural	Lissan
	Mid-Ulster	Mid-Ulster Rural	Moneymore
	Mid-Ulster	Mid-Ulster Rural	Oaklands
	Mid-Ulster	Mid-Ulster Rural	Sandholes
	Mid-Ulster	Mid-Ulster Rural	The Loop
	Mid-Ulster	Mid-Ulster Urban	Gortalowry
	Mid-Ulster	Mid-Ulster Urban	Killymoon
	Mid-Ulster	Mid-Ulster Urban	Newbuildings
	Mid-Ulster	Mid-Ulster Urban	Oldtown
	Mid-Ulster	Mid-Ulster Urban	Tullagh
Magherafelt	Mid-Ulster	Mid-Ulster Rural	Ballymaguigan
	Mid-Ulster	Mid-Ulster Rural	Bellaghy
	Mid-Ulster	Mid-Ulster Rural	Castledawson
	Mid-Ulster	Mid-Ulster Rural	Draperstown
	Mid-Ulster	Mid-Ulster Rural	Gulladuff
	Mid-Ulster	Mid-Ulster Rural	Knockcloghrim
	Mid-Ulster	Mid-Ulster Rural	Locumpher
	Mid-Ulster	Mid-Ulster Rural	Lower Glenshane
	Mid-Ulster	Mid-Ulster Rural	Maghera
	Mid-Ulster	Mid-Ulster Rural	Swatragh
	Mid-Ulster	Mid-Ulster Rural	Tobermore
	Mid-Ulster	Mid-Ulster Rural	Upperlands
	Mid-Ulster	Mid-Ulster Rural	Valley
	Mid-Ulster	Mid-Ulster Urban	Glebe
	Mid-Ulster	Mid-Ulster Urban	Town Parks East
Mid-Ulster	Mid-Ulster Urban	Town Parks West	

# Housing Market Analysis

## Mid Ulster Housing Market Area



Map 2: The Mid Ulster housing-market area



The Mid Ulster HMA is home to a population of just under 80,000 people and 24,000 households. The area exhibits a number of dynamic demographic trends. The population increased by 10% between 2001 and 2008 and is projected to increase by a further 16% by 2019. During the same period, the number of households is projected to increase by 21%. Around 75% of households live in smaller villages and rural remainder areas (see Table 2). Changing demographic trends, particularly in

age profiles and a reduction in the average household size, are important factors in planning for new housing indicating a need for a larger proportion of dwellings for single/smaller household groups.

Table 2 confirms that in 2001 owner occupation was the dominant tenure across Mid Ulster HMA, with comparatively higher levels of social renting within in the large urban areas of Magherafelt, Cookstown and Draperstown. Since the 2001 Census we are aware of a changing pattern of tenure. During the period 2001 to 2011 there was an expansion of the PRS to approximately 16% and a contraction of the social rented sector to 10%. Owner-occupation has slightly reduced to approximately 74% but was buoyed by the sale of Housing Executive homes to tenants.

**Table 2: Housing tenure of households, 2001**

	<b>Owner Occupied (%)</b>	<b>Social renting (%)</b>	<b>Private Renting (%)</b>	<b>Other (%)</b>	<b>All (%)</b>	<b>No households</b>
Northern Ireland	70	21	7	2	100	626,711
Mid-Ulster HMA	76	14	7	3	100	23,328
Mid-Ulster (Rural)	79	11	6	4	100	16,491
Mid-Ulster (Urban)	66	23	8	3	100	6,837

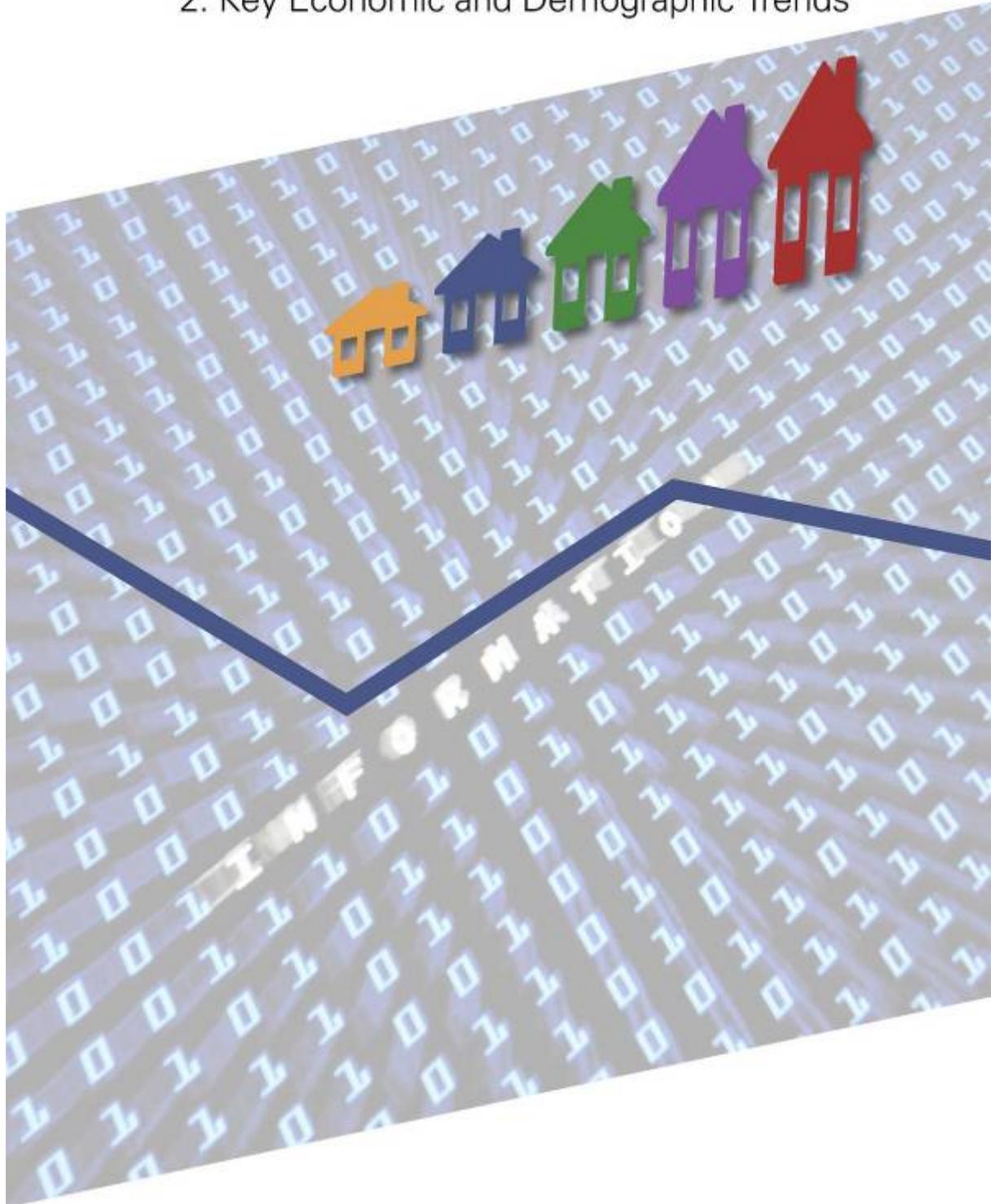
Census (2001) Table KS18: Tenure (Numbers) – ward based outputs rounded to nearest percent.

From 2001 to 2008 Mid Ulster HMA experienced sustained economic growth, low levels of employment, greater prosperity and an increase in the number of households. The housing market responded to these drivers by increasing the housing supply. During the same period house prices, driven by speculators increased at an unprecedented and unsustainable rate. Since 2008 there has been a dramatic correction of the housing market. Activity, in terms of construction and sales, has fallen and house prices fell back to 2006 levels.

The purpose of the LHSA is to understand the social, economic and demographic factors which influence the local housing market. The following chapters examine these drivers in some detail and assess their short and long term impacts and imbalances.



## 2. Key Economic and Demographic Trends



## 2. KEY ECONOMIC AND 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, economic and demographic change, which are the focus of this chapter. The possible implications of these external drivers for the Mid Ulster HMA are discussed towards the end of this chapter and subsequent sections of this report.

### Local Context

The main economic activity within the Mid Ulster HMA revolves around retailing, services, manufacturing, construction and agriculture. The economic activities are mainly concentrated in the larger towns of Cookstown and Magherafelt with Maghera providing an important commercial focal point for its hinterland. The villages throughout Mid Ulster HMA provide a range and variety of local retail and service facilities for their immediate area.

### Recent economic performance

It is reasonable to state that the local economy is linked very closely to that of the Northern Ireland and UK economy. Figures for GVA (Gross Value Added) are broken down to a sub regional level at the Nomenclature of Units for Territorial Statistics 3 (NUTS 3) areas. NUTS 3 is a European Commission's statistical classification. Details of GVA and NUTS 3 data are contained in Appendix 3.

Performance figures for economic growth are not available at the Mid Ulster HMA level. The GVA figures are therefore presented at NUTS 3 level. Mid Ulster is covered by two NUTS 3 areas, East of Northern Ireland and West and South of Northern Ireland. As shown in Map 2, the majority of Mid Ulster HMA is in the West and South NUTS 3 area with only the village of Toomebridge, Co Antrim falling into the East NUTS 3 area.

The main identified trends are as follows:

- In 2008, total GVA for the two NUTS 3 areas relating to Mid Ulster HMA was £11,635 million, approximately 40% of the Northern Ireland total GVA;
- This growth was across all sectors of industry with the exception of agriculture, as shown in table 34;
- In both NUTS 3 areas contained in the Mid Ulster HMA, GVA per head greatly increased between 1995 and 2008;
- The average annual growth percentage was higher in the West and South of Northern Ireland (5.7%) than the Northern Ireland (5.5%) and UK total (5.4%).



## Recent employment trends

### Labour market participation amongst working age population

LGD findings from the Labour Force Survey from 2005 to 2009, indicate that the economic activity rate for the three LGDs included in the Mid Ulster HMA were above the Northern Ireland average. In 2009, around 73% of working age residents in Cookstown were economically active compared to 75% in Magherafelt and 78% in Antrim. These are all above the Northern Ireland average of 69%.

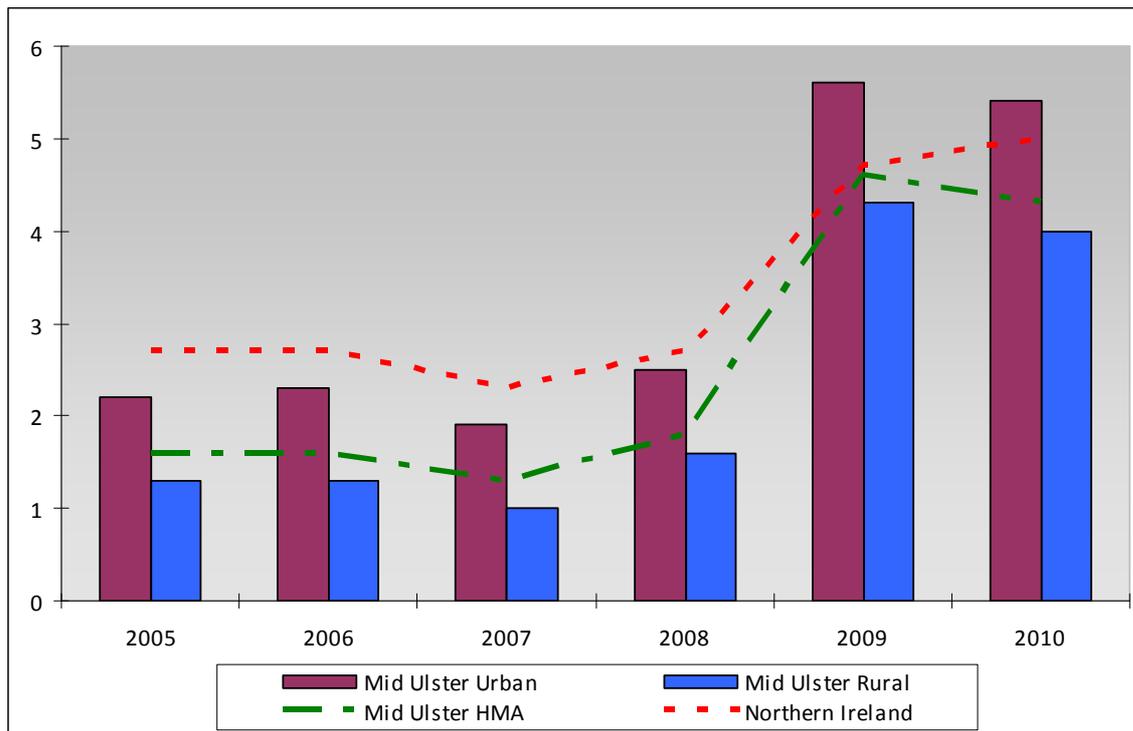
Over the same period, the average annual employment rate for the three LGDs remained above the comparable rate for Northern Ireland. In 2009, the Northern Ireland average of working age residents employed was 65%. At that time, 70% of Cookstown working age residents were employed along with 71% in Magherafelt and 77% in Antrim.

### Unemployment, worklessness and deprivation

One manifestation of the recession has been a sharp rise in unemployment. Claimant count based unemployment figures for the Mid Ulster HMA are summarised in Figure 1 and show that:

- Claimant count based unemployment rates remained below 2% to 2008 but increased sharply in 2009 and reduced again in 2010;
- In 2010, the annual average claimant count rate for the Mid Ulster HMA was 4.3%, slightly below the comparable Northern Ireland figure of 4.9%;
- Mid Ulster urban area had 26% of the working age population within Mid Ulster HMA according to 2008 estimates. However, unemployment has remained consistently higher than Mid Ulster rural. In 2010, Mid Ulster urban unemployment was 5.5% compared to 4% in Mid Ulster rural.

Figure 1: Annual Claimant unemployment for Mid Ulster HMA, 2005-10 (%)



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

This emerging trend highlights that the economic recovery remains fragile and points to the possibility of continuing high levels of unemployment for some time to come. Continued expansion of the labour force is anticipated as young people try to enter the competitive labour market.

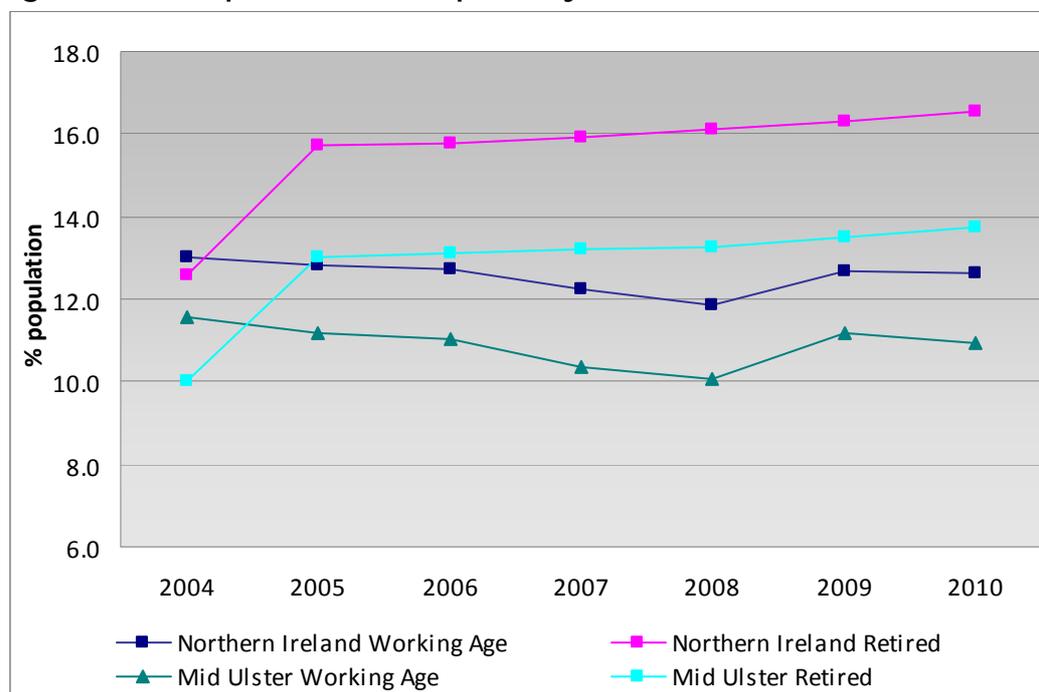
There has also been some suggestion that overseas migrants may have been more affected by rising unemployment and this may be an issue that merits further investigation through sub-market studies to be prepared by the Housing Executive.

Figure 2 shows the percentage of the population claiming benefits over the period 2002 to 2009. This chart shows that:

- The Mid Ulster HMA has remained consistently lower than the Northern Ireland trend with both the working age and retired population depending less on benefits;
- In Mid Ulster, the percentage of population claiming benefits mirrored the national trend of decrease until the economic downturn in 2008;
- The percentage of population claiming benefits is consistently high in urban areas.



Figure 2: % Population in receipt of key benefits, 2004 to 2010



Source: NINIS, NISRA

### Labour market structure

The Mid Ulster HMA job market is dominated by public and private services with 64.7% of employees working in this sector, less than Northern Ireland as a whole (82.8%). Table 3 shows that the shares of jobs, across the three main industries, are the same in both urban and rural Mid Ulster. However the Mid Ulster urban area has a greater dependency on part time jobs.

Table 3: No of employees in Mid-Ulster HMA by sub-division (workplace based), 2009

Area	Employee Jobs Total	Full Time (%)	Part Time (%)	Manufacture (%)	Construction (%)	Services (%)	Other (%)	Change 2001-9 (%)
Mid-Ulster	24,880	64.6	35.4	20.1	13.3	64.7	1.9	-16
Northern Ireland	691,395	65.0	34.9	10.7	5.3	82.8	1.2	9
<b>Mid-Ulster Sub-divisions</b>								
Mid-Ulster (Rural)	13,871	74.4	25.6	19.8	13.5	64.8	1.9	-21
Mid-Ulster (Urban)	11,009	52.2	47.8	20.5	13.2	64.4	1.9	-9

Source: Census of Employment: DETI LGD outputs and NINIS Ward level outputs

Notes: Sub-market full time and part 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 3, indicate that in 2009 most employees in Antrim LGD worked in health and social work (26.1%), in Cookstown 22.7% worked in wholesale and retail trade and 19% in Magherafelt worked in manufacturing. Whilst this pattern broadly reflects that of Northern Ireland, the importance of the manufacturing and construction sectors in Mid Ulster is relatively greater than most other HMAs.

Industry and employment opportunities are concentrated in the three towns of Cookstown, Magherafelt and Maghera and also in the rural area close to Creagh. However, there are also significant industrial bases in Castledawson, Draperstown and Tobermore.

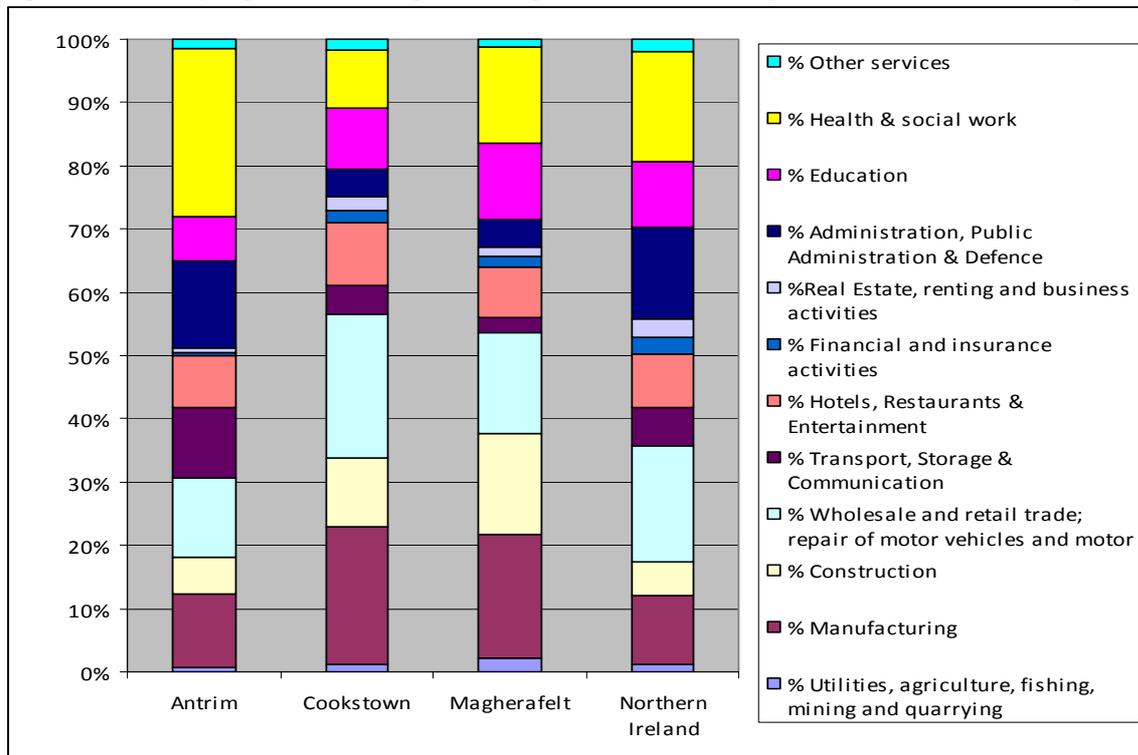
In Cookstown, the main focus of manufacturing activity is located south of the town with the Unipork Food Processing factory and the Blue Circle cement works. There has also been significant investment in new industries at Derryloran and Ballyreagh. A new combined college to train police, prison officers and fire fighters will be located at Desertcreat, just outside Cookstown. This facility, due to be completed in 2015, represents an investment of £140 million and will bring considerable direct and indirect economic benefit to the local economy. Aside from the main construction contract, there will be business opportunities in areas such as facilities management and ICT provision. Further employment will be created when the college opens in 2015. Officers, staff and others visiting should provide a boost to the local economy.

The number of employees working in the Mid Ulster HMA peaked at over 26,280 in 2007 before reducing to just over 24,880 in 2009. However this is still a 19% increase in employee jobs within Mid Ulster HMA since 2001.

Figure 4 shows the change in the number of employees by sector since the economic downturn, 2007-2009. There was a 5.5% drop in the Mid Ulster jobs total over this period, with the manufacturing industry seeing the biggest loss. It was at this time that the Saville Row Shirt Company closed its factory in Castledawson. The Mid Ulster rural area job loss was approx 10%, however, in comparison the Mid Ulster urban area has had little change in the number of employees but had a shift in emphasis with increases in the service industries to the detriment of manufacturing.

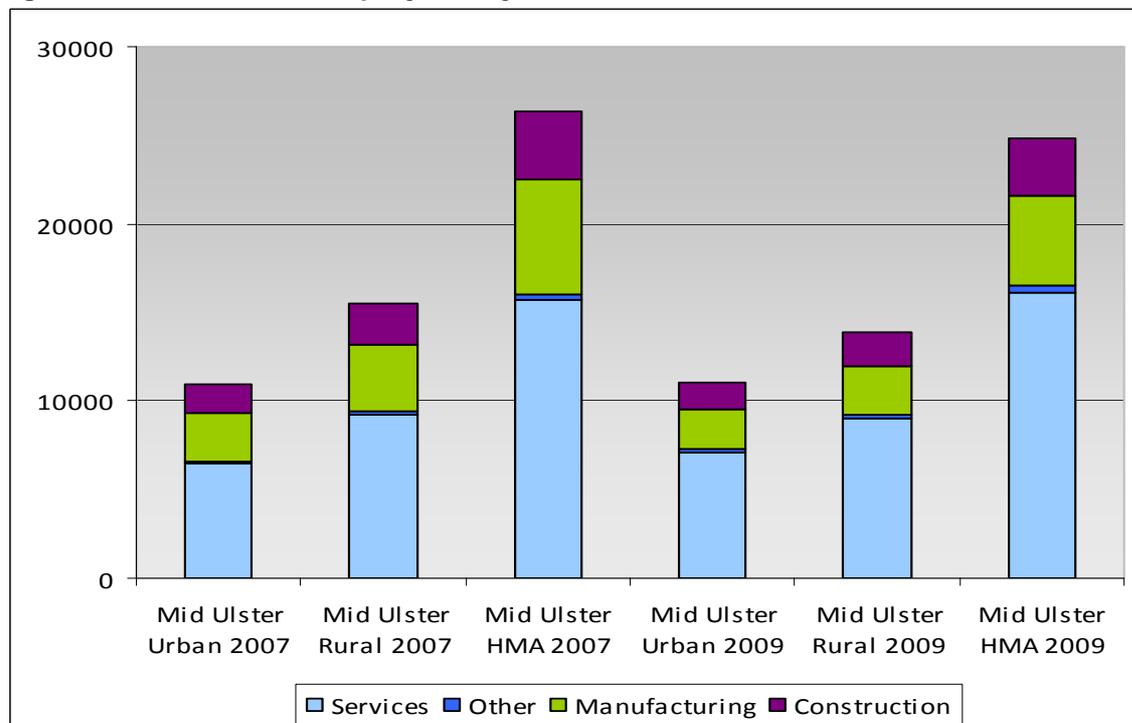


Figure 3: Employee share by industry (SIC 2007 Workplace based), 2009 by LGD



Source: DETINI, Census of Employment 2009

Figure 4: Number of employees by sector, 2007-09



Source: DETINI, Census of Employment 2009

## Incomes and earnings

### Earnings

LGD earning data presented in Table 4 provides a broad indication of earnings across the Mid Ulster HMA and shows that:

- Residence based earnings are higher in Mid Ulster HMA than work based earnings, indicating that people who live and work in Mid Ulster earn more than those who travel to work in Mid Ulster HMA;
- Earnings at both the Lower quartile and Median are lower than the Northern Ireland average.

**Table 4: Full time employee gross weekly pay, 2010**

LGDs	Lower quartile		Median	
	residence	Work based	residence	work based
Northern Ireland	£312	£311	£439	£439
Mid-Ulster HMA estimated average	£305	£297	£395	£383

Source: DETINI (2010) ASHE

NOTES: Estimated for Mid-Ulster HMA is the average for the LGDs of Cookstown, Magherafelt and Antrim

### Incomes

Consistent with CLG (2007) guidance, we analysed the CACI PayCheck, which models gross annual household income from all sources, including state benefits and savings. Table 5 illustrates that, across all income distributions, Mid Ulster HMA is lower than the Northern Ireland average.

**Table 5: Gross household income distributions, 2010**

Area	Lower quartile	Median	Upper Quartile	Average
Mid-Ulster	£16,339	£27,648	£43,858	£33,280
Northern Ireland	£18,597	£29,421	£44,793	£34,723

Source: CACI (2010) PayCheck

### Incomes and tenure

- 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 (HCS). Table 6 shows that:
- Owner occupiers in the Mid Ulster HMA have an income higher than the Northern Ireland average
- Households living in the social housing sector have by far the lowest income. In addition, their income has decreased during the 5 year period 2001-2006.



**Table 6: Income of households living in Mid-Ulster HMA, 2001 and 2006**

	Mid-Ulster								Northern Ireland	
	Owner occupied		Private rented		Social rented		All		All	
	2001	2006	2001	2006	2001	2006	2001	2006	2001	2006
Mean Income	16,500	20,900	12,800	16,000	8,500	8,200	15,100	18,900	16,700	19,100
Median Income	17,500	18,000	8,500	13,500	8,500	7,500	12,500	15,500	12,500	14,500

Source: HCS, 2001 and 2006 (rounded)

## 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 for investment 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 Mid Ulster HMA. This in turn led to a steep downturn in housing construction, property transactions and house prices. As prices fell 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 demand for new private housing.

The private sector, especially the construction and the business and financial services sectors, which includes service providers vulnerable to housing market weakness including banks, solicitors, quantity surveyors, and estate agents, have been severely impacted by the recession.

DETINI (2010b) economic commentary in June 2010 observed that output in the business and finance service sector had fallen by some 40% since its peak in summer 2007. Likewise, output in the construction sector had 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 Northern Ireland Executive's capital infrastructure investment programme introduced in 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 Mid Ulster HMA as in the rest of Northern Ireland remain tentative. There is still 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 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 three month moving averages for each of the four months to January 2011 in terms of output, orders and employee numbers were all down of the comparable numbers for the same period to January 2010.

One reason for the lack of economic recovery in Mid Ulster and the rest of Northern Ireland has been the regional economy's exposure to the ROI economy, which experienced one of the deepest recessions in Europe. As DETINI (2010c) observed in December 2010, the ROI 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 ROI.

The economy in Mid Ulster 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) reported 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.

The reduction in the NI Executive spending plans over the next four years are likely to exert downward pressure on economic growth as well as consumer spending and confidence. Associated job losses have seen the rate of unemployment climb further and employment growth remain modest<sup>2</sup>. 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 social and private 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 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

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<sup>2</sup> PWC (2011) report that unemployment could increase to around 11% during 2011 whilst Ulster Bank (2010b) suggest unemployment may rise for another 18-24 months.



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. Further analysis can be found in Chapter 4.

Finally, weak economic and housing market conditions are likely to force an increase in the number of people who 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 Mid Ulster HMA and elsewhere in Northern Ireland may be below the projected trend for the next three to five years. If this does arise, the number of households living in the Mid Ulster HMA by 2015 may be somewhat lower than NISRA project.

### **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 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 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 suggests 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) the report suggests 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 Mid Ulster HMA is sufficiently attractive to retain 'local' graduates and attract graduates from elsewhere.

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 housing whilst service and customer-care related jobs may attract younger single people seeking smaller and lower value dwellings.

## Population Trends and Projections

### Recent trends in population numbers

The Mid Ulster HMA is essentially rural in character with approximately 74% of people living in smaller villages and rural areas.

Table 7 shows population change for the Mid Ulster HMA from 2001 to 2008. Over this period the Mid Ulster HMA population increased by 6,991 or 9.8%. This is almost twice the Northern Ireland percentage change. The biggest growth in population was in the Mid Ulster rural area with a change of 10.7% over this period.

