Northern Ireland Housing Market

Review & Perspectives 2010-2013

Northern Ireland Housing Executive

Contents

Chapter 3

Chapter 4

Northern Ireland Housing Executive

List of Figures

List of Tables


MOTOR FACTORS

Preface

Northern Ireland Housing Executive

Preface

We are pleased to present the Northern Ireland Housing Market: Review & Perspectives, 2010-2013. This annual publication highlights the key housing issues which need to be addressed and provides a substantial evidence base which guides our intervention in the housing market.

The next three year period continues to present a number of key housing challenges. The issue of affordability for first time buyers has in one sense improved: the ratio of house prices to earnings has returned to a more sustainable level following a peak-to-trough reduction in average house prices of 37 per cent. However, the after effects of the "credit crunch" are all too apparent for first time buyers as banks and building societies generally still require deposits of at least 20 per cent for first time buyers to access the more competitive mortgage deals.

The 2009 House Condition Survey has confirmed the rapid growth in the private rented sector, with almost one in six houses now belonging to this tenure. The launch of the Department for Social Development's Strategy for the Private Rented Sector provides a golden opportunity to further promote public-private partnerships to address the housing needs of lower income households. The Housing Executive's new Partner Landlord Scheme has already drawn approximately 800 additional private sector dwellings into the quasi-social housing tenure. The mandatory registration of landlords proposed in the strategy has the potential to accelerate the drive to achieve the professional, well-managed, service driven sector that we all hope to see develop in the coming years.

Last year we endeavoured to emphasise the beneficial effects that the development of new social housing can have for Northern Ireland's economy. During the last financial year the housing associations, with funding provided by the Northern Ireland Housing Executive from the Department for Social Development started work on or bought an additional 1,838 social housing units, exceeding the Ministerial target of 1,750. Additional social homes together with the greater use of the private rented sector will help consolidate the small reduction in waiting lists for social housing that we have witnessed over the past year.

The biggest challenge undoubtedly remains the amount of financial support required to ensure that the tremendous gains in housing quality seen over the last four decades in Northern Ireland are not eroded. We appreciate that housing will not escape the inevitable measures to reduce the budgetary deficits that Government faces. We hope, however, that any reductions in funding that may be necessary will be commensurate with the well recognised role that good quality housing plays in the economic welfare of Northern Ireland and in achieving higher standards of health, education and social cohesion. In this context therefore housing is very much a plural form.

Paddy McIntyre
Chief Executive

Brian Rowntree
Chairman

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.

It provides an overview of key trends and developments in all housing tenures, thus helping to provide an evidence base for both housing strategies and policies. This is the fourteenth consecutive year that the "Review and Perspectives" has been published. It comes at a difficult time for housing in Northern Ireland, with significant pressures in the housing market as a result not only of the economic recession, the "credit crunch" and the associated inactivity in the housing market, but now also the much tighter public expenditure environment.

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 recent housing research undertaken or commissioned by the Housing Executive are also included. The "Review and Perspectives" forms not only the starting point for the Housing Executive's Corporate Plan, thus helping to guide the organisation's intervention in the housing market, but is also an important source of information on the impact of this intervention.

Chapter 1 provides the strategic context for Northern Ireland's housing market. It looks at recent developments in housing finance and housing policy before turning to examine Northern Ireland's economy in the context of the important underlying developments in the world economy. It also provides the most recent data on demographic trends, which are often seen as the most direct influence 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.

Northern Ireland Housing Executive

Executive Summary

The Housing Executive publishes the Northern Ireland Housing Market: Review and Perspectives each year in its role as Northern Ireland's Strategic Housing Authority. This is the fourteenth consecutive year it has been published. The report provides an analysis of the key economic and demographic drivers of the housing market and the latest trends and developments in its three sectors. 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 and demographic factors driving Northern Ireland's housing market. It begins by looking at the Chancellor's Pre-Budget Report (December 2009) and the budgetary provision for housing in Northern Ireland.

