Northern Ireland Housing Market

Housing Executive

Review and Perspectives 2009-2012

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Preface

We are very pleased to present the "Northern Ireland Housing Market: Review and Perspectives 2009-2012".

This is one of the most important documents that the Housing Executive produces on an annual basis in its role as the Regional Strategic Housing Authority. It remains a key pillar on which we build and prioritise our strategic intervention in the market.

The 2007 Semple Review into Affordable Housing indicated a need for 2,000 social housing completions per annum and this figure has since been revised to 3,000 based on the Housing Executive's model for forecasting social housing need.

Indeed, the rising waiting lists (approximately 40,000) remain a critical issue coupled with the shortfall in public sector funding against a background of significantly reduced capital receipts; from 2,200 house sales in 2007 which produced £100m, to a projected 50 house sales this year. This has had a significant impact on achieving investment targets.

The affordability of homes in Northern Ireland remains a problem despite the fall in prices. First time buyers are continuing to experience difficulties in purchasing a home due to the 'credit crunch' affecting lenders' appetites to provide mortgages with high loan to value ratios. The situation will be exacerbated by rising unemployment.

The next three years will prove very challenging for Northern Ireland's housing market, not only for the Housing Executive and housing associations, but also for key players in the private sector: developers, construction firms, lenders, landlords, estate agents and most importantly for households trying to meet their housing needs.

The current housing climate has led many developers to approach the Housing Executive with proposals for transferring existing unsold private developments to the social sector. Approximately 150 schemes (2,000 houses) have been the subject of discussions.

There is also concern about the private rented sector's sustainability as falling house prices and the 'credit crunch' take their toll on investors. However rising waiting lists for social housing, affordability issues for first time buyers and changing labour markets will ensure that the private rented sector will continue to play an important role in Northern Ireland's housing market. The Housing Executive has launched the pilot for the Partner Landlord Scheme. This now gives an option for the Housing Executive to make use of the private rented sector to relieve some of the strain on the waiting lists.

The rate of unfitness has fallen from 4.9 per cent in 2001 to 3.4 per cent in 2006. The number of homes meeting the Government's key measure, the Decent Homes Standard, has risen from 68 per cent to 77 per cent in 2006. Indeed, the Housing Executive stock, in particular, performed well in this measure. However the fact that more than one-third of all households are in Fuel Poverty is a cause of considerable concern.

While we know there are huge challenges ahead, we also believe there are opportunities for housing to contribute to the economic upturn. The provision of social housing is identified as a key instrument in order to tackle the issues regarding the affordability of homes, and as such require committed investment in this area. Investment is also needed to improve social housing stock and the private sector through home improvement grants which can make a significant difference in terms of local employment and investment. We therefore fully support the Minister in her quest for additional resources.

Brian Rowntree, Chairman

Paddy McIntyre, Chief Executive

Executive Summary

The Housing Executive publishes the Northern Ireland Housing Market: Review and Perspectives each year in its role as Northern Ireland's regional strategic housing authority. This is the thirteenth consecutive year it has been published. The report provides a comprehensive insight into the factors driving the housing market and the latest trends and developments in all three sectors of the market. On this basis it highlights the key issues and perspectives for the coming three year period.

Chapter 1 The Strategic Context

This chapter examines the key economic, social and demographic factors driving Northern Ireland's housing market. It begins by looking at the Chancellor's Pre-Budget Report (November 2008) and the budgetary provision for housing in Northern Ireland.

Pre-Budget Report 2008

The Chancellor of the Exchequer presented his Pre-Budget Report to Parliament on 24th November 2008, against a background of a sharply deteriorating economy. The core of the proposals was a £20bn package of measures designed to boost purchasing power and mitigate the worst effects of the recession. The financing of this will see the Government breaching its sustainable investment rule, with total public sector debt exceeding 40 per cent of GDP, to reach more than £1 trillion (52.5% of GDP) in 2012/13.

The Pre-Budget Report contained a number of specific proposals designed to boost the housing market and the construction industry and help households in financial difficulty in order to minimise the rising number of repossessions. The proposed measures included a £200m "mortgage rescue scheme", more generous mortgage interest benefit (on mortgages up to £200,000) where borrowers have been unemployed for 13 weeks (rather than 30), bringing forward £775m worth of investment on social housing and an extra £100m for the Warm Front Programme. Overall the package is seen as providing modest support to vulnerable borrowers, but not providing a significant stimulus to the slowing housing market, as it focused on existing vulnerable borrowers, rather than help for first time buyer's.

Programme for Government, the New Agenda for Housing and Housing Finance

The Northern Ireland Executive published its Programme for Government 2008-11 in January 2008. This document identified a number of key priorities: economic growth, promoting inclusion and health, protecting the environment, investing in infrastructure and delivering high quality and efficient public services. The Investment Strategy (2008-18) which accompanied the Programme for Government saw investing in housing as an important component of the overall strategy and contained a commitment to complete 10,000 new social and affordable dwellings over a five year period. The Investment Strategy for Northern Ireland, however, provided for only £925m from NI Executive Funds 2008-11 to support the construction of these homes. This initial budgetary allocation was seen as grossly inadequate and in response, and as part of the New Housing Agenda announced in February 2008, the Minister for Social Development was able to gain an additional £275 million for social housing which it was hoped would permit a Social Housing Development Programme of 1,500 in 2008/09, 1,750 in 2009/10 and 2,000 in 2010/11. However, this output was predicated on the basis of a certain level of capital receipts from the sale of a considerable number of dwellings and a significant quantity of land owned by the Housing Executive. With the sharp downturn in the housing market that has taken place in 2008, capital finance from these sources has remained at a much lower level than expected. In the light of this it is estimated, that unless additional resources are made available to housing in-year, the number of social dwellings which will be built or acquired in 2008/09 will be around 1000-1200.

Varney Report

In this context the section of the "Varney Report" published in May 2008 dealing with social housing is of particular interest. It emphasised the ability of "private sector RSLs" (Registered Social Landlords) in England to lever in private finance, alongside public sector investment, to increase the level of housing stock improvements or new build that can be delivered. The report suggests that the scope for such a model should be considered.

December Monitoring Round

In December 2008, the Northern Ireland Executive made an additional £9m available to address housing and housing-related issues: £4m for the Special Purchase of Evacuated Dwellings and a further £5m for the Social Housing Development Programme. A further £15m was also made available to address Fuel Poverty. Despite these additions, however, given the current housing market context, there is still a significant shortfall in the funding required to achieve agreed targets for newbuild and improvement.

The Regional Development Strategy and Planning Policy Statements 21

The Regional Development Strategy (RDS) for Northern Ireland, published in 2001, has played an important role in shaping Northern Ireland's housing market. The Housing Growth Indicators (HGIs) for Northern Ireland contained in the RDS were the subject of considerable debate. They were increased by more than a quarter following Public Examination in 2006 to give a total figure for Northern Ireland of 208,000 (1998-2015). Work had begun in 2008 to review the figures in the light of new 2006-based household projections and housing stock related figures emerging from the 2006 House Condition Survey. Preliminary analysis indicated a further increase in HGIs to reflect the additional households which were expected to have formed by 2015. However events overtook this process, when in June 2008 the Regional Development Minister announced a fundamental Review of the Regional Development Strategy, and highlighted that the housing figures had been seen by many as unnecessary and restrictive. The draft of the new RDS is scheduled to be published for consultation in the Spring of 2009.

Draft Planning Policy Statement 21

Draft Planning Statement 21: Sustainable Development in the Countryside was issued on 25th November 2008 for consultation and with immediate effect. Substantial weight is to be given to PPS21 in the determination of any planning application received after 16th March 2006. Planning permission will be granted in cases where certain specified criteria are met, for replacement dwellings, for dwellings required for personal and domestic reasons, for dwellings required for non-agricultural business enterprises, for ribbon developments and dwellings on farms. Planning permission will also be granted for "clachan" style developments of up to 6 houses in a designated Dispersed Rural Community and for a group of 14 social or affordable dwellings adjacent or near a settlement or within a Dispersed Rural Community, where a demonstrable need has been identified by the Housing Executive.

Draft PPS21 provides a significantly more relaxed rural planning environment than its predecessor, PPS14. With Draft PPS21 now in place, the reworking of PPS12 Housing in Settlements is now being taken forward by the Department of the Environment and the Department for Social Development, with a view to addressing the issue of developer contributions to the future provision of social and affordable housing.

Executive Summary

The Economic Context

Developments in the world economy in 2008 were dominated by a major crisis in the worlds financial markets, the ensuing "credit crunch" and evidence of a deepening economic recession in all the major industrial countries. In the USA, the dominant country in the world economy, the continuing crisis in its housing market, the nationalisation of Fannie Mae and Freddie Mac - the two Government sponsored enterprises owning more than half of the $12 trillion of outstanding home loans - the bail out of several major financial institutions all impacted on the wider economy in the USA. In October the US Government unveiled emergency measures to enable it to purchase "toxic" mortgage assets and recapitalise markets. Further evidence of the rapidly deteriorating economic situation - collapsing consumer confidence, falling housing starts, a slump in retail sales, falling industrial production and a crisis in the US car industry forced the Government to make a further $800 billion available to distressed credit markets and lower interest rates in December 2008 to 0-0.25 per cent. However, with steadily rising unemployment (to nearly 7% in December) and falling housing starts (nearly 47% lower in November 2008 than in November 2007) the outlook for the American economy is bleak.

Similar evidence of a sharp downturn is evident in Japan (where GDP has been declining since the Spring of 2008) and in the Eurozone, which is now officially in recession, with contracting GDP recorded in both quarters 2 and 3, 2008.

The UK Economy

In Britain, too, despite the sharp reduction in interest rates (from 5% in October 2008 to a historically low 1.5 per cent in January 2009) the economic outlook for 2009 is poor. The British economy contracted by 0.6 per cent in Q3, 2008 and most economists agree that the UK is already technically in recession, something that will be confirmed when Q4, 2008 figures are published.
The stimulus package announced by the Chancellor of the Exchequer in November 2008 has so far had little effect on the housing market, with mortgage approvals for December 2007, two-thirds lower than in December 2007. CML figures have shown that housing transactions (sales) fell from 1.6 million to 700,000 in 2008. The reduction in mortgage equity withdrawal has impacted on purchasing power with the level of new car sales in 2008 nearly 40 per cent lower than in 2007. Unemployment has jumped sharply with the Labour Force Survey figure now exceeding 2 million. Unemployment is set to increase sharply in 2009 as the effects of the deepening recession impact on the retail sector, as well as manufacturing and the financial services sector.

The Northern Ireland Economy

Northern Ireland's economy is in recession with economic growth forecast to contract by 1.5 per cent in 2009. The Ulster Bank Quarterly Economic Report (October 2008) paints a pessimistic picture of deteriorating prospects for trade, tourism and investment. It highlights that the construction industry has been particularly affected by the downturn and that new private housing starts are set to fall to 5,000 in 2009, 70 per cent below their 2006 peak. The malaise in the construction sector has spread to the service sector. Business services and finance have seen a sharp decline in 2008. Retailing, wholesale distribution and hotels and restaurants - the major source of employment growth in Northern Ireland since the 1990 - are all experiencing difficult trading conditions and the sale of new cars fell sharply in Q3, 2008 (almost 30% lower than Q3, 2007). In combination the economic drivers underpinning Northern Ireland's housing market signal a very challenging 2009.

Demographic Profile

In March 2001 there were some 1,686,000 people living in Northern Ireland; by 2006 this had risen to 1,742,000. The most recent population projections indicate the following key trends:

- Overall population is set to increase to 1,922,000 in 2021. International migration is also starting to have a significant impact, with an estimated net in-migration of nearly 10,000 in 2005/06.
- The number and proportion of children under 16 is set to increase (partly as a result of an increase in birth rate and partly due to immigration): Between 2006 and 2021 the number of children is expected to increase by 3.3 per cent from 380,000 to 393,000.
- The number and proportion of people of pensionable age will grow somewhat: Between 2006 and 2021: the number is expected to increase by 55,000 to 339,000, a smaller number than expected, reflecting an increase in the pension age.
- The number of people aged 75 and over is projected to increase substantially between 2006 and 2021: by 54,000 (45%) to 164,000.

Average household size has continued to fall between 2001 when it was 2.65 and 2006 when it was 2.55. In 2006 nearly one third (30%) of all dwellings were occupied by single person households. This proportion is expected to grow to 34 per cent by 2021 (a 37 per cent growth in numbers).

This demographic profile has important implications not only for the number of new dwellings required, but also their design and the growing need for housing support services to help older people live independently in their own homes.

The Waiting List, Homelessness and the Need for Social Housing

The waiting list for social housing, including the number of applicants in housing stress continued to grow rapidly last year. In March 2008 the overall number of applicants stood 39,688, an increase of 10 per cent on March 2007. The number in housing stress was 21,364, an increase of almost 1,700 (8%) on the previous year and comprising more than 54 per cent of the total waiting list). By September 2008 the number on the waiting list had increased to 39,832, but the number in housing stress had fallen a little to 21,124, perhaps the first indication of the effects of the deepening recession on the rate of household formation. Similarly, this may also be reflected in the declining number of households presenting as homeless to 19,030 in 2007/08 (a 9% fall) and those accepted as homeless to 9,234 (a 5% decline).

The revised 2001 census based housing need models run in 2003 estimated that between 2001 and 2011 there was an annual requirement for around 1500 additional social dwellings to meet the expected rate of household formation. In 2006 the Net Stock Model was revisited and figures published in February 2007 indicated that 2,200 new social dwellings were required to meet the ongoing demographic demands. This model has been recently revised in the light of updated household projections and housing stock figures, and the most recent model (December 2008) estimates that a figure of 2,300 is required, simply to ensure that new demand arising from demographic pressures and the changing housing stock is met. It is considered that in total at least 3,000 additional new social dwellings should be built annually to make a significant inroad into the shortfall between need identified and the actual number of new units of housing delivered between 2001 and 2008.

Executive Summary

The Characteristics and Condition of the Stock

The Interim 2006 House Condition Survey provided an update on a number of key housing indicators:

- Unfitness
  The headline unfitness rate for 2006 was 3.4 per cent (24,200 dwellings), a significant reduction from 2001 when it was 4.9 per cent (31,600 dwellings). Unfitness remained higher in rural areas (5.4%) than in urban areas (2.6%). Nearly two-thirds (58%) of all unfit properties were vacant and almost than two-thirds (62%) were built prior to 1919.

- Decent Homes
  In 2001 almost one-third (32%, 206,000) of all dwellings failed the Decent Homes Standard. Almost nine-tenths of these (88%) failed on the basis of the thermal comfort criterion. There was considerable progress by 2006 when only 23 per cent (162,000) of dwellings failed the Decent Homes Standard. Again the vast majority of these failed on the thermal comfort criterion.

- Housing, Health and Safety Rating System
  This new indicator focuses on the potential effect of design issues and faults on health and safety. In 2006 almost one fifth (19%) of all dwellings in Northern Ireland had Category 1 hazards, which in England, where the Housing Health and Safety Rating has replaced the unfitness standard as the first element of the Decent Homes Standard, would automatically be considered to have failed the Decent Home Standard.

- Energy Efficiency
  The Housing Executive is continuing to make good progress towards its target of improving energy efficiency by 34 per cent. The 2006 House Condition Survey confirmed that between 1996 and 2006 energy efficiency for the pre-1996 stock improved by 20 per cent. It also confirmed the ongoing decline of solid fuel heating and the rapid growth of gas and oil driven central heating systems. By 2006, 88 per cent of dwellings had either oil fired or gas central heating.

Fuel Poverty

The 2006 House Condition Survey showed that 226,000 (34.2%) households in Northern Ireland were in Fuel Poverty. This represented an increase of seven percentage points on the revised figure of 27.3 per cent for Northern Ireland in 2001. Analysis indicated that rising fuel prices were the primary cause of this substantial increase. Indeed given the increases in the price of fuel, if there had been no countervailing effects from rising incomes and improvements in energy efficiency, two-thirds of all households would have been in Fuel Poverty in 2006.

The comparable figure for Fuel Poverty in England in 2006 was 9 per cent. It must be stressed that Fuel Poverty figures produced for the Republic of Ireland are not comparable to those for Northern Ireland. The former are based on estimates of actual expenditure, not based on objective measures of expenditure requirements as are the models used in the UK.

It must also be emphasised that in 2006 fuel prices were much lower in Northern Ireland than in 2008. It is likely that the level of Fuel Poverty in Northern Ireland for 2008 would have exceeded 40 per cent. In response to this, and against a background of severe budgetary pressures, the Minister for Finance and Personnel announced in December 2008 that an extra £15 million was being made available to provide £150 to an estimated 100,000 households in receipt of Income Support or on Pension Credit, to help with the rising costs of fuel.

Key Issues and Strategic Perspectives

- A significant downturn in the American economy, associated primarily with the recent slump in the US housing market, and the ensuing "credit crunch" have been major factors in precipitating the deepening economic recession in the United Kingdom. In Northern Ireland a combination of lower increases in public expenditure, the level of indebtedness, rising unemployment, the much tighter credit environment and falling house prices will continue to exert significant downward pressure on purchasing power in the economy and the housing market.

- Northern Ireland's demography is continuing to change. The rate of household formation has been rising, driven by population growth (including a substantial influx of migrant workers) and single living associated with marriage/ relationship break up. The continuing trend towards more single person and older households will result in a sustained demand for accommodation and in particular for smaller units of accommodation and supported housing. However, there are some early indications that for economic reasons the rate of household formation may reduce.

- The continuing rapid growth in the number of applicants on the waiting list and those in "housing stress, confirms that there is an ongoing shortfall in the supply of social housing. The latest analysis indicates that there is an annual requirement for at least 3,000 additional new social dwellings for the period 2009-12 to meet both ongoing need and address the substantial backlog which has arisen since 2001. It is unlikely that this can be achieved given the budgetary provision for 2009-11.

- The housing stock has grown at an accelerated rate over the past five years and its condition has also improved markedly. The 2006 House Condition Survey shows that between 2001 and 2006 the rate of unfitness fell significantly from 4.9 per cent to 3.4 per cent and the proportion of homes meeting the Decent Homes Standard rose from 62 per cent in 2001 to 77 per cent in 2006. However, in order to ensure that current levels of fitness are maintained and improved, adequate public funding is required, particularly in the light of the shortfall in capital receipts from the sale of Housing Executive land and dwellings.

- Good progress has been made over the last five years in relation to increasing the energy efficiency of the stock. However, the most recent Fuel Poverty figures (34% in 2006), and the background of much higher energy prices for the foreseeable future indicates that any significant reduction in the level of Fuel Poverty poses a huge challenge.

Chapter 2
Owner Occupation

New Housing

The rapid growth of the owner occupied sector which characterised the decade 1997-2007 came to an end in 2007/08. A combination of a decline in the construction of new private sector dwellings, the increasing number of vacant properties, the sale of very few social dwellings and the growth of the private rented sector resulted in the overall number of owner occupied dwellings remaining static in 2007/08 at 488,000, while the proportion of the overall housing market fell to 66 per cent in 2007/08. In parallel with the rest of the UK and the Republic of Ireland, Northern Ireland has experienced a sharp downturn in the construction of new dwellings. In 2007/08 some 10,700 new private sector dwellings were started, a 24 per cent reduction on the previous financial year. Figures emerging for 2008/09 indicate a further contraction. Fewer than 2,000 dwellings were started in Q2, 2008, a 40 per cent reduction on the equivalent quarter in 2007, and a 48 per cent reduction on Q2, 2006.

House Prices

House price figures for the UK for Q3, 2008 confirm that the housing market has experienced a significant downturn. The overall average house price (Nationwide) fell approximately 10 per cent from £183,959 in Q3, 2007 to £165,188 in Q3, 2008 and more than half this reduction was experienced between quarter 2 and quarter 3, 2008. The Nationwide index for Northern Ireland, which is based on mortgage-based sales only, showed that average prices fell 29 per cent between Q3, 2007 and Q3, 2008. However, the more comprehensive index produced by the University of Ulster which includes a higher proportion of higher specification properties showed that by Q3, 2008 average house prices had only fallen by 15 per cent year on year. The number of housing transactions in Northern Ireland has plummeted by approximately two-thirds as lenders have become much more cautious about lending and prospective purchasers reluctant to buy in a falling market.

Affordability

Analysis of the relationship between house prices and incomes would indicate that affordability has improved in Northern Ireland during 2008. However, the number and proportion of first time buyers has continued to fall. In the first nine months of 2008 only 23 per cent of house sales were taken up by first time buyers, compared to 60 per cent in 2001, and indeed 36 per cent in 2006. The Housing Executive's affordability index has been recalibrated to reflect falling interest rates and house prices. The latest version (late 2008) shows that in 10 District Councils there remained an affordability gap of at least £50,000. However, in some District Council areas, notably Larne and Omagh, a significant proportion of the homes sold were affordable. It has to be stressed, however, that the affordability index must not be looked at in isolation. The deteriorating economic climate and expected further falls in house prices is reflected in the significantly lower loan to value ratios being offered by lenders to first time buyers. Conversely first time buyers are facing much higher deposits and more punitive interest rates for higher loan to value loans. Therefore, while house price to income ratios have declined significantly, deposits are increasingly a more important affordability barrier to home ownership.

Sale of Housing Executive Dwellings

Since 1979 the Housing Executive has sold almost 117,000 dwellings to sitting tenants and now account for 16 per cent of the market as a whole. Traditionally they have offered a low cost route into home ownership, both for tenants and upon resale for first time buyers. However, a combination of much higher house prices and the capping of the maximum discounts at £24,000 has meant that in 2007/08 only 800 properties were sold compared to the more than 5,000 sold annually, 2000/01 to 2003/04. It is expected that in 2008/09 fewer than 100 will be sold. The proposed Equity Sharing scheme may help address this in the medium term, but falling house prices and therefore valuations, as well as the fear of unemployment will mean continued reluctance on the part of tenants to purchase.

Condition of the Stock and Grant Aid

Although the 2006 House Condition Survey showed that housing conditions in the owner occupied sector had improved considerably since 2001, more than 70 per cent of all unfit dwellings in Northern Ireland were in the owner occupied sector. Grant aid, particularly in rural areas, has made an important contribution to this improvement in housing conditions.

Key Issues and Strategic Perspective

- In the context of the existing housing finance framework - and particularly now that house prices are returning to more sustainable levels - owner occupation will continue to be financially the most attractive way for most households to meet their housing need. However, there are strong indications that although the number of owner-occupied dwellings will rise over the next three years, the owner-occupied proportion of the overall housing market will remain static. With the sharp downturn in the housing market there will be a significant reduction in the number of new dwellings constructed. The construction of new private sector dwellings in 2008/09 is estimated to be around 8,000 and it is also expected that output will not exceed this level in 2009/10.

- During the three year period 2004/07 Northern Ireland experienced an unprecedented investor driven boom which saw house prices increase by 51% in Q2, 2007. The inevitable correction followed. House prices have already fallen more than 15 per cent from their peak (almost 30 per cent according to the Nationwide) and it is likely they will fall a further 10 per cent at least, as the financial crisis of 2008 develops into an severe economic recession, before they stabilise in 2010.

- The affordability issue in Northern Ireland became markedly more serious during 2006 and 2007. Although house prices throughout Northern Ireland - particularly at the lower end of the market - have been falling substantially, first time buyers are still experiencing severe difficulties in gaining a foothold on the ladder of owner occupancy as a result of the tightening of lending criteria. In the first nine months of 2008 only 23 per cent of homes were sold to first time buyers. In 10 District Council areas there was an "affordability gap" of at least £50,000, although in some council areas a significant proportion of sales are now affordable. It is expected that significant affordability problems for first time buyers will continue over the next three years, as it is unlikely that average house prices will fall by so much that they will make a significant difference to first time buyers, faced with a more restrictive credit environment and a much harsher economic climate.

- Sold Housing Executive dwellings have generally provided a good source of high quality affordable homes, particularly for first time buyers, but modified rules in terms of eligibility and discount, together with rapid house price inflation, have resulted in a significant reduction in the rate of house sales. It is expected that fewer than 100 will be sold in 2008/09. However, as average house prices and therefore valuations of Housing Executive dwellings continue to fall it is expected that the number of house sales will start to rise again significantly. It is expected that the recently introduced equity sharing scheme will contribute to this.

- The condition of the owner-occupied stock has improved markedly since 2001 and home improvement grants have played an important role in this. The ongoing provision of resources to support the discretionary grants scheme is seen as important to maintaining this improvement.

Chapter 3
The Private Rented Sector

The 2006 House Condition Survey estimated that there were some 81,000 occupied dwellings in Northern Ireland's private rented sector (11.5% of total stock), a substantial increase over the 49,400 (7.6%) recorded in 2001. Indeed the rate of growth has accelerated considerably. If vacant dwellings, classified according to their previous occupancy, are included, the overall figure for 2006 was 94,600 (13.4%).

A Profile of the Private Rented Sector

The 2006 House Condition Survey confirmed there are still significant concentrations of the private rented sector in its traditional locations in Belfast and Derry City. However, in 2006 only 27 per cent of the sector was located in these two council areas (compared to 35 per cent in 2001), reflecting its rapid growth in Northern Ireland's district towns, such as Craigavon, Limavady and Dungannon.

The profile of the stock is continuing to change. In 2006 the sector still had a high proportion of pre-1919 dwellings (22%) but this had fallen dramatically from 38 per cent in 2001, mainly as a result of the growth of newer buy-to-let properties. Unfitness has continued to reduce since 2001. In 2001 it stood at 8.7 per cent and by 2006 this had fallen to 2.7 per cent (2,200 dwellings). However, this rate of unfitness is still higher than for the remainder of the occupied stock.

The Private Rented Sector: Ongoing Research

In 2006, the Housing Executive launched a further phase of research into the private rented sector in partnership with the University of Ulster. This has provided a more detailed profile of the households living in the private rented sector and an indepth follow up household survey of 300 private tenants completed in 2007, focused on affordability and landlord-tenant relationships.

Household Profile

The following key findings have emerged:

- The private rented sector is housing an increasing number of younger tenants and a growing proportion of tenants in the sector are under the age of 40 (54% in 2006 compared to 37% in 2001), reflecting primarily the growing difficulty experienced by this group in accessing other tenures.

- The proportion of privately rented properties occupied by lone parents doubled from 2001 to 2006 (from 10% to 20%).

- More than two fifths (43%) of private tenants were in employment. Almost one-fifth (19%) were unemployed, compared to an overall rate of 8 per cent. A further 16 per cent were retired (compared with an overall figure of 29 per cent) and 9 per cent were permanently sick or disabled.

- Housing Benefit is playing an increasingly important role in the private rented sector. In 2001, 37 per cent of households received Housing Benefit. By 2006 this had increased to 45 per cent. However, the number of households in receipt of Housing Benefit doubled from 18,000 (2001) to approximately 36,000 (2006).

Affordability

- In total more than half (53%) had to pay a deposit and/or rent in advance and of these two-thirds were in receipt of Housing Benefit. The average total advance payment was £349.

- The average weekly rent was £79 (£341 per month) although 16 per cent paid at least £100.

- More than two thirds of tenants in receipt of Housing Benefit had to pay a shortfall between the benefit they received and the market rent. The mean shortfall was £20 per week.

- For those tenants who had to pay the rent in full or pay a shortfall between the Housing Benefit they received and the market rent, 45 per cent found it very or fairly difficult, and 5 per cent were at least a fortnight in arrears.

Landlord-Tenant relationships

- The overwhelming majority of tenants (89%) stated that they were on good terms with their landlord/agent.

- Most were very satisfied (56%) or satisfied (27%) with the overall service provided by their landlord/agent.

- Most tenants were very satisfied (51%) or satisfied (16%) with the repairs/ maintenance service. However, almost one quarter (24%) were dissatisfied, primarily (50%) because of the time delay involved.

- Almost three quarters of tenants (73%) had not been provided with a rent book, however, almost two-thirds (82%) had a written tenancy agreement.

A Private Rented Sector Index for Northern Ireland

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 always been a lack of regular consistent information on rental levels. In the light of this the Housing Executive has formed a partnership with PropertyNews.com and the University of Ulster in order to produce for the first time a Private Rented Sector Index. The first report, based on a sample of almost 5,400 residential rental transactions in the Belfast Metropolitan Area (BMA) during 2007, was published in September 2008 and provided analysis by location, property type and number of bedrooms, as well as average monthly rent for new lettings. The analysis is based on lettings of properties held on the Property News website - seen as by far the most comprehensive property website in Northern Ireland.

During 2007, the number of properties let on the Property News website increased from a total of 1,156 in quarter one to 1,676 in quarter four. The average monthly rent for all properties let during 2007 was £577, and in the BMA as a whole there was a slight upward drift in rents (+1.4%) during the year.

Similar variations were evident in the rental performance of different property types. Between the beginning and end of 2007, the average monthly rent for apartments increased by 5 per cent and terrace/ townhouses by 2 per cent. Average monthly rents for semi-detached and detached properties decreased, by approximately 1 per cent and 4 per cent respectively, during the same period.

An update of the index on the basis of data for the first six months of 2008 highlighted a dramatic increase in the number of new lettings. Rental levels also increased with average rents at £594 for H1, 2008, a 3 per cent increase compared to H1 2007.

A Strategy for the Private Rented Sector in Northern Ireland

The introduction of the Private Tenancies (Northern Ireland) Order 2006 on 1 April 2007 provided the legislative foundation for making significant progress in addressing inequities in the private rented sector, in targeting unfitness and encouraging landlords to improve their unfit properties with the prospect of a more viable return on their investment. There has also been significant progress in terms of the clarification of rights and responsibilities of landlords and tenants and management standards.

In the light of progress made the Department for Social Development undertook targeted pre-consultation on the context for a new Private Rented Sector Strategy covering issues such as security of tenure, housing quality, management standards, the resolution of disputes and using Housing Benefit to influence landlord behaviour. It aims to provide new thinking in relation to ensuring greater confidence for those choosing to rent privately.

Executive Summary

Houses in Multiple Occupation (HMOs)

Houses in Multiple Occupation form a key element of the private rented sector. The most recent figures suggest that there are more than 14,000 HMOs in Northern Ireland, playing an important role in meeting the housing needs of people who are single, who have temporary employment, students and those on low incomes. HMOs also play an important role in housing the large number of the migrant workers, who have come to Northern Ireland since 2004.

The Housing Executive uses a combination of methods - inspection, grant aid and enforcement orders - to raise standards in HMOs. By March 2008 a total of some £40 million had been spent on grant aid for HMOs. A HMO Registration Study undertaken by the Building Research Establishment for the Housing Executive in 2008 highlighted that a significant number of issues remained to be addressed:

- A lack of knowledge of HMO standards.
- The need for more information on Housing Benefit and tenants rights.
- Greater incentives were required for landlords to participate in statutory registration and strengthened enforcement powers to deal with those avoiding registration.
- Further work was needed in developing standards and priorities to address the housing issues faced by migrant workers in HMOs.
- Further information for students was required on standards as well as their rights and responsibilities.

Key Issues and Strategic Perspective

- The rapid growth of the private rented sector, which characterised the period 2004-2007, ended in the Autumn of 2007 as the combined effects of falling house prices and the "credit crunch" took their toll on investors' appetite for buy-to-let.
- The private rented sector is currently underpinned by Housing Benefit payments totalling approximately £150 million. Rising waiting lists for social housing and affordability issues for first time buyers as a result of the ongoing "credit crunch", together with changing labour markets, will ensure that the private rented sector will continue to play a very important role in Northern Ireland's housing market, and indeed will increasingly meet the needs of households, who in the 1980s and 1990s may have had their housing needs met by the social sector.
- Qualitative evidence would indicate that some investors are leaving the sector. However, given the expected continued demand for private renting from first-time buyers unable to afford their first house and migrant workers, the continuing pressure on the social housing budget, as well as the significant falls and volatility on the stock market during 2008, the risk of large-scale disinvestment is seen as low.
- The age profile of the stock continues to be older than other tenures (although less pronounced than in 2001) and there are still somewhat higher levels of unfitness, although the 2006 House Condition Survey indicated that these differences are reducing.
- Houses in Multiple Occupation (HMOs) will continue to play an important role in housing single person households including students and young professionals and those on low incomes. This form of tenure is of particular importance for migrant workers. The statutory licensing of HMOs will help ensure management standards improve.

- A new strategy for the private rented sector is to be launched in 2009. It will build on the 2004 strategy and will focus on a number of important issues, including security of tenure, housing quality, management standards and the resolution of landlord tenant disputes.

Chapter 4
Social Housing

The Social Housing Stock

In March 2008 Northern Ireland's social housing sector consisted of approximately 114,400 dwellings (17% of the total stock). The Housing Executive owned and managed some 90,000 dwellings and registered housing associations a further 24,400. For the first time in many years, the total housing stock increased numerically during year as the sales of social dwellings declined rapidly to approximately 800 in 2007/08.

The condition of the social housing stock is good. The 2006 House Condition Survey confirmed that only a very small number of Housing Executive and housing association dwellings fail the Fitness Standard. Nevertheless there is a significant amount of improvement and replacement work to be carried out. The number of Housing Executive homes failing the Decent Homes Standard has fallen dramatically from 50 per cent in 2001 to 25 per cent in 2006, due mainly to the introduction of new heating systems.

Household profile

The Continuous Tenant Omnibus Survey (2007) confirmed the growing residualisation of the Housing Executive's stock, characterised by a growing concentration of low income households. Only 14 per cent of household heads were working, while 42 per cent were in receipt of Income Support or Job Seekers Allowance. Approximately three-fifths of households had incomes of less than £10,400 a year. The 2006 House Condition Survey showed that 51 per cent of housing association tenants were elderly and of these 88 per cent were single. More than half of all housing association tenants in 2006 had incomes of less than £10,000.

The Social Housing Programme

Research on Future Housing Need in Northern Ireland published in January 2004 indicated that on the basis of the 2001 census data there was an annual need for some 1,500 new social dwellings. In December 2008 the model was updated in the light of the latest demographic projections and the most up to date housing stock figures to give an annual requirement of 2,300 new social dwellings to meet ongoing requirements. However, in the light of the backlog which has built up since 2001 it is appropriate that at least 3,000 new social dwellings are constructed each year.

