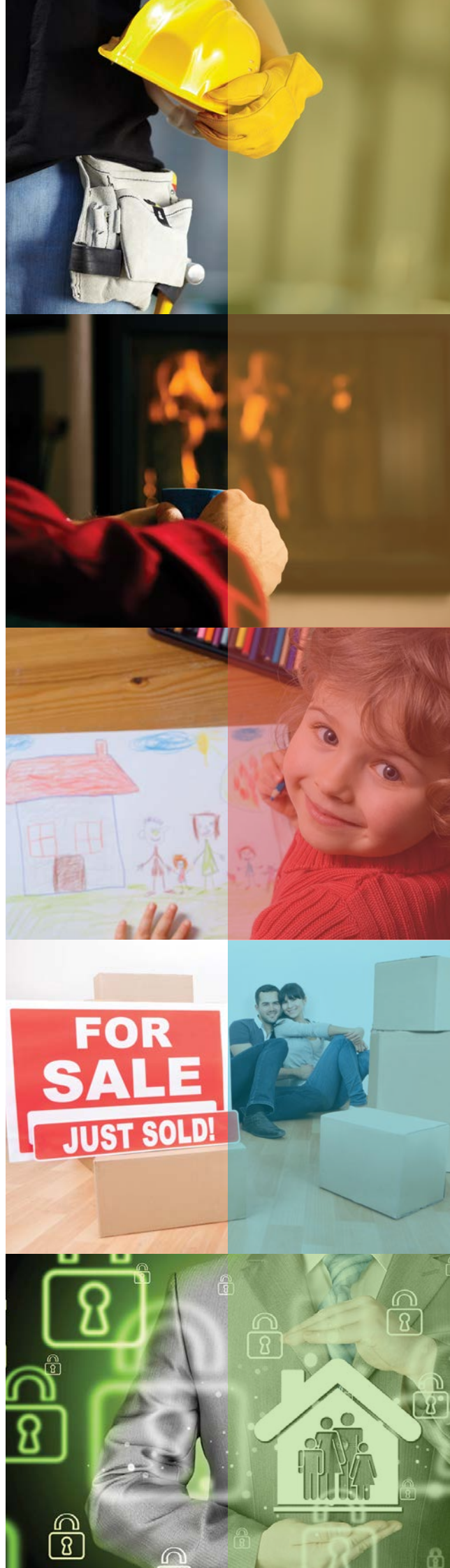


Northern Ireland Housing Market

Review & Perspectives 2015-2018

Housing
Executive



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Preface

“The next three years will be challenging ones for all housing organisations.”

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It gives me great pleasure to once again present one of our most important annual publications:
Northern Ireland Housing Market: Review and Perspectives, 2015-2018.

We are going through a period of very significant change in the housing market, not least in its social sector. It is vital, therefore, that we have a comprehensive view of the main drivers of change and the key trends which provide the context for important policy and operational decisions. This document provides a strategic overview of developments in the housing market, highlights key issues to be addressed and the prospects for each of the tenures over the coming three year period. It is an integral part of our annual planning cycle which culminates in our Corporate Plan.

The next three years will be very challenging. Northern Ireland's economy has begun to show signs of economic recovery, but Government funding for housing will continue to be limited, an issue that is complicated by the lack of political agreement on the way forward in relation to welfare reform.

The 2011 House Condition Survey did provide some welcome news during 2012, including a reduction in the headline fuel poverty rate from 44 per cent in 2009 to 42 per cent in 2011. Lower energy prices over the past year will have helped mitigate the impact of fuel poverty on households on lower incomes. More detailed analysis of the House Condition Survey data demonstrated the positive effects that well-targeted investment in housing can make, not only to the quality of the stock, but to its energy efficiency in particular, and therefore to people's lives too. In social housing in particular, where thermal comfort had been an issue in a significant number of dwellings, heating and insulation improvements to some 20,000 properties between 2009 and 2011 saw the proportion of homes failing the Decent Homes Standard fall from 15 per cent to only four per cent. The major double glazing programme which has continued over the past three years will undoubtedly have further increased the energy efficiency of the Housing Executive's stock.

It is important, however, not to underestimate the need for ongoing investment in private sector housing too. The economic downturn took its toll on the ability of homeowners to improve and maintain their dwelling. The rate of unfitness in the stock rose for the first time in 2011 (to 4.6%), although the increase was primarily in vacant private stock. The issue of vacant properties is difficult to address at a time of limited financial incentives from Government to owners. The Housing Executive's Empty Homes Unit is putting considerable resources into bringing empty homes back into use, but is often frustrated by lack of information, something which the Department for Social Development is addressing as part of the next Housing (Amendment) Bill.

We are planning to undertake the next House Condition Survey in 2016 in line with our traditional five-year cycle. This will allow us to measure the impacts of continuing investment on the condition of the private and social stock, as well as providing up to date information on key Government measures, such as the Decent Home Standard, fuel poverty and energy efficiency, helping Government to better target scarce resources following the Comprehensive Spending Review.

The issue of affordability for first-time buyers continues to be of importance as labour market uncertainty and falling real household incomes have continued to make it difficult for young households to enter the market. The latest research produced in partnership with Ulster University, however, shows that house price to income ratios are now at much more sustainable levels, and access to lending has become easier (to date almost 1,000 first-time buyers in Northern Ireland have been given mortgages with the help of the Government's Help to Buy Scheme) and despite house prices rising over the past two years there has been no significant deterioration in affordability as mortgage rates have remained competitive.

Against this background the private rented sector will continue to play a very important role in Northern Ireland's housing market. There is now a substantial evidence base on how the changes to Housing Benefit have impacted on tenants and landlords. So far research indicates that the impacts have been relatively small, but there is no doubt that the continuation of direct payment to landlords in Northern Ireland – an important difference from the rest of the UK – has helped sustain the private rented sector at a time when real household incomes are falling.

Unlike in GB, social housing is benefiting enormously from the continuation of direct payment to landlords, although the ongoing uncertainty surrounding the implementation of the surplus room subsidy complicates forward planning. New figures in relation to the slower rate of household formation in Northern Ireland suggest that the number of new social dwellings built each year may have to be reduced. However, if this is the case there may well be additional resources available for the upgrading of Housing Executive stock, which has lost out in recent years as a result of the decline in capital receipts from house sales.



The next three year period will undoubtedly see further significant change in the governance of social housing in Northern Ireland. It is important, however, that during these challenging times we do not lose sight of the importance of making the best use of scarce public resources for housing, and hope that this Review and Perspectives will be of benefit to everyone who is interested in making informed decisions in relation to the housing market.

A handwritten signature in black ink that reads "Donald Hoodless".

Donald Hoodless
Chairman

Introduction

The “*Northern Ireland Housing Market: Review and Perspectives*” is a key strategic document published each year by the Housing Executive in its role as a focal point for the gathering and dissemination of market intelligence.



It contains a range of housing market data, analysis and commentary which is designed to provide important background and contextual information for the development of housing strategies and housing policy as well as direct intervention in the housing market. This is the nineteenth consecutive year that the “Review and Perspectives” has been published.

It draws together the latest statistics compiled by the Housing Executive, Government departments, universities and the private sector. Summaries of the key findings of recently completed housing research undertaken or commissioned by the Housing Executive are also included. In doing this, the document informs the Housing Executive’s Corporate and Business Plans, thereby helping to guide the organisation’s intervention in the housing market and providing an important means of monitoring the strategic impact of this intervention.

Chapter 1 provides the strategic context for Northern Ireland’s housing market. It provides a overview of some strategic policy documents, before turning to examine the two most important drivers of the housing market: the economy and demography. It provides a summary of recent trends in the world economy, in the Eurozone and in the economies of the UK and Ireland as the broader context for understanding the most recent developments in Northern Ireland’s economy. It also provides a synthesis of the most recent socio-demographic trends emerging from the 2011 Census, trends which are often seen as having the most direct impact on developments in the housing market, before examining more direct indicators of housing need.

Chapters 2 – 4 examine developments in each of the three main housing tenures: owner occupation, the private rented sector and social housing. The most recent statistics and trends are summarised as a basis for estimating how each of the tenures will develop in the coming three year period, in the context of the strategic factors set out in Chapter 1. Each chapter ends by highlighting the key issues emerging from the analysis and the strategic perspective.

Finally, the short conclusion summarises the key trends and factors which will influence Northern Ireland’s housing market over the coming three years and highlights a number of important issues and priorities which emerge from the ‘Review and Perspectives’ as a whole.

Executive Summary

The Northern Ireland Housing Market: Review and Perspectives draws together the most up-to-date research and market intelligence in the form of a reference document for policy-makers and decision-makers in the public, private and voluntary sectors. Its aim is to help them make informed decisions in the context of both the key trends and developments in the housing market over the past twelve months and the prospects for the coming three-year period.

This summary of the document draws together the key issues facing the housing sector as a whole and each of its three tenures.

The Strategic Context

The world economy appears to have entered a period of slightly lower growth reflecting, on the one hand, an acceleration in the advanced economies and on the other a slowdown in emerging markets and developing economies. Overall, the International Monetary Fund expects the world economy to grow by 3.5 per cent in 2015 and 3.8 per cent in 2016. In the advanced economies growth is projected to be stronger in 2015 compared to 2014, supported by lower oil prices, with the USA playing the most important role. However, growth is expected to be weaker in emerging markets, reflecting more subdued prospects for some large emerging market economies and oil exporters.

In the USA, economic recovery was stronger than expected during 2014, although there was a significant slowdown in the final quarter, and this lower rate of growth has continued into Q1, 2015. The main driver of this recovery was consumption which continued to benefit from an “accommodative monetary policy” and in turn steady job creation, income growth, lower oil prices and improved consumer confidence. However, labour participation levels continue to remain at the low levels (63%; 77% for the UK) last seen in the 1970s.

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The euro area now accounts for approximately 17 per cent of world output. Its economy grew overall by 0.9 per cent in 2014, but this average disguises significant differences in performance. The German economy grew by 1.6 per cent, while the Italian economy contracted by 0.4 per cent. However, there were also indications of continuing recovery in early 2015, supported by lower oil prices, depreciation of the euro and the start of a 1.1 trillion euro programme of quantitative easing. Ongoing uncertainty surrounding the position of Greece in the euro area and the ramifications of a "Greek exit" as well as high levels of Government and household debt, still pose significant risks to the economies of the UK and the Republic of Ireland.

In 2014, the UK economy grew by 2.6 per cent, the highest rate of all the leading G7 industrial economies and unemployment fell sharply. In March 2015, against this background, the Chancellor presented a fiscally neutral budget and reaffirmed the Government's commitment to deficit reduction. The budget included a number of measures designed to boost housing supply, such as a 25 per cent top up for first time buyers saving for a deposit. However, the rate of economic growth dropped sharply in Q1, 2015 and ongoing low productivity, high levels of household debt and significant regional disparities will combine to make the Government's aims of increased economic prosperity and a more balanced housing market more challenging.

Northern Ireland's economy grew by an estimated 1.8 per cent in 2014, and is set to grow by 1.7 per cent in 2015, but the pace of recovery is lagging significantly behind other parts of the UK, and Northern Ireland remains the poorest performing region. The rate of job creation has returned to pre-recession levels in 2013 and 2014 but "without any substantial growth in real wages, productivity or living standards" (PWC). During the first quarter of 2015, economic news has been mixed, with the level of new car registrations declining again, a significant rise in the rate of unemployment and the expectation of substantial reductions in public expenditure. In addition, the more than 60,000 households who continue to be in a position of negative equity must be seen as an ongoing drag on the Northern Ireland economy.

Northern Ireland's demography is continuing to change. Between 2001 and 2011, its population rose by 7.5 per cent to 1.8 million. Its age profile is becoming older: the number of people aged 65 and over increased by 40,400 (18%) and the number aged 85 and over rose by 35 per cent to 31,400. Average household size has continued to fall, although at a lower rate than previously envisaged. New, significantly lower household projections published by NISRA at the end of March 2015 have very important implications for housing need/demand and therefore supply. The impact of these new statistical estimates is currently the subject of research by the Housing Executive and the Department for Regional Development.

The longer term trend towards more single person households and a greater number of older person households, however, will continue, resulting in a sustained demand for smaller accommodation. This demand is likely to be accelerated in the social sector if/when the spare room subsidy (more commonly known as the "bedroom tax") is introduced. As the population continues to age, support packages funded by Supporting People will continue to play a vital role in helping older people, or people with a disability, to remain in their own homes for longer.

The numbers of applicants on the waiting list for social housing has continued to fall (to approximately 39,300 in March 2015) but the numbers in “housing stress” (more than 22,000) rose again over the past year. Both the number of households presenting annually as homeless and the number accepted as statutorily homeless rose in 2014/15; by 4% in the case of the former (to approximately 19,600) and by 14% to approximately 11,000 in the case of the latter.

The latest iteration of the Net Stock Model was completed in November 2014. It indicated an ongoing annual requirement of 1,500 new social dwellings for the period 2011 to 2021, reflecting both lower expected levels of household formation and a significantly lower rate of new construction for the private sector. The annual requirement has been set at 2,000 to reflect the significant under-provision relative to housing need which developed since 2001 and the challenging market conditions, which make it unlikely that there will be a significant upturn in the rate of construction by the private sector in the next three years. However, these figures are being reviewed in the light of the significantly lower rate of household formation which has become apparent since the sharp economic downturn in 2007/08.

Northern Ireland’s housing stock continued to grow steadily between 2009 and 2011, with approximately 20,000 additional homes being added to the stock. However, for the first time, the rate of unfitness increased: from 2.4 per cent in 2009 to 4.6 per cent in 2011. This increase is concentrated in private sector vacant stock, but lower disposable incomes as well as reduced funding for improvement and replacement grants during these two years has undoubtedly impacted on housing conditions.

The rate of fuel poverty in Northern Ireland reduced between 2009 and 2011 to 42%, reflecting the considerable investment in energy efficiency measures in the social sector in particular. Estimates indicate that this figure rose again between 2011 and 2014, before falling back to 2011 levels following the sharp reduction in oil prices. Reducing fuel poverty continues to be a challenge, for even if energy prices remain relatively low, real household incomes have only recently started to show signs of rising again. Continued investment in improving the fabric of dwellings through measures such as more efficient heating systems and double glazing is important to ensure that a lower rate of fuel poverty is achievable.

The owner occupied sector

Northern Ireland’s owner-occupied sector had grown steadily during the second half of the twentieth century and the early years of the new millennium. Government policies, including tax relief on mortgage interest, reductions in “bricks and mortar” subsidies for the construction of new social dwellings, rent increases in the social sector and in particular, after 1979, the generous discounts to tenants in the social sector wanting to purchase their home, had all helped to promote this trend. In the 2000s, low interest rates helped to counteract the growing gap between the income of the typical first-time buyers and rising house prices. However, the Global Financial Crisis of 2007/08 precipitated a ‘credit crunch’ and a concomitant steep economic downturn in Northern Ireland that ultimately led to a reversal of this long-term trend.

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Between 2006 and 2011, the proportion of the total housing stock in owner occupation fell from 66 to 62 per cent, although the number of dwellings in owner occupation remained approximately the same (almost 469,000). The relative decline of the sector was compounded by the sharp drop in the rate of construction of new dwellings for the private sector, from 14,000 in 2006/07 to an average of less than 5,000 per annum between 2008/09 and 2013/14.

During 2013, there were signs that a more sustained housing market recovery was under way: more first time buyers were entering the market, assisted by the re-emergence of higher loan-to-value mortgages, the growing demand (and funding) for Co-Ownership and schemes modelled on Help to Buy being run by a number of lenders. However, it is unlikely that the underlying patterns of tenure choice which have been established since 2007 will change over the next three-year period.

Given the cautious outlook for Northern Ireland's economy over the next three years, and the signs that the labour market is becoming more challenging in 2015, it is likely that the number of new dwellings being constructed in the private sector will continue to remain low, at around 5,000 per annum. This, combined with a greater propensity for younger households to remain in the private rented sector, will mean that the proportion of dwellings in the owner occupied sector will continue to decline.

Average house prices in Northern Ireland are still more than 40 per cent lower than at their peak in 2007, but while figures from the leading house price indices for Northern Ireland all indicate that the marked increase in transaction rates which took place during 2013 continued into 2014, the number of homes being sold still remains significantly below pre-recession levels. The Ulster University mix adjusted House Price Index shows that house prices rose by 5.7 during 2014, and this rate of increase has persisted into Q1, 2015. This, combined with the brighter economic outlook, a shortage of new homes coming onto the market in many areas and a greater willingness on the part of lenders to provide higher loan-to-value mortgages for first time buyers, would indicate that prices are likely to continue to drift upwards by around 5 per cent during 2015, although once again there will be significant geographical variations.

The Ulster University's new composite index of affordability combines house price to income ratio for first time buyers and access to deposits. It confirms that affordability has improved significantly in recent years across most housing market areas and although the proportion of homes being sold at less than £100,000 is falling as prices rise, there has been no significant deterioration in levels of affordability. However, in a number of key housing market areas (Belfast and Lisburn & Castlereagh in particular) there remain stronger affordability pressures, and it is in these areas that lack of housing supply can be an important factor. This lack of supply is something which is currently being addressed by the Ministerial Housing Supply Forum.

The private rented sector

The private rented sector grew rapidly between 2006 and 2009, driven by both supply side factors, such as the investor-driven boom, and demand side factors, such as the demand from first time buyers unable to access owner occupation. The most recent House Condition Survey showed that the sector had continued to grow, albeit at a slower rate; by 2011 there were 125,400 occupied private rented properties in Northern Ireland and it was estimated that if vacant properties, which were privately rented when last occupied, are included, almost a fifth (19%; 144,500) of all housing stock is in the private rented sector. This ongoing growth of the sector is confirmed by 2013/14 figures from the Continuous Household Survey.

High levels of worklessness and rising numbers in part-time and temporary employment, as well as substantial waiting lists for social housing and affordability issues for first time buyers, will ensure that the private rented sector will continue to play an increasingly important role in Northern Ireland's housing market in the longer term.

Analysis of figures emerging from the private rental index developed in partnership with Ulster University shows an ongoing healthy demand for rental properties. The index shows that, in 2014, there were approximately 23,400 new lettings, but that the volume of transactions decreased by 11 per cent compared to 2013, providing a tentative indication of greater stability in the sector. Average monthly rent in 2014 for Northern Ireland as a whole was £549 (an increase of 2.0% compared to 2013), although this varied significantly by location. Belfast accounted for 41 per cent of the total new lettings and, at £595, the average rent in 2014 was significantly higher than for most other District Councils. Outside Belfast, the highest average rents were to be found in North Down (£627), Lisburn (£593) and Castlereagh (£587).

Some landlords who have experienced mortgage repayment difficulties – particularly those who bought at the height of the boom with the help of a high loan-to-value mortgage – are leaving the sector. However, given the expected continued demand for private renting from first-time buyers unable to afford their first home, and the continuing pressure on the social housing budget, the risk of large-scale disinvestment is seen as low.

Progress in implementing the Department's strategy for the sector has continued. Nearly 6,000 landlords/letting agents have protected more than 30,000 deposits under the Tenancy Deposit Scheme introduced in April 2013 and more than 9,000 landlords have registered under the Landlord Registration Scheme introduced in February 2014. Both schemes will help contribute to a sector which is more attractive in the longer term for tenants and landlords and this issue is being examined further by the Review of the Private Rented Sector announced by the Department for Social Development in November 2014. In parallel, the Housing Executive has commissioned two further research studies, one focusing on the impact of the Tenancy Deposit Scheme and the other on the changing perspectives of landlords.

Housing Benefit continues to play a vital role in supporting the sector. In 2013/14 more than 60,000 private tenants were in receipt of Housing Benefit and the total budget for the sector amounted to more than £300 million. Research completed

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by Sheffield Hallam University in 2013 indicates that the Housing Benefit Reforms have had a somewhat subdued impact, with little evidence of mass tenant/landlord movement out of the sector. Interim protections in place and the decision to retain direct Housing Benefit payments to landlords have softened the impact of current reforms. However, there are signs that tenants on lower incomes are having greater difficulty in finding the money to bridge the gap between Housing Benefit and market rent.

Research undertaken by the Ulster University confirmed this growing affordability problem for tenants. In 2012, the average deposit was £415, much higher than in 2006 when the comparable figure was £348. In 2012, tenants had to pay an average shortfall between Housing Benefit and market rent of £29 per week, compared to only £20 in 2012. However, landlord-tenant relationships continue to remain generally positive, with more than 90 per cent of respondents stating that they were on good terms with their landlord. This research is to be updated in 2016 as part of the 2016 House Condition Survey.

The social sector

In March 2014, the occupied, self-contained social rented sector accounted for 16 per cent of Northern Ireland's occupied housing stock. Approximately 88,000 of these dwellings were owned and managed by the Housing Executive and 32,000 by housing associations, which also owned and managed an additional 4,200 units of accommodation that were not fully self-contained. The number of social dwellings in Northern Ireland is likely to continue to grow over the next three years, but at a slower rate. Reduced funding for the Social Housing Development Programme, planning constraints, and difficulties in securing land and support from local communities in appropriate locations, will combine to create a challenging environment as the Housing Executive and housing associations work, in partnership, towards a target of starting 1,500 new social dwellings in 2015/16.

The Housing Executive's most recent estimate of future social housing need was completed in November 2014. It envisaged an annual requirement of 1,500 additional new social dwellings to meet ongoing need and an overall figure of a minimum of 2,000 new social dwellings in order to make significant inroads into the waiting list, which has risen substantially since 2001, and to take account of the relatively low rate of new private construction that is expected over the next three year period. New household projections showing a significant fall in the rate of household formation were published by NISRA in March 2015. These new figures are now being incorporated into a new version of the model to be published in the summer of 2015.

Welfare Reforms that came into force in the rest of the UK during 2013 have yet to be fully implemented in Northern Ireland, but following the Conservative victory in the General Election in May 2015, there are already signs of increasing pressure on the Northern Ireland Executive to move forward on this issue. It is as yet unclear what level of protection for current and future tenants in the social sector will be applied. In the medium-term, however it is likely that the removal of the 'spare room subsidy' will lead to an increased demand for the limited stock of smaller properties.

Work on the Social Housing Reform Programme is well under way. Already in 2015, the Department for Social Development has launched consultations on tenant participation and the regulatory framework for social housing providers. It is planned that further consultations will take place during 2015, paving the way for further developments in the reform programme that will shape the delivery of social housing in Northern Ireland in the future.

The housing market and construction sector are still recovering from the property downturn in 2008. Many of those who responded to the consultations on the introduction of a developer contributions policy which were carried out during 2014 were of the view that, in these conditions, developer contributions would yield limited results. The Department for Social Development and Department of the Environment will give further consideration to the implementation and ramifications of developer contributions during the coming year.

The Co-Ownership scheme continues to play a very important bridging role in meeting the needs of lower income households wishing to access owner-

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occupancy. The public and private funding that has been committed to the scheme will help the organisation continue to fulfil its invaluable role in a challenging housing market.

Reduced income from house sales has meant that capital improvement programmes to social housing have been significantly reduced in recent years. The lower rate of household formation, and in consequence a possible reduction in expenditure on new social housing, may enable additional resources to be made available for more substantial investment in the existing social housing stock.

Conclusion

Northern Ireland's housing market is experiencing a gradual recovery. During 2014, the US economy experienced significant growth. The prospects for the economy of the UK also became significantly brighter. However, ongoing uncertainties and a weak labour market in the euro area, and a further period of austerity and limited increases in real wages in the UK, provide the wider context for the next three-year period. Northern Ireland's labour market improved substantially in 2014, but the significant rise in the rate of unemployment in early 2015 combined with the expected public expenditure constraints and the ongoing uncertainties surrounding the implementation of welfare reform will continue to provide a challenging economic context for the housing market.

During the next three years the number of new homes being completed for the private sector is likely to remain well below the recent historic trend. House prices are likely to continue to gradually increase, reflecting low mortgage interest rates, and improved access to higher loan-to-value mortgages. However, the high levels of negative equity in Northern Ireland will continue to hamper the process of market recovery.

The private rented sector will play an increasingly important role in meeting the needs of younger households on lower incomes, who in previous decades would have more likely become first-time buyers. High levels of demand for social housing in some areas will also continue to underpin the demand for private rented accommodation, which will continue to be supported by a large Housing Benefit budget. However, the impact of changes to the Housing Benefit system have so far been muted, in particular due to the continuation of direct payments to landlords, although recently completed research indicates higher deposits and a growing gap between Housing Benefit and market rent.

Given the ongoing constraints on the public purse, resources for stimulating the housing market, for the construction of new social housing and investing in existing stock will be more limited, making decisions regarding housing policy, expenditure and intervention more challenging. Nevertheless it is important that the impact of scarce resources is maximised in the drive to meet the ongoing need for new social and affordable housing as well as improvement and maintenance of the existing stock and in particular its energy efficiency.



1

Chapter

The Strategic Context

“Ensuring access to decent, affordable, sustainable homes across all tenures”

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Northern Ireland's Housing Market: Key Figures

	2001	2006	2011
TOTAL STOCK	647,500	705,000	760,000
Urban	434,600 (67%)	493,800 (70%)	261,000 (34.3%)
Rural	212,900 (33%)	211,200 (30%)	230,300 (30.3%)
TENURE			
Owner Occupied	432,300 (67%)	468,900 (66.5%)	469,100 (61.7%)
Private Rented	49,400 (7.6%)	80,900 (11.5%)	125,400 (16.5%)
Housing Executive	116,000 (17.9%)	93,400 (13.3%)	85,900 (11.3%)
Housing Association	17,900 (2.8%)	21,500 (3.1%)	24,800 (3.3%)
Vacant	31,900 (4.9%)	40,300 (5.7%)	54,700 (7.2%)
DWELLING AGE			
Pre-1919	116,400 (18.0%)	113,800 (16.1%)	87,700 (11.5%)
1919-1980 ¹	356,800 (55.1%)	381,600 (54.2%)	371,600 (48.9%)
Post 1980	174,300 (27.0%)	209,600 (29.7%)	300,700 (39.6%)
HOUSING CONDITIONS			
Unfitness (rate)	31,600 (4.9%)	24,200 (3.4%)	35,200 (4.6%)
Non-Decent Home (rate)	205,800 (31.8%)	162,100 (23.0%)	86,600 (11.4%)
Fuel Poverty (rate)	167,100 (27.3%)	225,600 (34.2%)	294,200 (42%)
NEED FOR SOCIAL HOUSING			
	March 2001	March 2006	March 2011
Total Waiting List	22,054	32,215	39,891
Housing Stress	10,639	17,433	20,967
	April 2000 – March 2001	April 2005 – March 2006	April 2010 – March 2011
Homeless: Presented	14,164	21,013	20,158
Homeless: Accepted	7,374	9,744	10,443
New Social Housing Required	1,500	2,500	2,000

¹ The apparent increase in the number of dwellings constructed between 1919 and 1980 is essentially accounted for by sample error.

The Regional Development Strategy



The Regional Development Strategy (RDS) for Northern Ireland, published in 2001 has played a key role in shaping Northern Ireland's housing market.

It has provided the overarching spatial planning framework which guided housing development. It emphasised the importance of decent housing, the availability of affordable and special needs housing as well as the need for balanced and integrated development and by acting as a brake on oversupply helped mitigate the adverse effects of the unsustainable housing boom between 2005 and 2007.

This original Strategy envisaged a requirement for 160,000 additional dwellings during the period 1998-2015, a figure which was raised to 200,000 following the publication of new demographic and housing stock figures from the 2001 Census and the 2001 House Condition Survey respectively. Housing Growth Indicators (HGIs) were set for each of the District Council areas outside the Belfast Metropolitan Area (BMA) and for the BMA as a whole. Following a Public Examination in 2006 the overall Northern Ireland total was increased by 8,000 to 208,000 to take account of more recent population projections, and specifically the growing number of migrant workers.

Following a fundamental review of the RDS, a new *Regional Development Strategy – RDS 2035 – Building a Better Future* was published in January 2012. As in the case of the original RDS, it provides “an overarching strategic planning framework to facilitate and guide the public and private sectors”². Strategic Guidance contained in the new Strategy emphasises the need to “manage housing growth to achieve sustainable patterns of residential development” (p.40). It requires the varied needs of the whole community to be met, including the provision of affordable and special needs housing. It emphasises the need to manage housing growth to ensure a continuing focus on high quality accessible housing within existing urban areas and sets a regional target of 60 per cent of new housing to be located in appropriate “brownfield” sites within the urban footprints of settlements greater than 5,000.

The overall requirement for new dwellings in Northern Ireland between 2008 and 2025 is estimated to be 190,000, an average annual figure of approximately 11,200, and is somewhat lower than the annual average of approximately 12,200 in the updated figures contained in the previous RDS. However, the key figure of 190,000 dwellings was calculated using the 2008-based household projections, which – as became apparent following the publication of the Census 2011 figures – overestimated the actual number of households in Northern Ireland in 2011 by approximately 12,000. New household projections published by NISRA in March 2015 reflect a more subdued rate of household formation. The Department for Regional Development is currently in the process of revisiting the Housing Growth Indicators in the light of the new data which has become available.

² DRD (2012) *Regional Development Strategy – RDS 2035 – Building a Better Future*, Belfast: Department for Regional Development, p.10.