Pre-Budget Report 2009

The Chancellor of the Exchequer presented his Pre-Budget Report to Parliament on 9th December 2009, against a background of six consecutive quarters of declining GDP. Its proposals were predicated on the assumption that there would be modest economic growth (1.0-1.5 per cent) in 2010/11, encouraged by continuing low interest rates and an easing of the "credit crunch". Spending plans focussed on ensuring increases for frontline health services and schools, compensated for by cuts elsewhere in local Government, housing, transport and universities. There was little in the report which directly affected the housing market with the exception of the ending of the stamp duty exemption for properties valued between £125,000 and £175,000. However, the increases in taxation announced will have a small but significant impact on the ability of households to meet their housing costs in the coming years.

Commission on the Future for Housing in Northern Ireland

This important independent commission, which was launched in April 2009 under the Chairmanship of Lord Richard Best[1] aims to achieve a cross-sector consensus on a long-term future vision for housing in Northern Ireland by:

- Assessing the key challenges and opportunities associated with the delivery of housing in Northern Ireland;
- Providing a space for housing professionals to contribute their knowledge, skills and ideas to the Commission's outcomes;
- Publishing a report containing specific recommendations on a strategic direction for housing and a roadmap for a way forward.

Following a period of research and consultation, the Commission published a paper in November 2009, which was designed to stimulate debate on a number of key issues which it believes require resolution. The following are of particular importance in determining the future shape of Northern Ireland's housing market:

- Widening the range of housing options by increasing the number of intermediate housing solutions available;
- Ways of attracting new forms of investment and resource, including bond finance and institutional investment;
- The future role of the rapidly growing private rented sector in providing more long-term and secure housing;
- Enhancing the role of the strategic housing authority (the Northern Ireland Housing Executive) as a development driver and enabler and the future of the ownership and management of NIHE land and homes.

Depending on the strategic and policy responses to the work of this Commission there could be a significant paradigm shift in the way in which the social and private sectors are expected to contribute to meeting future housing requirements. A final report is scheduled to emerge during 2010.

1 *The two other Commissioners are Professor Greg Lloyd and Alyson Kilpatrick BL*

The Regional Development Strategy

Northern Ireland's Regional Development Strategy (RDS), published in 2001, has played an important role in shaping its housing market. The Housing Growth Indicators (HGIs), in particular, 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). 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. Considerable work has been ongoing behind the scenes to develop new HGIs on the basis of the new RPA District Council boundaries. A draft of the new RDS is scheduled to be published for consultation during 2010.

The Economic Context

The world economy

Developments in the world economy in 2009 were dominated by the deepest economic recession since the 1930s and the attempts by the Governments of the leading industrial nations to overcome it. In the USA more than 8 million jobs were lost in the two year period ending in December 2009, house prices have fallen by more than one third, households are weighed down by debt and uncertainty in the labour market. The American economy emerged from recession in Q3, 2009 with the help of the Government's fiscal stimulus, but the Federal Reserve Bank's statement that interest rates would remain low for a protracted period reflects the ongoing economic uncertainty.

In the Eurozone too unemployment remains high (at approximately 10%) and although it, like the USA, officially emerged from recession in Q3, 2009, its economy is scheduled to grow by less than 1 per cent in 2010. A number of constituent countries (Greece, Spain and the Republic of Ireland) also face major crises in terms of Government budgets. The attempts by the Irish Government to rehabilitate the Irish banking system by creating the National Assets Management Agency which will take over banking loans of more than €80 billion and the associated (and now worth much less) land and property assets, may impact directly on Northern Ireland's housing market, as an estimated €5 billion of the assets are located in Northern Ireland.

The UK economy

The British economy also faces major challenges. It finally emerged from recession in Q4, 2009 and during the year the housing market showed signs of picking up. However, unemployment rose steadily to reach 7.8 per cent at the end of the year and total personal debt rose a further 1 per cent (£16 billion) to almost £1.5 trillion. Mortgage approvals have fallen for three consecutive months to February 2010 and the public expenditure cuts and tax increases which will take place over the next three year period would indicate that Britain will only emerge slowly from the recession.