Co-ownership Housing

The Northern Ireland Co-ownership Housing Association continues to play a vital role in facilitating the access of low income households to owner occupancy at a time of severe affordability problems for first time buyers. In 2007/08 a further 935 properties were bought through the co-ownership scheme, a significantly higher figure than in recent years at a total cost of £78 million. In a rapidly rising market, and with the introduction of higher value limits and lower rental charges, Co-ownership became the only possible route for many first time buyers to access owner-occupancy. This is reflected in the rapid increase in take up in 2007/08. However, this rate of uptake of Co-ownership in 2007/08 led to a temporary moratorium for a six month period from March 2008. In October 2008, £35 million secured from the Bank of Ireland enabled processing of applications to resume. It is expected that Co-ownership will meet its target of 500 affordable homes for 2008/09.

Improvement and Maintenance Programmes

The need for adequate funds for maintenance and improvement of the social housing stock continues to be of great importance. Some 4,000 Housing Executive dwellings still require improvement works to bring them up to modern day standards. Some 22,000 dwellings still require heating conversions to ensure they meet the Decent Home Standard and although only very few Housing Executive dwellings fail this standard on the modernisation criteria, there is an ongoing need for kitchen and bathroom replacements to ensure that this position does not change. There is also an ongoing demand for adaptations for the elderly and people with a disability. Finally, there is also a growing need for major repairs schemes in the housing association sector.

Key Issues and Strategic Perspective

- Over the next three years, it is anticipated that the number of social dwellings in Northern Ireland will continue to grow. The combined number of house sales and demolitions is likely to remain well below 1,000 and it is hoped therefore that, subject to funding, this will be more than outweighed by the number of new social dwellings which are acquired or built.

- Since 2001 the Social Housing Development Programme has failed to keep pace with the steadily rising need for social housing. The most recent model of the future need for social housing produced in December 2008, estimates that there is an annual requirement for 2,300 additional new social dwellings to meet ongoing need. An overall figure of 3,000 new social dwellings is seen as being required to make significant inroads into the substantial backlog which has developed since 2001.

- The Minister for Social Development's New Housing Agenda targets the provision of 5,250 new social dwellings over the next three years. In light of the inadequate funding for housing in the Investment Strategy for Northern Ireland and the sharp reduction in capital receipts as a result of the downturn in the housing market, there are emerging concerns about future budget provision, not only for new build activity, but for other key areas including maintenance, improvements, adaptations and housing support services. The outcome of future monitoring rounds and the year-end position for 2008/09 will be of critical importance, especially given the changed circumstances faced by the Executive in terms of the capital realisation that had been factored into future budget projections. It is critical that sufficient funding is made available for social housing and related policy areas.

- Progress on developer contributions to help fund the provision of social and low cost affordable housing has been delayed until 2009/10 as a result of the review of PPS14 (PPS21). However, even in more benign market conditions, a policy on developer contributions would take some years before producing tangible results in the form of additional homes for social renting or low-cost home ownership. In the context of conflicting demands on limited public expenditure, however, the introduction of developer contributions will be a very important requirement in the longer term.

- The Co-Ownership scheme responded to huge demand for affordable housing in 2007, but the rapid uptake of resources left the scheme in a difficult position in terms of funding for several months during 2008. More sustainable funding arrangements, involving greater use of private finance, will help the organisation fulfil its important role within the housing market in the long term.

- Ongoing constraints in terms of finance available for improvement and maintenance programmes will delay the attainment of the Decent Homes Standard for social housing in Northern Ireland.

Conclusion

During 2007, Northern Ireland's housing market experienced a significant spike in house prices. The enormous investor driven increases in house prices reached their peak in the Spring. Over the Summer a period of caution followed, with investor interest moving to Great Britain and further afield. Transaction levels fell markedly as buyers waited for prices to drop and sellers held back hoping to achieve the prices of early 2007. During the last quarter of 2007 significant price reductions became increasingly apparent and developers and vendors accepted that the prices achieved in the first two quarters of 2007 were no longer unsustainable.

There is no doubt that the future of Northern Ireland's housing market is closely tied up with developments in the world economy. The USA remains the hub of global economic activity and any assessment of the future of Northern Ireland's housing market must have as its point of departure the likelihood, duration and depth of a downturn in the US economy and the magnitude of the spill over effects on the rest of the industrialised countries. There are increasing signs that the US economy has already entered a more prolonged recession. The dependence of the UK economy on the financial sector makes it particularly vulnerable to the ongoing effects of the "credit crunch". Northern Ireland's economy will not escape the effects of this economic turbulence.

Northern Ireland's consumers too are facing the impact of a declining manufacturing base, lower increases in public expenditure, growing indebtedness, higher fuel and food prices and increases in local taxation. In addition lenders are being more cautious in terms of lending policies and the price of credit has increased. These factors combined indicate a significant downturn in Northern Ireland's housing market, with sustained difficulties for most first time buyers.

It is likely that an increasing number will seek to meet their accommodation needs in the private rented sector or social rented sector. This may mean that the risk of disinvestment by landlords on a larger scale is less likely. In the social rented sector it is likely to result in increased waiting lists.

However, there is no doubt that despite the further significant improvement in housing conditions recorded by the 2006 House Condition Survey, there remains an ongoing demand for investment in new social housing, in improvement and maintenance and in measures to help alleviate Fuel Poverty. Yet there are concerns over the adequacy of the provision of such funding in the Investment Strategy for Northern Ireland, a situation which has been further exacerbated by the shortfall in capital receipts arising from the downturn in the housing market.

Introduction

The "Northern Ireland Housing Market: Review and Perspectives" is published each year by the Housing Executive in its role as the regional strategic housing authority and aims to provide an overview of key trends and developments in all housing tenures as a synthesis of the evidence base for the ongoing development of housing strategies and policies. This is the thirteenth consecutive year that the "Review and Perspectives" has been published and it comes at a critical time for housing in Northern Ireland with significant pressures in the housing market as a result of the developing recession combined with a significant shortfall in the budget for social housing.

The "Review and Perspectives" synthesizes the most recent market intelligence, drawing on the latest statistics compiled by the Housing Executive, Government departments and the private sector. Summaries of the key findings of housing research undertaken or commissioned by the Housing Executive are also included. The "Review and Perspectives" forms not only the basis for the Housing Executive's Corporate Plan, thus helping to guide the organisation's intervention in the housing market, but is also an important means of monitoring the impact of this intervention.

Chapter 1 provides the strategic context for Northern Ireland's housing market. It begins by looking at recent developments in housing finance and associated policy. It examines Northern Ireland's economy in the contest of the very important developments in the world economy. It also provides the most recent data on the social and demographic factors, which are often seen as the most direct influences on developments in the housing market.

Chapters 2 - 4 analyse developments in each of the four main housing tenures: owner occupation, the private rented sector and Housing Executive and housing association dwellings. The most recent statistics and trends are examined as the 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 help determine Northern Ireland's housing market over the coming three years and highlights the housing priorities which emerge from the document as a whole.

Chapter 1

The Strategic Context

Housing Finance and Housing Policy

Pre-Budget Report 2008

The Chancellor of the Exchequer presented his Pre-Budget Report to Parliament on 24th November 2008 against a background of "an unprecedented global crisis" reflected in a sharp deterioration in the economy of the UK. The core of the proposals was a £20bn package of measures designed to boost purchasing power and mitigate the worst effects of the developing recession. This was to be paid for by an increase in national insurance contributions for middle and high income earners and higher levels of taxation for high earners from 2011. From 1 December 2008 the rate of VAT was reduced from 17.5 to 15 per cent for a period of 13 months, with the aim of injecting an estimated £12.5bn into the economy, encouraging not only retail spending but also improvements to housing by home owners. Pensioners were to receive a £60 Christmas bonus, but no increase in Winter Fuel payment.

In order to finance this stimulus to the economy, the Chancellor was forced to abandon the two fiscal rules which have guided Government spending since 1997: the *golden rule*, that over the life span of an economic cycle, Government will borrow only to invest and not to fund current spending and the *sustainable investment rule*, that total public sector debt should not be above 40 per cent of GDP. Following the Pre-Budget Report public sector net debt is set to rise rapidly from £527bn (36.3% GDP) in (2007/08) to £842bn (52.5% of GDP) in 2010/11. By 2012/13, it will have passed the £1 trillion mark (£1,020bn; 57.1%).

The Pre-Budget Report contained a number of specific proposals designed to boost the housing market and the construction industry. In the light of recent figures confirming that the number of repossessions had increased rapidly to a level not seen since the 1990s, the Chancellor announced a series of measures to help households in financial difficulty, to ensure that repossession was always a last resort.

- Homeowners struggling to meet mortgage payments must be given at least 3 months grace before banks begin repossession proceedings to "give homeowners time to work with lenders to find a solution".

- A £200m "mortgage rescue scheme" designed to help to 6,000 of the most vulnerable homeowners facing repossession. Under this initiative eligible families are able to sell their home to a housing association and then rent it back at a level they can afford. Alternatively they can sell a share of their property. The Government is also extending the scheme to cover families at risk of losing their homes because of "second charge" mortgages - additional loans secured on their homes.

- Homeowners struggling to meet mortgages payments after losing their jobs will receive extra government support (mortgage interest benefit) from April 2009, to cover monthly interest due on mortgages of up to £200,000, where the borrower has been out of work for at least 13 weeks. Previously it only offered help to homeowners with mortgages of £100,000 or less who had been unemployed for more than 39 weeks.

- The government also pledged to bring forward £775m of investment over the next 16 months to build and regenerate existing social housing. Nearly one third will go on energy efficiency measures for existing social housing, £150m for new social housing (approximately 2,000 units) and a further £175m on major council house repairs.

- An additional £100m is to go to the Warm Front programme which targets low income households with grants to deliver energy efficiency measures, including new boilers and cavity wall and loft insulation.

Overall the package of measures is seen as providing modest support to vulnerable borrowers; but will probably fail to provide a significant stimulus to the slowing housing market, not least because the measures focus on existing borrowers in danger of losing their homes, rather than on first-time buyers who are having difficulty entering the property market.

The Government is also to seek EU approval for a scheme that would provide guarantees for mortgage-backed securities and has given a commitment to consider helping to securitise new mortgages - in order to encourage lenders to lend and reinvigorate financial markets. This is in line with a key recommendation from the Crosby Report, which, was published on the same day as the Pre-Budget Report. The Crosby Report has concluded that lenders' inability to obtain capital to lend to homebuyers "was the sort of market failure that might call for government intervention, perhaps even on a significant scale".

The Crosby report suggests that this significant scale should be £100bn in 2009 and 2010. (In 2007, £200bn of mortgage finance came from the mortgage backed security market). However, this should not be a blanket guarantee. Only loans made to purchase property - not re-mortgages - should be eligible for securitisation. Also certain types of lending should be specifically barred from securitisation, including those where the funds extended are a high proportion of the house purchase price and those to borrowers with seriously impaired credit histories.

Programme for Government and the New Agenda for Housing

Programme for Government 2008-11
The Northern Ireland Executive published its Programme for Government 2008-11 in January 2008. On the basis of an over-arching aim of building a peaceful, fair and prosperous society, this Programme for Government highlighted a number of priorities:

- Growing a dynamic, innovative economy.
- Promoting tolerance, inclusion and health and well-being.
- Protecting and enhancing our environmental and natural resources. This priority specifically recognised the need to provide more social and affordable housing as a cornerstone of sustainable communities.
- Investing to build our infrastructure. This priority gave a commitment to investing at least £1.4bn in social and affordable housing by 2018.
- Delivering modern high quality and efficient public services.

The Investment Strategy (2008-18) which accompanied the Programme for Government saw investing in housing as an important component of the overall strategy and contained a commitment to complete 10,000 new social and affordable dwellings over a five year period. The Investment Strategy for Northern Ireland, however, provided for only £925m from NI Executive Funds 2008-11 to support the construction of these homes. This initial budgetary allocation was seen as grossly inadequate and in response, and as part of the New

Housing Agenda announced in February 2008, the Minister for Social Development was able to gain an additional £275m for social housing which it was hoped would permit a Social Housing Development Programme of 1,500 in 2008/09, 1,750 in 2009/10 and 2,000 in 2010/11. However, this output was predicated on the basis of a certain level of capital receipts from the sale of a considerable number of dwellings and a significant quantity of land owned by the Housing Executive. With the sharp downturn in the housing market that has taken place in 2008, capital finance from these sources has remained at a much lower level than expected. In the light of this it is estimated, that unless additional resources are made available to housing in year, the maximum number of social dwellings which will be built or acquired in 2008/09 will be around 1,000-1,200.

Varney Report

In this context the section of the "Varney Report" published in May 2008 dealing with social housing is of particular interest. It emphasised the ability of "private sector RSLs" (Registered Social Landlords) in England to lever in private finance, alongside public sector investment, to increase the level of housing stock improvements or new build that can be delivered. The report suggests that the scope for such a model should be considered.

December Monitoring Round

In December 2008, the Northern Ireland Executive made an additional £9m available to address housing issues: £4m for the Special Purchase of Evacuated Dwellings and a further £5m for the Social Housing Development Programme. A further £15m was also made available to address Fuel Poverty. Despite these additions, however, given the current housing market context, there is still a significant shortfall in the funding in order to achieve agreed targets for newbuild and improvement targets.

A New Agenda for Housing

In February 2008, the Minister for Social Development launched "A New Agenda for Housing", which made a number of key commitments to address the affordability issue in addition to the 5,250 social dwellings to be built or acquired over a three year period:

- A proposed addendum to PPS12: Housing in Settlements to facilitate the introduction of developer contributions for social and affordable housing.
- An Action Plan on Empty Homes, which includes contacting up to 4,000 owners of empty dwellings and encouraging them to make these dwellings available to new occupants.
- Enhancements to the Co-ownership Scheme by, for example, abolishing the existing price limits.
- A review of the House Sales Scheme which will permit all social housing tenants to own a share in their home.

Since then, despite the very difficult economic and political context, some progress has been made in terms of these commitments:

The issue of Draft PPS21 (Sustainable development in the countryside) for consultation has freed up resources in the Department of the Environment to work with the Department for Social Development and the Housing Executive to work on introducing developer contributions.

The Housing Executive has committed considerable resources to identifying vacant properties and their owners, although experience would indicate that the resources required may well not be commensurate with expected outcomes.

In January 2009 a new Equity Sharing scheme for social tenants was launched. This new scheme will enable tenants of Housing Executive and housing association properties to purchase an initial stake of 25 per cent, instead of the 100 per cent which previously had to be purchased and receive 70 per cent of their available discount when they purchase just half of the equity in their home. These new co-owners will be able to increase their equity in tranches of 5 per cent.

Consultation is also being undertaken in relation to a draft mortgage rescue scheme which was issued by the Department for Social Development in October 2008. The proposed scheme aims to save as many homeowners who are facing difficulties paying their mortgages from having their homes repossessed. There are two elements to the scheme:

- The provision of specialist emergency advice to explore what options might be available to prevent debts increasing;

- A buy-out of the owner's mortgage (including arrears) by a housing association on the basis of mortgage to rent or a more flexible tenure which would enable the owner to pay a rent to the housing association in return for the mortgage being paid off, but retain a proportion of the equity.

The Regional Development Strategy

The Regional Development Strategy (2001) has played an important role in shaping Northern Ireland's housing market. Its overall purpose has been to provide a spatial planning framework that guides physical development and in particular housing, in Northern Ireland to 2025, emphasising the importance of decent housing, including the availability of affordable and special needs housing and the need for balanced and integrated development.

The original Regional Development Strategy (RDS) envisaged a requirement for 160,000 additional dwellings during the period 1998-2015. Housing growth indicators were established which reflected demand and potential for growth for each of the district council areas outside the Belfast Metropolitan Area (BMA).

However, in 2003 new demographic data emerging from the 2001 census of population and more up-to-date information on the housing stock, from the 2001 House Condition Survey, prompted the Department for Regional Development to undertake a more fundamental review of the Housing Growth Indicators (HGIs).

The revised household projection model developed by NISRA's demographic experts envisaged that by 2015 Northern Ireland will have almost 745,000 households, a huge increase from the 719,000 households projected by the original RDS figure. Average household size was newly estimated to be 2.34 persons in 2015, not 2.44, resulting in an increase of around 26,000 households.

In addition, it was estimated there would be a higher rate of vacancies leading to an additional requirement for 6,000 dwellings a higher rate of demolitions (an additional 7,000) and more second homes (an additional 1,000). In total this amounted to a requirement for an additional 40,000 homes in 2015 (a 25 per cent increase over the original estimate), bringing the overall total required to 200,000.

These 200,000 dwellings were then allocated to each District Council using the housing need estimates as a starting point and then adjusting the additional 40,000 to reflect the original goals of RDS - in particular maintaining a strong economic heart around the BMA. All District Councils received an additional allocation compared to the original HGIs.

However, in the light of comments received during this process the Minister for Social Development decided to hold a Public Examination. This Examination was held in February 2006.

The independent panel appointed to conduct the Public Examination published its report in March 2006. The panel broadly endorsed the methodology used by the Department for Regional Development to calculate the Housing Growth Indicators (HGIs), including the estimates of the component parts (household formation, vacancies, demolitions and conversions and second homes), but recommended that the HGIs for Northern Ireland as a whole should be increased by 8,000 to 208,000 to take account of more recent (2004 based) population projections.

In June 2006 the Department for Regional Development (DRD) issued its response to the Report of the Independent Panel which undertook the Public Examination accepting the new figure of 208,000. In addition the DRD agreed with the Housing Executive to review the housing need projections following the development of new 2006 based household projections, which take account of the rapid influx of migrant workers to Northern Ireland, and new housing stock related figures emerging from the 2006 House Condition Survey. The new household projections were published in June 2008 and work had begun on developing new HGIs which indicated that there would be a further increase in the overall HGI for Northern Ireland to reflect the additional households which were forecast to have formed by 2015.

However, events overtook this process when, in June 2008, the Regional Development Minister announced a formal fundamental review of the RDS. While acknowledging the innovative role played by the existing RDS, and its status as a best practice document at the time, the Minister emphasised the need for change. The role that the new RDS can play in helping to grow the economy and achieve greater regional balance are to be important themes of the new strategy. The Minister noted that "while many of the policy directions in the existing RDS are sound, the Strategy has not had the influence which was anticipated. This is due to a combination of factors, including insufficient detail and clarity on matters such as housing need, rural development, the growth of cities and towns". He noted the criticism of the housing figures in the RDS which had been seen by many as unnecessary and restrictive in terms of forward planning, but also that others had asked for an indication of housing need in a way that better reflects local need and the growth potential of particular areas. The Minister has also emphasised the importance of undertaking a wide-ranging consultation process as part of the review. This process is now well underway and it is expected that a draft of the new Regional Development Strategy will be published for consultation in the Spring of 2009.

Planning Policy Statement 21: Sustainable Development in the Countryside

Draft Planning Policy Statement 21 on sustainable development in the countryside was issued on 25th November 2008 for consultation and with immediate effect. It has replaced the draft PPS14 issued in October 2007. Draft PPS21 is the culmination of the Review of Rural Planning Policy announced in October 2007 and aims to manage development in the countryside in a manner which strikes a balance between the need to protect the countryside from unnecessary or inappropriate development, while supporting rural communities. Draft PPS21 sets out policy for rural areas outside the settlement limits across Northern Ireland, including Greenbelts and Countryside Policy Areas. The Minister of the Environment indicated that the policies in PPS21 should be accorded substantial weight in the determination of any planning application received after 16 March 2006.

The following policies set out in PPS21 are the most relevant for the future of the housing market:

Development in the Countryside Policy CTY1 (Residential)

Planning permission may be granted for an individual dwelling house in the countryside for a number of reasons, for example:

- Personal and Domestic Circumstances (CTY6)

  Planning permission will be granted if refusal would cause genuine hardship and there are no alternative solutions to meet the particular circumstances of the case.

- Dwellings on Farms (CTY 10)

  For permission to be granted all the following criteria must be met:

  - the farm business is currently active and has been established for at least three years;
  - no dwellings or development opportunities outwith settlement limits have been sold off from the farm holding within 10 years of the date of application;
  - the new building is visually linked or sited to cluster with an established group of buildings on the farm.

Planning permission will also be granted in the countryside for

- A small cluster or "clachan" style development of up to 6 houses in a designated Dispersed Rural Community (CTY2).

- The provision of social and affordable housing in accordance with Policy CTY5.

Social and Affordable Housing (CTY5)

Planning permission may be granted for a group of no more than 14 dwellings adjacent to or near a small settlement or within a designated Dispersed Rural Community to provide social and affordable housing to meet the needs of the rural community.

Planning permission will only be granted where the application is made by a registered Housing Association and where a demonstrable need has been identified by the Northern Ireland Housing Executive which cannot readily be met within an existing settlement in the locality.

The consultation period on draft PPS21 will close on 31 March 2009, but there is little doubt that draft PPS21 provides a more relaxed planning environment than PPS14, and could facilitate a considerably higher level of dwelling construction in rural areas than would have been the case under PPS14.

Planning Policy Statement 12: Housing in Settlements

In July 2005 the Department for Regional Development published Planning Policy Statement 12 (PPS12) - Housing in Settlements. Its purpose was "to provide strategic direction and guidance in the form of regional planning policy" to assist the implementation of the Regional Development Strategy. It is seen as a key mechanism for the implementation of the RDS. The policy objectives of PPS12 are:

- to manage housing growth in response to changing housing need;
- to direct and manage future housing growth to achieve more sustainable patterns of residential development;
- to promote a drive to provide more housing within existing urban areas;
- to encourage an increase in the density of urban housing appropriate to the scale and design of the cities and towns of Northern Ireland; and
- to encourage the development of balanced communities.

In September 2007, in response to the Review of Affordable Housing, the Minister for the Department for Social Development (DSD) formally asked the Department for Regional Development (DRD) to review Planning Policy Statement 12. DRD convened an interagency working group with representation from DRD, DSD, Department of the Environment (DOE) and the Housing Executive to undertake this task. The main focus of this group was to revise the development control policy, Policy HS2, in order to make it an effective instrument for delivering social and intermediate housing.

Announcing her New Housing Agenda, the Minister for Social Development expressed her intention to work with the Environment Minister to implement a policy that would introduce developer contribution to social and affordable housing in Northern Ireland - the only area in the British Isles where such a requirement does not already exist. The final report of the Semple Review also advocated this approach, which had been endorsed by the Housing Executive and housing associations in their joint submission to the affordable housing review team. In particular, the submission emphasised that Development Control Policy HS2 within Planning Policy Statement 12 is the critical mechanism for the delivery of social and affordable housing in Northern Ireland, and that it should become operational as soon as possible.

A working group comprising representatives from the Department for Regional Development, DOE Planning Service and the Housing Executive carried out initial work to put forward revised policy for PPS12 and Policy HS2 to enable developer contributions here. Work to bring appropriate policy changes forward was, however, curtailed by the diversion of resources to work on the updated PPS14 (now published as PPS21). Market conditions have subsequently changed radically in Northern Ireland, and concern has been expressed by the construction industry about the potential impact of placing any obligation on developers to provide social and/or affordable housing in the current climate. It must also be emphasised that the number of planning approvals already in the pipeline will significantly add to the timescale before any new regulations in relation to developer contributions would make an impact on the ground.

Research in England and other areas where such requirements have been in place for a number of years confirms that planning obligations are most effective in a rising housing market. Nevertheless, with the level of public sector funding for social/ affordable housing looking likely to fall in future, it is important that suitable policies and mechanisms are examined and put in place to facilitate delivery of housing to meet various needs. Furthermore, despite falls in house prices, affordability remains an issue for first time buyers and lower income households who now require much larger deposits in order to access home ownership.

With Draft PPS21 now published, work on aspects of PPS12 that require revision to facilitate the delivery of social and affordable housing are being taken forward by the Department for Social Development and Department of the Environment in 2009.

The Economic Context

The World Economy

Last year's Review and Perspectives published in April 2008 noted that the significant downturn in the economy of the USA prompted by the slump in the housing market did not augur well for the economies of Western Europe. It concluded that "any assessment of the future of Northern Ireland's housing market must have as its point of departure the likelihood, duration and depth of a downturn in the US economy and the magnitude of the spill-over effects on the rest of the industrialised countries (page 106). Developments in the world economy in 2008 and their impact on the economy of the UK and specifically on Northern Ireland's economy and housing market have borne out the validity of this perspective.

Global economic trends in 2008 have been dominated by a major crisis in the world's financial markets, the ensuing "credit crunch" and evidence of a deepening economic recession in all the major industrial countries.

In the USA, the dominant country in the world economy, the continuing crisis in its housing market, which had its origins in the collapse of the sub-prime market, came to a head in July 2008 with the virtual bankruptcy of Fannie Mae and Freddie Mac, the two government sponsored enterprises, that collectively owned more than half of the $12 trillion of outstanding home loans in the USA. A major part of the operations of both these organisations had been to purchase mortgages and package them into securities, which then either form part of their portfolio or are sold to investors with a guarantee. In both cases, as more and more sub-prime mortgagees defaulted, Fannie Mae and Freddie Mac became holders of worthless securities - what became known as "toxic debt". The US government was

Figure 1: International Economic Trends, 2008

Figure 1(a): Growth in Gross Domestic Product, 2008

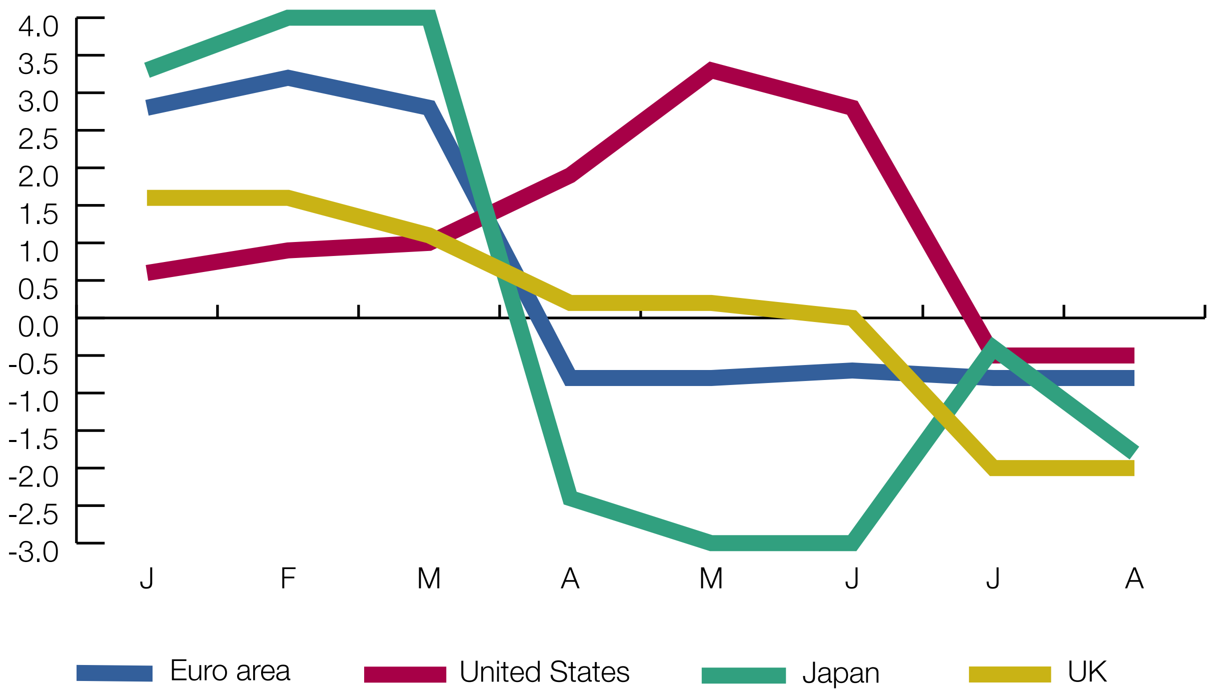
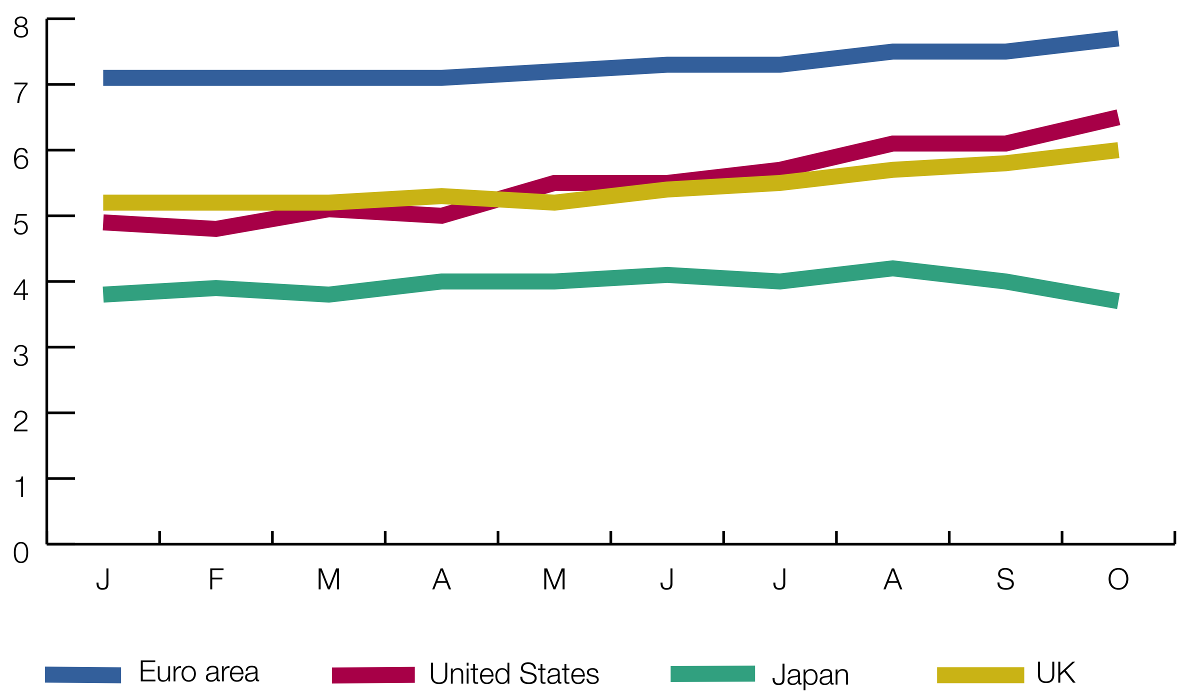


Figure 1(b): Unemployment Rate, 2008



forced to seek Congress approval for unlimited authority to lend them money and invest in their equity, which culminated in September 2008 in their nationalisation.

These developments were mirrored in the crises which developed in other major financial institutions. Some such as Lehman Brothers went bankrupt, revealing a complex web of international debts. Others such as AIG, an organisation which specialised in credit default swaps, were seen as too critical to the well-being of the American economy, and were rescued. In October 2008 the International Monetary Fund calculated that the mortgage related losses declared by financial institutions around the world had already reached $500bn and that the final bill could be as high as $1,600bn.

Faced by these critical developments and increasing evidence that the crisis was spreading to the "wider" economy, the US Government unveiled a package of measures in October worth $700bn, which would enable it to purchase "toxic" mortgage assets and re-capitalise markets in the hope that credit markets could return to more normal conditions. Further evidence such as collapsing consumer confidence, falling housing starts, a slump in retail sales, falling industrial production, and a crisis in the US car industry forced the Government to announce that it was making a further $800bn available to distressed credit markets.

In parallel to these economic developments, the Federal Reserve has been sharply reducing interest rates. As recently as December 2007 America's base rate stood at 4.25 per cent. By early October 2008 it had been reduced to 1.5 per cent followed by another reduction in late October to 1.0 per cent, culminating in a reduction to an unprecedented 0-0.25 per cent in December 2008.

However, the most recent statistics would indicate that so far Government intervention in the USA has had a limited effect, except in so far as it has prevented catastrophe in the financial markets. The recession is continuing to deepen and the latest economic and housing statistics would indicate a very difficult year for the American economy:

- GDP fell sharply from an annualised quarterly growth of almost 5 per cent in Q3, 2007 to a contraction of -0.5 per cent in Q3, 2008 (see Figure 1a).

- The US economy lost 2.6m jobs in 2008.

- The rate of unemployment has risen from 4.7 per cent in late 2007 to nearly 7.0 per cent in December 2008 (see Figure 1b), equivalent to more than 10m unemployed.

- Private housing starts (seasonally adjusted) were 19 per cent lower in November 2008 than in October and 47 per cent lower than in November 2007.

- The median price of existing homes fell by 9 per cent between Q3,2007 and Q3, 2008.

- There has been a downturn in retail sales for six consecutive months to December 2008, when they were 10 per cent lower than December 2007.

Although the USA dominates the world economy, the economies of Japan and the Eurozone are also very important in determining international economic trends. The Eurozone, in particular has a direct bearing on Northern Ireland, due to the increasingly intertwined economic relations with not only the Republic of Ireland, but also continental Europe.

In Japan the impact of the downturn in the American economy has been particularly severe. The crisis of the global financial markets, the difficulties faced by the American car industry, the rising value of the Yen relative to the Dollar and crumbling consumer markets in the USA and Europe have all combined to bring about a further crisis in the Japanese economy. There had been signs that Japan had eventually emerged from the "lost decade" of deflation and decline which followed the slump in the Japanese housing market in the early 1990s. However, significant economic growth in early 2008 abruptly gave way to a period of declining GDP since the Spring (See Figure 1a). In December 2008 an economic stimulus package worth approximately £170b was announced in what the Government sees as a final attempt to rescue the Japanese economy from its sharpest economic recession since 1945.

The Eurozone too, has seen a sharp downturn in its economies since the Spring of 2008. In Q1, 2008 Eurozone GDP was rising at around 3 per cent (see Figure 1a). However, the economy has shrunk in both Quarters 2 and 3. This has been reflected in a steady increase in unemployment which by October 2008 stood at 7.7 per cent. In October, European leaders agreed a rescue plan for the European financial system which mirrored the strategy adopted in Britain: recapitalisation of the banks (part nationalisation), and pumping liquidity into the financial system and government guarantees for new loans between banks. In November, it was reported that Germany was officially in recession with both Quarters 2 and 3 both recording declining GDP, and further sign of a "dramatic economic deterioration across Europe" in early December prompted the European Central Bank to reduce its interest rate by 0.75 basis points to 2.5 per cent, followed by a further reduction to 2.0 per cent in January 2009.