**Table 7: Northern Ireland population estimates 2001 to 2008**

	2001	2004	2008	change 2001-8 (%)	change 2004-8 (%)
Mid-Ulster	71,429	73,693	78,420	9.8	6.0
Northern Ireland	1,689,300	1,710,300	1,775,000	5.1	3.8
<b>Mid-Ulster</b>					
Mid-Ulster (Rural)	52,559	54,669	58,180	10.7	6.0
Mid-Ulster (Urban)	18,870	19,024	20,240	7.3	6.0

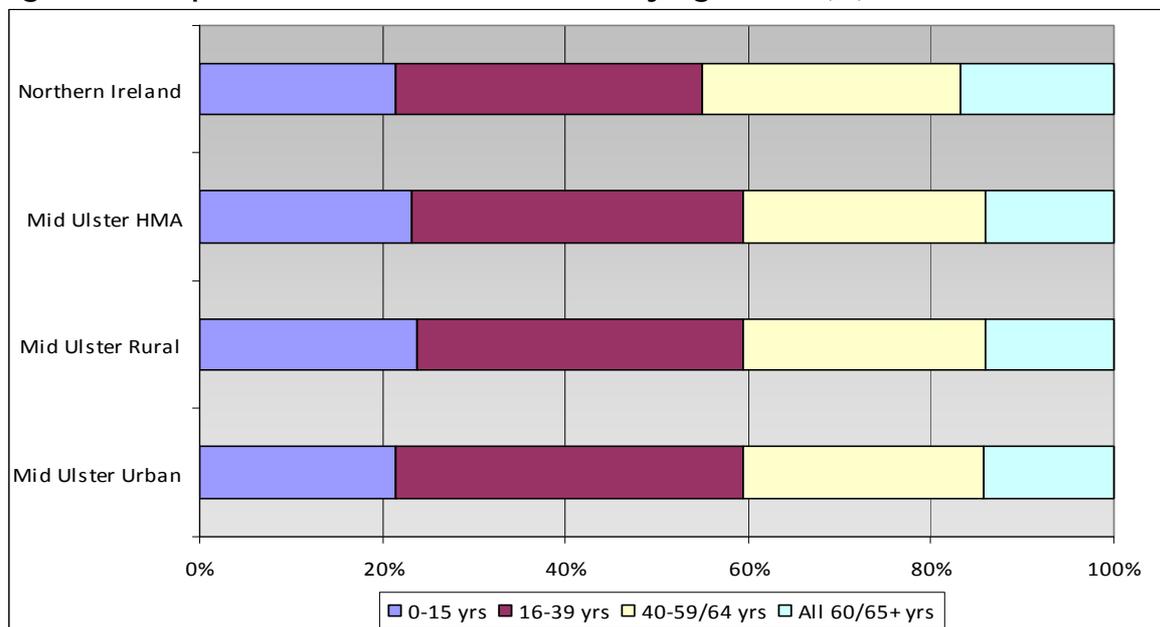
Source: NISRA (2010) Small area population (ward) estimates aggregated to HMA and sub-market area

### Composition of population

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 5 shows, the comparable figures for the Mid Ulster HMA are 23% and 14%.



Figure 5: Population of the Mid Ulster HMA by age, 2008 (%)



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

The Mid Ulster HMA has experienced a higher rate of growth in working age and retirement age population, relative to Northern Ireland. Table 8 shows the breakdown and changes in the population of Mid Ulster HMA and indicates that:

- The fall in the number of children within Mid Ulster HMA had been considerably less than the Northern Ireland decrease, 2.3% compared to 4%;
- Mid Ulster HMA had seen a rise of 13.6% in the working age population which is double that of Northern Ireland;
- Almost two thirds, 62%, of the working age population is under 40 years of age;
- The retired population within Mid Ulster has grown at a greater rate than that of Northern Ireland, 15.9% compared to 12.8%. The Mid Ulster rural area had the biggest increase in this section of the population with an 18% rise.

**Table 8: Northern Ireland population estimates 2001 to 2008**

	Northern Ireland	Belfast Met HMA	Mid-Ulster	Mid-Ulster(Rural)	Mid-Ulster (Urban)
<b>Population 2008</b>					
0-15 years	381,074	192,105	18,111	13,769	4,342
working age	1,098,109	579,120	49,256	36,243	13,013
retired	295,832	165,309	11,056	8,169	2,887
Total	1,774,995	936,505	78,420	58,180	20,240
<b>Population 2001</b>					
0-15 years	397,156	202,660	18,528	13,566	4,962
working age	1,029,939	558,031	43,351	31,892	11,459
Retired	262,225	150,446	9,549	7,103	2,446
Total	1,689,310	911,146	71,429	52,559	18,870
<b>Change in population age group 2001-8 (numeric)</b>					
0-15 years	-16,082	-10,555	-417	203	-620
working age	68,170	21,089	5,905	4,351	1,554
Retired	33,607	14,863	1,507	1,066	441
Total	85,685	25,359	6,991	5,621	1,370
<b>Change in population age group 2001-08 (percent)</b>					
0-15 years	-4.0	-5.2	-2.3	1.5	-12.5
working age	6.6	3.8	13.6	13.6	13.6
Retired	12.8	9.9	15.8	15.0	18.0
Total	5.1	2.8	9.8	10.7	7.3

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 precise to LGD and national totals

## Minority ethnic communities

The 2001 Census indicated that 99.2% of the Northern Ireland population consider themselves to be white (non-traveller) compared to 92% for the UK. 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 ROI and 48% had been born overseas.

Since the EU expansion in May 2004, there has been an increase in the number of people living in Northern Ireland that were born in Eastern Europe<sup>3</sup>. Oxford

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<sup>3</sup> 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.



Economics (2009) estimate that in 2008, 56,000 individuals living in Northern Ireland had been born outside of the UK or the ROI, although the true figure could range from 50,000 to 59,000. This figure includes some 30,000 individuals from the former A8 countries that NISRA estimate live in Northern Ireland (see Table 9). Put into context, the Census reported that 720 residents had been born in Eastern Europe in 2001.

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

NISRA has estimated that 2,400 people who migrated from former A8 countries live in the Mid Ulster HMA. This represents 3% of the estimated population which is higher than the Northern Ireland figure.

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

**Table 9: NISRA estimated A8 Population by LGD, 2009**

LGD Name	A8 Population (2009)	2009 Mid Year Estimate	% of Population
Cookstown	1,200	36,300	3.3
Magherafelt	1,200	44,200	2.6
<b>Mid-Ulster Total</b>	<b>2,400</b>	<b>80,500</b>	<b>3.0</b>
<b>Northern Ireland</b>	<b>39,000</b>	<b>1,788,900</b>	<b>2.2</b>

Source: NISRA (2008b) Size of the EU Accession (A8) Population Resident in Northern Ireland and NISRA (2010) Small Area population estimates (ward based).

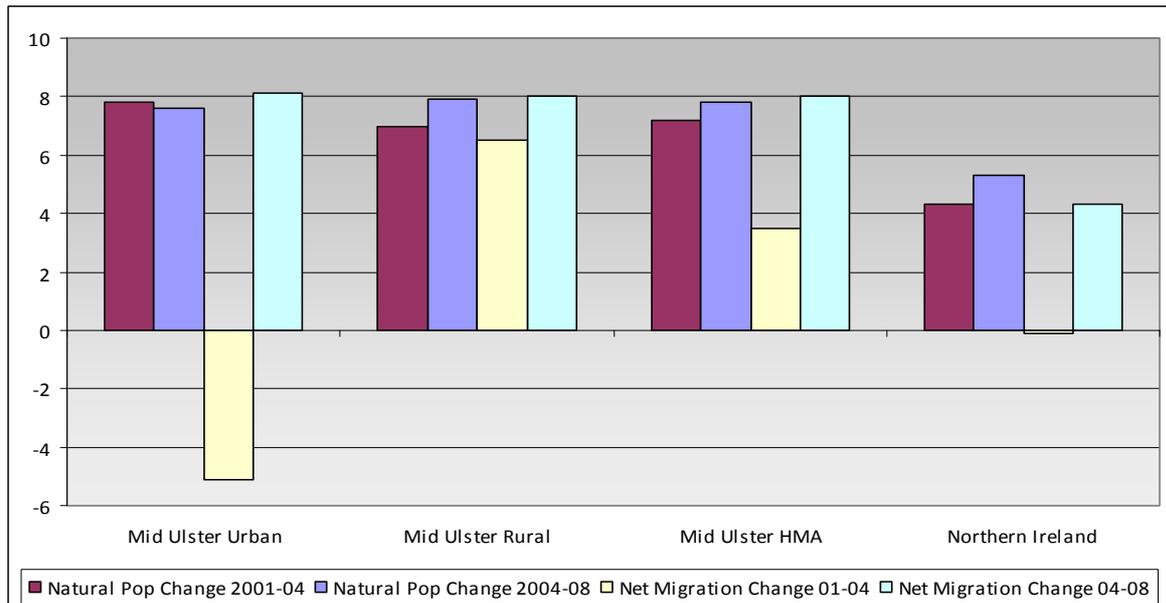
Notes: The A8 count for the total population for 2007 is derived from NISRA ward level population estimates

### Components of population change

Natural population change within Mid Ulster HMA has grown at a higher rate than the Northern Ireland average along with net migration. In the Mid Ulster urban area, between the years 2001 and 2004, there was a large outward migration. Since then movement into this area has increased more than the Mid Ulster rural area.

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 ROI 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.

**Figure 6: 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

Another consequence of the recession has been an increase in the number of migrant workers that face financial hardship. Migrant workers had not been entitled to state benefits unless they had signed up to the Workers Registration Scheme (WRS), or worked consecutively for 12 months. These restrictions were lifted for migrants from the former A8 countries in April 2011.

### Mid Ulster HMA level population projections

In May 2010 NISRA published LGD 2008-based population projections. NISRA (2010a) stress that sub-national projections are less reliable than those for Northern Ireland due to the greater volatility of internal migration.

Population growth in Mid Ulster HMA to 2023 is projected to be a lot higher than Northern Ireland growth, 14.3% compared to 8%. In the period 2010-2015, growth is expected to increase by 5.8% but the biggest increase will be in the period 2015-2023 with an anticipated growth of over 8% compared to 4% in Northern Ireland.

**Table 10: Mid-Ulster HMA population projections, 2010-23**

	2010	2015	2023	change 2010-23		change 2010-15
				No	(%)	(%)
<b>2008-based population projections</b>						
Mid-Ulster	79,900	84,500	91,300	11,400	14.3	5.8
Northern Ireland	1,802,200	1,862,200	1,945,800	143,600	8.0	3.3

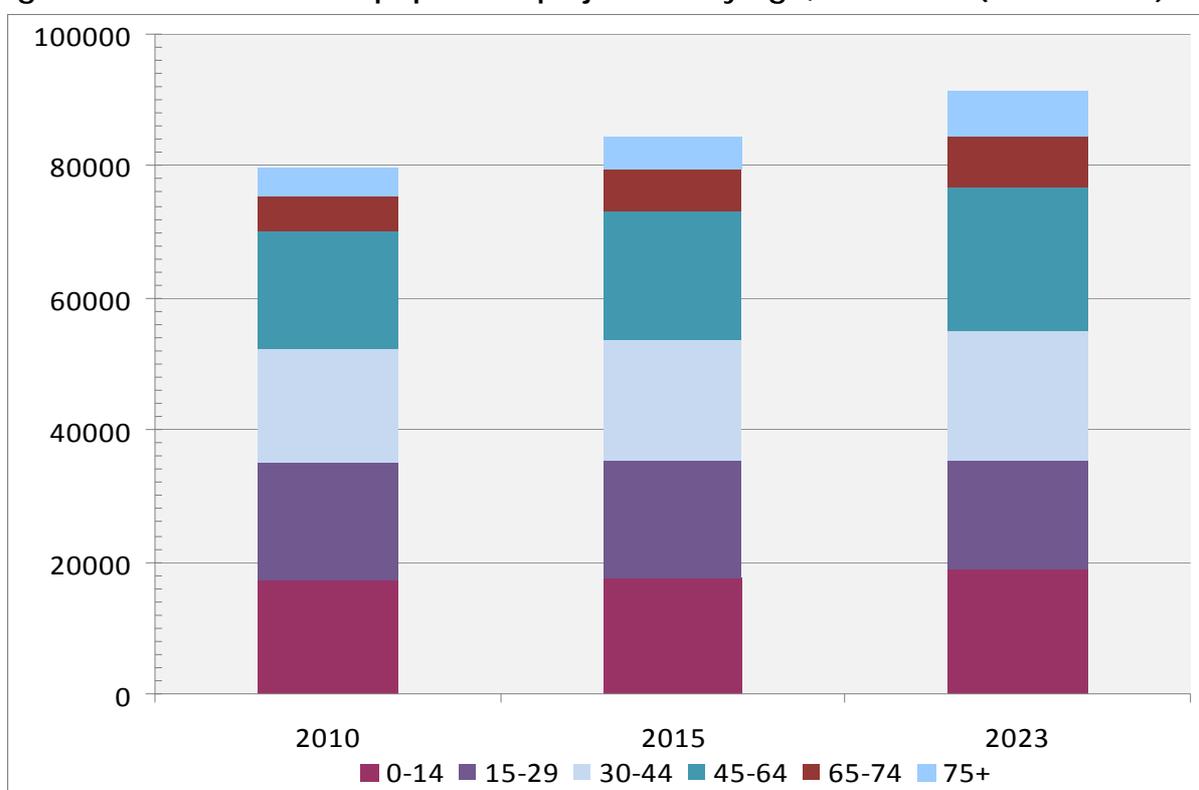
Source: NISRA 2006 and 2008-based LGD population projections- pro-rata allocation to sub-markets  
NOTES: Consistent with NISRA advice projections have been rounded to the nearest 100.



The figures are based on NISRA projections for the three LGDs that fall within the Mid Ulster HMA. In terms of the projected age profile of the Mid Ulster HMA, Figure 7 shows that NISRA project from 2010-2023:

- 63% of the population will be of working age, 21% will be children and almost 16% will be aged 65+;
- The number of adults aged 15-29 years, which is the key household forming age group, is set to decline by almost 8%. Most of this decline 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;

**Figure 7: Mid Ulster HMA population projections by age, 2010-2023 (2008-based)**



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

- The number of people aged 65+ years could increase by 4,522 (46%) with most of the increase occurring after 2015;
- There will be increasing numbers of people aged 30-44 and 45-64 years with the highest increase in the 45-64 age band, 23%.

### 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.

## Mid Ulster HMA household trends

The long term trend towards the formation of smaller and single person households have ensured that household growth has occurred across 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 older people that outlive their partners continue to live alone for a much longer time.

**Table 11: Mid-Ulster HMA household estimates 2001-10**

	2001	2010	change 2001-10	
			No	(%)
Northern Ireland	628,490	706,400	77,910	12.4
Mid-Ulster	23,470	27,750	4,280	18.2
Mid-Ulster (Rural)	16,440	19,910	3,470	21.1
Mid-Ulster (Urban)	7,030	7,840	810	11.5

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 10

Household estimates<sup>4</sup>, which are summarised in Table 11, suggest that from 2001 to 2009:

- The number of households in the Mid Ulster HMA increased by 18.2% to 27,750 which is well above the Northern Ireland rate of 12.4%;
- Household growth was particularly high in the Mid Ulster rural area with an increase of 21.1% over this period.

## 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-based household 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

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<sup>4</sup> NISRA prepare local authority level household projections but not annual household estimates. We used occupied stock numbers to produce household estimates for the Mid Ulster 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 7, this method has drawbacks but it provides useful insights into the direction of change.



here only for the sake of completeness and should not be taken as forecasts of what is actually going to happen at local level”.

### NISRA sub-national household projections and household composition

NISRA issued 2008-based sub-national household projections to 2023 for the Mid Ulster HMA, which are summarised in Table 12. It is consistent with what we anticipated:

- NISRA project that 33,800 households may be living in the Mid Ulster HMA by 2023 which is a 21% increase over the term 2010-2023. This is 6% higher than the Northern Ireland projected change;
- Consistent with population trends, Mid Ulster is projected to experience a high rate of household growth over the period to 2023.

**Table 12: NISRA 2008-based household projections for Mid-Ulster HMA 2010-23**

2008-based	2010	2015	2021	2023	change 2010-15	change 2010-21	change 2010-23
<b>Mid-Ulster HMA</b>	<b>27,900</b>	<b>30,300</b>	<b>32,900</b>	<b>33,800</b>	<b>9%</b>	<b>18%</b>	<b>21%</b>
<b>Northern Ireland</b>	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

Table 12 shows projections for the Mid Ulster HMA. It shows that household growth will be driven by an increase in smaller and single person households, the rate of growth is projected to be higher than in the rest of Northern Ireland. It also shows that there is likely to be a comparatively sharp decline in the number of larger households without children. Consequently, as Figure 8 shows, by 2023 almost two out of three households living in Mid Ulster HMA may comprise of single or two person households.

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 require judgement as to how likely the trends are to continue.

It is less certain whether the projected scale of increase in the number of households at the Mid Ulster HMA level 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.

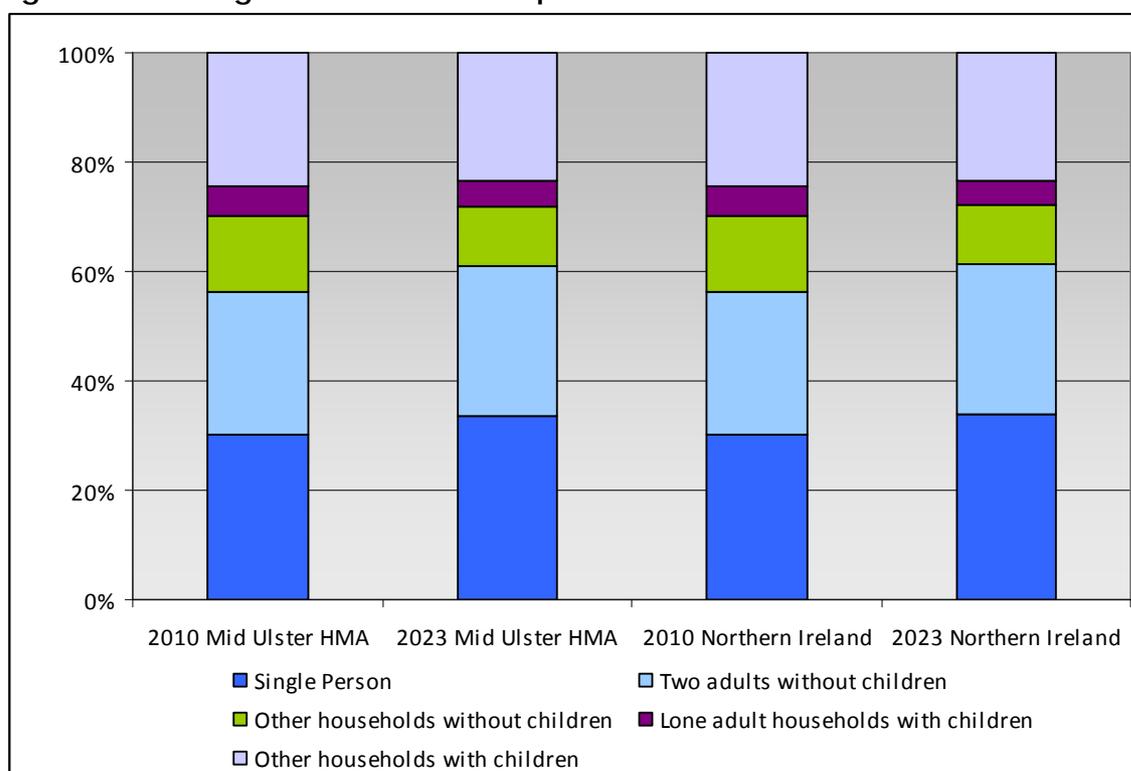
**Table 13: NISRA 2008-based projected households by household type to 2023**

	2010	2015	2023	change 2010-23		change 2010-15
				No	%	
<b>Northern Ireland</b>						
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%
<b>Mid-Ulster HMA</b>						
Single person households	8,400	9,600	11,400	3,000	36%	14%
Two adults without children	7,300	8,100	9,300	2,000	27%	11%
Other households no children	3,900	3,900	3,700	-200	-5%	0
Lone adult with children	1,500	1,500	1,600	100	7%	0
Other households with children	6,800	7,200	7,900	1,100	16%	6%
All households	27,900	30,300	33,800	5,900	21%	9%

Source: NISRA household projections 2008-based

NOTE: Mid-Ulster HMA includes the LGDs of Cookstown, Magherafelt and Antrim

**Figure 8: Change in household composition in the Mid Ulster HMA 2010-2023**



Source: NISRA



## Summary

Sustained economic and household growth stimulated a strong and rising housing market in the decade to 2007. In addition, growing housing wealth and consumer boom stimulated growth in the retail sector as well as expansion in the housing sector related businesses. The impact of the 'credit crunch' resulted in a steep downturn in the housing market in the Mid Ulster HMA and elsewhere in Northern Ireland.

The Northern Ireland economy continues to experience long standing structural problems including a high reliance on public sector investment and persistently high levels of economic inactivity amongst the working age population. While Mid Ulster economic activity is highly dependant on public and private services, manufacturing and construction play a greater role in comparison to Northern Ireland. In the period since 2008, the Northern Ireland economy, in particular manufacturing outputs and the service sector have contracted.

Employment and unemployment are key labour market indicators which impact on growth and stability in the housing market. Rising employment and household income were key drivers in the Mid Ulster Housing Market, as in the rest of Northern Ireland, between the late 1990's and 2007. Unemployment in Mid Ulster HMA rose from 570 in 2007 to a peak in 2009 of 2,012.

The employment rate within Mid Ulster has been consistently higher than Northern Ireland over the last decade. While in Northern Ireland unemployment sharply increased in 2009, this increase was lower in Mid Ulster, 4.3% compared to a 4.9% unemployment rate.

The number of people and households living in the Mid Ulster HMA increased at a rapid rate since the millennium, almost twice the rate of Northern Ireland. The area is essentially rural and it was the smaller villages and rural areas which experienced the largest growth in households, 21%.

The overall trend in Mid Ulster is an increase in one and two person households and an increase in life expectancy which saw growing numbers of older households remaining in their homes longer. Although the number of families with children fell within the Mid Ulster HMA, this has been considerably less than in Northern Ireland as a whole.

In terms of structure, Mid Ulster has a younger population with 60% under 40 years of age in comparison to 57% for Northern Ireland.

Household projections suggest the number of households living in the Mid Ulster HMA could increase from 27,750 in 2010 to 33,800 in 2023. This is a 21% increase, substantially more than the Northern Ireland projection of 15% for the same period. These projections have informed the Consultative RDS 2011-15 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 number of one and two person households but the implications on 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 possible implications of recent and future demographic and economic trends on the dynamics of the housing system are examined in the following chapters. 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 we discuss have involved a degree of informed conjecture based on our assessment of available local evidence, emerging findings from other research and our own professional opinions.

## Key Issues

- The economy and housing market are cyclical and intertwined. The recent economic downturn, increased unemployment and lower prosperity has led to a steep downturn in the Mid Ulster housing market;
- Economic recovery is a critical ingredient in creating renewed confidence in the housing market. However, planned reductions in public spending point to a slow economic recovery;
- There is evidence of increasing concentration of low income and benefit dependency which will restrict housing choice of these households. Demographic projections predict increased household formation in Mid Ulster and at a higher rate than Northern Ireland. However, uncertainty in the economy may reduce household formation as young people delay making the move to independent living;
- As increase in life expectancy means increasing numbers of older households, many of whom will wish to remain living in their own homes. This will require planning and innovation in terms of both policies and housing and social services.

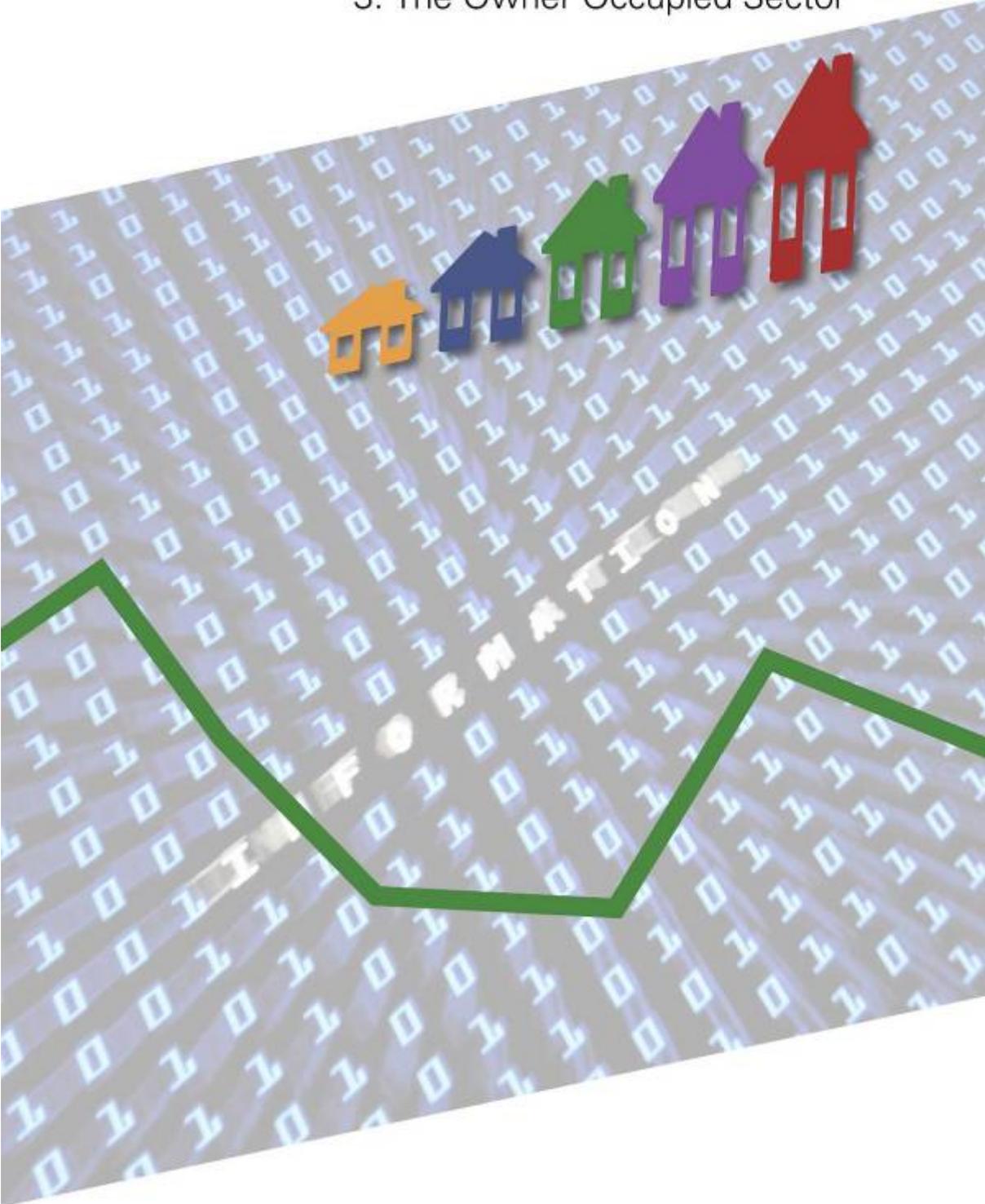
# Housing Market Analysis

## Mid Ulster Housing Market Area



Moneymore Town Centre

3. The Owner Occupied Sector

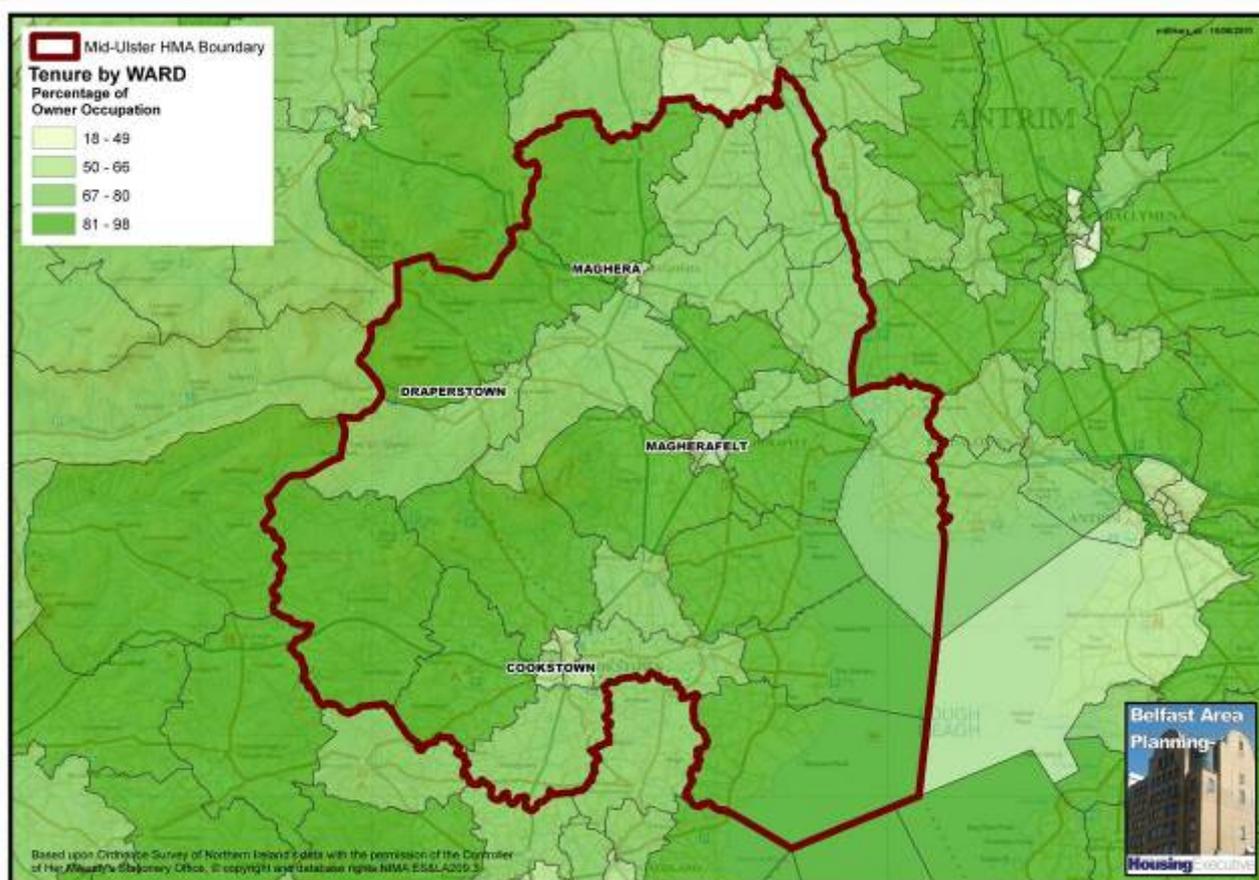




### 3. Owner Occupation Within The Mid-Ulster Market

This chapter considers the characteristics and dynamics of the owner occupied sector of the Mid Ulster HMA, including recent housing supply and price trends.

**Map 3: Census percentage of households living in owner occupied sector in 2001, by ward**



Source: Census, 2001

#### Profile of the owner occupied sector

##### Stock attributes

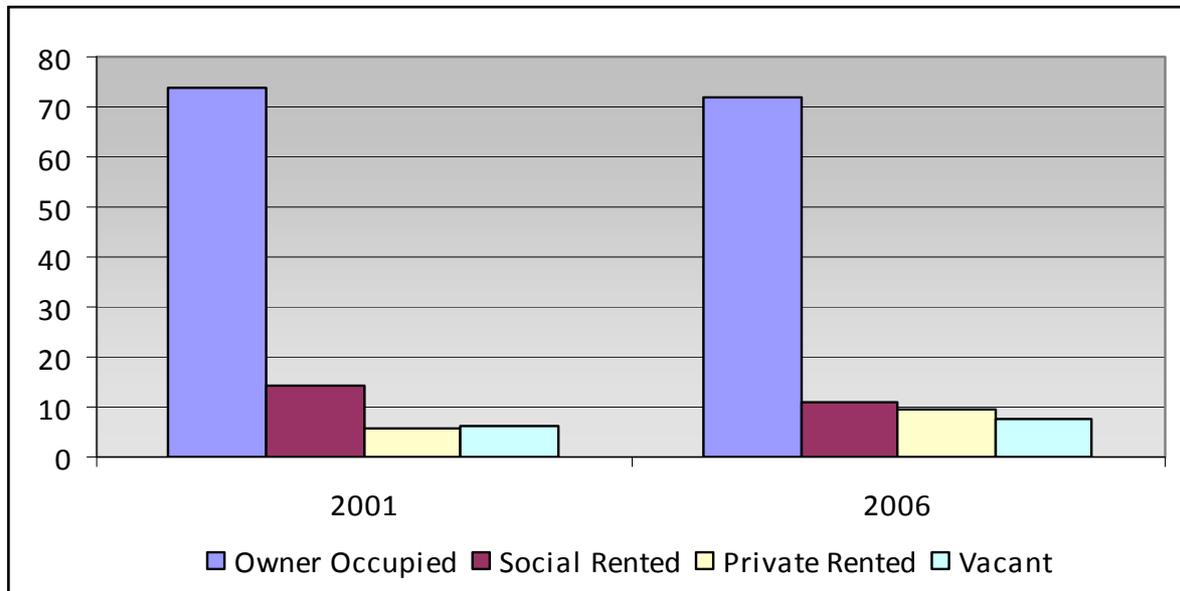
In 2001, 74% of households in the Mid Ulster HMA were living in the owner occupied sector, in comparison to 69% in Northern Ireland as a whole. Figure 9 shows that there were very high concentrations of owner occupation in most wards. There were only five out of the 31 wards contained within Mid Ulster HMA where owner occupation fell below 66% and these were located in the town centres of Cookstown and Magherafelt.