The Northern Ireland economy

Northern Ireland's economy also faces serious challenges. The construction industry which had played such an important role in the period of rapid expansion up to 2007, has laid off an estimated 30,000 construction workers over a two year period and GDP contracted by an estimated -2.5 per cent in 2009. New car registrations have remained high, due in no small way to the car scrappage scheme, and shoppers from the Republic of Ireland have helped boost the retail sector. Unemployment, however, has risen steadily with approximately one third of Northern Ireland's labour force now classified as workless. The expected reductions in public expenditure over the next three years will undoubtedly be a further setback to the economy of a region so highly dependent on the public sector for employment.

Demographic Profile

In March 2001 there were some 1,686,000 people living in Northern Ireland; by 2008 this had risen to 1,775,000. The most recent population projections for the period 2008 to 2018 indicate the following key trends:

- Overall population is set to increase to 1,896,000 by 2018. International migration which played such an important role in Northern Ireland's demography and housing market between 2004 and 2008 (between 2007 and 2008 net migration was +5,700) is expected to fall sharply and by 2011, net migration is estimated to be only +1,000 a year.
- The number of children under 16 is set to rise from 381,000 (21.5%) to 393,000 (20.7%).
- The proportion of people of working age will remain constant at approximately 62 per cent, partly due to the raising of the state pension age for women to 65 by 2020.
- The number of people of pensionable age will grow a little: from 296,000 (16.7%) to 393,000 (17.1%).
- The number of people aged 75 and over, however, is projected to increase substantially between 2008 and 2018: by 34,000 (43%) to 147,000.

The most recent household projections indicate that 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 Need for Social Housing

Evidence for the need for social housing in Northern Ireland comes from two main sources: the Common Waiting List for social housing and the Net Stock Model developed in partnership with the University of Ulster in 1994.

For the first time this decade the waiting list for social housing, including the number of applicants in housing stress declined. In March 2009 the overall number of applicants stood 38,923, a decrease of 2 per cent on March 2008. The number in housing stress was 20,481, (a reduction of 4 per cent) on the previous year. By September 2009 the number on the waiting list had fallen to 38,200, and the number in housing stress had fallen to 19,958. It is difficult to ascertain the relative importance of the factors driving this change. However there can be little doubt that the effects of a deep recession on the rate of household formation and the burgeoning private rented sector have both played an important role in this. These factors may also account for the decline in the number of households presenting as homeless to 18,076 in 2008/09 (a 5% fall) and those accepted as homeless to 8,934 (a 3% decline).

Successive iterations of the Net Stock Model have provided a useful starting point for determining the size of the Social Housing Development Programme. The most recent version of the model was produced in February 2010 for the period 2006-2016. It was based on the 2006 based household projections and housing stock data from the 2006 and 2009 House Condition Surveys and indicated that a minimum of 1,900 new social dwellings are required each year in order to meet the ongoing needs of the growing population and a further 600 to address the backlog that has built up since 2001, giving an overall annual requirement of 2,500 new social dwellings.

The Condition of the Stock and Fuel Poverty

The 2009 House Condition Survey provided an update on the condition of Northern Ireland's housing stock. The headline unfitness rate for 2009 was 2.4 per cent (17,500 dwellings), a further reduction from 2006 when it was 3.4 per cent (24,200 dwellings). Unfitness remained higher in rural areas (4.1%) than in urban areas (1.6%). Nearly two-thirds (59%) of all unfit properties were vacant and almost half (48%) were built prior to 1919.

Other key findings for 2009 on Decent Homes, Housing Health and Safety Rating, energy efficiency and Fuel Poverty will emerge during the year, as the modelling work is completed by the Building Research Establishment. The 2006 House Condition Survey had indicated that 34 per cent of households were in Fuel Poverty. Modelling work undertaken by the Building Research Establishment based on these figures indicate that given the substantial increases in fuel prices since then the proportion in Fuel Poverty in 2009 was likely to be over 40 per cent.