The Economies of the United Kingdom and the Republic of Ireland

The UK economy

The Pre-Budget Report published in November 2008 against a background of "an unprecedented global crisis" (see above) already recognised the sharp deterioration which had taken place in the UK economy in the Autumn. In December revised figures for GDP growth indicated that in Q3, 2008 the economy had contracted by 0.6 per cent compared to Q2 - the biggest fall in 18 years. However, the figure for Q2 2008, was held at 0.0 per cent indicating that Britain had not yet officially entered recession. In January, however, preliminary figures for Q4, 2008 confirmed what economists had surmised for quite some time - that Britain had been officially in recession since the summer - in Q4 2008, GDP fell a further 1.5 per cent.

Indeed a whole range of key economic and housing indicators which have been published in late 2008 provides a useful indication of the sharpness and depth of the economic downturn.

There was a sharp increase in the jobless total in the Autumn. The November claimant count jumped sharply to exceed 1m, while the Labour Force Survey indicated that the number unemployed was about to exceed 2m. Unemployment is set to increase rapidly in 2009 as the effects of the deepening recession impact on the retail sector, as well as manufacturing and the financial services sector.

Public sector net borrowing rose to £16 billion in November - the worst since records began in 1993, with the annual deficit likely to rise to £118 billion next year (7 per cent of national income). Overall national debt stood at £650bn at the end of November 2008 (44.2 % of GDP). Personal debt in the UK exceeded GDP for a second year running. Total personal debt increased by 7.3 per cent between 2007 and 2008 to reach £1.45 trillion.

The downturn in consumer purchasing power and confidence is reflected in a slump in the sale of new car sales: in 2008 only 2.13 million new cars were sold, a decline of 11 per cent since 2007. The closure of the hundreds of retail outlets owned by household names such as Woolworths and MFI, as well as the generally poor Christmas sales for retailers generally does not augur well for the service sector either.

The number of mortgage approvals (Bank of England figures) fell to 27,000 for December 2008 - down by 64 per cent from December 2007 (75,000) and a huge reduction from the 113,000 that were made in July 2007 at the peak of the housing market boom. Council of Mortgage Lender figures show that housing transactions (sales) have fallen from 1.6 million in 2007 to approximately 700,000 in 2008 and are expected to fall further. Bearing these figures in mind, the British Bankers Association has predicted that the property market collapse has a further two years to run and that average house prices for the UK as a whole would fall by 35 per cent compared to their 2007 peak.

The Pre-Budget Report envisages the UK economy contracting in quarters 1 and 2 of 2009, with an annual contraction of 0.75-1.25 per cent before growing again in 2010. Increasingly, however, there is the risk, as Mervyn King, Head of the Bank of England, warned in December, that Britain could enter a deflationary period as the weakening economy, lower commodity prices and a reduction in VAT combined to curtail price increases. In response to the gloomy economic outlook the Bank of England reduced interest rates to an all time low of 1.5 per cent and on 19 January 2009 the Treasury unveiled another emergency package designed to increase the flow of credit and shorten the recession.

The RoI Economy

After a protracted period of expansion in employment and output the Republic of Ireland's economy entered the downturn earlier than the UK. GDP declined by 1.3 per cent during the first six months of 2008 and is expected to decline by 1.5 per cent for 2008 as a whole compared to 2007, as a result of a contraction in domestic demand as consumer spending has slowed and unemployment risen in response the changing economic and financial environment. GDP is expected to reduce by a further 2.5 per cent in 2009.

The housing market has seen an abrupt downturn. The rate of housing completions fell from 88,000 in 2007 to 78,000 in 2008. House prices, too, fell considerably. The permanent tsb/ESRI House Price Index shows that house prices fell by 10 per cent over the 12 months to October 2008.

The number of housing completions in the first 11 months of 2008 totalled 48,000, compared to 78,000 for 2007 as a whole and 93,000 in 2006. The downturn in the construction industry is reflected in a significant increase in unemployment, which had reached 5.2 per cent by mid-2008. Economic recovery is not expected until 2010 as the downturn in the housing market bottoms out and the global economic climate improves.

The Northern Ireland Economy

The most recent view of Northern Ireland's economy provided by the Ulster Bank's Quarterly Economic Review (October 2008) highlights the very challenging economic context for Northern Ireland's housing market over the coming three years. Northern

Ireland's economy is in recession with economic growth forecast to remain flat in 2008 and to contract by 1.5 per cent in 2009. Private sector output in Q2, 2008 was 2.2 per cent below the corresponding quarter in 2007. The report emphasises that Northern Ireland cannot insulate itself from global economic developments and that in the light of this the prospects for trade, tourism and investment have all deteriorated in recent months.

In Northern Ireland where the construction industry has played such an important role, the downturn in the housing market, exacerbated by the "credit crunch" is seen as being a major drag on recovery. The Construction Employers Federation estimates that so far some 5,000 jobs have been lost as a result of the downturn. The Ulster Bank forecasts by the end of 2009 average house prices will be 40 per cent lower than at their peak in the Summer of 2007 - a not unreasonable estimate in the light of the most recent statistics.

The malaise in the construction sector has impacted services and output. The retail sector and hotels and restaurants have all felt the effects of declining purchasing power and the difficulties in accessing new credit. New car sales in Northern Ireland were down almost 30 per cent in Q3, 2008 compared to the equivalent quarter in 2007, the sharpest drop of any region in the UK.

Northern Ireland's labour market

Employment, unemployment and worklessness are key labour market indicators which impact on the health of the housing market. Increasing levels of employment and a decline in the number of unemployed have been seen as key factors in the buoyancy of Northern Ireland's housing market since 1996. Since late 2007, however, there have been signs that these generally positive trends were changing in the face of a deteriorating economic climate exacerbated by the growing financial crisis.

Table 1 sets out the key labour market statistics for Q3, 2007 and Q3, 2008:

- Employment (including employees, self employed and those on government programmes) has increased by 5,000 between Q3, 2007 and Q3, 2008 to 788,000. However, over the same period the number of part-time workers (+8,000) and workers with second jobs (+9,000) increased disproportionately and between Q2 and Q3, 2008 the number in employment fell by 3,000.

- Unemployment increased (+2,000) to 33,000 in Q3, 2008 compared to the same quarter in 2007. Northern Ireland's unemployment rate (4.1%) is significantly lower than that for the UK as a whole (5.4%). However, this represents an increase from the 3.8 per cent recorded for Northern Ireland in the equivalent quarter in 2007.

- The number of working age people who are workless (economically active plus unemployed) has increased significantly from 323,000 in Q3, 2007 to 330,000 in Q3, 2008, bringing the proportion of the working population classified as workless to 31 per cent - the highest for any region in the UK.

Overall the figures indicate that the rapid expansion in employment which has taken place over the last five years came to an end in Q4, 2007. Economists correctly point out that unemployment is a lagging indicator, reflecting employers' reluctance to reduce staffing levels.

As the economic climate in Northern Ireland continues to deteriorate, it can

Table 1: Key Labour Statistics for Northern Ireland, 2007-2008

	July-Sept - 2007		July-Sept 2008		YoY Change
Employment	783,000		788,000		+5,000
Unemployment	31,000	(3.8%)	33,000	(4.1%)	+2,000
Worklessness (18 - 59/64)	323,000	(30.8%)	330,000	(31.1%)	+7,000

Source: DETNI, Monthly Labour Market Report, November 2008 (Seasonally adjusted)

therefore be readily assumed that the level of unemployment (and worklessness) will rise significantly during 2009, compounding already serious problems for households trying to access the housing market or indeed for those already having difficulty meeting their mortgage repayments or rents.

Earnings and Benefits
Northern Ireland continues to show a lower level of earnings and a higher level of benefit dependency than for the UK as a whole:

- Average gross weekly household income in Northern Ireland (2006) was £546, the second lowest of any region of the UK. The average for the UK as a whole was £642[1].

- In Northern Ireland, Social Security benefits (excluding Housing Benefit and pensions) form 19 per cent of average gross weekly household income[2]. This is the highest figure for any region in the UK. The comparable figure for the UK as a whole is 12 per cent. In Scotland, the figure is 14 per cent and in Wales it is 17 per cent.

- In Northern Ireland 24 per cent of households are in receipt of incapacity or disablement benefits compared to 16 per cent for UK as a whole.

Economic outlook for Northern Ireland
All in all, the outlook for the Northern Ireland economy for the next three years must be seen as extremely challenging. To a certain extent Northern Ireland's economy and housing market remains insulated because of the high level of public sector employment - approximately one-third of all employees are in the public sector, and more than two-thirds of regional GDP is financed by the public purse. However, it is important not to over-estimate this. The Northern Ireland Executive faces ongoing pressure to limit the growth in public expenditure, and high levels of indebtedness, high energy and food prices as well as prospective increases in taxation will continue to militate against an upturn in the short term.

Demographic Profile

The Northern Ireland Census 2001 provided a comprehensive picture of Northern Ireland's demography. Its key findings were as follows:

- There were 1,685, 627 people living in Northern Ireland (2.87 per cent of the total UK population).

- The age structure of the population is the youngest of all regions of the UK with

1. DSD, Housing Statistics, 2007/08
2. ONS, Regional Trends,39, Tables 8.1 and 8.8

398,000 children (23.6%) under the age of 16 compared to 20.1 per cent in the UK as a whole. In 1991 the proportion of the population less than 16 in Northern Ireland was 26.0 per cent.

- Conversely Northern Ireland had a smaller percentage of people of pensionable age (65+ for male/60+ for female) than the rest of the UK. Some 261,500 people (15.5%) of pensionable age live in Northern Ireland compared to around 18 per cent in the UK as a whole. Since 1991 the number of people of pensionable age has grown by around 25,000 (an increase of 11%).

- In Northern Ireland there were over 100,000 people aged 75 or more (a total of 6 per cent). This compares with 7.5 per cent for the UK as a whole. Since 1991 the number of people aged 75 and over has increased by 18,000 (22%).

Research commissioned by the Housing Executive in 2003 from the University of Ulster identified a number of other significant demographic changes between 1991 and 2001.

- Northern Ireland's population grew by 6.8 per cent between 1991 and 2001, but the number of households grew by 18.2% (96,000 households) to 626,700. This is almost three times as fast as the overall population.

- This household growth was a function of population growth and a changing pattern of living arrangements. Population growth accounted for about 37 per cent of the growth in household numbers, changing living arrangements (especially more single person households, including the elderly) for about 63 per cent of household growth.

- Average household size fell from 2.93 in 1991 to 2.65 in 2001.

- Other trends which had already become apparent during the previous decade (1981-1991) continued between 1991 and 2001, although some at a different rate:

  - the continued growth in the number and proportion of single person households: from 120,000 (22.8%) in 1991 to 172,000 (27.3%) in 2001;
  - a large fall in the proportion of married couples with at least one dependent child from 31.7 per cent to 24.3 per cent in 2001;
  - the overall proportion of lone parent households with dependent children rose a little from 6.1% to 8.7%, but these lone parent households represented a greater proportion of all households with dependent children (15% in 1991 to 22% in 2001);
  - a substantial fall in the proportion of all households with dependent children; from 41.5 per cent in 1991 to 36.5 per cent in 2001;
  - the birth rate per 1,000 population continued to fall (from 16.2 in 1991 to 13.0 in 2001);
  - the death rate per 1,000 also fell from 9.5 (1991) to 8.6 (2001);
  - the rate of natural increase therefore fell significantly from 7.7 per 1,000 in 1991 to 4.4 in 2001.

2006 Based Population Projections

The Office for National Statistics published its 2006 based population projections for Northern Ireland in October 2007.

The projections indicate a number of important changes in Northern Ireland's demography over the 15 year period to 2021:

- The population is projected to increase from 1,742,000 in 2006 to 1,922,000 in 2021. This is equivalent to an average annual rate of growth of almost 0.7 per

Table 2: Population Projections by Age-Band 2006-2021

Age Band	2006 000's	2011 000's	2016 000's	2021 000's
Children (0-15)	380	377	381	393
Working Age	1,077	1,124	1,166	1,190
Pension Age	284	310	320	339
Adults (75+)	110	121	137	164
All Persons	1,742	1,812	1,868	1,922

Source: ONS, Population Projections, 2007

cent, significantly higher than the 0.42 per cent projected in 2004.

- The net projected increase of 180,000 people between 2006 and 2021 is attributable to a natural increase (the difference between the numbers of births and deaths) of 157,000 and a net inward migration of 23,000. The most recent estimates of net inward migration indicate that it will decline rapidly from 10,000 (2006/07) to 1,000 by 2021.

- The number of children aged under 16, which had been projected to decline by 9 per cent between 2004 and 2019, is now projected to increase from 380,000 in 2006 to 393,000 in 2021 as a result of an increase in the birth rate, this too partly attributable to the influx of migrant workers.

- The number of working age adults is projected to increase from 1,077,000 in 2006 to 1,190,000 by 2021, an increase of about 113,000 (10 per cent), a much bigger increase than previously projected, largely as a result of the rising pension age.

- Conversely, the number of people of pension age is projected to increase from 284,000 in 2006 to 339,000 by 2021, an increase of only 19 per cent, a much lower percentage than in the 2004 projection.

- The number of people aged 75 and over is projected to increase by 54,000 (49%) by 2021.

Table 2 summarises key information from the 2006 population projections.

From the point of view of understanding the housing market, the rate of household formation is of more significance than population growth. In March 2008 NISRA published new household projections for the period 2006-2021, which are being used as the starting point for revisiting the Housing Growth Indicators as part of the major review Regional Development Strategy now being undertaken.

Figures for the fifteen year period 2006-2021 (Table 3), when compared with previous projections, show that there was a slightly higher rate of household formation for this 15 year period than for the period 2004-2019. It is projected that there will be an additional 125,700 (19%) households in Northern Ireland, primarily due to population growth (65,000 additional households), but also due to the changing age structure (34,000) and the continuing trend towards smaller households (26,000). Average household

Table 3: Household Projections by Size of Household 2006-2021

	2006 No + % of Total		2021 No + % of Total		% increase/decrease in number +/-%
1 Person	199,000	(30%)	272,000	(34%)	+37%
2 Person	195,400	(29%)	248,400	(31%)	+27%
3 Person	107,000	(16%)	109,800	(14%)	+3%
4 Person	94,200	(14%)	92,800	(12%)	-1.5%
5+ Person	77,000	(11%)	75,300	(9%)	-2%
TOTAL	672,600	100%	798,300	100%	+19%

Source: NISRA, Household Projections, 2008

size is projected to fall from 2.55 in 2006 to 2.36 in 2021.

Table 3 also indicates the expected significant increases in the number and proportion of one and two person households, and, conversely, small reductions in the number and proportion of households with four and five or more persons.

For housing, the key implications of the demographic trends are as follows:

- The increasing number and proportion of one and two person households may have some impact on the size and design of dwellings. However, market intelligence indicates that there is no direct relationship between demographic trends and the size of dwellings required, as younger children increasingly like to occupy a bedroom on their own, or adults use an extra bedroom as a place of work or recreation.

- The steady rise in the number and proportion of pensioners, and in particular the rapid growth in the number of people aged 75 or more, undoubtedly has important implications for not only the design of dwellings, but also the support funding and care packages required to enable these pensioners to live independently and comfortably in their own homes.

International migration
International migration has in recent years been an increasingly important element of the underlying demographic factors driving Northern Ireland's housing market. Using the Labour Force Survey as its starting point, NISRA estimates that in December 2007 there were a total of 60,000 migrant workers in Northern Ireland. NISRA published its latest projections for international migration in December 2008. It estimated that international in-migration in the 12 months to June 2007 was 19,400. This was slightly higher than the figure of 18,100 for the previous 12 months. However, net in-migration from mid-2006 to mid-2007 amounted to only approximately 10,000. NISRA estimates that net in-migration will fall sharply by 2009/10 to a net figure of 2,000. However, in the light of the economic downturn in Northern Ireland, in particular in the construction and retail and hotel/restaurant sectors, where many migrant workers are employed, and given the much weaker pound relative to the euro, it is possible that net in-migration may become net out-migration in a short space of time.

The Waiting List for Social Housing

The Common Waiting List for social housing is a vital source of information for understanding the dynamics of Northern Ireland's housing market and for the planning process which determines at the local level how many new social dwellings are constructed.

Figures 2(a) and (b) illustrate the overall trends in the waiting list between 2002 and 2008. The actual figures are set out in Appendix Table A2. An analysis of these figures shows that:

- The overall number of applicants has increased steadily since March 2002, when it was 25,903 to 39,688 in March 2008. Between March 2007 and March 2008 the overall list increased by almost 10 per cent. Figure 2(b) indicates that this rate of increase was lower than the previous annual increase, but above the average (7.4%) for the period.

- There was a parallel and commensurate increase in the number of applicants in housing stress. Between March 2002 and March 2008 the number of applicants in housing stress rose gradually from around 12,449 to 21,364. In the twelve months to March 2008, the number of applicants in housing stress rose by 1,661 (8 %), significantly lower than in the previous 12 months (14%).

- The proportion of those on the waiting list in housing stress has also continued to rise. In March 2002 48.1 per cent of the total number of applicants were in housing stress. This proportion rose steadily over the next few years to reach 54.5 per cent in March 2007, before declining slightly to 53.8 per cent in March 2008.

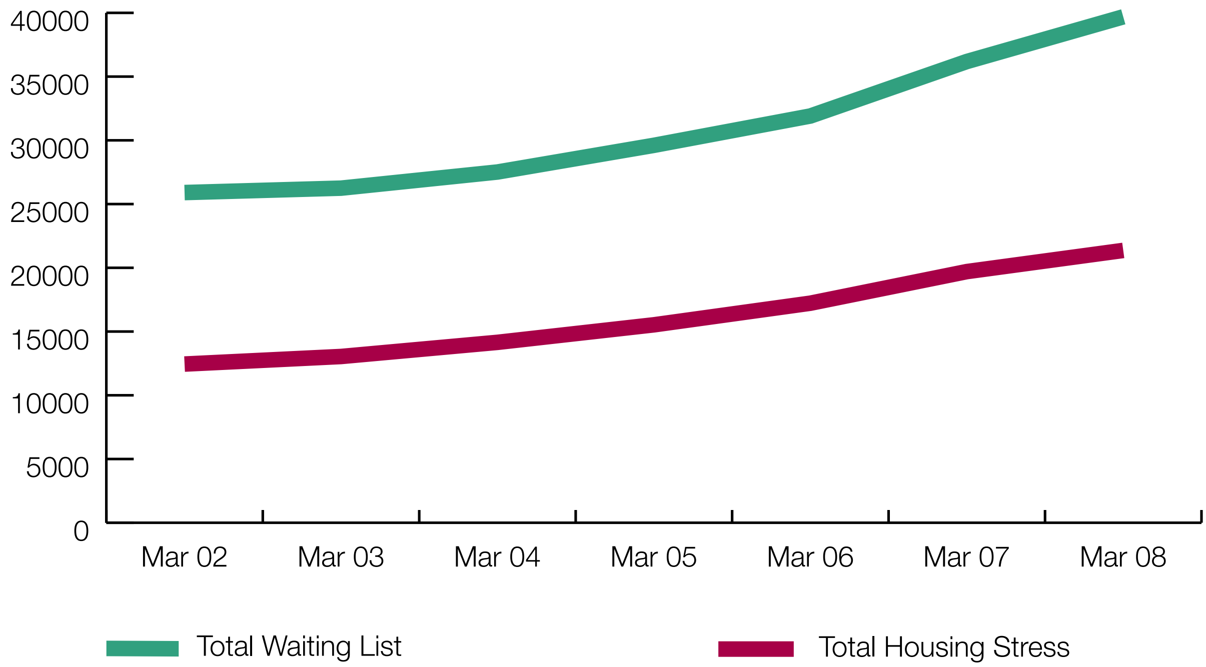
However, in the six month period from the end of March to the end of September 2008, while the overall demand for social housing has continued to rise a little (at the end of September 2008 there were 38,800 applicants on the Common Waiting List), the number in housing stress had fallen to 21,124 (55%). This may be one of the first indication that in line with declining homelessness (see below), the rate of household formation may be slowing in response to the deepening economic recession.

Geography of the Demand for Social Housing
Analysis of the geographic distribution of the increases in the waiting list shows that the pattern of growth is by no means uniform. Table 4 shows the 8 housing management districts with the highest percentage increases (at least 100 per cent) in housing stress over the five year period from September 2003 to September 2008.

It is interesting to note that some of these districts (for example, Banbridge and Ballymoney) also tend to be those which have recorded the widest affordability gap (See Appendix 2). However, in the case of the two housing management districts in Craigavon, the reverse is true - here the affordability gap is one of the lowest, as house prices have fallen significantly since their peak in the Summer of 2007. Proximity to the main M1 or M2 corridors also appears important, with accessibility to Belfast - the location of most of the new jobs in the service sector - is still higher. The rapid increase in the demand for the Waterside reflects local housing market dynamics, as this area is increasingly seen as a location where Catholic households can now live safely.

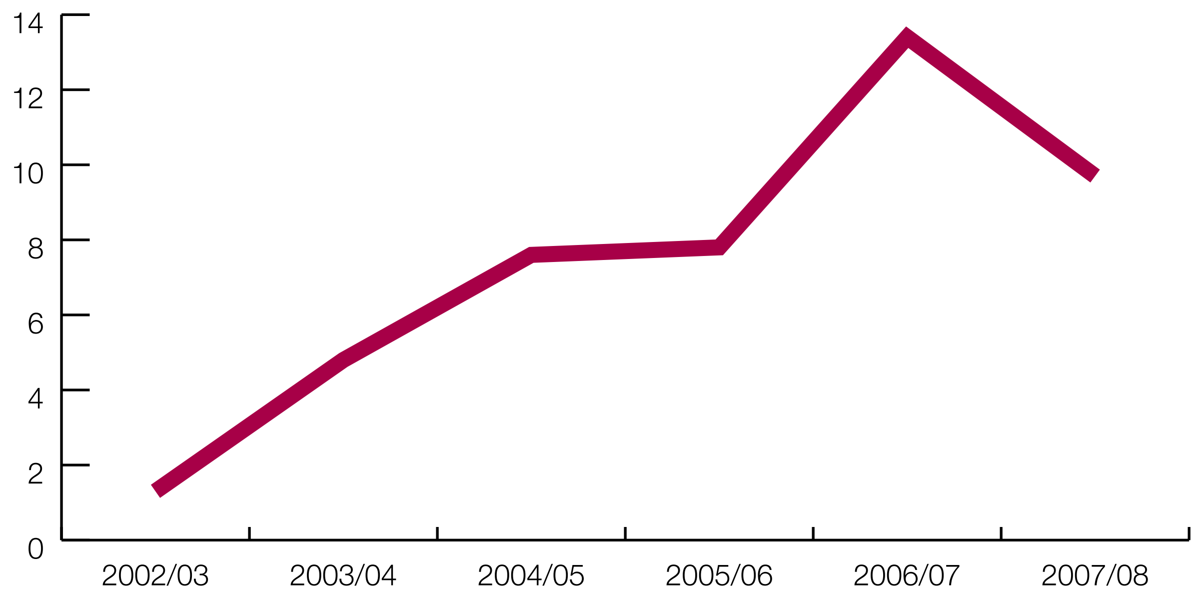
This analysis of the waiting list trends by geographical location provides a useful indication of future concentrations in the demand for social housing, for co-ownership

Figure 2(a): Trends in the Waiting List, 2002-2008



Source: NIHE

Figure 2(b): Annual Percentage Increase in the Waiting List



Source: NIHE

Table 4: Housing Stress Change 2003-2008

Housing Management District	Housing Stress Sept 2003	Housing Stress Sept 2008	Change 9/03 – 9/08	% Change 9/03 – 9/08
Banbridge	134	383	249	186
Portadown	119	291	172	145
Lugan	230	526	296	129
Ballymoney	104	229	125	120
Omagh	96	202	106	110
Waterside	181	371	190	105
Magherafelt	134	272	138	103
Ballymena	428	856	428	100
Northern Ireland	14,021	21,124	7,103	51

Source: NIHE

Table 5: Common Waiting List: Household Composition 2004-2008

Household Type	March 2004 (%)	March 2005 (%)	March 2006 (%)	Sept 2007 (%)	Sept 2008 (%)
Singles	46	46	46	44	44
Small Adult	6	6	6	6	6
Small Families	23	23	23	25	25
Large Families	5	5	5	5	5
Large Adult	1	1	1	1	1
Elderly	19	19	18	18	18

Source: NIHE

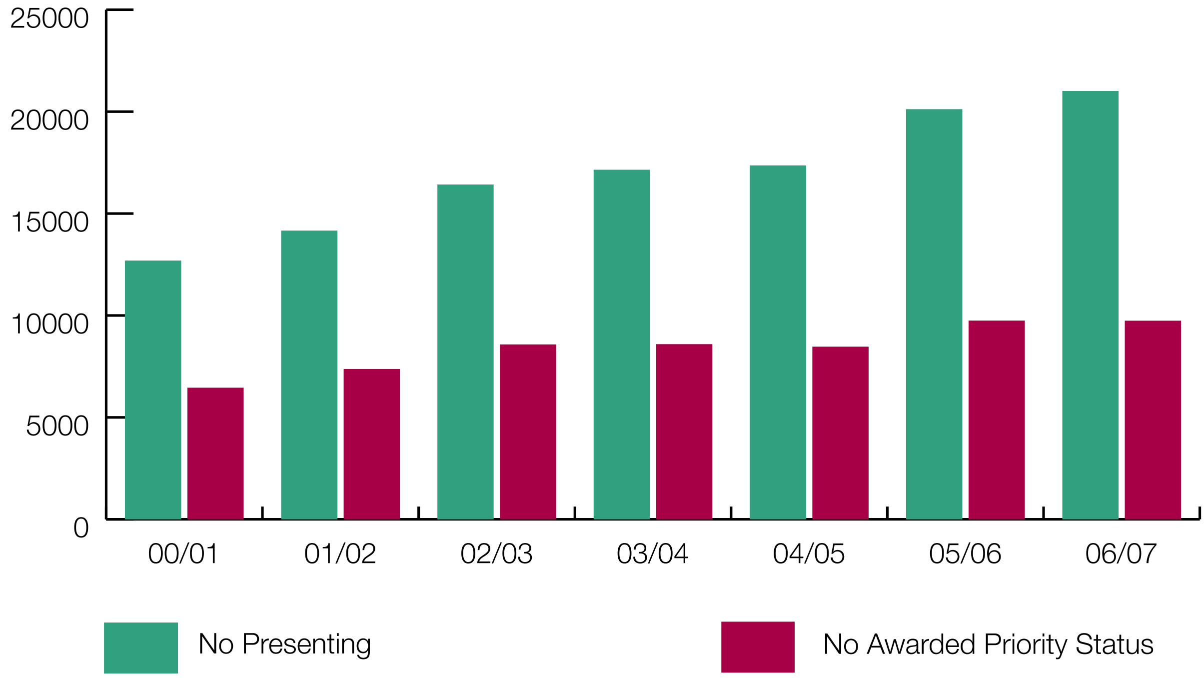
and for low cost affordable homes in the private sector: it will be concentrated in Belfast and in those areas within easy commuting distance from the city.

Household composition

Analysis of the waiting list by household composition over the period 2004 to 2008 confirms the continuing dominance of single person households (See Table 5). Small families also continued to be the next largest component of the waiting list (having risen to 25 per cent in September 2007) followed by the elderly (18%). It is expected that future demand will come predominantly from these types of households.

Between April 2000 and March 2007 there was a fairly steady and substantial increase in the annual number of households presenting as homeless, from 12,694 to 21,013 (66%). However, in the financial year 2007/08 the number of households presenting fell considerably (by 9%) to

Figure 3: Trends in Homelessness 2000-2008



Source: NIHE

19,030 (see Figure 3). Given the ongoing increases in Housing Stress this may appear somewhat anomalous. However, qualitative evidence would indicate that there may be a number of reasons for this downward trend:

- The impact of the credit crunch - resulting in a growing reluctance of both couples to separate and children to leave (or be asked to leave) the family home for essentially economic reasons;

- The availability of a growing number of good quality private rented sector dwellings, combined with a shortage of social dwellings (as a result of declining turnover rates and a lower than required number of new social dwellings being constructed) encouraging households to seek accommodation in the private rented sector without recourse to the Common Waiting List.

Homelessness

Figure 3 indicates that there has been a commensurate fall in the number accepted as homeless. The number of presenting households being accepted as statutorily homeless fell from 9,744 in 2006/07 to 9,234 in 2007/08 (a reduction of 5 per cent). It is interesting to note that the number of households being awarded additional points for homelessness had already been stable between 2005/06 and 2006/07 supporting the somewhat anecdotal evidence that some households were participating in what might be termed "contrived" homelessness in an attempt to access social housing in an area of their choice.

The relative importance of the causal factors in homelessness has changed little. The dominant factor in relation to those presenting as homeless remains sharing breakdown/family dispute: 4,542 (24%) of those presenting did so for this reason, although the number who did so declined sharply (by 10%) from the previous year.

The other key factors remain marital/ relationship breakdown (2,512; 13%) - once again a significant reduction (by 13%) on the previous year; accommodation not reasonable (2,713; 14%) and loss of rented accommodation (3,236; 17%). It is worth noting that there has been a further increase (6%) in the number of presenters stating loss of rented accommodation as the cause of their homelessness. This represents the continuation of a trend apparent since the late 1990s, and no doubt at least partly reflects the fact that an increasing number of households are having to seek accommodation in the private rented sector rather than in the social sector.

In the case of those households who have been accepted as statutorily homeless a somewhat different picture emerges:

- The biggest single cause remains sharing breakdown/family dispute: 2,024 in 2007/08 (22% of the total).

- However, in the case of those accepted as homeless, marital/relationship breakdown is not the second most important cause. In 2007/08 only 878 (10%) households were accepted on this basis.

- "Accommodation not reasonable" accounted for 2,122 households (23% of the total accepted in 2007/08). In recent years this category has increased substantially as the population ages and many elderly people find it increasingly difficult to live independently in their current home. However in 2007/08 the number declined by 243 (10%).

- Over the five year period 2001/02 - 2006/07 there have also been steady increases in the number awarded homeless status due to loss of (private) rented accommodation (1,419 in 2006/07 compared to 775 in 2001/02. In 2007/08 this figure increased once again to 1,528 (8%).

Almost one-third (30%) of all households who presented in 2007/08 were single people, of whom 4,055 (21% of the total) were single males aged 16-59 years of age. Families with children accounted for a little over one third (6,685; 35 per cent) of those presenting.

Figures for the first six months of the financial year 2008/09 show the continued decline in the number of households presenting themselves as homeless: from 9828 for the first two quarters of 2007/08 to 8998 for the first two of 2008/09. There was a concomitant fall in those being awarded priority status (from 4,823 to 4,396). As indicated above, this may be an initial indication of slowing rates of household formation. For example, there is some qualitative evidence to suggest that couples may be less willing or less able to separate in the current housing market.

The Need for New Social Housing

Much of the ongoing demand for social housing is met through changes of tenancy. Indeed approximately 85 per cent of all households who annually enter the social sector do so via a relet rather than a newly constructed dwelling. However, rising waiting lists, and in particular the growing number of households in Housing Stress shows there is an ongoing and increasing need for new social dwellings.

The Strategic Context

Since 1994 the Housing Executive has used a Net Stock Model as the basis to estimate the need for new social housing at the Northern Ireland level. Using demographic information from the Census, population projections (and more recently household projections) as well as a number of housing stock indicators (e.g. demolitions, second homes and vacancy rates) it has estimated the total extra number of new social dwellings required over a 10 year period. The model has assumed that over this period the private sector will continue to build dwellings at a rate which equates to the average number of dwellings built by it in the most recent five years (more recently 10 years) with the residual requirement being met by social housing.

Following the publication of the 2001 Census data in 2003, the Housing Executive commissioned the University of Ulster and University of Cambridge to revisit the Net Stock Model, and in the light of the new census data develop an updated and more sophisticated approach to assessing future housing need in Northern Ireland. The most important outputs of this research, published in January 2004, were two housing need models:

- an updated Net Stock Model which took into account the most recent 2001 Census data and information from the 2001 House Condition Survey.

- a new model (referred to as the Cambridge Model) based on demographic and housing projections, including estimates of future household formation, household headship, age profile and tenure split.

Both models allowed for vacancies, second homes, demolitions and replacement dwellings. Both models estimated the need for new social housing for the period 2001 to 2011.

The Net Stock Model indicated the need for an average annual social housing programme of 1,400 over the period 2001-2011. The Cambridge Model indicated the need for an average annual programme of 1,500.

The research noted that dwellings already in existence, whether refurbished or not, which are drawn into the social housing stock through, for example the acquisition of "existing satisfactory" dwellings do not help meet these targets as they reduce the number of private sector dwellings which are assumed to exist in both these models. It should, however, be noted in the light of recent housing market developments that "off the shelf schemes" do help meet these targets.

The researchers recommended strongly that both models are used in conjunction with more detailed local information (waiting list data in particular) as the two models are designed to meet demand generated by underlying demographic forces and do not take into account:

- the growing backlog between the original target (1,500) and what actual was delivered 2001-2004.

- local imbalances in supply and demand: oversupply in some areas cannot simply be transferred into areas of high demand.

In November 2004 the Housing Executive asked the Universities of Ulster and Cambridge to revisit their models in the light of new population and household projections and newer housing supply data.

The revised Net Stock Model (2004) indicated there was an underlying demographically driven need for 1,600 new social dwellings. The Cambridge Model (2004) estimated an annual need for 1,700 dwellings. However, taking into account the backlog which has

Table 6: Net Stock Model 2001-2011, 2008 Update

	Projected Households (000)
Extra Demand 2001-2011	
New Households	93.1
Concealed Households	5.0
Temporary Accommodation	0.7
Total Extra Demand	98.8
Extra Supply 2001-2011	
New Private Output	114.7
Less Net Demolitions, Conversions and Closures	(20.0)
Less 5% Second Homes	(5.7)
Less 11% Vacancy in New Private Housing	(12.6)
Total Extra Supply	76.4
Social Housing Needed 2009-2012	
Deficit	22.4
Plus 2% Vacancy in New Social	0.5
Total Needed	22.9
Total Rounded and Allowance for Other Factors	23.0
Total Per Annum	2.3

Source: University of Ulster, December 2008

developed 2001-2004 and ongoing supply/demand imbalances the Housing Executive estimated an annual average need for 2,000 dwellings 2004-2011. The Net Stock Model was again updated in November 2006 to give an annual requirement of 2,500.