Dwellings in the owner occupied sector are generally larger than those in other tenures. In the Mid Ulster HMA owner occupied dwellings on average contain five or more rooms. Reflecting the rural nature of the area, approximately one third of

owner occupied dwellings in the Mid Ulster HMA comprise of detached houses and bungalows (32.9% in Cookstown & 34.8% in Magherafelt).

### Recent tenure trends

Figure 9: Tenure of occupied and vacant stock in Mid Ulster HMA, 2001-2006



Source: HCS

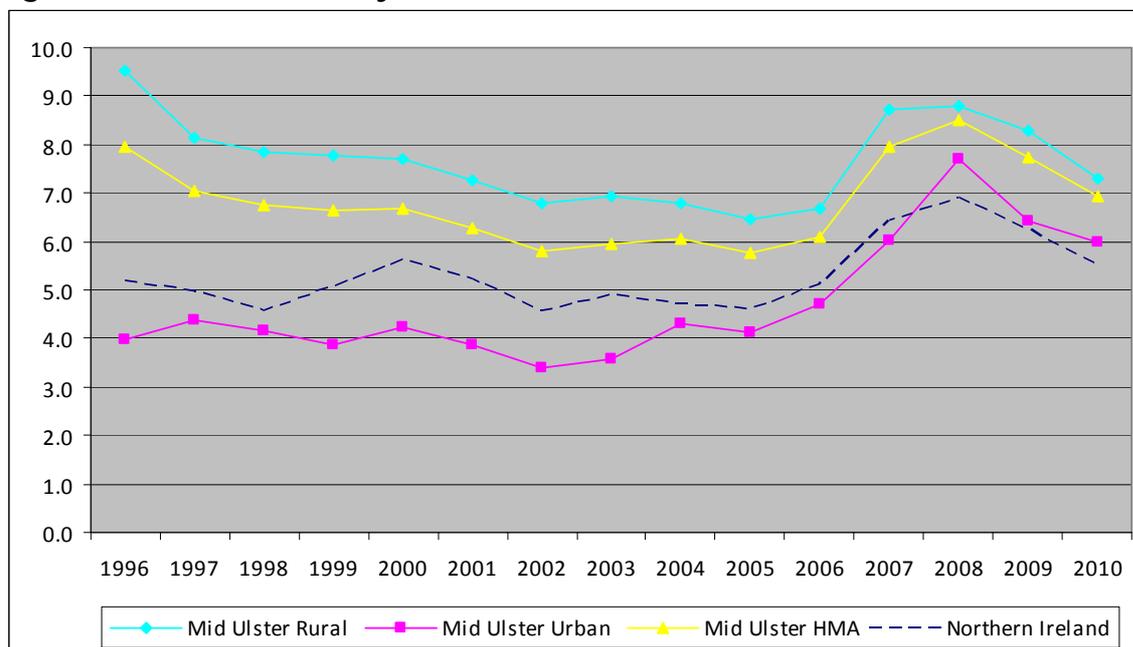
Since 2006, tenure trends in the Mid Ulster HMA have mirrored Northern Ireland trends. There has been a fall in the proportion of households living in the owner occupied sector (-2%) and an increase in the proportion renting their home from a private landlord.

### Vacant dwellings

The draft Revised 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 HCS indicates that vacancy rates for the Mid Ulster HMA as a whole have tended to be higher. Figure 10 shows vacancy rates for the Mid Ulster HMA, the urban and rural areas, as well as the Northern Ireland wide rate throughout this period. The urban area stayed lower than the Northern Ireland figure until 2008 when there was a sharp rise. This may be due to a number of unoccupied or unsold new build homes in the area. The vacancy rate in the rural area has been consistently high and reached 9% for the two year period of 2007/08.



Figure 10: Annual vacancy rates across Mid Ulster HMA, 1996-2010



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

It is sometimes assumed that vacancy rates in excess of 5% signal weak demand whilst rates below this may signal excess demand. A limitation of this assumption, is that vacancy rates vary between tenures. In the intensively managed social rented sector, vacancy rates of 2% or less are common. At March 2011, only 13 dwellings, 0.5% of HOUSING EXECUTIVE property in the Mid Ulster HMA were vacant. In the PRS, vacancy rates of 10% or more are common due to the much shorter duration of tenancies and higher turnover rates.

The Mid Ulster HMA, similar to Northern Ireland, generally experienced a sharp increase in the numbers and proportions of vacant stock between 2006 and 2008. However, the numbers of vacant dwellings appear to have fallen in the past two years.

Interviewees suggested that the rise 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 Mid Ulster HMA level, as well as for Northern Ireland as a whole (57%), suggests other factors must also have been at play.

Another possibility is that the high numbers of new units constructed in the three or four 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.

## 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 2000/01 and 2006/07 the Mid Ulster HMA experienced strong levels of house building, with new starts being at their highest in the period 2004 to 2006 inclusive. The annual average numbers of housing starts rose to around 764 over this period, mainly due to an increase in new private housing construction.

We estimate that between 2000/01 to 2006/07 an average of 27 units per 1,000 households per annum were started in the Mid Ulster HMA. This is well above the comparable rate of 21 units per 1,000 households for Northern Ireland. However, since the downturn, new build within the Mid Ulster HMA has dropped from 27 to an average of 19 starts per 1,000 each year.

**Table 14: New dwelling sector starts in the Mid-Ulster HMA , 2000-10**

year	New Dwelling Starts Private Sector	New Dwelling Starts Social Sector	New Dwelling Starts Total All Sectors	Social starts as % of all New Dwellings
2000/1	566	12	578	1.1
2001/2	692	6	698	0.9
2002/3	596	7	603	1.1
2003/4	714	0	714	0
2004/5	797	3	800	0.4
2005/6	768	6	774	0.8
2006/7	717	1	718	0.2
2007/8	542	0	542	0
2008/9	375	0	375	0
2009/10	488	11	499	2.1
Average 2000/1- 2003/4	642	6	648	0.8
Average 2004/5- 2006/7	761	3	764	0.5
Average 2007/8-2009/10	468	4	472	0.7
Average 2001/2 – 2009/10	632	4	636	.0.6
Total Mid-Ulster HMA	6,255	46	6,301	0.7
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 sustained high level of new private housing in the seven 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 high share of newly constructed private dwellings that entered the PRS, 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 includes 3,316 in the Mid Ulster HMA. These completion figures are not fully comprehensive because they focus primarily on construction activity within settlements and do not necessarily include all housing completions in rural areas.

Table 14 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 two years to March 2010 less than 7,400 units were started each year compared to an average of almost 14,000 for the seven years to March 2007, start rates have also outstripped household growth;
- Performance in the Mid Ulster HMA has only reached half of the policy intent, and only 72% of the 'policy neutral' scenario implied by the NISRA household projections;
- Completion rates in the rest of Northern Ireland have exceeded the rate of growth that the RDS anticipated and the NISRA projections implied.

**Table 15: 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
Mid-Ulster HMA	17,100	1,000	750	541	54%	72%
Northern Ireland	208,000	12,200	8,000	12,429	102%	155%

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 14 provides a useful indication of long run trends.

## Other stock flows

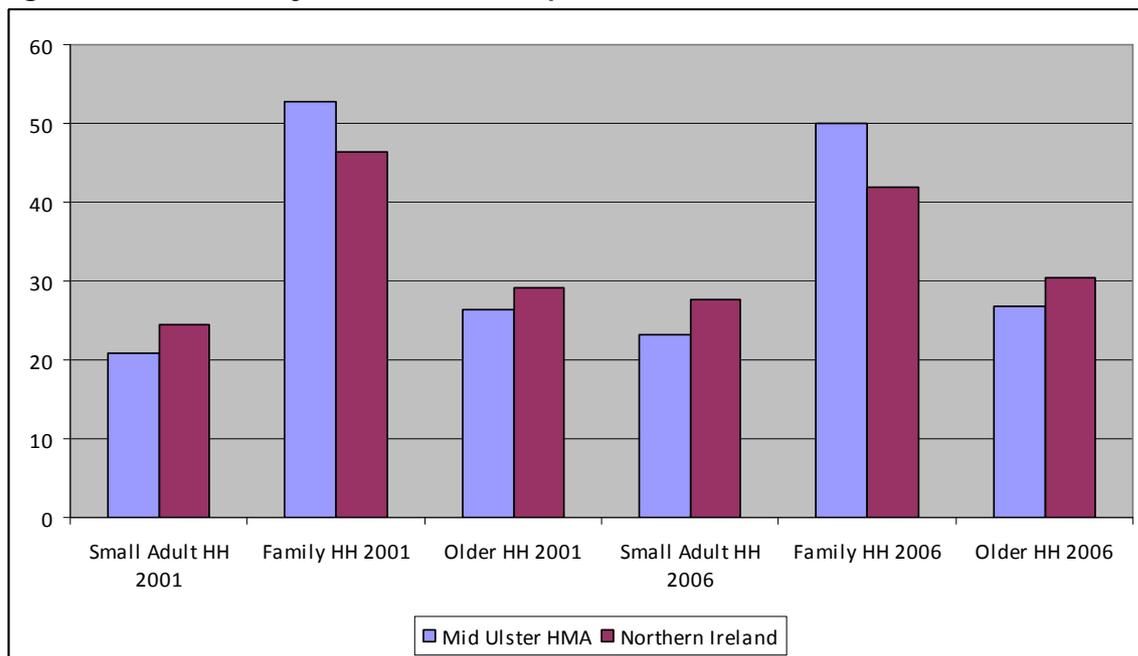
Stock changes resulting from demolitions, conversions and closures are notoriously difficult to quantify but DSD housing statistics suggest that between 2001 and 2010, 7,588 properties have been lost from the Northern Ireland housing stock.

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. At March 2011, 60% of housing executive properties in Cookstown and 65% of Housing Executive properties in Magherafelt had been sold to sitting tenants. House Sales have declined sharply since the downturn with only four properties being sold in the two areas in the last year.

## Profile of Owner Occupiers

The profile of households living in the owner occupied sector in the Mid Ulster HMA has a few substantive differences to the rest of Northern Ireland. Owner occupiers in the Mid Ulster HMA are more likely to live in family household units. As Figure 11 shows 50% of owner occupiers in the Mid Ulster HMA live in family households, compared to only 23% of smaller households that contain one or two adults.

**Figure 11: Owners by Household Group, 2001 & 2006**



Source: HCS 2001 & 2006

## House price and transaction trends

Exploring house price movements and the volume of dwellings transacted 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



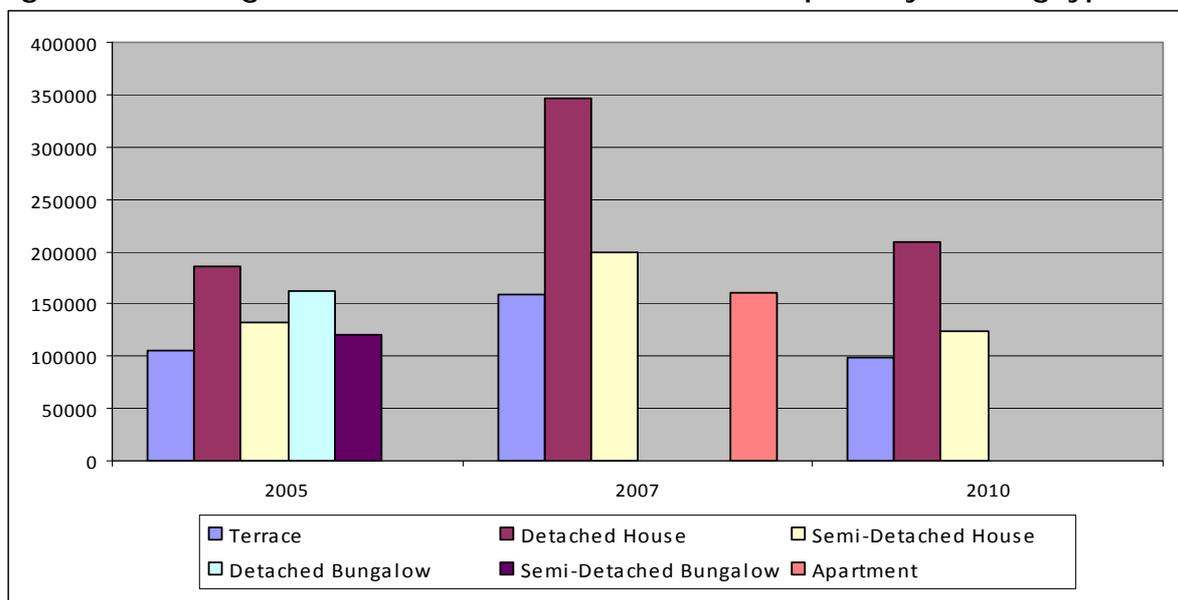
affordability of housing as well as locational attributes such as the quality of a location and the accessibility of transport infrastructure.

## House prices in the Mid Ulster HMA

### Price trends by dwelling attribute

The University of Ulster's Quarterly House Price Index, summarised in Figure 12, presents average and Lower quartile<sup>5</sup> prices from 2005, 2007 and 2010 for the Mid Ulster HMA by dwelling type. The Northern Ireland peak to trough price pattern has been replicated across all dwelling types in the Mid Ulster HMA. Between 2007 and 2010, the average non-adjusted house price fell by some 33% to £144,000.

**Figure 12: Average Annual House Price Mid Ulster HMA, price by dwelling type**



Source: University of Ulster House Price Index (based on outputs supplied for this study) NB: No information was available for 2009. Some figures are based on low number of sales.

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, as all properties fell by approximately 40% between 2007 and 2010. As expected, detached dwellings were the most expensive. Throughout the period from 2005 to 2010, the average price of a detached dwelling was approximately double the average price of a terraced house and/or apartment. The average price for terraced houses and apartments (flats) also remained reasonably close to one another and provided the least expensive dwelling type in the Mid Ulster HMA.

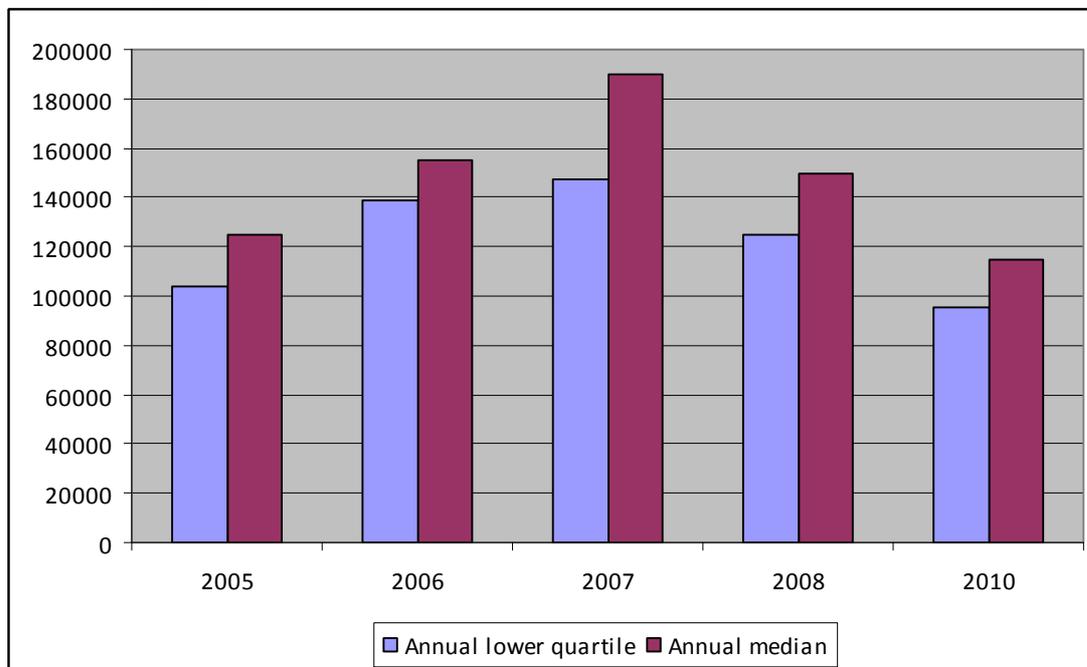
<sup>5</sup> If all sales in a given period are ranked in descending order, the Lower quartile price is the price of the dwelling which marks the point where one quarter of sales fall below it.

**Price trends**

**Median and Lower quartile prices for two/three bedroom properties**

Any analysis of the affordability of the housing market requires a judgement about the appropriate house price threshold. The Department for Communities and Local Government (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 looking 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 13: Lower quartile and Median House Prices for two/three bedroom properties, Mid Ulster HMA, 2005-10**



Source: University of Ulster House Price Index (based on outputs supplied for this study) NB: No information was available for 2009. Some figures are based on low number of sales.

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 two or three 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).<sup>6</sup>

In 2010, the Lower quartile threshold price in the Mid Ulster HMA for two/three bedroom dwellings was £95,250. This was £94,750 below the median for a two/three bedroom property of £190,000 in 2007 and £8,250 above the comparable Lower quartile price in 2005.

### **Volume of transactions**

The fall in house prices has been accompanied by an even starker fall in the numbers of properties being sold. The reduction in house sales has also highlighted the ongoing housing market recession.

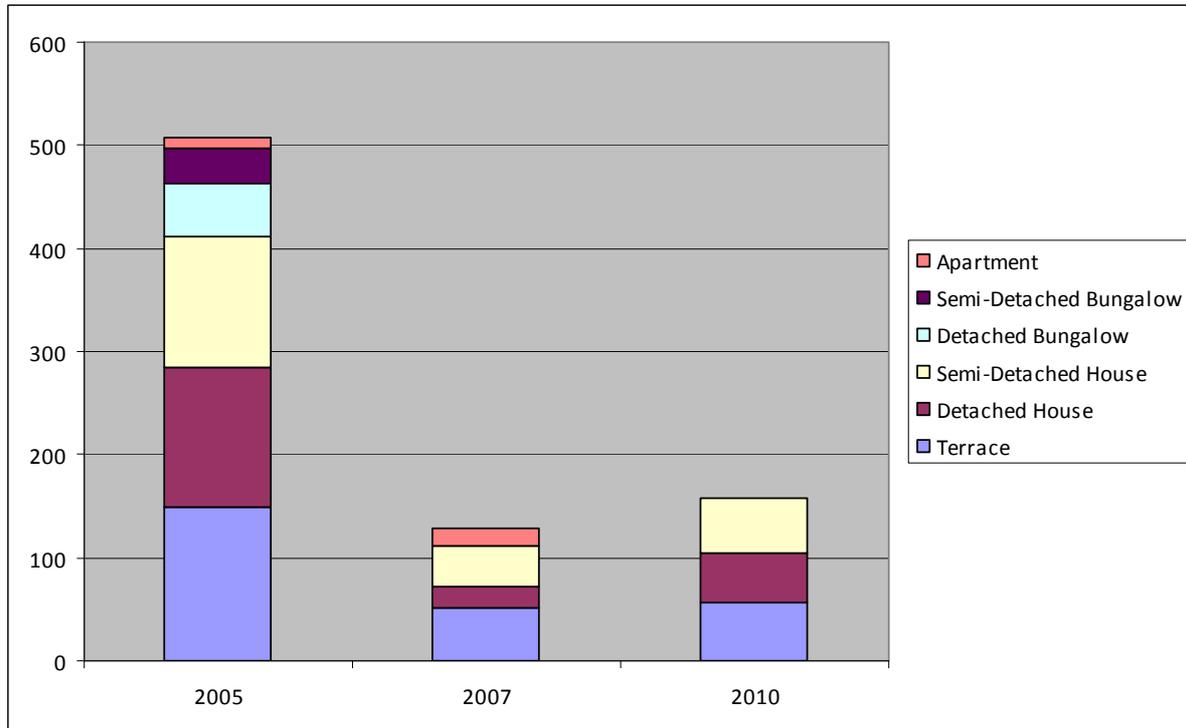
At the UK level, there were some 885,000 sales in 2010 with a value of £40,000 or more, around 45% fewer than recorded in 2007 (DCLG, live table 530). The Office for National Statistics (ONS) has not updated figures on the numbers of sales in Northern Ireland since early 2008. Figures from the University of Ulster, which are based on a sample covering 30-40% of activity, suggest that the numbers of new build and second hand sales for Mid Ulster HMA in 2010 were 37% lower than in 2005, as Figure 14 shows.

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.

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<sup>6</sup> As part of this exercise we explored alternative entry-level price thresholds. The two/three bedroom option was preferred partly because it produced the largest sample from the University of Ulster database. More importantly, the University of Ulster LGD level Lower quartile two/three 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 University of Ulster sample was considerably larger.

**Figure 14: Sample of sales volumes across Mid Ulster HMA, 2005 to 2010**



Source: University of Ulster Quarterly House Price Index (based on outputs supplied for this study) NB: No information was available for 2009

## Affordability of owner occupation

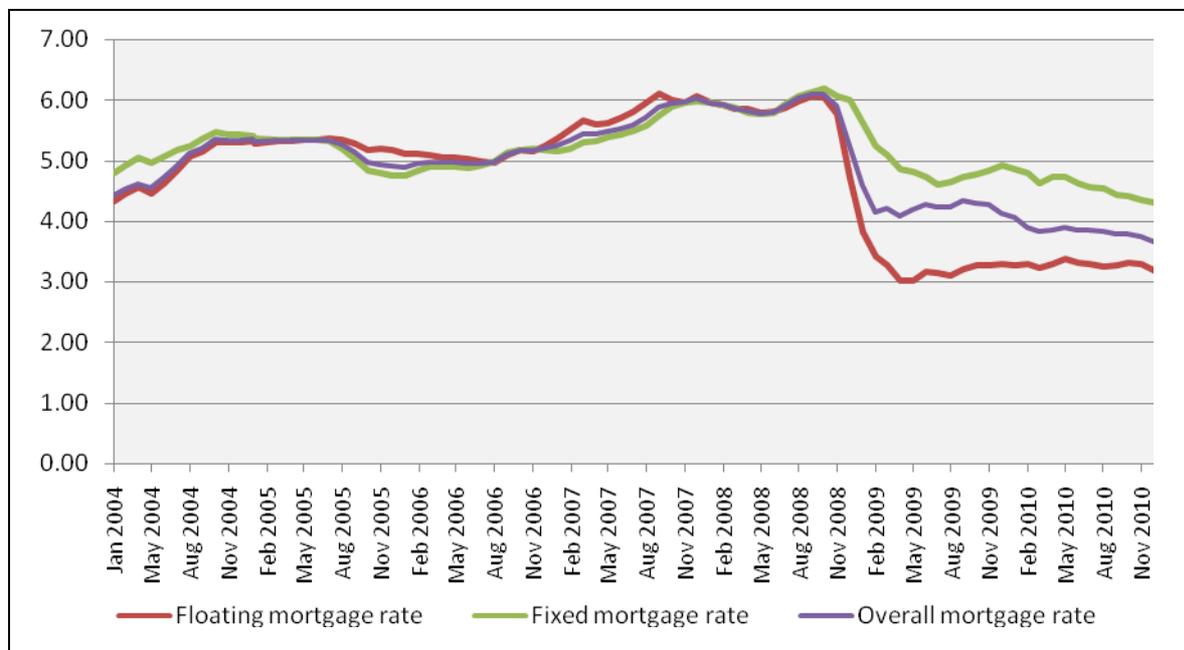
### Recent trends

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 Mid Ulster HMA and the rest of Northern Ireland. 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 interest rates to less than 1% in early 2009 the effective mortgage rate has declined (see Figure 15). 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 15: 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 for first time buyers that have to save a deposit from their own earnings and cannot rely on support from their family.

Negative equity is a constraint on a household's ability to secure mortgage finance and therefore their ability to move home. In April 2009, the Council of Mortgage Lenders 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. 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 Mid Ulster HMA**

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

We used CACI PayCheck income probability estimates for 2009, to approximate Lower quartile and median gross annual household incomes.

At the Northern Ireland level 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.

Keeping this in 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 15, compares the Lower quartile and median house price for a two/three bedroom property in 2009 with the Lower quartile and median CACI PayCheck income point for the Mid Ulster HMA.

**Table 16: Mid-Ulster HMA affordability ratios for two/three 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
Mid-Ulster HMA	£95,250	£115,000	£16,339	£27,648	5.8	4.2	3.4
Northern Ireland	£95,500	£124,950	£16,810	£28,780	5.7	4.3	3.3

Source: Non adjusted simple price data supplied by the University of Ulster (22 July) and CACI PayCheck, 2009 used to deduce 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 15 suggest that:

- Lower quartile prices, in spite of the scale of recent falls, remain above affordable levels for younger single income households. These households would struggle to purchase a home unless they had considerable savings or access to other sources of funds;

## Housing Market Analysis

### Mid Ulster Housing Market Area



- Lower quartile house prices have become more affordable for dual income households and other households with incomes close to or above the median income;
- Median house price to median income ratios exceed the 3.5 affordability benchmark in Mid Ulster HMA, the ratio here is approximately 4.2.

#### **Alternative affordability measures**

Affordability ratios give no indication of the proportions of households experiencing affordability problems. We, therefore, sought to extend the analysis of affordability to look at the costs of buying and renting privately.

This analysis, which is summarised in Table 16, 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.



**Private Sector Development at Westland Road, Cookstown**

The analysis is based on the following assumptions:

- The cost of purchasing a dwelling at the lower quartile two/three bedroom property in 2010 with a mortgage equivalent to 80% or 95% of the purchase price;
- The median rent payable for a two bedroom private flat in 2010. These figures are derived from the private rental index database in the Mid Ulster Area, which is discussed in more detail in Chapter 4;

- 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 aged under 40 years is similar to the income distribution for all households. For example, if 10% of all households have an 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% LTV ratio is consistent with DCLG guidance (2007) whilst the 80% LTV 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.

**Table 17: Comparison of the cost of owning and private renting**

	Mid Ulster	Northern Ireland
Estimated number of households under 40 years	7,860	199,456
<b>Lower quartile purchase price(two/three bed Lower quartile)</b>		
95% mortgage	£90,488	£90,725
80% mortgage	£76,200	£76,400
<b>Weekly cost of option (25 year repayment mortgage at 4.7% interest)</b>		
95% mortgage	£120	£120
80% mortgage	£101	£101
Private median rent for a 2 bedroom dwelling	£94	£92
<b>Gross income required to access open market</b>		
3.0 multiplier and 95% mortgage	£30,163	£30,242
3.0 multiplier and 80% mortgage	£25,400	£25,467
Rent equals 25% gross income	£19,456	£19,109
<b>Affordability test 1: Lower quartile purchase: 95% mortgage and 3.0 multiplier</b>		
No. unable to buy	4,323	105,113
% unable to buy	55.0	52.7
<b>Affordability test 2: Lower quartile purchase: 80% mortgage and 3.0 multiplier</b>		
No unable to buy	3,576	87,162
% unable to buy	45.5	43.7
<b>Affordability test 3: private rent 2 bedroom dwelling (not exceeding 25% gross income)</b>		
No. unable to afford	2,539	60,036
% unable to afford	32.3	31.1

The findings presented in Table 16 suggest that:



- 55% of younger households in the Mid Ulster HMA could not afford to purchase a dwelling of the value of £95,250 assuming lenders were willing to provide mortgages with a LTV ratio of 95%;
- If we assume households could raise a deposit in order to secure a mortgage with a LTV ratio of 80%, around 45% of younger households in the Mid Ulster HMA could not afford to purchase a dwelling of the value of £95,250;
- Some 32% of younger households in the Mid Ulster HMA have an income below the level suggested by the DCLG guidance that a rent should not exceed 25% of gross household income. This shows that even though there has been a sharp fall in house prices, private renting is still the more affordable option.

### Potential for intermediate housing

Intermediate housing is a term the UK Government used 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:

- The housing should meet the requirements of eligible households and the cost should be low enough for them to afford; and
- 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. We therefore estimated the numbers and proportions of younger households that may benefit from some form of intermediate housing on the basis that they should have more than sufficient income to pay a social rent without recourse to housing benefit but insufficient income to purchase a two/three bedroom house with a 95% mortgage<sup>7</sup>.

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

- Consistent with affordability test one, outlined in Table 16, 45% 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;
- 35.9% 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;

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<sup>7</sup> This assumes an upper social rented sector threshold of approximately £80 per week 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.

- Of the remaining 64.1% of younger households who could afford to pay a social sector rent without recourse to housing benefit, 56.3% could not afford to buy locally. This suggests that there may be a potential for intermediate housing tenure in the Mid Ulster 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 two bedroom dwelling and considerably more could afford the median private rent for a one bedroom dwelling. This suggests that there is a distinct risk that intermediate housing would simply result in households moving from the PRS.

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 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. While below the prevailing average open market purchase price, the figure is above the Lower quartile price for two or three bedroom properties. Within the Mid Ulster HMA, a total of 768 homes have been purchase through the Co-Ownership scheme. Only 11 properties were purchased through the Co-Ownership scheme in 2010/11 reflecting the inactivity of the housing market.

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 Mid Ulster 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 house building 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 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 in the Mid Ulster HMA, 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 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 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 three to five bedroom family houses as opposed to apartments because demand for the former tends to be more stable.

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 2.

On the other hand, continued modest house building rates for five 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 draft Revised RDS 2011-25. 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 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.

## Summary

Owner occupation dominates the Mid Ulster HMA, with almost three quarters of households owning their own home, and is a great deal higher than much of Northern Ireland. Over a third of the owner occupied stock approximately comprises larger detached houses and bungalows. While there has been an increase in the PRS tenure share during the last five years, owner occupation remains by far the most popular tenure in the Mid Ulster HMA.

Stock condition in the owner occupied sector is generally above the average for Northern Ireland but there are signs of poorer quality dwellings in the town centres of Magherafelt and Cookstown and isolated rural cottages.

More generally, demographic projections presented in Chapter 2 illustrate that there will be a continued upward trend in the growth of households, substantially higher than the rest of Northern Ireland. This will put additional demand on increasing the supply of housing stock. Also, projections indicate an increase in the number 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.

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 Mid Ulster HMA experienced a steep rise in house prices. Over this period, rates of housing construction were just over half of RDS ambitions and were well below household growth. Supply shortfalls, therefore, were a factor in prices rises. Perhaps more importantly, the rapid expansion in the number 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 Mid Ulster HMA and the rest of Northern Ireland in the three years to 2007.