Key Issues and Strategic Perspectives

- Although most of the leading world economies appear to have technically emerged from the sharpest world economic recession since the 1930s, the economic recovery in the USA, Japan, the Eurozone and the UK remains fragile. Rising unemployment and a combination of increasing taxation and reductions in Government expenditure will reduce the amount households can afford to spend on meeting their housing needs. In Northern Ireland lower public expenditure, the level of indebtedness and benefit dependency, rising unemployment, a continuing tighter credit environment and a subdued housing market will continue to exert significant downward pressure on household purchasing power and investor and consumer confidence.

- Northern Ireland's demography is continuing to change. The rate of household formation has been rising, driven by population growth (including a substantial number 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 the rate of household formation may reduce for economic reasons.

- The number of applicants on the waiting list and those in "housing stress" has fallen a little from its historically high levels, but there continues to be a very substantial demand for social housing. The latest analysis indicates that there is an annual requirement for at least 1,900 additional new social dwellings for the period 2010-13 to meet ongoing need as well as an additional 600 to and address the substantial backlog which has arisen since 2001.

- The housing stock has grown at an accelerated rate over the past five years and its condition has also improved markedly. The 2009 House Condition Survey shows that between 2006 and 2009 the rate of unfitness continued to fall from 3.4 per cent to 2.4 per cent. 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.

- Reducing the high level of Fuel Poverty - estimated to be at least 40 per cent in 2009 - will continue to pose a very serious challenge, given that fuel prices are expected to remain high. Improving the thermal efficiency of the stock will only help up to a certain point.

Chapter 2

The Owner Occupied Sector

New Housing

The rapid growth of the owner occupied sector which characterised Northern Ireland's housing market during the first seven years of the new millennium came to an end in 2007. 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 falling between 2006 and 2009 by approximately 8,000 to 461,000 (62% of the total stock).

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. In 2008/09 only 5,493 were started. Figures for the first six months of 2009/10 indicate an increase in the rate of starts (from 2,336 in H1, 2008/09 to 3,804 in H1, 2009/10), but this still represents a reduced rate of development not seen in Northern Ireland since the early 1990s.

House Prices

House price figures indicate that the UK housing market as a whole is gradually emerging from the recession. Following nine consecutive monthly increases, the average price of a home in January 2010 was 8.6 per cent higher than in January 2009. However, the average price still remains 12 per cent lower than its peak of £184,131 in Q3, 2007.

In Northern Ireland the picture is somewhat different. Northern Ireland remained the only region of the UK to experience falling house prices in Q4, 2009. The Nationwide recorded a quarterly fall of 6.8 per cent. However, the University of Ulster index recorded a decline of only 1.0 per cent, following two quarterly increases of 1.3 per cent and 2.1 per cent in Quarters 2 and 3, 2009 respectively. The overall average house price level for Q4, 2009 was £161,429, 36 per cent below the peak figure of £250,586 for Q3, 2007.

Perhaps more significantly however, the number of housing transactions in Northern Ireland has started to rise, as well as the proportion going to first time buyers. In 2008 the Council of Mortgage Lenders recorded a total of 8,700 mortgage-based sales and of these 2,900 (33%) went to first-time buyers. In 2009 the overall sales figure rose to 9,000 of which 4,000 (44%) were to first time buyers.

Affordability

Analysis of the relationship between house prices and incomes would indicate that affordability has improved in Northern Ireland during 2009. In particular the proportion of dwellings being sold at less than £100,000 rose to 18 per cent in Q4, 2009 (compared to 16% in Q4, 2008). The proportion of sales to First Time Buyers also rose to 46 per cent in 2009 (from 29% in 2007). However, these indicators of affordability must not be looked at in isolation. Price to income ratios still remain much higher than at the start of the millenium and the uncertain economic climate 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 improved significantly, deposits are increasingly a more important affordability barrier to home ownership for first time buyers.