Housing Strategy for Northern Ireland

In 2012, the Department for Social Development (DSD) launched a consultation document: *Facing the Future: Housing Strategy for Northern Ireland*³. This document set out its vision for housing in Northern Ireland for the five year period 2012-2017 in the context of an economic downturn and recognised the significant role housing could play in helping to support and sustain economic recovery.

The document envisages Government having three main roles in relation to housing:

1. Helping to create the right conditions for a stable and sustainable housing market that supports economic growth and prosperity.
2. Providing support for individuals and families to access housing, particularly the most vulnerable in society.
3. Setting minimum standards for the quality of new and existing homes and for how rented housing is managed.

The strategy also envisaged housing playing a fourth role in driving regeneration within communities, particularly those suffering from blight and population decline.

The strategy is organised into five themes, each of which subsume a number of important tasks/commitments.

Theme 1 – Ensuring access to decent, affordable, sustainable homes across all tenures

- Help create the right conditions for a stable and sustainable housing market that supports economic growth and prosperity.
- Increase access to affordable housing.
- Develop further innovation in the funding of new social housing and make public funding work harder to increase supply.
- Maintain pathways into affordable housing for social housing tenants.
- Make the private rented sector a more attractive housing option by improving standards.
- Improve regulation of houses in multiple occupation.
- Improve the minimum standards for all housing stock and provide support to improve the poorest housing.
- Ensure social housing stock is maintained to a good standard.
- Improve the energy efficiency of all housing stock.

³ www.dsdni.gov.uk/housing-strategy-consultation.pdf

Theme 2 – Meeting housing needs and supporting the most vulnerable

- ➔ Undertake a fundamental review of social housing allocations policy to ensure that scarce public resources are used as effectively as possible.
- ➔ Make better use of existing social housing stock to meet a range of needs.
- ➔ Place a stronger policy emphasis on preventing homelessness.
- ➔ Support older and disabled people to live independently if they wish to do so.

Theme 3 – Housing and Welfare Reform

- ➔ Seek to implement Welfare Reform in Northern Ireland in a way that best reflects our circumstances making use of operational or policy flexibilities where available.
- ➔ Undertake research to better understand who will be affected by the housing-related changes and how.
- ➔ Put in place housing services that will provide support and assistance for those households impacted by welfare reform.

Theme 4 – Driving regeneration and sustaining communities through housing

- ➔ Bring more long-term empty homes back into use.
- ➔ Work collaboratively within DSD, across government and with local communities to address blight and reverse community decline through housing-led regeneration.
- ➔ Support town and city centre regeneration through a revitalised Living over the Shops initiative.
- ➔ Tackle anti-social behaviour in housing more effectively.
- ➔ Use public funding for social housing creatively to generate additional employment and training opportunities, particularly for unemployed young people.
- ➔ Provide more opportunities for communities to choose to become shared communities where people of different backgrounds feel comfortable living together.

Theme 5 – Getting the structures right

- ➔ Put in place a sustainable housing system fit for the 21st century.
- ➔ Support business improvement in the social housing sector for the benefit of tenants and taxpayers.
- ➔ Transfer an agreed set of functions to district councils as part of local government reform.

Housing Executive

Following the conclusion of the consultation process in December 2012, the Department for Social Development published an *Action Plan for the Delivery of Facing the Future*⁴ in which it committed to working towards five high-level outcomes:

1. Better housing management, with a more efficient and targeted use of resources.
2. Better regulation, with an increased focus on the interests of tenants and citizens, and reduced red tape.
3. Greater flexibility and responsiveness, as circumstances and market conditions change.
4. Continued fairness for citizens, regardless of tenure and consistent with the need to support those who are most vulnerable.
5. Implementing new structures that can support the above outcomes.

This Action Plan reaffirmed a number of ongoing workstreams set out in the Programme for Government 2011-2015.

- PFG 28: deliver 8,000 social and affordable homes.
- PFG 29: introduce and support a range of initiatives aimed at reducing fuel poverty in Northern Ireland, including preventative interventions.
- PFG 30: improve thermal efficiency of Housing Executive stock and ensure full double glazing in its properties.
- PFG 81: by the end of 2014/15, to have implemented new structures to support the improved delivery of housing services to the citizens of Northern Ireland.

A total of 33 specific actions were set out. The most significant for the housing market are set out below:

- Review the statutory fitness standard across all tenures.
- Review private rented sector regulation.
- Introduce a developer contribution scheme.
- Increase the supply of affordable housing by developing and launching a scheme to deliver affordable homes.
- Establish a Housing Supply Forum.
- Establish a working group that will identify ways of preventing or mitigating the impact of repossession.
- Lead a fundamental review of social housing allocation policy.
- Review the Supporting People programme, including its policy and legislative framework.
- Increase the availability of smaller social housing units.
- Take forward an Empty Homes Strategy and implement an action plan.
- Take forward the Social Housing Reform Programme.

Progress in relation to these actions will be examined as part of subsequent chapters.

⁴ www.dsdni.gov.uk/facing-the-future-action-plan.pdf

The Economic Context

The World Economy

Economic factors play a key role in determining housing market trends. The growing integration and interdependence of the world economy means that developments in the global economy, and in the most advanced economies in particular, are having an increasingly important impact on developments in the Northern Ireland housing market. Developments in the world economy are not only important because they provide export markets for local industry and therefore impact on employment and wage levels, they impact indirectly on the financial system and the propensity of banks / building societies to lend to potential homebuyers and investors.

The International Monetary Fund's (IMF) *World Economic Outlook* Update (April 2015) notes that the world economy grew by a modest 3.4 per cent in 2014, somewhat lower than the 3.7 per cent projected in January 2014. This reflected on the one hand an acceleration of growth in the advanced economies compared to 2013 and on the other a slowdown in emerging markets and developing economies, although the latter still accounted for three-quarters of global growth in 2014. The IMF highlights a complexity of interacting forces that are shaping the outlook for the world economy, including population aging and global shocks such as lower oil prices and legacy issues from the financial crisis. Overall, the IMF expects the world economy to grow by 3.5 per cent in 2015 and 3.8 per cent in 2016. Economic growth is projected to be stronger in the more advanced economies supported by lower oil prices, but weaker in emerging markets, reflecting more subdued prospects for some large emerging market economies and oil exporters.

In the **USA**, the IMF notes that economic recovery was stronger than expected, averaging approximately 4.0 per cent (annualised) in the last three quarters of 2014. The main driver of this recovery was consumption, which continued to benefit from an "accommodative monetary policy" and in turn steady job creation, income growth, lower oil prices and improved consumer confidence. Q1, 2015, however, saw the US economy shrink by 0.7 per cent, although this performance was affected by an extended period of harsh weather and the strength of the dollar.

The rate of unemployment fell from 6.7 per cent in February 2014 to 5.5 per cent in February 2015, although the overall labour participation rate remained at around 63 per cent, the lowest since the 1970s.

In response to a generally more positive economic environment, the US Federal Reserve ended its asset purchase scheme (Quantitative Easing) in October 2014. However, an ongoing rise in levels of household debt are a source of concern. Total household debt rose by \$306 billion (2.7%) in the twelve months to \$11.83 trillion⁵. Most of the increase and the total amount (\$8.17 trillion) is accounted for by mortgage debt, but student loan debt (\$1.16 trillion) is seen as a growing problem where repayment problems appear to be reducing the ability of borrowers to form their own households.

The housing market, however, has continued to become more buoyant: the Standard & Poor – Case-Shiller index shows house prices rising by 4.1 per cent in the year to March 2015, although the rate of increase slowed in Q1, 2015.

⁵ Federal Reserve Bank of New York, Debt and Credit Report for Q4, 2014.

In **Japan**, economic growth weakened considerably during the second half of 2014, and despite the Bank of Japan expanding its stimulus programme from 60 trillion yen to 80 trillion yen a year (the equivalent of 16 per cent of GDP) Japan slipped into another recession in Q3, 2014, when the economy shrank by 1.6 per cent. It pulled out of recession in the final quarter when the economy grew by 1.6 per cent, but the rebound was weaker than expected, reflecting the longer term effects of the increase in sales tax in the spring and underlining the challenges facing the Japanese government in its attempt to shake off two decades of stagnation. Overall growth in 2014 was close to zero, reflecting weak consumption and plummeting residential investment, although the IMF expects the Japanese economy to grow by 1.0 per cent in 2015.

China, now the second largest economy in the world, grew by 7.4 per cent in 2014, the lowest increase since 1990. During the second half of the year a slump in the property market (a key driver over the past 10 years) and a decline in investment growth reflect what the IMF considers to be a move towards a more sustainable pattern of growth which is less reliant on investment. China's total debt relative to GDP rose from 147 per cent in 2008 to 251 per cent in 2014 giving cause for some concern.

The economy of the **euro area** grew by 0.9 per cent in 2014 and now accounts for approximately 17 per cent of world output. However, this disguises some significant differences in the performance of its biggest economies. The German economy grew by 1.6 per cent, while Italy's shrank by 0.4 per cent. There were signs of recovery in Q1, 2015 as lower oil prices, lower interest rates and the depreciation of the euro all helped boost exports and consumption. The IMF forecasts that these factors will continue to stimulate growth and estimates that the euro economy as a whole will grow by 1.5 per cent in 2015 and by 1.6 per cent in 2016.

March 2015 marked the start of an ECB programme of 1.1 trillion euros of "Quantitative Easing" designed to stave off deflation and boost economic growth, but the ECB estimates that unemployment in the euro area will remain above 10 per cent even after the Quantitative Easing has rippled through the economy. There is also ongoing uncertainty surrounding the position of Greece in the euro area. The Greek government is struggling to service the burden of its national debt which is equal to 177 per cent of GDP. The ramifications of a "Greek exit" must be seen as a significant risk to Europe's economic stability.

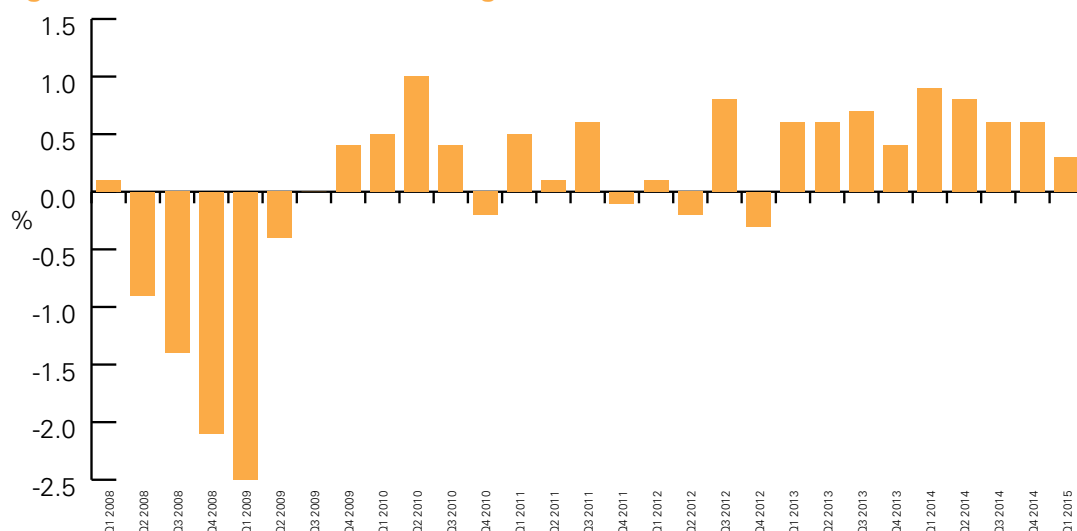
In the **Republic of Ireland**, the economy has continued to grow rapidly. In 2013, GDP had increased only marginally. However, during 2014 it rose by 4.8 per cent and is forecast to increase by a further 4.4 per cent in 2015⁶. In tandem, the rate of unemployment has fallen from approximately 13 per cent in 2013 to 11.3 per cent in 2014 and in the spring of 2015 had fallen below 10 per cent, the lowest since 2009. The housing market in Ireland has also undergone a rapid recovery and in Q1, 2015 house prices increased at an average annualised rate of almost 15 per cent, helping to steadily reduce the percentage of mortgages in negative equity. Indeed the number of mortgages in negative equity has fallen by almost 50 per cent from its peak at the end of 2012 to 161,000 in 2014. However, this in turn has led to significant affordability issues in Dublin City and surrounding areas.

⁶ ESRI: Quarterly Economic Commentary, Summer 2015.

The UK economy

The **United Kingdom** emerged from a deep economic recession in Q4, 2009. Recovery since then has been slower than previous downturns during the twentieth century, with a generally low rate of economic growth being punctuated by quarters of contraction (Figure 1). However, four consecutive quarters of economic growth were recorded in 2013, for the first time since before the “Great Recession” and in 2014 the economy grew by 2.6 per cent, the strongest annual growth since 2007 and the fastest of any of the G7 advanced industrial nations.

Figure 1: Quarter-on-Quarter Change in GDP, 2008-2015



Source: ONS

It was against this background that the Government announced another fiscally neutral budget and re-iterated its commitment to progressively achieving a reduction in the Government’s deficit⁷. Government debt as a share of GDP is set to fall in 2015/16, with public sector net borrowing falling from £90 billion in 2014/15 to £13 billion in 2017/18 before becoming a surplus in 2018/19. Public sector net debt as a proportion of GDP peaked in 2014/15 (80%) and is now forecast to decline to 72 per cent in 2019/20.

At the end of 2014, employment was at its highest level ever recorded (30.9 million), more than 1 million above its pre-crisis peak and unemployment fell in every region compared to 2010. The employment rate was 73.2 per cent, the joint highest level since records began. The Office for Budget Responsibility (OBR) expects UK GDP to grow by 2.5 per cent (an increase of 0.1 per cent since the Autumn Statement) and by 2.3 per cent in 2016. Earnings increased by 2.1 per cent between Q4, 2013 and Q4, 2014, while lower fuel and food prices have boosted household incomes. The OBR forecasts imply that real household disposable incomes per capita are set to grow strongly for the rest of the decade.

Budget 2015 sets out a number of measures that impact more directly on the housing market:

- ➔ Help to Buy ISA scheme: designed to help first time buyers save for a deposit on a new home. First time buyers can save up to £200 a month towards their

⁷ HM Treasury, *Budget 2015* <https://www.gov.uk/government/publications/budget-2015-documents>

new home in a special ISA account and Government will add 25 per cent to the amount saved on purchase of the first home (up to a maximum of £3,000).

- Budget 2015 notes that 217,000 affordable homes have been built since April 2010 and envisages a further 275,000 being provided in the five years from April 2015 to April 2020.
- Twenty Housing Zones will be designated outside London, doubling the number announced by the Chancellor in February 2015.

Budget 2015 recognises that although economic recovery is taking place there is still a considerable way to go: “the deficit remains too high and productivity too low, there are still long-standing structural weaknesses in the economy, and the gap between the economic performance of London and the rest of the UK remains too wide” (p.1). In addition “the external risks facing the UK have increased since the Autumn Statement 2014, with continuing instability in the euro area and Ukraine” (p.2). Analysis of economic data for 2015 also indicates that prospects for 2015 may not be as forecast in the Budget. In May 2015, the Bank of England reduced its forecast for GDP to 2.5 per cent in 2015, following much weaker GDP growth of only 0.3 per cent for the first quarter, although it noted that unemployment has continued to fall (to 1.82 million), a seven-year low.

Northern Ireland's economy continues to grow, but at a significantly slower rate than the UK as a whole. The latest Northern Ireland Composite Economic Index for Q3, 2014 recorded a marginal increase of 0.1 per cent compared to Q3, 2013. The most recent overview of Northern Ireland's economy from PwC (*Northern Ireland Economic Outlook*, April 2015) estimated that the Northern Ireland economy grew by around 1.8 per cent in 2014 (compared to 2.6 per cent for UK) and is set to grow by 1.7 per cent in 2015. However, PWC note that Northern Ireland remains the poorest performing region in the UK. It acknowledges that Northern Ireland's rate of job creation has returned to pre-recession levels (24,000 additional jobs in the last 24 months), but “without any substantial growth in real wages, productivity or living standards”.

Ulster University's Economic Policy Centre's *Outlook* for Spring 2015⁸ estimated that GVA⁹ will grow by 1.9 per cent in 2015, but by only 1.1 per cent in 2016. Written after the Conservative election victory in May 2015, it notes that the central theme of its forecasts is one of austerity and its likely impact on growth. The Economic Policy Centre expects economic growth in the medium term to slow in Northern Ireland as the private sector moves to take up the slack created by lower Government spending. The announcement by the Chancellor in early June that Government spending in the UK was to be reduced by a further £3 billion and in consequence that Northern Ireland will lose a further £38 million from its Westminster allocation will exacerbate this challenging economic climate.

During the first quarter of 2014 economic news has been mixed. New car registrations - often an important indicator of consumer confidence and purchasing power - rose in 2014 by 10 per cent in Northern Ireland (to approximately 57,000) compared to 2013. However, sales to May 2015 have fallen by 3 per cent compared to the same period last year, and there have been a series of job losses announced since the start of 2015, including at long established manufacturing companies: Japanese Tobacco International (Gallagher) in Ballymena and Bombardier in Belfast.

⁸ <http://www.business.ulster.ac.uk/epc/docs/EPC/>

⁹ GVA is similar to GDP but excludes the impact of taxes (including VAT) and subsidies.

Last year the mortgage administration company HML¹⁰ estimated that in Q4, 2013 more than 68,000 mortgages advanced since 2005 (41% of the total) were in negative equity. More recently Negative Equity NI estimated that 60,000 homeowners are still trapped in negative equity with an average shortfall of £68,000. Negative equity must be seen as an ongoing drag on Northern Ireland's economy, a challenge which is compounded by the uncertainties surrounding Northern Ireland's budgetary position.

Northern Ireland Budget 2015-16

The Northern Ireland Executive published its *Budget 2015-16* on 19th January 2015 in the context of what the Minister of Finance and Personnel termed "challenging financial circumstances", including a reduction in central Government funding of more than £1 billion since 2010. Agreed budget priorities include the protection of key front-line public services, investments that underpin economic growth and putting in place the foundations for the reform and restructuring of the public sector.

The Chancellor's Autumn Statement, announced in December 2014, gave Northern Ireland additional funding of £67 million of Resource DEL, £5.7 million of Capital DEL and £1.3 million of Financial Transactions Capital. However, in real terms the non ring-fenced portion of Resource DEL (£9.8 billion in 2015/16) represents a decline of 1.4 per cent. Capital DEL, in contrast was increased by 3.1 per cent to approximately £1.1 billion. The Stormont House Agreement provided for additional resources in 2015/16 of up to £380 million – for Shared and Integrated Education, a Voluntary Exit Scheme for the public sector, Capital projects and for bodies dealing with the past. It also committed the Northern Ireland Executive to paying the £114 million cost of not implementing welfare reform, giving the following Final Budget control totals: Non Ring-fenced Resource DEL £9,674 million, Ring-fenced Resource DEL £550 million, Conventional Capital £1,020 million and Financial Transactions Capital of £129 million.

The Department for Social Development's opening Resource budget for 2015/16 is £90.6 million, but this represents a reduction of 9.7 per cent (£63.3 million) compared to the equivalent figure in 2014/15. Its proposed net Capital budget is £124.4 million. This is £12 million less than in 2014/15 and £103.9 million of receipts need to be realised to reflect the actual £228.3 million of capital spend managed by the Department.

Against a background of a reduced budget the Department for Social Development is seeking to deliver services on a "business as usual" manner and protecting the most vulnerable, while progressing a major programme of reform in terms of welfare, housing and urban regeneration. In relation to housing the Department is seeking to strike an appropriate balance between the needs of new and existing tenants and sustaining investment designed to address fuel poverty. The maintenance of existing homes and the provision of new social housing continue to be key priorities. £98 million is being made available to fund 1,500 new social homes and £13 million for capital investment in existing Housing Executive stock. A further £10 million is being made available for around 300 affordable homes under Co-Ownership. Affordable warmth and funding for disabled adaptations is to be maintained at 2014/15 levels and £3 million is being made available for housing led regeneration initiatives.

At the time of publication, there has still been no resolution of the political differences over the implementation of Welfare Reform and the closely related ongoing budgetary discussions.

¹⁰ <http://www.hml.co.uk/latest-thinking/2014/03bbc-negative-equity-report/>

Northern Ireland's labour market

The vibrancy of the labour market is an important factor in determining the buoyancy of the housing market. Key indicators include: employment, unemployment and economic inactivity. Rising levels of employment and increases in household income were key factors driving the buoyancy of Northern Ireland's housing market between the mid-1990s and the mid-2000s. Post 2007, however, the significant downturn in Northern Ireland's economy was accompanied by a considerable increase in unemployment and worklessness.

Table 1: Key Labour Market Statistics for Northern Ireland, 2014-2015

	Q1, 2014 (000's)		Q1, 2015 (000's)		YoY Change
Economic activity (16-64)	852	(73.2%)	852	(73.1%)	-9,000
Employment (16+)	811	(67.5%)	832	(67.7%)	+21,000
Unemployment (16+)	63	(7.2%)	55	(6.2%)	-8,000
Economic Inactivity (16-64)	311	(26.8%)	313	(26.9%)	+2,000
Worklessness (16-64)	396	(34.0%)	386	(33.1%)	+10,000

Source: NISRA, Labour Market Statistics – March 2015 (Seasonally adjusted)

Table 1 compares the key labour market statistics for Q1, 2015 with the equivalent period in 2014:

- ➔ Employment (including employees, self-employed and those on government programmes) has increased by 21,000 to 832,000. This includes 195,000 part-time workers. The number of full-time workers has increased by 17,000 over the year.
- ➔ Unemployment decreased significantly over the year from 63,000 to 55,000 (6.2%). However, the rate of unemployment remains above the rate for the UK as a whole (5.5%) and two-thirds have been unemployed for more than a year. Compared to the previous quarter, however unemployment increased by 5,000.
- ➔ The number of people who were aged 16-64, but were economically inactive rose by 2,000 to 313,000 (26.9%). The UK average is 22 per cent and the Northern Ireland rate remains the highest of all UK regions.
- ➔ The number of people of working age who are workless (economically inactive plus unemployed) declined by 10,000 to 386,000. Approximately one third of the working population in Northern Ireland remains workless.

Earnings

Northern Ireland continues to have a lower level of earnings than the UK as a whole. In April 2014 median gross weekly earnings for full-time employees was £457, approximately 88 per cent of the comparable figure for the UK as a whole (£518)¹¹. Full-time earnings fell by -1.4 per cent over the year, compared to a 0.1 per cent increase in the UK as a whole.

¹¹ Annual Survey of Hours and Earnings (ASHE), : NISRA, Monthly Labour Market Report – May 2015

Demographic Trends

Census 2011

The 2011 Census continues to be a vital source of information for reviewing recent demographic trends as well as providing the basis for population projections, but also for the household projections, which are fundamental to any estimates of the future need and demand for housing in Northern Ireland.

Key points which have emerged from a comparative analysis of the 2001 and 2011 Census figures include:

- ➔ In 2011, Northern Ireland's total population was approximately 1,811,000. Since 2001 the population has increased by 125,600 (7.5%), representing the fastest growth in population between consecutive Censuses since the 1960s.
- ➔ The age structure of the population has continued to become older since 2001 and the median age has increased from 34 to 37 years.
- ➔ The number of people aged 65 and over increased by 40,400 (18%) and the proportion of the total population aged 65 and over increased from 13 to 15 per cent; the number of people aged 85 and over has risen from 23,300 to 31,400 – an increase of 35 per cent.
- ➔ Conversely the number of children (people aged under 16) has declined from 398,100 to 379,300 (-5%). In 2011, children aged under 16 constituted 21 per cent of the population – a reduction from 24 per cent in 2001.

The statistics that have emerged from the 2011 Census over the last three years have provided key data for the research project commissioned by the Housing Executive, entitled *Demographic Trends and Future Housing Need in Northern Ireland*. The final report based on the research was published in February 2015 and highlighted a range of developments in Northern Ireland's demography and estimated their impact on the housing market. The analysis contained in the report showed that there was both continuity and change in underlying trends. The key trends summarised above all represented a continuation of developments which had been correctly foreseen by demographers based on analysis of the previous intercensal period (1991-2001). However the report points out that in the case of some trends, there was a marked slowdown in the rate of change:

- ➔ Average household size fell (from 2.65 in 2001 to 2.54 in 2011), but at a slower rate than before.
- ➔ The number of households grew by 12 per cent (from 628,400 in 2001 to 703,300 in 2011), but the rate of growth slowed relative to the overall population.
- ➔ The number of single person households grew from 172,000 (27%) to 196,400 (28%), but again the rate of growth had slowed considerably compared to the previous intercensal period (1991-2001).
- ➔ The number of lone parent households with dependent children increased by 27 per cent from 50,500 (8%) in 2001 to 63,900 (9%) in 2011, once again a much lower rate of growth.

Finally, the report highlights a number of key demographic trends which reversed between 2001 and 2011:

- ➔ The number and proportion of households with non-dependent children started to increase again, as the trend for adult children to leave the family home permanently was reversed (the so-called 'boomerang' kids) and indeed accelerated with the onset of the sharp economic downturn in 2008. Indeed Northern Ireland has the highest proportion of young adults living with their parents (36%) of any UK region (UK average: 26%).
- ➔ A slight reversal of the pattern of falling birth rates after 2008, implying that natural increase will be sustained during the period 2011-2021.
- ➔ A new dynamic of migration with a shift from overall loss to gain. Between 2003 and 2008 there was a net increase in in-migration of approximately 38,000, mainly from countries which had recently joined the EU. Although since 2009, again following the onset of the recession, this has returned to a pattern of out-migration. Migration patterns show concentrations of migrant workers in distinct geographical areas (e.g. Dungannon – where food processing and light engineering provided employment opportunities).

Regional Differences

Demographic trends at the Northern Ireland level are important for understanding the dynamics of the housing market as a whole, but for the purposes of planning for housing, analysis of local trends is important. Key statistics for each of the 26 Local Government Districts (LGDs) provide an indication of the importance of modifying the Northern Ireland picture to take account of local developments.

While the population of every LGD increased in the decade to 2011, the rate of growth varied considerably. It was greatest in Dungannon (21%), Banbridge (17%) and Ballymoney (16%) and lowest in Belfast (1.3%) and Castlereagh (1.1%).

The overall fall in the number of children between 2001 and 2011 (4.7%) masks significant differences between LGDs. Some of the largest proportionate reductions are in the main urban centres, Belfast City: -13%; Castlereagh and Derry City both also experienced reductions of more than -10%, but there were also significant declines in Limavady (-13%) and Strabane (-11%). However, seven LGDs recorded more children in 2011 than in 2001; the largest proportionate increases were in Banbridge (11%) and Dungannon (9%).

Similarly, there were significant local differences in the proportionate increases in the number of people aged 65 and over. The overall increase for Northern Ireland was 18 per cent, but some LGDs recorded much higher rates of increase: Antrim (38%) and Limavady (34%). The smallest increase was recorded in Castlereagh (8%) while Belfast City actually experienced a decline (-3%). In terms of the proportion of the population of each LGD aged 65 and over, North Down and Castlereagh had the highest (18%). The lowest proportions were in Derry City, Dungannon, Magherafelt and Newry & Mourne (all 12%).

Population Projections

The first population projections based on the 2011 Census were published in June 2013. Between July 2011 and June 2012, the number of people living in Northern Ireland increased by an estimated 9,300 (0.5%). This was due to a natural growth of 11,100, offset by net out-migration of 1,800 (including 500 members of the armed forces stationed in Northern Ireland). The size of Northern Ireland's resident population in June 2012 was estimated to be 1,824,000. Between 2011 and 2012 the number of persons aged 65 and over continued to increase (by 2.7%), while the number aged 85 and over increased by 3 per cent to 32,700.

Household Projections

While population projections are an important source of information on the level and location of future housing requirements, it is the rate of household formation that is the more important driver of the housing market. The most recent NISRA household projections were published on 26 March 2015. The previous 2008-based projections had applied the trends in household formation which had been evident between 1991 and 2001. The new 2012-based projections are based on the trends in household formation which became apparent during the period 2001 to 2011. They take as their point of departure the 2011 Census results, updated by the 2012 mid-year population estimates and apply the most recent evidence on trends in household formation to the most recent population projections. It is important to note, however, that these projections do not attempt to predict the impact that future government policies (such as welfare reform) or changing economic circumstances might have on household formation. Nevertheless they do provide a robust estimate of the future number, size and type of households in Northern Ireland and must be seen as a key starting point for estimates of the future need and demand for housing in the private and social sectors.

Set out below are the most important findings for the 10-year period (2012-2022), from the point of view of Northern Ireland's housing market and comparisons, where appropriate, to the previous 2008-2018 projections on which the most recent Housing Growth Indicators (see p.23) and the Net Stock Model (see p. 41) had been based.

The overall number of households is forecast to increase from approximately 708,600 in 2012 to 752,900 in 2022, an increase of 44,300 (6.3%), giving an annual average increase in the number of households of 4,400. This means that compared to the 2008-2018 forecast (which envisaged 8,300 additional households being formed each year and could not have taken the effects of the unexpectedly sharp economic downturn into its analysis) the rate of household formation has almost halved.