The housing market has been at the forefront of the economic recession. By 2009 the housing market slump had lead to extraordinarily declines in the levels of new construction, house transaction numbers and house prices. The sharp decline 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 Mid Ulster 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, 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 that 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. Public sector reduced spending plans and pay restraint policies are therefore likely to have a dampening effect on housing demand.

Overall, we judge that 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.

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

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.

Finally, in terms of very low levels of turnover in the Mid Ulster property market, the value of price data as an indicator of market change is likely to be limited until the housing market recovers.

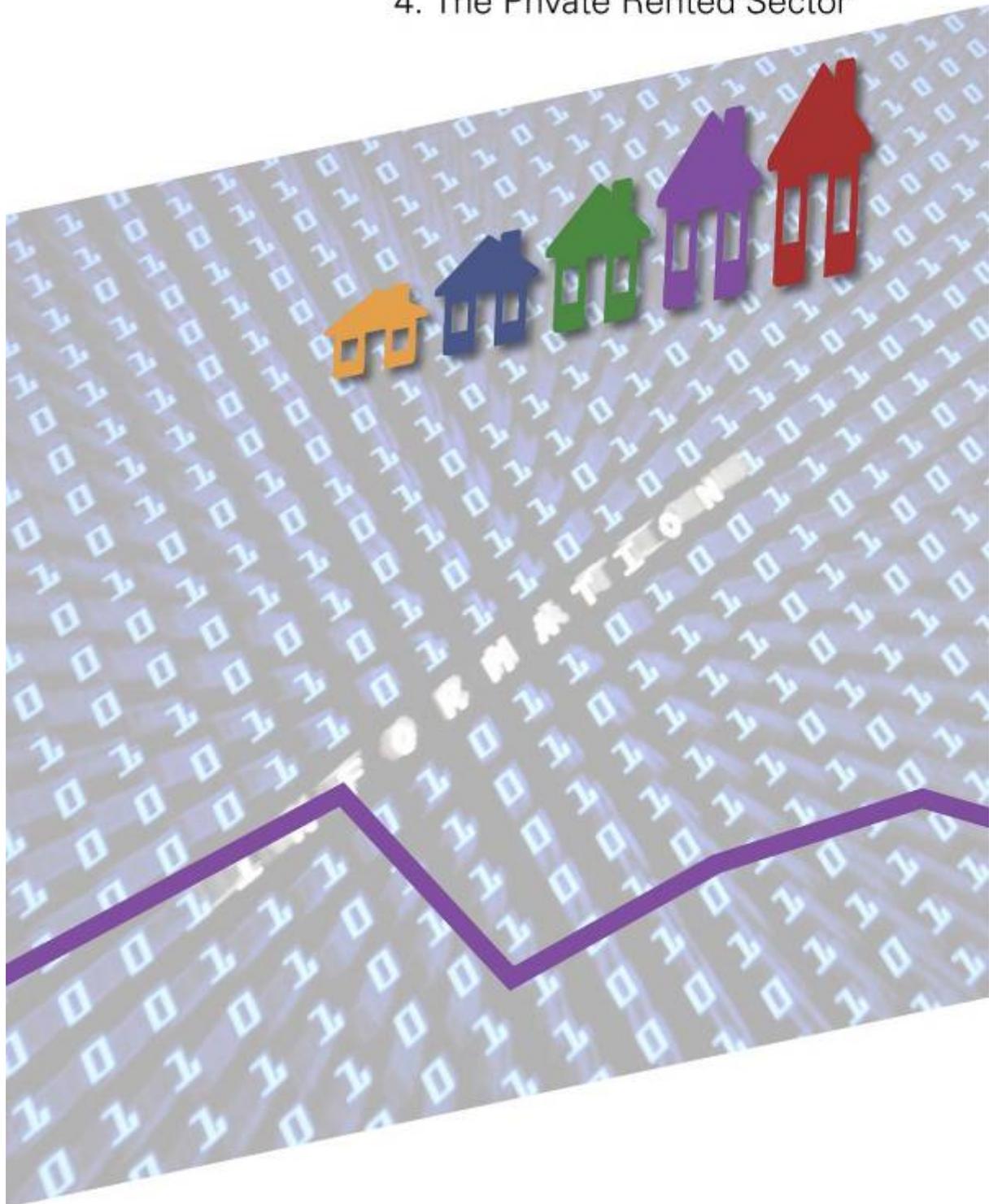
### Key issues

- Owner occupation is the dominant tenure with almost three quarters of households owning their homes;
- Following a period of growth in terms of construction and rising house prices, the economic downturn of 2007 has resulted in falls in building and a dramatic drop in house prices;

- In the short term, the prospect of recovery in the housing market will depend on improved economic conditions. A lack of confidence has resulted in a slump with low levels of transactions;
- Properties are now more affordable but the tighter lending criterion has resulted in first time buyers having difficulties accessing finance.



## 4. The Private Rented Sector



## 4. PRIVATE RENTING WITHIN THE MID-ULSTER HMA

### Introduction

This chapter explores the dynamics of the PRS including affordability, inter-tenure flows and the significance of private renting within the wider housing system. It draws upon evidence from the HCS 2009 to augment analysis of 2001 Census data. The chapter concludes by considering future prospects for the sector.

### Expansion of private renting

Following years of decline, the PRS has experienced a major revival in the Mid Ulster HMA. In 2001, the Census identified that the PRS represented 7% of the housing stock and it is estimated by 2011 this had expanded to 16%.

Regional evidence from the 2009 HCS indicates that the sector has continued to expand rapidly since 2006. 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 accounted for almost 17% of the total occupied stock and over 19% of the total stock<sup>8</sup>.

The rapid expansion of PRS stock at the Mid Ulster HMA level since 2001 is consistent with anecdotal evidence that:

- There has been considerable investment in the PRS, including a substantial inflow of funds from the ROI and UK buy to let investors;
- Since the 2007 downturn in the housing market outlined in Chapter 3, 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 homeowners unable to sell renting out properties, albeit temporarily. (Accidental landlords).

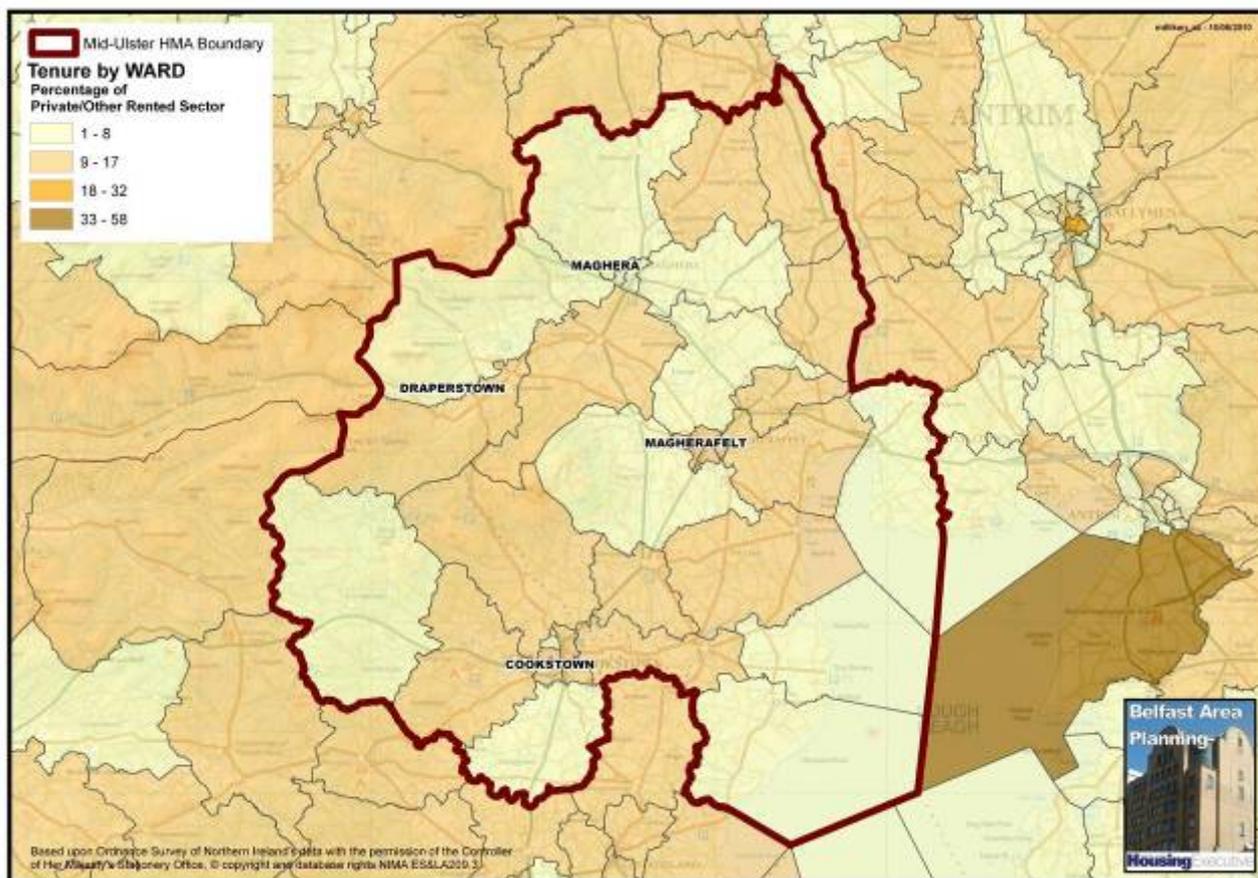
Map 4 shows where the highest concentrations of households in the PRS were located in the Mid Ulster area in 2001. The PRS in Mid Ulster tended to be concentrated in urban areas including the two main towns of Cookstown and Magherafelt and to a lesser extent the smaller urban areas of Draperstown and Maghera. The rapid increase in the sector since 2001 has largely centred on these towns.

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<sup>8</sup> 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.



Map 4: Proportion of the stock in the PRS, 2001



Source: Census, 2001

At the Mid Ulster HMA level, the proportion of the total stock in the PRS increased from 5.7% to 9.3% in the period from 2001 to 2006. Since 2007, there has been a further rise evidenced by an increase of 60% in Housing Benefit claims within the PRS. This marked increase reflects the lack of activity in the owner occupied sector. Based on the data available, it is estimated that the PRS now represents approximately 16% of stock.

Table 18: Mid-Ulster Private Housing Benefit 2007 to 2011

	2007	2008	2009	2010	2011
Mid-Ulster HMA	1,667	1,712	1,970	2,460	2,636

Source: NIHE /DHP (includes Housing Association claims)

## Profile of the PRS stock

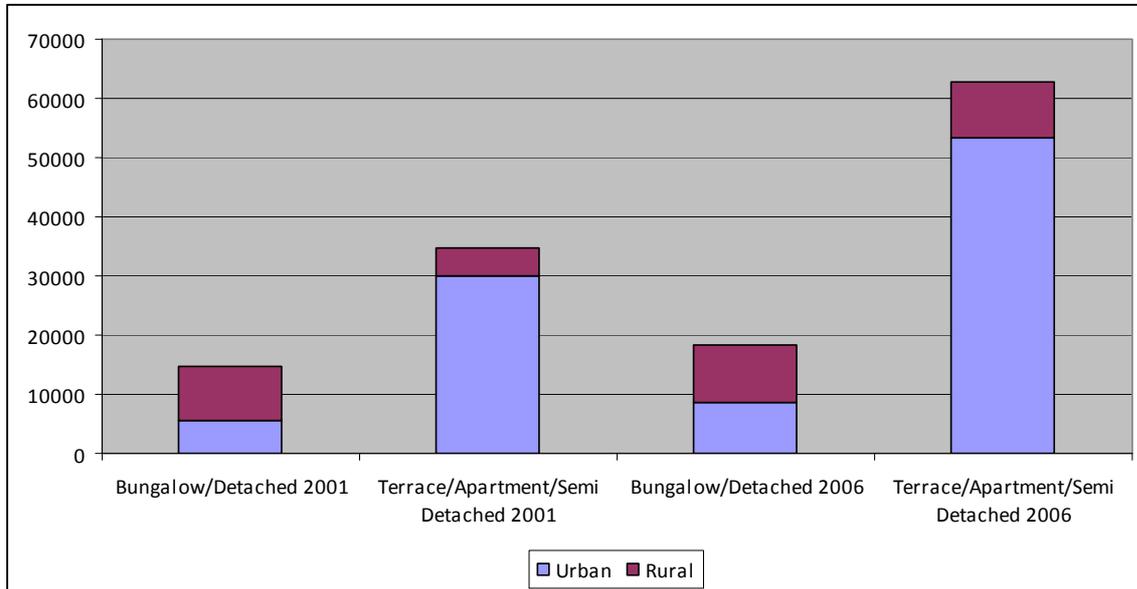
### Dwelling type

Figure 16 shows that the expansion of the PRS since 2001 has been accompanied by a change in the composition of the PRS housing stock in Northern Ireland. Between 2001 and 2006:

- The numbers of terraced, apartments and semi-detached housing increased by 28,076, and in 2006 represented 77.5% of all PRS stock;

- The number of bungalows in the sector increased by 22%, but their proportion of PRS stock fell from 29.5% to under 22.5%.

**Figure 16: Private Rental Stock by Urban/Rural NI breakdown, 2001 & 2006**



Source: HCS 2001 & 2006 (edited dataset)

NB: Consistent with advice from NIHE Research Unit these figures have been rounded to the nearest 100.

## Vacancies

There are a variety of reasons why dwellings are vacant including unfitness, failing housing markets and second homes. The highest levels of vacancies tend to be in the PRS. In 2006, 5% of the housing stock in Northern Ireland was vacant, of which over a third was in the PRS.

About two thirds, 65%, of vacant dwellings in the Mid Ulster HMA were located in the urban areas of Magherafelt and Cookstown. It is considered that the majority of these were privately rented during their last occupancy. However, feedback from estate agents in the Mid Ulster area, carried out in November/December 2011, indicate a high demand for good quality family accommodation in urban areas. Vacancies are concentrated in poor quality smaller dwellings which agents found difficult to let. In addition, these local agents advised that there was lower turnover in the PRS with increased longer term lets.

## Dwelling age and condition

Until recently, the profile of the PRS was one of older properties in poorer condition. However, there has been a marked change in this profile. The 2001 HCS indicates that the majority (59%) of PRS dwellings were built before 1945. However by 2006 pre-1945 properties had reduced to 43%. This reflects the high level of construction activity in the residential sector. In the Mid Ulster HMA during the period 2001 to 2006, a total of 3,589 new homes were constructed.



**Table 19: PRS by Dwelling Age by Urban and Rural breakdown, Northern Ireland**

	HCS 2001		HCS 2006	
	Urban	Rural	Urban	Rural
<b>Pre 1945</b>	20,700	8,400	26,900	8,200
<b>Post 1945</b>	14,700	5,600	34,900	10,900
<b>Total</b>	35,400	14,000	61,800	19,100

Source: HCS 2001 & 2006 (edited dataset)

NB: Consistent with advice from NIHE Research Unit these figures have been rounded to the nearest 100.

In 2009, unfitness in Mid Ulster was 5.1%, higher than the N I average of 2.4%. While there is no detailed information concerning the unfitness of the Mid Ulster PRS, it is known that higher unfitness levels are found in the PRS and in rural and vacant stock.

The 2006 HCS estimates that more than a quarter (26.5%) of the PRS failed to meet Decent Homes Standards. Thermal comfort was the main criterion for failure with 44% of PRS households in fuel poverty compared to 34% of all households. The 2006 HCS assessed unfitness for the PRS at 2.7%. The situation had improved slightly by 2009 with unfitness reduced to 2.2%. The 2009 results indicate that unfitness is associated with vacancy (nearly three in five unfit dwellings in 2009 were vacant) but a declining proportion of vacancies are unfit and the Housing Executive attribute this to the growing proportion of vacant buy to let properties (which are presumably relatively modern or newly constructed).

## Households

The PRS plays a pivotal role in the local housing system. The PRS is diverse and caters for a 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 always 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).

Table 19 sets out the distribution of household types for 2001, 2006 and 2009 in Northern Ireland. The largest groups within the PRS are small adult households comprising two adults, and families. There has been substantial growth in the PRS between 2001 and 2009, an increase of 154%. Family households have shown the biggest growth with a 209% increase.

**Table 20: PRS by Household Type by Urban and Rural breakdown, Northern Ireland**

	HCS 2001		HCS 2006		HCS 2009	
	Urban	Rural	Urban	Rural	Urban	Rural
<b>Small Adult HH</b>	16,500	5,000	24,200	7,600	42,600	13,100
<b>Family HH</b>	12,300	5,400	27,200	6,400	37,800	17,000
<b>Older HH</b>	6,000	3,400	10,000	4,400	9,600	3,300
<b>Total</b>	34,800	13,800	61,400	18,400	90,000	33,400

Source: HCS 2001, 2006 & 2009 (edited dataset)

NB: Consistent with advice from NIHE Research Unit these figures have been rounded to the nearest 100.

Information on households at Mid Ulster HMA level is limited. An examination of Housing Benefit applicants can assist in giving a profile of the PRS households (Table 20).

### Private Housing Benefit Analysis

At December 2011, over half (53%) of PRS households were claiming Housing Benefit. Over two thirds (70%) were singles and small adult households and the remainder were families with children. Claimants were mainly concentrated in the larger urban areas of Magherafelt, Cookstown and Maghera. This profile of PRS is corroborated by estate agents who indicate that single/couples are the mainstay of the PRS but there is increasing demand coming from families, particularly for recently constructed high quality family homes. In addition, estate agents indicated that tenants increasingly viewed private renting as a longer-term arrangement.

**Table 21: Mid-Ulster Private Housing Benefit Cases December 2011 Percentage Profile of Family Groupings by Mid-Ulster Totals**

Settlement	Couples	Families	Large Families	Singles	Grand Total
Cookstown	9.77%	9.13%	1.78%	14.93%	35.60%
Maghera	3.13%	3.09%	0.89%	6.34%	13.45%
Magherafelt	13.32%	11.08%	3.17%	22.96%	50.53%
Toomebridge	0.08%	0.08%	0.0%	0.25%	0.42%
<b>Mid-Ulster HMA</b>	<b>26.30%</b>	<b>23.38%</b>	<b>5.84%</b>	<b>44.48%</b>	<b>100.00%</b>

Source: NIHE Housing Benefit System. Family Groupings calculated from Members in household information: 1 = Singles, 2 = Couples, 3-4 = Families, 5+ Large Families

The HCS household income figures (see Table 21) show that the income level within the Mid Ulster PRS has risen since 2001 and is now higher than the overall Northern Ireland level for private renters. It should be noted that incomes for Northern Ireland households as a whole were greater than that of the PRS households. In 2006 the mean annual income for all households was £19,100 with a median income of £14,500. This may indicate that higher paid households choose not to live in the PRS.

**Table 22: PRS by Income breakdown, Mid Ulster and Northern Ireland**

	HCS 2001		HCS 2006	
	Mean Income	Median Income	Mean Income	Median Income
Mid Ulster	12,800	8,500	16,000	13,500
Northern Ireland	13,300	12,500	14,100	10,500

Source: HCS 2001, 2006

NB: Consistent with advice from NIHE Research Unit these figures have been rounded to the nearest 100.

### Landlords

Because of the size of the sector and the range of motivations for investing in and holding PRS properties, there is little concrete information on landlords. However, the Housing Executive has commissioned follow up research on the PRS in Northern Ireland, re-analysing and in some cases augmenting HCS data. One such study

## Housing Market Analysis

### Mid Ulster Housing Market Area



concerns landlords and involves a follow up survey of 191 landlords conducted in 2009 for Northern Ireland as a whole<sup>9</sup>

The interim findings included the following points. First, the majority of landlords are small scale (Two thirds have five or fewer properties) though their portfolios are increasing. Many entered the market during the period of rapidly rising prices and stated financial reasons as the main explanation for their choice. However, there is an important small number of landlords with large portfolios in Northern Ireland.

Second, 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.

Approximately 30% own their portfolio outright, whereas the rest have borrowed in different ways including buy to let mortgages, etc. – a substantial proportion had quite low LTV loans outstanding (suggesting scope to lever in more finance if required). The majority do not use a letting agent but manage directly.



**Private Rental Market more active in Town/Village Centres**

Expert interviews dealt at length on the investment market facing actual and potential landlords. The spectacular growth of the sector was widely seen to have ended in the aftermath of the 2007 credit crunch. The buy to let market is currently

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<sup>9</sup> The work was carried out by Paddy Gray of the University of Ulster and will be the sixth in a series of short studies on the Northern Ireland PRS.

flat (and not expected to pick up soon) because rents are relatively low comparatively to other UK markets, and the tightening of specific 'buy to let' lending rules. New supply is virtually at a standstill.

### Affordability

Median rents in Mid Ulster for two and three bedroom properties are similar. Approximately a third of households are unable to afford the rent. This is slightly higher than the Northern Ireland figure. Modal rents for two bedroom properties are more affordable but the three bedroom modal rent is less affordable with 34% unable to afford the rent.

**Table 23: Two Bed Rental Affordability, 2010**

Geography	Measure	Rent £ per week	Can afford (%)	Cannot afford (%)
Mid-Ulster HMA	Median	£93.54	67.7	32.3
	Mean	£88.81	70.0	30.0
	Mode	£72.76	77.8	22.2
	Lower quartile	£76.99	75.9	24.1
Northern Ireland	Median	£91.87	69.9	30.1
	Mean	£102.95	64.9	35.1
	Mode	£103.90	70.3	29.7
	Lower quartile	£86.85	72.2	27.8

Source: Propertyweeknews.com, NIHE, University of Ulster rental monitor and CACI

**Table 24: Three Bed Rental Affordability, 2010**

Geography	Measure	Rent £ per week	Can afford (%)	Cannot afford (%)
Mid-Ulster HMA	Median	£95.34	66.8	33.2
	Mean	£94.74	67.1	32.9
	Mode	£97.94	65.6	34.4
	Lower quartile	£86.92	71.3	28.7
Northern Ireland	Median	£100.75	65.9	34.1
	Mean	£103.90	64.5	35.5
	Mode	£115.38	59.4	40.6
	Lower quartile	£90.67	70.4	29.6

Source: Propertyweeknews.com, NIHE, University of Ulster rental monitor and CACI

These findings suggest that the levels of gross rents and incomes in the Mid Ulster HMA PRS represent 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 be less capable or suitable for low income households as an alternative to social housing but we must take account of the mitigating impact of LHA. Mid Ulster experienced a 60% increase in the private sector housing benefit claims since 2007. Of those 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 24 repeats the affordability analysis above but uses the estimated levels of LHA that would apply at the same geographies (for two bed properties).

**Table 25: Local Housing Allowance Affordability (2 bed)**

Market	LHA (£)	cannot afford (%)	PRS mode rent (£)	% cannot afford (%)	PRS median rent (£)	cannot afford (%)
Mid-Ulster HMA	£86.92	29.1	£72.76	22.2	£93.54	32.3
Northern Ireland	£86.41	27.6	£103.9	29.7	£91.87	30.1

Source: Propertyweeknews.com, NIHE, University of Ulster rental monitor and CACI

Table 24 contrasts the two bed local housing allowance level of rents in the PRS with the actual rents. Looking at 2010 data, the analysis compares the LHA (which is derived from modal LHA figures) with the mode and the median of two bed private rents. The table also shows the proportion who could not afford such rents at Mid Ulster and Northern Ireland level (using the same definition of rental affordability as before).

The key issue is really the extent to which the LHA alleviates or mitigates non-affordability for PRS households. We can indirectly assess this by subtracting the median rent from the LHA to make an approximate assessment. This indicates that the median rent payer eligible for the full LHA could expect to have £86.92 of £93.54 (92%) met in the Mid Ulster HMA.

Expert interviews confirmed the importance of Housing Benefit to the PRS. Industry commentators contend that a large part of the PRS is currently underpinned by public funding through the LHA. Unlike the rest of the UK, there were no changes to rent direct when the LHA was introduced, meaning that most landlords still receive their rent LHA payments from social security rather than the tenant. It was argued that any future cuts in Housing Benefit, as part of wider fiscal austerity measures, would be serious for the sector's future. This also has implications for the potential of the sector to take on long term leasing to homeless households.

### Impact of Welfare Reform on the PRS

The changes to LHA and Housing Benefit announced in the 2010 budget are being implemented in Northern Ireland. The most significant changes for tenants in the PRS are as follows:

- Change in Rate Calculation

Up to April 2011, the rate of LHA was set at the median rent value for properties in the broad market rental area where a property was located. This meant that about half of the properties in the area would have rents at or below the LHA rate. Since April 2011 the LHA rate has been set at the 30th percentile value. This means that only about 3 out of 10 properties in the area will be at or below the LHA rate.

- Introduction of Caps and Excess Entitlement

Since April 2011 there have also been caps placed on the amount of LHA that can be received, with the maximum rate based on no greater than a four bedroom property. The entitlement to keep up to £15 excess payment of LHA has also been removed.

- Sharing Rate

From January 2012, single people aged from 25 to 34 who rent from a private landlord will only be entitled to the Housing Benefit shared accommodation rate, irrespective of the size of accommodation actually rented. Depending on where the private tenant lives, this could see a reduction in benefit of up to £40 per week

These changes could mean:

- Low-income households having to give up their existing tenancies as they can no longer afford to rent as the shortfall between rent and LHA benefit received increases;
- PRS tenants seeking accommodation in the limited numbers of cheaper/shared properties, or giving up their independence and return to the family home;
- Social housing waiting lists are likely to increase, with people reverting to them as their best option of re-housing, as the supply of affordable private rental declines;
- A significant potential for a rise in homelessness;
- Investment opportunities for landlords to respond to the affordable PRS. This may prove difficult in the current lending environment.

### **Tenancy management issues**

The Northern Ireland Housing Market Review and Perspectives 2011-2014 indicates that there are approximately 10,000 HMOs in Northern Ireland. These play a key role on meeting the housing needs of single people, people on low incomes, students and migrant workers. HMOs are now within a statutory registration scheme and will ensure management standards improve. The 2006 HCS suggested that 89% of tenants said they had a good relationship with their landlord/letting agent and 56% were very satisfied (27% were satisfied) with the overall service provided. Data in this case is at Northern Ireland level and is not available for the Mid Ulster HMA, however within Cookstown and Magherafelt LGDs there are 33 registered HMOs( 10 In Magherafelt and 23 in Cookstown).

### **Inter-tenure flows**

There is considerable anecdotal evidence since 2007 that the PRS has replaced the owner-occupied sector in terms of purchasing new housing. Moreover, in several interviews, key participants argued 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 the two private sector parts of the housing system can co-evolve.



The relationship between the PRS and social renting is multi-faceted and important in contributing to meeting housing need. Key participants from social housing clearly felt that the PRS is substituting for social renting. One commentator argued that, despite a lesser degree of security, a wide choice, flexibility without the perceived stigma of social housing as well as (often) newly developed high quality housing—and it still offered the LHA. One Government spokesperson 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 wider needs 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 on 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 not finding their way into social housing, there may be a role to play and a strategy to devise in order to obtain maximum benefit.

However, in a separate study for the Housing Executive, Newhaven Research (2010) suggested that the rapid growth in the PRS since 2000 has been accompanied by an increase in the number of households assessed to be in housing stress (approximately 10,000 in 2001 and 20,000 in 2008). The research further suggests this was because of the possibility of insecurity of tenure and resulting homelessness. This would suggest that whilst the PRS may provide easier access to housing, many private renters do not perceive this tenure as a permanent or possibly even a satisfactory solution.

In summary, the evidence suggests that the PRS is perceived by a significant and growing number of landlords as an investment vehicle rather than a long-term commitment. Increasing numbers of tenants also see it as a staging post, as they take steps to secure social renting, or are saving to buy. On this basis, trends in the PRS are a reflection of the current economy in Northern Ireland and the housing market generally. Given the lack of flexibility of social housing to respond quickly to demand and lack of available finance for owner occupation, more households will continue to look to the PRS for housing solutions. However, it is clear that in Northern Ireland and the Mid Ulster HMA, the aspiration is still for owner occupation where possible.

### **Future Prospects**

There has been considerable expansion in the PRS in the Mid Ulster HMA, from approximately 1300 units (5.7%) in 2001 to approximately 4,400 units (16%) in 2011. Interviews with estate agents have indicated that demand for private renting continues to increase. This demand is coming from a range of households including young professionals, households who would have been first time buyers, those seeking an alternative to social housing and migrant workers. Traditionally the PRS would have been dominated by older housing stock both in rural and urban areas. Increasingly, the newly built developments of the last decade, particularly in

Cookstown and Magherafelt towns which failed to sell to owner occupiers or purchase as buy to let have become a more important aspect of the PRS market.

PRS households in the Mid Ulster area are predominately single, couple or lone parent households. At December 2011, over 70% of Private Housing Benefit claimants were single or couple households. With 53% of all PRS households in receipt of housing benefit, income data from CACI suggests that PRS households in Mid Ulster are more likely to be found in lower income bands than all households in Mid Ulster HMA. Both factors indicate that there is a high level of benefit dependency, unemployment and lower income households living in the Mid Ulster PRS.

PRS landlords generally have small portfolios, are often new to the sector and the majority are pursuing longer term financial or investment motives.

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.

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 Housing Executive observed that:

‘while qualitative evidence suggests some investors are leaving the market, the continuing strong occupier demand, lack of choice, migrant workers, and social housing budget pressures indicate that the ‘risk of large-scale disinvestment is seen as low’ (NIHE, 2009, p.84).