Sale of Housing Executive Dwellings

Since 1979 the Housing Executive has sold more than 117,000 dwellings to sitting tenants. They 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. This trend continued in 2008/09 when approximately 50 were sold. This year the figure has risen a little: in the first 9 months of 2009/10 some 200 were sold.

Condition of the Stock and Grant Aid

Preliminary figures emerging from the 2009 House Condition Survey showed that housing conditions in the owner occupied sector had continued to improve since 2006. The rate of unfitness fell from 1.6 per cent (7,500 dwellings) to less than 1 per cent (4,400 dwellings). Grant aid, despite reducing budgets has continued to be an important factor in this reduction.

Key Issues and Strategic Perspective

- With house prices having returned to more sustainable levels, owner occupation continues to be the most viable way for households to meet their housing needs. However, there are strong indications that although the number of owner-occupied dwellings may rise over the next three years, the owner-occupied proportion of the overall housing market will remain static. Ongoing economic uncertainty will mean that the number of new dwellings constructed will remain low compared to the early years of the new millenium. It is estimated that some 8,000 new private sector dwellings will be constructed in 2010/11.
- During the three year period 2004/07 Northern Ireland experienced an unprecedented investor driven boom which saw house prices increase by 51% between Q2, 2006 and Q2, 2007. The inevitable correction followed. Average

house prices fell by more than one third from peak to trough and although the market now seems to have stabilised it is likely that the overall average price will remain flat throughout 2010.

- The substantial fall in house prices between 2007 and 2009 has seen house prices return to their early 2006 level. In terms of the house price to income ratio therefore the issue of affordability for first time buyers is no longer as pressing. Nevertheless continuing caution by lenders and the requirement to pay substantial deposits means that affordability remains a key issue.
- 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 resulted in a significant reduction in the rate of house sales. A certain recovery has now taken place and in 2009/10 a total of 272 were sold.
- 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 2009 House Condition Survey estimated that there were some 125,000 occupied dwellings in Northern Ireland's private rented sector (17% of total stock), a substantial increase over the 81,000 (12%) recorded in 2006. Indeed if vacant dwellings, classified according to their previous occupancy, are included, almost one-fifth of all properties are in the private rented sector.

A Profile of the Private Rented Sector

The 2009 House Condition Survey confirmed that the profile of the stock is continuing to change. In 2006 the sector still had a relatively high proportion of pre-1919 dwellings (28%), but this fell to 20 per cent in 2006 (compared to 14% for the stock as a whole), mainly as a result of the continued growth in the number of newer buy-to-let properties. Unfitness has continued to reduce since 2006. In 2006 it stood at 2.7 per cent and by 2009 this had fallen to 2.2 per cent. 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 sector and provides useful information 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%) 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.

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 rent was £79 per week (£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 (62%) had a written tenancy agreement.

The Landlord Perspective

- Northern Ireland's private rented sector remains a "cottage industry": the majority of landlords operate on a small scale although typical portfolio sizes have increased in the last five years. Two thirds (66%) of landlords had five properties or less (71% in 2005).
- One quarter (25%) of landlords had entered the sector in the previous five years and a further 31 per cent six to ten years ago.
- Landlords who entered the sector did so for a variety of investment related motives. The main reason for more than one third (35%) was to part fund their retirement, for 20 per cent it was to benefit from a rental income; one quarter saw it as an "investment".
- The portfolio of the majority of landlords (69%) is financed mainly through mortgages or loans: 38 per cent with Buy to Let Mortgages and 24 per cent with Interest Only Mortgages.
- More than two fifths (41%) of landlords were in favour of a compulsory registration scheme for private landlords; mainly because it would "professionalise" the industry and help eradicate "rogue" landlords. However, 54 per cent were against

such a scheme, citing additional costs and bureaucracy.