In November 2008 the Housing Executive once again asked Professor Chris Paris, University of Ulster to revisit the Net Stock Model in the light of updated NISRA household projections and the most recent housing stock figures, as well as the dramatically changed dynamics of Northern Ireland's housing market sparked by the collapse of the sub-prime housing market in the USA and the associated "credit crunch" (see Table 6).

On the basis of a significantly higher rate of household formation, counteracted to a large extent by a higher rate of new private output over the last five years and a lower rate of demolitions than in the 2006 estimates, the Net Stock Model (2008) envisages that a total of 2,300 new social dwellings is required per annum in order that the Waiting List for social housing does not continue to rise. However, given the need to address the growing shortfall (Table 7 shows that over the seven year period 2001-2008, a cumulative backlog of 4,465 dwellings developed), the Housing Executive considers that at least 3,000 new social dwellings should be constructed each year.

Table 7: Shortfall in Construction of New Social Housing 2001-2008

	Social New Build - Completions[1]	NSM estimate of ongoing need	Backlog - cumulative
2001/02	1,613	1,500	(113)
2002/03	1,095	1,500	292
2003/04	687	1,500	1105
2004/05	888	1,600	1817
2005/06	973	1,600	2444
2006/07	1,375	2,200	3269
2007/08	1,004	2,200	4465
Annual averages	1,091	1,728	638

The Characteristics and Condition of the Stock

The headline results from the 2006 House Condition Survey have been emerging since May 2007 and provide the most recent picture of the characteristics and condition of Northern Ireland's housing stock. In 2006 there were 705,000 dwellings in Northern Ireland - an increase of 57,500 (9%) over the period since 2001.

Dwelling Tenure
Table 8 provides the key tenure related information:

- Significant growth in the owner-occupied sector with an additional 36,500 dwellings. However as a proportion of the total stock the figure has remained much the same.

- The continued rapid increase in the number and proportion of private rented sector dwellings. In 2001 there were 49,400 (7.6%) privately rented dwellings in Northern Ireland. By 2006 this had risen to 80,800 (11.5% of the total stock), an increase of 31,400 (6,300 per annum). Indeed if vacant properties, whose tenure when last occupied was private rented, are included, the figure rises to 94,600 (13.4%).

- The number of tenanted social dwellings has fallen from 133,900 (20.7%) in 2001 to 114,900 (16.4%) as the Social Housing Development Programme has only replaced approximately one third of the houses sold or demolished.

- The total number of vacant properties increased by approximately 8,500 and the vacancy rate has risen a little from 4.9 per cent to 5.7 per cent. A high vacancy rate is particularly evident in the private rented sector, where 13,800 properties (nearly 15%) are vacant. It should be noted that by March 2008, Department for Social Development figures (based on Land & Property Services data) indicate that the number of vacant properties had

1. Based on DSD figures, including bedspaces, as they are considered to house a household, but excluding existing satisfactory, rehabilitation/re-improvement because these do not constitute net additions to stock

Table 8: Northern Ireland's Dwelling Stock by Tenure, 2006

	2001 (%)		2006 (%)	
Owner Occupied	432,300	66.8	468,800	66.5
Private Rented & Other	49,400	7.6	80,800	11.5
Housing Executive	116,000	17.9	93,400	13.3
Housing Association	17,900	2.8	21,500	3.1
Vacant Dwellings	31,900	4.9	40,400	5.7
TOTAL	647,500	100	705,000	100

risen to almost 58,000 (7.8% of the total stock), reflecting to a considerable degree the number of unsold or unlet dwellings in the private sector as a result of the investment-driven boom followed by the current housing recession.

Dwelling Age
The 2006 House Condition Survey indicated that the age profile of the housing stock has continued to change as a result of the declining number and proportion of dwellings in the oldest age category (mainly as a result of demolition) and a substantial increase in the proportion of newer dwellings (mainly as a result of the accelerated rate of construction of new dwellings over the past five years).

- Only 16 per cent of all dwellings were built prior to 1919, compared to 18 per cent in 2001.
- In 2006, nearly one third (30%) of all dwellings were constructed since 1980 compared to 27 per cent in 2001 and indeed, 18 per cent of the total stock has been built since 1990.

Dwelling Type
Northern Ireland's dwelling stock has traditionally been dominated by houses and bungalows. The 2006 House Condition Survey confirmed that despite the greater number of flats/apartments built in recent years, this picture has not really changed, except that a slightly smaller proportion of the stock is bungalows.

- Almost a quarter of all dwellings (23%) were bungalows.
- Terraced houses accounted for almost one-third (32%) of the stock.
- Semi-detached houses accounted for one-fifth (20%) of the stock and detached houses for 17 per cent.
- Flats/apartments accounted for 8 per cent of the total stock (56,000 dwellings).

Distribution of Dwellings
The overall pattern of settlement has remained broadly unchanged since 2001. Dwellings in Northern Ireland are located primarily in urban areas (70% of all dwellings) with the remainder (30%) in rural areas. Within rural areas however, the proportion of dwellings in isolated rural areas fell from 18 per cent in 2001 to 15 per cent in 2006, reflecting both the depopulation of remoter areas and the absorbing of isolated dwellings into existing towns or villages.

Unfitness
In 2006 there were 24,200 unfit dwellings in Northern Ireland. This represents a headline rate of 3.4 per cent. This compares to an unfitness rate of 4.9 per cent (31,600) in 2001.

- Unfitness remained higher in rural than urban areas, although there was a reduction in both. In 2001 urban unfitness had been 3.1 per cent, but by 2006 this had reduced to 2.5 per cent. In rural areas the proportion of unfit dwellings in 2006 was 5.4 per cent, compared to 8.5 per cent in 2001. The highest rate of unfitness in 2006 occurred in isolated rural areas where 9,300 (8.9%) of all dwellings were unfit; indeed this accounts for 38 per cent of all unfit dwellings.

- There continues to be a clear link between unfitness and tenure, with the highest rates of unfitness being found in vacant dwellings: almost two thirds (13,900; 58%) of all unfit properties were vacant and one-third (34%) of all vacant properties were unfit. The rate of unfitness for occupied properties was only 1.5 per cent.

- Within the occupied stock in 2001, the highest rate of unfitness continues to be found in the private rented sector where 2,100 dwellings (2.6 per cent of the sector) were unfit, compared to 9 per cent in 2001. In the owner occupied sector some 7,500 dwellings (1.6% of this sector) were unfit compared to 2.8 per cent in 2001. In the social sector unfitness continues to be minimal (less than one per cent).

- There was also clear correlation between unfitness and dwelling age. Almost two-thirds of all unfit dwellings (15,000; 62%) had been built prior to 1919.

The Decent Home Standard
In 2006, 23 per cent (162,100) of all dwellings failed the Decent Home Standard. This represents a marked improvement from the 32% (206,000) which failed in 2001 and mainly reflects the large numbers of dwellings receiving more efficient oil or gas central heating. More than four fifths (84%) of dwellings which failed the Decent Home Standard did so on the basis of the thermal comfort criterion, 20 per cent on the basis of disrepair and 15 per cent on the basis of lacking modern facilities and services.

In Northern Ireland the rate of non-decency varied considerably by tenure:

- it was highest for vacant dwellings (50% compared to 71% in 2001);

- one quarter (25%) of Housing Executive properties and more than one quarter of privately rented properties (26%) failed the Decent Home Standard (compared to 71% and 47% respectively in 2001);

- only 20 per cent of owner-occupied and 9 per cent of housing association properties failed the standard.

Housing Health and Safety Rating System
The Housing Health and Safety Rating was developed as a replacement for the Fitness Standard in England and Wales and introduced there in April 2006. It is 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.

The primary aim of the system is to determine and inform enforcement decisions. As such, while it emphasises the potential effect of hazards rather than the existence of faults, it allows faults to be recorded and assessed for their potential to cause harm. The measure differentiates between minor hazards and those where there is a high risk of serious harm or even death. In England and Wales, 29 categories of hazard are separately rated, based on the risk to the most vulnerable potential occupant, with the focus on physical rather than behavioural causes of accidents. Individual hazard scores are grouped into 10 bands, where the highest bands are considered to pose 'Category 1' hazards and, for the purposes of the Decent Homes Standard, homes posing such hazards are considered non-decent.

Data from the 2006 House Condition Survey was used to help ascertain how the housing stock here might perform under the HHSRS by considering the risks posed by:

1. falls on stairs, on the level and between levels; fire; hot surfaces; and

2. excess cold, carbon monoxide, dampness, electrical problems, lead, noise, crowding, pests, radon and sanitation.

On the basis of agreed criteria, hazard scores produced for the first group of risks indicated whether or not the risk was considered acceptable, and, as a result, how the property performed under the HHSRS.

In 2006, almost one-fifth (19.4%) of all dwellings had Category 1 hazards. The proportions with Category 1 hazards were highest in vacant properties ((47.4%) and in dwellings built before 1919 (41.6%). The proportions were lowest in housing association stock (3.1%) and in the most modern dwellings built since 1980 (9.1%).

Energy Conservation and Fuel Poverty

The Home Energy Conservation Act (1995) designated the Housing Executive as Northern Ireland's Home Energy Conservation Authority, placing a responsibility upon the organisation to develop a strategy that would significantly improve the energy efficiency of the entire housing stock through identification of practicable, cost-efficient measures that could be applied to residential accommodation.

In this context, a significant improvement - and therefore the Housing Executive's key objective - is defined as a 34 per cent reduction in the energy consumption of the dwelling stock that was in existence at 1st April 1996; it was deemed that building regulations would ensure dwellings built subsequent to that date would meet energy efficiency standards. Although no deadline was set for achievement of the target, substantial progress was expected to be made by 2006.

The results from the 2006 House Condition Survey confirm that significant progress has been made:

- There was a 20 per cent improvement in the energy efficiency of the housing stock between 1996 and 2006, largely due to fuel switching and insulation programmes across all tenures.

- The average SAP (energy efficiency) rating[4] for dwellings increased from 45 in 2001 to 52 in 2006; this represents recurrent savings of almost 3 million tonnes of carbon dioxide per annum over 1996 levels.

4. Figures are based on a revised SAP05 model

- Between 1996 and 2006 the proportion of dwellings across all tenures with full central heating increased from 87 per cent to 98 per cent.

- The popularity of oil fired central heating has continued to increase. Seventy per cent of all dwellings had oil fired central heating in 2006, compared to 58 per cent in 2001 and 36 per cent in 1996. In 2006, a further 5.5 per cent of dwellings relied on dual systems, the majority of which included oil as one of the fuel sources.

- Solid fuel's share of the domestic heating market has declined substantially during the last decade, from 40 per cent in 1996 to only 6 per cent in 2006. During the same period, the use of mains gas increased from a zero base to around 12 per cent of the market - almost 84,000 homes.

- The proportion of the housing stock with no wall insulation has declined from 52 per cent in 1996 to 22 per cent in 2006. Almost two thirds (62%) of dwellings had full cavity wall insulation in 2006, compared with just over one third (36%) in 1996. Many of the 156,350 dwellings with no wall insulation are of solid wall construction and are therefore incapable of availing of cavity wall insulation - the traditional and most cost effective remedy.

- The vast majority (95%) of the dwellings in Northern Ireland that have lofts now have loft insulation - a significant increase from 87 per cent in 1996.

- The proportion of properties with full double glazing has increased from almost one quarter (24%) in 1996 to around two thirds (68%) in 2006.

The findings of the House Condition Survey show significant progress, but in this context it is important to bear in mind that a substantial amount of work to reduce fuel consumption through improvements in the physical fabric of dwellings has now been carried out. In the future, achievement of improved energy efficiency will therefore be increasingly reliant on changes in householder behaviour and use of renewable technologies, both of which are, arguably, more difficult to achieve and monitor.

While the improvements in the energy efficiency of the housing stock are good news, the associated benefit in terms of impact on household expenditure have been strongly counter-balanced during a year characterised by steady increases in fuel prices.

Fuel Poverty

The 2001 House Condition Survey provided the first reliable assessment of Fuel Poverty in Northern Ireland, and allowed comparisons to be drawn with the rest of the United Kingdom. A household is considered to be in Fuel Poverty if, in order to maintain an acceptable temperature throughout the home (21°C in the living room and 18°C in other occupied rooms), it would have to spend more than 10 per cent of its income on all household fuel. The Fuel Poverty model therefore includes the costs for lighting, cooking and household appliances.

Fuel Poverty has three main causes:

- Poor thermal efficiency in dwellings;
- Low household income; and
- High fuel prices

The baseline figure for Fuel Poverty in Northern Ireland was produced using 2001 House Condition Survey information modelled by the Building Research

Establishment (BRE). At that time, 203,250 households (33%) were estimated to be in Fuel Poverty.

The model for measuring Fuel Poverty was updated between 2001 and 2006 to take account of revised assumptions on hot water consumption and include rates and rate rebate in the income calculation. On the basis of this revised model, 226,000 households in Northern Ireland (34.2%) were found to be in Fuel Poverty in 2006. This represented an increase of seven percentage points on the revised figure for 2001 (27.3%) which was reworked using the new model for the purposes of comparability.

Further analysis indicated that rising fuel prices were the primary cause of this substantial increase:

- If only the increase in the price of fuel had taken place, but there had been no change in the other two factors (i.e. no increase in incomes and no improvements in energy efficiency), 66 per cent of households would have been in Fuel Poverty in 2006.
- If then the effects of rising incomes are taken into account as well as the fuel price increase (but not the effects of energy efficiency improvements) this would have reduced the figure to 55 per cent.
- Finally, if the effect of improved energy efficiency (i.e. reduced consumption) is also taken into account, the proportion of households in Fuel Poverty reduces to the actual figure of 34 per cent in 2006.

The very important contribution made by energy efficiency gains in reducing the level of Fuel Poverty between 2001 and 2006 is clear. By 2006, the proportion of households in Fuel Poverty was almost 20 percentage points lower than it might otherwise have been, effectively bringing around 130,000 households out of Fuel Poverty. Nevertheless, the latest official data from 2006 suggests that Northern Ireland has the highest rate of Fuel Poverty in the UK, (34 per cent, compared to 11 per cent in England in 2006) and it is accepted that, with escalating fuel prices, Fuel Poverty will have increased significantly since 2006.

The upward trend in oil prices has been a particularly significant factor, and its widespread use as a fuel source in Northern Ireland (75% of households in 2006) has meant that households across all tenures have been affected. It is likely that with the increases in fuel prices between 2006 and 2008 the level of Fuel Poverty will be at least 40 per cent.

Fuel Poverty Task Force

The Minister for Social Development, Margaret Ritchie MLA, set up an inter-departmental and inter-agency Task Force in May 2008, to bring forward recommendations to tackle Fuel Poverty. The Task Force comprised public, private and voluntary sector organisations including the Housing Executive; its findings were presented to the Minister in July 2008, and formed the basis of a set of proposals that were submitted to the Northern Ireland Executive later in the year.

Fuel Credit

In a statement to the Assembly on the 2008-09 December Monitoring Round and Executive Response to the Economic Downturn, the Minister for Finance and Personnel announced a total of £70m in special funding allocations, focused on providing support to the local economy in the face of difficulties being experienced by businesses and households. £15m was designated for payment to an estimated 100,000 households through a new 'Rapid Response Capacity' that will be facilitated by the Financial Assistance Bill.

Action to Tackle Fuel Poverty

While the Housing Executive cannot directly influence household income or fuel prices, it makes a major contribution to removing poor energy efficiency as a cause of Fuel Poverty.

Housing Executive Dwellings

Various actions are being taken to improve energy efficiency in the Housing Executive's own stock:

- A heating policy is in place that aims to convert existing coal or electric heating systems to more energy efficient, controllable systems - mainly natural gas where available, and oil elsewhere. The policy was reviewed some time ago, before recent price rises. Any changes would require a full economic appraisal, as well as Board and DSD approval. Furthermore, although all the main fuels have increased in price, there are no tried and tested cheaper alternatives.

- Ongoing maintenance programmes increase the level of insulation in Housing Executive properties, and double glazing is provided each year in properties throughout Northern Ireland as part of window replacement schemes.

- Funding from DETI enabled installation of over 2,000 solar thermal panels in Housing Executive homes where heating systems were being changed, during a programme that ran from August 2006 to March 2008. Other pilot projects have included installation of solar PV panels, solar heating and ventilation panels, wind turbines, wood pellet boilers, ground source heat pumps and micro-CHP units. All have proved that the technologies are technically feasible, but funding for further extension of the pilot work remains an issue.

Housing Executive Grants

Although primarily aimed at reducing dwelling unfitness and preventing disrepair, Housing Executive grants also contribute to improvements in the energy efficiency of dwellings. In 2007/08:

- Cavity wall insulation was funded in 69 properties as part of renovation grants;

- 158 new dwellings were constructed using replacement grants, contributing to a total of 3,335 homes built in rural areas to current energy efficiency standards since April 1996;

- 205 heating systems were provided under various grants streams including Disabled Facilities, Home Repair and Renovations. Over 3,500 fully controlled natural gas or oil heating systems have been provided in private dwellings through this route since April 1996.

Warm Homes Scheme

Introduced in July 2001, the Warm Homes Scheme is the main source of grants for low income households in the private sector. Funded by the Department for Social Development and managed by the Eaga partnership, the Scheme funds a range of insulation and other energy efficiency measures for eligible households in receipt of qualifying benefits.

Where the maximum amount of grant aid is not sufficient to pay for all the work required, top-up funding is available from the Energy Efficiency Levy Fund managed by NIE Supply. Measures funded by Warm Homes include:

- loft insulation;
- cavity wall insulation;
- draught-proofing; and
- central heating for people aged 60 or over.

In 2007/08, just over 7,800 owner occupiers had loft or cavity wall insulation installed, and nearly 3,660 homes had a change of heating, under the Warm Homes Scheme. Insulation was provided in a further 1,500 private rented properties, and new heating systems in around 250.

Following publication of research on Fuel Poverty as well as a Northern Ireland Audit Office value for money study on the Warm Homes Scheme, the Department for Social Development published a consultation on proposed amendments to the Scheme in October 2008. Aspects under consideration are mainly related to eligibility arrangements, but also include:

- removal of measures not deemed particularly effective (e.g. draught proofing, energy saving light bulbs and repairs/ upgrades to existing heating systems),

- changes to the grant limit to facilitate work on 'hard to treat' properties; and

- inclusion of renewable technologies in certain cases.

Environment and Renewable Energy Fund
With financial backing from the DETI-managed Environment and Renewable Energy Fund, the Eaga Partnership installed solar water heating panels in 620 homes occupied by private sector households at risk of Fuel Poverty between January 2007 and March 2008. The work was targeted at families with young children who qualified for insulation under Warm Homes; families were selected because they tend to have a requirement for larger volumes of hot water.

Cosy Homes
Now in its fourth phase, the Cosy Homes scheme was established in 2003 to assist housing associations in Northern Ireland in changing from Economy 7 and solid fuel heating systems to natural gas or oil heating. Partners involved in the project have included the Energy Saving Trust, Department for Social Development, Northern Ireland Electricity, Phoenix Natural Gas and Firmus Energy. A total of 1,750 heating conversions were completed during the first three phases of the scheme, with a further 347 completed or planned during the current, fourth phase.

The wide range of ongoing initiatives across all tenures has contributed significantly to improvements in the energy efficiency of Northern Ireland's housing stock in recent years. The past year has, however, been extremely difficult. Advances in energy efficiency were not sufficient to compensate for rapidly rising oil prices and modest increases in income, which combined to raise the level of Fuel Poverty here. Improved energy efficiency has, however, been shown to be crucial in mitigating the extent of the impact of fuel price rises, and work to ensure that poor energy efficiency is removed as one of the three primary causes of Fuel Poverty will continue.

Key Issues and Strategic Perspective

- A significant downturn in the American economy, associated primarily with the recent slump in the US housing market, and the ensuing "credit crunch" have been major factors in precipitating the deepening economic recession in the United Kingdom and the Republic of Ireland. In Northern Ireland a combination of lower increases in public expenditure, growing indebtedness, rising unemployment, the much tighter credit environment and falling house prices will continue to exert significant downward pressure on purchasing power in the economy and the housing market.

- Northern Ireland's demography is continuing to change. New households are forming at a steady rate, driven by population growth (including a substantial influx of migrant workers) and single living associated with marriage/relationship break up. The continuing trend towards more single person and older households, will result in a sustained demand for accommodation, and in particular for smaller units of accommodation and supported housing.

- The continuing rapid growth in the number of applicants on the waiting list and those in "housing stress", indicates that despite sustained economic growth in Northern Ireland over the past five years and the construction of record numbers of new private dwellings, there is an ongoing shortfall in the supply of social housing. The latest analysis indicates that there is an annual requirement for at least 3,000 additional new social dwellings for the period 2009-12. It is unlikely that this can be achieved given the budgetary provision for 2009-11.

- The housing stock has grown at an accelerated rate over the past five years and its condition has also improved markedly. The 2006 House Condition Survey shows that between 2001 and 2006 the rate of unfitness fell significantly from 4.9 per cent to 3.4 per cent and the proportion of homes meeting the Decent Homes Standard rose from 62 per cent in 2001 to 77 per cent in 2006. However, in order to ensure that current levels of fitness are maintained and improved, adequate public funding is required, particularly in light of the shortfall in capital receipts from the sale of Housing Executive dwellings and land.

- Good progress has been made over the last five years in relation to increasing the energy efficiency of the stock. However, the most recent Fuel Poverty figures (34% in 2006), and the background of higher energy prices for the foreseeable future indicates that any significant reduction in the level of Fuel Poverty poses a huge challenge.

Housing Executive

Chapter 2

The Owner Occupied Sector

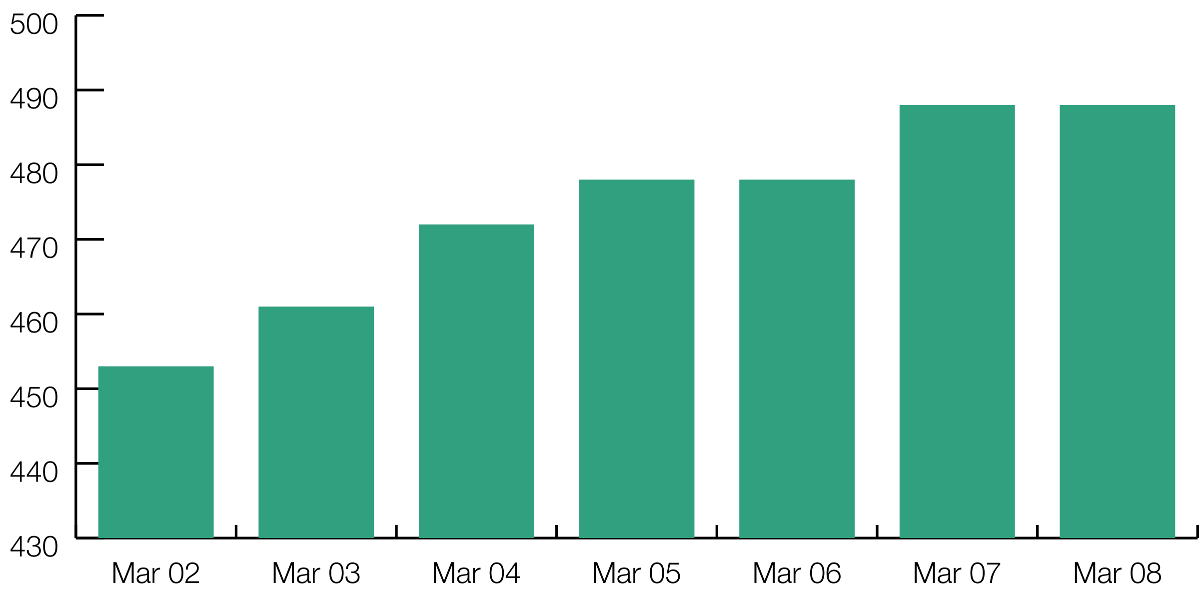
The Owner Occupied Sector

Introduction

Owner occupation grew rapidly in the United Kingdom's housing market during the second half of the twentieth century, encouraged by a range of government policies. These included 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, which has resulted in more than 2 million social dwellings being transferred to the private sector over a 30 year period. These UK wide trends were mirrored in Northern Ireland where since the start of the new millennium owner occupation has continued to grow, encouraged by a low interest rate environment (see Figure 4). However, over the last three years a combination of the unsustainably rapid increase in house prices and then the effects of the "credit crunch" has seen the rate of growth in owner occupancy tail off.

Figure 4 and Appendix Table A1 show that in March 2002 there were some 453,000 owner occupied dwellings in Northern Ireland. This rose over the next 5 years to 488,000 (a net average annual increase of 7,000), However, between March 2007 and March 2008 the figure remained static at 488,000, while the proportion of the housing stock in owner-occupancy actually fell (from 68.5% to 66%). One reason for this is undoubtedly the rapid decline in the number of Housing Executive dwellings sold over the past two years (see below). However, the effects of a combination of unsustainably high house prices and levels of personal debt, the "credit crunch", downward pressure on wages and salaries and price increases in fuel and food have meant that younger households, in particular, are finding it increasingly difficult to purchase their first home and are therefore choosing

Figure 4: The Growth of Owner Occupancy '000s, 2000-2008



Source: DSD Housing Statistics 2007/08 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. In this context it is also important to note the rapid increase in the number of vacant homes in the private sector (see Chapter 1). It is difficult to know to what extent this is a short-term development which will change as the effects of the "credit crunch" work their way through the system, and to what extent it reflects a longer term growth of the private rented sector. It is very likely, however, that at least the proportion of dwellings in owner occupancy will remain static over the next three to five year period.

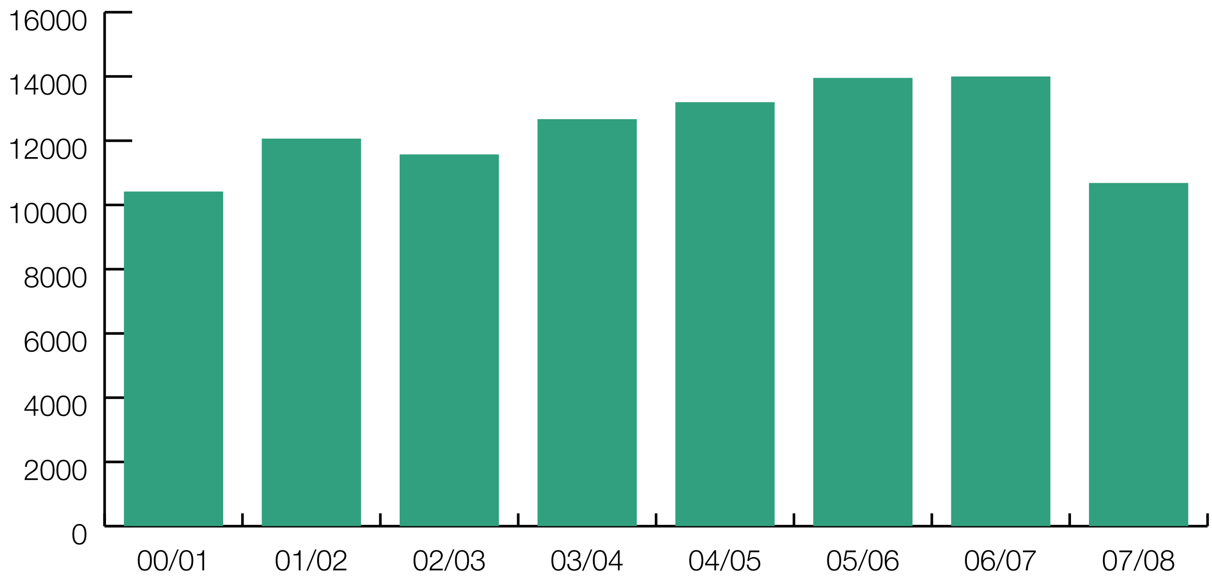
New Housing

Northern Ireland, in parallel with the rest of the United Kingdom and the Republic of Ireland has experienced a sharp downturn in the construction of new dwellings in 2007 and 2008. Between April 2007 and March 2008 approximately 10,700 new private sector dwellings were started, a 24 per cent reduction on the previous year, bringing private sector output back down to a level last seen in 2000/01 (See Figure 5).

The figures emerging for 2008/09 indicate a further fall in construction, with work having commenced on fewer than 2,000 new dwellings in Q2, 2008, a 40 per cent reduction on the equivalent quarter in 2007, and a 48 per cent reduction on Q2, 2006.

Table 8 indicates the trends in the types of new dwellings being constructed over the past five years. The proportion of detached houses has fallen markedly from 34 to 27 per cent. The proportion of semi-detached properties has declined from 31 to 23 per cent. The proportion of terraced dwellings has remained fairly constant at around one-fifth, while the proportion of flats/maisonettes (including apartments) has doubled from 13 to 26 per cent.

Figure 5: New Housing Construction in the Private Sector 2000-2008



Source: DSD Housing Statistics 2007/08

Table 8: NHBC Registered Starts by House Type, 2003-2008

	Detached Houses %	Detached Bungalows %	Semi Det Properties %	Terraced Properties %	Flats and Maisonettes %	Total Numbers
2003/04	34	5	31	19	13	10,178
2004/05	35	4	30	18	14	10,191
2005/06	28	3	29	21	18	10.409
2006/07	27	3	22	19	20	7,800
2007/08	27	5	23	19	226	5,680

Source: DSD, NI Housing Bulletin, 1 April - 30 June 2008

House Prices

House Prices in the UK

House price figures for the UK for Q3, 2008 confirm that the housing market experienced a significant downturn. The overall average house price for the UK fell approximately 10 per cent from £183,959 in Q3, 2007 to £165,188 in Q3, 2008 (See Table 9). However, more than half this annual reduction was experienced between Q2 and Q3, 2008. Table 9 shows the differential effect of this overall reduction by region. Most regions experienced an annual reduction in average prices of between 6 and 12 per cent and a quarterly reduction of between 4 and 7 per cent between Q2 and Q3 in 2008.

However, in Northern Ireland where prices rose much more rapidly in 2006/07 than in any other region of the UK, price reductions have been particularly dramatic, with the average quarterly price falling over the year by 28.8 per cent (Q3, 2007 and Q3, 2008). The quarter on quarter average price of houses in Northern Ireland also fell sharply: by 12.8 per cent from £183,476 to £159,970 (See Table 9).

The dramatic change in the UK's housing market is also illustrated by Figure 6: monthly year-on-year changes in house prices, which, during 2007, had been typically around +10 per cent, dropped sharply in the last quarter to become negative figures by April 2008, reaching -15.9 per cent by December 2008.

House Prices in Northern Ireland

The downward trend in house prices in Northern Ireland is borne out by an analysis of the University of Ulster's analysis of open market transactions gathered from a network of estate agents throughout Northern Ireland. During 2007 this was based on fewer than 8,000 transactions compared to nearly 10,000 in 2006, already a clear indication of the downturn in the market which took place in 2007. This downward trend in transaction rate continued in the first nine months of 2008 with only 2730 house sales recorded in the first nine months of 2008, compared with 7,700 for the whole of 2007.