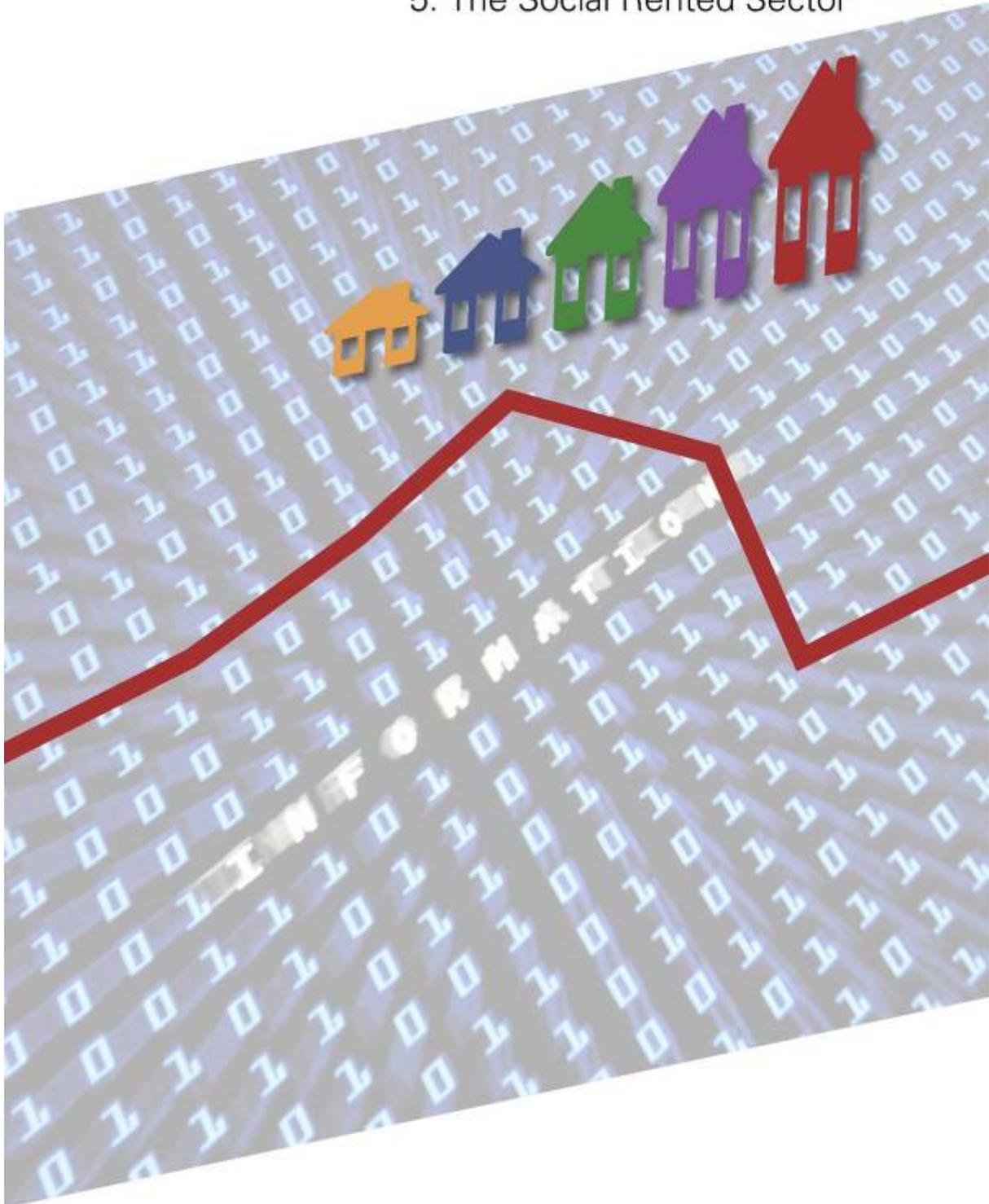
The future of the wider economy will impact on all sectors of the housing market. Supply within the owner occupied and PRS will remain constrained until mortgage lending conditions improve. In the meantime, as the sector approaches a sixth of all housing in Northern Ireland, there is an overriding need to increase our research into it and knowledge of those living in it.

### Key issues

- During the last decade, the PRS has more than doubled to 16% of the total housing stock;
- The majority of privately rented properties are located in the two main towns of Magherafelt and Cookstown;
- The standard of privately rented dwellings is improving, bolstered by more recently constructed properties;
- There is evidence of increasing demand for private renting but this sector is unaffordable to a significant number of households. Over half (53%) of households are claiming Housing Benefit;
- Welfare Reform is likely to impact on the ability of households to access suitable rented accommodation.



## 5. The Social Rented Sector

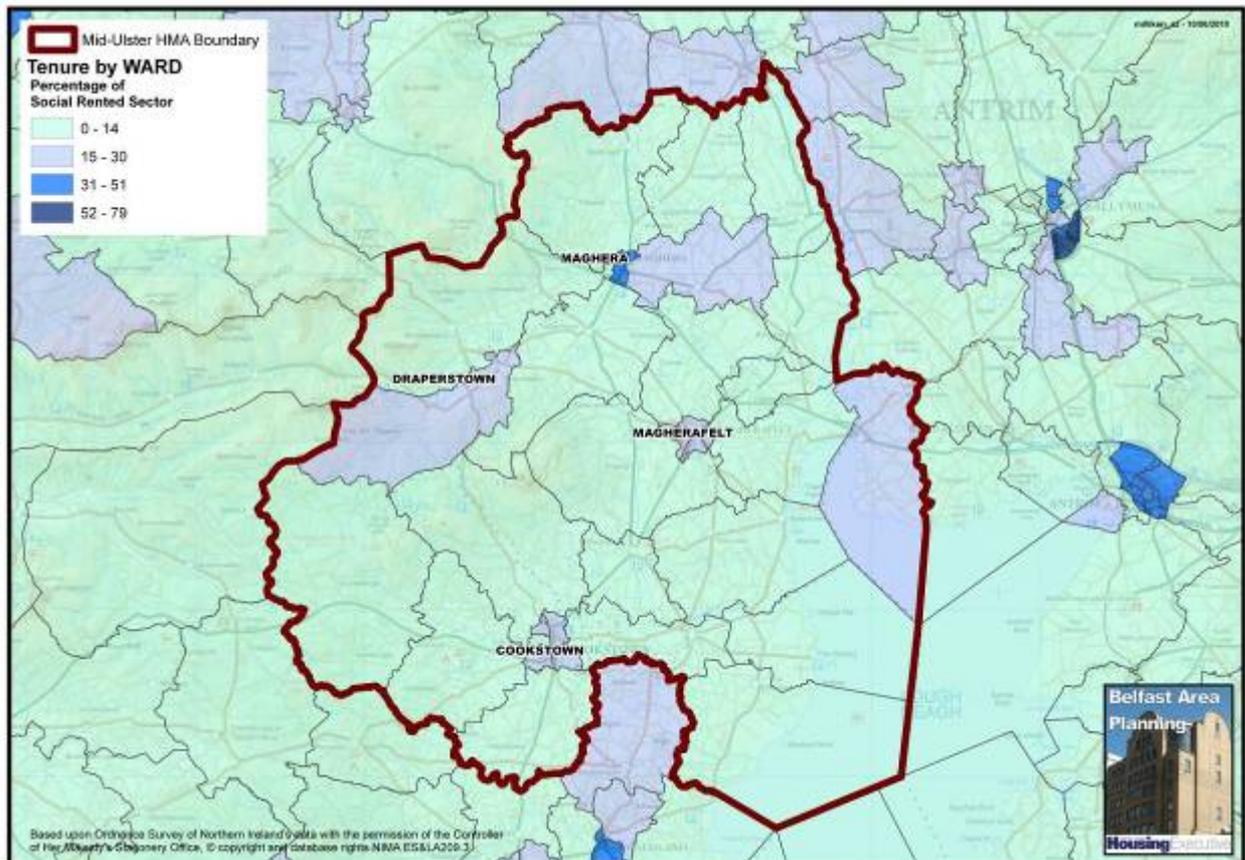


## 5. SOCIAL HOUSING WITHIN THE MID-ULSTER HMA

### 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.

**Map 5: Percentage of households living in social rented sector in 2001, by ward**



Source: Census, 2001

### Profile of the social housing stock

#### Numbers and spatial distribution of social housing

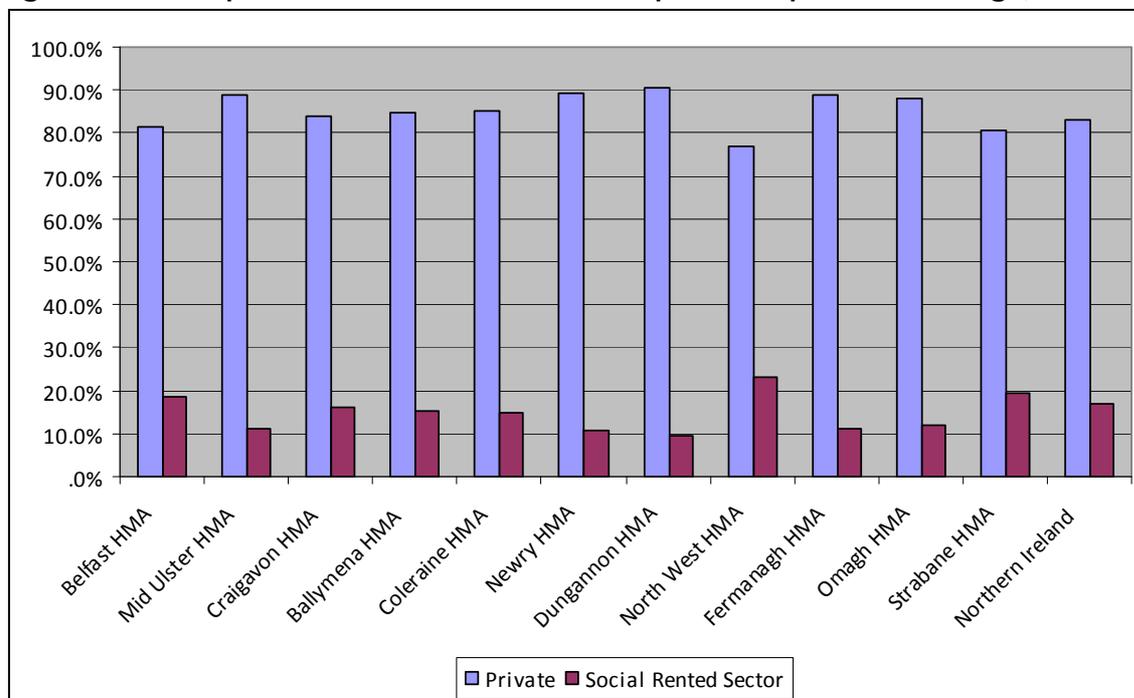
At March 2010, the Housing Executive owned 89,300 dwellings across Northern Ireland and Housing Associations managed 26,800 self-contained dwellings and a further 4,500 non-self-contained units.

The numbers of households in the Mid Ulster HMA renting from a social landlord has steadily declined over the last decade. In 2001, 14.1% of households in the Mid Ulster HMA were renting from social landlords. By 2011, the proportion of households living in the sector had fallen to 10% (2,750 units), compared to 18% for Northern Ireland as a whole. The towns of Maghera, Magherafelt, and Cookstown, along with the village of Draperstown have the largest concentrations of social rented housing in



Mid Ulster HMA. At just 11% of total housing stock, Mid Ulster has one of the lowest levels of social rented homes of the 11 HMAs (see Figure 17).

**Figure 17: Comparison of HMA households in public or private housing (All HMAs)**



Source: HCS 2006

### Changes in stock numbers over time

The decline in social rented stock has been driven by the sale of Housing Executive dwellings, which has outweighed construction of new social rented dwellings by all social landlords. Between 2001/2 and 2009/10, 2,146 Housing Executive dwellings were sold in Mid Ulster HMA. In common with the rest of the UK, sales began to fall away in 2005/6. In the three years to March 2010 there was an average of seven sales each year compared to an average of 188 in the three 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 plus wider housing market conditions<sup>10</sup>.

<sup>10</sup> There was a modest upturn in sales in 2009-10 which may reflect the expansion of the NIHE sale scheme to incorporate equity sharing, starting at 25%.

**Table 26: Social rented sector completions and NIHE sales 2000/1 to 2009/10**

Area	Total 2001/2 -2009/10		
	No social new build completions	No NIHE sales	Completions as % of sales
Mid-Ulster HMA	136	2,146	15.8
Northern Ireland	9,192	25,626	35.9

Source: NINIS (2011) Social rented completions and NIHE sales to 2009/10. Sales total excludes a very small number of 'special' NIHE sales plus all HA sales.

Most of the social housing development programme in Northern Ireland comprises of projects that involve less than 100 units.

In the nine years to March 2010 around 1.5% of social housing completions in Northern Ireland were located within the Mid Ulster HMA. On average, 13 new social rented dwellings were constructed each year in the Mid Ulster HMA, which has compensated for 15.8% of the dwellings lost to the sector as a result of Housing Executive sales. This 'replacement ratio', 1:16 (one constructed to 16 sold) is considerably less than the Northern Ireland ratio 1:3.



**Social Housing Scheme, Sandy Braes, Magherafelt**

## Dwelling attributes

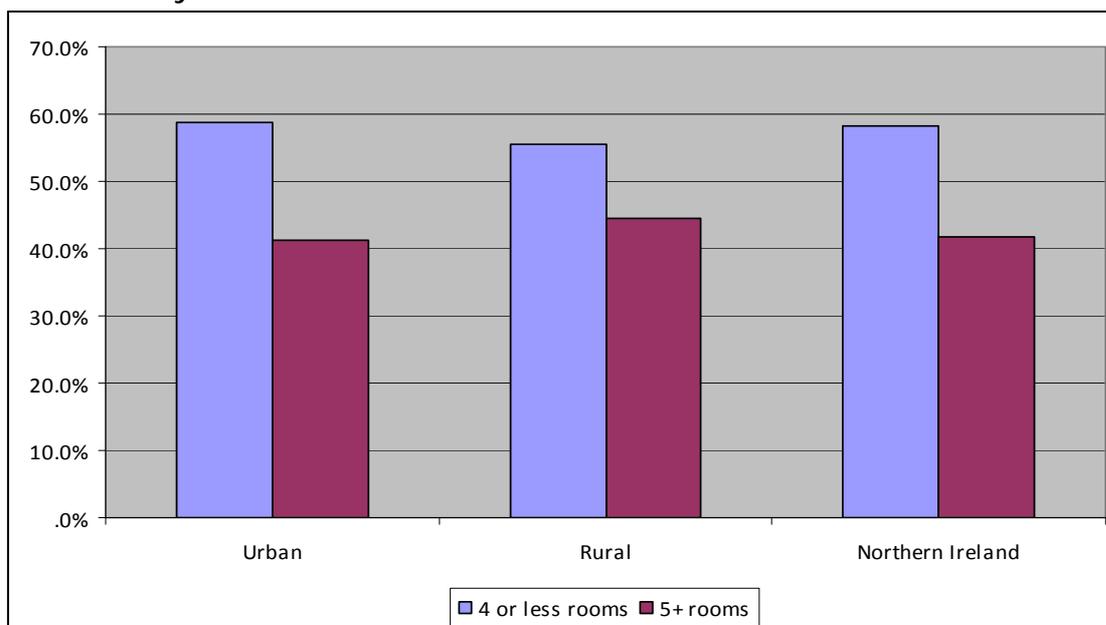
### Size and dwelling type

The social housing stock in Mid Ulster is predominately two and three bedroom family houses and two bedroom bungalows. Flats and maisonettes make up only 10% of the social stock and are mainly located in urban areas. The vast majority of cottages are located in the rural area.



Over half (58%) of the social rented stock in Northern Ireland comprise of four rooms or less. This reflects the trend to build smaller units and the fact that a much higher share of family size dwellings containing five or more rooms have been sold (see Figure 18).

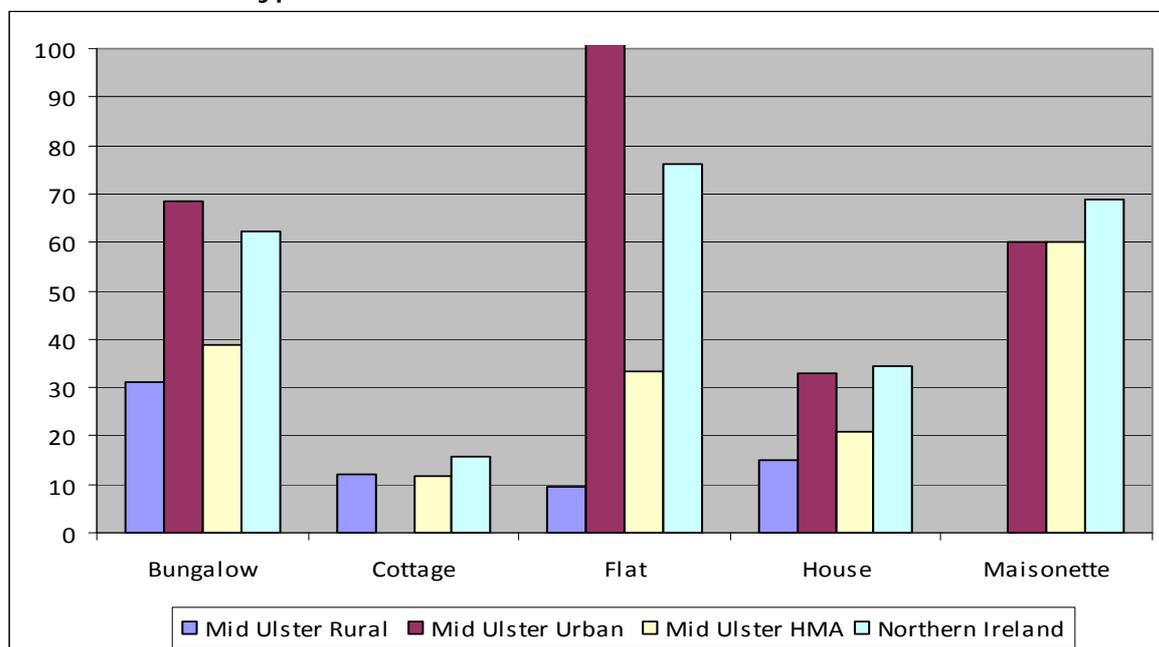
**Figure 18: Breakdown of social rented households by Urban/Rural Northern Ireland by No. of rooms**



Source: HCS 2006

Since the introduction of the House Sales Scheme in 1979, 75% of all properties in Mid Ulster, owned by the Housing Executive at that time, were sold by the end of 2009. Family houses and cottages have been the most popular for buyers in both urban and rural areas. Only 10% of the original number of cottages and 20% of houses remain in Housing Executive ownership. In comparison, flats have been less popular with 33% still in Housing Executive ownership. Almost 40% of bungalows are still in Housing Executive ownership primarily because most two bedroom bungalows are excluded from the House Sales Scheme.

**Figure 19: Housing Executive stock remaining for letting as a % of 1979 stock by house type**

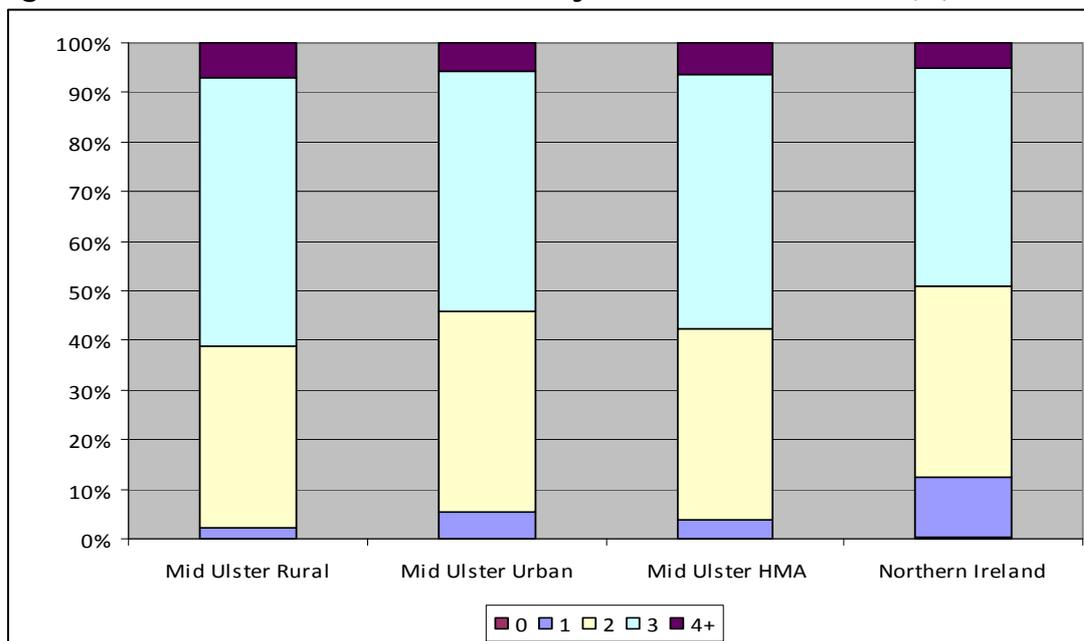


Source: NIHE Stock Data, April 2011

In terms of dwelling size social housing in Mid Ulster is mostly two and three bedroom properties. Housing Executive 2011 stock distributions by dwelling size and by dwelling type are shown in Figures 20 and 21. At the start of 2011, 42.4% of Housing Executive dwellings in the Mid Ulster HMA contained up to two bedrooms and just 6.4% contained four or more bedrooms. Moreover, in spite of the proportionately greater loss of houses through sales to sitting tenants, most Housing Executive dwellings in Mid Ulster HMA continue to comprise of houses and bungalows as opposed to flats and maisonettes. One bedroom properties account for less than 2% of the social housing stock and are predominately located in 'sheltered schemes'. The impact of welfare reform, which financially penalises under occupation, may act as a driver to increase the proportion of new one bedroom accommodation.



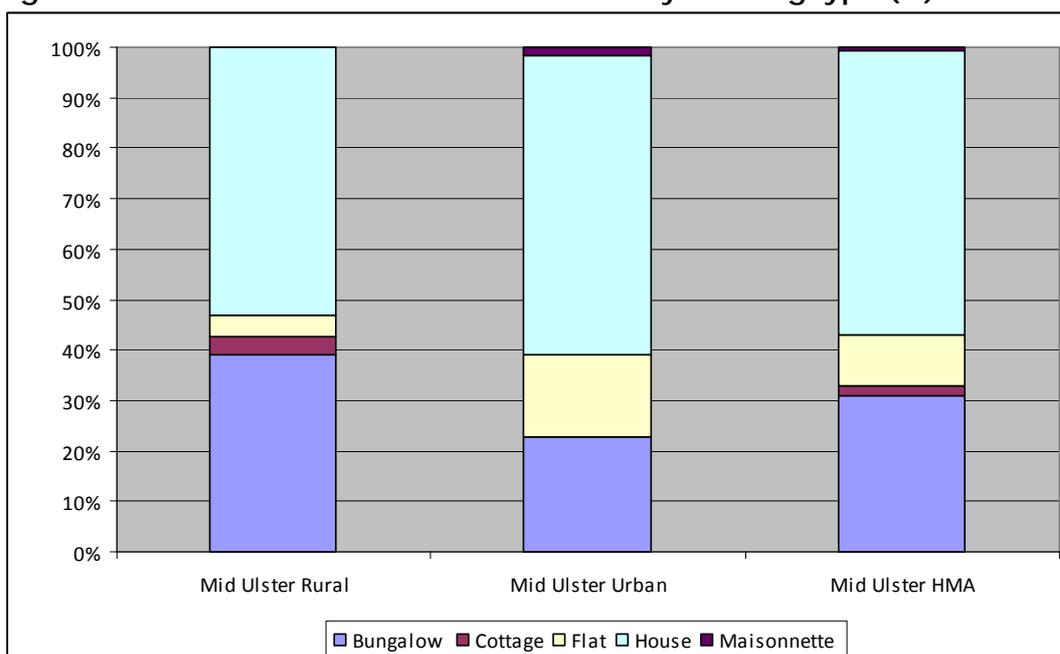
Figure 20: NIHE 2011 Stock distribution by number of bedrooms (%)



Source: NIHE Stock Data, April 2011

Housing Executive 2011 stock distributions by dwelling size and by dwelling type are shown in Figures 21 and 22. At the start of 2011, 42.4% of Housing Executive dwellings in the Mid Ulster HMA contained up to two bedrooms and just 6.4% contained four or more bedrooms. Moreover, in spite of the proportionately greater loss of houses through sales to sitting tenants, most Housing Executive dwellings in Mid Ulster HMA continue to comprise of houses and bungalows as opposed to flats and maisonnettes.

Figure 21: NIHE Stock 2011 Stock Distribution by dwelling type (%)

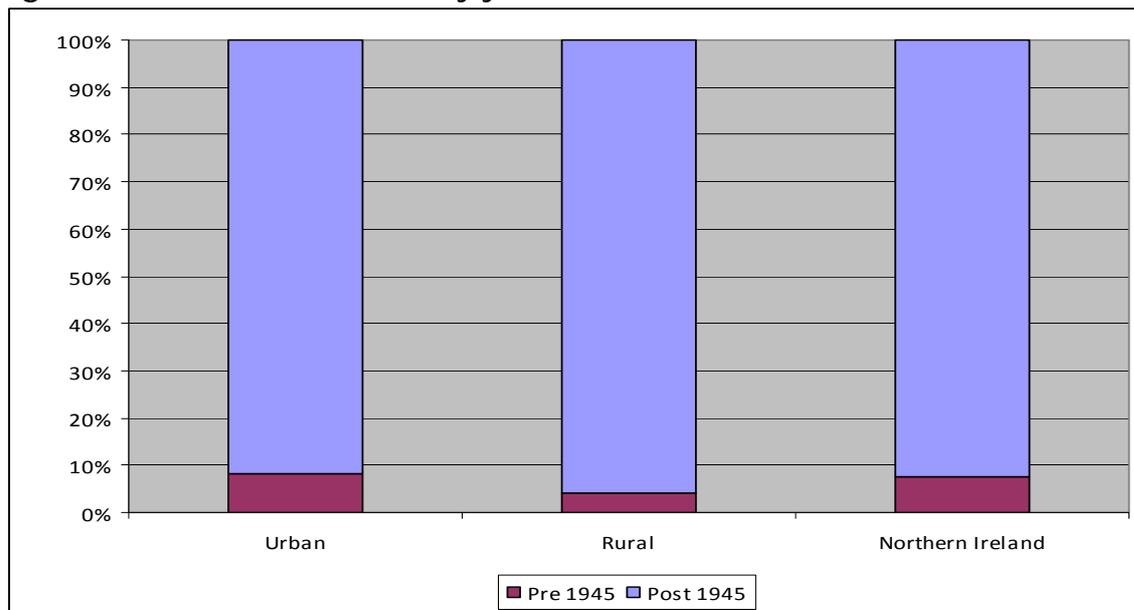


Source: NIHE Stock Data, April 2011

## Dwelling age

Over 90% of Housing Executive stock was constructed from 1945 onwards (Figure 22). By contrast, Housing Association stock largely comprised of dwellings constructed after 1980 (80%) or older pre-1919 (11%) dwellings that were acquired and brought up to modern standards.

**Figure 22: Social rented stock by year of construction Northern Ireland**



Source: HCS, 2006

Table 26 shows Housing Executive stock in Mid Ulster, at 2011, by year of construction. As expected, the greatest number of properties were constructed in the 1970's following the formation of the Housing Executive. In rural areas, just 1.4% of social housing stock is pre 1950's.

**Table 27: NIHE percentage stock breakdown for Mid Ulster 2011**

	Pre 1950	1960's	1970's	1980's	1990's	2000's
Urban	1.8	9.7	12.6	7.7	2.9	0.4
Rural	1.4	5.5	11.7	20.7	2.3	0.0
Mid Ulster HMA	3.2	15.2	24.3	37.1	5.2	0.4

Source: NIHE PRAWL

## Rents

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 Housing Executive rent increase was 3.4%.

In 2010/11 the average Housing Executive weekly rent was £52.76, which was lower than the average weekly housing association rent of £81.69.



Housing Executive rents are 'pooled' and 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 area and another is therefore simply a reflection of variations of Housing Executive housing stock. It is understood that Housing Associations do not generally 'rent pool' in the same way with individual rents being set for each development based on costs to provide/construct.

## **Profile of existing social rented tenants**

### **Household composition**

There has been a decline in the numbers and proportions of households in the social rented sector. There has also been a reduction 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 owned housing that is appropriate for their circumstances from their own resources.

Northern Ireland has a high proportion of social tenants aged 60+ years (38%). Comparison with evidence from the 2001 HCS 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 leaving the sector in the 1980's and 1990's who would be in their 60s and 70s today. The expansion of general needs provision in the housing association sector is also likely to have had some impact.

The overall trend has been a move to smaller household size. At Northern Ireland level, almost half of social housing tenancies are single person households. This is mainly due to relationship breakdown, young people leaving the family home and longer life expectancy.

### **Economic status and incomes**

Less than a fifth of tenants in 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 are therefore heavily reliant on housing benefit and/or other state benefits.

In March 2011 some 1,858 of all social rented tenants in the Mid Ulster HMA (82%) were claiming housing benefit. This figure has remained consistent over the last three years.

The 2006 HCS found that social rented tenants in the Mid Ulster HMA reported an income of less than £9,000 and the median income had decreased by £1,000 since 2001. (See table 6). Only 18% of social renters were classed as employed.

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. The fact that the majority of tenants' have incomes of £10,000 or less, alongside very substantial rises in fuel costs have become the main factors associated with fuel poverty within the social rented sector. This is a serious problem, which remains difficult to resolve.

## **Annual supply of social housing**

### **Lettings from 2005 to 2011**

In terms of the ability of the social rented sector to respond to those looking to be rehoused in the sector, the annual supply of lettings is of much greater significance than stock numbers. Table 27 shows the number of annual lettings for all social housing providers (the Housing Executive and Housing Associations), including both new allocations and relets from 2003 to 2011. To allow for the variation in the number of households, Table 27 shows the average annual number of lettings for 2007-9 per 1,000 estimated resident households in 2009.

Table 28 presents comparable information for Housing Executive annual relets from 2005 to 2011, this excludes households transferring within the social rented sector.

During the period from 2005 to 2008, the overall trend in Mid Ulster HMA was one of increasing demand and reducing supply. Since 2008, the Housing Stress waiting list, despite some fluctuation, has fallen back while the supply of social housing has with new build increased slightly. There is little differentiation between urban and rural trends with Mid Ulster HMA.

In summary, from Tables 27 and 28 we can conclude:

- The Housing Stress waiting list for Mid Ulster HMA despite fluctuations has increased from 304 in 2005 to 415 in 2011, a 37% rise;
- The most significant period of housing stress increase was between 2005 and 2008. This corresponds with the private sector boom creating difficulties in development site acquisition and a lower turnover of dwellings;
- There was a sharp reduction in allocations from 2006 to 2009. This reflects that there were relatively few social new build completions during that period. This trend is evident in both urban and rural areas.