- The majority of landlords (65%) were in favour of a landlord/tenant arbitration/ mediation service with two thirds of these (66%) stating that any decision by such a body should be legally binding on both parties.

Private Rented Sector Index

Analysis of 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 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 showed that 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. 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.

During 2008 there was a further increase in the number of lettings, and in the second half of 2008 a total of 4,243 properties were let. Average monthly rental levels for the Belfast metropolitan Area rose in the first half of 2008 to a peak of £594. However, they drifted down marginally towards the end of 2008.

The first half of 2009 saw a further reduction in activity with only 3,238 lettings and a further three 3 per cent reduction in average monthly rents reflects a much quieter rental market. During the second half of 2009, however, there was a significant increase in the number of lettings, and rents rose once more, to an average of £581 (+1.9%).

A Strategy for the Private Rented Sector in Northern Ireland

The Department for Social Development published its *Building New Foundations: A Strategy for the Private Rented Sector* in March 2010. The strategy is guided by a vision of a "professional, well-managed, service driven sector grounded in high standards and good practice". It focuses on proposals to overcome aspects of the private rented sector which currently make it less attractive to people in housing need. It emphasises the need to improve the knowledge and awareness of both landlords and tenants of their rights and responsiblilities under the Private Tenancies (Northern Ireland) Order 2006. The strategy proposes the mandatory registration of all private landlords and agents acting on their behalf.

Houses in Multiple Occupation (HMOs)

Houses in Multiple Occupation continue to play an important role in meeting the housing needs of people who are single, who have temporary employment, students, low income households and more recently migrant workers.

The Housing Executive uses a combination of methods – inspection, grant aid and enforcement orders – to raise standards in HMOs. Between 1993 and 2009 more than £40 million had been spent since 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.

The problems arising as a result of the concentration of HMOs in areas such as the Holyland in Belfast remain an ongoing issue.

Key Issues and Strategic Perspective

- The private rented sector continued to grow rapidly between 2006 and 2009. Following a lull in activity after the autumn of 2007 when the housing bubble burst, substantial falls in house prices have re-activated investors' interest in the market.
- The private rented sector is currently underpinned by Housing Benefit payments totalling approximately £200 million. Rising waiting lists for social housing and affordability issues for first time buyers as a result of the ongoing caution by lenders, together with changing labour markets, will ensure that the private rented sector will continue to play an increasingly 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.
- Some investors – particularly those who bought at the height of the boom with the help of a mortgage with a high loan-to-value ratio - are leaving the sector. However, given the expected continued demand for private renting from first-time buyers unable to afford their first home, students and migrant workers and the continuing pressure on the social housing budget, the risk of large-scale disinvestment is seen as low.
- The condition of the stock is continuing to improve as more and more modern houses become part of the sector and the level of unfitness is now low.
- Houses in Multiple Occupation (HMOs) will continue to play an important role in housing single person households including students, young professionals and migrant workers.
- The implementation of the Department for Social Development's strategy for the private rented sector will help address a number of important outstanding issues, including awareness of rights and responsibilities, security of tenure, housing quality, management standards and the resolution of landlord tenant disputes, including those concerning deposits.

Chapter 4

Social Housing

The Social Housing Stock

In March 2009 Northern Ireland's social housing sector consisted of approximately 116,000 dwellings (16% of the total stock). The Housing Executive owned and managed some 90,000 dwellings and registered housing associations a further 26,300 self-contained rented units. The total housing stock increased numerically during the year. Additions to the stock, mainly through the construction of new dwellings, far outweighed the number lost due to demolition and sales. Indeed the number of social dwellings sold fell to approximately 50 in 2008/09.

The condition of the social housing stock is good. The 2009 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 fell dramatically from 50 per cent in 2001 to 25 per cent in 2006, due mainly to the introduction of new heating systems. Further improvement work undertaken since then will be reflected in the figures from the 2009 House Condition Survey which will emerge later this year.