Table 2: Projected Households by Household Type, 2012-2022

Household type	2012	2022	% Change
One adult households	197,648	212,998	+7.8
Two adults without children	189,845	209,226	+10.2
Other households without children	108,197	108,211	0
One adult households with children	45,457	47,431	+4.3
Other households with children	167,456	174,990	+4.5
Total households	708,603	752,856	+6.2

Source: NISRA: Northern Ireland Household Projections (2012-based)

Table 2 shows that households comprising one adult or two adults without children are the fastest growing household types (increasing by 8 per cent and 10 per cent respectively over the ten year period). Indeed by 2037 these two household types are projected to account for three-fifths (60%) of all households in broadly equal proportions. People aged 65 and over account for approximately 37,000 (87%) of the 42,600 increase in people living alone between 2012 and 2037. By 2037, people aged 65 and over are projected to account for almost half (49%) of all those living in one adult households without children.

The number of two adult households without children is projected to grow even faster than that of one adult households. The projected large growth in the population aged 65 and over is amplified by the projected increasing tendency to live in two adult households. This is a direct result of projected improvements in life expectancy, making it more likely for couples to grow old together for longer. In contrast there is a projected decrease in the tendency for older people to live in one adult households, however this is outweighed by the projected population growth of this age group.

The number of households with children is projected to increase between 2012 and 2022 by 9,500, but is subsequently projected to fall by 8 per cent by 2037. Average household size is expected to fall marginally from 2.54 in 2012 to 2.52 in 2022. However, this reduction in average household size is less than envisaged in the 2008-based projections which forecast that by 2022 average household size would be 2.37. Nevertheless most of the additional households which are forecast to form between 2012 and 2022 are small households: almost half (46%) of the total (44,300) are forecast to be two person households and a further 35 per cent one person households (Table 3).

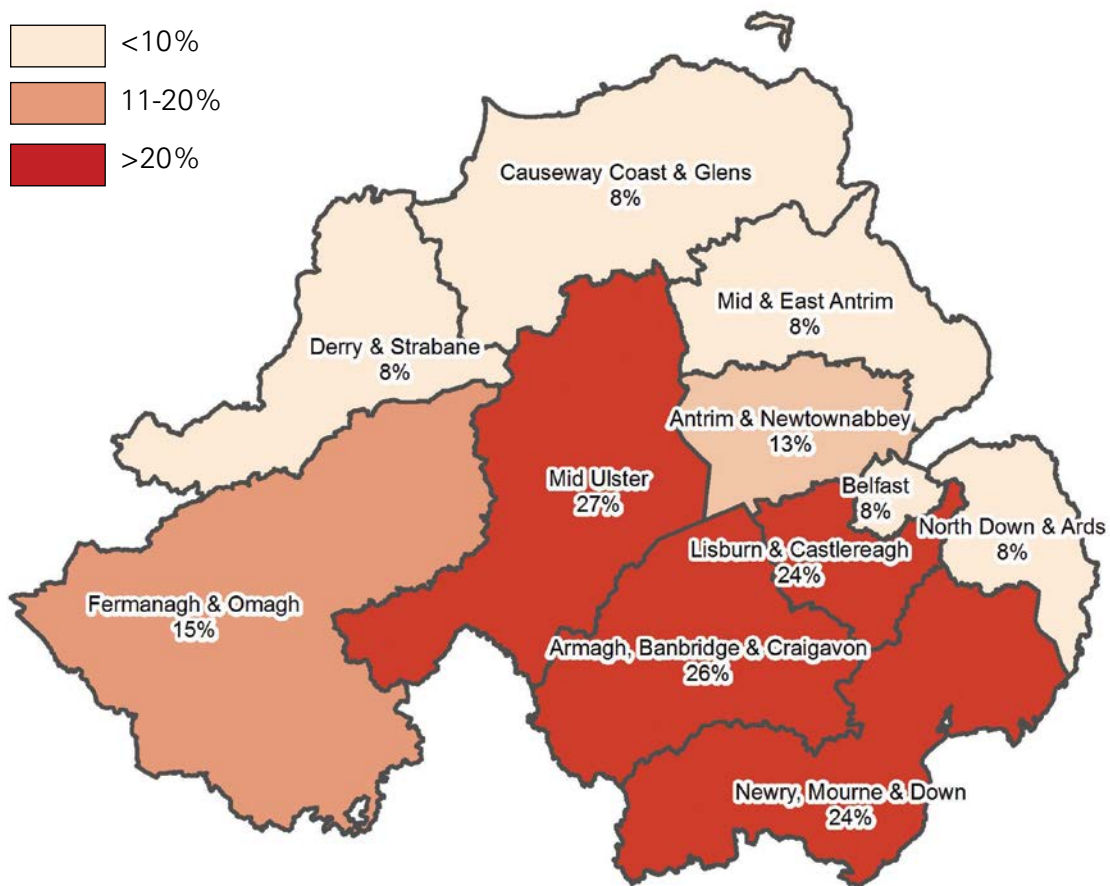
Table 3: Projected Households by Household Size, 2012-2022

Household size	2012	2022	% Change
1 person	197,648	212,998	+7.8
2 persons	214,750	235,082	+9.5
3 persons	118,532	120,684	+1.8
4 persons	103,721	107,051	+3.2
5+ persons	73,952	77,041	+4.2
All households	708,603	752,856	+6.2
Av. H'hold size	2.54	2.52	

Source: NISRA: Northern Ireland Household Projections (2012-based)

Each of the 11 new Local Government Districts is projected to have a growing number of households between 2012 and 2037, but the rates of growth vary quite considerably. Figure 2 shows that the highest rates of growth are forecast to occur in the more southerly councils. It is estimated that the highest rates of increase will take place in Mid Ulster (27%) and Armagh, Banbridge & Craigavon (26%). The lowest rates of increase are forecast to occur in Mid & East Antrim, Derry & Strabane, North Down & Ards, Belfast and Causeway Coast and Glens – all around eight per cent.

Figure 2: Projected Population Growth by Local Government District, 2012-2037



Source NISRA: Northern Ireland Household Projections (2012-based)

Key Implications

The key implications of the demographic trends are as follows:

The lower rate of household formation will mean that the need/demand for housing is lower than envisaged by the Housing Growth Indicators contained in the current Regional Development Strategy and this will have a knock-on effect on the need for social housing too.

The increasing number and proportion of one and two person households will have a limited impact on the size and design of dwellings as households often require an extra bedroom as a place of work or recreation. However, the ongoing programme of Welfare Reform will lead to an increase in the rate of growth of demand for smaller accommodation in the private rented and social sectors.

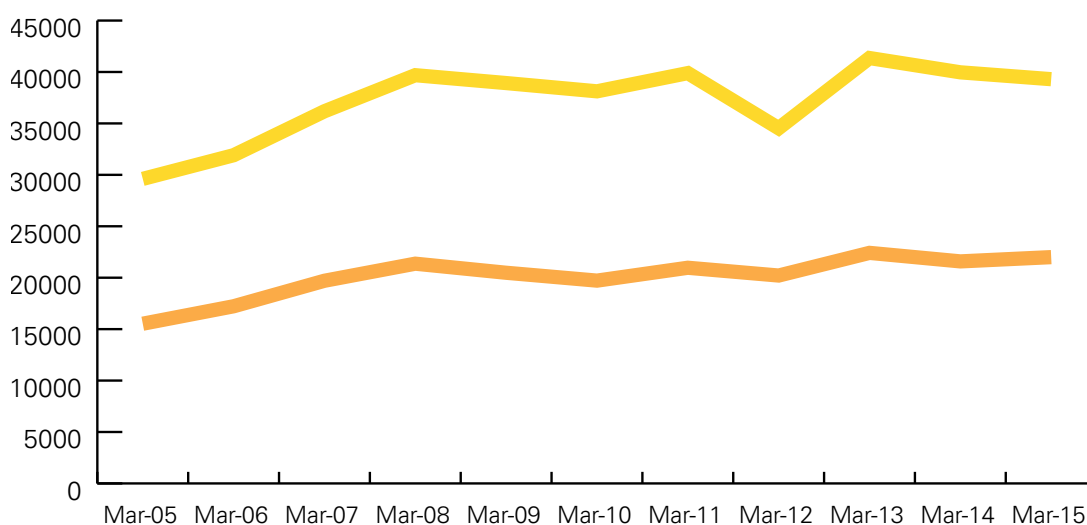
The ongoing increase in the number and proportion of people aged 65 or more, and in particular the rapid growth in the number of people aged 85 or more, undoubtedly will have a significant impact not only on the design of dwellings, but also on the need for housing support funding and care packages which enable older people to live independently in their own homes.

The Need for Social Housing

The Waiting List for Social Housing

The Waiting List for social housing is a vital source of information for estimating the need for social housing in Northern Ireland. Longer term trends in the waiting list provide clear indications of growing or reducing pressure in the housing market as a whole and local data forms a key part of the evidence base which guides the Social Housing Development Programme in terms of the location and mix of new social and affordable dwellings to be constructed.

Figure 3: Trends in the Waiting List, 2005-2015



Source: NIHE

Figure 3 illustrates trends in the overall waiting list for social housing between 2005 and 2015. Analysis of the figures shows that the overall number of applicants increased substantially between March 2005, when it was approximately 29,600, and March 2008, when it reached almost 39,700. Between March 2008 and March 2010 the number of applicants decreased a little – a reflection of the lower rate of household formation brought on by the sharp economic downturn and an increase in the availability of dwellings in the private rented sector – before rising to an all-time peak of approximately 41,350 in March 2013. Since then the waiting list has declined to approximately 39,500 in March 2015, reflecting a variety of factors, including a higher rate of construction of new social homes and a more challenging economic environment for many households to set up home. More recently changes in working practices in the management of social housing through the introduction of a “Housing Solutions” approach, which helps guide applicants to other housing options, such as in the private rented sector - rather than joining the waiting list for a location where there is high demand for social housing and where the chances of being housed are low - will in the course of time help reduce the overall waiting list further.

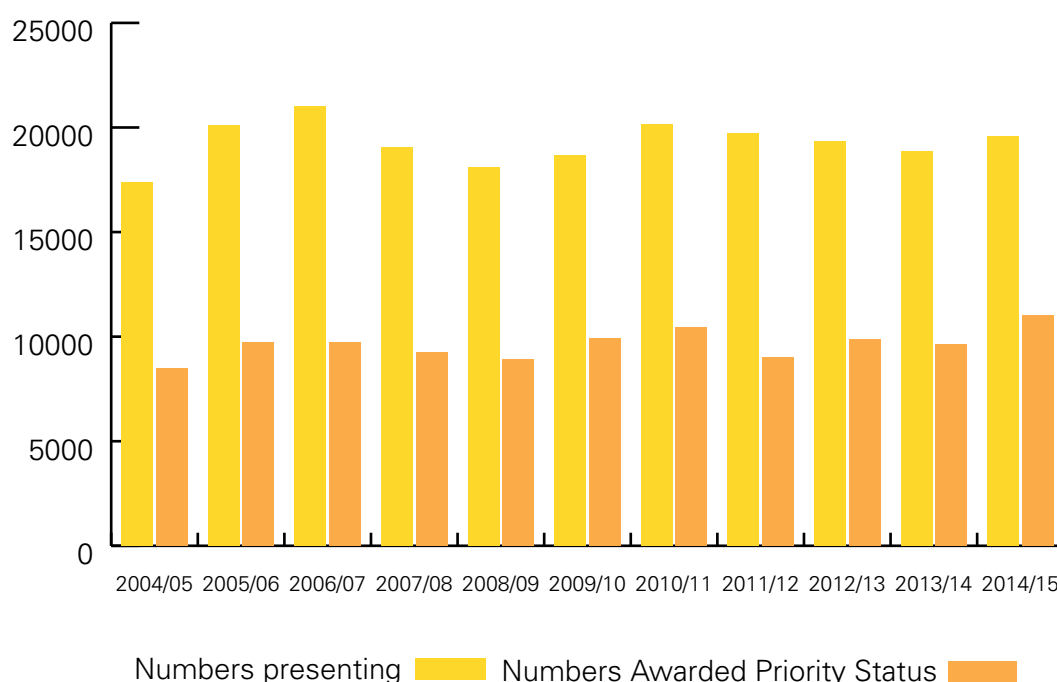
A similar pattern is evident in terms of the number of households in housing stress. Between March 2005 and March 2008 the number of applicants in housing stress

rose from around 13,400 to 21,400. By March 2011, however, this number had fallen to approximately 19,700, before rising again to more than 22,400 in March 2013. In March 2014 the figure stood at approximately 21,000, but in contrast to the overall waiting list the number in housing stress rose last year to stand at more than 22,000 in March 2015.

The household composition of the waiting list has changed little in recent years. Single person households continue to be the single largest group (46%). Small families continue to be the next largest component of the waiting list (26%), followed by older households (16%). It is expected that future demand will come predominantly from these types of households.

Homelessness

Figure 4: Trends in Homelessness, 2004/05-2014/15



Source: NIHE

Between 2004/05 and 2006/07, there was a substantial increase (21%) in the number of households presenting as homeless (Figure 4). However, by 2008/09 the number of households presenting had fallen from a peak of more than 21,000 to around 18,000. As in the case of the waiting list as a whole, qualitative evidence would indicate that the two main reasons for this downward trend were: the impact of the deep economic recession on household formation and the availability of a growing number of good quality private rented sector dwellings. This overall trend was mirrored in the gradual increase and then reduction in the number of households accepted as statutorily homeless.

However, this reduction was reversed over the next two years: the number of households presenting as homeless rose to approximately 20,150 in 2010/11 (a 12 per cent increase over two years) and the number accepted rose to almost 10,450 (17 per cent over the same period). It is very probable that as with the overall waiting list, pent-up demand could only be contained for so long and in the end

found its expression in rising homelessness. Since 2010/11 the pattern has been less clear. The number of households presenting has declined: in 2013/14 only 18,862 households presented as homeless. However, the number of households accepted as statutorily homeless fell to 9,021 in 2011/12, before rising again in 2012/13 to 9,878 and then falling again by 2.3 per cent to 9,649 in 2013/14. Preliminary figures for 2014/15 indicate that both the number presenting and being accepted as homeless rose in 2014/15 (to around 19,600 and 11,000 respectively). However, at a local level the above mentioned "Housing Solutions" approach is helping to reduce the number of homeless cases, by finding suitable alternative accommodation for potentially homeless households, without necessarily joining the waiting list for social housing.

The importance of the causal factors in homelessness has changed little in terms of their rank order. For those households accepted as statutorily homeless during 2013/14, the biggest single cause – as in 2012/13 – was 'accommodation not reasonable' (2,782; 29%) reflecting to a large extent the ongoing ageing of the tenant profile. Sharing breakdown/family dispute was the second most important cause: 1,673 (17% of the total). The third largest category continued to be loss of (private) rented accommodation: 1,307 (13%). However, the relative importance of the causes of homelessness has continued to change. The number accepted because of sharing breakdown/family dispute has dropped by a further 6 per cent – linked, at least to a certain extent, to the economic consequences of splitting up in a challenging economic climate. The number accepted because of unreasonable accommodation rose by a further 9 per cent. However, unlike in the previous financial year when the number of households accepted as homeless because of loss of (private) rented accommodation rose significantly, in 2013/14 the figure remained almost unchanged, indicating that the difficulties faced by tenants and landlords as a result of the housing market downturn and the introduction of Housing Benefit reforms have at least not increased significantly (see Chapter 3).

More than half (54%) of all households who presented in 2013/14 were single people, almost half (45%; 4,588) of whom were single males aged 26-59 (24% of the overall total). Families with children continued to account for around one third (5,870; 31 per cent) of those presenting as homeless.

The Net Stock Model

Since 1994 the Housing Executive has used a Net Stock Model to estimate the need for new social housing at the Northern Ireland level. The model provides a starting point for developing the Social Housing Development Programme. It estimates the total extra number of new social dwellings required over a 10 year period based on a combination of demographic (e.g. household projections) and housing stock information (e.g. housing starts, demolitions and vacancy rates). The model assumes that most dwellings constructed in Northern Ireland will continue to be for the private sector and that the average annual rate of construction for the model's ten year period will be approximately the same as the rate that prevailed during the previous 10 years. The residual requirement – the difference between housing need in total and construction for the private sector – equates to the projected need for social housing. The most recent model was produced in November 2014 as part of a wider research study¹², and was based on the 2008-based household projections – modified to take account of 2011 Census information – and the most recent housing stock data.

¹² RSM McClure Watters in association with Paris, C., Palmer, J. and Williams, P. (2014) *Demographic Change and Future Housing Need in Northern Ireland*, Report to the NIHE.

On the demand side, this most recent iteration of the model envisages a lower rate of household formation (approximately 8,000 per annum) based on more recent data which emerged from the 2011 Census, compared to the previous 2008-2018 version of the model (8,300 per annum). However, the authors of the report were aware that the rate of household formation in the model would have to be reduced further once new household projections became available in March 2015. On the supply side a continuing low rate of new dwelling construction has reduced estimated private sector output from 9,200 per annum to 8,300 per annum although the effect of this in the model is reduced by a lower number of demolitions and a lower vacancy rate in new private housing to give an annual ongoing requirement for 1,500 new social dwellings for the period 2011-2021, compared to 1,200 for the period 2008-2018 (Table 4).

However, given the cumulative backlog (the difference between what was needed and what was actually delivered) of more than 8,000 that developed between 2001 and 2011 (now reflected in the continuing high levels of housing need as recorded by the waiting list for social housing) as well as the expected ongoing lower rate of private sector new build over the next 3-5 year period, it is considered appropriate to continue to have an annual target of 2,000 new social dwellings for the next five year period.

One of the key recommendations emerging from the *Demographic Change and Future Housing Need in Northern Ireland* report, was that the model should be re-calibrated to take on board the 2012-based household projections. These projections published in March 2015 (see p.35) envisage a more significant fall in the rate of household formation than projected by the research team. The process of re-calibrating the model is now underway.

Table 4: Net Stock Model, 2011-2021

	Projected Households (000)
Extra Demand 2011-2021	
New Households	79.2
Concealed Households	5.0
Temporary Accommodation	1.4
Total Extra Demand	85.6
Extra Supply 2011-2021	
New Private Output	83.3
Less Net Demolitions, Conversions and Closures	(3.0)
Less 5% Second Homes	(4.1)
Less 5% Vacancy in New Private Housing	(4.1)
Total Extra Supply	72.1
Social Housing Needed 2011-2021	
Deficit	13.5
Plus 2% Vacancy in New Social	0.3
Total Needed	13.8
Total Rounded and Allowance for Other Factors	15.0
Total Per Annum	1.5

Source: RSM McClure et al, November 2014

Characteristics and Condition

The 2011 House Condition Survey provides the most recent picture of the characteristics and condition of Northern Ireland's housing stock. In 2011 there were approximately 760,000 dwellings in Northern Ireland – an increase of 55,000 (7%) over the period since 2006.

Dwelling Tenure

61.7% - The proportion of dwellings (**470,000**) in the owner occupied sector (66.5% [470,000] in 2006)

16.5% - The proportion of dwellings (**125,000**) in the private rented sector (11.5% [125,000] in 2006)

- If vacant properties, whose tenure when last occupied was private rented, are included, the figure for 2011 rises to 144,500 (19%)
- Since the mid-2000s the number of sales to sitting tenants in social housing declined dramatically. This together with a higher rate of construction of new social housing meant that after years of decline, the number of social dwellings started to grow again. The 2011 survey confirmed that there were approximately 111,000 occupied social dwellings. By 2015 the overall social stock has increased to almost 120,000 (see Chapter 4).

Dwelling Age

12% - The proportion of dwellings built **before 1919** (16% in 2006)

40% - The proportion of dwellings built **after 1980** (30% in 2006)

Dwelling Type

The proportion of dwellings that are:

Terraced housing: 28%

Semi-detached houses: 22%

Detached houses: 21%

Bungalows: 21%

Unfitness

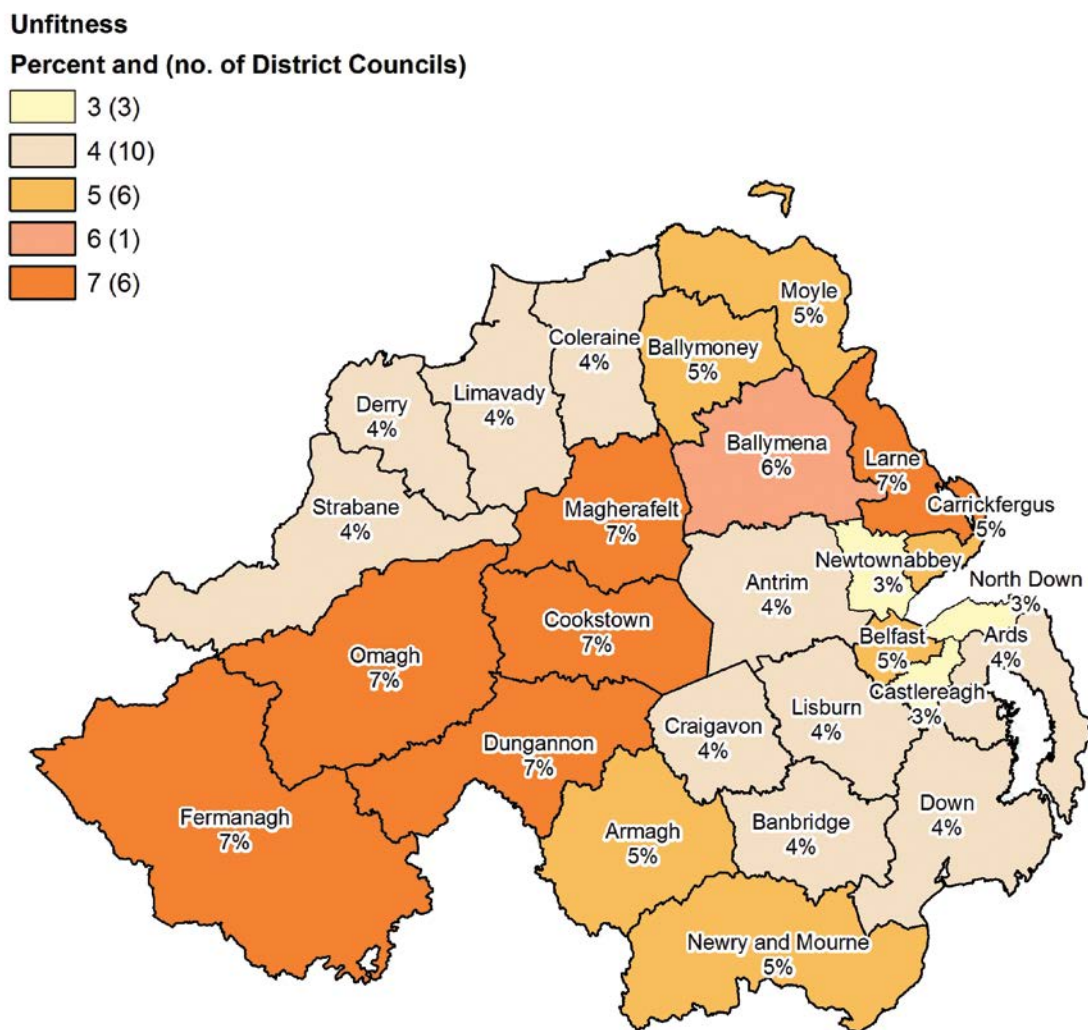
4.9% (32,000): the rate of **unfitness** (and the number of dwellings) in Northern Ireland's housing stock (2.4% in 2009)

In 2001 the rate of unfitness in Northern Ireland's housing stock was 4.9 per cent (equating to approximately 32,000 dwellings). By 2006 the rate of unfitness had fallen to 3.4 per cent and to only 2.4 per cent (17,500 dwellings) by 2009. The 2011 House Condition Survey showed that the rate of unfitness had actually risen once again. In 2011 approximately 35,000 properties (4.6 per cent of all properties) were deemed to be unfit. For statistical reasons it is important not to over-emphasise the apparent doubling in the number of unfit properties within the space of two years. However, the survey does provide a clear signal: that the long period of steadily improving housing conditions in Northern Ireland may not continue.

Unfitness is concentrated in the private sector, and particularly in privately owned vacant properties. Out of a total of 35,200 unfit properties, approximately 28,000 (80%) of these were vacant: 18,700 (53%) were in the owner occupied sector

when last occupied and 6,700 (19%) of them in the private rented sector. Using a logistic regression model developed by the Building Research Establishment in partnership with the Housing Executive and NISRA it was possible to disaggregate the overall rate of unfitness for Northern Ireland to District Council level. Fig. 5 illustrates the results of this modelling work and shows that the overall geographical pattern of unfitness revealed by the 2001 and 2006 surveys has remained broadly the same. Higher levels of unfitness are characteristic of more rural District Councils, particularly those located in the South-West of Northern Ireland. The highest levels of unfitness (7% or more) are to be found in Fermanagh, Omagh, Dungannon, Cookstown, Magherafelt and Larne. District Councils around Belfast and in the North-West have lower rates of unfitness.

Figure 5: Unfitness in Northern Ireland by District Council, 2011



Government Indicators

Modelling work undertaken by the Building Research Establishment in partnership with the Housing Executive on the basis of data from the 2011 House Condition Survey has provided the following figures on Government Indicators of housing quality:

Housing Executive

Decent Homes Standard

In 2011, 11 per cent (86,600) of all dwellings failed the Decent Homes Standard. This represents a further improvement from the 15 per cent (112,000) which failed in 2009 and mainly reflects the large numbers of dwellings receiving more efficient oil or gas central heating. More than two-thirds (67%) of dwellings which failed the Decent Homes Standard did so on the basis of the thermal comfort criterion.

The rate of non-decency varied considerably by tenure:

- it was highest for vacant dwellings (57%; 38% in 2009);
- four per cent of social housing and 10% of privately rented properties failed the Decent Homes Standard (compared to 15% and 17% respectively in 2009); and
- only eight per cent of owner-occupied properties failed the standard.

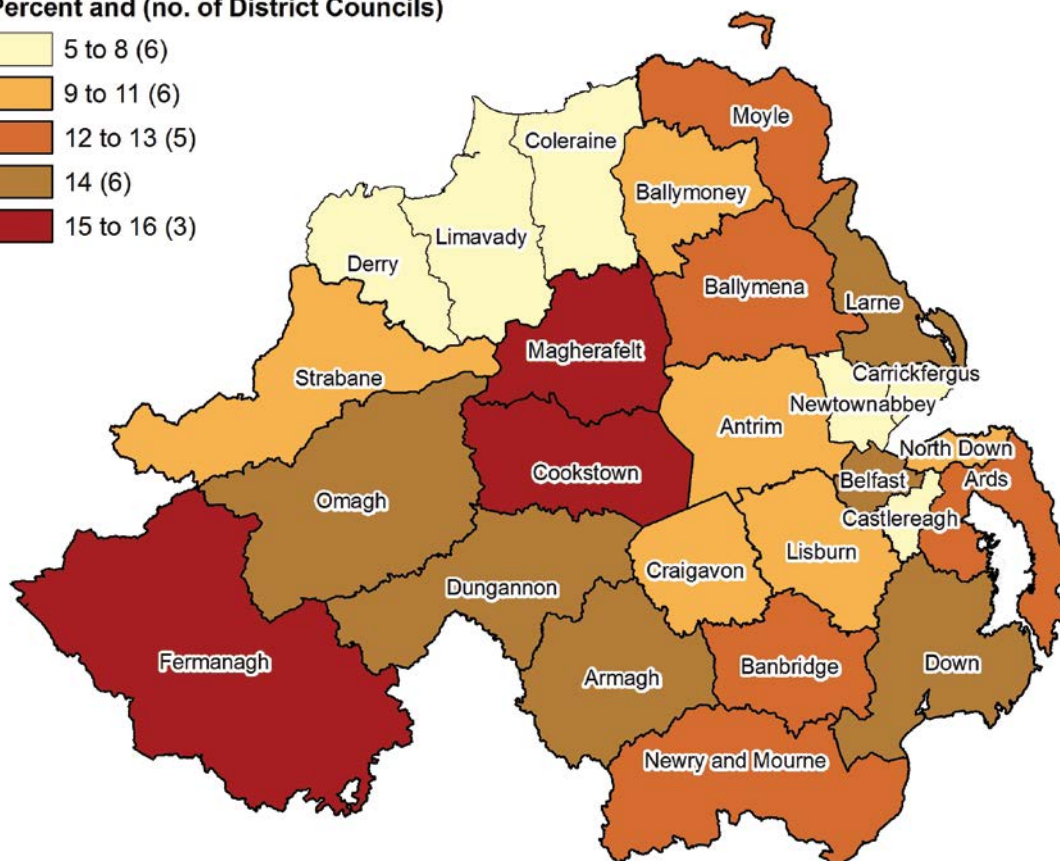
As in the case of unfitness, additional modelling work undertaken in partnership with the Building Research Establishment and NISRA's Census team has enabled these Northern Ireland level figures to be disaggregated to District Council Level. Not surprisingly a similar pattern emerges, although given the greater importance of energy efficiency to the Decent Homes Standard the failure rates are much higher. Fermanagh, Cookstown and Magherafelt recorded the highest rates of failure (15-16%), but fairly high rates were also recorded in Larne, Belfast, Down, Armagh, Dungannon and Omagh (see Fig. 6).