# Housing Market Analysis

## Mid Ulster Housing Market Area



**Table 28: All Mid-Ulster HMA social rented sector allocations by applicant type and sub market , 2003-9**

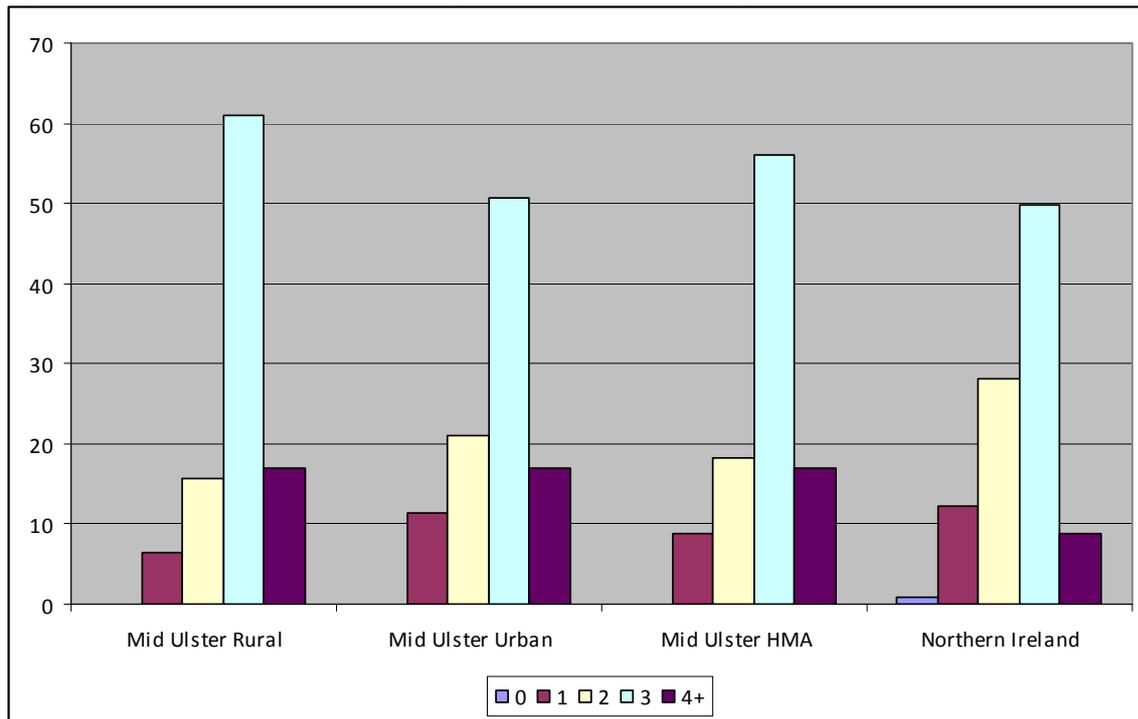
Area	Mid-Ulster HMA			Mid-Ulster Rural			Mid-Ulster Urban		
	All allocations	Wait List	Transfer	All	Wait List	Transfer	All	Wait List	Transfer
2005	247	197	50	118	99	19	129	98	31
2006	200	160	40	99	76	23	101	84	17
2007	178	147	31	83	70	13	95	77	18
2008	171	136	35	75	58	17	96	78	18
2009	202	164	38	101	82	19	101	82	19
2010	239	190	49	112	94	18	127	96	31
2011	227	185	42	119	100	19	108	85	23
2005-08 Avg	199	160	39	94	76	18	105	84	21
2009-11 Avg	223	180	43	111	92	19	112	88	24

Source: NIHE: All NIHE and HA allocations to social sector in year to 31 March each year; Mid-Ulster HMA and sub-markets based on aggregation of CLA and LHA figures

Table 29: All Mid-Ulster HMA NIHE relets, by applicant type and by sub-market 2005-9						
Area	Mid-Ulster HMA		Mid-Ulster Rural		Mid-Ulster Urban	
Year	Housing Stress	Relets	Housing Stress	Relets	Housing Stress	Relets
2005	304	191	116	93	188	98
2006	332	156	137	73	195	83
2007	406	132	192	66	214	66
2008	468	133	229	58	239	75
2009	434	150	177	69	257	81
2010	402	187	172	94	230	93
2011	415	139	177	63	238	76
2005-08 Avg	378	153	169	73	209	81
2009-11 Avg	417	159	175	75	242	83

Source: NIHE: NIHE allocations to social in year to 31 March each year; Mid-Ulster HMA and sub-markets based on aggregation of CLA and LHA figures

Figure 23: NIHE % Allocations by no. of bedrooms Apr 10 – March 11



Source: NIHE Prawl, March 2011

Figure 23 shows the distribution of Housing Executive relets by dwelling size for the year to March 2011<sup>11</sup> and indicates that:

- Most relets comprise of dwellings with three bedrooms, 57%. This is in line with the proportion of three bedroom stock within Mid Ulster HMA (52%);
- 26% of relets contain one or two bedroom properties, whereas 42% of Housing Executive stock is one or two bedroom properties;
- 17% of relets contain four or more bedroom properties. This is a comparatively high proportion as only 6% of stock is of this size. The percentage is probably inflated due to the small sample size.

## 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 29 shows trends in the total number of applicants recorded on

<sup>11</sup> 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.

the Common Waiting List (CWL) at the end of March each year between 2004 and 2011.

**Table 30: Total number of applicants on Common Housing Waiting List at March, 2004-11**

Area	Year								change 2004-11	% hoho 2011
	2004	2005	2006	2007	2008	2009	2010	2011		
Total numbers of applicants (Applicants & Transfers)										
Mid Ulster HMA	798	872	896	1,001	1,078	1,085	1,034	1,056	258	3.8
Mid-Ulster Rural	324	334	365	432	464	405	418	439	115	2.2
Mid-Ulster Urban	474	538	531	569	614	680	616	617	143	7.9
Northern Ireland	27,581	29,674	31,967	36,217	39,688	39,013	38,120	39,891	12,310	5.7

Source: NIHE Common Waiting List- figures relate to 31 March each year

In 2011 there were 1,056 applicants, including transfers, who wished to be considered for housing in the Mid Ulster HMA, virtually all of whom already lived in the area.

From 2004 to 2008, total applicant numbers increased sharply to almost 3.8% of all households within Mid Ulster HMA. While total applicant numbers have fluctuated slightly in 2010, they remain at 2007 levels. These findings are consistent with perceptions that increasing affordability pressures in the wider housing market are being reflected in the build up of accumulated 'demand' for social housing.

The rate of increase in applicant numbers in the Mid Ulster HMA during the period 2004-11 (83%) was dramatically higher than the Northern Ireland average (45%). This was most likely because household growth has been high in the Mid Ulster HMA, new build social housing has not kept pace with increasing demand and access to the owner occupied sector has become more difficult.

In March 2011 there were 898 CWL applicants seeking to be housed in the Mid Ulster HMA. Between 2005 and 2011 there was a marked upward trend in the number and proportion of applicants on the CWL. Over this period, the proportion of applicants increased from 64% to 85%. In contrast, the number of transfer applicants had decreased by 50%.

Overall there is a higher demand for the Mid Ulster Urban area. This demand is concentrated in the larger towns of Magherafelt, Cookstown and Maghera and this trend has been maintained throughout the seven year 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 amount of properties that were available to let in the previous 12 months.

**Table 31: Applicant to let ratios annual average 2005- to 2011**

	2005	2006	2007	2008	2009	2010	2011
<b>Total numbers of waiting list applicants (excluding transfers)</b>							
Mid-Ulster Rural	264	293	368	410	343	350	374
Mid-Ulster Urban	289	307	359	495	550	510	524
Mid-Ulster HMA	553	600	727	905	893	860	898
Northern Ireland	29,674	31,967	36,217	39,688	39,013	38,120	39,981
<b>Total numbers of social rented lettings (excluding transfers)</b>							
Mid-Ulster Rural	98	75	70	58	81	94	100
Mid-Ulster Urban	72	65	51	78	82	96	85
Mid-Ulster HMA	170	140	121	136	163	190	185
Northern Ireland	7,920	8,355	7,780	7,289	8,144	9,192	8,071
<b>Ratio of new applicants (excluding transfers) to all (non transfer) lettings</b>							
Mid-Ulster Rural	2.7	3.9	5.3	7.1	4.2	3.7	3.7
Mid-Ulster Urban	4.0	4.7	7.0	6.3	6.7	5.3	6.2
Mid-Ulster HMA	3.3	4.3	6.0	6.7	5.5	4.5	4.9
Northern Ireland	3.7	3.8	4.7	5.4	4.8	4.1	5.0

Source: NIHE common waiting list and NIHE all allocations in year to 31 March each year

Sometimes referred to as the social rented pressure ratio, this measure can be used to look at the average expected time a waiting list applicant may have to wait for re-housing (the number of applicants to every allocation). This measure is also sometimes used to look at the relative popularity of different areas. Ratios that approach one or two tend to be regarded as a potential indicator that a low demand trend may be emerging.

This ratio is only an approximate measure of waiting time because some applicants leave the list without being housed and applicants considered to be in housing stress are generally rehoused more quickly. Despite its limitations, the ratio provides a useful measure of the relative 'demand' for social housing in different areas as well as changes in demand over time.

Looking at waiting list to letting ratios for the period from 2005 to 2011, Table 31 shows:

- At Mid Ulster HMA level there has been a build up of pressure in the social rented sector over this period to a peak of 6.7 in 2008. Although this eased slightly in 2009, mainly because of the upturn in lettings discussed earlier. This reflects the general Northern Ireland trend;
- The peak in housing stress coincided with a marked increase in pressure in the social rented sector in 2008;

- The Mid Ulster urban area experienced a sharper growth in the applicant to let ratio with a peak of 7.0 in 2007 compared to 4.7 in Northern Ireland. This has remained consistently high at 6.2 in 2011, compared to Mid Ulster rural and Northern Ireland at 3.7 and 5.0 respectively.

### 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. The Housing Executive assesses each applicant's circumstances against a range of 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 31 summarises the number of households on the waiting list assessed to be in housing stress from 2004 to 2011 and shows that:

- At Northern Ireland and Mid Ulster level there was an increase in the total number of applicants on the CWL assessed to be in housing stress in the period from 2004 to 2008. The trend fluctuated between 2009 and 2011;
- 1.5% of the estimated household population in the Mid Ulster HMA were waiting list applicants assessed to be in housing stress in 2011.

**Table 32: Annual number of applicants in housing stress 2004-11**

Area	Year								change 2004-11	% H hold 2011
	2004	2005	2006	2007	2008	2009	2010	2011		
<b>Waiting list applicants in housing need (30+ points)</b>										
Mid Ulster HMA	249	306	330	406	468	433	402	415	166	1.5
Mid-Ulster Rural	113	118	135	192	229	176	172	177	64	0.9
Mid-Ulster Urban	136	188	195	214	239	257	230	238	102	3.0
Northern Ireland	14,163	15,534	17,228	19,707	21,364	20,496	19,716	20,967	6804	2.97

Source: NIHE Common Waiting List- figures relate to 31 March each year

### Comparisons with other evidence

It is widely acknowledged that some households in housing need may not register because they perceive their chances of re-housing to be low, due to the limited stock in some rural areas and low turnover. Depending on an applicant's area of choice, simply being in housing stress does not necessarily provide sufficient points to receive an offer as there may be a number of other applicants in greater need.

If people do not register, it can lead to a situation where a hidden need exists but is not apparent from the waiting list, which means that the new houses that are needed don't get built. In order to break this cycle in rural areas and determine if hidden need exists within an area, we carry out Rural Housing Needs Surveys (also



known as Latent Demand Tests). These are designed to bring the possibility of new housing to the attention of households in need. We select approximately 10 rural areas across Northern Ireland each year and carry out an intensive information campaign to encourage anyone in genuine housing need to come forward and register on the waiting list. The level of interest gauged from the test helps determine the need for additional social new build.

In 2010/11, Latent Demand tests were carried out in Stewartstown and Tobermore. It was determined that housing need existed in both settlements and schemes were programmed for 2012/13, comprising of four units in Tobermore and six in Stewartstown. Currently tests are being carried out in Moneymore and Ballymaguigan to ascertain if latent need exists.

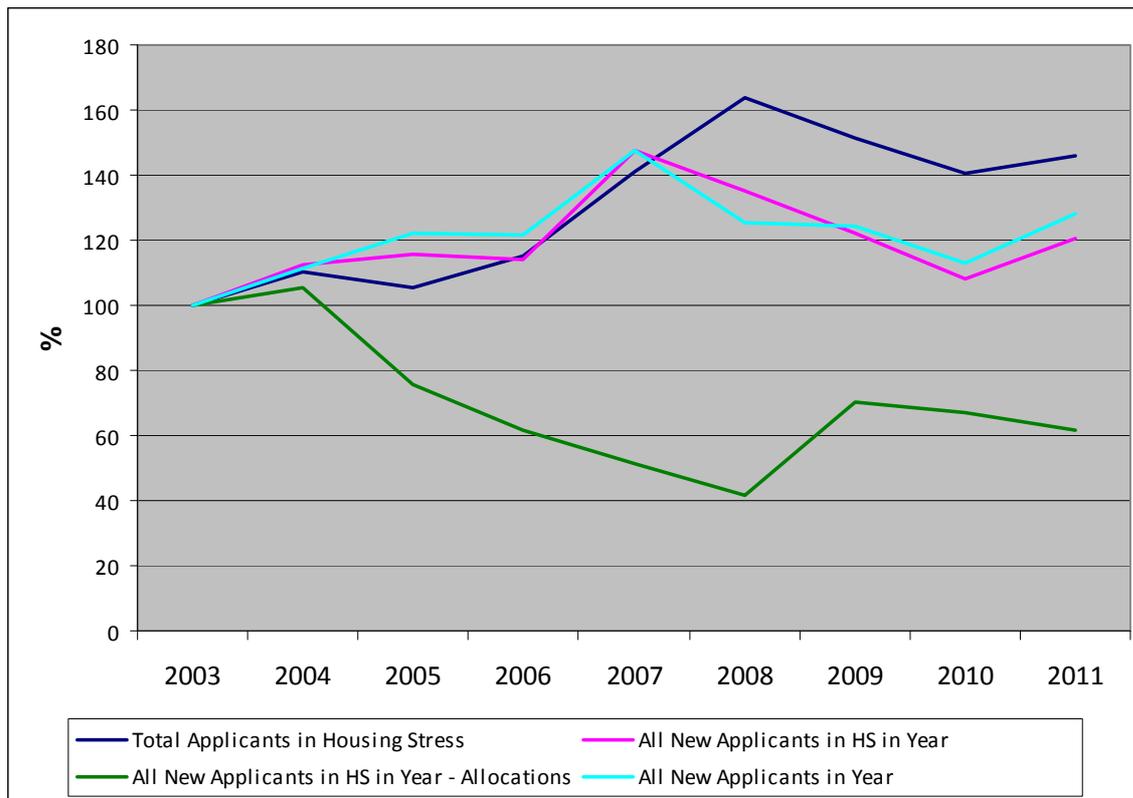
### **Annual flow of new (waiting list) applicants**

The upward trend in the total numbers of waiting list applicants in housing stress clearly shows there has been an accumulated build up of pressure for social housing. An examination of the annual flow of new waiting applicants gives some insight into this trend.

The annual number of 'new' waiting list applicants for each year from 2003 to 2011 was identified by adding together:

- All waiting list applicants that had registered for re-housing in the 12 months to September each year, plus
- All non-transfer applicants that applied for and were re-housed in the 12 months to 30 September each year
- Figure 24 shows the number of applicants for each year disaggregated by whether the applicant was assessed to be in housing stress or not. In order to examine change over time, the number of applicants was calculated as a percentage of the number of new applicants for the year to September 2003.

**Figure 24: Percentage change in annual numbers of new waiting list applicants in Mid Ulster HMA 2003-11**



Although we would caution that we do not believe the numbers are fully comprehensive, Figure 24 shows:

- The total number of applicants in housing stress and new applicants both increased during the period 2003 to 2011. This trend peaked in 2007/08 but has reduced slightly since. This indicates that the vast majority of new applicants were considered to be in housing stress;
- The number of new applicants assessed to be in housing stress and re-housed within 12 months has declined over time. In the year to March 2003 115 new applicants in housing stress were re-housed. In the year to March 2011, the comparable figure was 71;
- A continual contraction of allocations over time with the exception of 2009. This reflects the lower turnover of existing stock and insufficient new build activity during the period 2003 – 2011.

Overall these figures suggest that the increase in the total number of households in housing 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 housing register and assessed to be in housing stress.

The sharp increase in demand from 2003 to 2007 indicates that additional factors may be responsible, including increased rates of household growth and a rise in affordability issues with first time buyers experiencing difficulties accessing the private housing market.



## Profile of new applicants in housing stress

Applicants in housing stress in the Mid Ulster HMA tend to fall into one of three groups. These are:

- Those between the ages of 16 and 44: 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 move out of someone else's home, such as their parents'), or in the PRS. A proportion also live in temporary accommodation;
- Those between the ages of 45 and 64: This group of established households tend to be seeking re-housing 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: 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 move from the owner occupied or the PRS to the social rented sector each year because the numbers are very small and their personal circumstances are varied.

## Capacity of applicants to access private rental or owner occupied market

Evidence from the HCS 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 12 months prior to the CTOS report of 2008 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.

## Housing Executive assessment of housing need

Annual housing need assessments based on the March 2011 waiting lists have recently been carried out on all LGDs in Northern Ireland. These assessments highlight that in the Mid Ulster HMA 217 new social housing units may be required annually over the next five years (136 in Magherafelt LGD, 75 in Cookstown LGD and 5 in Toomebridge which is located in the Antrim LGD). Social housing need is mainly concentrated among the single, small family and older person household groups.

## **Welfare reform**

There is a clear body of opinion across the United Kingdom that the Government's proposed reforms of Housing Benefit for social housing tenants will have very significant impacts on individual claimants, social housing providers and local strategic housing authorities.

The Government's intended changes to Housing Benefit for social housing tenants are as follows:

- From April 2013, working age tenants in the social sector will have their Housing Benefit reduced if they live in a home which has more bedrooms than they require;
- The level of deductions applied for non-dependants living in the claimant's household will increase significantly;
- Limiting the total level of out of work benefits support to any one household to £500 per week (from April 2013) and paying help with housing costs as part of Universal Credit for working age households and as part of pension credit for non-working age households;
- The Government is providing some additional resources to help mitigate any negative impacts of the Housing Benefit changes. In Northern Ireland, these are focused on increasing the level of funding for discretionary housing payments, which can be made for a time limited period to a particular household in recognition of special circumstances;
- At the time of writing, Westminster was considering the proposed legislation with a view to restricting additional public expenditure to address those issues that may arise as a result of the reforms i.e. homelessness and increased rent arrears. The Housing Executive is also examining how it can address these issues.

## **Housing Executive assessment of housing need**

Annual housing need assessments based on the March 2011 waiting lists have recently been carried out on all LGDs in Northern Ireland. These assessments highlight that in Cookstown, 15 new social housing units may be required annually over the next five years. Approximately 27 and 42 units may be required in Magherafelt and Antrim LGDs respectively. Housing need is mainly concentrated on the single, small family and older persons household groups and is focused in the main urban centres of each LGD.



Scutchers Lane, Draperstown – Apex Housing

## Conclusion

The Mid Ulster HMA has one of the lowest levels of social housing stock in Northern Ireland (10%). The proportion of households living in the social rented sector across the Mid Ulster HMA, in common with the rest of Northern Ireland and the UK, has been declining for many years. The rate of this downward trend has slowed greatly in recent years. This is as a result of a combination of an upturn in new social housing completions and a sharp fall in house sales and other stock disposals.

Over the next five 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. The reduction in house sales is also because the more attractive housing stock has already been sold. In addition there is likely to be reduced funding for new build which will impact on the supply of social housing.

As the social sector has declined in size, the proportion of working age households not in employment has increased. Almost 8 out of 10 social tenants in the Mid Ulster HMA currently rely on full or partial housing benefit to meet the cost of their rent.

The age profile of existing tenants in the Mid Ulster HMA, alongside the age profile of recent entrants suggests 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 group that will be retiring between 2015 and 2020 have a much lower tendency to be social tenants than those above retirement age at present. Similarly,

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.

The downward trend in the annual supply of social housing has been partly compensated by the recent expansion of the private sector. Analysis of the annual flow of new applicants suggests the expansion of private renting has, in the short term at least, dampened the number of new applicants' seeking social housing.

Local estate agents advised that any surplus in the PRS has largely been utilised and it is anticipated that an increasing number of households will apply for social housing. In addition, proposed changes to Housing Benefit and LHA may impact on the demand for private renting and therefore create a corresponding increase the demand for social housing.

Welfare reform which will restrict Housing Benefit is likely to result in many tenants who under occupy to seek smaller accommodation if they cannot afford to make up the housing benefit shortfall.

There are mounting problems for social tenants in terms of fuel poverty and, to a lesser extent, overcrowding. Resolution of fuel poverty remains a challenging and difficult problem due to the low income of tenants and current high fuel prices.

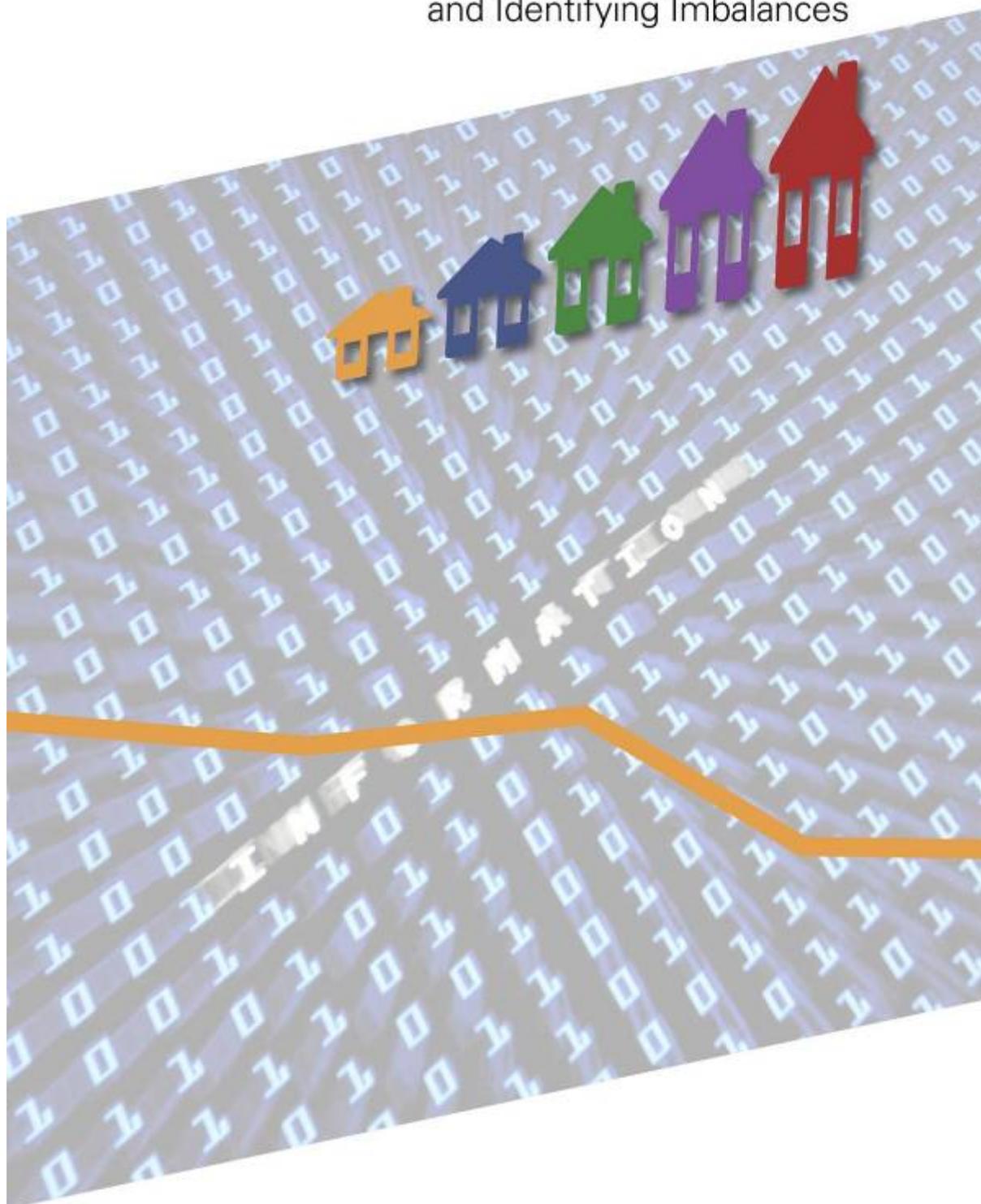
In general, it is anticipated that social housing will continue to become a residual tenure catering for the most vulnerable and the economically inactive. Housing stress is likely to increase as low income households find access to other tenures unaffordable and financial constraints are restricting new social housing activity.

## Key Issues

- The social rented sector has reduced from 14% in 2001 to 10% in 2011 mainly as a result of house sales;
- Supply of social housing has not kept pace with demand;
- Waiting lists increased rapidly from 2004 to 2008 and have remained at this level;
- The impact of Welfare Reform is likely to result in increasing demand for social housing. In addition, the number of transfer applicants seeking to downsize may increase;
- Social tenants in Mid Ulster are highly dependant on benefits with 825 in receipt of Housing Benefit;
- Fuel poverty continues to be a significant issue for many households in the social rented sector.



## 6. Bringing the Evidence Together and Identifying Imbalances



## **6. Bringing the Evidence Together and Identifying Imbalances**

### **Introduction**

This chapter draws on the evidence presented in chapters 2 to 5 to identify the main housing system imbalances in the Mid Ulster 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 speculative task due to its complexity and the difficulty of gauging the possible impact of wider economic, social and political 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 Mid Ulster HMA is essentially rural in character but the interactions between the two main urban settlements, Magherafelt and Cookstown, and their surrounding hinterland have long been recognised. Both the Magherafelt and Cookstown Area Plans aim to facilitate sustainable economic growth while protecting the natural environment and ensuring that the Mid Ulster area is an attractive and pleasant place to live, work and visit.

The economy and housing market are cyclical and intertwined. The decade 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. Consequently, the number of people and households living in the Mid Ulster HMA increased at a faster rate than in the 1990s and at almost twice the rate of Northern Ireland. During the same period there was a continuing trend towards the formation of one and two person households and an increasing life expectancy which has resulted in an increase of older households. This household growth was supported by very high rates of housing construction particularly in the private sector, averaging 632 per annum.

### **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 Mid Ulster HMA experienced a period of sharp house price rises in the decade to 2008. House prices over the period increased more rapidly than household earnings and incomes. The rate of house



price inflation was such that 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 ROI, 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. The growth in the numbers of terraced houses and flats in the PRS (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 rate of home ownership has stalled at Northern Ireland and Mid Ulster HMA level. At the same time there has been an extraordinary growth in the size of the PRS. Since 2001 the number of private rented units in the Mid Ulster HMA has more than doubled.

Although the rise in private renting tends to be analysed 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 be delaying entering into long-term commitments associated with forming a partnership, child rearing and house purchase;
- In the case of the Mid Ulster HMA, the upturn in people coming from the rest of Northern Ireland and overseas to work has also helped to bolster demand for the rental market.

Changes in the housing market have also had spill over effects on the social rented sector. Since 2000 there has been a significant rise in the numbers of applicants in housing stress. In the five years to 2011, the number of households on the common waiting list in housing stress increased by over 40%.

This increase in housing stress reflects a mix of factors, not least the fall in the numbers 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 numbers of new applicants joining the common waiting list in recent years.

The lack of any such upward trend 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 PRS.

Consequently the increase in the level of housing stress has probably been lower than it might otherwise have been<sup>12</sup>.

Correspondingly 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 Mid Ulster HMA has been going through a prolonged period of housing market correction. The impact of the global credit crunch and the subsequent UK wide economic recession has been worse and more sustained than most initially expected.

During 2008, the global credit crunch and the lack of liquidity in financial market 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 2010, figures from the University of Ulster suggest that the median house price for the Mid Ulster HMA fell from over £190,000 to £115,000. Similarly, the Lower quartile price for a two and three bedroom dwelling, which is typically used to approximate the entry-level price threshold, fell from £147,000 to £92,250. Available evidence indicates that house prices continued to fall back throughout 2011.

Falling house prices have improved affordability with price to income ratios narrowing. However, this improved situation has been offset by tighter lending criteria which has 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, it is difficult to see what housing-based interventions and policies at the Mid Ulster HMA level (as distinct from the national level) could do to increase the supply of loan finance.

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<sup>12</sup> 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 numbers of new applicants to lead to a corresponding increase in the total numbers of applicants assessed to be in housing stress.



Most existing owners who bought 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.

Nevertheless, 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 Mid Ulster 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. Similarly, supply and demand in the private and social rental market remain volatile.

There are emerging signs that, during 2010, the sharp upturn in vacant stock apparent in 2008 went into reverse and that private rents began to moderate. This suggests that some property owners have decided to rent out properties they were holding vacant in the hope of selling them quickly. Evidence from estate agents indicates that there is still a strong demand for private renting and there continues to be a shortage of suitable property for letting.

In general, 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 four 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 there will be lasting implications for the Mid Ulster 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 Consultative Regional Development Strategy (DSD, 2011) issued in January 2011 includes updated housing growth indicators. These indicate a requirement for some 90,900 new houses over the 17 years from 2008 to 2025. This equates to an average to some 5,350 units per annum, which is slightly lower than the 2006-based figure of 5,800. 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 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 affect tenure choice;
- 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.

Housing construction rates for the Mid Ulster HMA, in the ten year period to 2010, have been below the RDS housing growth indicators (54%) and projected household growth (72%). Annual private housing construction rates are currently very modest but should increase 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. 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 five years.

Future market trends will only become clear by regular monitoring of household growth, housing supply and subsequent revisions to demographic projections to reflect emerging evidence.



Continuation of weak housing market conditions and low levels of 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 stress**

The Housing Executive's annual assessment of housing need indicates that in the Mid Ulster HMA the requirement for additional social housing has been well in excess of social housing construction rates for most of the past decade. The latest annual assessment suggests that 434 additional social units may be required in the Mid Ulster HMA in the period to 2015.

### **A need to look afresh at how best to respond to housing stress**

In future, 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 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.



**Private Sector Development at Oakvale Manor, Magherafelt**

Lord Best's recent Commission on the Future for Housing in Northern Ireland pointed to the possibility of introducing some form of intermediate housing products. Evidence presented in Chapter 5 indicates that on paper there appears to be potential to introduce some form of intermediate housing in the Mid Ulster HMA. In practice however, we believe that any new products may largely displace consumer demand from the PRS. Moreover, Co-Ownership has proved a very successful and popular model. We suspect this would also limit consumer interest in alternatives.

There are clear signs that such possibilities are now being considered following the launch of Building Strong Foundations which sets out proposals regarding the PRS, including the introduction of a rent deposit scheme. The announcement that empty homes 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.

## **Transforming housing systems**

### **Older households**

The increase in the number of older households in the next 10 to 20 years 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 and 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 majority of older households that will be living in the Mid Ulster HMA in 10 or 20 years time will be homeowners living in the general housing stock. This is in line with national trends and policy, which seek 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.

Older people often experience a reduction in income on retirement. In the case of older homeowners, a decline in income and a gradual decline in fitness can diminish their capacity to carry out repairs. 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. 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 Mid Ulster HMA suggests will remain in high demand for the next decade and beyond;



- Help to reduce pressure on adaptation and equipment budgets (assuming the new housing is designed to limit barriers to mobility) and care and repair budgets.

### Looking to create a more stable PRS

As noted earlier, the PRS 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 PRS:

- The shift to higher rates of employment in the private sector envisaged in Northern Ireland Executive's Consultative Economic Strategy (2011) 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 increased 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.

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 UK 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 potential 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.

### Improving the residential offer

From the consumer perspective, the upturn in residential mobility in recent years has been a positive development. 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 Mid Ulster will remain an important policy priority if the RDS ambitions to secure population and household growth in Mid Ulster HMA are to be delivered.

For this and other reasons, it may be valuable for the LHSA studies to investigate what factors are influencing households' decisions to leave one location and move to another. 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 Mid Ulster 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 households decisions to leave an area.

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 subtle 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.

## Key Issues

### Economic and Demographic

- Housing construction in Mid Ulster HMA, responding to household growth, and increase in prosperity and readily available finance, increased significantly in the decade to 2008;
- The economic downturn of 2007 has manifested itself in a significant reduction in house construction, falling house prices, a drop in the number of transactions, rising unemployment and a lack of confidence in the Mid Ulster housing market;
- It is unlikely that confidence will return to the housing market until there is significant economic recovery;
- There is a great deal of uncertainty in the housing market, therefore regular monitoring of housing supply activity, need and market imbalances along with



revised demographic projections will be required in order to respond appropriately to changes;

- The demographic projections predict a continuing trend towards smaller households and people generally living longer.

#### **Owner Occupation**

- The Mid Ulster HMA which is dominated by the owner occupied sector experience and unprecedented rise in house prices in the decade in 2007;
- Owner occupation remains the tenure of choice for the vast number of households although its share of the housing market has been decreasing slightly recently. It is anticipated this trend will continue in the medium term;
- Falling house prices have improved affordability but tighter lending criteria has made it difficult for first time buyers;
- There is considerable potential in Mid Ulster for intermediate housing.