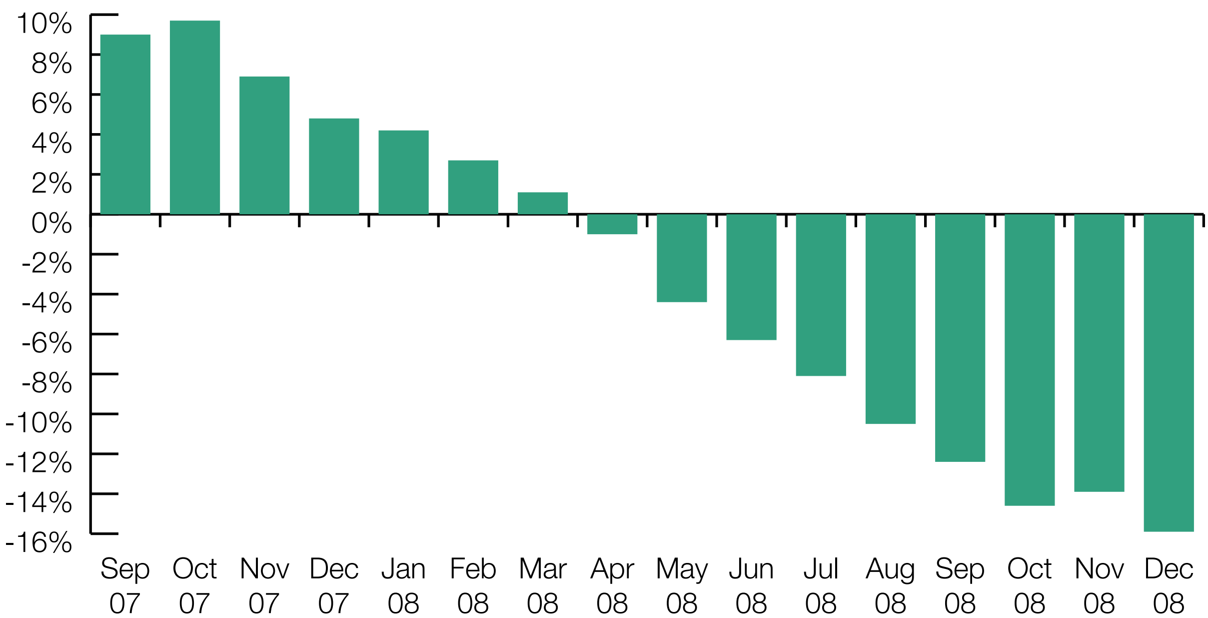
It is important to note that the fall in average house prices recorded by this local house price index is not as sharp as that recorded by Nationwide. The reason for this is essentially statistical. Nationwide bases its sales on properties bought with the help of

Table 9: UK Regional House Price Change Q3, 2007-Q3, 2008

Region	Ann % change Q2-Q3	Ann % change Q3 08	Ave house price Q3 07	Ave house price Q2 08	Ave house price Q3 08
North	-5.2	-7.6	133,202	129,700	123,019
Yorks/Humberside	-3.7	-9.1	154,695	146,074	140,636
North West	-3.8	-9.1	159,062	150,162	144,513
East Midlands	-4.0	-8.7	155,141	147,413	141,572
West Midlands	-4.0	-9.0	164,855	156,219	150,046
East Anglia	-5.4	-11.3	183,598	172,164	162,872
Outer South East	-6.1	-10.6	214,634	204,292	191,898
Outer Metropolitan	-6.6	-10.5	259,161	248,263	231,998
London	-4.0	-9.8	303,739	285,568	274,124
South West	-7.0	-10.8	203,049	194,714	181,074
Wales	-2.5	-9.9	154,947	143,147	139,583
Scotland	-5.3	-6.3	151.178	149,541	141,657
Northern Ireland	-12.8	-28.8	224,816	183,476	159,970
UK	-5.3	-10.2	183,959	174,514	165,188

Source: Nationwide

Figure 6: UK: Annual House Price Change: Monthly, 2007/08



Source: Nationwide

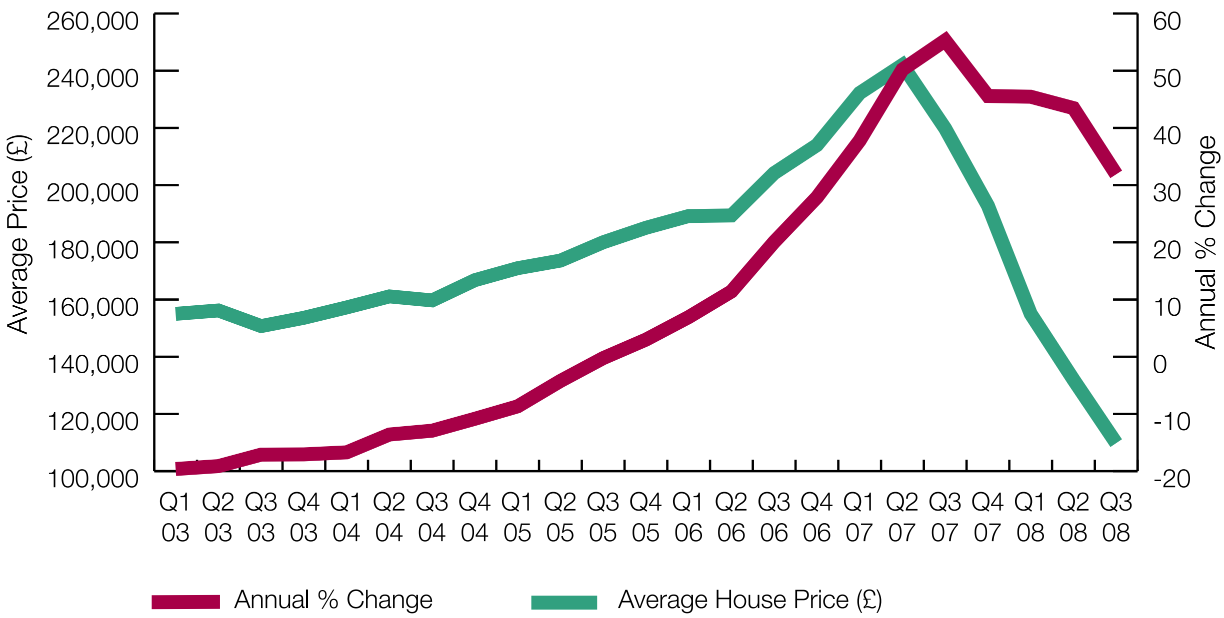
a mortgage from Nationwide. University of Ulster's index provides a wider measure of the property market and includes a larger proportion of properties at the upper end of the market, which are often bought without a mortgage and where house prices have fallen much less. A larger proportion of these higher priced properties in the University of Ulster index, results in the overall average price being higher.

The University of Ulster's index shows that house prices in Northern Ireland declined by a weighted average of 15.1 per cent between Q3, 2007 and Q3, 2008, with a sharp downturn in the market (8.9 per cent) between Q2 and Q3 2008 (See Figure 7). The average price of dwellings in Q3, 2008 was £203,775 (a much higher figure than Nationwide's £159,970) compared to £250,586 in Q3, 2007, representing an unweighted decline of 18.7 per cent.

- Analysis by house type shows that most property types recorded average price reductions of more than 20 per cent (see Table 10), with detached bungalows (-30%) and semi detached bungalows (-28%) recording the biggest reductions. The average price of apartments, on the other hand, actually increased by 10 per cent over the year. However, this largely reflects an increase in the proportion of higher specification apartments being sold, rather than a like-for-like increase in average prices.

Analysis by geographic region (see Table 11) shows that between Q3, 2007 and Q3, 2008 average house prices declined substantially in most regions. The highest rates of decrease were recorded in Mid Ulster (-44%) and Coleraine/Limavady/North Coast (-36%). However, in Belfast the average price fell only by 5 per cent,

Figure 7: NI Average House Price: Quarterly 2003-2007



Source: University of Ulster, House Price Index

Table 10: Average House Prices in Northern Ireland by Property Type Q3, 2007-Q3, 2008

Property Type	Average Price Q3, 2007 (£)	Average Price Q3, 2008 (£)	% Change (YoY)
All Properties	250,586	203,775	-18.7
Terraced Houses	199,392	150,149	-24.7
Semi Detached Houses	243,223	177,864	-26.9
Detached Houses	369,609	304,944	-17.5
Semi Detached Bungalows	220,796	159,093	-27.9
Detached Bungalows	334,702	235,158	-29.7
Apartments	205,178	226,068	+10.2

Source: University of Ulster, Quarterly House Price Index Report 93: Q3, 2008

Table 11: Regional House Prices in Northern Ireland Q3, 2007-Q3, 2008

	Average Price Q3 2007 (£)	Average Price Q3 2008 (£)	% Change (YoY)
Belfast	258,332	244,834	-5.2
North Down	279,127	205,692	-26.3
Lisburn	284,599	194,597	-31.6
Mid and South Down	261,654	217,358	-16.9
Craigavon/Armagh	241,410	162,534	-32.7
Mid Ulster	292,931	164,317	-43.9
Enniskillen/Fermanagh/S Tyrone	191,368	169,103	-11.6
Londonderry/Strabane	185,863	209,050	+12.5
Coleraine/Limavady/North Coast	285,938	184,508	-35.5
Antrim/Ballymena	222,193	178,079	-19.9
East Antrim	222,759	167,022	-25.0
Northern Ireland	250,586	203,775	-18.7

Source: University of Ulster, Quarterly House Price Index Report 96: Q3, 2008 largely due to the concentrations of higher specification apartments and detached houses being sold. Indeed the Londonderry/ Strabane region recorded an annual increase of 10 per cent, again reflecting the sale of a disproportionate number of high quality properties. This year the region with the highest average house price is no longer Lisburn but Belfast and the lowest is Craigavon/Armagh (£162,534) rather than East Antrim (£167,022), which has until recently usually occupied the lowest position.

It is extremely difficult to predict with any accuracy what will happen to house prices in Northern Ireland over the next twelve months. Indeed both Halifax and Nationwide have stated that they will not be making forecasts for house prices for 2009. There are some indications that the price of new dwellings - the price of which have in many cases been reduced by up to 40 per cent in comparison with their peak in the Summer of 2007 - may not go much lower. However, there is also evidence to suggest that many existing owners, who are interested in selling their dwellings, are still holding on for what in the current market are unrealistic prices. Prices of second hand homes therefore - particularly in the light of the deepening economic recession and the expected concomitant rise in unemployment over the coming months (see Chapter 1) - are likely to fall further. It is expected therefore that overall average house prices will fall at least a further 10 per cent during 2009.

Affordability in Northern Ireland

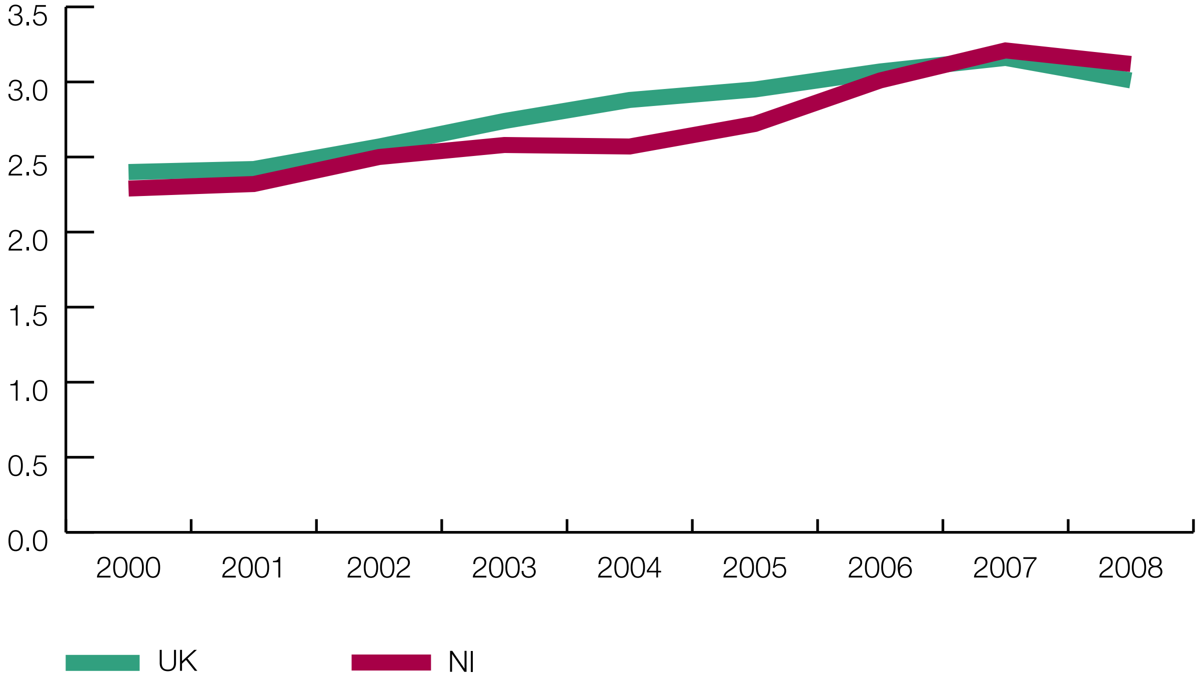
Between 1995 and 2000 economic growth and greater political stability combined to cause a substantial rise (74%) in house prices in Northern Ireland. Earnings on the other hand rose only 20 per cent over this five year period. Research published by the Housing Executive against this background in 2001 showed that affordability at that time was not an immediate or widespread problem, due primarily to the low interest rate environment and the availability of a more flexible range of mortgage products, which meant debt servicing costs generally remained at manageable levels. However, the research indicated that already in 2001 affordability was an emerging problem for first time buyers, particularly in Belfast and its commuter belt.

Since 2001 indications of a growing affordability problem can be found in the statistics published by the Council of Mortgage Lenders relating to households who actually purchased a house:

- The rising ratio of median income to median advance (See Figure 8).

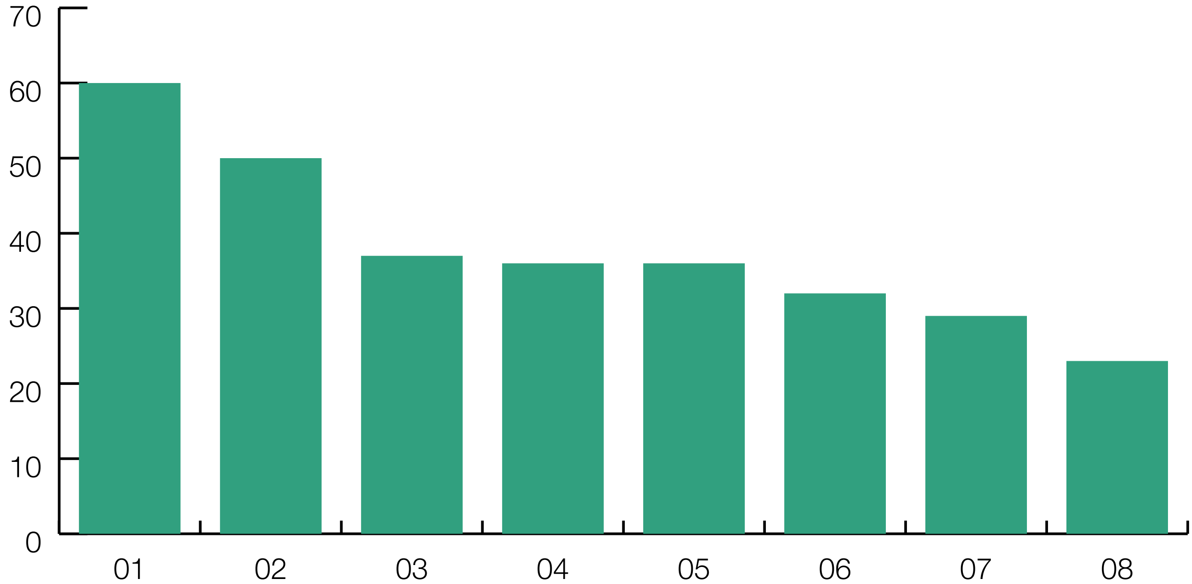
In 2000 Northern Ireland's ratio of median income to advance for all buyers was 2.29, whereas in 2007 the figure was significantly higher at 3.21, and indeed for the first time was higher than for the UK as a whole. In the first six months of 2008 the ratio declined and by Q3 2008 it was back down to 3.12. However, the figure for the UK as a whole has declined to 3.01. For loans to first time buyers in Northern Ireland the ratio had peaked at 3.62 in June 2007 when the housing market was at its height. However, by Q2, 2008 this had fallen to 3.39, before rising again to 3.47 in Q3, 2008.

Figure 8: UK and NI: Median Advance to Income Ratio (All buyers) 2000-2008



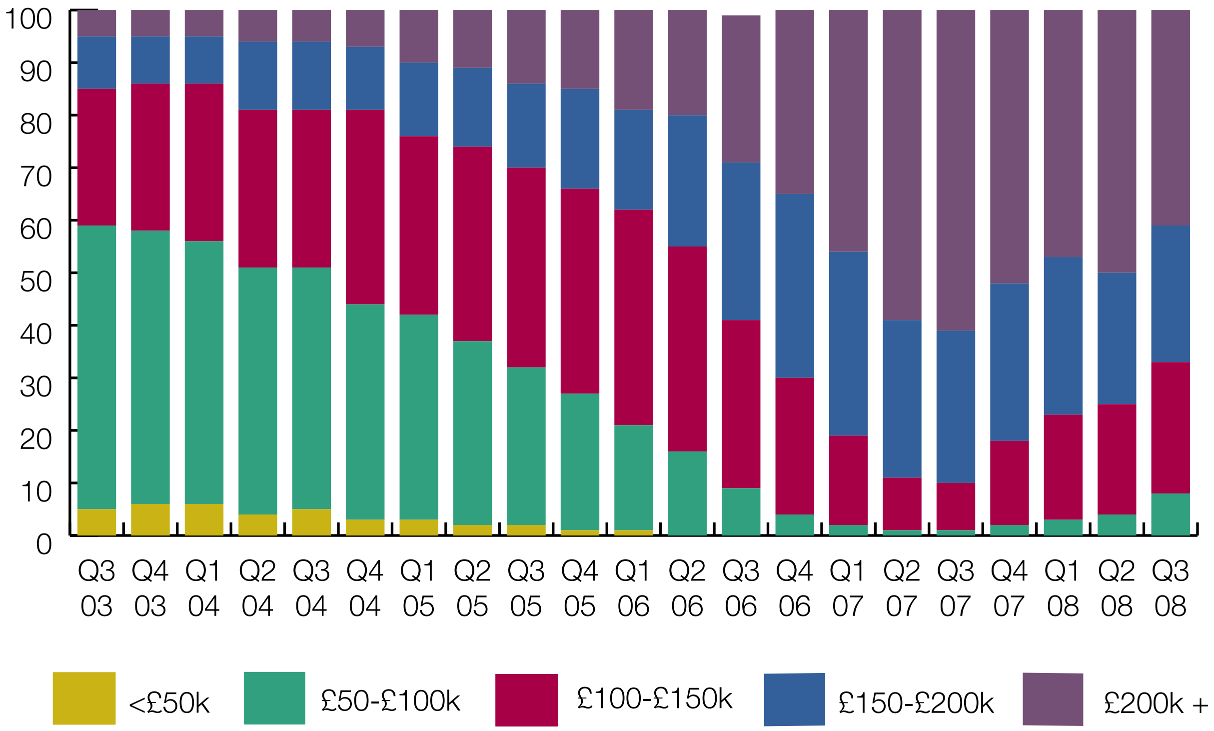
Source: Council of Mortgage Lenders

Figure 9: NI: Proportion of House Sales to First-Time Buyers, 2001-2008



Source: Council of Mortgage Lenders

Figure 10: NI: Proportion of Transactions by Price Band, 2005-2008



Source: Council of Mortgage Lenders

- The declining number and proportion of first-time buyers (see Figure 9).

In 2001 there were 18,200 first time buyers in Northern Ireland, and 60 per cent of house sales were purchased by them. By 2006 this had fallen to 8,700 (32% of total sales) and in 2007 only 5,200 (29% of total sales) went to first time buyers. During the first three quarters of 2008 the proportion fell to 23 per cent (6.600 first time buyers).

- The declining proportion of lower priced homes (see Figure 10 overleaf)

Figure 10 shows the declining proportion of properties sold on the open market for less than £100,000. In mid 2004 around 50 per cent were selling for less than £100,000 but in Q4, 2006 this proportion fell to 5 per cent. The proportion fell further, reaching a low point of 1 per cent in Q3, 2007, before rising again in Q4, 2007 to 2 per cent as average house prices started to fall.

Index of Affordability

The Housing Executive's affordability index developed in partnership with the Universities of Birmingham and Ulster, uses a typical Bank/Building Society annuity formula to calculate the maximum price a household with a median household income can afford to pay, assuming a typical interest rate, a 95% mortgage (loan to value ratio) and a 25 year repayment period. Initially a 30 per cent of household income was considered the maximum reasonable proportion of income which could be used to service mortgage payments. This figure was compared with what was considered to be a typical affordable house: a house priced at the first quartile of house prices (25th percentile) in that district council area. The resultant model provided a useful indicator of the degree of difficulty experienced by first time buyers purchasing a property with a five per cent deposit.

The Outcome of the Modelling Exercise

The original modelling exercise was carried out for 2001, when median household income was £12,500 and a "typical" affordable house cost £59,950. At that time a first time buyer with a median household income could only afford a dwelling costing £52,288 giving an "affordability gap" at the Northern Ireland level of £-7,662. The model was re-run in early 2008 to give a comparative view for 2007, when the model had been adjusted in line with Sir John Semple's recommendation that 35 per cent was a maximum reasonable proportion of income.

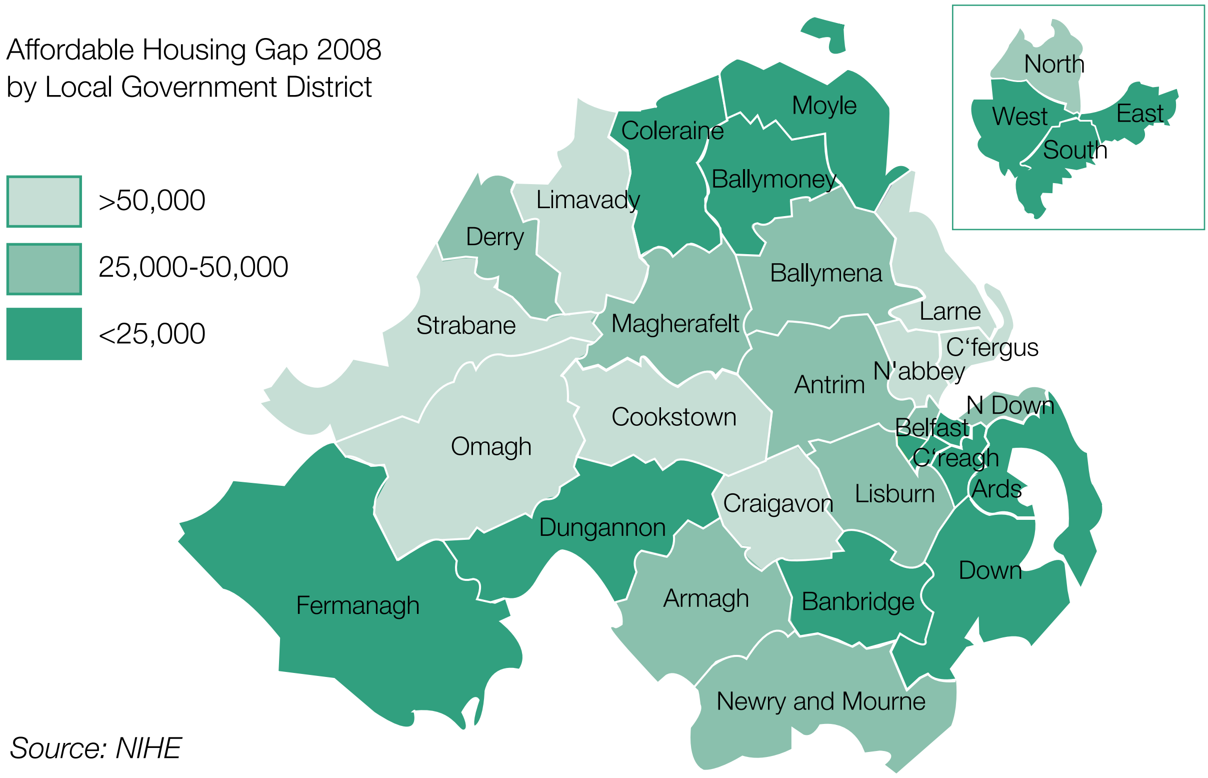
In 2007 the median household income for Northern Ireland was a little over £17,000. However, the price of a "typical affordable house" had risen much faster (by 182%) to £169,125. The result was that as interest rates had risen households on a median income could only afford a dwelling costing £70,150, giving an affordability gap for Northern Ireland as a whole of -£98,975. In all District Councils there was an affordability gap of at least £50,000. With the exception of Larne (1%) there were no District Councils in Northern Ireland where any dwellings were sold at below the affordable price for that district in 2007.

In 2008, house prices - particularly for homes at the lower end of the market - have fallen significantly. Appendix 2 sets out the figures, by District Council area, of the 2008 recalibration of the Affordability Index using a typical interest rate available of 4.5 per cent (rather than the 7.59 per cent used in the 2007 model) and reflects the significant lowering of interest rates since 2007. The recalibrated model has kept the loan to value ratio at 95 per cent in order to permit reasonable comparisons with 2007, although this is no longer a typical ratio for first time buyers (see below).

Appendix 2 and Figure 11 show that only in 10 District Council areas was the affordability gap more than £50,000 (compared to all 26 Districts in 2007). However, in a further 7 District Councils the affordability gap in 2008 was between £25,000 and £50,000. The potential improvement in affordability is also reflected in the fact that in some District Council areas a significant proportion of dwellings were sold during the first nine months of 2008 at below the affordable price: in Larne (26%) and Omagh (22%) more than one-fifth of all homes sold were at an affordable price. In other areas too a proportion of dwellings were sold at an affordable price: Craigavon (10%), Banbridge (11%), Antrim (14%), Newtownabbey (14%) and North Belfast (10%).

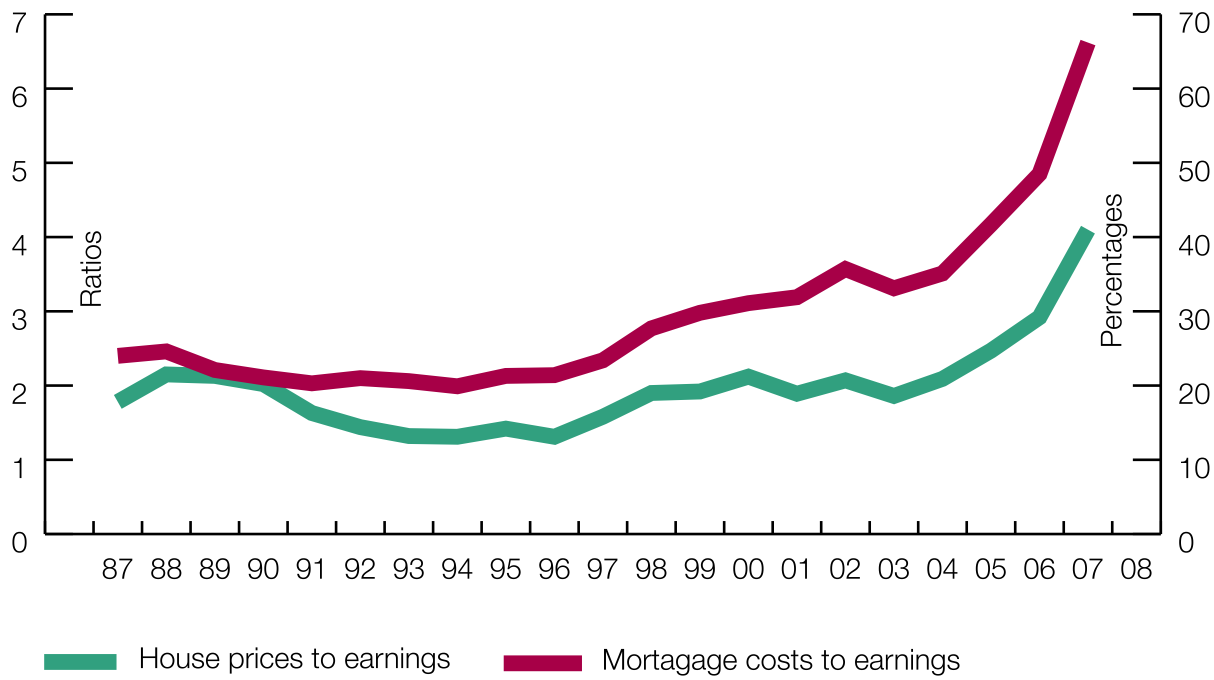
It is important to stress, however, that the Index looked at in isolation may give a falsely optimistic view of the improving affordability situation for first time buyers in Northern Ireland. From the point of view of prices and interest rates there is no doubt that the situation has improved dramatically - and will continue to do so as interest rates are expected to stay low and prices are expected to fall further. However, the deteriorating economic climate and expected further falls in house prices is reflected in the lenders' reluctance to expose themselves to new loans which have a higher risk of default. Lenders are understandably protecting themselves by generally ensuring much lower loan-to value ratios, so that if borrowers default there is

Figure 11: Affordability Index: District Councils, 2008



Source: NIHE

Figure 12: Housing Market Affordability in Northern Ireland 1987-2007



sufficient equity in the home to ensure the outstanding loan is covered. The result is that instead of 100 per cent or 95 per cent loans for first time buyers being freely available as they were in 2006 and much of 2007, first time buyers usually have to find a 10 per cent deposit, or indeed 20 per cent if they want to avail of the lowest interest rates. Some lenders have quite rightly pointed out the dangers of the Government's policy of encouraging banks and building societies to lend at levels typical of 2007, when it was this unsustainable level of debt which was a major factor in causing the current housing recession.

Housing Market Affordability in Northern Ireland 2007/08

Annual research commissioned jointly by the Housing Executive and the Chartered Institute of Housing from Professor Steve Wilcox, University of York, provides further important insights into affordability in Northern Ireland. It analyses both the more commonly used house price to average earnings ratios and provides a more focused view of the Intermediate Housing Market based on the earnings of younger (aged 20-39) working households and lowest decile and lower quartile house prices.

Key Findings

Trends in housing market affordability

Housing market affordability continued to worsen during 2007, to the point that Northern Ireland became the least affordable part of the United Kingdom outside London. Average first time house buyer house prices rose to £164,811 in 2007, to represent almost 6.6 times average annual earnings in Northern Ireland (for all full time earners).

However, as a result of lower interest rates, mortgage costs as a proportion of earnings did not rise as fast as the rate of the house price to earnings ratios. Both the house price to earnings ratios, and mortgage costs as a proportion of earnings are shown in Figure 12. Nonetheless mortgage costs have risen sharply over the last decade and in 2007 average mortgage costs for first time buyers represented 41 per cent of average earnings, almost double the ratio (21.5) at the peak of the last housing boom in Northern Ireland in 1988.

The Intermediate Housing Market

In 2007, across Northern Ireland as a whole some 63 per cent of all younger working households could not afford to buy at lower quartile house prices for two and three bedroom dwellings. This compares with 42 per cent unable to buy at lower quartile prices in 2006.

However, the incomes of some 6 per cent of all working households in 2007 was so low that they would qualify for Housing Benefit in order to pay a sub market rent in Housing Executive dwellings. Some 25 per cent could afford to buy at lowest decile house prices (compared to 16 per cent in 2006); albeit that they could not afford to buy at lower quartile prices. Consequently, just under one third (32%) of all younger working households fell within the 'narrow' Intermediate Housing Market; that is they could afford to pay more than an average Housing Executive rent, but still could not afford to buy at the very bottom of the housing market (i.e. at lowest decile house prices). This compares with 21% of all younger working households in 2006.

These results have important policy implications in Northern Ireland, and particularly for the need to ensure an adequate supply of affordable housing for working households unable to buy their own home, even at the lower end of local housing markets. In particular the results indicate the growing scope for "intermediate housing" in the form of Co-ownership or shared equity models.

Repossessions

Statistics on repossession also provide a useful indicator of affordability. The number of writs and originating summonses relating to mortgages rose between 2004 and 2005 to 2,562. In the following two years the number declined again to 2,213. However, as Figure 13 shows, during the first three quarters of 2008 there was a significant increase in the number of actions for possession (2,689 for the nine month period), indeed the number issued in quarter 3 alone (1006) represented a 93 per cent increase on the equivalent quarter in 2007. While it is important to remember that only a small proportion of homes subject to actions for possession, it is nevertheless a worrying indicator of growing stress in the housing market.

The Sale of Housing Executive Dwellings

Since 1979 the Housing Executive has sold almost 117,000 dwellings to sitting tenants. These dwellings now account for 16 per cent of the housing market as a whole. The 2006 House Condition Survey showed that approximately 20 per cent of these had been resold on the open market: two thirds to new owner occupiers and the remaining one-third to private landlords, reflecting the fact that they generally provide a good source of high quality affordable homes, particularly for first time buyers and landlords who see them as a sound investment.

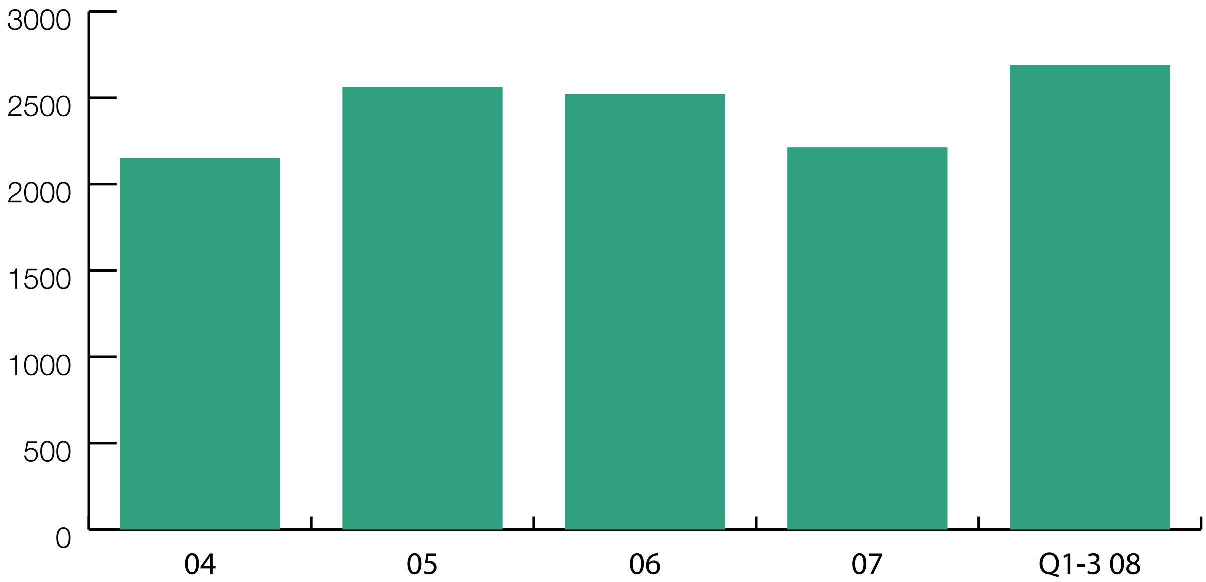
Annual research carried out by the University of Ulster in relation to sold Housing Executive dwellings confirms that in 2007 they performed well on the open market.

Key findings

Resale of Former Housing Executive Property on the Open Market (2007)

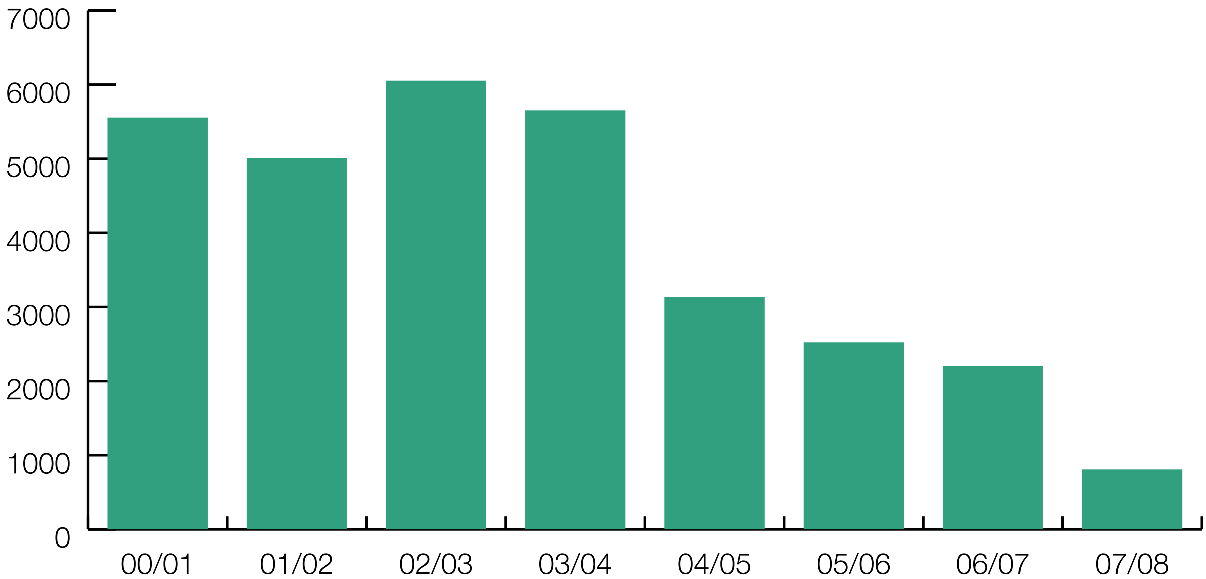
- Resold former Housing Executive dwellings made up approximately 15 per cent of all existing dwellings sold in 2007, an increase from the 12 per cent recorded in 2006.
- The resold properties were typically terraced houses and dwellings constructed between 1960 and 1980; however, the market share taken by terraced houses has reduced.
- Between 2006 and 2007 the average price of former Housing Executive properties increased from £108,396 to £156,660 representing an annual rate of increase of 44.5 per cent, much higher than the 34 per cent recorded for the market as a whole between 2006 and 2007.
- The average price of resold terraced properties increased to £156,276 (45%) over the year. The average resale price for former Housing Executive flats (£137,017) continued to lag behind the price for terraced houses, but nevertheless was 41 per cent higher than in 2006.
- Longer term trends (1990-2007) indicate a nominal price increase of 34 per cent per annum compared to an increase of 35 per cent per annum in the overall housing market.
- The highest priced locations for former Housing Executive properties were in the Belfast Metropolitan Area, (Belfast; £164,253 and Lisburn £170,650) and in Mid and South Down (£164,755).