Figure 6: Decent Homes Standard in Northern Ireland by District Council, 2011

Non Decent Homes

Percent and (no. of District Councils)

- 5 to 8 (6)
- 9 to 11 (6)
- 12 to 13 (5)
- 14 (6)
- 15 to 16 (3)



Housing Health and Safety Rating System

The Housing Health and Safety Rating System was developed as a means of evaluating the potential effect of any design issues/faults on the health and safety of a property's occupants, visitors or neighbours. It emphasises the potential effect of hazards rather than the existence of faults, but allows faults to be recorded and assessed for their potential to cause harm.

In 2009, 10 per cent of all dwellings had Category 1 hazards¹³, half the proportion (20%) in 2009. The proportions with Category 1 hazards were highest in vacant properties (55%) and in dwellings built before 1919 (36%). The proportions were lowest in social housing (2%) and in the most modern dwellings built since 1980 (2%).

Vacant Properties

The 2011 Census recorded a figure of 44,000 vacant properties, a significant increase over the figure of 31,600 recorded by the 2001 Census. The 2011 House Condition Survey estimated a higher figure of approximately 55,000. This apparent discrepancy would appear to reflect attempts by Councils to maximise their income from rates in expectation of the introduction of full rates for vacant properties from November 2011 onwards. This new policy has also had the unintended consequence of making the LPS database unsuitable for establishing the level of vacancy in Northern Ireland as there is little incentive for property owners to inform Rates Collection that a property has become vacant. The most reliable sources for vacancy levels at the local level in Northern Ireland must therefore be the 2011 Census and the 2011 House Condition Survey. The next House Condition Survey in 2016 will provide an updated picture.

Nevertheless analysis of the 2011 House Condition Survey data on vacant properties provides some important insights into the issue. It is very unlikely that the overall patterns set out below have changed significantly in the interim.

Between 2006 and 2011 the number of vacant properties in Northern Ireland continued to rise. In 2011 there were an approximately 55,000 vacant properties at any one time in Northern Ireland, 7.2 per cent of the stock. This compares to a figure of 44,000 (5.9%) in 2009 and 40,000 (5.7%) in 2006. A high vacancy rate is particularly evident in the private rented sector, where some 19,000 properties (13%) are vacant: a rate which is almost double the rate for the stock as a whole. In the owner-occupied sector the vacancy rate is 6 per cent, while in the social sector it is lower still.

However, it is important to emphasise that the vast majority of vacant properties are part of the normal turnover of properties in the private sector. Table 5 summarises the results of secondary analysis of properties recorded as vacant in the 2011 House Condition Survey database. The analysis begins with the total estimated number of dwellings which are vacant in Northern Ireland at any one point in time.

¹³ The HHSRS provides a means of rating the seriousness of any hazard arising from a defect in a dwelling. The scoring procedure uses a formula to generate a numerical score for each of the hazards identified at a property, based on the likelihood of an occurrence which could result in harm to a vulnerable person and the likely health outcomes or harms that would result from the occurrence. Scores can range from 0 to more than 5,000, and a score of 1,000 or more represents a 'Category 1' hazard.

Housing Executive

It reduces this number by separating out those awaiting demolition, those undergoing extensive modernisation, those being used for other purposes and those where the resident is absent for a lengthy period of time. This reduces the total to 28,900, a number which is reduced further by excluding dwellings which have been empty for less than six months, vacant holiday homes and unfit properties in isolated rural areas, which are very unlikely to be utilised as a dwelling again. The analysis estimates, therefore, that approximately 12,800 properties could be brought back into use, although this would be further reduced to 9,400 if all unfit properties are excluded (Table 5).

Table 5: Vacant Properties Analysis, 2011

Category/Status	No. of Vacant Properties
Total vacant private sector dwellings	48,600
Awaiting demolition	(3,200)
Being modernised	(8,300)
Being used for another purpose (e.g. storage/office)	(2,500)
Other (resident in hospital, abroad etc.)	(5,700)
	28,900
Less than 6 mths vacant	(12,900)
	16,000
Vacant holiday homes	(600)
Isolated rural vacant unfits	(2,600)
Could be brought back into use	12,800
Remaining vacant unfits	3,400
Excluding all unfit dwellings	9,400

Source 2011 House Condition Survey

The Department for Social Development (DSD) launched its Empty Homes Strategy in September 2013 with the overall aim of ensuring that the number of empty homes in Northern Ireland is kept to a minimum and to identify new opportunities to encourage owners to bring them back into use. A tripartite approach was adopted, involving the DSD, the Housing Executive and two housing associations (Apex and Clanmil) with access to £13.9 million Get Britain Building Funding and Financial Transaction Capital. The Housing Executive established an Empty Homes Unit in January 2014; subsequently the issue of a leaflet to 550,000 ratepayers and the launch of a website resulted in 1,200 empty homes being reported.

However, difficulties in identifying the owners of these properties, the absence of additional government funding and the lack of a data sharing protocol with Land and Property Services have meant that progress has been limited. However, this latter issue is to be addressed by the DSD as part of the next Housing (Amendment) Bill scheduled for late autumn 2015.

Energy Conservation and Fuel Poverty

As part of the Home Energy Conservation Act (1995), the Housing Executive was designated as Northern Ireland's Home Energy Conservation Authority. This role requires the Housing Executive to identify practicable, cost-effective measures that can be applied to residential accommodation (irrespective of tenure), with the aim of significantly improving the energy efficiency of the entire housing stock. The key objective was to achieve a 34 per cent reduction in the energy consumption of the dwelling stock against the 1996 baseline. Although no deadline was set, substantial progress was expected with a 10-year time frame.

The Northern Ireland House Condition Survey is the single most comprehensive source of information on the energy-related characteristics of the housing stock. Successive surveys have shown that:

- ➔ The energy efficiency of the stock improved by 20 per cent in the decade from 1996 to 2006, and by 2011 the overall improvement was 22.5 per cent.¹⁴ This progress has been mainly due to fuel switching and insulation programmes. By 2011, almost all dwellings (more than 99%) had full central heating and the most popular fuel sources were oil (68%, rising to 75% if homes with dual heating systems are included) and natural gas (17%).
- ➔ The average SAP (09) rating calculated for dwellings in Northern Ireland increased from 35 in 1996 to 54 in 2006. By 2011, the average rating had risen further, to 60. The SAP (Standard Assessment Procedure) measures the energy efficiency of individual dwellings on a scale of one to 100, where one is extremely poor and 100 is excellent. The improvement represents recurrent savings of 2.5 million tonnes of carbon dioxide per annum over 1996 levels.
- ➔ Around one fifth (21%) of dwellings had no wall insulation in 2011. The proportion was significantly lower than in 1996 (52%), but virtually unchanged from 2006 (22%). Many of the dwellings that have no wall insulation are of solid wall construction and cannot avail of cavity wall insulation.
- ➔ In 2011, the vast majority of dwellings that had lofts (96%) had loft insulation; the proportion had increased from 87 per cent in 1996 and 95 per cent in 2006. More than half (57%) of dwellings had up to 150 mm of loft insulation, while 40 per cent had more than 150 mm.
- ➔ In 1996, only around one quarter (24%) of dwellings had full double glazing. By 2006, the proportion had increased to 68 per cent, while the latest (2011) figures showed that more than four fifths of dwellings (81%) had full double glazing and a further 12 per cent were partially double glazed.

Fuel poverty

A household is considered to be in fuel poverty if, in order to maintain an acceptable level of temperature throughout the home (21°C in the living room and 18°C in other occupied rooms), more than 10 per cent of its income would have to be spent on all household fuel. The three main causes of fuel poverty are poor thermal efficiency of dwellings, low household income and high fuel prices.

¹⁴ Changes in the energy efficiency of the housing stock are measured by the BRE Domestic Energy Model (BREDEM) using Northern Ireland House Condition Survey data. The model calculates the energy use and fuel requirements of dwellings, based on their characteristics.

Housing Executive

The baseline figure for fuel poverty in Northern Ireland was calculated using 2001 House Condition Survey data. At that time, one third of households (33%; 203,250) were estimated to be in fuel poverty. The model used to calculate the rate of fuel poverty was updated between 2001 and 2006. On the basis of this revised model, 226,000 households in Northern Ireland (34%) were found to be in fuel poverty in 2006, compared with a reworked figure of 27 per cent in 2001.

The most recent published figures, modelled using data from the 2011 House Condition Survey, showed that the overall rate of fuel poverty (42%; 294,200) was higher in 2011 than in 2006, but slightly lower than in 2009, when it peaked at 44 per cent (302,300 households). The general increase in the rate of fuel poverty since 2006 has been mainly the result of rising fuel prices, and would have been much more severe had it not been for improvements to the energy efficiency of the housing stock. The effects of investment in energy efficiency were most apparent in the social rented sector, in which both the number and proportion of households in fuel poverty fell substantially between 2009 and 2011 (from 56,500 to 43,900, and from 51% to 40% respectively).

Fuel Poverty Strategy

The Department for Social Development's most recent fuel poverty strategy, *Warmer Healthier Homes*, was published in 2011. The strategy targets available resources on those vulnerable households most in need of help, with the core long term goal of eradicating fuel poverty. The Affordable Warmth (formerly Warm Homes) Scheme and boiler replacement grant are key parts of the strategy, which focuses on removing energy inefficiency as a primary cause of fuel poverty. DSD action to tackle fuel poverty also includes area-based pilot schemes for affordable warmth and the Housing Executive's heating replacement scheme.

Warm Homes Scheme

The Warm Homes Scheme supported owner occupiers and private landlords in the provision of insulation and heating measures to improve energy efficiency for well over a decade. During 2013/14 the scheme, which was funded by the DSD and administered by the Housing Executive, funded 7,904 insulation measures and 814 heating replacements in private homes, at a cost of almost £12.6 million.

Following an independent review of fuel poverty in Northern Ireland and further research including two pilot schemes, the DSD launched a consultation, *From Fuel Poverty to Achieving Affordable Warmth* in February 2014. The consultation set out proposals for a new approach to assisting those households most affected by fuel poverty in Northern Ireland, involving a partnership between the DSD, University of Ulster (which carried out the fuel poverty review and pilot research), district councils and the Housing Executive. The main proposed changes were:

- ➔ To move away from the self-referral format of the Warm Homes Scheme towards a largely targeted approach; and
- ➔ To set an income qualification threshold instead of using social security benefits as a passport.

Responses to the consultation were generally positive, and plans for implementation of the new Affordable Warmth Scheme progressed during 2014/15. The Warm Homes Scheme formally closed on 31 March 2015.

Affordable Warmth Scheme

The new scheme for addressing fuel poverty in the owner occupied and private rented sectors came into effect from April 2015. The Affordable Warmth Scheme, which is being delivered on behalf of the DSD by local Councils and the Housing Executive, is targeted at areas where there are concentrations of fuel poverty and at households with income of less than £20,000 per year. Over the coming three years, council staff will make contact with households considered to be most affected by fuel poverty and invite them to complete a short questionnaire to determine their eligibility. Eligible households will be referred to the Housing Executive, which will inspect the property to determine what energy efficiency measures are needed.

A range of measures will be available under the Scheme, many of which were also available through the Warm Homes Scheme. In order to maximise energy efficiency gains, activity under the Affordable Warmth Scheme will be prioritised in the following order:

Priority 1: Insulation/ Ventilation/ Draught- proofing	<ul style="list-style-type: none"> ➤ Installation/topping up of loft insulation to 275 mm ➤ Roof/loft/eaves ventilation ➤ Provision of hot water cylinder jacket ➤ Draught proofing of doors/windows ➤ Installation of cavity wall insulation ➤ Removal and replacement of ineffective cavity wall insulation.
Priority 2: Heating	<ul style="list-style-type: none"> ➤ Provision of natural gas or oil central heating where no central heating exists ➤ Conversion of solid fuel/LPG/economy 7 to natural gas or oil ➤ Conversion of economy 7 to high efficiency electrical storage system ➤ Boiler replacement/system upgrade for householders over 65, or who have a child under 16 years of age, or who receive disability living allowance and where an existing central heating boiler is at least 15 years old
Priority 3: Windows	<ul style="list-style-type: none"> ➤ Replacement of single glazed windows ➤ Repair or replacement of double glazed windows that are defective
Priority 4: Solid wall measures	<ul style="list-style-type: none"> ➤ Provision of solid wall (internal/external) insulation.

Housing Executive

The scheme's grant limit is £7,500, with the exception of solid wall properties, where solid wall insulation is required. In such cases the grant limit will be £10,000. If the cost of providing the relevant measures exceeds the grant limit, home owners may still avail of measures up to the grant limit and contribute the balance of the costs from their own resources. In order to avail of the scheme, private landlords must contribute 50 per cent of the total cost of energy efficiency improvements to the property.¹⁵

Boiler Replacement Scheme

The Department for Social Development's boiler replacement scheme, which is administered by the Housing Executive and part-funded by the European Sustainable Competitiveness Programme for Northern Ireland, was introduced in September 2012. It was due to come to an end on 31 March 2015, but the availability of additional funding meant that the scheme has now been extended for a further year.

It is open to owner occupiers whose household income is less than £40,000 and who have an inefficient boiler that is at least 15 years old (and, in the case of gas boilers, where the gas connection to the property was made at least 15 years ago). A grant of up to £1,000 (depending on income and the work being carried out) can be made available to eligible households towards either:

- ➔ Replacement of an inefficient boiler with a more energy efficient condensing oil or gas boiler;
- ➔ Switching from oil to gas; or
- ➔ Switching to a wood pellet boiler.

By March 2015, a total of 18,500 boilers had been replaced since the commencement of the scheme, with the work carried out by more than 2,000 installers.

Cavity Wall Insulation Research

In late 2012, the insulation industry suggested that insulation installed in homes in the 1980s and 1990s may no longer be fit for purpose. With concerns raised by the DSD and a number of MLAs, the Housing Executive commissioned the South Eastern Regional College to examine 206 properties to assess the performance and effectiveness of existing cavity wall insulation. The Housing Executive will assess the findings, along with those of the stock condition survey being undertaken on behalf of the Housing Executive by Savills (see Social Housing chapter), to determine if a policy response is required in future maintenance schemes.

Other initiatives

In the social sector, the housing associations continue to construct new dwellings to high energy efficiency standards, while investment in heating conversions, solar photovoltaics (solar PV) and other renewable energy projects helps improve the energy efficiency of Housing Executive-owned dwellings. The Housing Executive has also sponsored or participated as partner in a number of pilot and research projects, including two which centre on the difficult issue of insulating solid wall properties.

¹⁵ Where works exceed the grant limit, the maximum payable will not exceed 50% of the grant limit.

More broadly, progress in developing Northern Ireland's natural gas network has continued, with a licence competition launched by the Utility Regulator to develop the gas network into counties Tyrone and Fermanagh. There has been a spike in demand for solar PV, as a result of incentive payments, guaranteed for 20 years, and in December 2014 the Renewable Heat Incentive (RHI) was extended to domestic customers. The RHI scheme, which is administered by the Department of Enterprise, Trade and Investment (DETI), provides long term financial support for those wishing to switch from conventional heating to renewable heating solutions such as biomass, heat pumps and solar thermal. Domestic customers will be able to avail of upfront payments plus tariff-based payments paid annually over a seven-year period.

Full details on energy efficiency measures being undertaken in the owner occupied, private rented and social housing sectors are included in the Housing Executive's *Home Energy Conservation Report* (2014), which is available to download from the Housing Executive website.

Key Issues and Strategic Perspective

The world economy appears to have entered a period of slightly lower growth reflecting, on the one hand, an acceleration in the advanced economies but on the other a slowdown in emerging markets and developing economies. In the advanced economies growth is projected to be stronger in 2015 compared to 2014, supported by lower oil prices.

In the USA, economic recovery was stronger than expected during 2014, although there was a significant slowdown in the final quarter, and this lower rate of growth has continued into Q1, 2015.

The euro area economy grew overall supported by lower oil prices and depreciation of the euro, but this average disguises significant differences in performance. Ongoing uncertainty surrounding the position of Greece in the euro area and the ramifications of a "Greek exit" as well as high levels of Government and household debt, still pose significant risks to the economies of the UK and the Republic of Ireland.

In 2014, the UK economy grew by 2.6 per cent, the highest rate of all the leading G7 industrial economies and unemployment fell sharply. In March 2015, against this background, the Chancellor presented a fiscally neutral budget and reaffirmed the Government's commitment to deficit reduction.

Northern Ireland's economy is set to grow by 1.7 per cent in 2015, but the pace of recovery is lagging significantly behind other parts of the UK, and Northern Ireland remains the poorest performing region. During the first quarter of 2015, economic news has been mixed, with a significant rise in the rate of unemployment and the expectation of substantial reductions in public expenditure. In addition, the 60,000 households who continue to be in a position of negative equity must be seen as an ongoing drag on the Northern Ireland economy.

Northern Ireland's demography is continuing to change. Its age profile is becoming older: the number aged 85 and over in particular rose by 35 per cent to 31,400. Average household size has continued to fall, although at a lower rate than previously envisaged. New, significantly lower, household projections published in March 2015 have very important implications for housing need/demand and therefore supply.

The longer term trend towards more single person households and a greater number of older person households, however, will continue, resulting in a sustained demand for smaller accommodation. This demand is likely to be accelerated in the social sector if/when the spare room subsidy (more commonly known as the "bedroom tax") is introduced. As the population continues to age, support packages funded by Supporting People will continue to play a vital role in helping older people, or people with a disability, to remain in their own homes for longer.

The numbers of applicants on the waiting list for social housing has continued to fall (to approximately 39,300 in March 2015) but the numbers in "housing stress" (more than 22,000) rose again over the past year. Both the number of households

presenting and accepted as statutorily homeless rose in 2014/15, although “housing solutions” based on greater use of the private rented sector is starting to bear fruit.

The latest iteration of the Net Stock Model was completed in November 2014. It indicated an ongoing annual requirement of 1,500 new social dwellings for the period 2011 to 2021, reflecting both lower expected levels of household formation and a significantly lower rate of new construction for the private sector. The annual requirement has been set at 2,000 to reflect the significant under-provision relative to housing need which developed since 2001 and the challenging market conditions, which make it unlikely that there will be a significant upturn in the rate of construction by the private sector in the next three years. However, these figures are being reviewed in the light of the significantly lower rate of household formation which has become apparent since the sharp economic downturn in 2007/08.

The rate of fuel poverty in Northern Ireland reduced between 2009 and 2011 to 42%, reflecting the considerable investment in energy efficiency measures in the social sector in particular. Estimates indicate that this figure rose again between 2011 and 2014, before falling back to 2011 levels following the sharp reduction in oil prices. Reducing fuel poverty continues to be a challenge, for even if energy prices remain relatively low, real household incomes have only recently started to show signs of rising again. Continued investment in improving the fabric of dwellings through measures such as more efficient heating systems and double glazing is important to ensure that a lower rate of fuel poverty is achievable.



2

Chapter

The Owner Occupied Sector

“Despite the recent increase in house prices there has been no significant deterioration in affordability...”

Housing
Executive

The Owner Occupied Sector: Key Figures

	2001	2006	2011
TOTAL STOCK	432,300	468,900	469,100
Urban	272,200 (63%)	307,600 (66%)	314,230 (67%)
Rural	160,100 (37%)	161,300 (34%)	154,800 (33%)
DWELLING AGE			
Pre-1919	78,800 (18%)	69,500 (15%)	46,700 (10%)
1919-1980	234,100 (54%)	255,400 (54%)	377,627 (47%)
Post-1980	121,400 (28%)	143,900 (31%)	219,100 (43%)
HOUSING CONDITIONS			
Unfitness (rate)	12,000 (2.8%)	7,500 (1.6%)	4,600 (1.0%)
Non-Decent Homes (rate)	101,100 (23%)	95,700 (20%)	38,300 (8%)
Fuel Poverty (rate)	97,900 (23%)	148,000 (32%)	190,000 (41%)
New housing construction	10,418	13,955	5,913
Average house price (£)	86,754	174,178	139,800
Median advance:income ratio (FTBs)	2.36	3.19	3.20
Proportion of sales to FTBs	60	32	57
No. of NIHE sales	5,555	2,522	249

Introduction



The owner-occupied sector had grown steadily during the second half of the twentieth century in Northern Ireland.

Government policies, including tax relief on mortgage interest, reductions in “bricks and mortar” subsidies for the construction of new social dwellings, rent increases in the social sector and in particular, after 1979, the generous discounts to tenants in the social sector wanting to purchase their home, had all helped to promote this trend. Owner occupation continued to grow during the early years of the new millennium. Low interest rates helped to mitigate the growing gap between the income of the typical first-time buyers and rising house prices. However, the Global Financial Crisis of 2007/08 precipitated a ‘credit crunch’ and a concomitant steep economic downturn in Northern Ireland that ultimately led to a reversal of this long-term trend.

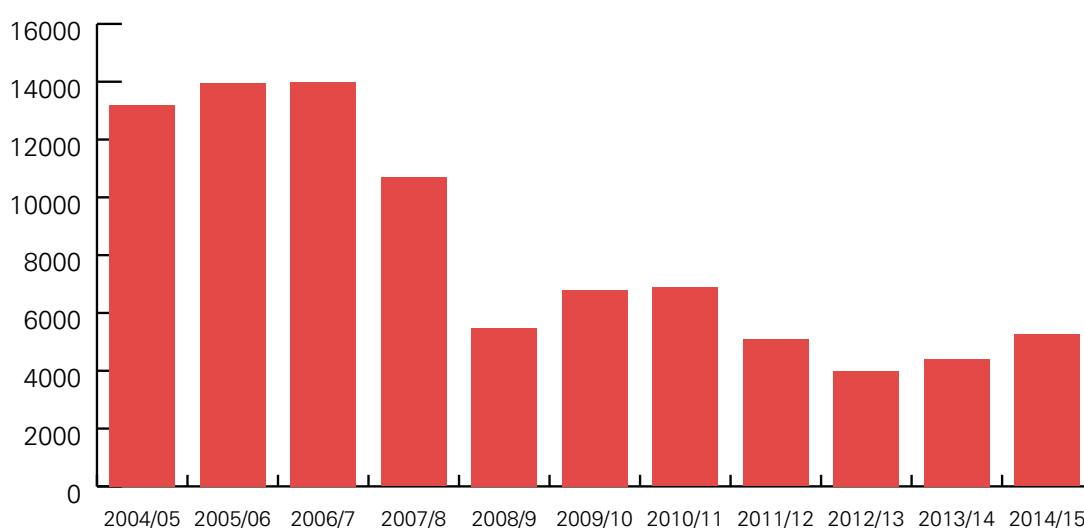
Between 2006 and 2011 the proportion of the total housing stock in owner occupation fell from 66 per cent (469,000) to only 62 per cent (469,000). This reduction in the position of owner occupancy relative to the other tenures reflected a combination of higher unemployment and continued uncertainty in the labour market, high levels of personal debt and more cautious lending practices by banks and building societies. First time buyers, in particular, found it difficult to purchase their first home and chose to either remain in the parental home, return to the parental home (the so called “boomerang kids”) or to enter, or remain in, the private rented sector for longer periods. Since 2013, there have been signs that the owner occupied sector was once again becoming more buoyant, with more first time buyers entering the market, assisted by the re-emergence of higher (95%) loan-to-value mortgages (and Help to Buy type schemes being run by a number of lenders), but it is unlikely that the underlying patterns of housing choice which have been established since 2007 will change for the foreseeable future.

Northern Ireland is not exceptional in terms of a falling proportion of its stock in the owner occupied sector. The most recent English Housing Survey also recorded a fall in the proportion of households living in owner occupied homes. From a peak of 71 per cent in 2003 (when the equivalent figure in Northern Ireland was 73 per cent), it has fallen to 66 per cent in 2010/11 (the proportion of households living in owner occupied properties in Northern Ireland in 2010/11 was approximately 67 per cent).

New Housing

The construction of new dwellings for the private sector in Northern Ireland reached a highpoint in 2006/07 when almost 14,000 new dwellings were started. Following the collapse in the market in 2007/08 there was a sharp downturn. In 2008/09 fewer than 5,500 new houses were started. A small upturn took place in 2009/10 (6,802), a level which was maintained in 2010/11 (6,881)¹⁶ However, there was a further significant downturn to 5,085 in 2011/12 and a further downturn in 2012/13 to less than 4,000. In 2013/14, the market showed signs of recovery and this was reflected in a figure of 4,415 new starts, a trend which continued into 2014/15 – when 5,252 new private dwellings were started, a 19 per cent increase on 2013/14 (Figure 7).

Figure 7: New Housing Construction in the Private Sector, 2004/05 – 2014/15



Source: DSD, Housing Statistics 2013/14 and LPS.

Transaction Rates

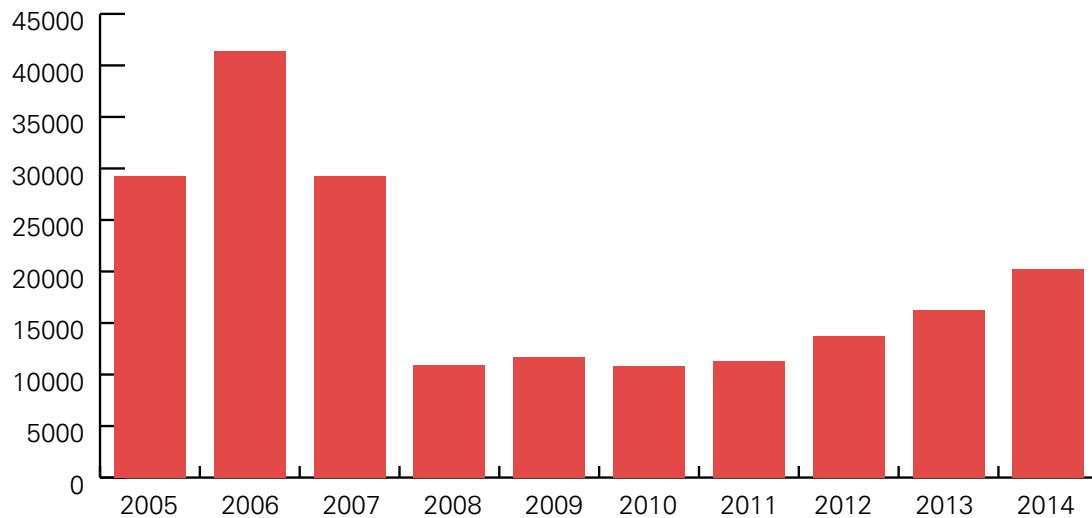
The sharp downturn in the construction of new dwellings after 2006/07 was reflected in the housing market by a parallel reduction in the number of completed house sales. Figure 8 illustrates that from a peak of more than 41,000 residential property sales in 2006 at the height of the boom, this figure fell steeply to approximately 11,600 in 2008 and remained at approximately this level until 2012 when the figure rose to more than 13,600. Since 2012, however, there has been a significant increase in the number of transactions. In 2014, there were more than 20,000¹⁷ and although this is still considerably below the figure of 30,000 which was typical in the pre-boom era, it is nevertheless a key indicator that the housing market is returning to normality.

¹⁶ Revised figures for starts and completions were published by LPS in March 2015, http://www.dfpni.gov.uk/lps/index/aboutlps/publications_and_statistics/new-dwelling-statistics. The figure for 2010/11 and subsequent years use these new figures.

¹⁷ Land & Property Services: Northern Ireland Residential Property Price Index, October-December 2014

A similar indication of a reviving market emerges from the Ulster University's Quarterly House Price Index (for Quarter 4, 2014) which draws on a sample of more than 1,900 transactions, a figure which is 30 per cent higher than the equivalent quarter in 2013.

Figure 8: NI: Residential Property Sales, 2005-2014



Source: Land & Property Services, NI RPPI, October-December 2014

House Prices

Nationwide's house price index report for Q4, 2014 showed that as in 2013, in 2014 too, all regions of the UK experienced annual price increases. The average price for a dwelling for the UK in Q4, 2014 was £189,002, an increase of 8.3 per cent compared to Q4, 2013. However, "all regions [including Northern Ireland], except the North of England saw a slowing in annual price growth in the final quarter of 2014"¹⁸. The overall average rate of increase, however, conceals considerable regional variations. At one end of the regional scale, house prices increased over the year in London by 17.8 per cent, to reach £406,730, whereas at the other end of the scale, Wales recorded annual growth of only 1.4 per cent, to bring its annual average house price to £141,631, and Yorkshire and Humberside recorded an increase of only 1.5 per cent (£142,816). Northern Ireland continues to be the region with the lowest average house price (£120,685), but in 2014 it registered an annual increase of 8.1 per cent.