Household Profile

The Continuous Tenant Omnibus Survey (2008) confirmed the growing residualisation of the Housing Executive's stock, characterised by a growing concentration of low income households. Only 15 per cent of household reference persons were working, while 44 per cent were in receipt of Income Support or Job Seekers Allowance. Approximately three-fifths (58%) 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

A target of 1,500 new social dwellings had been set for 2008/09. In the event, financial constraints meant that there were only a little over 1,100 delivered. Work started on 863 new self-contained social dwellings and 43 bedspaces in hostels and other communal establishments. The remainder of the programme comprised the purchase of "existing satisfactory" dwellings. Actual outturn exceeded this target. Housing associations began work on or bought a total of 1,838 additional social dwellings during 2009/10, the highest figure since 1998/99. The target for 2010/11 is 2,000.

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 325 properties were bought through the co-ownership scheme, a significantly lower figure than in the previous year (935) at a total cost of £50 million (£24m from NICHA).

In October 2008, £35 million secured from the Bank of Ireland underpinned the schemes operation during the latter half of 2008/09. More recently (November 2009) Co-Ownership announced a partnership with Bank of Ireland and Barclays that would provide an additional £48m, enabling a programme of 1,500 co-ownership purchases over the three year period to 2012.

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 3,000 Housing Executive dwellings still require improvement works to bring them up to modern day standards. Some 20,000 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 deteriorate. 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 February 2010, estimates that there is an annual requirement for at least 2,000 additional new social dwellings to meet ongoing need. An overall figure of 2,500 new social dwellings is seen as being required to make significant inroads into the substantial backlog which has developed since 2001.
- Work on developer contributions to help fund the provision of social and low cost affordable housing needs to be finalised. While it is recognised that in the current 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, the introduction of developer contributions will be a very important requirement in the longer term in the face of growing constraints on public expenditure.

- The co-ownership scheme continues to play a very important role in meeting the needs of lower income households wishing to access owner-occupancy. More sustainable funding arrangements, including the greater use of private finance, will help the organisation fulfil its important role within the housing market in the longer 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

Northern Ireland's housing market now appears to have stabilised following a two year housing recession. Nevertheless its future is closely tied up with developments in the world economy where the strength of the recovery from a very sharp and protracted recession appears fragile. This is compounded in the context of the UK by high levels of consumer debt and the expected reductions in Government spending in the coming three years.

In Northern Ireland households are facing the combined effects of a declining manufacturing base, lower increases in public expenditure, growing indebtedness, higher fuel and food prices and increases in local taxation. In addition banks and building societies are continuing with their more cautious approach to lending. It is expected that interest rates will remain low; nevertheless the most likely perspective is that the housing market will remain flat for at least the next year, as first-time buyers continue to struggle to purchase their first home.

An increasing number will seek to meet their accommodation needs in the private rented sector. This means that the risk of disinvestment by landlords on a larger scale is unlikely. The implementation of the Department for Social Development's strategy for the sector should increase its attractiveness as a longer term housing solution for many more households – as long as an adequate Housing Benefit budget is available.

In the social rented sector there will be an ongoing sustained demand for accommodation – particularly in areas of high need. The growing availability of the private rented sector may relieve some of the pressure, but for many households social housing provides a more appropriate solution.

There is no doubt, therefore, that despite the further significant improvement in housing conditions recorded by the 2009 House Condition Survey, there remains an ongoing need for investment in new social housing, in improvement and maintenance and in measures to help alleviate Fuel Poverty.