Figure 13: NI: Actions for Repossession, 2004-2008



Source: Northern Ireland Court Service

Figure 14: Housing Executive Sales Completed, 2000-2008



Source: NIHE

Figure 14 shows that more than 5,000 Housing Executive dwellings were sold annually between 2000 and 2004. However in 2004/05 there was a large reduction to 3,135, reflecting the introduction of major revisions to the House Sales Scheme, and in particular the reduction of the maximum discount to £24,000.

The effects of the revisions to the scheme, combined with the substantial increases in house prices meant that by 2006/07 only 2,201 dwellings were sold. In 2007/08 approximately 800 were sold and it is expected that fewer than 100 will be sold in 2008/09. It is too early to judge to what extent the rapid falls in house prices at the lower end of the housing market will once again encourage tenants to purchase their home. The newly introduced Equity Sharing Scheme for social tenants (see Chapter 1) may also increase interest among tenants in purchasing their home.

Owner Occupied Stock - Characteristics and Condition

The 2006 House Condition Survey provides a comprehensive insight into the characteristics and condition of the owner-occupied stock.

Dwelling Age
Almost one third (31%) of the owner-occupied stock had been built since 1980. Indeed 20 per cent of all owner occupied dwellings had been built since 1990. The number and proportion of properties built before 1919 has declined from 18 per cent in 2001 to 15 per cent in 2006.

Dwelling Type
More than one-quarter of the stock was terraced houses (27%), 25 per cent bungalows, 23 per cent semi-detached and 23 per cent detached. Flats/apartments constituted only a very small proportion of this sector (2%).

Unfitness
There were approximately 7,500 unfit owner occupied properties (1.6%). This is lower than the rate for the stock as a whole (3.4%), but nearly 31 per cent of all unfit properties are owner occupied.

Disrepair and the Decent Home Standard
The 2006 House Condition Survey found that 48 per cent (56% in 2001) of owner occupied dwellings had some element of fabric disrepair. This was below the average for the whole of the stock (52%). As in 2001, the main type of disrepair was to the external fabric (40% of the total owner occupied stock). The average basic repair cost was £940 (£1,107 in 2001), which was well below the £1,476 for the stock as a whole.

One fifth (20%; 95,700) of all owner occupied homes failed the Decent Home standard (compared to 23 per cent for the stock as a whole) and these made up almost three-fifths (59%) of all homes failing this standard in Northern Ireland in 2006.

Housing, Health and Safety Standard
One fifth (20%) of all owner occupied homes also failed the Housing Health and Safety Standard, a similar proportion to that for the stock as a whole.

Grant Aid for the Owner Occupied Sector

Successive House Condition Surveys have confirmed the positive role that home improvement grants have played in improving the condition of Northern Ireland's owner occupied stock - particularly in rural areas.

However, the 2006 House Condition Survey, showed that there was no room

Table 12: Home Improvement Grants 2003/04-2007/08: Number of Grants Approved and Approved Expenditure

Year	Renovation	Replacement	Disabled Facilities	Repairs	HRA	HMO	Total Grants	Approved Expenditure (£)
2003/04	1,420	209	1,579	3,337	78	214	9,600	41.6m
2004/05	1,206	185	1,416	2,809	1,847	229	7,009	41.7m
2005/06	1,143	170	1,667	854	3,151	209	7,194	45.7m
2006/07	1,125	136	1,710	981	2,927	146	7,025	43.4m
2007/08	1,145	116	1,666	925	3,219	83	7,154	41.5m

Source: NIHE

for complacency. Approximately 2,500 dwellings became unfit each year between 2001 and 2006 and more than half of these were owner occupied in 2001. The Housing Executive's grants strategy which targets grants towards properties most in need of improvement and repair ensure that the "deterioration flow" into unfitness is more than outweighed by the number of dwellings being brought up to modern standards.

Table 12 shows the level of grants activity and associated expenditure over the past five years.

The following key points emerge:

- Between April 2003 and March 2008 grants expenditure has remained at over £40 million. In each of the past four years more than 7,000 grants have been approved.

- The number of renovation grants approved in 2007/08 (1,145) increased marginally compared to the previous year's figure. However, the number of replacement grants (116) fell slightly.

- Nearly 1,000 Repairs Grants were approved in 2007/08. However, this is a much lower figure compared to the years up to 2004/05 because they are no longer available to owner occupiers under the new discretionary grants schemes.

- The number of Disabled Facilities Grants approved fell only slightly in 2007/08 to 1,666, reflecting the ongoing importance of this investment in the housing stock.

- The amount of investment in Houses in Multiple Occupation (HMOs) has been reduced in line with the Housing Executive's HMO Strategy. In 2007/08, 83 grants were approved at a cost of approximately £1.7m.

- More than 3,000 Home Repairs Assistance (HRA) Grants were approved in 2007/08, an increase of almost 300 compared to the previous year, at a cost of more than £9m.

For the current financial year (2008/09) a total of £40m has been allocated to the Housing Executive's grants budget. This will finance 1,000 renovation grants, up to 100

Replacement Grants, 2,800 Home Repairs Assistance Grants and 1,750 Disabled Facilities Grants.

Key Issues and Strategic Perspective

- In the context of the existing housing finance framework - and particularly now that house prices are returning to more sustainable levels - owner occupation will continue to be financially the most attractive way for most households to meet their housing need. However, there are strong indications that although the number of owner-occupied dwellings will rise over the next three years, the owner-occupied proportion of the overall housing market will remain static. With the sharp downturn in the housing market there will be a significant reduction in the number of new dwellings constructed. The construction of new private sector dwellings in 2008/09 is estimated to be around 8,000 and it is also expected that output will not exceed this level in 2009/10.

- During the three year period 2004/07 Northern Ireland experienced an unprecedented investor driven boom which saw house prices increase by 51% in Q2, 2007. The inevitable correction followed. House prices have already fallen more than 15 per cent from their peak (almost 30 per cent according to the Nationwide) and it is likely they will fall a further 10 per cent at least, as the financial crisis of 2008 develops into a severe economic recession, before they stabilise in 2010.

- The affordability issue in Northern Ireland became markedly more serious during 2006 and 2007. Although throughout Northern Ireland house prices, particularly at the lower end of the market, have been falling, first time buyers are still experiencing severe difficulties in gaining a foothold on the ladder of owner occupancy as a result of the tightening of lending criteria. In the first nine months of 2008 only 23 per cent of houses were sold to first time buyers. In 10 District Council areas there was an "affordability gap" of at least £50,000, although in some council areas a significant proportion of sales are now affordable. It is expected that significant affordability problems for first time buyers will continue over the next two years, as it is unlikely that average house prices will fall so much that they will make a significant difference to first time buyers faced with a more restrictive credit environment and a much harsher economic climate.

- Sold Housing Executive dwellings have generally provided a good source of high quality affordable homes, particularly for first time buyers, but modified rules in terms of discount, together with rapid house price inflation, have resulted in a significant reduction in the rate of house sales. It is expected that fewer than 100 will be sold in 2008/09. However, as average house prices and therefore valuations of Housing Executive dwellings continue to fall it is expected that the number of house sales will start to rise again significantly. It is expected that the proposed equity sharing scheme will contribute to this.

- The condition of the owner-occupied stock has improved markedly since 2001 and home improvement grants have played an important role in this. The ongoing provision of resources to support the discretionary grants scheme is seen as important to maintaining this improvement.

Housing Executive

Chapter 3

The Private Rented Sector

The Private Rented Sector

Background

During most of the twentieth century, the private rented sector in Northern Ireland was characterised by decline, due to a combination of rent controls, the growth of owner occupation and large scale redevelopment. In 1991 there were only approximately 30,000 privately rented homes in Northern Ireland. Since then successive House Condition Surveys have shown that the private rented sector grew steadily throughout the 1990s and by 2001 there were almost 50,000 dwellings in this sector (see Figure 15).

It was against this background that in 1999 the Housing Executive commissioned the University of Ulster to undertake a major piece of research on the private rented sector. The report[1], published in 2002 highlighted important changes in the household profile of private tenants:

- Increasing proportions of single person households and lone-parent households.
- Decreasing proportions of lone pensioner households.
- A decrease in the age of the head of household.
- Higher turnover of tenants.
- Increasing proportions of tenants in receipt of Housing Benefit.

It also highlighted the influx of new landlords into the sector, with four out of ten landlords surveyed having entered the sector in the last five years, and the significant proportion of properties that were former Housing Executive dwellings. The research noted that the steady growth of the sector was accelerated by the fact that it enabled prospective tenants on lower incomes, who might previously have had to wait much longer for a social dwelling, access an area of choice with relative ease, facilitated by the availability of Housing Benefit.

Housing Benefit has continued to play a vital role in supporting the private rented sector and enabling its expansion. In 2008, more than 40,000 tenants in the private rented sector were receiving Housing Benefit. The annual budget for Housing Benefit is approximately £150 million.

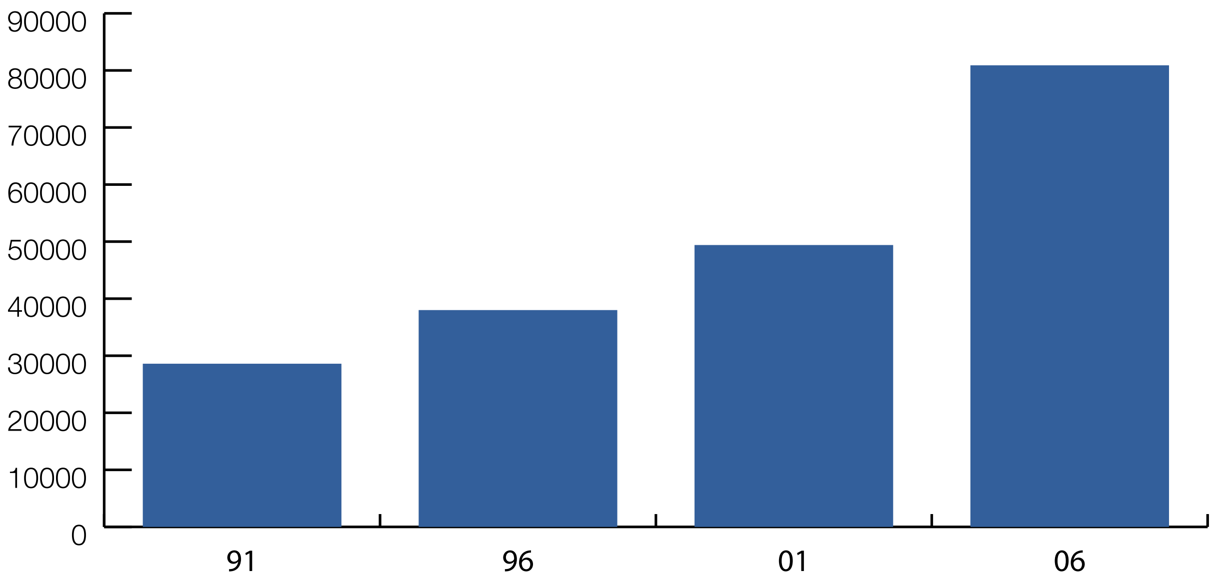
Between 2001 and 2006 the rate of growth of the private rented sector accelerated rapidly. Between 1996 and 2001 the number of privately rented dwellings increased at an average annual rate of 2,300 dwellings. Between 2001 and 2006 this more than doubled to an annual increase of 6,000.

The 2006 House Condition Survey showed that in that year there were approximately 81,000 dwellings in the private rented sector in Northern Ireland, representing 11.5 per cent of the total stock. If dwellings which were privately rented when last occupied are taken into account, the figure rises to a total of almost 95,000 (13.4%).

Figure 16 shows the proportion of properties which were privately rented in each of the District Council areas in 2006. Although the private rented sector accounted for 11.5 per cent of the total housing stock in Northern Ireland, in a number of District Council areas more than 15 per cent of dwellings were privately rented. These were located predominantly in more remote rural areas: Coleraine, Dungannon, Fermanagh, Limavady, Moyle and Omagh, and typically associated with concentrations of migrant workers.

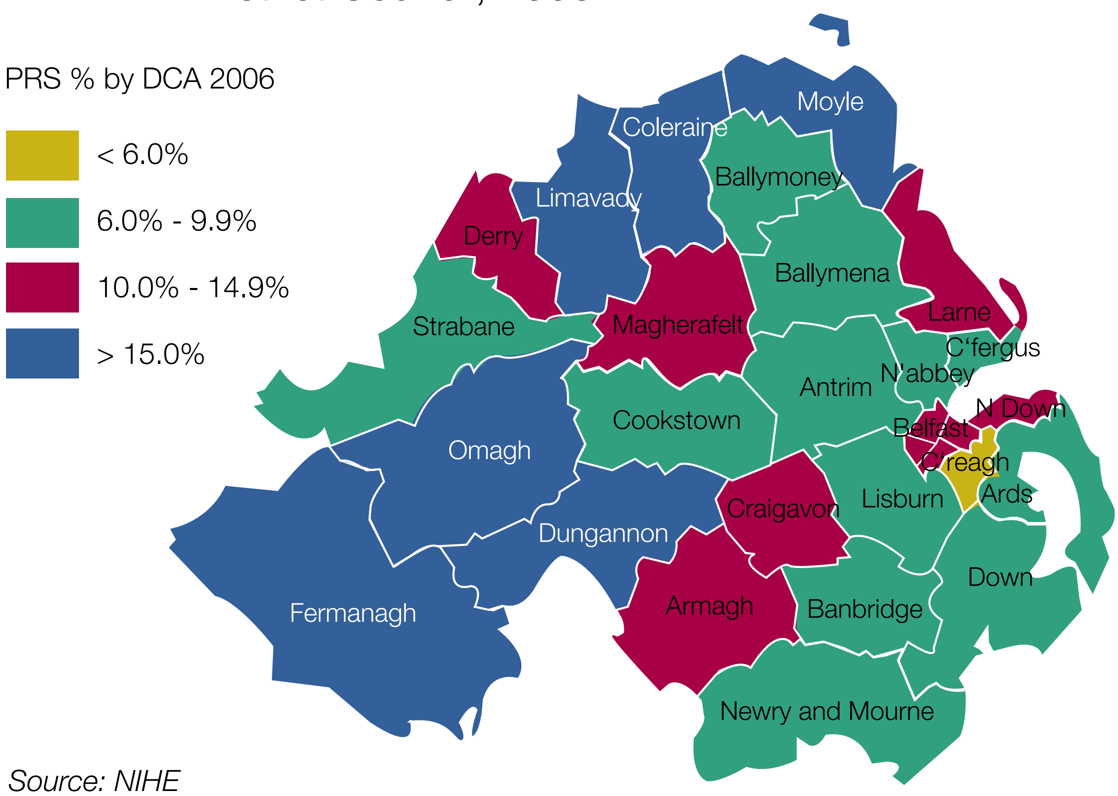
1. NIHE (2002) *The Private Rented Sector in Northern Ireland*, Belfast, Northern Ireland Housing Executive

Figure 15: The Growth of the Private Rented Sector 1991-2006



Source: NIHE: Northern Ireland House Condition Surveys, 1991-2006

Figure 16: Proportion of Dwellings in the Private Rented Sector by District Council, 2006



Source: NIHE

Characteristics and Condition of the Private Rented Sector

The 2006 House Condition Survey provides the most up to date profile of the characteristics and condition of privately rented homes in Northern Ireland.

Dwelling Age
The 2001 House Condition Survey revealed that 38 per cent of the private rented sector was built before 1919. By 2006 this had decreased to 28 per cent (compared to 16% for the stock as a whole). Conversely, the proportion of dwellings in the private rented sector which were built after 1980 increased from 15 per cent in 2001 to 25 per cent in 2006, reflecting heavy investment in new build apartments, townhouses and semi-detached dwellings by buy-to-let investors.

Vacant Dwellings
The rate of vacancy in the private rented sector continues to be significantly higher than in any other tenure. In 2006, the vacancy rate in the private rented sector was 14.6 per cent, compared to 5.7 per cent for the stock as a whole, although this rate has remained similar to the 2001 level of 14.2 per cent.

Dwelling Type
In 2001 terraced properties were the most prevalent dwelling type in the private rented sector, accounting for 40 per cent of the sector. By 2006 the proportion of terraced properties had increased to 46 per cent, higher than the overall stock average of 32 per cent. The number of semi-detached dwellings had doubled, from 7,900 in 2001 to 16,300 in 2006, representing 20 per cent of the privately rented stock.

Unfitness
The unfitness rate decreased substantially from 8.7 per cent in 2001 to 2.7 per cent in 2006, again reflecting to a considerable extent the expansion of buy-to-let into modern properties, but also the amount of (often grant aided) investment by private landlords. However, whilst this decrease in unfitness in the private rented sector has been substantial, the sector still had a higher rate of unfitness compared to the other occupied tenures (2.7 per cent, compared to 1.6 per cent in the owner occupied sector and less than 1 per cent in the social sector).

Disrepair and the Decent Homes Standard
In 2006, 64 per cent of dwellings in the private rented sector had at least one fault, a reduction from the comparable figure in 2001 (71%), but significantly higher than the 2006 figure of 52 per cent for the stock as a whole. In 2006 the average repair cost for the private rented sector was also much higher (£1,017 for urgent repairs and £1,360 for basic repairs) than for the occupied stock as a whole (£638 and £880).

In 2006, 27 per cent of privately rented dwellings failed the Decent Homes Standard, a significant reduction from 2001 when nearly half (47%) of all privately rented dwellings failed the Decent Homes Standard, although this was still higher than for the stock as a whole in 2006 (23%).

Housing Health and Safety Rating
In terms of the most recent Government measure of housing quality: the Housing, Health and Safety Rating, the 2006 House Condition Survey showed that a similar proportion of privately rented homes had Category 1 hazards (19%) to the owner-occupied sector (20%) and indeed to the overall average (19%).

Fuel Poverty
In March more than two-fifths (44%) of households in the private rented sector were in Fuel Poverty. This was significantly higher than the comparable figure for the

stock as a whole (34 per cent), reflecting both the characteristics of the stock and the concentrations of low-income households in the sector.

The Private Rented Sector - Ongoing Research

In 2006, the Housing Executive launched a further phase of research into the private rented sector in partnership with the University of Ulster. This has provided a more in-depth analysis of data from the 2006 House Condition Survey, including a more detailed profile of the households living in the private rented sector. A follow up household survey of 300 private tenants completed in 2007 focused on affordability and landlord-tenant relationships.

Household Profile
The findings of the research are being published as a series of reports. The following key findings have emerged so far:

- The private rented sector is housing an increasing number of younger tenants and a growing proportion of tenants in the sector are under the age of 40 (54% in 2006 compared to 37% in 2001). Whilst the private rented sector has traditionally been viewed as a transitional tenure for younger households, this significant increase is primarily a reflection of the growing difficulty experienced by this group in accessing other tenures. In particular, ongoing problems of affordability for first-time buyers and tighter controls on lending may mean that potential first-time buyers will remain in the private rented sector for much longer periods, although given the current housing market situation, some at least may have chosen to do so in the hope that prices will fall further. It is undoubtedly also a reflection of the difficulty younger households are experiencing in accessing social housing in the right location.

- The proportion of privately rented properties occupied by lone parents doubled from 2001 to 2006 (from 10% to 20%), and the sector housed a larger proportion of lone parents (37%) than any other tenure. This again may be a reflection of difficulty in accessing other tenures, although the increasing standard of dwellings in the private rented sector is undoubtedly a pull factor for potential tenants.

- More than two fifths (43%) of private tenants were in employment, a decline from 2001(47%). Almost one-fifth (19%) were unemployed, compared to an overall rate of 8 per cent. A further 16 per cent were retired and 9 per cent were permanently sick or disabled.

- Housing Benefit is playing an increasingly important role in the private rented sector. In 2001, 37 per cent of households received Housing Benefit. By 2006 this had increased to 45 per cent. However, the number of households in receipt of Housing Benefit doubled from 18,000 (2001) to approximately 36,000 (2006).

- Catholic households were over-represented in the private rented sector when compared to the proportion found in the stock as a whole (42% compared to 38% overall), although this is primarily a reflection of the younger age profile of Catholics in Northern Ireland. Conversely, Protestant households were under-represented (43% compared to 52% overall). The private rented sector also had a higher proportion of mixed religion households (7%) than any other tenure.

The Private Rented Sector

Affordability

- One-third (34%) of tenants had paid rent in advance to secure their accommodation. The average amount paid was £348.

- Two-fifths (41%) had paid a deposit. The average deposit paid was £294.

- In total more than half (53%) had to pay a deposit and/or rent in advance and of these two-thirds were in receipt of Housing Benefit. The average total advance payment was £439.

- For those tenants who had previously lived in the private rented sector, 60 per cent had had a to pay a deposit and only 69 per cent of these tenants had it returned in full.

- The average weekly rent was £79 (£341 per month), although 16 per cent paid at least £100. Approximately 16 per cent paid less than £60 per week.

- For those tenants who had to pay the rent in full or pay a shortfall between the Housing Benefit they received and the market rent, 45 per cent found it very or fairly difficult, and 5 per cent were at least a fortnight in arrears.

- More than two-thirds of tenants in receipt of Housing Benefit had to pay a shortfall between the benefit they received and the market rent. The mean shortfall was £20 per week. However, more than one fifth of those who had to pay a shortfall had to pay more than £30 per week over and above Housing Benefit.

Landlord-Tenant Relationships

- Most tenants found their accommodation by informal methods: approximately one-third (36%) heard about their accommodation by word of mouth and a further 30 per cent already knew their landlord.

- Most tenants (81%) dealt directly with a landlord, the remainder with a letting agent.

- The overwhelming majority (89%) stated that they were on good terms with their landlord/agent.

- Most were very satisfied (56%) or satisfied (27%) with the overall service provided by their landlord/agent.

- Most tenants were very satisfied (51%) or satisfied (16%) with the repairs/ maintenance service. However, almost one quarter (24%) were dissatisfied, primarily (50%) because of the time delay involved.

- Almost three quarters of tenants (73%) had not been provided with a rent book, however, almost two-thirds (62%) had a written tenancy agreement.

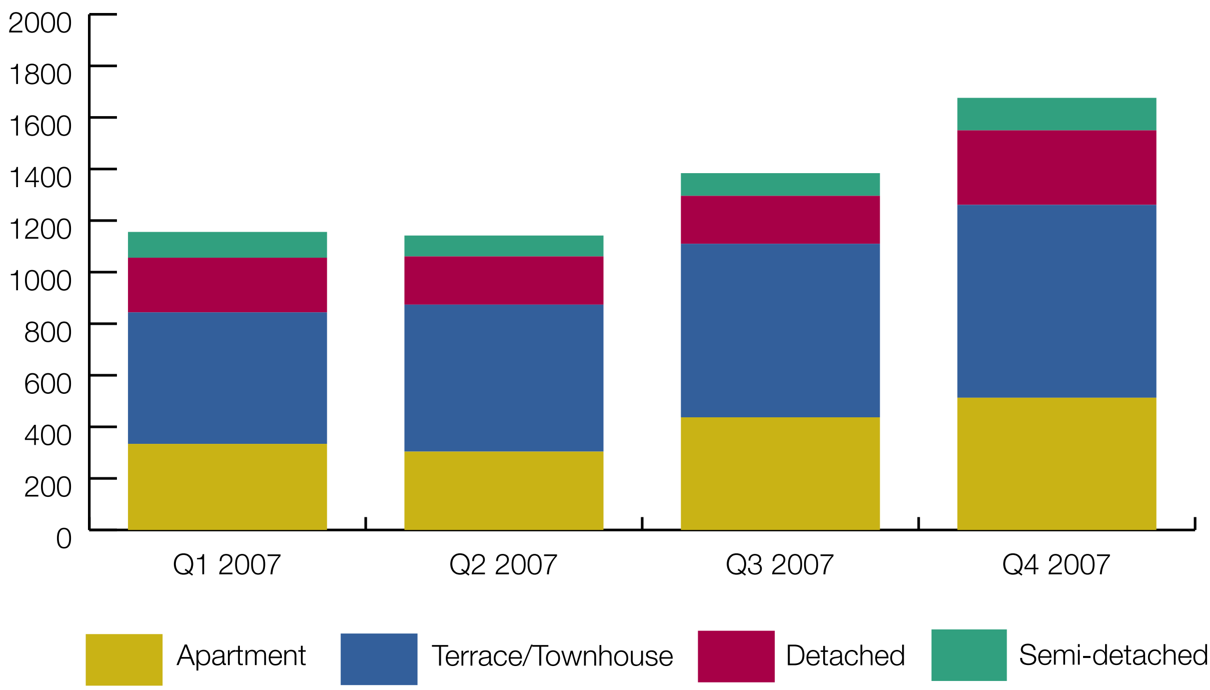
- The vast majority (84%) stated they would be more likely to rent from an approved landlord if an accreditation scheme was introduced and 87 per cent were in favour of a mediation/arbitration service for disputes concerning rent, deposits, eviction or repairs.

A Private Rented Sector Index for Northern Ireland

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 always been a lack of regular consistent information on rental levels. In the light of this the Housing Executive has formed a partnership with PropertyNews.com and the University of Ulster in order to produce a Private Rented Sector Index. The first report, based on a sample of almost 5,400 residential rental transactions in the Belfast Metropolitan Area (BMA) during 2007, was published in September 2008 and provided analysis by location, property type and number of bedrooms, as well as average monthly rent for new lettings. The analysis is based on lettings of properties held on the PropertyNews website - seen as by far the most comprehensive property website in Northern Ireland.

During 2007, the number of properties let on the PropertyNews website increased from a total of 1,156 in quarter one to 1,676 in quarter four. It is difficult to determine how much of this growth reflects increased supply and how much reflects the growing popularity of PropertyNews.com as a means of letting property. Nevertheless, as Figure 17 shows, there was an increase in the number of dwellings let across all property types. Three quarters of all properties let had either two (38%) of three (37%) bedrooms; a further 18 per cent had four or more bedrooms.

Figure 17: BMA: Private Lettings by Property Type, 2007



Source: NIHE, Property.News.com, University of Ulster: Performance of the private rental market: BMA Annual Report, 2007

Rental Levels

Table 12 shows the variation in rental levels between and within the six district councils that constitute the BMA. The average monthly rent for all properties let during 2007 was £577, and in the BMA as a whole there was a slight upward drift in rents (+1.4%) during the year. However, the average figures mask quarterly variations in rental levels, and it is difficult to say whether the reduction in average BMA rents between quarter three and quarter four was evidence of easing market pressure due to seasonality effects or the start of a longer term trend.

Similar variations were evident in the rental performance of different property types. Average rents for apartments, terrace/townhouses and detached properties all increased between quarters one and two, before falling back slightly by the end of the year. In contrast average rents for semi-detached properties decreased steadily between quarters one and three, then increased in the fourth quarter. Between the beginning and end of 2007, the average monthly rent for apartments increased by 5.4 per cent, and terrace/townhouses by 1.9 per cent. Average monthly rents for semi-detached and detached properties decreased, by 0.9 per cent and 3.8 per cent respectively, during the same period.

2008 Update

A second report on the performance of the private rental market in the Belfast Metropolitan Area was produced in November 2008 based on transactions for the first six months of 2008. It highlighted a dramatic increase in the number of new lettings across all property types at a time when the owner-occupied sector faced increasing difficulties and accessing mortgage finance had become more problematic. More than 4,000 new lettings took place in the BMA during H1, 2008 compared to 2,300 during H1, 2007. Rental levels also increased with the average rent having risen by 3 per cent to £594 (for H1, 2008 as a whole), compared to the equivalent six month period in 2007.

Table 12: Average monthly rent by District Council, 2007

	Q1	Q2	Q3	Q4	2007 Average	% Change Q1-Q4
BMA	£558	£594	£593	£566	£577	1.4%
Belfast	£570	£609	£613	£587	£596	3.0%
Carrickfergus	£477	£440	£485	£488	£482	2.3%
Castlereagh	£552	£579	£560	£569	£565	3.0%
Lisburn	£532	£535	£554	£515	£531	-3.2%
Newtownabbey	£490	£493	£469	£512	£491	4.5%
North Down	£551	£653	£643	£566	£589	2.7%

A Strategy for the Private Rented Sector in Northern Ireland

The joint DSD/NIHE Strategy for the Private Rented Sector in Northern Ireland "Renting Privately - A Strategic Framework" was launched in May 2004 with the following aim: "To promote and sustain a healthy private rented sector, which offers choice and flexibility by influencing supply and securing a better quality, better managed sector".

One of the most important outcomes of this strategy was the introduction of the Private Tenancies (Northern Ireland) Order 2006, which has provided the legal basis for making significant progress in addressing inequities in the private rented sector, targeting unfitness and encouraging landlords to improve unfit properties with the prospect of a more viable return on their investment.

Since the new legislation was introduced on 1 April 2007 there has also been significant progress in terms of the clarification of the rights and responsibilities of landlords and tenants and management standards have been improved through the generation of best practice documentation and advice materials. On this basis the 2004 strategy was brought to a conclusion with the recommendation that a new private rented sector forum comprising stakeholders active in the sector should be established and that the relevant objectives from the strategy would be carried forward.

One ongoing strategic commitment is to continue to maximise the use of suitable private rented accommodation for use as temporary accommodation for homeless applicants. During 2007/08 almost 600 single let private properties were available for use as temporary accommodation throughout Northern Ireland. In addition a further 70 properties are available through a leasing agreement.

Following a series of pre-consultation meetings in the Summer of 2008, the Department for Social Development issued a consultation document: Private Rented Sector Strategy Development, the key aim of which is to develop a new private rented strategy which will realise the potential of the sector to help meet housing need in Northern Ireland. The strategy will focus on security of tenure, housing quality, management standards, the resolution of disputes and using Housing Benefit to influence landlord behaviour. It will provide new thinking in relation to ensuring greater confidence for those who choose private renting, particularly more vulnerable households.

It is planned that a series of draft proposals for a new private rented sector strategy will be available for public consultation in Spring 2009.

Houses in Multiple Occupation (HMOs)

Houses in Multiple Occupation form a key element of the private rented sector. The Housing Order (NI) 2003 defines them as a dwelling "occupied by more than two qualifying persons, being persons who are not members of the same family". The most recent figures suggest that there are more than 14,000 HMOs in Northern Ireland. HMOs play an important role in meeting the housing needs of people who are single, who have temporary employment, students and those on low incomes. HMOs also play an important role in housing the large number of the migrant workers who have come to Northern Ireland since 2004.

The Housing Executive uses a combination of methods - inspection, grant aid and enforcement orders - to raise standards in HMOs. Since the introduction of the Housing (NI) Order 1992 and the Housing (Management of Houses in Multiple Occupation) Regulations (Northern Ireland), 1993, the Housing Executive has completed the following:

- 10,546 full inspections of HMO properties (1,264 during the year 2007/08);
- 4,015 statutory notices served as a result of these inspections (825 during the year 2007/08);
- 1,992 approvals for grant aid for works to bring HMOs up to the necessary standards (83 during 2007/08).

By the end of March 2008 a total of £40 million had been spent on grant aid for HMOs.

Statutory Registration Scheme for HMOs
The Housing (NI) Order 2003 required the Housing Executive to introduce a registration scheme for HMOs. The Housing Executive implemented this the following year. It is designed to target properties deemed to represent the greatest risk to occupants.

An area based approach was taken in order to make best use of scarce resources. The five areas initially chosen were the Fitzroy and Eglantine areas of South Belfast, the Waterworks area in North Belfast, Portstewart and the Magee College area in Derry City. Within these 5 action areas specific landlords were required to register HMOs. Once an area has been declared, all HMO properties within it have to be brought up to modern standards. Outside these areas properties capable of occupation by more than 10 people are specified for registration. Properties where a HMO grant scheme has been completed and where grant approval was issued after 1st May 2004 are also required to register as a condition of the grants scheme.

In September 2007 the Statutory Registration Scheme was amended to extend the registration scheme to the following areas: Dungannon District Council Area; Cookstown District Council Area; The Diamond, Derry; The Fountain/Waterside, Derry; Coleraine Town; Portstewart; Ulsterville; Stranmillis; Cromwell Road; Kansas/Marsden; Bangor Harbour.

Study into HMO Registration in Northern Ireland

In 2007, a study of the HMO registration scheme in Northern was commissioned by the Housing Executive from the Building Research Establishment which had already completed similar research in England. The project aimed to undertake a review of the current HMO registration scheme in Northern Ireland.

The research answered a number of important research questions. The key findings addressing each of the research questions are summarised below.

HMO Registration Study (2008)

Key Findings:

How can the Housing Executive and others achieve better communication with tenants?

There is a real need to achieve better communication with tenants to ensure that they can easily access information about their rights. The HMO units need tenants to assist them with registration and enforcement, but the research uncovered a lack of knowledge about what the HMO standards are, what the HMO units are what they do and the roles of other agencies like Environmental Health and Planning.

What additional or other training and support is needed for landlords?