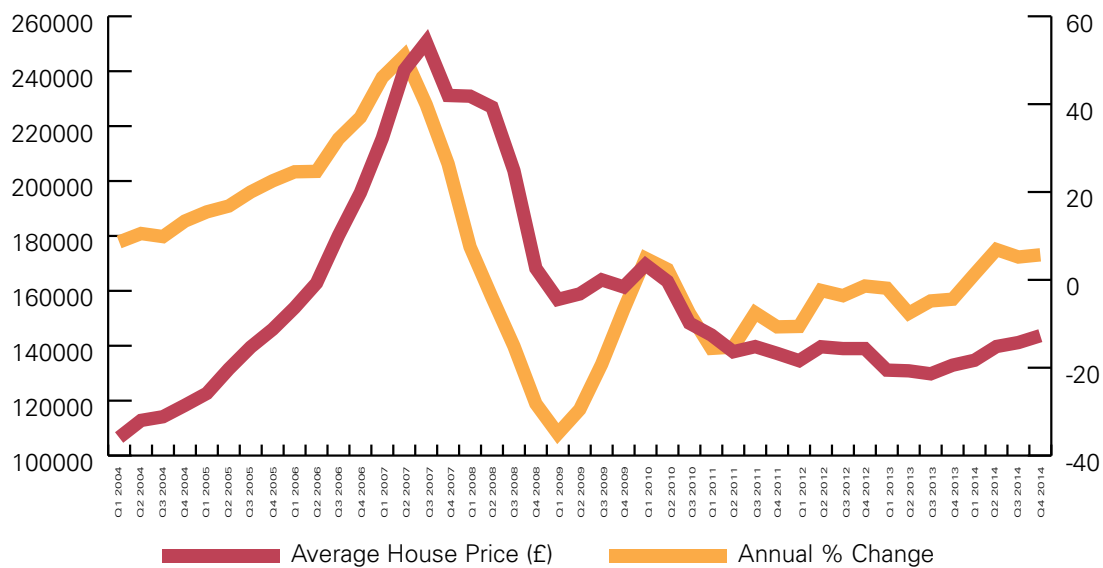
A number of factors are behind this upturn in house prices: better underlying economic indicators (in particular significantly higher levels of employment), the effects of the Government's Help to Buy Scheme, which has enabled first-time buyers to access mortgage finance more easily and the shortage of supply, particularly in London and the South East of England. However, the North/South divide in property prices is continuing to widen, a trend which has been exacerbated by investors competing for high-end properties in central London.

Ulster University's mix-adjusted analysis of open market transactions gathered from a network of estate agents shows a similar picture for the performance of Northern Ireland's housing market. It too records an increase of 8.1 per cent in the average annual house price between Q3, 2013 and Q4, 2014, although the weighted rate of annual increase is somewhat lower at 5.7 per cent, indicating that some of the growth represented by the simple arithmetic average reflects the differences in the mix of properties sold.

The Ulster University's index shows that in Q4, 2014 the average price of homes in Northern Ireland was £143,675. This is still approximately 43 per cent lower than the peak of £250,586 in Q3, 2007 (Figure 9), but not only does the mix-adjusted quarterly rate of increase show a significant uptick (3.3%), more importantly for the first time since before the onset of the Global Financial Crisis in 2008, the average price for the year as a whole (£140,217 for 2014) is higher than the average price for the previous year as a whole (£131,204 for 2013 as a whole; a 6.9% increase).

¹⁸ Nationwide House Price Index, Q4, 2014, p.1.

Figure 9: NI: Average House Price, 2004-2014



Source: University of Ulster, *Quarterly House Price Index*

Analysis by property type reveals some significant differences in the rate of price change (Table 6). All house types experienced an increase in average price over the year. However, two house types had much higher rates of increase: semi-detached bungalows (17.6%) and apartments (13.3%). The increase in the price of apartments is particularly significant as apartment prices have tended to reduce in recent years rather than increase.

Table 6: NI: Average House Prices and Annual Change by Property Type, Q4, 2014

Property Type	Q4, 2014 (£)	Annual Change %
Terraced Houses	83,153	+2.9
SD Houses	129,827	+3.6
Detached Houses	237,669	+6.7
SD Bungalows	103,486	+17.6
Detached Bungalows	157,241	+2.5
Apartments	108,912	+13.3

Source: University of Ulster, *Quarterly House Price Index Report 121: Q4, 2014*

Analysis by geographic region (Table 7) shows there were considerable regional disparities in house price movements between Q4, 2013 and Q4, 2014. At one end of the scale the average price in Coleraine/Limavady/North Coast rose by nearly 19 per cent and indeed nine out of the eleven house price regions in Northern Ireland showed increases. However, at the other end of the spectrum two regions showed annual declines over the year: Antrim/Ballymena (-4.7%) and Craigavon/Armagh (-12.4%). It is impossible to establish clearly the relative importance of local factors which account for these regional variations. However, this type of pattern is typical of a market which is still recovering from a major shock.

Table 7: NI: Regional House Prices Q4, 2013-2014

	Average Price Q4, 2014 (£)	Average Price Q4, 2013 (£)	Annual Change (%) (unwtd)
Belfast	156,712	136,830	+14.5
North Down	181,600	171,829	+5.7
Lisburn	159,842	143,491	+11.4
East Antrim	128,685	119,390	+7.8
Londonderry/Strabane	113,662	99,322	+14.4
Antrim/Ballymena	113,149	118,722	-4.7
Coleraine/Limavady/North Coast	147,712	124,361	+18.8
Enniskillen/Fermanagh/S Tyrone	124,678	116,828	+6.7
Mid Ulster	114,200	106,139	+7.6
Mid and South Down	136,314	125,456	+8.7
Craigavon/Armagh	100,706	115,002	-12.4
Northern Ireland (unweighted)	143,675	132,922	+8.1

Source: University of Ulster, *Quarterly House Price Index Report 121: Q4, 2014*

Land & Property Services (LPS) Residential Property Price Index launched in 2012 utilises information on all verified residential sales recorded by Her Majesty's Revenue & Customs (HMRC) for stamp duty purposes. It uses a modelling approach to produce a standardised residential property price¹⁹ which reflects pure price change. As in the case of the Ulster University's index it has adopted a mix-adjusted approach which uses key property characteristics to control for differences in the mix of properties sold from quarter to quarter. It is Northern Ireland's most comprehensive index, as it covers almost all dwellings sold, although this also has a disadvantage in that it includes, for example, a considerable number of distressed properties which are sold at auction at significantly below their capital valuation.

Key findings from the LPS figures for Q4, 2014 show similar trends to Ulster University's index, although the standardised price calculated by LPS is significantly lower than the Ulster University average price, largely for methodological reasons:

- ➔ Between Q4, 2013 and Q4, 2014 the standardised price of residential properties increased by 8 per cent to £109,342.
- ➔ Between Q3, 2014 and Q4, 2014 standardised residential prices increased by one per cent.

Residential property prices continue to be less than half of their peak in Q3, 2007. The simple average price produced by LPS for Q4, 2014 is significantly higher (£125,129) than the standardised price, though still not as high as the Ulster University figure of £143,675.

¹⁹ The standardised price is defined as a hypothecated value based on a weighted combination of prices (e.g. 0.5% of a detached house in North Down, 4% of a terraced house in Belfast, etc. An index based on this is seen as providing a better measure of pure price change.

The Office for National Statistics (ONS) House Price Index shows a similar picture to the Ulster University index, although it is important to highlight that these are monthly figures based on mortgage-based sales for owner occupiers and therefore exclude an important part of the overall market: investment properties, which have been included in both the Ulster University and LPS surveys. The ONS mix-adjusted house price for Northern Ireland in December 2014 was £142,000 and represents a 4.9 per cent increase on the figure for December 2013.

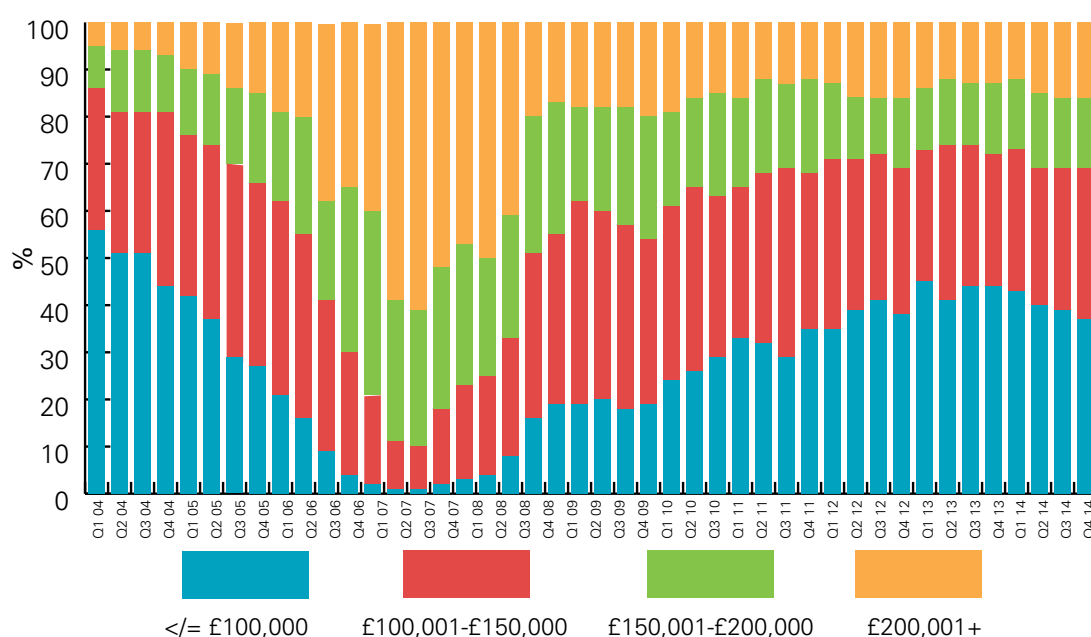
House price change 2015

Forecasting the rate of house price change for a twelve month period accurately is always difficult. Last year's *Review and Perspectives* estimated that "house prices are likely to drift upwards by up to 5 per cent during 2014, although this rate will vary significantly between local housing markets". In the event this proved to be fairly accurate as the above analysis has shown (a weighted increase of 5.7% with significant regional variations). Given the ongoing signs that economic growth will continue, and that mortgage lending is becoming easier to access, as well as continuing low levels of construction of new dwellings, it is likely that the average price for homes sold in Q4, 2015 will be around 5 per cent higher than in Q4, 2014. Once again there will be significant regional variations.

Affordability in Northern Ireland

Affordability in terms of the traditional house price to income ratios is no longer a significant issue in Northern Ireland. Figure 10 shows the proportion of properties sold in each price band between 2004 and 2014. In 2004, more than 50 per cent of all homes were sold for less than £100,000. At the peak of the housing boom in 2007 this proportion had fallen to almost zero. Since 2010 however, more than one third of all homes sold cost less than £100,000, although as the housing market has recovered and property prices have started to rise the proportion of homes being sold at under £100,000 has started to fall once again. In Q4, 2013 the proportion of homes had risen to 44 per cent, but by Q4, 2014 it had fallen to 37 per cent.

Figure 10: NI: Proportion of Transactions by Price Band, 2004–2014



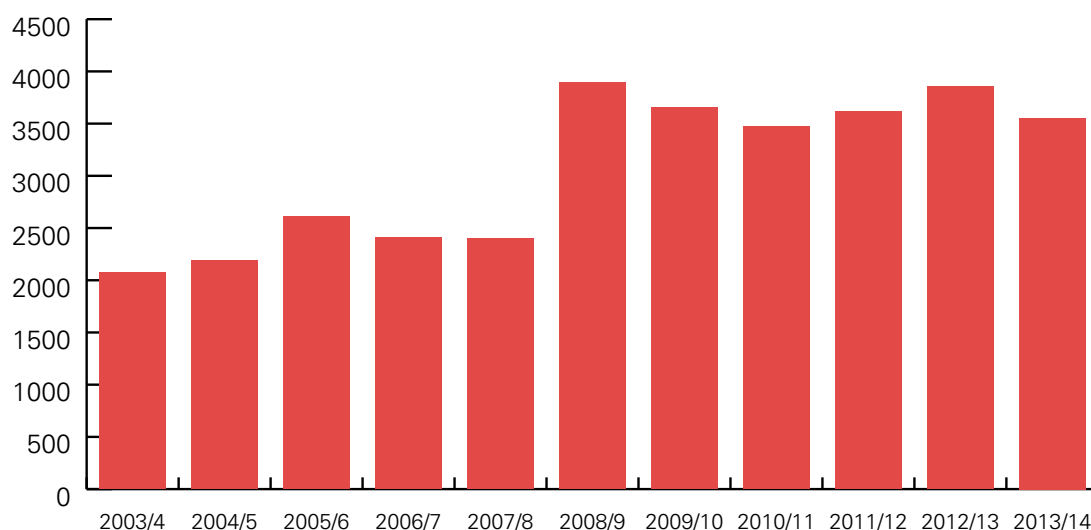
Source: University of Ulster: *Quarterly House Price Index*

Council of Mortgage Lenders figures for Northern Ireland for Q4, 2014 confirm a further increase in the number of first time buyers entering the market in Northern Ireland. A total of 2,000 loans were advanced to first-time buyers in Northern Ireland during this quarter, representing more than half (56%) of all loans advanced during this quarter and an annual increase of 11 per cent. On average, first-time buyers borrowed 2.74 times their income (a little lower than in Q4, 2013 when it was 2.85) and much lower than the UK average of 3.20.

Repossessions

The number of writs and originating summonses relating to mortgages rose sharply between 2007/08 and 2008/09 to 3,894 following the sharp downturn in the market. In the following three financial years the number remained fairly static at around 3,500, but rose again in 2012/13 to 3,856 (Figure 11). In 2013/14, the number fell again by approximately 8 per cent to 3,553. It is important to remember, however, that only a proportion of homes subject to actions for possession are made subject to actual possession orders (in 2013/14 there were 2,849 actual possession orders, compared to 3,116 in 2012/13) and even at this stage most do not end with actual re-possession. Repossession orders are nevertheless an important indicator of stress in the housing market and the year-on-year reduction is a further sign of the return of more balanced market conditions in Northern Ireland.

Figure 11: NI: Actions for Repossession, 2003/04-2013/14



Source: DSD: Housing Statistics 2013/14

Repossessions Taskforce

The Mortgage Repossession Taskforce was established by the Department for Social Development (DSD) in 2014 following concerns about higher levels of repossessions and negative equity in Northern Ireland, compared to other parts of the UK. An initial evidence paper was published by the Taskforce in July 2014. This drew on available data and the expertise of its members to outline the negative equity, arrears and possessions landscape in Northern Ireland. The detailed analysis concluded that whilst repossession is a feature of any normal functioning housing market, the scale of the problem in Northern Ireland is disproportionately high and poses a threat for the recovery of the local housing market and the economy. The number of homes being repossessed in Northern Ireland is greater than elsewhere in UK or Ireland. The situation is expected to deteriorate further over the next few years, with projections that repossessions may double in the period to 2018.

Housing Executive

The Taskforce suggested that the problem was rooted in the volatility of the Northern Ireland housing market and linked to borrower and lender behaviour in a period of rising house prices and relaxed credit conditions. This helped to create an underlying problem of high levels of negative equity and a situation where a large number of local borrowers were very vulnerable to the reduction in their incomes. There are many reasons for this: primarily the economic downturn, but also changes in personal circumstances such as relationship breakdown, bereavement or long term illness.

Recommendations of the Final Report (February 2015)

In its final report²⁰, the Taskforce recognised the complexity of the challenge and clearly identifies the need for a concerted effort from all key stakeholders to meet these challenges.

Borrowers should:

- ➔ access free independent advice at the earliest possible opportunity; and
- ➔ positively engage with their lender; (work will be undertaken by government to look at how borrowers can be encouraged to engage at an early stage).

Lenders should:

- ➔ consider the development of additional products, such as mortgage porting to assist people who are in negative equity;
- ➔ look at innovative forbearance options implemented in other jurisdictions and consider making them available in Northern Ireland;
- ➔ develop an Assisted Voluntary Sale option for their customers and offer this at an early stage.

Government should:

- ➔ develop a Mortgage Options Hub to ensure the best possible support is available to individuals and families at risk of or facing repossession. This would provide a single point of contact for borrowers and help support lenders to meet their responsibilities to treat customers fairly;
- ➔ conduct a feasibility study on the potential for introduction of a Mortgage Rescue Scheme in Northern Ireland by spring 2015.
- ➔ increase funding for the Mortgage Debt Advice Service²¹ to meet demand & ensure systems are in place to facilitate effective referral to this specialist service from generalist advice agencies.
- ➔ continue funding for the Housing Possession Court Duty Scheme to provide advice and support on the day to people who are attending court for a possession hearing.
- ➔ consider the full potential, which exists within the Housing Executive's current statutory obligations, to ensure that assistance, including homelessness assessment, is available to people faced with losing their home as a consequence of repossession.

²⁰ DSDNI: *Housing Repossessions Taskforce, Final Report*, February 2015.

²¹ In June 2015 funding for Northern Ireland's main mortgage debt advice service was increased by 50%. Following recommendation by a Stormont-backed taskforce, the Housing Rights Service (HRS) will see its budget for mortgage advice rise to £340,000.

Affordability Index for Northern Ireland

The Housing Executive first published an affordability index in 2001. This index developed in partnership with Ulster University has provided an evidence base for intervention in the housing market which aimed to help first-time buyers enter the market. This index was based on a number of key variables: income, house price, mortgage term, mortgage interest rate and the loan to value (LTV) ratio. Following the peak-to-trough reduction in prices of more than 50 per cent in the years after 2007, it became increasingly apparent that house price to income ratios were no longer sufficient to satisfactorily explain the affordability issues facing first-time buyers. The Housing Executive therefore commissioned the Ulster University to revisit the affordability index in the light of the changing market conditions.

The first report providing a new perspective on affordability was published in December 2013 in the context of the “higher deposits expected by lending institutions as part of reducing risk and exposure to a declining market”. The report noted that while the affordability index used in the 2000s reflected certain key trends, notably the much lower house prices, it did not “adequately capture the wider deposit gap conundrum”.

In order to address this, the Ulster University report presented two inter-related affordability measures:

- ➔ A new **affordability index**, which uses the concept of an Affordable Limit (AL) to capture the ratio of the maximum allowable loan to income and assumes that the maximum monthly income which can be dedicated to repaying the mortgage is 35 per cent.
- ➔ Secondly, an **access deposit gap** which measures the median of deposit required using the first quartile (25th percentile) house price and income adjusted to reflect overall net (disposable) income after tax deductions and national insurance.
This measure forms the basis of a savings ratio to determine the length of time it would take to amass a deposit, based on market prices and median income.

In February 2015, the second report in the series, based on 2014 figures was produced. Table 2.1 provides the key statistics for Northern Ireland and each of its 11 constituent Housing Market Areas. Some key findings emerge:

- ➔ Housing market affordability continues to vary significantly across housing market areas. The somewhat complex picture reflects differences in the rate of adjustment of houses prices, their recovery and the dynamics of demand and supply in each of the eleven market areas.
- ➔ No housing market area suffers severe affordability problems, indeed the affordability gap remains positive across all market areas, though some have improved whilst others have deteriorated between 2012 and 2014 (Table 8). In Fermanagh & Omagh, for example, the affordability gap increased by 11 percentage points, while at the other end of the scale, in Magherafelt, Cookstown and Dungannon, the affordability gap declined by 13 percentage points and in Belfast by six percentage points.

- ➔ Housing market areas containing large urban areas have higher proportions of unaffordable housing. In 2014, both Derry (including Strabane and Limavady) (68%) and Belfast (67%) had the highest proportions. In contrast, two market areas (Carrick & Larne and Magherafelt, Cookstown & Dungannon) had a much lower proportion of unaffordable homes (25% and 45% respectively).

Table 8: Repayment Affordability, 2010-2014

Housing Market Areas	2010		2012		2014	
	Afford Gap (£)	% Unafford	Afford Gap (£)	% Unafford	Afford Gap (£)	% Unafford
Ards & North Down	34,089	47	29821	58	37,717	52
Armagh & Craigavon	-4,228	77	19739	58	18,657	57
Antrim & Newtownabbey	2,960	73	18277	66	15,706	59
Belfast	-8,629	78	3820	73	7,400	67
Carrick & Larne	62,951	24	63691	25	67,140	25
Derry, Strabane & Limavady	435	73	5832	68	15,524	68
Fermanagh & Omagh	40,667	46	50949	27	36,342	38
Newry, Down & Banbridge	-5,602	79	16408	63	18,370	62
Lisburn & Castlereagh	18,061	61	8920	69	18,321	63
Magherafelt, Cookstown & Dungannon	17,667	51	19461	58	30,867	45
Moyle, Ballymena, Ballymoney & Coleraine	17,667	55	21199	57	24,467	53

- ➔ From 2010 the savings ratio and percentage of annual disposable income required as a deposit decreased as a consequence of reduced house prices and enhanced Loan to Value ratios. Once again, there were significant geographical variations, ranging from deposit requirements of 25 per cent of annual income in Carrick & Larne (the most affordable market area) to 45 per cent of annual income in Belfast and 42 per cent in Lisburn & Castlereagh and Antrim & Newtownabbey.
- ➔ Finally, the report brings together the two measures (percentage of dwellings unaffordable and the savings ratio) into a composite index (the multiplier weighting ratio) which, not unexpectedly, reveals that two housing market areas (Belfast and Lisburn & Castlereagh) exhibit the strongest affordability pressures, although both these areas experienced significant reductions in the multiplier weighting ratio between 2012 and 2014 (reflecting a significant fall in the proportion of homes which are unaffordable). In contrast Carrick & Larne and Fermanagh & Omagh experience the lowest level of affordability issues as measured by the composite index (Table 9).

Table 9: Composite Index of Affordability, 2014

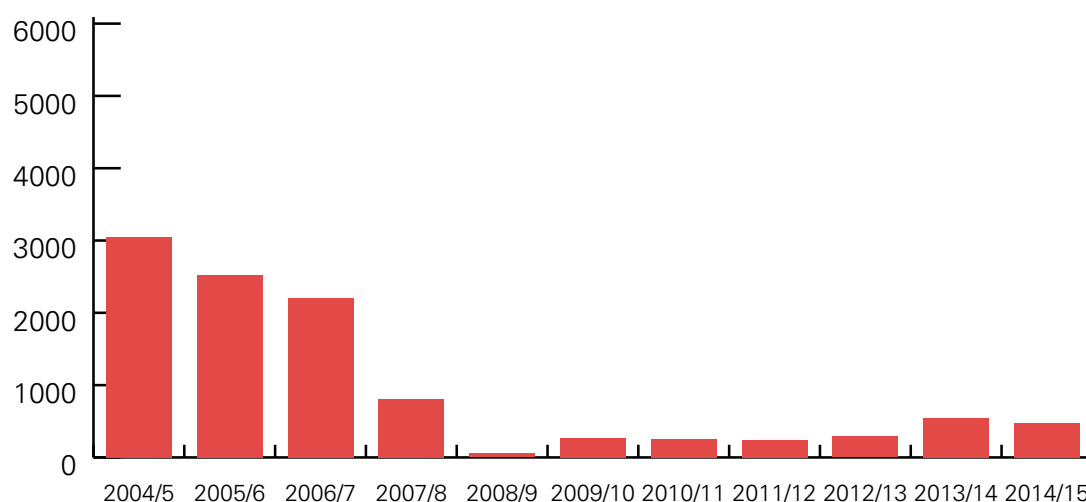
Housing Market Areas (2014)	Savings Ratio	% Unaffordable	Multiplier weighting ratio
Ards & North Down	1.26	58	0.7
Armagh & Craigavon	1.24	58	0.27
Antrim & Newtownabbey	1.32	66	0.45
Belfast	1.57	73	0.56
Carrick & Larne	0.82	25	0.10
Derry, Strabane & Limavady	1.53	68	0.23
Fermanagh & Omagh	0.84	27	0.05
Newry, Down & Banbridge	1.37	63	0.33
Lisburn & Castlereagh	1.53	69	0.53
Magherafelt, Cookstown & Dungannon	1.34	58	0.16
Moyle, Ballymena, Ballymoney & Coleraine	1.31	57	0.24

In conclusion, the report notes that despite the recent increase in house prices and the increasing volume of transactions, this composite measure of affordability suggests that there has been no significant deterioration in the levels of affordability. Indeed in some housing market areas there are indications that affordability has improved as income levels start to rise and mortgage interest rates have remained flat and competitive.

The Sale of Housing Executive Dwellings

Since the introduction of the House Sales Scheme in Northern Ireland in 1979 the Housing Executive has sold approximately 119,000 dwellings to sitting tenants. These dwellings now account for approximately 15 per cent of the housing market as a whole. Figure 12 shows that in 2003/04 almost 6,000 Housing Executive dwellings were sold to sitting tenants. Following the introduction of major revisions to the House Sales Scheme, and in particular the reduction of the maximum discount to £24,000, together with the substantial increases in house prices between 2004 and 2007, there was a dramatic reduction in the number sold. In 2008/09 only 54 were sold. The annual volume of house sales rose the following year to 250 and remained at approximately that level until 2012/13 when it increased to 290. In 2013/14 549 were sold, and this somewhat higher level of sales has been maintained in 2014/15 when approximately 470 were sold. Despite this increase, the volume of house sales is likely to remain low, reflecting not only the current house sales policy restriction on discount but also ongoing labour market uncertainty and lower disposable household incomes of tenants in the social sector.

Figure 12: Housing Executive Sales Completed, 2004/05-2014/15



Source: NIHE

Characteristics and Condition

The 2011 House Condition Survey provides the most up to date data on the characteristics and condition of the owner-occupied stock.

The key figures have been summarised below.

Dwelling Age

43% - The proportion of the owner-occupied stock built since 1980 (28% in 2001).

10% - The proportion of properties built before 1919 (18 per cent in 2001).

Dwelling Type

27% - The proportion of the owner-occupied stock which was detached houses.

24% - The proportion of the owner-occupied stock which was semi-detached houses.

23% - The proportion of the owner-occupied stock which was bungalows.

22% - The proportion of the owner-occupied stock which was terraced houses.

3% - The proportion of the owner-occupied stock which was flats/apartments

Unfitness

1% - The rate of unfitness in the owner-occupied stock (4,600 properties).

However, if the 18,700 unfit vacant properties in this sector are taken into account in addition to the 4,600 unfit occupied ones, the sector has an overall unfitness rate of 4.7 per cent, compared to 6.4 per cent in the private rented sector and 2.3 per cent in the social sector.

Disrepair and the Decent Homes Standard

45% - the proportion of owner-occupied dwellings with some element of fabric disrepair (50% in 2009). This was below the average for the whole of the stock (49%).

£712 - The average basic repair cost (£693 in 2009). This was well below the repair cost for the stock as a whole (£2,123) but higher than for the occupied stock (£654).

8% - The proportion of owner-occupied stock which failed the Decent Homes Standard (38,300 dwellings; 13% or 58,000 dwellings in 2009) compared to 11 per cent in the stock as a whole. Owner-occupied dwellings accounted for more than two-fifths (44%) of all homes failing this standard in 2011.

Housing, Health and Safety Standard

7% - The proportion of owner-occupied homes which failed the Housing Health and Safety Standard, a slightly lower proportion than that for the stock as a whole (10%).

Fuel Poverty

41% - the proportion of households in fuel poverty in the owner-occupied sector.

This is a slight increase since 2009 (39%) and similar to the figure for all households (42%).

Grant Aid for the Owner Occupied Sector

Successive House Condition Surveys have confirmed the important role that home improvement grants have played in improving the condition of Northern Ireland's owner occupied stock – particularly in rural areas. However, in recent years, budgetary constraints have meant that grants expenditure has been focussed increasingly on mandatory Disabled Facilities Grants and Home Repair Grants rather than Renovation and Replacement Grants.

Table 10 shows how this has been reflected in the levels and patterns of grants activity and associated expenditure over the past five years.

Table 10: Home Improvement Grants: 2007/08 – 2014/15, Approvals and Expenditure

Year	Renovation	Replacement	Disabled Facilities	Repairs	HRA	HMO	Total Grants	Approved Expenditure (£)
2007/08	1,145	116	1,666	925	3,219	83	7,154	41.5m
2008/09	931	117	1,755	765	2,433	86	6,087	38.8m
2009/10	161	27	1,750	851	172	72	3,033	23.1m
2010/11	404	83	1,143	889	567	13	3,099	21.3m
2011/12	96	14	1,337	859	54	3	2,363	15.1m
2012/13	55	9	1,209	923	42	1	2,239	13.6m
2013/14	62	2	1,177	956	55	1	2,253	13.4m
2014/15	99	2	1,205	907	101	0	2,314	12.1m

Source: NIHE

The following key points emerge:

- ➔ In 2007/08 and 2008/09 grants expenditure was approximately £40 million. In 2008/09 more than 6,000 grants were approved. By the following financial year, however, severe budgetary pressures resulted in the number of approvals falling to almost 3,000 and expenditure likewise to approximately £23 million. Further decreases in the available budget have followed.
- ➔ The number of Renovation Grants approved in 2014/15 (99) increased compared to the previous year's figure, but was much lower than the typical figure in the years up to and including 2010/11.
- ➔ The number of Disabled Facilities Grants approved in 2014/15 (1205) was higher than in the previous year, while the number of Home Repairs Assistance (HRA) Grants almost doubled to 101.

For the current financial year (2015/16) a total of £10 million has been allocated to the Housing Executive's grants budget. This will finance 50 Renovation Grants, 100 Home Repairs Assistance Grants and 900 Disabled Facilities Grants.

Key Issues and Strategic Perspective

Northern Ireland's owner-occupied sector had grown steadily during the second half of the twentieth century and the early years of the new millennium. However, the Global Financial Crisis of 2007/08 precipitated a 'credit crunch' and a concomitant steep economic downturn in Northern Ireland that ultimately led to a reversal of this long-term trend.

The relative decline of the sector has been compounded by the sharp drop in the rate of construction of new dwellings for the private sector, from 14,000 in 2006/07 to an average of less than 5,000 per annum between 2008/09 and 2013/14.