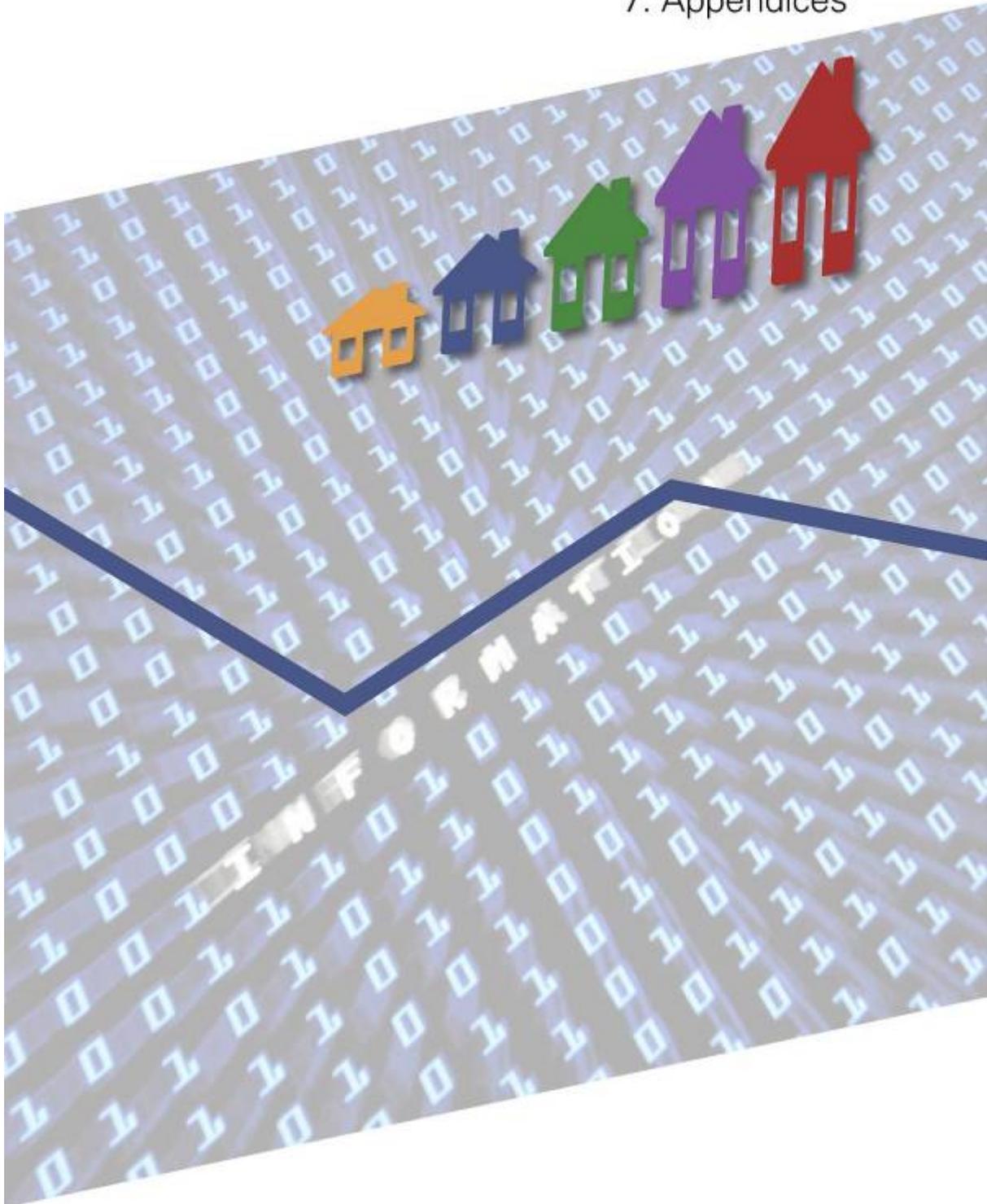
#### **Private Rented Sector (PRS)**

- The PRS in Mid Ulster has more than doubled to 16%;
- The PRS is making a contribution to meeting housing need but many households do not see it as a long term housing option. This is due mainly to insecurity of tenure and quality of housing stock in the sector. The sector needs to respond to these issues if it is to be considered more than a 'stop gap' for households;
- Welfare reforms are likely to drive households out of the PRS towards social housing or change the type of housing sought in the private sector.

#### **Social Housing**

- As a result of house sales, the social housing stock has been steadily decreasing;
- Demand for social housing increased rapidly from 2004 to 2008. Although the supply of social housing has fallen, waiting lists have remained at 2008 levels;
- Welfare reform is likely to increase the demand for social housing and increase mobility within the social sector;
- The PRS will have an increasingly important role in filling the gap between demand and supply of social homes.

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## **Appendix 2: THE POLICY CONTEXT**

### **Introduction**

This chapter describes the strategic housing and planning policy context within which the Mid Ulster housing system functions. This chapter has been revised to take account of budget and 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.

### **UK Government Spending**

In October 2010, the UK Government's Comprehensive Spending Review (CSR) set out its spending plans for the four 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 to make the deepest cuts for over 65 years. The budget also confirmed measures to reduce housing benefit and other welfare benefit expenditure by some £18 billion over four 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.

In November 2011, the Chancellors Autumn Statement stated that UK growth forecasts have been revised down and projected public borrowing has been increased. Consequently, the Government has announced new measures including further cuts in public spending, the raising of state pension age to 67 and increased funding for infrastructure.

### **The Northern Ireland Budget**

In March 2011, the NI Executive published a budget setting out proposed spending plans for 2011 to 2015. The Spending Review set an 8% reduction in NI Executive's Department Expenditure Limit (DEL) from 2011/12 to 2014/15. Capital funding provided by the UK Government will also reduce by 40% over the same period. The NI Executive proposes to transfer resources from current expenditure into capital investment to support infrastructure and the construction industry.

The Budget's allocation to the Department of Social Development from 2010/11 to 2014/15 will increase current expenditure by 0.4% to £523.4 million. Capital investment is to decrease from £269.6m in 2010/11 to £120.3m in 2014/15, a decrease of 55%.

Projected expenditure for the Housing Executive and Housing Associations is to reduce by 21% from £211.8m in 2010/11 to £165.5m in 2014/15 and, over the same period, capital investment for this sector is to decrease by 30% from £130.1m to £90m.



## Welfare Reform and Housing

On 11 November 2010, UK Government announced plans to introduce a 'Universal Credit' from 2013 to replace most in work and out of work benefits<sup>13</sup> for people of working age, including Housing Benefit. The aim is to transfer all existing claimants onto the new system by October 2017. The UK Government's Welfare Reform Bill was introduced to Parliament in February 2011. This Bill includes proposals for changes to other Social Security Benefits in advance of the introduction of Universal Credit. 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;
- 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 purpose of the cap is to ensure that no household could receive more in welfare than net median earnings.

The budget also confirmed measures to reduce housing benefit in 2011/2012. For private tenants, these changes include calculating 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;
- Local Housing Allowance rates will be up rated using the lower Consumer Price Index (CPI) measure as opposed to the Retail Price Index (RPI) from 2013/14.

It is difficult to assess in detail the impact of this in Northern Ireland but the changes will affect 50,000 tenants privately renting, who have their housing benefit assessed based on LHA. It is estimated that each of them would lose on average over £7 per week and that almost £260 million would be removed annually from the Government's support to the PRS. Inevitably, more tenants privately renting would lose their home and landlords would experience greater difficulties trying to collect a viable rent.

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<sup>13</sup> UC will replace Working Tax Credit, Child Tax Credit, housing benefit, Income Support, Jobseekers' Allowance (income based) and Employment and Support Allowance. In mainland UK, 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 would 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.

## Local Government Reform

Reform of local government is ongoing and involves a reduction in the number of LGDs from 26 to 11 alongside the transfer of planning, regeneration and some other central government functions to local government. The new councils are due to be in place by 2015, with piloting arrangements, including planning functions, to take place in 2014.

It is intended that the new councils will receive powers of well being and community planning. It is proposed that LGDs will be given a statutory duty to lead and facilitate community planning and will be required to consult and co-operate with the community and bodies responsible for providing public services. It is anticipated the housing sector will be a major contributor to the community planning process.

## Review of the Housing Executive

In October 2010, the Minister for Social Development announced his intention to examine all functions of the Housing Executive in detail, with a view to providing a comprehensive assessment of their contribution to housing and other departmental and Government policy objectives. Price Waterhouse Coopers completed the review for the Department in March 2011 examining the effectiveness of Housing Executive operations, including the appropriateness of existing structures and making recommendations for improving performance and delivery of housing policy and objectives.

Minister McCausland is currently considering the reports recommendations before setting out his own proposals for the way forward.

## Planning Context

### Planning Reform

Reform of the Planning System culminated in the Planning Act 2011. A main aim of this legislation is to transfer the majority of planning powers from the DOE to new councils, scheduled to be in place by 2015. The Planning Act provides legislation to allow:

- The councils to take responsibility for Local Development Plans. These will include a Plan Strategy and a 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;
- The councils will determine applications for local and major developments.
- The DOE will retain responsibility for regionally significant development and Planning Policy;
- 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 LPP.



In preparation for the transfer of planning functions, the DOE has established two divisions, one comprising of Local Area Planning Offices, which have responsibility for the functions transferring to the councils, and a Strategic Planning Division, whose functions will remain with the DOE.

### **The Regional Development Strategy (RDS)**

The Regional Development Strategy (RDS) was published in 2001. It has played an important role in shaping the housing market. The draft Revised RDS published in 2011 proposes a changed spatial framework. It is intended that a sub-regional approach should replace the 2001 HUB based Spatial Development Strategy (SDS) so that:

- Development would continue to be directed towards the principle cities of Belfast and Derry;
- There would be nine sub-regional centres which would 'perform higher service centre roles' and development would be directed to these towns. 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 nine sub-regional centres;
- There would be Gateways and Economic Corridors based around transport interchanges;
- In terms of the Mid Ulster HMA, Cookstown has a role as a Sub Regional Centre and Magherafelt town is described as a main centre. There is also a proposed cluster between Cookstown, Magherafelt and Dungannon.

The draft Revised RDS 2025 'provides 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 2, the NISRA 2008-based household projections suggest household growth will slow in the period to 2025. The draft Revised RDS 2025 also emphasises that there should be a minimum of five years supply of housing land within LGDs.

### **RDS Housing Requirements for Mid Ulster HMA**

Mid Ulster HMA, as noted in Chapter 1, extends across Magherafelt LGD, a large portion of Cookstown LGD and includes a small area of Antrim LGD. The 2001 RDS regional allocation of 160,000 dwellings was shared according to the SDS, with 77,500 dwellings apportioned to the Belfast Metropolitan Area and hinterland and 82,500 dwellings assigned to the North, South and West of the Region.

Table 32 summarises the original spatial distribution of HGI for 1998-2015. It also shows how the HGI allocations have changed over time. The equivalent figures from the draft Revised RDS 2011 for the period from 2008 to 2025 are also summarised. It confirms that while the projected net additional housing requirement has fallen at the Mid Ulster HMA level, as at the Northern Ireland level, the share of net additional requirements allocated to the Mid Ulster HMA has not been changed.

**Table 33: Housing requirement spatial allocation (housing growth indicators) 1998 to 2015 and proposed allocation to 2025.**

Area	Original allocation RDS 2001 1998-2015		DRD Revised allocation 2008 1998 - 2015		DRD Revised allocation RDS 2035 2008-2025	
	No	%	No	%	No	%
Magherafelt	3,600	2	5,000	2	4,600	2
Cookstown	3,300	2	4,100	2	3,700	2
Antrim	7,500	5	8,000	4	7,300	4
Northern Ireland	160,000	100	208,000	100	190,000	100

Source: DRD (2001, 2008 and 2011)

### Planning Policy Statements and Development Plans

The implementation of the RDS is supported by and mediated through Planning Policy Statements and Development Plans.

Planning Policy Statements contain policies on land-use and other planning matters. Of particular significance are PPS 12 Housing in Settlements, which was issued in 2005 and PPS 21 Sustainable Development in the Countryside, which was issued in 2010:

- PPS 12 confirms the importance of containing development within existing settlements. 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 deliver of new social housing development predicated on the findings from Housing Needs Assessments prepared by the Housing Executive. The present spatial planning framework requires the Housing Executive to undertake a housing needs assessment, which is expected to form a technical supplement to support local development plans. A review of PPS 12, which includes a review of developer contributions and other measures to support social and intermediate housing, is ongoing;
- PPS 21 seeks to strike a balance between rural development and rural conservation. It provides for the consolidation of existing residential clusters and for farmhouses to be built in suitable locations to support rural communities. Policy CTY 5 of PPS 21 also allows the development of up to 14 social and/or intermediate dwellings outside but close to settlement limits or within Dispersed Rural Communities where a need has been established by the Housing Executive, and where there are no readily available sites within settlement limits;
- 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. Development Plans relevant to the Mid Ulster HMA are the Magherafelt Area Plan 2015 which was adopted in December 2011, the Cookstown Area Plan 2010 adopted in 2004 and the Antrim Area Plan 1984-2001 adopted in 1989.



## Housing Market Assessment

It is now recognised that assessment of cross tenure housing need is more robust if the findings are embedded within a wider local housing market assessment. In Great Britain, Housing Market Assessment has become a component of the local evidence base that local authorities are required to produce to support planning and housing policy. In particular, Housing Market Assessment is expected to inform the 'plan, monitor and manage' process of setting and reviewing housing supply targets at the sub-regional and local level.

In 2009, the Housing Executive established a set of functional housing market area boundaries within Northern Ireland. This Housing Market Assessment marks an important step towards ensuring the Housing Executive's ongoing programme of housing need assessments are understood and interpreted in light of the workings of the wider housing system.

## Conclusions

The Mid Ulster HMA continues to evolve within a policy framework set out in a variety of NI Executive policy documents.

Housing is central to the NI Executive ambition to rebuild and rebalance the economy, both at the Northern Ireland and the Mid Ulster 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.

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' 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 affect 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 LGDs 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.

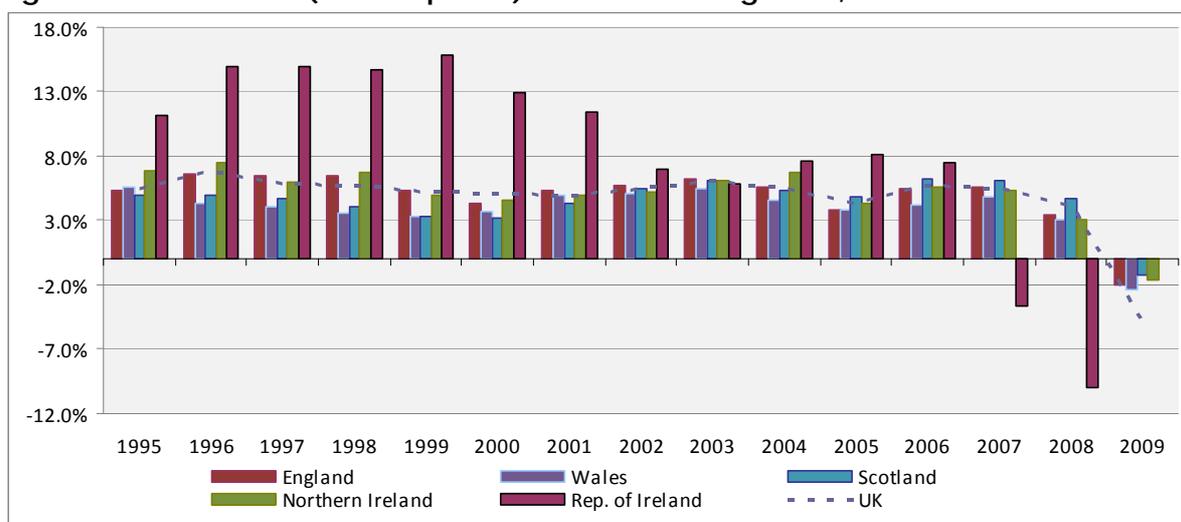
In terms of the proposed revisions to the spatial framework underpinning the draft Revised RDS 2011-25, it remains to be seen whether the sub-regional centre and cluster approach will prove acceptable to citizens and LGDs and whether the use of Housing Growth Indicators will be taken forward. In the case of the Mid Ulster HMA it will be important to maintain a watching brief in terms of future development in respect of Cookstown which is identified as a Sub Regional centre, Magherafelt as a main centre and Cookstown and Magherafelt together as part of a cluster with Dungannon.



## Appendix 3: 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. GVA is a measure of the value of the goods and services produced in the economy. It is the ONS preferred measure for monitoring economic performance at a sub-national level. Using this measure, as Figure 25 shows, Northern Ireland's economy prospered in the years from 1995 to 2008.

**Figure 25: Total GVA (current prices) annual rate of growth, UK & ROI 1995-2009**

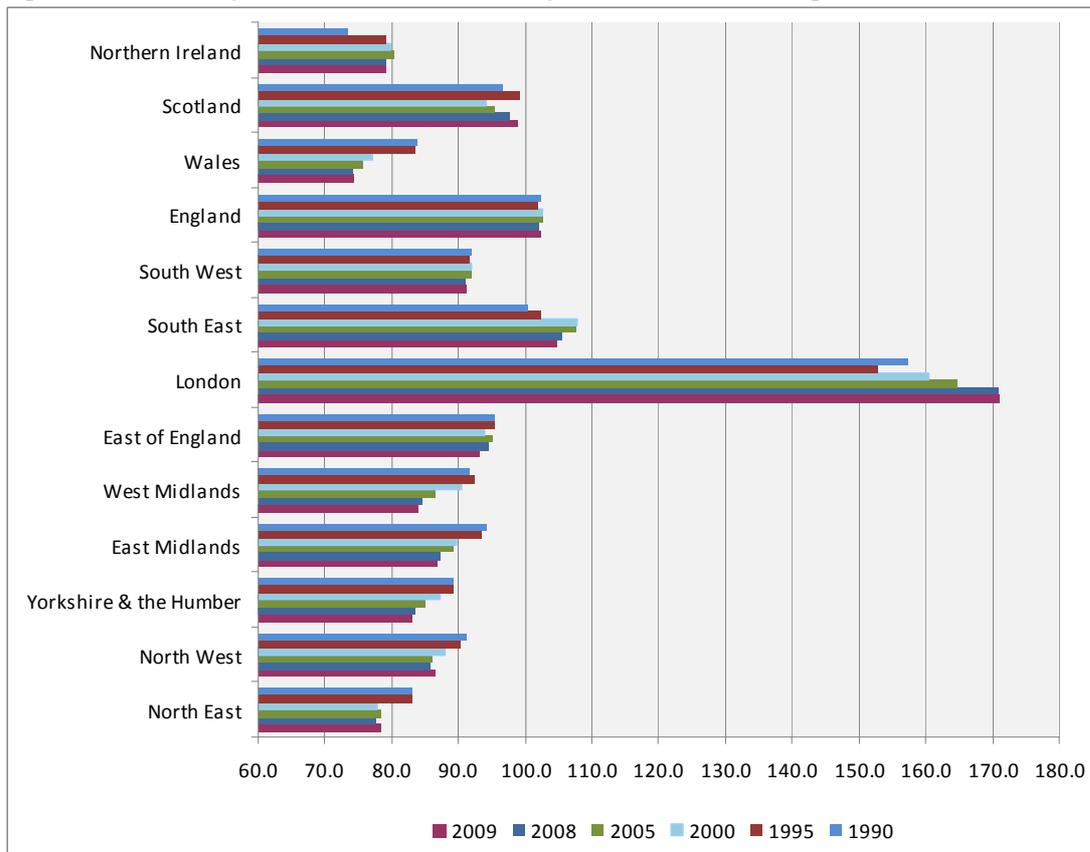


Source: ONS (December 2010) total annual workplace based GVA 1995-2008 per head at current prices. Note: UK figures are Extra- Region and exclude statistical discrepancy and offshore contribution that ONS do not assign to any region. Also, the estimates presented are current prices and do not take account of inflation.

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

In spite of this welcome development, Northern Ireland remained amongst the less prosperous regions of the UK. Figure 26 shows that in 2009, Northern Ireland ranked 11th lowest of the 13 UK regions in terms of the GVA per head. This was also the case in 2008.

**Figure 26: GVA per head indices compared to UK average (100), 1990-2009**



Source: ONS (2010) GVA per head of population index 1990-2009, where UK including Extra-Region = 100

Barnett (2009) observed that, 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 consultative document highlights the twin goals of improving productivity and increasing employment.

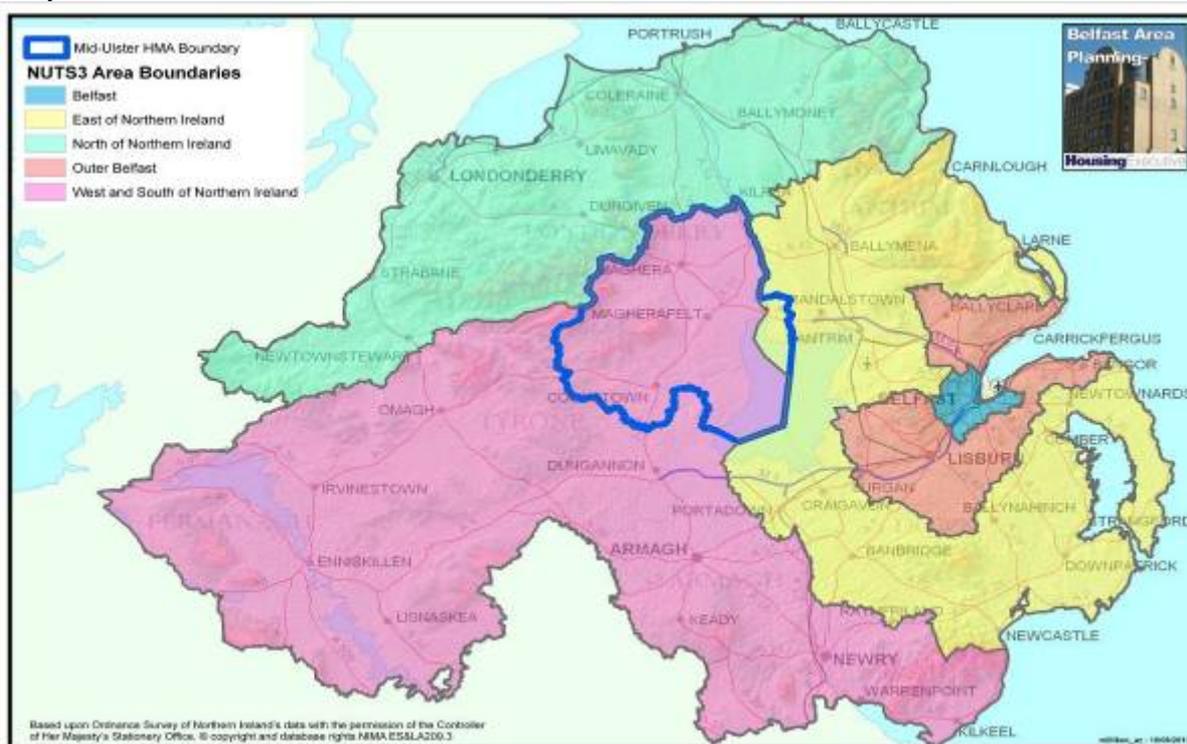
In 2009, total GVA contracted in Northern Ireland and the rest of the UK. This was a direct consequence of the abrupt downturn in the economy in the latter half of 2008 in the wake of the global financial crisis. During 2009, the economic recession deepened in spite of a series of moves to bolster the 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 criteria 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 downturn and public expenditure constraints discussed in Chapter 3 will shape economic, labour and housing market conditions for several years to come. Moreover, the pace of recovery in the Mid Ulster 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 Mid Ulster economy

Map 6: NUTS 3 Area Boundaries in relation to Mid-Ulster HMA



Performance figures for economic growth are not available at the Mid Ulster HMA level. The GVA figures are presented at NUTS 3 level. The Nomenclature of Units for Territorial Statistics (NUTS) is a European Commission's statistical classification. Mid Ulster is covered by two NUTS 3 areas, East of Northern Ireland and West and South of Northern Ireland. As shown in the above map, the majority of Mid Ulster HMA is in the West and South NUTS 3 area with only the town of Toomebridge, Co Antrim falling into the East NUTS 3 area.

**Table 34: GVA growth for Northern Ireland, split by area, 1995-2008**

NUTS 3 Area	Total GVA 1995 £ (million)	Total GVA 2008 £ (million)	Share NI GVA 1995 (%)	Share NI GVA 2008 (%)	Average Annual Growth %	GVA per head 1995 £	GVA per head 2008 £	GVA per head % UK 1995	GVA per head % UK 2008
Belfast	4,058	8,657	28	30	6.0	14,044	32,264	127.1	157.1
Outer Belfast	2,401	5,004	17	17	5.8	6,658	13,079	60.3	63.7
<b>East of Northern Ireland</b>	<b>3,380</b>	<b>6,284</b>	<b>23</b>	<b>22</b>	<b>4.9</b>	<b>8,862</b>	<b>14,528</b>	<b>80.2</b>	<b>70.7</b>
North of Northern Ireland	1,951	3,530	14	12	4.7	7,403	12,309	67	59.9
<b>West and South of Northern Ireland</b>	<b>2,603</b>	<b>5,351</b>	<b>18</b>	<b>19</b>	<b>5.7</b>	<b>7,343</b>	<b>13,222</b>	<b>66.5</b>	<b>64.4</b>
Northern Ireland	14,394	28,827	100	100	5.5	8,728	16,240	79	79.1
UK	640,915	1,261,162			5.4	11,046	20,541	100	100
Cardiff and Vale of Glamorgan	4,941	10,108			5.7	11,846	22,234	107.2	108.2
Glasgow City	8,312	16,888			5.6	13,760	28,906	124.6	140.7
Republic of Ireland	49,412	129,755			8.5	13,277	29,098	-	-

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. 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

In 2008, total GVA for the two NUTS 3 areas relating to Mid Ulster HMA was £11,635 million, approximately 40% of the Northern Ireland total GVA:

- This growth was across all sectors of industry with the exception of agriculture, as shown in Table 33;
- In both NUTS 3 areas contained in the Mid Ulster HMA, GVA per head greatly increased between 1995 and 2008;
- The average annual growth percentage was higher in the West and South of Northern Ireland (5.7%) than the Northern Ireland (5.5%) and UK total (5.4%).



**Table 35: GVA for Northern Ireland and the Mid-Ulster economy by sector, 1995-2008**

<b>East of Northern Ireland Area</b>				
	<b>Total GVA 1995 (million)</b>	<b>Total GVA 2008 (million)</b>	<b>As % of ENI GVA 1995</b>	<b>As % of ENI GVA 2008</b>
Agriculture, forestry and fishing	£216	£123	6.4	2.0
Production	£1,140	£1,671	33.8	26.6
Construction	£232	£586	6.9	9.3
Distribution, transport and communication	£583	£1,354	17.2	21.5
Business services and finance	£299	£1,030	8.8	16.4
Public administration, education, health & other services	£910	£1,520	26.9	24.2
<b>Total GVA</b>	<b>£3,380</b>	<b>£6,284</b>	<b>100</b>	<b>100</b>
<b>West &amp; South of Northern Ireland</b>				
	<b>Total GVA 1995 (million)</b>	<b>Total GVA 2008 (million)</b>	<b>As % of WSNI GVA 1995</b>	<b>As % of WSNI GVA 2008</b>
Agriculture, forestry and fishing	£298	£170	11.4	3.2
Production	£585	£1,235	22.5	23.1
Construction	£203	£669	7.8	12.5
Distribution, transport and communication	£463	£1,186	17.8	22.2
Business services and finance	£226	£674	8.7	12.6
Public administration, education, health & other services	£828	£1,418	31.8	26.4
<b>Total GVA</b>	<b>£2,603</b>	<b>£5,351</b>	<b>100</b>	<b>100</b>
<b>Northern Ireland</b>				
	<b>Total GVA 1995 (million)</b>	<b>Total GVA 2008 (million)</b>	<b>As % of GVA For NI 1995</b>	<b>As % of GVA for NI 2008</b>
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
<b>Total GVA</b>	<b>£14,394</b>	<b>£28,828</b>	<b>100</b>	<b>100</b>

Source: ONS (2010) GVA headline figures by NUTS 3 area (current prices and workplace based).

Notes: Data have been smoothed by ONS using a five 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.

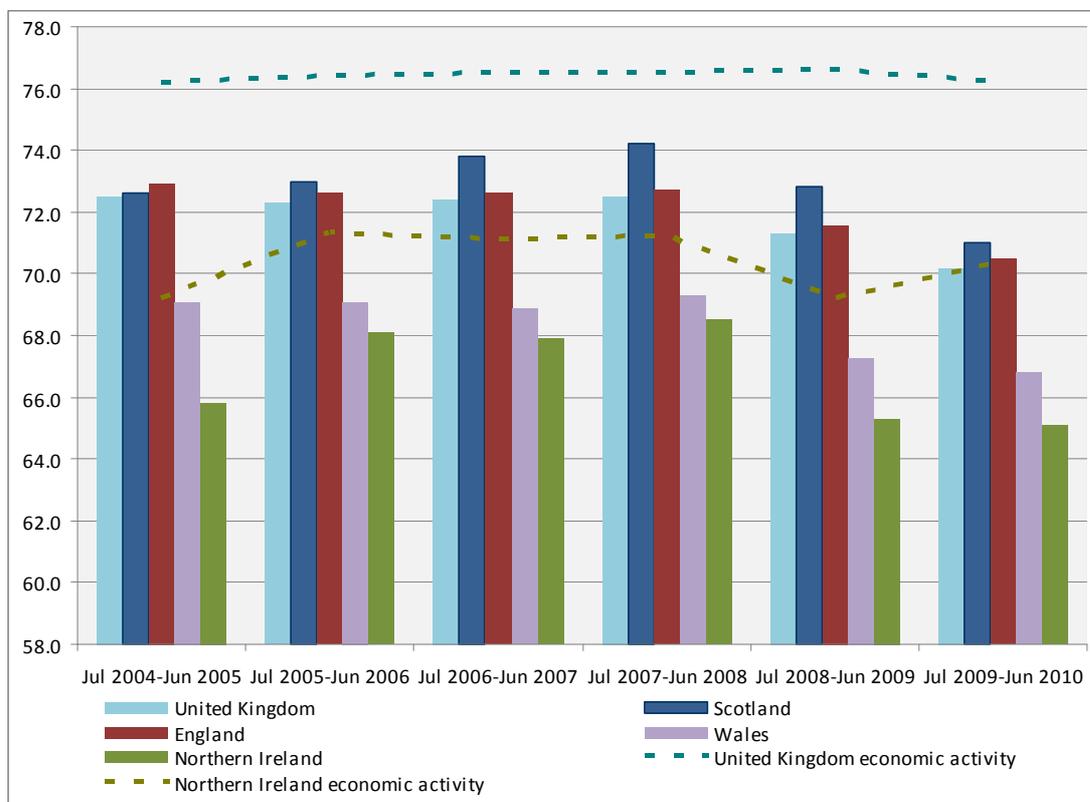
Production is made up of mining and quarrying, manufacturing, and utilities supply.

## Appendix 4: Recent Employment Trends

### Northern Ireland trends

Between 2004 and 2010, the proportion of the working age population aged 16 to 64 years in Northern Ireland classed as economically active ranged between approximately 69% and 71%. This proportion remained considerably below the consistent UK rate of around 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 27). Official unemployment rates also fell.