Landlords need a simple and clear explanation of what the HMO standards are together, with some additional one-to one help with more complex aspects such as fire precautions. The key areas where they require additional support on the management side are in referencing, tenancy agreements and dealing with problem tenants.

What incentives or benefits would make the Registration scheme more meaningful and attractive to landlords?

At the moment, the Registration scheme is perceived as enforcement without teeth. The key is to have an appropriate balance between sanctions and incentives. The maximum fine needs to be increased more in line with the £20,000 in England and for the courts to start imposing heavier fines. Unless this happens, many smaller landlords are going to continue to operate 'under the radar' and the HMO units to spend huge amounts of resources trying to track them down.

There are a number of benefits that would make registration more attractive and probably the most important of these is providing a market advantage for those with registered properties. Extending Studentpad to cover private renting generally for all groups would give landlords a wider pool of potential tenants to attract, and provide other tenants with an equivalent service.

What are the additional concerns arising from the recent influx of migrant workers and how can registration address these?

The key problem is the lack of information about how many there are and where they are living. Often, they are reluctant to come forward about housing (and other) problems for a variety of reasons: language barriers, not knowing their rights, not knowing where to go, general fear of 'officialdom', fear of annoying the landlord if they complain etc. There are clear benefits in working through community organisations and possibly also major employers to promote communication and trust between migrant workers and the Executive. Overcrowding and housing costs are key linked concerns for this group and although the Executive cannot reduce rents or increase wages, it can work with migrants themselves, their organisations and employers to increase expectations and reduce the crowding problems.

How far do registration schemes need to be tailored and targeted to fit local circumstances?

It is clear that different areas have different types of HMO with different types of issues that require a different approach. However, this must be balanced against the need for consistency so that standards, procedures and priorities are clear for both landlords and tenants. Phased implementation of the mandatory scheme by geographical area has caused considerable confusion although it is appreciated that this was necessary because of limitations on resources. It has also caused conflicts for the enforcement units who are trying to balance the effort that they put into mandatory registration and other work.

How relevant and workable is the current definition on an HMO?

The current definition is easy to understand and work with - the main misunderstandings are in how this relates to mandatory registration. However, because of recent developments where landlords are now converting some HMOs to small self-contained flats to get round the registration and concerns about fire safety in small poor quality conversions, it is suggested that there would be advantages in moving toward the Scottish definition of 2 or more people from different families. The alternative would be to retain the existing definition of more than 2 and to seek other powers to deal with fire safety issues in smaller converted flats.

Is there a need for more work with prospective students and what form should this take?

This should be a key aspect of the Housing Executives strategy towards improving HMOs in Northern Ireland because an increasing number of first year University students are choosing to live in private rented accommodation. Prospective students currently rely on friends for information and advice. They need to be made aware of their rights and responsibilities, what is available and what standards they should expect and demand.

Key Issues and Strategic Perspective

- The rapid growth of the private rented sector, which characterised the period 2004-2007, ended in the Autumn of 2007 as the combined effects of falling house prices and the "credit crunch" took their toll on investors' appetite for buy-to-let.

- The private rented sector is currently underpinned by Housing Benefit payments totalling approximately £150 million. Rising waiting lists for social housing and affordability issues for first time buyers as a result of the ongoing "credit crunch", together with changing labour markets, will ensure that the private rented sector will continue to play a very important role in Northern Ireland's housing market, and indeed will increasingly meet the needs of households, who in the 1980s and 1990s may have had their housing needs met by the social sector.

- Qualitative evidence would indicate that some investors are leaving the sector. However given the expected continued demand for private renting from first-time buyers unable to afford their first house and migrant workers, and the continuing pressure on the social housing budget, the risk of large-scale disinvestment is seen as low.

- The age profile of the stock continues to be older than other tenures (although less pronounced than in 2001) and there are still somewhat higher levels of unfitness, although the 2006 House Condition Survey indicated that these differences are reducing.

- Houses in Multiple Occupation (HMOs) will continue to play an important role in housing single person households including students and young professionals and those on low incomes. This form of tenure is of particular importance for migrant workers. The statutory licensing of HMOs will help ensure management standards improve.

- A new strategy for the private rented sector is to be launched in 2009. It will build on the 2004 strategy and will focus on a number of important issues, including security of tenure, housing quality, management standards and the resolution of landlord tenant disputes.

Chapter 4

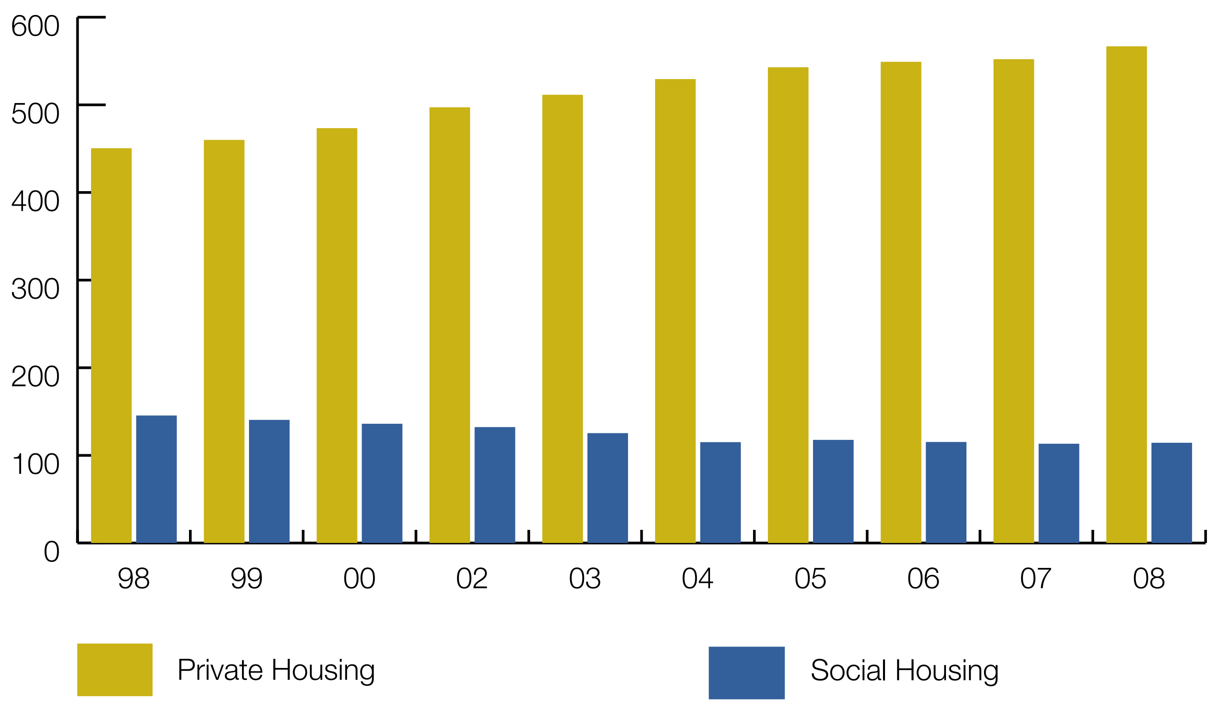
Social Housing

Introduction

The social rented sector in Northern Ireland comprised approximately 114,400 dwellings in March 2008 - 17 per cent of the total housing stock. Of these, around 90,000 were owned and managed by the Northern Ireland Housing Executive and a further 24,400 by housing associations. In addition the housing associations own 4,500 units of accommodation that are not fully self-contained. Social housing's position as a proportion of total stock has remained static between 2007 and 2008, but for the first time in many years, the total social stock increased numerically during the year, from 113,300 dwellings in 2007. Figure 18 illustrates the balance between social and private housing in Northern Ireland over the last decade.

Within the social sector, the gradual shift in the balance between Housing Executive and housing association stock continued during 2007/08. The proportion of social dwellings in Northern Ireland owned and maintained by housing associations has risen steadily in recent years, from around 14 per cent in 2001/02 to just over one fifth (21%) at March 2008. Over the last five years, the new social housing programme has compensated for only around one quarter of the reduction in Housing Executive stock as a result of house sales and demolitions. More recently however, the proportion has increased as a result of decreasing Housing Executive house sales and demolitions. In 2007/08, the number of social housing completions was equivalent to around two thirds (67%) of the dwellings sold or demolished by the Housing Executive. With sales greatly reduced in 2008/09, this trend looks set to continue.

Figure 18: The Changing Balance of Social and Private Housing '000s, 1998-2008



Source: DSD Housing Statistics

Since the House Sales Scheme was set up in 1979, the Housing Executive has sold more than 117,000 of its dwellings. The Scheme has provided an affordable route into home ownership for numerous households, but has also had a significant impact on the overall level of social housing stock. Sales rose to over 6,000 during 2002/03, but have since declined steadily, to around 2,200 in 2006/07, and subsequently to fewer than 1,000 (808) in 2007/08. Changes in the eligibility criteria for prospective purchasers and the profile of the remaining stock have impacted on the level of sales, but the rapid rise in house prices here in 2006 and 2007 has been the main factor contributing to the considerable downturn in sales. It is estimated that fewer than 100 Housing Executive dwellings will be sold this financial year (2008/09), but falling house prices and the introduction of a new shared equity scheme for social tenants (see Chapter 1) may lead to a reversal of this trend.

As part of the Housing (Northern Ireland) Order 2003, the provisions of the statutory House Sales Scheme were extended to housing association tenants. Statistics collated by the Department for Social Development indicate that sales of dwellings by housing associations also fell considerably between 2006/07 (188) and 2007/08 (76).

The Housing Executive

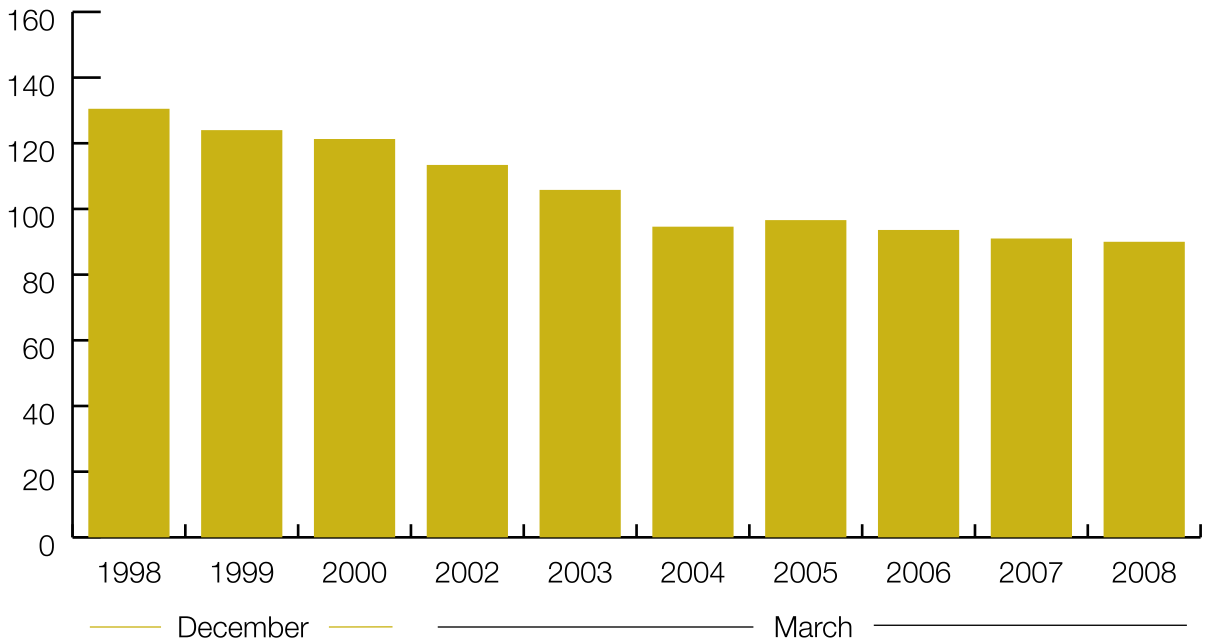
The Housing Executive, which is a non-departmental public body reporting to the Department for Social Development, is Northern Ireland's regional strategic housing authority. Its gross budget in 2007/08 was £791m; the figure was £155m higher than for 2006/07, but included funding of £161m for the new build development programme (which is now managed by the Housing Executive) as well as £202m which was invested in improvements and repairs to Housing Executive stock.

The Housing Executive's role has evolved on an ongoing basis since its establishment over 35 years ago. Having inherited some of the worst housing conditions in Europe, the organisation embarked on a programme of work that included construction of 90,000 new dwellings between 1971 and 2001. However, following the 1996 Housing Policy Review - which transferred responsibility for provision of new social dwellings to the housing associations - the Housing Executive's construction role was gradually scaled back; it has built no new homes since 2002/03.

The primary responsibilities of the Housing Executive are to:

- regularly examine housing conditions and housing requirements;
- draw up wide ranging programmes to meet these needs;
- effect the closure, demolition and clearance of unfit houses;
- effect the improvement of the condition of the housing stock;
- encourage the provision of new houses;
- provide housing information and advisory services;
- consult with District Councils and the Northern Ireland Housing Council;
- manage its own homes;
- manage the social housing development programme; and
- manage the Supporting People programme.

Figure 19: Housing Executive Stock '000s, 1998-2008



Source: DSD Housing Statistics

In addition, the organisation performs a wide range of additional functions, including its role as the Home Energy Conservation Authority for Northern Ireland, having strategic responsibility for Travellers' accommodation, administration of Housing Benefit, and working with partner organisations on issues including urban regeneration and neighbourhood renewal, rural housing, empty homes, houses in multiple occupation, community cohesion, anti-social behaviour, shared future housing, and housing and health.

Housing Executive Stock

Trends in Housing Executive house sales were outlined earlier in this chapter. In addition, just over 600 Housing Executive properties were demolished during 2007/08, the lowest number in recent years. Figure 19 illustrates the combined impact of house sales and demolitions on the (occupied) Housing Executive stock.

The Characteristics and Condition of the Housing Executive Stock

The Housing Executive's property database (March 2008) showed the following:

Dwelling Age

Just over half of the current stock (52%; 46,700 dwellings) had been constructed after 1970, one quarter (25%) between 1961 and 1970, and 18 per cent between 1945 and 1960. Only five per cent of dwellings dated from earlier than 1945, and of these the majority (67%) were located in the Belfast area.

Dwelling Type

The majority of Housing Executive stock (56%; 50,900 dwellings) took the form of traditional terraced or semi-detached houses. Twenty per cent were bungalows and a further 20 per cent flats, while the remaining four per cent of dwellings were cottages, maisonettes and split level dwellings.

Dwelling Size

Forty-four per cent of Housing Executive dwellings had three bedrooms and 38 per cent offered two-bedroom accommodation. Dwellings for larger families requiring four or more bedrooms accounted for five per cent of the stock. As has been the case for the age and type of dwellings, while the numbers change from year to year, the proportionate distribution of the stock by size tends to remain largely unchanged.

Heating

The vast majority of the stock - 89,200 dwellings at March 2008 - had full central heating; fewer than 800 dwellings had non-central heating, and around 600 had part-central heating systems. During the year to March 2008, the number of homes that had solid fuel as their principal heat source reduced by around 3,100, to just under 15,000. The number of dwellings with electricity as their main heat source also decreased, from 13,800 in March 2007 to 12,600 the following year. Solid fuel and electricity are both considered inefficient heat sources.

Almost one third of Housing Executive dwellings (30%; 27,050) are now heated by natural gas. The majority are in Belfast, where over two thirds (68%) of properties have gas as their main heat source.

Findings from the 2006 Northern Ireland House Condition Survey provide the following information about the Housing Executive stock:

Unfitness

Around 500 dwellings (0.5% of Housing Executive stock) were estimated to be unfit in 2006 - down from 900 dwellings in 2001. If vacant dwellings are included, the level of unfitness in Housing Executive stock rises to 0.9 per cent (875 dwellings) in 2006, compared with 2.4 per cent (3,000) in 2001. The headline rate of unfitness for all dwellings in 2006 was 3.4 per cent.

Disrepair and the Decent Homes Standard

The 2001 House Condition Survey showed that 69,000 dwellings (59% of Housing Executive stock) required some repair. By 2006, the absolute number had decreased to 56,400, although the ongoing reduction in stock meant that, at 60 per cent, the proportion remained virtually unchanged.

At £243 for urgent work, and £329 for basic repairs, the average estimated bill for repairs required by Housing Executive stock had fallen since 2001 (£304 and £398 respectively) and was substantially lower than the corresponding average figures for the Northern Ireland stock as a whole (£1,206 and £1,476, including vacant properties).

The House Condition Survey also monitors compliance with the Decent Homes Standard. For Housing Executive stock, the 2006 findings showed a substantial improvement, with the proportion of occupied dwellings that failed to meet the standard falling to 25 per cent, by comparison with 50 per cent in 2001.

Of the Housing Executive properties that did not meet the Decent Homes Standard, the vast majority (97%) failed on the thermal comfort criterion - essentially due to the presence of inefficient solid fuel or electrical heating. Only four per cent of stock failed to meet the Decent Homes Standard on the basis of disrepair - much lower than the overall average of 20 per cent of all dwellings.

Housing Health and Safety Rating System (HHSRS)
The 2006 House Condition Survey revealed that nine per cent of Housing Executive properties had Category 1 risks, compared with three per cent of housing association properties and almost one fifth (19%) of all dwellings in Northern Ireland.

Fuel Poverty
Despite ongoing improvements in the energy efficiency of dwellings through upgraded heating systems and insulation measures, the findings of the 2006 survey showed that the proportion of households in Housing Executive dwellings in Fuel Poverty remained stubbornly high, at 41 per cent (compared with 40 per cent in 2001). Rising fuel prices and relatively low household incomes have been the main factors contributing to the higher than average incidence of Fuel Poverty among Housing Executive tenants. It is an indication of the amount of effort that has gone into mitigating Fuel Poverty, however, that the rate for Housing Executive tenants, although relatively high, has remained static since 2001, while for the stock across all tenures, the rate of Fuel Poverty increased from 27.3 per cent in 2001 to 34.2 per cent in 2006.

Household Profile
The Housing Executive's Continuous Tenant Omnibus Survey, which is based on interviews with 3,700 tenants throughout the calendar year, provides an invaluable source of information on the socio-economic and demographic profiles of Housing Executive tenants. Some of the key findings for 2007 are set out

Continuous Tenant Omnibus Survey 2007

Key Findings

- After a period between 2003 and 2005 when average household size remained fairly static (varying around 2.17 persons per household), the figure declined to 2.10 for Housing Executive properties in 2006 and, again, to 2.08 in 2007. Comparable figures from the Continuous Household Survey indicate that the average for Northern Ireland in 2007/08 was 2.50 persons per household.

- The figures reflect continuing growth in the proportion of single person and elderly households who are Housing Executive tenants. Single persons accounted for 43 per cent of households in 2007 (unchanged from 2006), and 'Lone Older' remains the single most common household type, accounting for just over one quarter (26%) of tenancies in 2007, compared with 22 per cent in 2006.

- Only 14 per cent of heads of household were working (full time, part time or self employed) in 2007; the proportion was unchanged by comparison with the previous year. Forty-two per cent (46% in 2006) of heads of household were in receipt of Income Support or Job Seekers Allowance, and almost one third (32%) were retired (26% in 2006).

- Approximately three-fifths (61%; 64% in 2006) of respondents indicated that their gross household income was £10,400 or less per annum, and around 16 per cent had a gross annual income of £5,200 or less. The figures show an increase in the proportion of households (up from 12% in 2006) living on this minimal income, and suggest likely ongoing problems in terms of fuel poverty.

- More than one tenth (14%) of all household members required some form of mobility aid (including a wheelchair), and the proportion of heads of household in receipt of a disability benefit increased from 31 per cent in 2006 to 35 per cent in 2007.

The Housing Associations

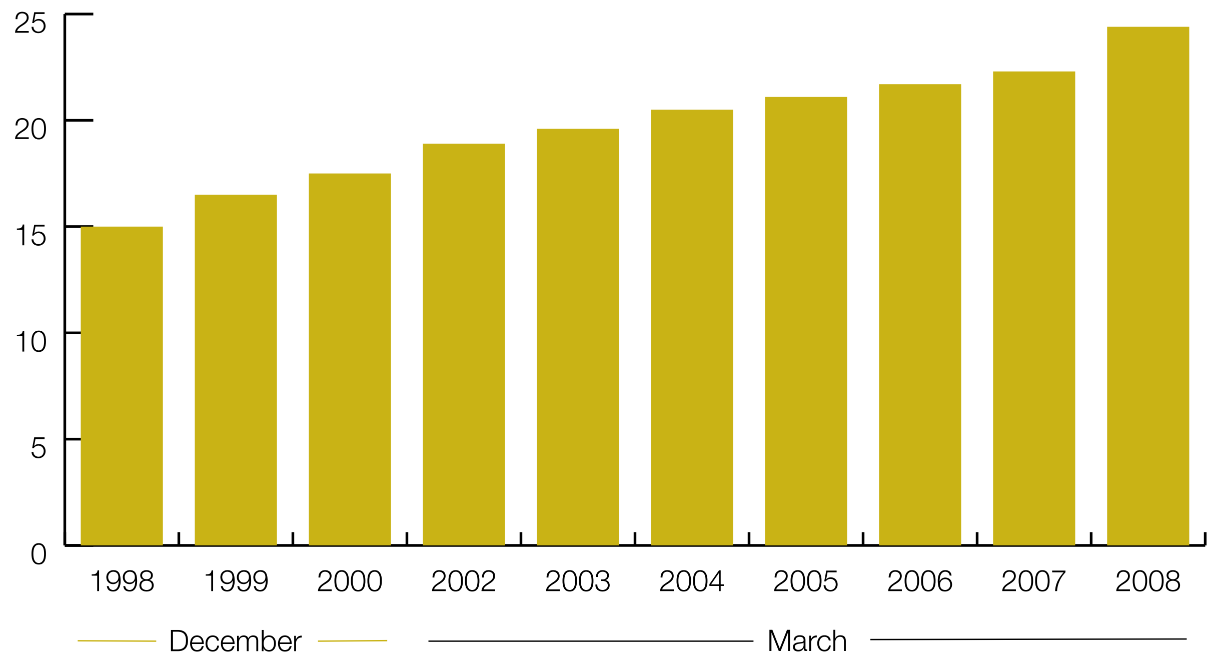
Housing associations are independent social housing organisations, which provide good quality affordable accommodation for households in housing need, on a not-for-profit basis. As at January 2009, there were 34 registered housing associations in Northern Ireland, including the Northern Ireland Co-Ownership Housing Association (NICHA).

Figure 20 shows the ongoing increase in the occupied rented stock owned and managed by registered housing associations during the last decade, to around 24,400 occupied self-contained rented dwellings in March 2008. In addition, the housing association sector includes 4,500 bedspaces in non self-contained accommodation, as well as NICHA's 3,843 dwellings in equity sharing tenure.

Until 1992, housing association development was financed almost entirely by grants and loans from Government. Since then, however, under 'mixed funding' arrangements, the Government has required associations to obtain their loans from the private market. The private finance component represents about one third of the cost of general-purpose housing, and since 1991 housing associations have borrowed around £395m from private sources (mainly banks, building societies and their own reserves) - a major contribution to the funding of social housing.

Until 2006, housing associations did not generally need to borrow for supported housing schemes because the grant was paid at 100 per cent of the cost estimate approved by the Department for Social Development. Arrangements subsequently changed, and since then, grant may be paid at a rate lower than 100 per cent.

Figure 20: Registered Housing Association, Occupied Rented Stock '000s (Self-Contained) 1998-2008



Source: DSD Housing Statistics

'Supported housing' provides supportive services as well as suitable accommodation for people who, for example, are recovering from a mental illness or have a learning disability.

Housing Association Stock

At March 2008, registered housing associations (excluding NICHA, but including associations' vacant dwellings) had a rented stock of around 29,500 units of accommodation (see Table 14). Some 25,080 (85%) were self-contained and the rest were bed spaces in shared accommodation. More than three quarters (77%) of all units were owned by the ten largest associations, which had more than 700 units each (See Table 14).

More than 1,700 housing association dwellings (around 1,000 self-contained units and 700 bed spaces in shared accommodation) were suitable for tenants who are wheelchair users, and slightly more than one quarter (28%; 8,210) of housing association accommodation was designed for elderly people. Housing association stock is found throughout Northern Ireland, but the highest concentrations are in Belfast (40% of all housing association stock), Derry (12%), Lisburn (7%) and Craigavon (5%) council areas. This proportionate geographical distribution has changed little in recent years, despite the overall increase in the level of stock.

Table 14: Housing Associations with more than 700 Units of Rented Accommodation, March 2008

	Self Contained Units	Bed Spaces	Total Units
BIH	3,987	509	4,496
Fold	4,177	298	4,475
Oaklee	3,427	632	4,059
North & West	2,194	427	2,621
Clanmil	1,877	0	1,877
Habinteg	1,518	297	1,815
SHAC	178	809	987
Trinity	726	95	821
Ulidia	535	277	812
South Ulster	743	0	743
Total	19,362	3,344	22,706
Total Housing Association Stock	25,081	4,459	29,540

Source: DSD, Housing Finance and Governance

The Characteristics and Conditions of Housing Association Stock

The 2006 House Condition Survey provided information on the characteristics of housing association's stock and the households living in the sector:

Dwelling Age
The vast majority of housing association properties (81%) were built after 1980, reflecting the introduction of Housing Association Grant in 1976, as well as housing associations' increasing development role since the late 1990s.

Dwelling Type
Just under half (48%) of dwellings were flats or apartments; a number of housing associations had, until recently, concentrated their efforts on building sheltered accommodation for older people. Around one fifth (22%) of housing association stock was in the form of terraced properties, and around 18 per cent were semi-detached dwellings.

Dwelling Location
The largest concentration of housing association properties was in the Belfast Metropolitan Area (54%); a further 38 per cent were located in district and other towns, and the remaining eight per cent in small rural settlements. Less than one per cent of housing association properties were located in isolated rural areas.

Unfitness, Decent Homes and Fuel Poverty
In 2001, around 400 housing association properties (1%) were found to be unfit (excluding vacant dwellings). In 2006 only an estimated 100 dwellings (0.4%) were deemed unfit, reflecting both the effect of property rehabilitation and the relatively young age profile of the stock.

By comparison with 2001, the proportion of properties failing the Decent Homes Standard, however, was found to have increased marginally, from seven per cent to nine per cent.

Based on the latest model, around one fifth (21%) of housing association tenants were estimated to be in Fuel Poverty in 2006. Although this was the lowest rate across all tenures, the figure nevertheless represents a significant increase since 2001, when one tenth (10%) of housing association tenants were estimated to be in Fuel Poverty.

Housing Health and Safety Rating System (HHSRS)
Housing association properties performed well under a HHSRS-style assessment; only three per cent of properties were estimated to have Category 1 risks, by comparison with an overall Northern Ireland rate of 19 per cent.

Profile of Housing Association Tenants 2006

- Around half (51%) of housing association tenants were elderly, and of these the vast majority (88%) were single person households. Nevertheless, the proportion of housing association tenants who were elderly had fallen since 2001, when the figure stood at 67 per cent. The change is a reflection of associations' increasing role in general needs/family housing provision.

- Almost one third (31%) of heads of household were 75 or older. This finding also represents a change in tenant structure since 2001, when 45 per cent of heads of households were aged at least 75. In 2006, the comparable figure for this age group in both the owner occupied and Housing Executive sectors was 13 per cent, confirming the ongoing important role that housing associations play in meeting the accommodation needs of older members of the population.

- Single person households of all ages accounted for 59 per cent of housing association tenants, compared with 47 per cent of Housing Executive tenants, 36 per cent in the private rented sector and 23 per cent of owner occupiers.

- One fifth (20%) of household reference persons living in housing association accommodation were in either full- or part-time employment, while half (48%) were retired and around ten per cent were permanently sick/disabled.

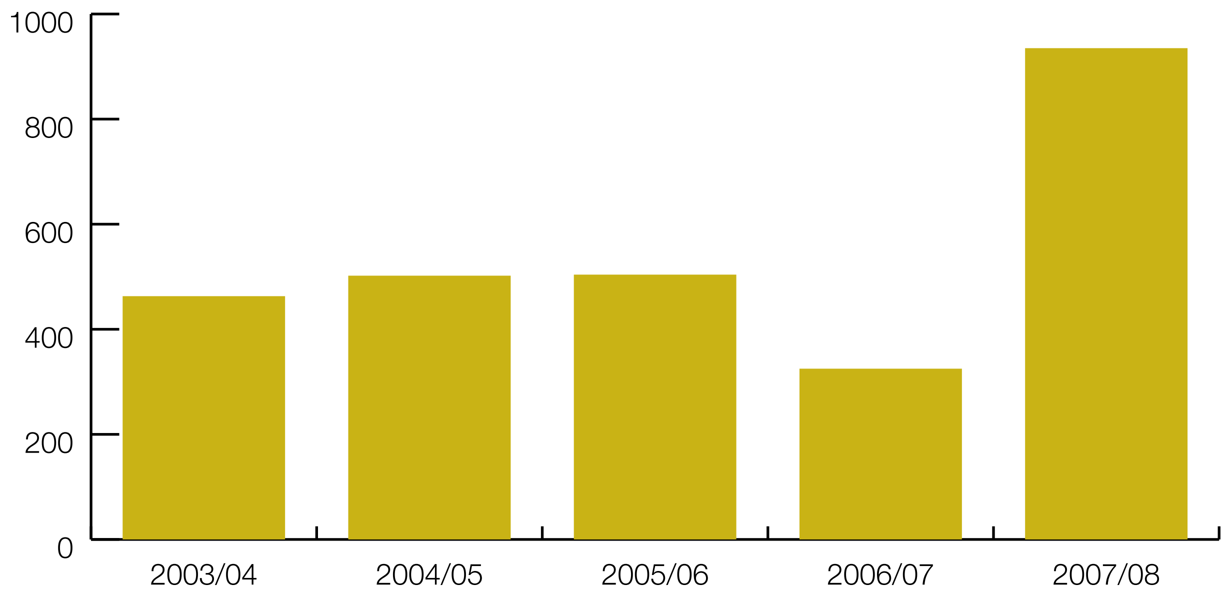
- More than half (57%) of households living in housing association properties had annual gross incomes of less than £10,000; one fifth (20%) said that they had less than £7,000 income each year.

Co-Ownership Housing

Northern Ireland Co-Ownership Housing Association (NICHA) plays a key bridging role in the local housing market by enabling lower income households to enter the owner occupied sector. Established in 1978, NICHA operates a 'Do-It-Yourself-Shared-Ownership' scheme. It enables eligible households, whose resources would not otherwise allow them to buy, to bid for a property on the open market through shared ownership arrangements, taking the first step on the ladder of owner occupation.

The scheme allows purchasers to buy a proportion of the equity in a property, and pay rent on the remaining share. Monthly outgoings are tailored to purchasers' ability

Figure 21: Co-ownership: Number of properties acquired annually, 2003/04-2007/08



Source: Co-Ownership

to pay, and almost all shared owners go on to achieve full ownership by purchasing the outstanding equity or selling and moving to another owner-occupied property.

The Co-Ownership association managed a total of 3,843 properties in March 2008. In the context of unprecedented house price rises and significant affordability problems for first time buyers in Northern Ireland, the scheme assisted more households to buy a home in 2007/08 than during any other period in recent years. Figure 21 shows that a total of 935 properties were acquired through the scheme between April 2007 and March 2008, compared with 325 in 2006/07 and 504 in 2005/06.

Rising house prices by comparison with the Co-Ownership value limits meant that the number of purchases through the scheme was relatively low in 2006/07. Changes that were subsequently introduced helped improve the scheme's ability to operate in a difficult market and contributed to the upsurge in purchases during 2007/08:

- The option to purchase an initial share of 40 per cent of the property was introduced late in 2006/07. Purchasers had previously been required to buy at least half the value of the property through a conventional mortgage, with the result that some potential clients were priced out of the market. Eleven 40 per cent shares were purchased in 2006/07, but the option proved popular in 2007/08; 29 per cent of all applications received and 27 per cent of purchases during the year were for initial 40 per cent shares.

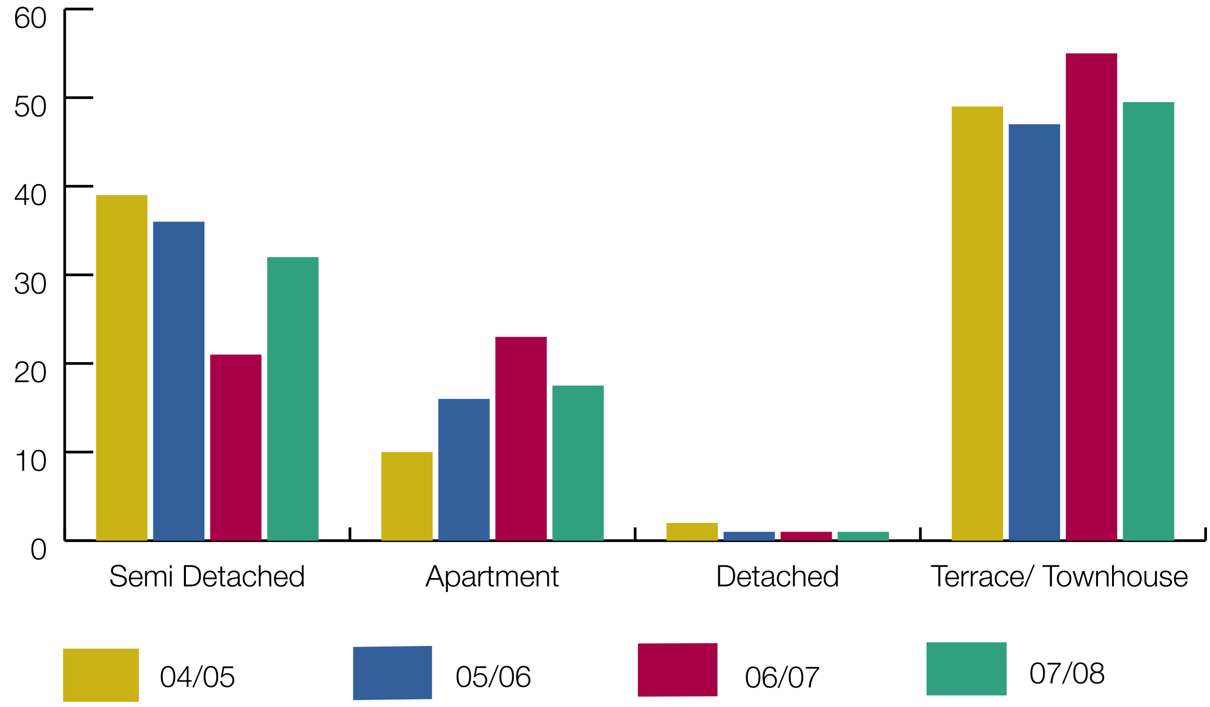
- The value limits for Co-Ownership purchases, which had been set at £130,000 or £150,000 depending on the district council area, had proved increasingly restrictive in the rising housing market. They were uplifted to £180,000 and £225,000 from 1 April 2007, enabling prospective purchasers to compete within the (at that time) lower-priced end of the market.