Since 2013 there has been a gradual recovery in the housing market: more first time buyers have been entering the market, assisted by the re-emergence of higher loan-to-value mortgages, the growing demand (and funding) for Co-Ownership and Help to Buy schemes being run by a number of lenders. However, it is unlikely that the underlying patterns of tenure choice which have been established since 2007 will change over the next three-year period.

Given the cautious outlook for Northern Ireland's economy over the next three years, and the signs that the labour market is becoming more challenging in 2015, it is likely that the number of new dwellings being constructed in the private sector will continue to remain low, at around 5,000 per annum. This, combined with a greater propensity for younger households to remain in the private rented sector, will mean that the proportion of dwellings in the owner occupied sector will continue to decline.

Average house prices in Northern Ireland are still more than 40 per cent lower than at their peak in 2007, but while figures from the leading house price indices for Northern Ireland all indicate that the marked increase in transaction rates which took place during 2013 continued into 2014, the number of homes being sold still remains significantly below pre-recession levels. The Ulster University mix-adjusted House Price Index shows that house prices rose by 5.7 during 2014, and this rate of increase has persisted into Q1, 2015. This, combined with the brighter economic outlook, a shortage of new homes coming onto the market in many areas and a greater willingness on the part of lenders to provide higher loan-to-value mortgages for first time buyers, would indicate that prices are likely to continue to drift upwards by around 5 per cent during 2015, although once again there will be significant geographical variations. High levels of negative equity however, still constitutes a major barrier to market normalisation.

Affordability has improved significantly in recent years across most housing market areas and although the proportion of homes being sold at less than £100,000 is falling as prices rise, there has been no significant deterioration in levels of affordability as incomes start to rise and mortgage rates remain competitive.



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3

Chapter

The Private Rented Sector

“The private rented sector continues to grow, albeit at a slower rate... accounting for almost a fifth of all housing stock.”

Housing
Executive

The Private Rented Sector: Key Figures

	2001	2006	2011
TOTAL STOCK	49,400	80,800	125,400
Urban	35,400 (72%)	61,800 (76%)	95,600 (76%)
Rural	14,000 (28%)	19,000 (24%)	29,800 (24%)
DWELLING AGE			
Pre-1919	18,900 (38%)	22,300 (28%)	18,300 (15%)
1919-1980	23,100 (47%)	38,500 (48%)	56,200 (45%)
Post 1980	7,400 (15%)	21,100 (25%)	50,900 (41%)
HOUSING CONDITIONS			
Unfitness (rate)	4,300 (8.7%)	2,200 (2.7%)	2,500 (2%)
Non-Decent Homes (rate)	23,400 (47%)	21,400 (27%)	12,800 (10%)
Fuel Poverty (rate)	21,400 (44%)	35,300 (44%)	50,900 (49%)
BMA average mthly rents £	n/a	n/a	589

Background

The 2011 House Condition Survey estimated that there were more than 125,400 occupied dwellings in Northern Ireland's private rented sector (16.5% of the total stock).



This represents a substantial increase since 2006 (80,800; 11.5 per cent of the total stock), although growth had clearly slowed between 2009 and 2011. If vacant dwellings, classified according to their previous occupancy, are included in the 2011 figure, almost one-fifth (19%; 144,500) of all properties are in the private rented sector. This is in line with the 2011 Northern Ireland Census tenure data, which suggests that 18 per cent of all households in Northern Ireland are in privately rented accommodation (including 'Other privately rented' and 'Living rent free' tenure options). The Continuous Household Survey for 2013/14 confirms ongoing growth of the sector.

The most recent figures emerging from the English Housing Survey (2013/14) also indicate a continuing growth in private renting, with 19 per cent of all households in England living in the private rented sector.

Key Statistics – The Private Rented Sector

Census NI 2011

The most recent census in Northern Ireland took place in 2011. The key census statistics for the private rented sector are listed below:

- ➔ Almost one-fifth (18%) of households in Northern Ireland were living in the private rented sector (including 'Other privately rented' and 'Living rent free' tenure options).
- ➔ More than two-fifths (43%) of households were adult households, 39 per cent were households with children and seven per cent were older households.
- ➔ More than one-third (34%) of households consisted of one person and almost one-third (31%) were 2 person households.
- ➔ The central heating type for more than half (57%) of households was oil central heating. Slightly more than one-fifth (21%) used gas central heating.
- ➔ The highest proportion of households in the private rented sector is in Belfast (20%), a reflection of the demand for this type of accommodation from students and young professionals.

Characteristics and Condition

The 2011 House Condition Survey provides the most up to date data on the characteristics and condition of privately rented homes in Northern Ireland.

Key figures have been summarised below.

Dwelling Age

15% - The proportion of privately rented dwellings built before 1919 (38% in 2001)

41% - The proportion of privately rented dwellings built after 1980 (15 per cent in 2001)

Vacant Dwellings

13% - The vacancy rate in the private rented sector (7% in 2001)

Dwelling type

40% - The proportion of the private rented sector which is terraced housing (40% in 2001)

Unfitness

2% - The unfitness rate in the occupied private rented sector (8.7% in 2001)

Disrepair and the Decent Homes Standard

53% - The number of dwellings in the private rented sector with at least one fault (56% in 2009)

£551 - The average repair cost for urgent repairs (£467 for the total stock)

£739 - The average repair cost for basic repairs (£654 for the total stock).

10% - The proportion of privately rented homes that failed the Decent Homes Standard (17% in 2009)

Housing Health and Safety Rating

8% - The proportion of privately rented dwellings with at least one Category 1 Hazard (15% in 2009)

Fuel Poverty

49% - The proportion of households in the private rented sector in fuel poverty (55% in 2009)

Performance of the Private Rental Market

The private rented sector in Northern Ireland has traditionally been the most difficult sector of the housing market in which to undertake research. In particular, there has been a lack of regular consistent information on rental and transactions levels. Since 2007, bi-annual reports have been produced from a research partnership between the Housing Executive, Ulster University and PropertyNews, charting average monthly rents and number of lettings as well as providing analysis by location, property type and number of bedrooms, all within the Belfast Metropolitan Area. Since 2013, additional data has permitted analysis to be extended to cover the whole of Northern Ireland.

The following is an overview of the key findings emerging from the Northern Ireland Private Rental Index, covering the period January – December 2014²².

Rental Levels and Transaction Levels

Northern Ireland

There were a total of 23,395 new lettings in 2014 in the private rented sector in Northern Ireland. This represents an overall decrease in transactions in Northern Ireland of 11 per cent compared to the previous year, and may represent an early indicator of greater stability in the sector. The average monthly rent for Northern Ireland for 2014 was £549, an increase of two per cent on the previous year. (Table 11).

Table 11: NI: Key Rental Statistics, 2013-2014

	2013	2014	Annual Change
Rental Transactions	26,388	23,395	-11.3%
Average Rent	£538	£549	2%

Analysis by Property Type

The proportion of property types let in 2014 remained fairly consistent with 2013 findings. Terrace/townhouses and apartments continue to hold the largest market share (70%). The overall decrease in rental transactions for 2014 is reflected across all property types but most notably for detached properties (-22%).

Table 12: NI: Properties Let by Property Type, 2013-2014

Property Type	2013	2014	Annual Change (%)
Apartment	7,768 (29%)	7,059 (30%)	-9.1%
Terrace/Townhouse	10,287 (39%)	9,430 (40%)	-8.3%
Semi – Detached	4,846 (18%)	4,185 (18%)	-13.6%
Detached	3,487 (13%)	2,721 (12%)	-22.0%
Total	26,388 (100%)	23,395 (100%)	-11.3%

²² Northern Ireland Rental Index Report, Issue 4 July-December 2014 is the source for the tables in this section: www.nihe.gov.uk/privaterentalreportweb_24april15_2_-2.pdf

There were small annual increases in average monthly rents across all property types. As in 2013, detached properties attained the highest average rent of £669 in 2014, an increase of 5 per cent on the previous year.

Table 13: NI: Average Monthly Rent by Property Type, 2013-2014

Property Type	2013	2014	Annual Change (%)
Apartment	£530	£535	0.9%
Terrace/ Townhouse	£513	£525	2.4%
Semi-Detached	£534	£546	2.2%
Detached	£636	£669	5.1%
All	£538	£549	2.0%

Analysis by Number of Bedrooms

Overall, the market share of properties let by number of bedrooms remained relatively unchanged since 2013, with two and three bedroom properties accounting for approximately three-quarters of the properties rented throughout 2014 (78%). There were significant reductions in the number of new lettings for 2, 3 and 4 or more bedroom properties. In contrast, one bedroom properties experienced an annual increase of 2.9 per cent, perhaps a reflection of a growing demand for smaller accommodation as a result of changes in Housing Benefit regulations introduced in 2011/12.

Table 14: NI: Properties Let by Number of Bedrooms, 2013-2014

Number of Bedrooms	2013	2014	Annual Change (%)
1 bedroom	1,679 (7%)	1,728 (7%)	2.9%
2 bedroom	9,472 (36%)	8,432 (36%)	-11.0%
3 bedroom	11,177 (42%)	9,782 (42%)	-12.5%
4+ bedroom	4,038 (15%)	3,453 (15%)	-14.5%
Total	26,366 (100%)	23,395 (100%)	-11.3%

Table 15: NI: Average Rent by Number of Bedrooms, 2013-2014

No. of Bedrooms	2013	2014	Annual Change (%)
1 bedroom	£415	£412	-0.8%
2 bedrooms	£491	£496	1.0%
3 bedrooms	£526	£534	1.6%
4+bedrooms	£733	£785	7.1%
All	£538	£549	2.0%

Average rents analysed by number of bedrooms revealed a small decrease in the average rent for 1 bedroom properties in Northern Ireland (-0.8%) and a significant increase in average rent for 4 or more bedroom properties (7.1%).

The Belfast City Council Area

Table 16: Belfast: Key Rental Statistics, 2013-2014

	2013	2014	Annual Change
Rental Transactions	10,531	9,584	-9%
Average Rent	£581	£595	2.4%

In 2014, there were 9,584 properties let in the Belfast City Council Area (BCCA), a decrease of 9 per cent on 2013. Proportionally however, 41 per cent of all rental properties in Northern Ireland are in the BCCA, which is consistent with the 2013 analysis (40%). Overall, the analysis confirms the ongoing importance of the private rental sector in the city.

The average rent in the BCCA was £595, representing a small annual increase (2.4%). However analysis by property type revealed that detached properties experienced a small decrease (-2.2%) in average rent. Typically average rent for BCCA (£595) was significantly higher than the Northern Ireland average (£549).

Table 17: Belfast: Average Rent by Property Type, 2013-2014

Property Type	BCCA 2013	BCCA 2014	Annual Change (%)
Apartment	£583	£593	1.8%
Terrace/ Townhouse	£557	£578	3.7%
Semi-Detached	£597	£613	2.8%
Detached	£878	£859	-2.2%
All	£581	£595	2.4%

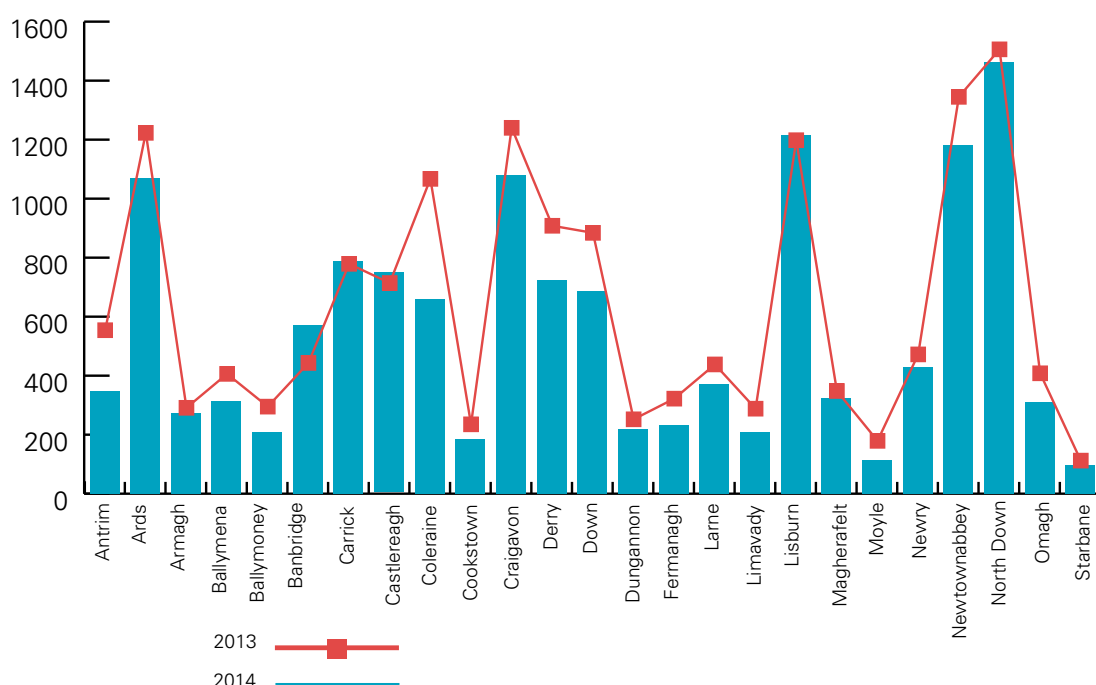
District Council Areas Outside Belfast

Table 18: Council Areas (LGDs) outside BCCA: Key Rental Statistics, 2013-2014

	2013	2014	Annual Change
Rental Transactions	15867	13810	-13%
Average Rent	£510	£516	1.2%

Almost three-fifths (59%) of all properties let in Northern Ireland in 2014 were outside the BCCA (13,810 properties), a 13 per cent decrease in transactions compared to 2013. However the distribution of transactions across Councils remained relatively consistent, with North Down, Newtownabbey, Lisburn, Craigavon and Ards continuing to attract higher numbers of new lettings. Outside these main urban centres there is limited rental activity (Figure 13).

Figure 13: Rental Transactions by Council Area (excluding Belfast), 2013-2014

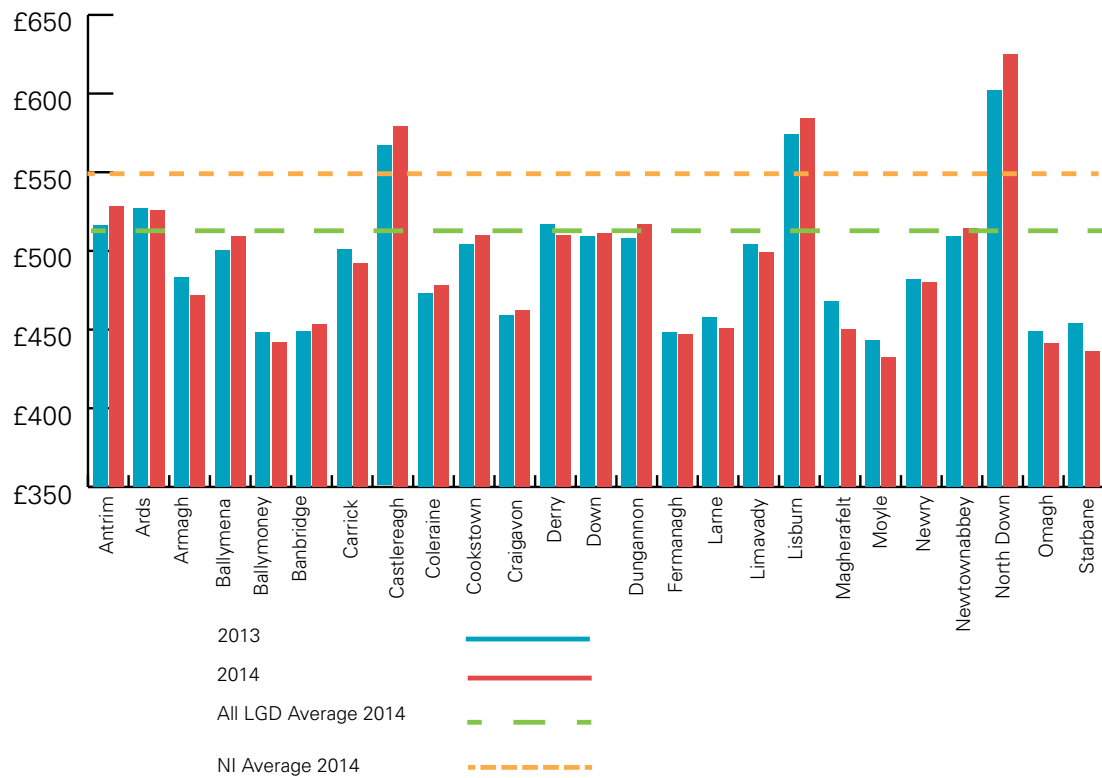


Source: Northern Ireland Rental Index Report Issue 4 July-Dec 2014 NIHE/UU

The average rent for properties outside Belfast was £516, lower than the Northern Ireland and BCCA averages.

The highest average rents outside the Belfast were in North Down (£627), Lisburn (£593) and Castlereagh (£587), all urban districts located within the Belfast Metropolitan area. Conversely, as in 2013, the lowest rents were found in more rural areas (Figure 14).

Figure 14: Average Rent by Council Area (excluding Belfast), 2013-2014



Source: Northern Ireland Rental Index Report Issue 4 July-Dec 2014 NIHE/UU

In summary, while rental transactions for 2014 fell, average rents continued to rise, reflecting a steady demand for private rented property. The private rental market continues to be concentrated in the BCCA and the wider Belfast Metropolitan Area (BMA), commanding significantly higher average rents, compared to the Northern Ireland average or the more rural districts outside the BMA.

Private Rented Sector Strategy

The Department for Social Development launched *Building Sound Foundations: A Strategy for the Private Rented Sector* in 2010. The primary objective of the strategy is “to create the conditions in which the private rented sector contributes more fully to meeting our rapidly changing housing needs”. It also highlights the role the private rented sector can play in supporting greater tenure choice, the need to promote more sustainable tenancies and the importance of a more balanced approach to the rights and responsibilities of both landlord and tenants.

A key element of the strategy was the introduction of a ‘Tenancy Deposit Scheme’ (April 2013) and a Landlord Registration Scheme (February 2014) for Northern Ireland.

Tenancy Deposit Scheme

The main aims of the Tenancy Deposit Scheme include:

- ➡ Tenancy deposits are protected by a third party
- ➡ The quick repayment of deposits
- ➡ Free access to an independent dispute resolution service
- ➡ Sanctions for non-compliance
- ➡ Provision of information (between tenant and landlord)

Two types of scheme have been approved to operate in Northern Ireland, the Custodial Scheme and the Insurance Scheme and three organisations have been appointed as administrators of the scheme.

All landlords are now required to protect deposits within 14 days of receipt and to notify the tenant of the deposit protection details, in writing, within 28 days. Landlords who fail to comply with the scheme could be required to pay up to three times the deposit amount as a penalty or fined up to £20,000 if prosecuted in court.

Since the introduction of the Tenancy Deposit Scheme, 6,500 landlords/agents have protected tenancy deposits. This covers more than 36,000 deposits to the value of £20.3 million²³.

Landlord Registration Scheme

The Landlord Registration Scheme was introduced in February 2014 to improve the appeal of the private rented sector by increasing landlord accountability, promoting best practice and ensuring that the proper advice and assistance is available to landlords and tenants.

From February 2015, all landlords in Northern Ireland are now required to be registered, at a cost of £70. Registration lasts for 3 years and failure to register incurs a fixed penalty of up to £500 or a fine of up to £2500, if taken to court.

Since the introduction of the Landlord Registration Scheme over 15,000 landlords have registered, providing details of 30,000 tenancies in Northern Ireland.²⁴

²³ Figures as of December 2014

²⁴ Figures based on first 11 months of scheme

Review of the Private Rented Sector

A key action emerging from the Department for Social Development's Housing Strategy (2012) and Action Plan (2013) (See Chapter 1) was the commitment to review Private Rental Sector regulation. In November 2014 the Department for Social Development announced a review of the private rented sector in Northern Ireland, which is focusing on strategy and regulation. This review emphasises the importance of the Private Rented Sector as a housing option in Northern Ireland and is aiming to introduce changes which will further enhance the sector. Public Consultation on proposals is planned for Autumn 2015.

Private Rented Sector Housing Guarantee Scheme

As part of a wider Housing Stimulus Package announced during 2012, the UK Government introduced a Private Rented Housing Guarantee Scheme with the aim of promoting institutional investment in private rented sector new build schemes. The guarantee scheme requires £10 million to be spent on each privately rented new build scheme. However, this is not limited to one site and can be spread over several. While privately rented new build schemes have operated on a much smaller scale in Northern Ireland, it is envisaged that the guarantee scheme could attract local developers and housing associations.

Reform of Housing Benefit

Housing Benefit has played a vital role in sustaining the private rented sector in Northern Ireland. For households on lower incomes, Housing Benefit has played an essential role in enabling them to find a home of the right quality, in the right location at an affordable price.

Changes to the Housing Benefit system introduced in 2011 reduced this level of support in a number of key ways:

- ➔ The weekly rate of HB was capped at a maximum of £400 for four bedroom accommodation, regardless of household size.
- ➔ Local Housing Allowances (LHAs) were now to be calculated on the basis of the 30th percentile rather than the median (50th percentile); leading to HB reductions at that time of £7 (average) per week for more than 40,000 households.
- ➔ “Excess payments” of up to £15, which the tenant was allowed to keep if the actual rent was lower than the Local Housing Allowance, were ended.

These changes were applied to all new claims (or existing claimants who changed address) from April 2011 onwards.

From January 2012 the shared accommodation rate (Single Room Rent) has applied to single people up to the age of 35 instead of 25; this means that single claimants aged 25 to 35 in the private rented sector now receive the shared accommodation rate irrespective of the property occupied. This affected approximately 5,000 applicants at that time and typically led to a £25 a week reduction in their Housing Benefit.

Impact of the changes on the private rented sector

In order to assess the impact of these changes, the Department for Social Development, in partnership with the Housing Executive, secured a Northern Ireland strand in a UK-wide project being undertaken by the Centre for Regional Economic and Social Research at the University of Sheffield.

The research methodology combined quantitative and qualitative methods to assess behavioural change and the direct/indirect consequences for claimants and landlords of Housing Benefit reforms. Three case study areas, Armagh, Greater Shankill and West Belfast, were selected for the research. The same claimants and landlords were interviewed and surveyed during both phases of the research, which occurred 18 months apart, thus providing a longitudinal analysis of the impact of the reforms.

Phase One of the research was completed in October 2012, and Phase Two was completed in November 2013.²⁵

²⁵ <http://www.dsdni.gov.uk/nilha-final-report.pdf>

Key findings from this research are summarised below

Tenants

- ➔ The majority of respondents (81%) to the claimant survey were from workless households.
- ➔ The overwhelming majority (95%) of respondents had their Local Housing Allowance (LHA) paid direct to the landlord.
- ➔ For 60 per cent of respondents, their LHA did not cover the rent (63% in phase one).
- ➔ Lone parents were more likely to have a shortfall (71%) than other household types.
- ➔ There was no statistical difference between the proportion of respondents in arrears during phase one (7%) and phase two (6%). Tenants in arrears gave general financial reasons for the arrear occurring.
- ➔ Many respondents reported running out of money fairly/very often (71%) and of those respondents 93% also said they found the rent difficult to afford.

Landlords

- ➔ Almost half (46%) of landlords surveyed had been in business for more than ten years. A high proportion of the landlords surveyed were letting a single property (44%; 21% in GB).
- ➔ There was a significant increase in the percentage of landlords who said they had been affected 'a lot/a fair amount' by the LHA reforms (Phase One – 15%, Phase Two – 33%).
- ➔ The majority (81%) of landlords received direct HB payments for all their tenants.
- ➔ Landlords stated there had been an increase in arrears from LHA tenants (28%) and an increase in arrears from Non-LHA tenants also (21%), since April 2011.
- ➔ There was an increase in the proportion of landlords who felt that they had been affected by arrears caused by the LHA reforms (44%; 24% in Phase One).
- ➔ Overall, there was a significant increase in the number of current tenants negotiating rent (Phase Two 35%: 21% in Phase One), and prospective tenants negotiating a lower rent (Phase Two 37%: 19% in Phase One).
- ➔ Most of the landlords surveyed intended to continue to rent to tenants claiming LHA (89%), however 35 per cent stated that they may cease letting to under 35 year olds as a result of LHA reforms.

Living in the Private Rented Sector: Tenants Survey 2012

In 2011 the NIHE House Condition Survey provided a sample frame for face-to-face interviews with tenants living in the private rented sector. A total of 138 interviews were carried out to collect data on tenants' housing history, future intentions, tenant-landlord relationships, affordability issues and attitudes to living in the private rented sector. The key findings from this research have been summarised below.²⁶

Housing History

- ➔ Of those tenants who had moved in the previous 5 years, almost two-thirds (65%) had previously lived in private rented accommodation (49% in 2006).
- ➔ The most common reasons given by tenants for leaving their previous accommodation were the size/state of repair of the property itself (36%) and family/personal reasons (32%).

Access and Affordability

- ➔ 70 per cent of tenants had to pay advance rent and/or a deposit (53% in 2006).
- ➔ The average weekly rent paid by tenants in 2011 was £99 (£79 in 2006).
- ➔ Half (50%) of all tenants surveyed found it fairly or very difficult to make their rental payments (including shortfall between Housing Benefit and actual rent). However, the vast majority (95%) of tenants stated that they were up to date with their rental payments.
- ➔ On average, tenants had to pay £29 shortfall per week, which is a significant increase on £20 average shortfall in 2006.

Landlord-Tenant Relationship

- ➔ The vast majority of tenants interviewed were on 'good terms' with their landlord (91%) and were generally satisfied with the service they received (88% very/fairly satisfied).
- ➔ Less than three-quarters (73%) of tenants interviewed had a rent book. A similar proportion (68%) had a written tenancy agreement. Overall one-quarter (25%) of tenants interviewed had neither a rent book nor a written tenancy agreement.

Future Intentions

- ➔ More than half of the tenants interviewed (57%) intended to stay in their current accommodation for the next 5 years.
- ➔ Overall, almost three-quarters (73%) of tenants intended to remain in the private rented sector for the next five years.

While these research findings are a little out of date, there is no evidence to suggest that they have changed significantly. The Housing Executive intends to update these findings as part of the 2016 House Condition Survey and is currently undertaking two further strands of research to build up a more up to date and comprehensive picture of the Private Rented Sector.

²⁶ http://www.nihe.gov.uk/living_in_the_private_rented_sector.pdf

Key Issues and Strategic Perspective

The private rented sector grew rapidly between 2006 and 2009, driven by both supply side factors, such as the investor-driven boom, and demand side factors, such as the demand from first time buyers unable to access owner occupation.

High levels of worklessness and rising numbers in part-time and temporary employment, as well as substantial waiting lists for social housing and affordability issues for first time buyers, will ensure that the private rented sector will continue to play an increasingly important role in Northern Ireland's housing market in the longer term.

There is an ongoing healthy demand for rental properties. Average monthly rent in 2014 for Northern Ireland as a whole was £549 (an increase of 2.0% compared to 2013). A decline in the volume of transactions provides a tentative indication of greater stability in the sector.

Some landlords who have experienced mortgage repayment difficulties – particularly those who bought at the height of the boom with the help of a high loan-to-value mortgage – are leaving the sector. However, given the expected continued demand for private renting from first-time buyers unable to afford their first home, and the continuing pressure on the social housing budget, the risk of large-scale disinvestment is seen as low.

Housing Benefit continues to play a vital role in supporting the sector. More than 60,000 private tenants are in receipt of Housing Benefit totalling more than £300 million. However, there are signs that tenants on lower incomes are having greater difficulty in finding the money to bridge the gap between Housing Benefit and market rent.

Progress in implementing the Department's strategy for the sector has continued. Both the Tenancy Deposit Scheme and the Landlord Registration will help contribute to a sector which is more attractive in the longer term for tenants and landlords.





4

Chapter Social housing

“The number of social dwellings in Northern Ireland will continue to grow over the next three years.”



Housing
Executive



The Social Housing Sector: Key Figures

	2001	2006	2011*
SOCIAL STOCK*	133,900	115,000	110,800
Urban	112,000 (84%)	99,400 (86%)	93,700 (85%)
Rural	21,900 (16%)	15,600 (14%)	17,100 (15%)
Dwelling age			
Pre-1919	4,900 (4%)	4,300 (4%)	—***
1919-1944	4,600 (3%)	4,600 (4%)	—***
1945-1980	82,100 (61%)	69,600 (60%)	70,000 (63%)
Post 1980	42,300 (32%)	36,500 (32%)	34,900 (32%)
Housing conditions			
Unfitness (rate)	1,270 (0.9%)	590 (0.5%)	—***
Non-decent homes (rate)	58,800 (44%)	25,000 (22%)	—***
Fuel poverty (rate)	47,800 (36%)	42,300 (37%)	43,900 (40%)
Need for social housing***			
Total Waiting List (at March)	22,054	31,908	41,356
Housing Stress	10,639	17,223	22,414
Homeless: No. presented	12,694	20,121	19,354
Homeless: No. accepted	6,457	9,749	9,878
New social housing required (minimum)	1,500	2,500	2,000

* Waiting list and homelessness figures are for the period April 2013 to March 2014, or at 31st March 2014. Housing need figures are based on the latest version of the Net Stock Model, which was run in 2014.