**Figure 27: Working age economically active and employment rates across UK, 2004-10**



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

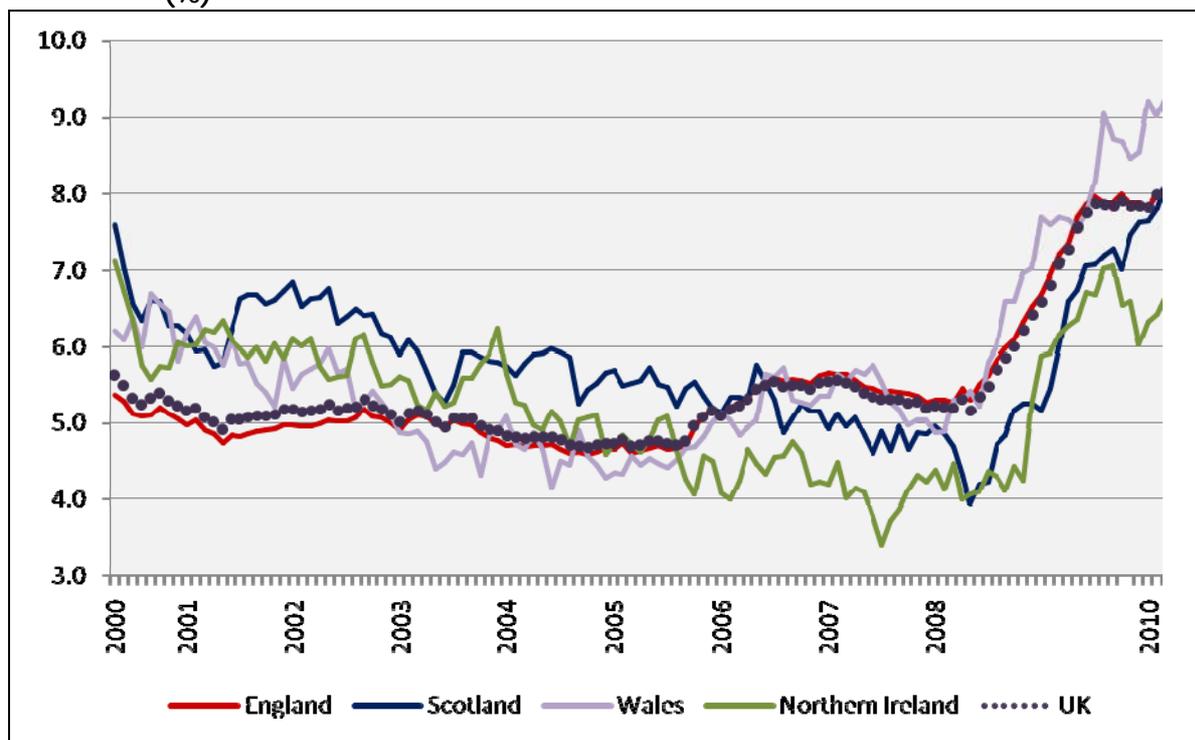
In spite of the improved economic performance in the decade to 2008, economic inactivity rates remained persistently higher than in any other UK region. In the year to September 2008, 27% of the working age population of Northern Ireland were classified as economically inactive compared to the UK average 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 five years:

- Around one in six have retired before reaching the age of sixty-five and are unlikely to return to the labour market;



- Around one in four are students that are likely to enter or re-enter the labour market at some future point and one in ten want a job but are either not actively seeking work and/or are not immediately available to start a job;
- Around one in five are adults looking after children or caring for a dependant adult and one in four are classed as long term sick and disabled.

Figure 28: International Labour Office (ILO) defined unemployment rates, 2001-2010 (%)



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

## Appendix 5: Northern Ireland Population Projections

The latest NISRA population projections are based on the 2008 population estimates and trend-based assumptions regarding future birth, 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 36: NISRA alternative Northern Ireland population projections**

Year	2002-based	2006-based	2008-based	Difference 2002 and 2008-based		Difference 2006 and 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

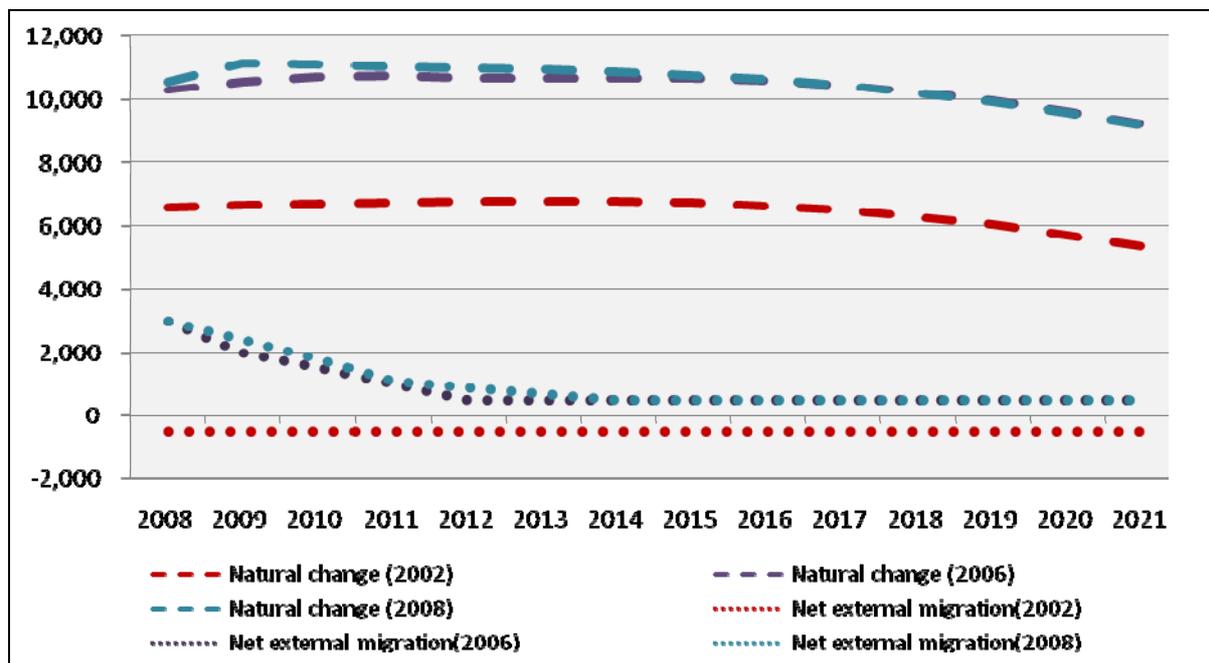
Source: NISRA Note: Figures rounded up by NISRA

Table 35 summarises alternative NISRA population projections for Northern Ireland for the period 2008 to 2021. Figure 29 summarises the natural change and migration assumptions that underpin these alternative projections. Together they show that:

- The 2006 and 2008-based population projections apply 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-based 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 number of people living in Northern Ireland in the long term.



Figure 29: 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<sup>14</sup>. Nonetheless, they are modest compared to the rates of external migration witnessed from 2004 to 2008. In particular, NISRA assume that the rate of net external migration will be very modest (around 500 pa) from 2014 onwards.

Oxford Economics (2009) has 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 reduce. 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 four years to 2007 inclusive. We concur that Northern Ireland 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 former A8 migrants elsewhere in Europe, means the rate of net external migration could remain in balance for much of the coming decade.

<sup>14</sup> The NISRA 2008-based projections assumed that in the six years to 2013 some 9,900 more people may come to Northern Ireland than leave but in the following six years this figure could fall to 3,000. By contrast, the 2002-based projections assumed that for both six year periods some 3,000 fewer people would come to Northern Ireland than leave each year.

## Components of population change

The main components of population change are:

- Natural change ( the difference between births and deaths);
- Internal migration, which refers to migration within Northern Ireland;
- External migration, which refers to migration from Britain, ROI 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 level;
- During the 1990's, 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 lead to the emergence of net in migration. NISRA (2009a) estimate in the decade to 2004 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%).

## Northern Ireland projections

NISRA 2008-based household projections are summarised in Table 36. NISRA project there could be 810,400 households living in Northern Ireland by 2023 and this figure could increase to 880,400 by 2033. Around half of the 104,000 additional households projected from 2010 to 2023 are a result of the projected increase in population. The remaining half flow from a combination of the changing age structure of the population and the continued trend towards single and smaller person households.

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

- Most of the additional households will comprise of single person or two person households. By 2023 therefore, over six out of ten households living in Northern Ireland may comprise of one or two 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 reduce;
- 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 that are still in full time education.



**Table 37: NISRA 2008-based household projections for Northern Ireland, 2010-33**

2008-based projections	2010	2015	2023	2033	change 2010-15	change 2010-33
<b>Household size</b>						
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
<b>Household type</b>						
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%
<b>Comparison with 2006-based projection</b>						
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

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 a higher proportion of the population will live in larger households than for the 2006-based projections<sup>15</sup>. The corresponding rise in average household size reported by NISRA supports this assumption.

### **NISRA sub-national household projections and household composition**

NISRA issued 2008-based sub-national household projections to 2023 for the Mid Ulster HMA, which are summarised in Table 37. It is consistent with what we anticipated:

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<sup>15</sup> To project household numbers, NISRA apply 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 project that 33,800 households may be living in the Mid Ulster HMA by 2023 which is a 21% increase over the term 2010-2023. This is 6% higher than the Northern Ireland projected change;
- Consistent with population trends, Mid Ulster HMA is projected to experience a high rate of household growth over the period to 2023.

**Table 38: NISRA 2008-based household projections for Mid-Ulster HMA 2010-23**

2008-based	2010	2015	2021	2023	change 2010-15	change 2010-21	change 2010-23
Mid-Ulster HMA	27,900	30,300	32,900	33,800	9%	18%	21%
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

**Table 39: NISRA 2008-based projected households by household type to 2023**

	2010	2015	2023	change 2010-23		change 2010-15
				No	%	
<b>Northern Ireland</b>						
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%
<b>Mid-Ulster Area</b>						
Single person households	8,400	9,600	11,400	3,000	36%	14%
Two adults without children	7,300	8,100	9,300	2,000	27%	11%
Other households no children	3,900	3,900	3,700	-200	-5%	0
Lone adult with children	1,500	1,500	1,600	100	7%	0
Other households with children	6,800	7,200	7,900	1,100	16%	6%
All households	27,900	30,300	33,800	5,900	21%	9%

Source: NISRA household projections 2008-based. NOTE: Mid-Ulster Area includes the LGDs of Cookstown, Magherafelt and Antrim



## Appendix 6: CACI PayCheck and Family Resources Survey incomes compared

### 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 (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 three adults living in a flat which a shared living room would be counted as three 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 we understand 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 three years lifestyle data from Data Locator Group (DLG), which contains records on some eight 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 we have no reason to think the pattern would be very different;
- Data from the most recent four years of Expenditure and Food Survey (EFS), which annually collects information on some 6,000 households' resident in the UK<sup>16</sup>, 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.

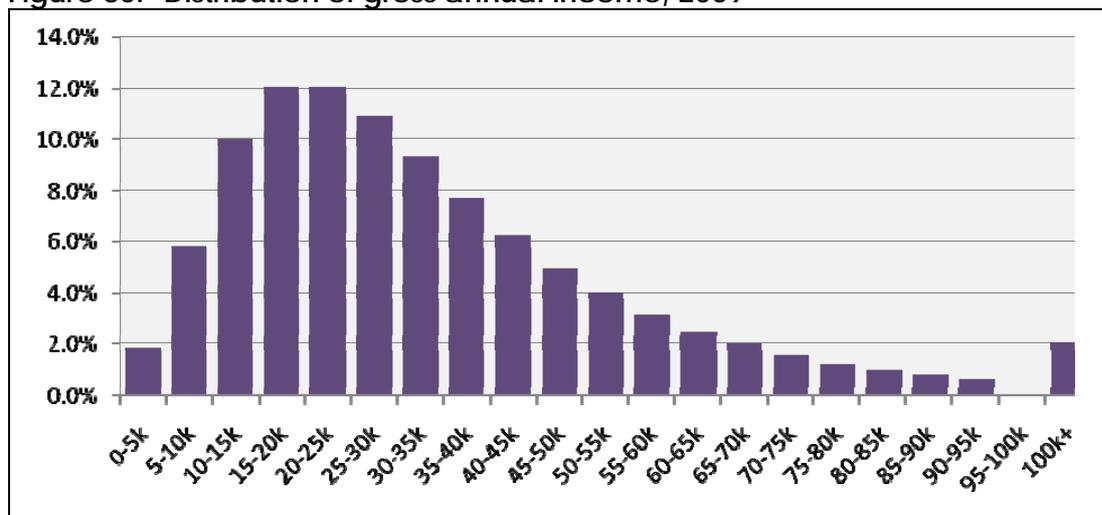
It is possible that for some small areas (such as postcode units) the model incorporates very few (if any) actual observations and instead relies solely on imputed data, which is created from the known relationship between income and household characteristics. CACI data is regularly updated but it is not designed to permit time series analysis because methodological changes typically limit year on year consistency.

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<sup>16</sup> From 2008 the Living Costs and Food (LCF) module of the Integrated Household Survey (IHS), has replaced the EFS.



Figure 30: Distribution of gross annual income, 2009

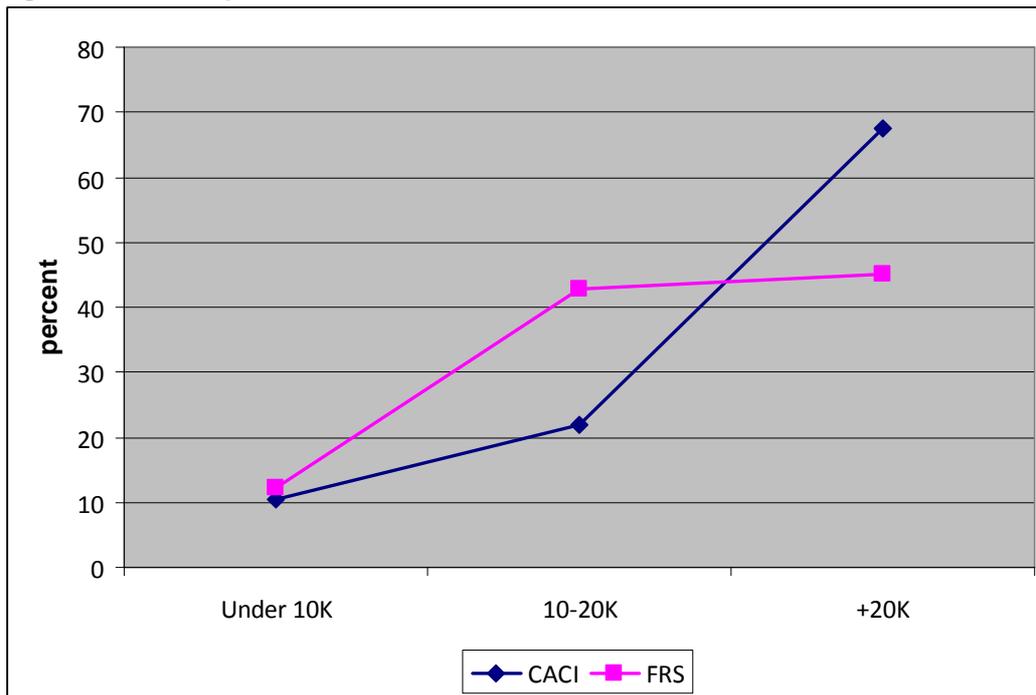


Source: CACI PayCheck 2009

Figure 31 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, CACI suggests that a much lower proportion of households have a gross income of under £10,000. This difference cannot be explained solely by 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 than at the lower end of the income distribution.

Figure 31: Comparison of FRS and CACI at Northern Ireland



Source: FRS 2009/10 and CACI PayCheck 2010

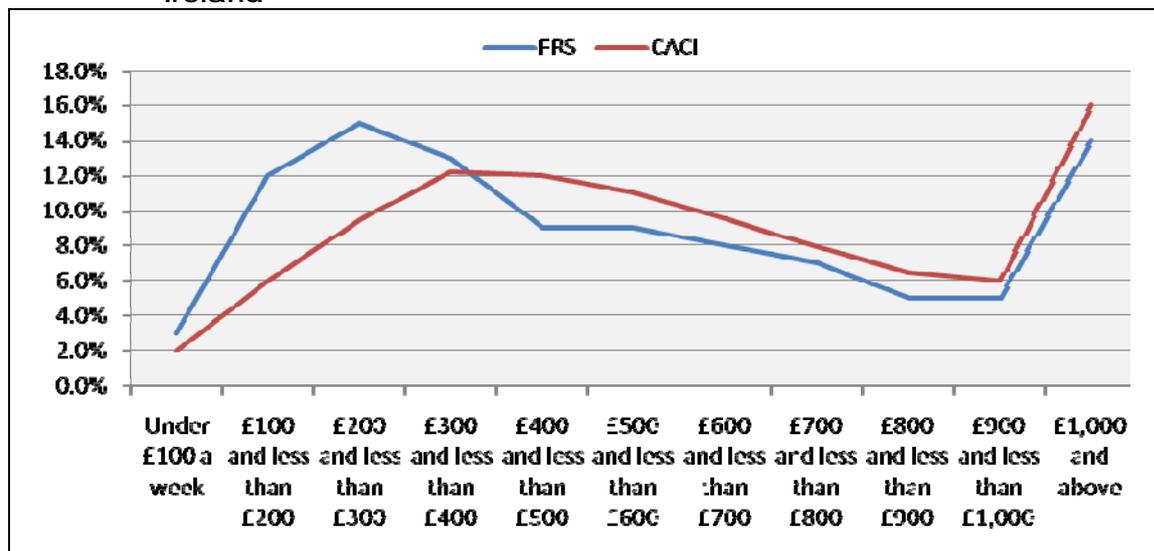
There are several possible reasons why FRS and CACI are not more closely aligned:

- The term household applied by CACI is intended to be consistent with the Census but we suspect it relates to all adults living at the same address. In areas 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 on 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;
- 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 it is difficult for the FRS income imputation to allow for;
- By contrast, we believe CACI seek 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;

Figure 32 compares FRS and CACI PayCheck findings for Northern Ireland. It supports our perception that the CACI model most likely involves 'smoothing' which may flatten out some of the extremes on the ground.



Figure 32: 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 overplayed. Overall we believe that:

- 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 income across the Mid Ulster HMA, especially down to 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 7: Changes in households and occupied stock numbers for 2001-10**

### **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 Mid Ulster HMA, we were interested to find out if the housing market boom in the Mid Ulster 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, we wanted to explore whether other data sources might shed light on recent developments in terms of the numbers of households resident within the Mid Ulster HMA and the movement patterns of households across the Mid Ulster HMA.

The purpose of this appendix is therefore to set out the analysis we undertook 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.

### **Relationship between projected household and occupied dwelling counts**

As Table 39 shows, in the period from 2001 to 2010, NISRA household projections have tended to outstrip the numbers of occupied stock. There are several reasons why the number of occupied dwellings and the projected number of households rarely match:



**Table 40: Northern Ireland occupied stock and projected household numbers, 2001-10**

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
2009	687,700	702,900	98
2010	696,300	712,000	98

Source: NISRA

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 that applied to NISRA mid-year population estimates. The projected numbers are therefore not direct estimates of the number of households in a given year nor are they designed to forecast year-to-year fluctuations.

The RCA stock dataset used by DSD and NISRA to prepare total, occupied and vacant dwelling counts may be incomplete and may under-report on 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<sup>17</sup> reports stock figures for 31 March each year whereas projections relate to mid year (June).

Landlords that enter into an agreement with LPS 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:

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<sup>17</sup> 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.

- 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 one or possibly two 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.

**Table 41: Mid Ulster occupied stock and projected household numbers, 2001-10**

Year	Occupied Stock	NISRA household projection	Occupied stock as a % of households
2001	22,702	23,600	96%
2002	23,299	24,100	97%
2003	23,700	24,500	97%
2004	24,165	24,900	97%
2005	24,676	25,300	98%
2006	24,940	26,400	94%
2007	25,050	27,100	92%
2008	25,529	27,100	94%
2009	25,964	27,500	94%
2010	26,193	27,900	94%

Source: NISRA

## Projected household growth and annual occupied dwelling count compared

### Occupied stock to projected household ratio

Tables 39 and 40 compare the occupied stock to projected household ratio for Northern Ireland, and the Mid Ulster HMA for 2001 to 2010 inclusive. These findings suggest that:

- Although subject to annual fluctuation, the occupied stock numbers to projected household numbers ratios for Northern Ireland have seen little changed. 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;
- Mid Ulster 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.

### 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 2010, the number of occupied dwellings in Northern Ireland increased by 12% whilst the projected number of households increased by 13%. However, the rate of growth in the Mid Ulster HMA has been higher in respect of both the number of occupied dwellings (15%) and the projected number of households (18%). As Table 41 shows over this period:



- The number of projected households in Mid Ulster has increased at a greater rate than that of occupied dwellings.

**Table 42: Increase on Occupied Dwellings and Projected HH numbers 2001-2010**

	HH 2001	Occupied Stock 2001	HH 2010	Occupied Stock 2010	Percentage increase HH	Percentage Increase Occ-Stock
Mid-Ulster HMA	23,600	22,702	27,900	26,193	18.22	15.38
Northern Ireland	628,500	620,000	712,000	696,300	13.30	12.30

Source: NISRA/DSD

### Relationship between occupied and vacant stock

The above discussion has implicitly assumed that 'measurement errors' are likely to have occurred on the demand side; that is 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 estimation of occupied dwellings.

The RCA dataset which records total stock is sub-divided into vacant stock and occupied stock prior to release. Although we cannot be certain, it is possible that the count of occupied dwellings is somewhat overstated and the count of vacant dwellings is somewhat understated. In particular, we suspect that not all transitional vacancies<sup>18</sup> 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.

The HCS of 2006 and 2009 report the vacancy rate at different geographical levels. The 2006 HCS reports at LGD level and the 2009 HCS reports at the proposed new district council areas rendering comparison difficult. In addition, the number of vacant dwellings at Northern Ireland level has increased by 8% in this three year period. This is still insufficient to account for the increasing gap in occupied dwellings and projected households.

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 Mid Ulster HMA.

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<sup>18</sup> 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**

Households in Mid Ulster are growing at a faster rate than that of occupied stock, which accounts for the 6% gap between occupied stock and households. In Mid Ulster, new build starts in the 10 years to 2010 reached only 54% of the HGI and 72% of annual household growth. This, along with an increase in the social housing waiting list, shows a need for new homes within the Mid Ulster HMA. Although new build construction did slow down following the economic downturn, new build starts recovered slightly in 2009-10 in both the private and social markets.

## **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. These include 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**

Due to the general economic climate and a difficult labour market, the short term future remains uncertain for the Mid Ulster HMA alongside the rest of Northern Ireland. There is likely to be few changes in the housing market over the next year. In order to boost the housing market, it may be prudent to tackle the issue of intermediate housing and introduce innovative measures to tempt households across tenure.



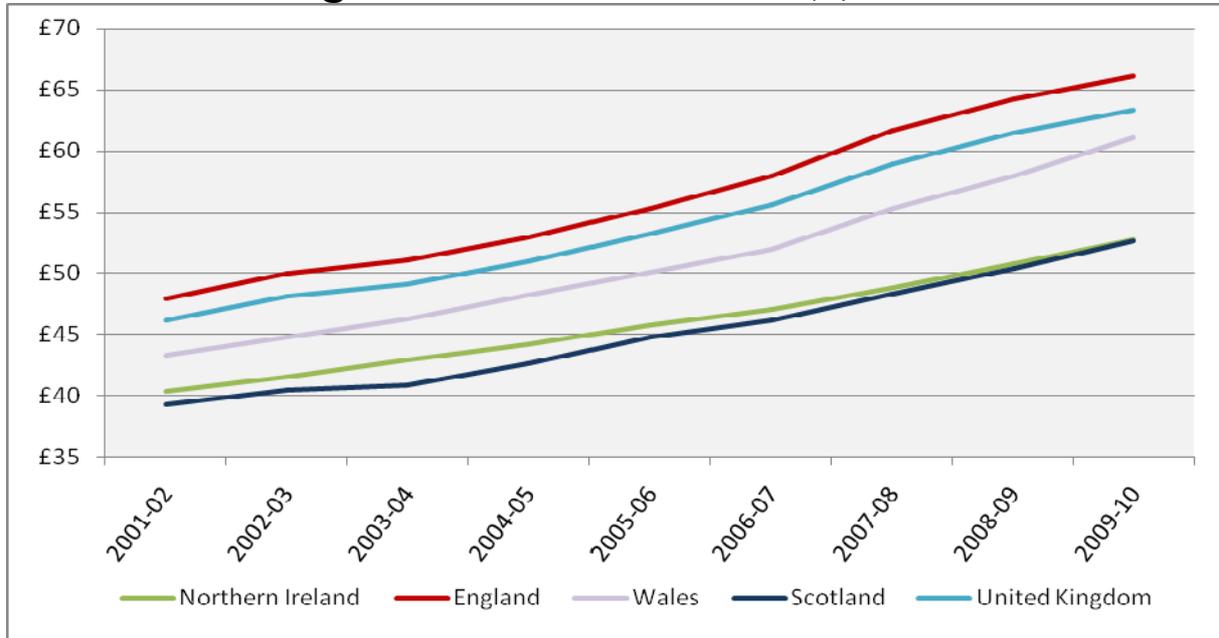
## Appendix 8: Stock Condition

Information from HCS 2006 provides some insight into the condition and quality of housing at LGD level. In Mid Ulster, unfitness was 5.1% with 4.7% in Magherafelt LGD and 4.3% in Cookstown LGD. The Northern Ireland average was around 3%. Despite being higher than the NI rate, there was nevertheless a sustained reduction in unfitness in Cookstown and Magherafelt LGDs between 2001 and 2006. Regionally the highest level of unfitness tends to be in vacant stock at almost 59%. Within occupied stock there is also a distinct difference in the tenure of unfit properties with the majority being in the private sector (40%).

In terms of the Decent Homes Standard, 23.6% of all dwellings in Cookstown and 19% in Magherafelt failed this standard. The majority of social rented dwellings in Northern Ireland that failed this standard in 2006, failed on the thermal comfort criterion.

In the intervening period since 2006, the Housing Executive improvement programme, which includes the replacement of inefficient solid fuel or electrical heating, has increased the proportions 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 should comply with the Decent Homes Standard. In the 2009 HCS, the percentage of all dwellings failing the Decent Home Standard in Mid Ulster was 12.9%. Reduced public sector funding will impact on meeting future targets.

### Appendix 9: Average public sector rent by selected UK region 2000-1 to 2009-10 (£)



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

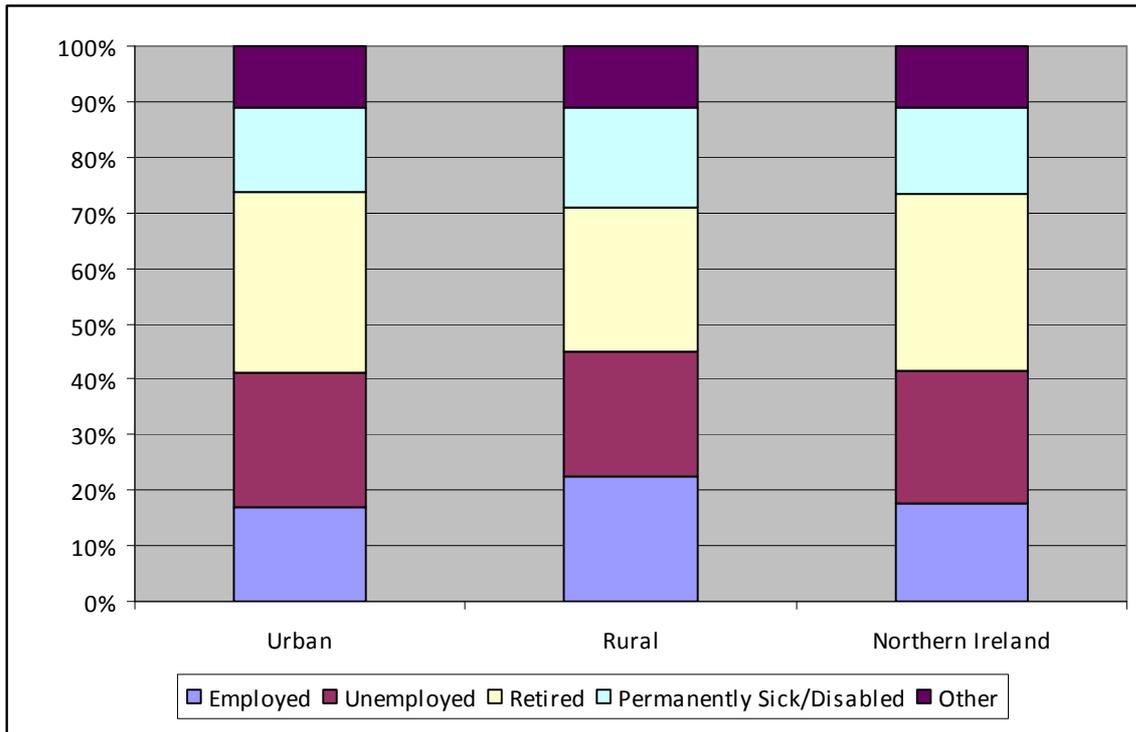


## Appendix 10: Characteristics of Social Renters by Urban/Rural % Breakdown (2006)

	Urban	Rural	Northern Ireland
<b>Age</b>			
17-24	5	4	5
25-39	21	27	22
40-59	35	30	35
60 plus	39	39	38
<b>Gender</b>			
Male	42	52	44
Female	58	48	56
<b>Household Size</b>			
1 person	49	47	49
2 persons	23	27	24
3 persons	14	13	14
4+ persons	14	13	13
<b>Economic status</b>			
Employed	17	23	18
Unemployed	24	22	24
Retired	33	26	32
Permanently sick/disabled	15	18	16
Other	11	11	11
<b>Religion</b>			
Protestant	53	42	52
Catholic	42	53	43
Mixed/other/none	5	5	5
<b>Household</b>			
Small Adult	30	34	31
Family	35	33	35
Older	35	33	34
<b>Banded income</b>			
under £7000	20	24	20
£7000-£29999	79	74	78
£30000+	1	2	2

Source: HCS 2006

Figure 33: Economic Status of social renters by urban/rural breakdown



Source: HCS, 2006



## Appendix 11: Total housing requirements

The RDS 2035 issued in 2012 includes updated housing growth indicators. These indicate a requirement for some 190,000 new houses over the 17 years to 2025. This equates to an average of some 11,200 units per annum. This adjustment 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 and possible further review. In particular:

- 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.

## **Appendix 12: A Need to Look Afresh at how Best to Respond to Housing Stress**

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 constrained. In this regard it is important to remember that the estimate of new social housing required is not strictly speaking the same thing as the number of new social rented housing units that will be delivered. In practice, how best to respond to 'housing need' and the potential shortfall in social rented housing provision is a policy decision.

In the face of reduced budgets and new social housing development programmes as 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 market than has tended to be the case to date.

There may be opportunities to harness some under-used land held in land banks or receivership to accommodate lower income households that see equity purchasing or 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 that may be willing to exit the sector and therefore create a vacancy for a household assessed to be in housing stress.

There are clear signs that such possibilities are now being considered following the launch of Building Strong Foundations which sets out proposals regarding the PRS. This includes the introduction of a rent deposit scheme. Since 1<sup>st</sup> October 2011 empty homes were given the same rating liability as occupied homes. This may also increase the potential for some form of private leasing arrangements to bring empty homes back into use.