NICHA's overall investment during 2007/08 totalled £78.2m, a massive increase on the previous year's figure of £17m. £19m of the 2007/08 total was in the form of Housing Association Grant - again significantly higher than the 2006/07 input of £4m. Not surprisingly, given the increased number of purchases and rising house prices, the total value of properties purchased during 2007/08 (£157m) was more than 300 per cent higher than in 2006/07 (£36.8m). The average price of properties purchased through the scheme (£167,938) was almost 50 per cent more than in 2006/07 (£113,116), but remained lower than the average market price during 2007 (£233,415).

Around half (49%) of properties acquired through the scheme during 2007/08 were terrace/townhouses. Figure 22 shows that this proportion was broadly in line with previous purchasing trends, although down slightly on 2006/07, which was characterised by a prevalence of purchases of smaller properties (particularly terraces and apartments) in line with the Co-Ownership value limits. It is likely that the noticeable increase in the proportion of semi-detached properties purchased between 2006/07 (21%) and 2007/08 (32%) can be accounted for by the increased value limits and lower starting threshold which combined to facilitate greater flexibility for purchasers.

Just over 20,200 households have been enabled to purchase their own home with the help of Co-Ownership since the scheme was set up in 1978, and almost 16,400 have 'staircased' out to become

Figure 22: Co-ownership Purchases by Dwelling Type (%) 2004/05-2007/08



Source: Co-Ownership

full owners. Staircasing levels fell back sharply in the inflationary market conditions that prevailed during 2007/08; around 330 households became full owners of their homes, compared to 804 the previous year. The average return for staircasers remained high at £30,625 in 2007/08, up slightly from £30,092 in 2006/07. The figures for both years were much higher than for 2005/06 (£19,208) and reflect the rapid house price inflation that had increased the value of homes purchased a number of years ago.

The substantially reduced level of staircasing in 2007/08 meant that income generated through sales (£24.9m, of which £5.9m (24%) was returned to the Department for Social Development) was lower than in the previous year, when the comparable figures were £42.3m and £13.1m. NICHA uses receipts from sales to purchase property for new leaseholders.

Information collected by Co-Ownership provides an insight into the profile of purchasers during 2007/08:

- Over half (55%) of households had only one earner (the equivalent figure for 2006/07 was 71 per cent), and just over one third (38%) of purchasers were single person households. There was a significant shift in the household structure of Co-Ownership purchasers between 2006/07 and 2007/08, characterised by a move away from one-person, single earner towards two person and dual income households. It remains to be seen whether this is a long term trend, or whether it was mainly one of the outworkings of Northern Ireland's house price boom and the associated affordability crisis.

- The average age of first applicants was 28.7 years, and of second applicants was 26.
- Around half (53%) of all purchasers commenced with a 50 per cent share of their property; a further 29 per cent initially purchased 40 per cent of the equity in their home.
- The average single income of those purchasing through the scheme was £19,870, and average combined household income stood at £23,617. Both figures were up from 2006/07 when the averages were £17,705 and £20,627. While part of the increase may be accounted for by a slight rise in incomes, the figures also suggest that in order to access ownership through the scheme, households needed to have higher levels of disposable income. Again, the figures are a sign of the rising house prices and affordability problems that were evident during 2007/08 and are also reflected in purchasers' price to income ratio during the period, which stood at 7.1, compared with 5.92 in 2006/07.

The increased property value limits and reduced minimum share led to rapid uptake of Co-Ownership's available funding during 2007/08, culminating in a highly-publicised situation where the organisation was unable to take any applications for a number of months from March 2008. More recently, in October 2008, £35m of private finance secured from Bank of Ireland enabled processing of applications to resume. With around 250 purchases already completed in the first quarter 2008/09, it is anticipated that this further funding will enable Co-Ownership to meet its target of 500 affordable houses this year. It is hoped that this initial arrangement will be the first step in a longer term public/private financing strategy for the organisation.

Prior to the suspension of applications for Co-Ownership in March 2008, the removal of property value limits for 2008/09 with effect from 1st April 2008 had been announced. When the scheme re-opened for applications in November 2008, a value limit of £175,000 was set, mainly in recognition of the changed market in the intervening months, but also in line with the reduced stamp duty threshold that has been put in place for a fixed period. The option to enter the scheme with a 40 per cent share in the property was also removed with effect from November 2008, and the minimum initial share returned to 50 per cent.

In some ways, the figures for 2007/08 suggest that the Co-Ownership scheme was a victim of its own success. Providing a much-needed means of access into the housing market for large numbers of households, the Scheme's resources were quickly depleted. With short term funding in place, the options for a new and sustainable mid- to longer-term financial model that would lever in private finance in addition to grant funding are being explored, and the organisation will continue to assist in provision of much needed affordable housing. While average prices have dropped, the no-deposit, low interest, flexible mortgage products that catered for even impaired credit borrowers until as recently as 2007/08 are no longer available, and Co-Ownership's role remains as important as ever.

New Social Housing

Housing need in the social rented sector is mainly met by re-letting existing dwellings to new applicants. Housing Executive re-lets (excluding transfers) decreased by around 12 per cent over the last two years, from around 5,450 in 2006/07 to 4,825 in 2007/08. Housing association allocations and re-lets through the Common Selection Scheme increased slightly during the same period (from 2,300 to 2,460), and in 2007/08 accounted for just over one third (34%) of total allocations. Nonetheless, the combined figures represent an overall annual reduction in the number of allocations from the waiting list (Figure 23) and remain insufficient to meet the growing demand for social housing.

Chapter 1 describes in detail the models of future housing need (at the Northern Ireland level) developed for the Housing Executive by the Universities of Ulster and Cambridge. Calculations based on the 2001 Census figures indicated the need for an average annual social housing programme between 2001 and 2011 of 1,500 units. A subsequent update of the models, carried out in 2004 using new population and household projections and household supply data, and taking account of the backlog in provision between 2001 and 2004, estimated an annual need for 2,000 dwellings between 2004 and 2011.

The Net Stock Model was re-run again in November 2006, revealing a further increases in the annual ongoing requirement for new social dwellings of 2,500 units. Most recently, in December 2008, the model was again revisited to take account of the changing dynamics of the housing market and updated household projections. In the light of these changing circumstances, the 2008 Net Stock Model envisaged that a total of 2,300 new social dwellings is required per annum if the waiting list is to not to increase further. Given the growing shortfall of new social housing provision, however, the Housing Executive considers that at least 3,000 new social dwellings should be constructed each year in order to address the backlog (see Chapter 1).

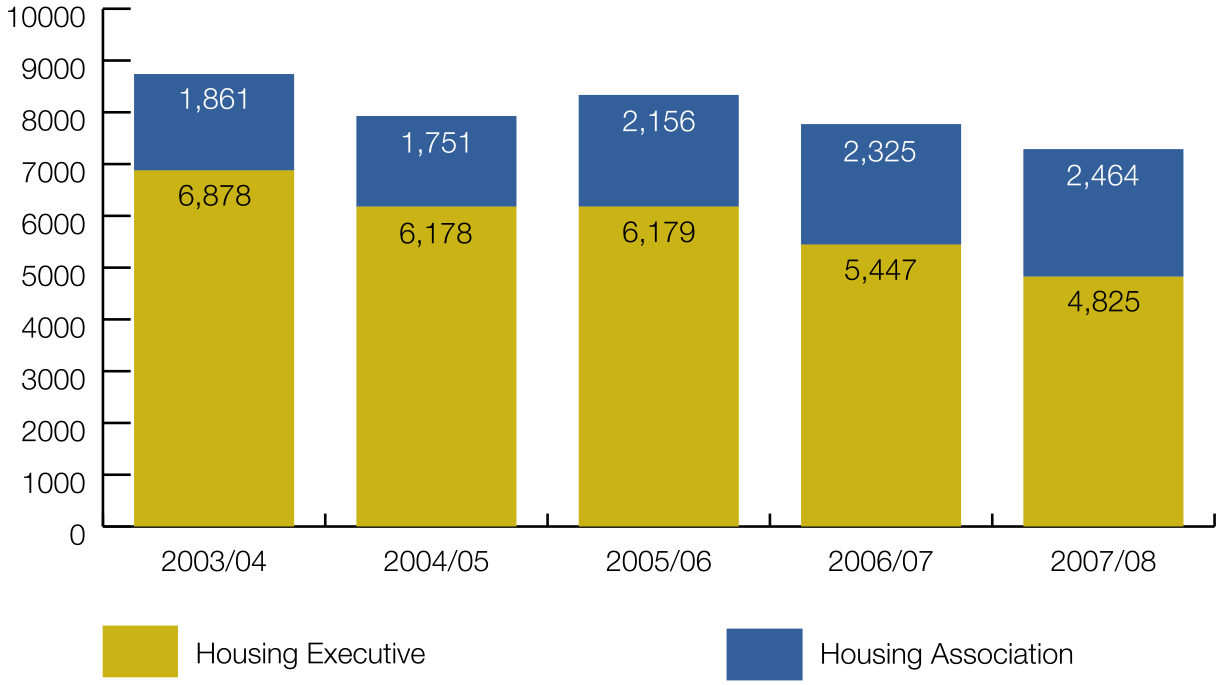
During 2007/08, work started on 1,167 new self contained social dwellings, an increase of 59 per cent on the previous year's figure of 732, and in line with the 2005/06 total, 1,229. Work also commenced on 66 bed spaces in hostels and other communal establishments. The number of self-contained units completed during 2007/08 (967) was down on the previous year's figure (1,327), but higher than in 2005/06 (782); completions of bed spaces in communal establishments increased slightly, from 48 in 2006/07 to 61 in 2007/08.

Contract starts for new dwellings in 2007/08 were recorded as 1,239, including 270 "off the shelf" and 84 "package deal" properties. A further 343 "existing satisfactory" properties were acquired during the year, and work started on the rehabilitation/re-improvement of 13 properties, giving a total of 1,695 dwellings added to the social housing stock. It is important to emphasise that neither the purchase of "existing satisfactory" dwellings, nor the rehabilitation/re-improvement of existing properties can be counted against the estimate of additional new social housing calculated by the Net Stock or Cambridge Models.

Over the last three years, two key factors have complicated the task of achieving the Social Housing Development Programme targets within the available public expenditure:

- The dramatic reversal of the property market (from investor driven boom to housing recession triggered by the "credit crunch").

Figure 23: Allocations to new applicants through the Common Selection Scheme, 2003/04-2007/08



Source: NIHE

- The fact that the initial allocation of public funds for the programme has been insufficient with the need to rely on supplementary in-year bids.

Table 15 illustrates the changing composition of the new build programme, which has been heavily influenced by the housing boom and associated trends in the land and property market. With sites proving expensive and difficult to acquire, there has been increasing reliance on the purchase of "existing satisfactory" properties to supplement the programme. The more recent downturn in the housing market has resulted in a move away from this pattern, with land (and in many cases newly built properties) again becoming more readily available to housing associations for development.

General needs schemes, including developments in North and West Belfast, Derry/Londonderry and rural areas accounted for the majority (92%) of social housing starts during 2007/08. The remaining eight per cent were schemes to meet more specialist needs, such as those for people with a physical or learning disability, homeless people, or young people leaving care.

The New Build Programme from 2008/09 Onwards

Responsibility for the management of the Social Housing Development Programme was transferred to the Housing Executive under the Housing (Amendment) Order 2006, with effect from 1 April 2007.

In formulating the Programme, the Housing Executive examines the housing need situation within "Local Housing Areas". The number of applicants in housing stress on the waiting list is balanced against stock turnover and schemes already committed in the Programme, and recent and projected trends are taken into account in determining which locations require further social housing over the programme period.

As part of this housing needs assessment process, the Housing Executive has begun to move its annual District Housing Plans towards a broader, local housing strategy approach, and they now include a local housing market analysis, summarising the main drivers shaping the market within the various Districts.

As has been the case in previous years, the 2008/09 Programme included a target for housing associations to start work on 1,500 units of new accommodation. Initial progress has been better in 2008/09 than in recent years, despite the severe budgetary constraints and by November 2008 work had commenced on 335 dwellings. However, only an additional £5 million was made available for the Social Housing Development Programme in the December monitoring round (see Chapter 1). This means that unless further resources are made available in-year, the number of social dwellings that can be built/acquired in 2008/09, will be between 1,000 and 1,200, well short of the Ministerial target of 1,500.

The Procurement Strategy for the Social Housing Development Programme, part of the Minister's New Housing Agenda, seeks to streamline procurement activity across the housing association network and move to a model of collaborative procurement through formation and operation of four consortia and use of long term construction contracts. The strategy envisages this combined approach will consolidate associations' procurement activity and partnership working, producing critical mass that will improve client expertise, efficiency and buying power, and facilitate adoption of best practice.

All housing associations wishing to participate in the Social Housing Development Programme must be members of one of the four recognised procurement groups, which are due to be up and running from April 2009.

With a view to ensuring the long term sustainability of new social dwellings, the

Table 15: Methods of Providing Social Housing, 2005/06-2007/08

	2005/06	2006/07	2007/08
Buy and develop sites - new build	1,013	604	885
Buy new homes "off the shelf"	90	48	270
Package deals	157	174	84
Buy existing satisfactory homes	90	180	343
Rehabilitation/Re-Improvement	62	26	13
Total Recorded Starts (DSD)	1,519	1,032	1,595

Source: NIHE

Housing Association Guide has been amended to require all new social housing to be built to Level 3 of the Code for Sustainable Homes, a national standard used by designers and builders as a guide to development. Level 3 is broadly equivalent to the 'Very Good' EcoHomes standard, which housing associations had previously been achieving in their new developments.

Planning Policy Statement 12: Housing in Settlements

An overview of developments in relation to PPS12 and developer contributions for social and affordable, non-social housing is set out in Chapter 1. Within PPS12, policy HS2 has been identified as the critical mechanism for delivery of social and affordable housing in Northern Ireland. The policy currently allows for planning approvals to require an element of social housing at locations where need has been identified by the Housing Executive. In the long term, to enable developer contributions as a matter of course as in other parts of the UK and in the Republic of Ireland, amendments are required to PPS12 (and within it policy HS2). The aim would be to require non-social, affordable housing - as well as social housing - as part of planning approvals.

In advance of any changes to PPS12, and while the housing market was still more buoyant a number of developers had already made positive approaches to the Housing Executive with a view to providing social and affordable housing at various sites in Northern Ireland. The Housing Executive has welcomed this positive engagement from developers, and, until firmer arrangements are in place, will continue to move forward on a voluntary, negotiated basis to provide social and affordable housing units where private developers are willing, and judge that market conditions render development feasible.

Draft Planning Policy Statement 14/ Draft Planning Policy Statement 21

Draft Planning Policy Statement 14, *Sustainable Development in the Countryside,* launched by Lord Rooker under direct rule government, marked a departure from the previous presumption in favour of development in the countryside. Offering only very limited opportunities for provision of new housing in rural areas, the draft policy was met with considerable opposition.

Following a review of rural planning policy launched in October 2007, the draft policy was eventually withdrawn by the Minister for the Environment on 25 November 2008, when he simultaneously published Draft *PPS21: Sustainable Development in the Countryside* for consultation.

In terms of social and affordable housing, Draft PPS21 proposes that if the Housing Executive identifies need that cannot readily be met within a settlement, a housing association may receive permission to build a group of up to 14 social or affordable dwellings near the settlement. Draft PPS14 permitted only social housing in such circumstances, and restricted the group size to eight dwellings. These new provisions are, however, only expected to be used in exceptional cases; it is anticipated that most social and affordable housing will continue to be sited within settlements.

Improving and Maintaining Social Housing

The findings of the 2006 House Condition Survey showed that the quality of social housing in Northern Ireland has continued to improve in recent years. Due to sustained investment in the maintenance and improvement of the stock here, it also remains in generally better condition than social housing in England. While 22 per cent of social housing here was estimated to fail the Decent Homes Standard in 2006, the equivalent proportion in England at April 2006 (the mid-point in a the English House Condition Survey field work period running from April 2005 to March 2007) was 29 per cent.

The 2006 House Condition Survey showed that the significant level of work that has been carried has already made a major impact, with only 25 per cent of Housing Executive homes failing the Decent Homes Standard, compared to 50 per cent in 2001. In 2004, when the Decent Homes Standard was adopted in Northern Ireland, it was envisaged that all Housing Executive homes would meet it by 2010. However, in the light of the current financial constraints this is no longer considered feasible.

Improving the Housing Executive's Stock

Improvements to Housing Executive dwellings are facilitated in two ways:

- through policy-based schemes that relate to health and safety, welfare or statutory requirements; and

- through upgrade schemes ranging from single element work (such as the installation of full central heating) to comprehensive improvements that bring dwellings up to current standards.

Policy-Based Schemes

Work commenced on welfare adaptations at just under 1,000 dwellings during 2007/08, a decrease of almost one third (32%) on the previous year's figure (1,430), and half of the total in 2005/06 (around 2,000). The ongoing reduction reflects a downward trend in demand for heating adaptations, which decreased from almost 1,600 in 2005/06 to just over 1,000 in 2006/07, and again to 550 in 2007/08. Heating replacements accounted for only 56 per cent of all welfare adaptations in 2007/08 - down from 80 per cent in 2005/06. At 214 and 192 respectively, the number of extensions and lifts provided remained relatively similar to previous years.

It is estimated that adaptation work will be carried out at a further 1,700 Housing Executive homes during 2008/09.

Improvement Programmes

The Housing Executive's aim is that all its residential properties should meet the Decent Homes Standard by 2010. The majority of properties already meet the standards on fitness, structure, energy efficiency and facilities. Of those that do not, most fail in relation to the 'thermal comfort' aspect. The Housing Executive's programmes for maintenance and improvement are targeted towards the 2010 goal, and also aim to ensure that standards - such as fire safety requirements - are met.

The 2001 Northern Ireland House Condition Survey showed that almost 56,000 Housing Executive dwellings failed the Decent Homes Standard on the basis of the thermal comfort criterion - largely due to solid fuel and electric heating. The findings of the 2006 Survey showed that the number had reduced to around 22,300 and overall the programme to meet the Standard by 2010 is progressing well.

As part of its commitment to meeting the Decent Homes Standard by March 2010, the Housing Executive estimated that 9,120 multi-element improvement starts would be required between April 2003 and the target date. According to the programme, work to 6,500 dwellings was due to be completed by March 2008. At just over 6,000 dwellings, the outturn was slightly below target, and between April 2008 and March 2010, around 1,500 starts annually will be required if the work programme is to be completed as planned. However, as indicated above, in the current financial climate this looks unlikely to be achieved.

During 2007/08, work commenced on just over 1,600 improvements; around 1,130 were multi-element activities and the remainder were single element upgrades or special schemes. Heating replacement schemes are now also classified as improvements: during 2007/08 just over 2,300 heating replacements were started - a decrease on the 2006/07 total of around 3,000, which was also down on the previous year's figure - 4,300 (2005/06).

The Housing Executive continues to implement its preferred fuel policy through the removal of inefficient solid fuel and electric heating systems and has programmed a further 2,300 heating installations for 2008/09 - part of an overall target to commence improvement work on at least 3,150 dwellings during the year.

As part of its improvement strategy, the Housing Executive is committed to improving rural dwellings, of which it owns around 830. The majority have been improved, and those remaining will be included in improvement schemes to be carried out over the next 3-5 years.

Capital-funded improvement programmes are most likely to be affected by any future shortfalls in budget provision, and, in an increasingly tight public expenditure context, there is considerable uncertainty regarding whether or not work targets will be achieved.

Maintaining the Housing Executive's Stock

The Housing Executive maintains its stock through programmed schemes, either as planned maintenance or in response to tenants' requests for repairs (response maintenance).

Planned maintenance consists of two main types of work:

- External Cyclical Maintenance (ECM), which involves work to the external fabric of the dwelling and its immediate surroundings and is carried out on a five-year cycle.

- Revenue Replacement, which involves the replacement of any internal elements that have reached the end of their expected useful life, such as sanitary ware, room heaters and kitchen units.

External Cyclical Maintenance

It is the Housing Executive's aim that each of its dwellings should be included in an ECM scheme once every five years. Budgetary constraints have impacted on the level of ECM work in recent years, and completions fell from 12,250 in 2006/07 to 10,260 in 2007/08. Starts during 2007/08 were lower still at around 9,400; this figure has been set as the target for ECM starts during 2008/09. With an ageing stock, it is important that appropriate funding for external cyclical maintenance is made available, to prevent deterioration to the external fabric of Housing Executive dwellings.

Revenue Replacement Schemes
Almost 5,000 revenue replacement schemes (mainly kitchen replacements) commenced during 2007/08. This was the highest number of starts in recent years, and reflects concerted efforts to catch up on a kitchen replacement programme that had fallen behind schedule. A similar number of kitchen replacements were completed during 2007/08, and while a backlog of work remains, this progress means that over 9,000 kitchens have now been updated - slightly more than half of the estimated requirement for 16,800 between 2003 and 2010. At 4,500, the target for starts in 2008/09 remains high, reflecting the ongoing need for work to modernise kitchens and bathrooms in Housing Executive dwellings. With indications that more kitchens than originally estimated will need to be replaced, the target for completion of the replacement programme has been moved back to 2012. Modern kitchens (less than 20 years old) and modern bathrooms (less than 30 years old) are important criteria in meeting the Decent homes Standard. This delay in undertaking kitchen and bathroom replacement schemes will also impact on the timescales for achieving the Decent Homes Standard.

Response Maintenance
The number of works orders raised during 2007/08 (392,000) was a little lower than in both 2006/07 (403,750) and 2005/06 (415,700). The ongoing decline reflects both the falling number of Housing Executive dwellings (although last year this was of little relevance) and the more streamlined repairs system based on 'Egan' partnering arrangements.

The Continuous Tenant Omnibus Survey monitors tenants' satisfaction with the repairs service. Findings for 2007 showed that 73 per cent of tenants who had reported a repair within the previous 12 months were either 'satisfied' or 'very satisfied' with the repair service. This represents an increase in the level of satisfaction by comparison with both 2006 (71%) and 2005 (69%). The move to 'Egan' style arrangements, which emphasise quality, partnership and customer satisfaction, has been at least partly responsible for the ongoing improvements.

Maintenance Investment Strategy
Following the Housing Executive's Fundamental Review of Maintenance (2002) a maintenance investment strategy was formulated for the period 2003-2010. Alignment with the target for meeting the Decent Homes Standard in England and Wales was part of the rationale behind the choice of this time scale, and several immediate priorities were identified:

- To review the work content and programme cycles of external cyclical maintenance programmes;
- To redirect resources to component replacement (initially towards kitchens); and
- To operate cost controls over response maintenance, particularly Change of Tenancy (COT) expenditure.

Within the context of the draft strategy, a short term programme of work was also set:

- to redefine work in ECM schemes on the basis of repair rather than replacement of low priority items and limiting environmental works;
- to review the economic appraisal of ECMs on the basis of various programme cycles (five, six and seven years) and work content;
- to review the work content and appraisal methods for multi-element improvements and component replacement schemes;

- to impose strict budgetary control over maintenance expenditure, particularly Change of Tenancy;
- to assess the potential for savings in heating, security and routine repairs;
- to review procurement methods in relation to 'aggregation'; and
- to prepare for Decent Homes by way of work programmes, performance management and reporting systems.

A review of the maintenance investment strategy, carried out in 2007, considered progress to date and a number of other factors including changing building regulations, health and safety issues (asbestos removal and provision of smoke alarms) and rising building costs. The review concluded that - allowing for essential ongoing activity including adaptations, response maintenance and servicing of heating appliances and smoke alarms - the targets for heating replacement, the capital improvement programme and kitchen replacements should all be extended to 2012. Priorities in the strategy will be considered in the light of funding availability for 2009/10 and its progress, alongside Decent Homes targets, will continue to be monitored regularly.

Housing Associations
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 the Department for Social Development estimates that the associations spend £10 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.

Key Issues and Strategic Perspective

- Over the next three years, it is anticipated that the number of social dwellings in Northern Ireland will continue to grow. The combined number of house sales and demolitions is likely to remain well below 1,000 and it is hoped therefore that, subject to funding, this will be more than outweighed by the number of new social dwellings which are acquired or built.
- Since 2001 the Social Housing Development Programme has failed to keep pace with the steadily rising need for social housing. The most recent model of the future need for social housing produced in December 2008, estimates that there is an annual requirement for 2,300 additional new social dwellings to meet ongoing need. An overall figure of 3,000 new social dwellings is seen as being required to make significant inroads into the substantial backlog which has developed since 2001.
- The Minister for Social Development's New Housing Agenda targets the provision of 5,250 new social dwellings over the next three years. In light of the inadequate funding for housing in the Investment Strategy for Northern Ireland and the sharp reduction in capital receipts as a result of the downturn in the housing market, there are emerging concerns about future budget provision, not only for new build activity, but for other key areas including maintenance, improvements, adaptations and housing support services. The outcome of future monitoring rounds and the year-end position for 2008/09 will be of critical importance, especially given the changed circumstances faced by the Executive in terms of the capital realisation

that had been factored into future budget projections. It is critical that sufficient funding is made available for social housing and related policy areas.

- Progress on developer contributions to help fund the provision of social and low cost affordable housing has been delayed until 2009/10 as a result of the review of PPS14 (PPS21). However, even in more benign market conditions, a policy on developer contributions would take some years before producing tangible results in the form of additional homes for social renting or low-cost home ownership. In the context of conflicting demands on limited public expenditure, however, the introduction of developer contributions will be a very important requirement in the longer term.

- The Co-Ownership scheme responded to huge demand for affordable housing in 2007, but the rapid uptake of resources left the scheme in a difficult position in terms of funding for several months during 2008. More sustainable funding arrangements, involving greater use of private finance, will help the organisation fulfil its important role within the housing market in the long term.

- Ongoing constraints in terms of finance available for improvement and maintenance programmes will delay the attainment of the Decent Homes Standard for social housing in Northern Ireland.

Conclusion

Conclusion

During 2007, Northern Ireland's housing market experienced a significant spike in house prices. The enormous investor driven increases in house prices reached their peak in the Spring. Over the Summer a period of caution followed, with investor interest moving to Great Britain and further afield. Transaction levels fell markedly as buyers waited for prices to drop and sellers held back hoping to achieve the prices of early 2007. During the last quarter of 2007 significant price reductions became increasingly apparent and developers and vendors accepted that the prices achieved in the first two quarters of 2007 were no longer unsustainable.

There is no doubt that the future of Northern Ireland's housing market is closely tied up with developments in the world economy. The USA remains the hub of global economic activity and any assessment of the future of Northern Ireland's housing market must have as its point of departure the likelihood, duration and depth of a downturn in the US economy and the magnitude of the spill over effects on the rest of the industrialised countries. There are increasing signs that the US economy has already entered a more prolonged recession. The dependence of the UK economy on the financial sector makes it particularly vulnerable to the ongoing effects of the "credit crunch". Northern Ireland's economy will not escape the effects of this economic turbulence.

Northern Ireland's consumers too are facing the impact of a declining manufacturing base, lower increases in public expenditure, growing indebtedness, higher fuel and food prices and increases in local taxation. In addition lenders are being more cautious in terms of lending policies and the price of credit has increased. These factors combined indicate a significant downturn in Northern Ireland's housing market, with sustained difficulties for most first time buyers.

It is likely that an increasing number will seek to meet their accommodation needs in the private rented sector or social rented sector. This may mean that the risk of disinvestment by landlords on a larger scale is less likely. In the social rented sector it is likely to result in increased waiting lists.

However, there is no doubt that despite the further significant improvement in housing conditions recorded by the 2006 House Condition Survey, there remains an ongoing demand for investment in new social housing, in improvement and maintenance and in measures to help alleviate Fuel Poverty. Yet there are concerns over the adequacy of the provision of such funding in the Investment Strategy for Northern Ireland, a situation which has been further exacerbated by the shortfall in capital receipts arising from the downturn in the housing market.

Appendices

Appendix 1

Table A1: Basic Housing Statistics by Tenure (000's (%)) 2001-2008

	Owner Occupied	NIHE	Housing Association	Private Rented	Vacant	Total
2001-2002	453.2 (67.9)	113.4 (17.0)	18.9 (2.8)	44.0 (6.6)	38.4 (5.7)	667.9
2002-2003	461.0 (67.9)	105.8 (15.6)	19.6 (2.9)	50.5 (7.4)	42.1 (6.2)	679.0
2003-2004	471.9 (69.0)	94.6 (13.8)	20.5 (3.0)	57.5 (8.4)	39.4 (5.8)	683.8
2004-2005	478.2 (68.6)	96.6 (13.8)	21.1 (3.0)	64.7 (9.3)	36.9 (5.3)	697.5
2005-2006	477.8 (67.7)	93.6 (13.3)	21.7 (3.1)	71.3 (10.1)	41.8 (5.9)	706.2
2006-2007	487.9 (68.5)	91.0 (12.8)	22.3 (3.1)	64.2 (9.0)	47.3 (6.6)	712.6
2007-2008	488.1 (66.0)	90.0 (12.2)	24.4 (3.3)	78.7 (10.6)	57.8 (7.8)	739.0

Source: DSD Housing Statistics 2007/08

Table A2: Trends in Waiting List 2001-2008

	Total Waiting List	Total "Housing Stress"	% in "Housing Stress"
March 2001	22,054	10,639	48.2
March 2002	25,983	12,486	48.1
March 2003	26,700	13,237	49.6
March 2004	27,656	14,247	51.5
March 2005	29,819	15,660	52.5
March 2006	32,215	17,433	54.1
March 2007	36,182	19,703	54.5
March 2008	39,688	21,364	53.8

Source: NIHE

Table A3: Trends in Homelessness 1997-2007

	01/02	02/03	03/04	04/05	05/06	06/07	07/08
No Presenting	14,164	16,426	17,150	17,362	20,121	21,013	19,030
No Awarded Priority Status	7,374	8,580	8,594	8,470	9,749	9,744	9,234

Source: NIHE

Appendix 2

Housing Executive

Affordability Calculation 2008

Source: NIHE

Mortgage Interest Rate 4.5
Term of Mortgage in Years 25
Afford % Gross Monthly Income 35
Loan to Value Ratio 95

District Council	Income (£)	Median Income 06	Price Q1 (£)	Affordable Price (£)	Affordability Q1 (£)	% Affordable
Derry	16,677	16,191	130,000	89,432	-40,568	3
Limavady	14,710	14,282	*	78,888	*	*
Coleraine	16,527	16,046	152,375	88,631	-63,744	0
Ballymoney	15,322	14,876	143,500	82,169	-61,331	0
Moyle	15,932	15,468	140,000	85,438	-54,562	0
Larne	20,632	20,031	110,000	110,642	642	26
Ballymena	18,057	17,531	130,750	96,834	-33,916	3
Magherafelt	16,621	16,137	134,500	89,134	-45,366	0
Cookstown	18,903	18,352	125,000	101,368	-23,632	0
Strabane	16,527	16,046	*	88,631	*	*
Omagh	22,305	21,655	132,500	119,613	-12,887	22
Fermanagh	17,826	17,307	147,000	95,596	-51,404	3
Dungannon	18,903	18,352	163,750	101,368	-62,382	0
Craigavon	17,826	17,307	120,500	95,596	-24,904	10
Armagh	18,057	17,531	137,500	96,834	-40,666	0
Newry & Mourne	17,826	17,307	135,000	95,596	-39,404	0
Banbridge	20,632	20,031	181,250	110,642	-70,608	11
Down	20,632	20,031	165,000	80,162	-84,838	3
Lisburn	20,632	20,031	135,937	110,642	-25,295	7
Antrim	22,305	21,655	160,000	119,613	-40,387	14
Newtownabbey	22,423	21,770	136,000	120,248	-15,752	14
Carrickfergus	20,701	20,098	135,250	111,013	-24,237	8
North Down	22,423	21,770	167,250	120,248	-47,002	5
Ards	18,903	18,352	154,750	101,368	-53,382	4
Castlereagh	24,430	23,718	195,000	131,008	-63,992	2
Belfast	14,524	14,101	159,000	77,888	-81,112	1
North Belfast	15,475	15,024	109,988	82,986	-27,002	10
South Belfast	17,766	17,249	169,950	95,276	-74,674	1
West Belfast	11,180	10,854	130,000	59,953	-70,047	0
East Belfast	18,057	17,531	159,950	96,834	-63,116	0
Northern Ireland	18,056	17,530	149,950	96,828	-53,122	3

** sample size too small*

Appendix 2

Notes

Median Income	District Council baseline is drawn from the 2006 House Condition Survey - banded figures for household income (Household Reference Person and partner where applicable). Actual figure is midpoint of median band for each district. This has been adjusted to take account of rising earnings and data from the Family Resources Survey.
Price (25th percentile)	District Council figure for Q1-3, 2008 from UUJ Survey - 25th percentile (upper boundary quartile 1).
Affordable Price	Using annuity formula - what price of house can a household afford to buy.
Affordability Gap	Measures income gap between Affordable Price and House Price (25th percentile).
Percentage Affordable	Proportion of housing stock in district sold at below affordable price during Q1-3, 2008.
Mortgage Term	The calculation assumes a 25 year mortgage.
% of Income	Following the Semple Review, the calculation assumes that 35% of median household income is the maximum which can be spent on servicing mortgage debt.
Mortgage Interest Rate	The calculation assumes a mortgage interest rate of 4.5%.
Loan to Value Ratio	The calculation assumes a loan to value ratio of 95%.

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Housing Executive

The Regional Strategic Housing Authority
for Northern Ireland

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