** Excluding vacant properties.

*** Small sample size means that numbers should be treated with caution and are not reported here.

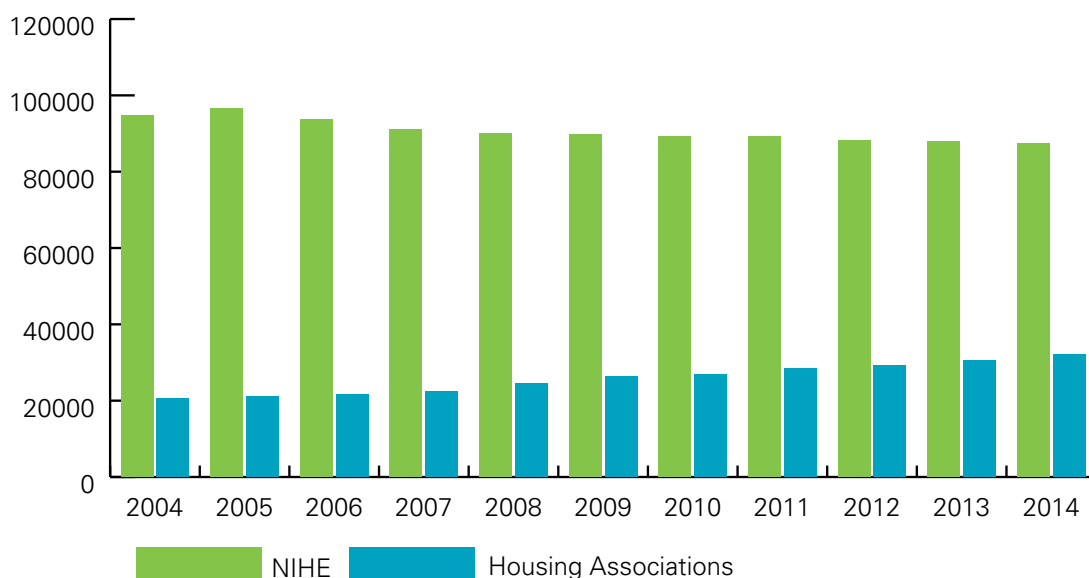
Introduction

In March 2014, the occupied, self-contained social rented sector in Northern Ireland accounted for around 16 per cent of the region's total occupied housing stock.



Around 88,000 of these dwellings were owned and managed by the Northern Ireland Housing Executive and 32,000 by housing associations, which also own and manage an additional 4,200 units of accommodation that are not fully self-contained. Figure 15 illustrates the changing balance of the social housing stock: the number of dwellings owned by the Housing Executive continues to decrease slightly each year due to house sales, demolitions and a small programme of stock transfer, while housing association stock increases each year through the new build programme and acquisition of existing dwellings. By 2014, housing association-owned dwellings accounted for more than one quarter (27%) of the occupied, self-contained social stock, compared with just under one fifth (18%) in 2004.

Figure 15: Self-contained (occupied) Housing Executive and Housing Association Stock in Northern Ireland, 2004-2014



Source: Northern Ireland Housing Statistics (Department for Social Development: 2014)

Characteristics, Condition and Tenant Profile

The Northern Ireland House Condition Survey provides information on the characteristics and quality of the social housing stock and the households who live in the sector. The key findings about the social housing stock at the time of the most recent House Condition Survey, in 2011, are summarised below.

Dwelling age

74% built **after 1964** (69% in 2001)

32% built **after 1980** (32% in 2001)

Dwelling type

39% **terraced** housing (46% in 2001)

26% **flats/apartments** (23% in 2001)

23% **bungalows** (20% in 2001)

Unfitness

<1% unfitness rate in the occupied social stock (1% in 2001)

Age of Household Reference Person

38% aged **60 or more** (42% in 2001)

32% aged **40-59** (29% in 2001)

22% aged **25-39** (23% in 2001)

Household type

35% **older** households (38% in 2001)

34% **adult only** households (30% in 2001)

32% **households with children** (32% in 2001)

Household income

80% of households had an annual gross income of **less than £15,000** (88% in 2001)

30% of households had an annual gross income of **less than £10,000** (69% in 2001)

Employment status of Household Reference Person

34% of household reference persons were retired (35% in 2001)

22% were **working** (full time, part time or self-employed; 16% in 2001)

44% were **not working** for a variety of reasons (seeking work; not seeking work; permanently sick/disabled; looking after family/home; or in full time education; 49% in 2001)

Disrepair and the Decent Homes Standard

53% of dwellings had at least one fault (48% in 2009)

£192: the average estimated cost for **urgent repairs** (£213 in 2009)

£314: the average estimated cost for **basic repairs** (£253 in 2009)

4% of social sector dwellings **failed the Decent Homes Standard** (15% in 2009)

Housing Health and Safety Rating

2% of dwellings had at least **one Category 1 hazard** (9% in 2009)

Fuel poverty

42%: The proportion of households in the social sector in **fuel poverty** (44% in 2009)

Welfare Reform, Housing Benefit and the Stormont House Agreement

The Government's wider programme of welfare reform includes significant changes to Housing Benefit for social housing tenants, primarily:

- ➔ Reduction of Housing Benefit in cases where a working age social sector tenant lives in a home that is deemed to have more bedrooms than they require; and
- ➔ Increased deductions for non-dependants living in a Housing Benefit claimant's household.

The Housing Executive, on behalf of the Department for Social Development, commissioned research early in 2012 to provide evidence on the potential outcomes of the Housing Benefit reforms. The analysis was carried out by the University of Glasgow and Newhaven Research. It found that:

- ➔ Almost two thirds (58,300; 63%) of 92,600 Housing Benefit claimants in Northern Ireland at June 2012 were of working age and in total it was estimated that around 34,100 working age tenants were under-occupying their homes by at least one bedroom.
- ➔ Of those under-occupying, the majority (68%) were under-occupying by one bedroom. A greater proportion of Housing Executive (33%) than housing association (26%) claimants who were under-occupying had two or more spare bedrooms.
- ➔ The Housing Executive districts with the highest proportion of under-occupying claimants (relative to the 33% average) were Omagh, Cookstown, Strabane, Fermanagh, Limavady and Shankill.
- ➔ In total, the data suggested that the majority of working age social tenants in Northern Ireland were under-occupying: 40% by one bedroom and 18% by more than one bedroom. Just under 13% of working age claimants had already experienced the increased non-dependant deductions, but only an estimated six per cent faced both the increased deduction and the reduction due to under-occupation.
- ➔ There is an opportunity to change the social housing stock profile through development of new, smaller units. However, the relatively small number of new additions to the stock would take some time to make a significant impact on the overall stock profile. As a proportion of the overall stock, the number of one- and two-bedroom properties will therefore remain relatively low for the foreseeable future.

The changes were introduced in Britain in 2013, but removal of the spare room subsidy has been delayed in Northern Ireland. The Welfare Reform Bill, which will pave the way for the changes and needs to receive Executive and Assembly approval before it becomes law, was introduced to the Northern Ireland Assembly on 1 October 2012 and reached Committee Stage in February 2013. However, a lack of consensus within the Assembly meant that the Bill did not progress during 2013 and 2014, and in autumn 2014 the Treasury began to impose penalties on Northern Ireland to reflect the amount by which the region's welfare expenditure would have been expected to have decreased if the reforms had been implemented.

With the matter having become increasingly urgent, welfare reform and Northern Ireland's 2015/16 budget were included in the negotiations that culminated in the *Stormont House Agreement*,²⁷ which was published on 23 December 2014. Participants agreed that:

- ➔ Legislation [would] be brought before the Assembly in January 2015 to give effect to welfare changes alongside further work to develop and implement flexibilities and top-ups from the block grant as part of a package of measures to address local need.
- ➔ Implementation of these welfare changes [would] begin to take place in the financial year 2015-16 and implementation [would] be complete by 2016-17.

The Agreement incorporated a financial package made up of new and additional funding, 'flexibilities' and additional capital borrowing. The specific measures included:

- ➔ Flexibility to repay a £100 million reserve claim (loan) from the Treasury, which was secured in October 2014 to ease a budgetary crisis faced by the Northern Ireland government, and £114 million welfare deductions (to be applied during 2015/16 if welfare reform is not implemented) from asset sales and capital budgets; and
- ➔ Should welfare reform be fully implemented (including the relevant secondary legislation) before April 2016, a proportionate reduction in the proposed £114 million penalty, which reflects the maximum deduction for the entire 2015/16 financial year.

A key aspect of the cross-party agreement to proceed with welfare reform was the provision of a protection package to mitigate its impacts in Northern Ireland. The draft budget for 2015/16, published in November 2014, had set aside £70 million for that purpose. Following the Stormont House Agreement, the final budget was published in January 2015. In his statement on the budget, the Minister of Finance and Personnel, Simon Hamilton, explained that an assessment had been made of the requirement for measures to mitigate welfare reform, based on the assumption that reform would be implemented half way through 2015/16. It had been estimated that a sum of £26.9 million would be required, and this ring-fenced funding would be transferred to the Department for Social Development in the June monitoring round.

Some of the mitigation measures that were likely to be put in place included:

- ➔ Direct payment of the housing element of Universal Credit to landlords; in Great Britain the default position for Universal Credit will be direct payment to the claimant, with payments made directly to landlords only in exceptional circumstances;
- ➔ Provision of funding to protect existing working-age tenants whose Housing Benefit will be reduced because of the under-occupancy restriction until either (a) there is a significant change in their personal circumstances or (b) they are offered suitable alternative accommodation; and

²⁷ See www.gov.uk/government/publications/the-stormont-house-agreement

- ➔ Extension of Discretionary Housing Payments (DHPs) to the social sector. DHPs provide financial assistance to tenants in the private rented sector who are in receipt of Housing Benefit but where the amount received does not cover the whole of their rent.

However, the progress and implementation of welfare reform in Northern Ireland once again stalled in March 2015, on the issue of the level of protection for current and future recipients of benefits. Following the outcome of the recent general election, it is likely that there will be increased pressure from Westminster for Welfare Reform to be implemented fully in Northern Ireland.

Facing the Future: Housing Strategy for Northern Ireland

The action plan for delivery of the Department for Social Development's five-year strategy for housing in Northern Ireland, *Facing the Future*, was published in 2013. It detailed a wide range of actions to be carried out within the strategy's five-year time frame, including a number relating specifically to the social sector:

- ➔ Harmonise standards for social housing construction with those used for private sector housing development.
- ➔ Introduce a developer contribution scheme.
- ➔ Explore potential for funding social housing by enabling a wider range of bodies to register as housing associations.
- ➔ Develop innovative solutions for improving the worst Housing Executive stock.
- ➔ Lead a fundamental review of social housing allocation policy.
- ➔ Consider additional forms of social housing tenancy for adapted social dwellings, and require social landlords to develop an accessible housing register and set targets for better use of this stock in the future.
- ➔ Gather information on the housing-related changes associated with Welfare Reform.
- ➔ Increase the availability of smaller social housing units to deliver social housing which meets the needs of individuals and is cognisant of the impact of Welfare Reform.
- ➔ Working with the Housing Executive, pilot a housing-led approach to regeneration in four areas.²⁸
- ➔ Work with registered housing associations and others to investigate opportunities for generating employment and training opportunities.
- ➔ Develop a Shared Community Programme, to include:
 - Amended housing application forms;
 - Piloting a Belfast City Centre waiting list;
 - Continuing to work with the Department of Justice and the Housing Executive to support the reduction in interface issues.
- ➔ Support business improvement in the social housing sector for the benefit of tenants and taxpayers.

²⁸ Six pilot areas were subsequently selected: for more information see page 101.

- ➔ Take forward the social housing reform programme.

Work on the various strands of the Strategy is ongoing; some of the key developments during the last year are outlined below.

Fundamental review of social housing allocations policy

The 2014-2017 *Housing Market Review* outlined the main findings of independent research commissioned by the Department for Social Development in 2012 to inform a fundamental review of social housing allocations in the region. The study was undertaken by a team from the University of Ulster and the University of Cambridge and culminated in production of three reports, the third and last of which set out recommendations for change. The Department subsequently sought public views on the recommendations, and a summary of the consultation findings was published in October 2014.²⁹ The number of responses that addressed each of the specific recommendations varied, but generally there was strong support for:

- ➔ Introduction of a housing options service in Northern Ireland;
- ➔ Retention of universal access to social housing;
- ➔ Use of a needs-based approach to prioritise applicants;
- ➔ Continued use of management transfers;
- ➔ Promotion of mutual exchanges as a mechanism to meet housing need;
- ➔ Transfer applicants being 'opted in' to the mutual exchange register;
- ➔ A review of the classification of specialist accommodation which will sit outside the principal scheme; and
- ➔ If a choice based-letting scheme was introduced:
 - Provision of support to those disadvantaged in Choice Based Lettings; and
 - A facility to make direct lettings in prescribed exceptional circumstances.

The consultation also identified broad support for:

- ➔ The introduction of a separate transfer list;
- ➔ Introduction of a choice-based lettings scheme; and
- ➔ Two-year suspension from the waiting list for applicants who have committed anti-social behaviour.

Opinion was divided on whether a banded approach should be adopted for prioritising applicants; whether there should be transfer-led allocations in new-build properties; whether local lettings policies should be used to meet identified local circumstances; whether there should be a 12-month suspension for refusing two reasonable offers; and the establishment of a strategic independent allocations scrutiny panel. There was little or no support for:

- ➔ Extending the mutual exchange scheme to private rented sector tenants;

²⁹ DSD (2014) Research to inform a fundamental review of social housing allocations policy: Summary of responses to the research commissioned by DSD – 2 October 2014

- ➔ Allowing a Strategic Independent Allocations Scrutiny Panel to set the proportion of lets to transfers; and
- ➔ Using housing market area geographies to monitor allocations.

The Department for Social Development will give further consideration to the recommendations in the independent reports, and the views expressed by those who responded to the consultation.

Building Successful Communities

As part of the *Facing the Future* strategy, the Department for Social Development launched the Building Successful Communities initiative in October 2013. The initiative aims to use housing intervention as one of the main catalysts for a 'joined up' approach to local regeneration, with four key strategic aims:

- ➔ To work collaboratively across government, with the Housing Executive, housing associations and communities to improve housing and infrastructure;
- ➔ To improve current housing stock, deliver new social and affordable homes and bring empty homes back into use;
- ➔ To target ways to bring physical, economic and social regeneration to each area; and
- ➔ To use housing interventions as the driver to regenerate these areas and start to reverse community decline.

Six pilot areas were selected for the programme. Each was already a designated area of deprivation which suffered from blight and/or antisocial behaviour, but was considered to have potential for recovery with the support of housing-led regeneration. Five are located in Belfast and one in Ballymena:

- ➔ Lower Oldpark and Hillview
- ➔ Lower Falls
- ➔ Tigers Bay and Mountcollyer
- ➔ Lower Shankill and Brown Square
- ➔ Lenadoon and Glencolin
- ➔ Doury Road (Ballymena)

Regeneration Forums have been established in each of the areas, with representation from the local community, Housing Executive, council, housing associations, elected representatives, education, health and voluntary and community sectors. The Forums will develop plans with tailored economic, physical and social interventions to meet community needs, and their work will be supported by the Department for Social Development and six Regeneration Managers, who have been appointed for each area. External consultants were due to be appointed by April 2015, to assist the Regeneration Forums in producing these area-specific action plans, and the Housing Executive Research Unit will undertake household surveys in each of the six pilot areas to provide baseline data to inform the initiative. The first survey was carried out in Doury Road in January 2015.

Social Housing Reform Programme

The Social Housing Reform Programme was launched in 2013, with the vision of creating 'housing structures that support the provision of social and affordable homes, in thriving communities where people are proud to live'. The overall aims of the programme were to:

- ➔ Improve housing structures, making the system financially sustainable for tenants and the Northern Ireland Executive;
- ➔ Ensure delivery of well-maintained housing stock and increase investment in social housing more generally;
- ➔ Improve the focus on strategy and regional delivery of services; and
- ➔ Create space and freedom for social landlords to play a more proactive and innovative role in the communities they serve.

The programme has been divided into two projects:

Structural Reform	<p>Considering reform proposals for the role and scope of:</p> <ul style="list-style-type: none"> • The Northern Ireland Housing Executive landlord functions (i.e. the management of Housing Executive properties); • The Housing Executive's regional functions (including the assessment of housing conditions and need, the allocation of homes and the development and delivery of programmes that respond to that need); and • Departmental housing functions (including regulation).
Policy Reform	<p>Developing reform proposals for social housing rent, tenant participation, local government engagement, the regulation and inspection of social housing and the housing functions of the Department for Social Development.</p>

An initial exploration stage of the Programme, which involved researching best practice in Northern Ireland and beyond and engaging with stakeholders to find out their views on what works well and what they would like to see in the future, concluded in March 2014. The information gathered during the exploratory phase was used to inform the next steps for the Programme.

The aim of the second phase, which ran until March 2015, was to develop options for each of the programme's two sub-projects. Resulting from this work, the Department for Social Development plans to consult on proposals relating to a number of issues during 2015, including a new social housing rent policy, how social housing organisations should work with the 11 new councils post-April 2015, and future structures for delivering social housing. Two consultations have already been published: the first, on a Tenant Participation Strategy³⁰, ran from January until April 2015. The second consultation was concerned with proposals for a new regulatory framework for social housing providers in Northern Ireland³¹. It opened in March, to run until early June.

³⁰ DSD (2015) A Tenant Participation Strategy for Northern Ireland: 2015 to 2020 A Draft for Consultation

³¹ DSD (2015) Proposals for a New Regulatory Framework for Social Housing Providers in Northern Ireland

Draft Tenant Participation Strategy

The draft tenant participation strategy, which draws on research and examples of good practice from within Northern Ireland as well as in England, Scotland and Wales, has the objective of raising the levels of tenant engagement across the social housing sector in Northern Ireland, so that its extent and effectiveness is increased by all social landlords in the region. The strategy is primarily concerned with:

- ➔ How tenants can become more involved in shaping and reviewing the services they receive;
- ➔ How landlords (i.e. registered housing associations and the Housing Executive) should support tenants to participate meaningfully at all levels; and
- ➔ How the Department for Social Development can support landlords and tenants in these activities.

The main proposals are that:

- ➔ Social landlords should develop and deliver a strategy for tenant participation and ensure that tenants and other users are aware of, and clear about, the participation activities and strategic approach.
- ➔ The strategy should ensure that tenants:
 - can choose in which areas of activity, and to what extent, they want to participate;
 - have an opportunity to influence policy decisions that will affect them, their area or their community, the services they receive or their landlord's business planning and identification of future priorities; and
 - are encouraged to become involved through training and other support mechanisms.
- ➔ Social landlords should have their strategies or methods in place to meet the standards by April 2016, and these strategies should be subject to fundamental review at least every three years.
- ➔ The DSD will work with stakeholders and make the case to government for development of independent support to help tenants develop the skills needed. The Department will also provide guidance on issues such as setting up and running tenant panels, developing participation strategies, and tenant involvement in governance.
- ➔ As part of its regulatory responsibility for registered housing associations, the Department will incorporate regulation to support the overall tenant participation strategy: landlords will be assessed and inspected to make sure they are in line with a new standard on tenant participation that will be added to the regulatory framework.
- ➔ The Housing Executive's Board will be accountable to the Minister for Social Development for ensuring delivery against the expectations set out in the overall strategy.
- ➔ The Department will establish an Advocate for tenants, who will monitor the delivery of the Tenant Participation Strategy for Northern Ireland.

- ➔ The Department will also work with the housing sector to establish a housing policy panel for Northern Ireland, which will represent social housing tenants in the development of departmental policies that are relevant to their interests.
- ➔ It is planned that the draft strategy will also act as a stepping stone towards the introduction of tenant empowerment in Northern Ireland, and that, at an appropriate point in the strategy's implementation, proposals for the 'right to manage', 'right to transfer' and an equivalent of 'community cashback' initiatives (which already exist in England and Wales) will be brought forward (see below).

Tenant Empowerment in England and Wales

Right to manage	The right for tenants to take over the housing management services of their homes from their landlord. Local authority tenants in England and Wales have had this right since 1994, and can form a Tenant Management Organisation (TMO) or commission a managing agent to act on their behalf. The TMO/agent might represent an estate or a number of estates that have decided to become self-managing, and it can take over the landlord's responsibility for managing housing services such as repairs, caretaking, rent collection and security. Members are unpaid volunteers.
Right to transfer	The right to group together to request the transfer of ownership and management of homes from a local authority to another registered housing provider. If the tenant group gives notice to the local authority, the authority must dispose of land to a registered landlord.
Community cashback initiative	Tenants (or other residents) using management and maintenance services from any social landlord can reach an agreement with their landlord to provide part of the service themselves. The landlord pays the residents' group what it would otherwise cost to run the service through staff or contractors and if residents make savings they can retain those savings to use for community purposes.

The consultation, which included a number of public events, closed on 8 April 2015. A response report and view on the issues raised will be published by the Department in due course.

New regulatory framework for social housing providers in Northern Ireland

Under the Housing (Northern Ireland) Order 1992, the Department for Social Development is responsible for regulation of registered housing associations. The current regulatory framework has been in place since 2006, using both compliance-based and risk-based approaches to ensure that housing associations are challenged, reflect best practice and are financially viable.

Housing associations have been the focus of much inspection activity by the Department over recent years, with the outcome that the number of associations failing inspection has reduced significantly. In the context of a more mature housing association sector that has responded positively to the challenges of the existing regime, the Department's consultation advocates a shift to a more risk-based regulatory framework, which will incorporate the Housing Executive as well as housing associations and focus on outcomes rather than processes.

The main objectives for the proposed new framework are that it should:

- ➔ Protect and empower tenants;
- ➔ Ensure the continued provision of high-quality housing services;
- ➔ Assure investors, including DSD and lenders; and
- ➔ Be an example of "better regulation".

The consultation therefore proposes a clearer and simpler set of arrangements that prioritises tenants' interests while providing the necessary assurances for other stakeholders. The new approach would comprise standards in three areas:

Area	Functions covered
Consumer standard	Tenant involvement, complaints, services, understanding tenants' needs (including the standards proposed in relation to tenant engagement in the draft tenant participation strategy), property standards, repairs and maintenance and dealing with concerns about issues such as anti-social behaviour.
Governance standard	Risk management processes that support businesses and allow them to be fully innovative while ensuring efficient use of public funds; internal and external governance arrangements designed to support businesses in delivering their aims and objectives and the intended outcomes for tenants; and management of 'non-regulatory' business functions (i.e. those not linked to social housing).
Financial standard	Protection of assets and public funds, financial planning and assumptions, risk management in financial planning, approaches to delivering value for money and assessment of the performance of assets and resources.

The change in focus would be accompanied by a change in the form of regulation, with a greater emphasis on social housing providers supplying evidence in relation to the prescribed standards and a reduced number and frequency of 'on-site' inspections. There would also be a shift from the current 'assurance' ratings to a 'judgement' rating, which would incorporate an assessment for each of the three standards.

The consultation is concerned primarily with how regulation should be carried out; the issue of who is responsible is to be considered as part of the broader review of structures within the Social Housing Reform Programme. However, the consultation seeks views on the introduction of additional powers for the regulator, with a view to ensuring the quick and effective resolution of any issues raised. Currently, where the regulator deems that homes are at risk, it can only take action after an inquiry into the issues identified. Although an inquiry has not yet been necessary in Northern Ireland, the consultation notes that the process could be lengthy and that any delay in dealing with matters of concern could compound the level of risk. In order to facilitate swift action on the part of the regulator, the consultation suggests additional powers that could be used in exceptional cases. They include the ability to serve enforcement notices and impose penalties in a wider range of circumstances and the ability to direct that compensation should be paid to an injured party.

The new framework would relate to all social housing providers in Northern Ireland, including the Housing Executive and any new housing associations. The arrangements for its application to the Housing Executive will be considered further as the new framework is developed.

Local Government Reform

From 1 April 2015, in line with a commitment made in the Programme for Government published by the Northern Ireland Executive in 2012, the number of councils in Northern Ireland reduced from 26 to 11. With a view to enabling more effective and efficient service delivery, provision was also made for a variety of powers that had previously been held by government departments and other public bodies to be transferred to the new councils at their inception. The powers included some local economic development functions, local tourism, off-street parking and planning.

A number of urban regeneration and community development functions are also expected to transfer to the new councils from the Department for Social Development with effect from 1 April 2016. The Regeneration Bill, which provides the legislative framework for the transfer of these functions, was introduced in the Assembly in December 2014. An earlier version of the draft legislation, the Regeneration and Housing Bill, had also included proposals for the transfer of two housing-related functions (operation of the statutory registration scheme for houses in multiple occupation and responsibility for determining and enforcing fitness standards across all tenures) to the new councils.

However, both the previous Minister for Social Development, Nelson McCausland, and his successor, Minister Storey, were unable to secure Executive agreement to the introduction of the draft Regeneration and Housing Bill due to concerns about the proposed transfer of housing functions. The housing-related provisions were therefore removed from the legislation and the name of the Bill was amended to reflect this change. Speaking in the Assembly in January 2015, Minister Storey confirmed that there was never any intention to transfer to councils any responsibilities for determining housing need or providing social housing.

The Housing Executive

The Housing Executive was established in 1971 and is Northern Ireland's regional housing authority. While it continues as a single statutory organisation, for budgetary and accounting purposes there is now a dual reporting arrangement where the Regional and Landlord Services are managed as separate entities. This revision took effect from 1 April 2014, when the Housing Executive was reclassified into a Non Departmental Public Body (Regional Services) and a Quasi-Public Corporation (Landlord Services). The reclassification introduces changes in how each business area is funded, with separate budgetary monitoring and reporting requirements. In 2013/14 the organisation had a gross budget of £546 million; of this around 15 per cent (£83 million) was accounted for by the Social Housing Development Programme, and one quarter (25%; £135 million) was invested in improvements and repairs to Housing Executive stock.

Housing Executive stock

At April 2014, almost three fifths (58%) of the Housing Executive's stock was traditional terraced or semi-detached houses; bungalows and flats both accounted for around one fifth (20% and 22% respectively) of properties. Around one tenth of Housing Executive-owned dwellings had one bedroom, just under two fifths (38%) had two bedrooms and almost half (47%) offered three or more bedrooms. The vast majority (94%) of dwellings had full central heating systems, most of which were fuelled by natural gas (41%) or oil (43%), and almost one tenth (8%) by Economy7 systems.

Household profile

The Housing Executive's Continuous Tenant Omnibus Survey (CTOS), which is based on 3,400 interviews with tenants throughout the calendar year, is an invaluable source of information on the socio-economic and demographic characteristics of Housing Executive tenants.

The findings of the 2013 survey were published in 2014. They showed that, at 2.05 persons, the average size of households living in Housing Executive accommodation was smaller than for Northern Ireland's housing stock as a whole (2.54 in 2011, according to the Census findings). More than two-fifths (44%) of households consisted of only one person (including one older person) and more than one third (37%) comprised one or two older people. 'Lone older' remained the single most common household type (24% of all households). The types of household living in Housing Executive homes have remained largely unchanged in recent years.

Just under one fifth (18%) of household reference persons (HRPs) were working (full time, part time or self-employed) in 2013; this proportion was in line with the CTOS findings in previous years. People who had retired accounted for slightly less than one third (30%) of HRPs and one fifth (20%) described themselves as permanently sick/disabled. Around half (48%) of households had an annual gross household income of £10,400 or less. More than one in ten household members (12%) required some form of mobility aid (including a wheelchair).

The Housing Associations

There were 26 registered³² housing associations in Northern Ireland at March 2014, including the Northern Ireland Co-Ownership Housing Association (NICHHA). A number of associations have merged within the last decade or so, creating larger organisations and reducing the overall number of associations (from 39 in 2003). Housing associations have been responsible for developing all new social dwellings in Northern Ireland for more than a decade. They operate within a 'mixed funding' regime, and obtain loans from the private market to supplement the public funding available in the form of Housing Association Grant. The private finance element now represents more than half of the cost of general needs development. Global accounts prepared by PwC showed that by 2013/14 the cumulative private finance raised by housing associations in Northern Ireland totalled £624 million. The associations' total turnover in 2013/14 was £203 million, compared with £185 million the previous year.

Excluding properties within the Co-Ownership scheme, but including vacant stock, registered housing associations owned approximately 33,800 units of self-contained accommodation at March 2014. In addition, they also own and manage around 4,200 units of accommodation that are not fully self-contained. The nine housing associations that each had more than 1,000 units, owned more than four fifths (83%) of all housing association stock (Table 19).

Table 19: Housing Associations with 1,000+ Units of Rented Accommodation, March 2014

	Self-contained units	Bed spaces	Total units
Fold	5,691	314	6,005
Oaklee*	4,697	1,099	5,796
Helm	4,943	520	5,463
Apex	3,757	458	4,215
Clanmil	3,393	137	3,530
Habinteg	1,860	263	2,123
Trinity*	1,985	114	2,099
Ulidia	919	295	1,214
South Ulster	1,036	0	1,036
Total (associations with 1,000+ units)	28,281	3,200	31,481
Total housing association stock	33,828	4,197	38,025

Source: Department for Social Development

*Oaklee and Trinity Housing Associations merged at the end of March 2014; however separate stock data was captured for the two associations at year-end 2013/14.

Around 2,200 housing association dwellings (1,300 self-contained dwellings and almost 900 bed spaces in shared accommodation) were suitable for tenants who use a wheelchair, and more than one quarter of all stock owned by associations (29%) was designed for older people. Although the proportion of stock accounted for by units designed for older people has gradually declined, housing associations continue to build new homes for older people, including innovative forms of accommodation to meet specialist needs such as those of people with dementia.

³² Housing associations registered with the Department for Social Development are eligible to receive Housing Association Grant and operate within the Department's regulatory regime.

Co-Ownership Housing

The Northern Ireland Co-Ownership Housing Association (NICHA: generally known as Co-Ownership) was established in 1978. Co-Ownership is a do-it-yourself shared ownership scheme; it plays a key bridging role in the local housing market by enabling eligible households, whose resources would not otherwise allow them to purchase a home, to access owner-occupation through the open market.

More than 24,100 households have purchased their own homes through Co-Ownership since the scheme was set up, with 1,222 of these properties acquired between April 2013 and March 2014 at a value of £135 million. The purchases were facilitated by a total of £51.5 million in Housing Association Grant. The price of properties acquired through Co-Ownership in 2013/14 ranged from £44,000 to £175,000, and the average was £110,860, which was slightly higher than the figure for the previous year (£109,675), reflecting trends in the wider housing market. The average purchase price of new build properties (£118,900) was higher than that of existing properties (£105,000). The minimum starting share for purchasers in 2013/14 was 50%; 80% of acquisitions during the year were in the 50%-60% starter share range.

Figure 16 shows the annual total number of properties managed by Co-Ownership, purchases through the scheme and households 'staircasing' to full ownership since 2001/02, and illustrates some of the impacts of changes in the housing market over the last decade.

Figure 16: Co-Ownership: Annual Total Properties Managed, Purchasers and Staircasers, 2001/02-2013/14



Source: Co-Ownership

- The number of properties purchased through the scheme has risen each year since 2008/09. Secure funding sources and the availability of appropriately-priced properties allowed Co-Ownership to assist more than 1,200 households in acquiring their home during 2013/14 – the highest number at any time during the period.
- By March 2014 more than 17,200 households had ‘staircased’ out to become full owners since the scheme’s inception. Almost 200 households ‘staircased’ fully in 2013/14. Figure 16 shows that although this was the highest number since 2007/08, the numbers remain low by comparison with the trend before the housing market boom and subsequent price downturn in 2007/08.
- The net effect of increased property acquisitions and subdued sales has been ongoing growth, since 2007, in the number of properties managed by Co-Ownership. By March 2014, the total had increased to 6,899.
- Detached (16%) and semi-detached (53%) properties accounted for more than two thirds of all purchases through the Co-Ownership scheme in 2013/14. The remainder were either terraced houses (24%) or apartments (7%). This is in contrast to 2007/08, when almost half of the homes purchased with help from Co-Ownership were terraced, around one fifth were apartments, just under one third were semi-detached and only a fraction (around one per cent) were detached.

The income generated through sales in 2013/14 (£5.2 million) was slightly lower than in 2012/13 (£5.8 million), and the same was true for the amount repayable to the Department for Social Development (£2.9 million in 2013/14, compared with £3.2 million in 2012/13).

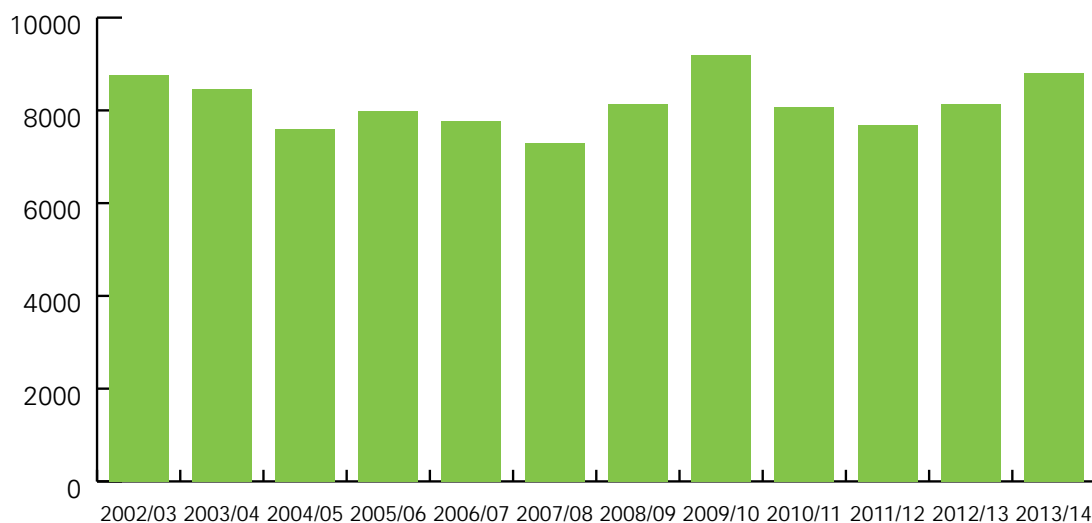
Data collected by Co-Ownership provides an insight into the profile of purchasers during 2013/14:

- Just over three fifths (62%) of purchasing households had only one earner; the remainder were dual earner households. The average household income for single applicant purchasers was £22,700, while for joint applicants the average figure was £26,800.
- The average age of the first applicant was 30. Where a second applicant was also included, their average was 29. As in 2012/3, only around four per cent of purchasers were aged 43 or more.
- In November 2012, Co-Ownership announced that it had secured a £50 million, four-year financing deal with Bank of Ireland and Barclays. This was a continuation of funding arrangements that commenced in 2009. In combination with government grant totalling £100 million over the four years from 2011/12, the deal was expected to help secure 2,500 affordable homes. Co-Ownership projected that it would assist in the purchase of 700 homes each year from 2012/13 to 2014/15 and a further 450 in 2015/16. In the event, the availability of additional Housing Association Grant funding through monitoring round bids in 2012/13 and 2013/14 meant that acquisitions through the scheme were above target for both years, with 2,179 properties purchased through the scheme, by comparison with the 1,400 planned purchases.

New Social Housing

In the social rented sector, housing need is primarily met through the re-let of existing dwellings to new applicants. Figure 17 shows that the annual total number of re-lets and allocations (excluding transfers) has varied from year to year, with an annual average of around 8,160 since 2002/03. The 2013/14 total (8,809) was slightly higher than the average over the past decade, and the highest since 2009/10.

Figure 17: Social Housing Re-lets and Allocations (excluding Transfers), 2003/04-2013/14



The Housing Executive is responsible for the management of the Social Housing Development Programme, which is guided by the Net Stock Model (see chapter one) and takes account of local Housing Need Assessments (HNAs). The development programme is distributed and reviewed within the overarching framework of agreed strategic guidelines and delivered by the housing associations. The strategic guidelines ensure an equitable geographical allocation of new social dwellings according to assessed housing need.

Housing associations continue to seek secure and innovative ways of funding the provision of new social dwellings. In April 2014, Clanmil announced that it had secured loan arrangements worth a total of £120 million with two banks, in the largest deal ever secured in Northern Ireland. It was estimated that the loans would allow the association to access £80 million of grant funding for its development programme and could help enable the provision of as many as 1,600 social homes. In early 2015, Apex was awarded an A+ rating in the first assessment of a Northern Ireland housing association by Standard and Poor's, the international credit rating agency. The strong rating, which was above the average for the UK housing association sector, will help Apex refinance existing short-term bank loans and secure new long-term borrowing at more competitive rates. In the longer term, Apex has considered an own name bond issue on the capital markets and had initial discussions with the European Investment Bank regarding long term funding.

Table 20 over page shows the composition of the social housing development programme since 2005/06. In line with the available budget for new social housing, the total number of recorded starts in 2013/14 (1,299) was slightly lower than in 2012/13, but exceeded the target for the year (1,275 units). During 2013/14, starts on new buildings for use in the social sector totalled 1,088, of which 295 (27%) were purchased 'off the shelf' and 793 were new build. A further 112 'existing satisfactory' properties were acquired during the year and work started on the rehabilitation/re-improvement of 99 homes.

Table 20: Social Housing Development Programme Starts, 2005/06-2013/14

	Buy and develop sites: new build	Buy new homes "off the shelf"	Package deals (design & build)	Buy "existing satisfactory" homes	Re-habilitation/ Re-improvement	Total recorded starts
2005/06	1,031	90	212	142	62	1,519
2006/07	604	48	174	180	26	1,032
2007/08	885	270	84	343	13	1,595
2008/09	476	299	131	223	7	1,136
2009/10	1,243	467	0	76	52	1,838
2010/11	1,752	400	0	93	173	2,418
2011/12	984	275	0	109	42	1,410
2012/13	1,036	130	0	111	102	1,379
2013/14	793	295	0	112	99	1,299

General needs housing for families accounted for the majority of starts during 2013/14 (1,064 units; 82% of starts). Just over one tenth of the dwellings started during the year (140; 11%) were in the form of supported accommodation to meet the needs of various groups including people with learning disabilities, people with mental health problems, people with a physical disability, young people at risk or leaving care and vulnerable women. In addition, just under 100 of the new social dwellings that were started during 2013/14 were designed to meet the needs of active elderly people who require minimal support.

Just under one tenth of starts (8%; 105 units) were located in rural areas, while dwellings in Belfast and Derry accounted for half (50%) of all starts. The number of social housing completions during 2013/14 (1,967) was substantially higher than in 2012/13 (1,254).

In recent years, issues such as land supply and planning constraints, combined with a reduction in the overall availability of funding, have resulted in a challenging environment for housing associations seeking to provide new social dwellings in Northern Ireland. In partnership with the Housing Executive, associations exceeded the agreed target of 2,000 starts in 2014/15, with starts on 2,013 dwellings. This meant that the Programme for Government target to deliver 6,000 social dwellings (along with a further 2,000 affordable homes) between 2011/12 and 2014/15 was

also exceeded, with work commencing on a total of 6,101 new units over the period. The budget for 2015-16, which was published in January 2015, contained a commitment that £98 million would be made available for 1,500 new social homes during the year. It is expected that bids will be made in-year for additional funding to enable 2,000 starts during 2015/16.

Planning for social and affordable housing

A major reform programme for the planning system in Northern Ireland has been under way for a number of years, and the Planning (Northern Ireland) Act 2011 paved the way for the transfer of the majority of planning functions from central government to district councils as part of the wider local government reform programme. In preparation for the transfer of powers, a programme of engagement and capacity building was set up to ensure a smooth transition and equip councillors with the knowledge and skills to carry out their new role.

As well as development control and enforcement, the new councils have assumed responsibility for local development plan functions, and have the lead role in community planning, which is a new requirement in Northern Ireland. Community planning is:

*“a process led by councils in conjunction with partners and communities to develop and implement a shared vision for their area, a long term vision which relates to all aspects of community life and which also involves working together to plan and deliver better services which make a real difference to people’s lives”.*³³

Councils will lead the community planning process, and must work with a wide range of partners to improve the social, economic and environmental wellbeing of their areas. The resulting community plans will have a long term vision (10-15 years), but must be reviewed every four years, with progress statements to be published every two years.

The Housing Executive was named as one of nine statutory partners proposed in the Draft Local Government (Community Planning Partners) Order (Northern Ireland) 2015. In this capacity, the Housing Executive will set out the challenges and issues facing the entire Northern Ireland housing sector, along with the strategies to address them, as part of the community planning process. The Local Government (Northern Ireland) Act 2014 specifically referred to housing associations among the voluntary sector bodies that councils should consult and engage with in producing their community plans.

Since its inception, the Housing Executive has consulted with each local council on housing need and conditions and future investment plans, most recently through the District Housing Plan/Local Housing Strategy document. From 2015-16, in order to better meet the requirements of the community planning evidence base for the 11 super-councils, these documents will become Housing Investment Plans. Each investment plan will be prepared with input from key stakeholders across the housing sector, including representatives of the construction industry, private landlords, estate and letting agencies, lending agencies, voluntary sector and rural community representatives and the Housing Community Network.

³³ DoE Northern Ireland (2013) Northern Ireland Community Planning Foundation Programme: Preparations in Advance of 2015 Version 1 October 2013

Strategic Planning Policy Statement for Northern Ireland

In preparation for the changes to the planning system, the Department of the Environment undertook a comprehensive consolidation and review of planning policy. The resulting draft Strategic Planning Policy Statement (SPPS) consolidates 20 separate planning policy publications into one document and sets out the core principles that will underpin delivery of the reformed two-tier planning system. For the most part, land-use planning policies remain largely unchanged from the principles set out within existing planning policies; the SPPS therefore primarily constitutes a framework for delivery of the reformed planning system. The draft policy was published in February 2014, for a period of consultation that concluded at the end of April. The Department has been considering the responses it received and will publish a summary in due course.

Developer contributions for affordable housing

In June 2014, the Ministers for Social Development and the Environment launched public consultations on proposals designed to enable an increase in the supply of affordable housing through developer contributions. *Developer Contributions for Affordable Housing (DSD) and Draft Planning Policy Statement 22 (PPS22): Affordable Housing* (DoE) set out the proposals for how a developer contributions scheme would operate and the proposed mechanism for securing the contributions. For the purposes of both consultations, 'affordable housing' referred to:

- *Social rented housing*, provided at an affordable rent by the Housing Executive or a registered housing association, which is available to households in housing need and offered in accordance with the Common Selection Scheme; and
- *Intermediate housing*: shared ownership housing provided through a housing association (such as Co-Ownership), which helps households who can afford a small mortgage but who cannot afford to buy a property outright.

The DSD consultation was based on the premise that in a context of constrained public finances, developer contributions for affordable housing are necessary if housing need is to be met. Some of the key points and proposals were that:

- The introduction of developer contributions would aim to promote sustainable communities through provision of a mix of housing (in terms of tenure, price and household composition) that would meet the identified housing needs in a particular area.
- The Department for Social Development would establish and resource multi-disciplinary teams to negotiate the necessary legal agreements with developers.
- The favoured option would be for developer contributions to be based on the overall profitability of a given scheme and informed by economic viability modelling. The level of contribution would take account of the annual Housing Growth Indicator (HGI) and the regional social housing need assessment using the Net Stock Model and Local Housing Need Assessments.
- Alternatively, calculation of the contribution could be based purely on the pre- and post-planning permission values of the land on which the development is taking place.

- ➔ Each developer or landowner seeking planning permission for a development of five or more housing units would be required to make a contribution to affordable housing, in line with Housing Need Assessments. For purposes of consistency and clarity, and to achieve the necessary level of affordable housing, a regional target level of contribution – for example, a minimum 20% – might also be set.
- ➔ Contributions would be sought in the following preferential order:
 1. Housing units on-site;
 2. Housing units off-site;
 3. Housing units and a commuted sum;
 4. A commuted sum.
- ➔ The preference would be for units to be located in the general area of the development and their location would take account of the desirability of mixed tenure.
- ➔ In specific circumstances, off-site provision or payment of a commuted sum could be justified. Commuted sums would be ring-fenced for the Department for Social Development to fund affordable housing schemes in areas of need within Northern Ireland.

The mechanisms proposed in the Department of the Environment's consultation document would supersede policy HS 2 (Social Housing) contained in *Planning Policy Statement 12, Housing in Settlements*. A new policy, AH 1 – Affordable Housing, would enable the planning authority to seek the provision of affordable and/or commuted sums for all development applications containing five housing units or more on sites outside land zoned for social housing. The draft policy further stipulates that:

- ➔ Where a development plan sets out a key site requirement for the provision of a social housing element less than this target, the planning authority would require further provision of affordable housing and/or commuted sums to meet the provisions of the identified target.
- ➔ In determining such applications, significant weight would be given to the targets set out in the Department for Social Development's 'Developer Contributions for Affordable Housing' draft policy.
- ➔ Where affordable housing and/or commuted sums are to be provided by the developer, these would be secured by way of planning condition or through a planning agreement between the developer and the planning authority which would be in place before planning permission for the development proposal would be granted.
- ➔ Planning permission would not be granted for development proposals containing fewer than five housing units where lands had been artificially divided for the purposes of circumventing these policy requirements.

The consultations closed on 26 August 2014, and the two Departments subsequently published summaries of the responses/emerging findings.³⁴

³⁴ DSD (2014) Developer Contributions for Affordable Housing: Summary of Responses to Consultation November 2014; DoE (2014) Draft PPS 22 'Affordable Housing' Public Consultation: Emerging findings paper – 27th November 2014

A variety of businesses and organisations responded to the DSD consultation on the proposed policy for developer contributions. Around half of the written responses agreed that a policy was necessary, while the remainder were either cautiously supportive or opposed to the idea, mainly due to the slow recovery of the construction industry and the potential impact on housing supply. Opinion was divided on many of the more detailed proposals contained in the consultation and respondents suggested that there was a need for up-to-date, Northern Ireland-specific research – and for a small business impact test to be carried out – before implementation of the policy.

The Department of the Environment's emerging findings paper provides an overview of the main themes identified during the consultation process on the mechanism for securing developer contributions: the key points are very similar.

The response to the proposed planning policy was mixed. Developers and trade associations, while accepting the principle, were generally opposed to aspects of both the detail and the timing of the consultation. Respondents were of the view that introducing the policy in the near future would add to uncertainty and contribute few additional affordable housing units, and might further reduce new housing supply by acting as a disincentive to the provision of new homes. There was concern about the five-unit threshold, which some respondents viewed as a threat to site viability. House builders expressed a strong view that the proposal to require developers to contribute the full cost of land, materials and construction was excessive and would compromise the viability of development proposals. They noted that the proposal to provide affordable housing at nil cost appeared to go further than equivalent provisions in the UK and Ireland, where the cost of constructing affordable units is subsidised.

Respondents sought more detail on how the proposed Affordable Housing Team, which would negotiate with the developer to determine the appropriate level and mix of affordable housing, would operate in practice. There were comments on a number of detailed issues including:

- ➡ The need for clarity on the use of planning conditions or planning agreements;
- ➡ The likelihood of delays and additional costs associated with the negotiation and viability modelling processes; and
- ➡ The method of calculating financial viability.

On the basis of the consultation findings, the Minister for the Environment and Minister for Social Development agreed that further research would be necessary to provide up-to-date, Northern Ireland specific data on the likely economic impacts of the various options for developer contributions schemes. The Departments have indicated that they will fully reflect on the consultation outcomes and the findings of further research before deciding on the way ahead for the policy. In the meantime, social housing will continue to be delivered through the development plan process. Furthermore, in finalising the Strategic Planning Policy Statement for Northern Ireland³⁵, the Department of the Environment will emphasise the importance of development plans in ensuring an adequate and available supply of housing to meet various needs, including social and affordable housing.

³⁵ For more information see www.planningni.gov.uk/spps

Improving and Maintaining Social Housing

The 2011 House Condition Survey indicated that approximately four per cent of properties in the social sector failed to meet the Decent Homes Standard. The comparable figure in 2006 was 22 per cent. The sizeable reduction in the non-decency rate primarily reflects ongoing investment in new, more efficient heating systems and insulation in existing properties, and the high energy efficiency standards incorporated in the new build dwellings provided by housing associations. Traditionally, the vast majority of social sector homes that did not achieve the Decent Homes Standard failed on the basis of 'thermal comfort'.

Housing Executive dwellings

The Decent Homes Standard was introduced in Northern Ireland in 2004, to promote measurable improvements to housing in the region. The aim was that the entire social housing stock would meet the standard by 2010. However, although the proportion of social dwellings failing to meet the standard has declined in recent years, the original target was not achieved. A substantial fall in income from capital receipts (land and house sales) has led to a significant reduction in the funding available to invest in improvements to Housing Executive stock in particular. In addition, while the organisation has addressed serious matters relating to both response and planned maintenance contracts, it was not possible to start new schemes in a number of work streams during 2013/14.

Starts on heating replacement installations did go ahead during the year, and the outturn was above the target that had been set (5,997 installations started, against a target of 5,750). Work also started on the installation of 7,145 carbon monoxide detectors and 5,695 smoke alarms. While contractual issues meant that there were no starts on double glazing or kitchen replacement during 2013/14, existing contracts were completed for external maintenance to 6,441 dwellings, kitchen replacements to 2,482 dwellings and double glazing to 3,673 dwellings.

There has been no funding for multi-element improvements since 2008/09, and there therefore remains a group of around 5,000 Housing Executive properties that are in need of more extensive improvement work. In July 2013, as part of the Facing the Future housing strategy, and in light of the ongoing funding shortages, the Minister for Social Development announced plans for a phased stock transfer programme. Comprising around 2,000 Housing Executive dwellings at 65 locations throughout Northern Ireland, the programme aims to enable improvement work to be carried out by the housing associations that will take ownership of the properties.

The announcement followed initial work on two pilot schemes that had been identified in Derry and Bangor, involving more than 120 properties. The dwellings at Rinmore in the Creggan area were transferred to Apex Housing Association in 2011, following a vote which showed that tenants were in favour of the proposal. Improvements to the 55 properties were completed in late 2013. More recently, following a consultation process, the tenants living in 72 bungalows in the Bloomfield area of Bangor also voted in favour of transfer, and ownership of the properties transferred to Oaklee (now OakleeTrinity) in June 2014.

The Housing Executive, Department for Social Development and Strategic Investment Board have been working to develop appropriate processes since the

larger-scale transfer programme was announced, including the necessary economic and technical appraisals. It had originally been intended that the full, 2,000-dwelling transfer programme would be carried out in three phases, with the final phase to begin in September 2014. However, the first phase of transfer was delayed and, following a review of the overall project, which was carried out in spring 2014 and approved by the Minister for Social Development later in the year, an amended transfer protocol is being developed.

An external review of the Housing Executive's planned maintenance contracts was carried out in November 2013, after internal investigations indicated that significant sums of money had been overpaid to planned maintenance contractors. The review concluded that there had been failings with regard to the management of contracts. During 2013/14, after a period of negotiation, the Housing Executive reached settlement agreements with the contractors involved in schemes prior to July 2012. It also introduced new structures to strengthen operational control and oversight, and new planned maintenance contracts were subsequently awarded to six contractors. As a result, work on kitchen replacements, double glazing and external cyclical maintenance re-commenced during the 2014/15 financial year.

A comprehensive survey of the Housing Executive's stock commenced in August 2014. The survey was undertaken by Savills, and updates a similar exercise undertaken in 2009, which estimated a requirement for investment of £5.1 billion over a 30 year period to maintain and modernise the Housing Executive's stock. Taking account of new regulatory compliance requirements, increased costs and the lack of funds to invest in essential component replacement work in recent years, it is estimated that the minimum investment requirement for the Housing Executive's stock may now have risen to around £6.1 billion. The data collected by Savills will be used to determine what needs to be done to maintain Housing Executive properties in the future and forecast future investment requirements.

Housing association stock

Registered housing associations are required to meet, from their rental income, the full cost of maintaining their homes over the whole of their useful lives. Overall expenditure figures are not available, but it is estimated that the associations spend £20 million per annum on maintenance and £18 million per annum on major repairs. In addition, they receive about £2 million per year to undertake adaptations for tenants with a disability.

The Economic Impact of Social Housing Organisations

In 2014 the Housing Executive commissioned the Centre for Regional Economic and Social Research (CRESR) at Sheffield Hallam University to assess the economic impact of the Housing Executive and housing associations in relation to the provision of new social housing, the management of social housing, the role of social housing organisations as employers, their investment in communities and their promotion of economic growth. The aim of the research was to provide a baseline against which to assess the impact of the various challenges facing social housing organisations in the region.

The report measured economic activity stimulated directly by expenditure associated with the day-to-day activities of housing organisations (for example

providing routine maintenance, building new dwellings and managing rental income), which then flows through the economy to create additional activity in other sectors and industries. The analysis focused on activity and expenditure in 2012/13 and used both quantitative and qualitative evidence including:

- ➔ The published financial statements and annual reports of all social housing organisations;
- ➔ Secondary and administrative data held by the Department for Social Development, Housing Executive and Northern Ireland Federation of Housing Associations;
- ➔ A survey of all social housing organisations managing units within Northern Ireland; and
- ➔ In-depth qualitative work with three case study organisations and key stakeholders such as DSD, NIFHA and representatives from the construction industry.

Some of the main findings were that, in 2012/13:

- ➔ Gross expenditure (including construction and refurbishment) by social housing organisations was estimated at £676 million. Of this, almost one quarter (24%) was spent on construction of housing properties, a similar proportion (23%) on major repairs and maintenance, and just over one tenth (13%) on direct staff costs.
- ➔ It was estimated that almost four fifths (79%) of gross expenditure (£536.4 million) was spent in Northern Ireland. (This net figure excludes depreciation, bad debts and expenditure to companies not located in Northern Ireland.) In turn, it was estimated that this expenditure indirectly brought about an additional £615.1 million worth of expenditure (output). The total economic output supported by social housing organisations was therefore estimated at £1.15 billion.
- ➔ Social housing organisations had almost 6,000 employees whose main place of work was within Northern Ireland. Just over half (52%) were employed by the Housing Executive and 48 per cent were employed by housing associations. The vast majority of these employees (99.5%) resided within Northern Ireland. The number of full time equivalent employees working in social housing organisations (4,796) was approximately half the number working in post-primary schooling. In addition, housing organisations' activities indirectly supported a further 10,640 full time equivalent jobs.
- ➔ A total of £460 million Gross Value Added (GVA) is created for the Northern Ireland economy by the activities of social housing organisations. This includes £246 million produced directly and a further £214 million supported indirectly.

Key Issues and Strategic Perspective

The Programme for Government target to deliver 8,000 new social and affordable homes between 2011/12 and 2014/15 was exceeded by 20 per cent, with investment of around £900 million enabling a total of 6,101 starts on new social dwellings and delivery of 3,965 affordable homes. With sales of social dwellings to tenants remaining relatively low, the number of social dwellings in Northern Ireland will continue to grow over the next three years. However, planning constraints and difficulties in securing both land and the support of local communities in appropriate locations will continue to create a challenging environment as the Housing Executive and housing associations work towards a target of starting at least 1,500 dwellings in 2015/16 to meet the identified need.

The reduction in the projected rate of household formation (see Chapter 1) is likely to result in lower projected need for new social housing over the next three years, freeing up resources for capital investment in maintenance and improvement of social sector dwellings.

At the time of writing, the deadlock over implementation of Welfare Reform in Northern Ireland continued. However, there is likely to be increasing pressure for full implementation in Northern Ireland. If the reduction in Housing Benefit in cases of under-occupancy is applied, it is likely to affect a substantial number of social housing tenants and lead to increased demand for the limited stock of smaller properties.

Work on the Social Housing Reform Programme is well under way. Already in 2015, the Department for Social Development has launched consultations on tenant participation and the regulatory framework for social housing providers. It is planned that further consultations will take place during 2015, paving the way for further developments in the reform programme that will shape the delivery of social housing in Northern Ireland in the future.

The housing market and construction sector are still recovering from the property downturn in 2008. Many of those who responded to the consultations on the introduction of a developer contributions policy which were carried out during 2014 were of the view that, in these conditions, developer contributions would yield limited results. The Department for Social Development and Department of the Environment will give further consideration to the implementation and ramifications of developer contributions during the coming year.

The Co-Ownership scheme continues to play a very important bridging role in meeting the needs of lower income households wishing to access owner-occupancy. The public and private funding that has been committed to the scheme will help the organisation continue to fulfil its invaluable role in a challenging housing market.



Conclusion

“Given the ongoing constraints on the public purse, resources for stimulating the housing market, for new social housing... will be more limited ...”

Housing
Executive

Conclusion

Northern Ireland's housing market is experiencing a gradual recovery. During 2014, the US economy experienced significant growth. The prospects for the economy of the UK also became significantly brighter. However, ongoing uncertainties and a weak labour market in the euro area, and a further period of austerity and limited increases in real wages in the UK, provide the wider context for the next three-year period. Northern Ireland's labour market improved substantially in 2014, but the significant rise in the rate of unemployment in early 2015 combined with the expected public expenditure constraints and the ongoing uncertainties surrounding the implementation of welfare reform will continue to provide a challenging economic context for the housing market.

During the next three years the number of new homes being completed for the private sector is likely to remain well below the recent historic trend. House prices are likely to continue to gradually increase, reflecting low mortgage interest rates, and improved access to higher loan-to-value mortgages. However, the high levels of negative equity in Northern Ireland will continue to hamper the process of market recovery.

The private rented sector will play an increasingly important role in meeting the needs of younger households on lower incomes, who in previous decades would have more likely become first-time buyers. High levels of demand for social housing in some areas will also continue to underpin the demand for private rented accommodation, which will continue to be supported by a large Housing Benefit budget. However, the impact of changes to the Housing Benefit system have so far been muted, in particular due to the continuation of direct payments to landlords, although recently completed research indicates higher deposits and a growing gap between Housing Benefit and market rent.

Given the ongoing constraints on the public purse, resources for stimulating the housing market, for the construction of new social housing and investing in existing stock will be more limited, making decisions regarding housing policy, expenditure and intervention more challenging. Nevertheless it is important that the impact of scarce resources is maximised in the drive to meet the ongoing need for new social and affordable housing as well as improvement and maintenance of the existing stock and in particular its energy efficiency.