THURSDAY
FRIDAY
3
4
5
10
11
12
18
19
20
25
26
27

Chapter 1
The Strategic Context

Northern Ireland Housing Executive

Northern Ireland Housing Executive

Northern Ireland's Housing Market: Key Figures

	2001	2006	2009
TOTAL STOCK	647,500	705,000	740,000
Urban	434,600 (67%)	493,800 (70%)	508,500 (69%)
Rural	212,900 (33%)	211,200 (30%)	231,500 (31%)
TENURE			
Owner Occupied	432,300 (67%)	468,900 (66.5%)	461,200 (62.3%)
Private Rented	49,400 (7.6%)	80,900 (11.5%)	124,600 (16.8%)
Housing Executive	116,000 (17.9%)	93,400 (13.3%)	85,600 (11.6%)
Housing Association	17,900 (2.8%)	21,500 (3.1%)	24,500 (3.3%)
Vacant	31,900 (4.9%)	40,300 (5.7%)	44,000 (5.9%)
DWELLING AGE			
Pre-1919	116,400 (18.0%)	113,800 (16.1%)	106,500 (14.4%)
1919-1980[2]	356,800 (55.1%)	381,600 (54.2%)	385,100 (52.0%)
Post 1980	174,300 (27.0%)	209,600 (29.7%)	248,400 (33.6%)
HOUSING CONDITIONS			
Unfitness (rate)	31,600 (4.9%)	24,200 (3.4%)	17,500 (2.4%)
Non-Decent Homes (rate)	205,800 (31.8%)	162,100 (23.0%)	n/a
Fuel Poverty (rate)	167,100 (27.3%)	225,600 (34.2%)	n/a
NEED FOR SOCIAL HOUSING			
Total Waiting List	22,054	31,908	38,923
Housing Stress	10,639	17,223	20,481
Homeless: No. Presented	12,694	20,121	18,076
Homeless: No. Accepted	6,457	9,749	8,934
New Social Housing Required	1,500	2,500	3,000

[2] *The apparent growth in the number of properties built between 1919 and 1980 is largely a reflection of sample error, although some additional properties are created through conversion of larger properties to flats/apartments.*

Housing Finance and Housing Policy

Pre-Budget Report 2009

The Chancellor of the Exchequer presented his Pre-Budget Report to Parliament on 9th December 2009.

Against a background of six quarters of falling GDP, an expected decline of 4.75 per cent in GDP during 2009 and a budget deficit of at least £175bn, it was predicated on a number of assumptions: in particular that unemployment is expected to rise until mid-2010, that the economy is expected to grow modestly (1-1.5%) during 2010 and more substantially (3.5%) in 2011, encouraged by continue low interest rates, a weaker pound and an easing of the “credit crunch”.

Government spending is to increase by £31bn in 2010-11, but spending growth is to fall to an average of 0.8 per cent of GDP per year between 2011 and 2015. Spending plans focussed on ensuring increases in spending on frontline health services and schools, compensated by deeper cuts elsewhere in local government, housing, transport and universities, with all public sector pay rises capped at 1 per cent from 2011 for two years. Net borrowing, which is expected to be approximately £175bn in 2009/10 is expected to fall to less than £100m by 2013. Britain’s total public debt however, is expected to rise from approximately £800bn in 2009/10 to £1,473bn by 2014/15.

The Pre-Budget Report also heralded a number of measures designed to increase revenue from taxation:

- VAT returned to 17.5 per cent from 1st January 2010;
- National Insurance contributions are to rise a further 0.5 per cent from 2011 for those earning more than £20,000;
- No extension to the Stamp Duty exemption on houses sold at £125-175,000.

It is clear that the impact of the measures announced in the Pre-Budget Report will have a dampening effect on the housing market, with the increases in taxation announced having a small but significant impact on the ability of households to meet their housing costs. The impact will be felt most at the lower end of the market by first time buyers facing a combination of minimal wage increases, increased National Insurance, higher VAT, and Stamp Duty on properties priced at £125-175,000. The top end of the market, particularly in London, will also be affected by the proposed 50 per cent tax on bankers' bonuses. However, the Pre-Budget Report will provide some ongoing support to households struggling to meet their mortgage payments: the interest rate used to calculate the Support for Mortgage Interest Scheme was frozen at 6.08 per cent for a further six months, in spite of the currently low interest rates.

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 Budget - March 2010

The Chancellor presented his 2010 budget to Parliament on 24th March, heralding a public spending round that he described as the "toughest for decades". The most significant measure for the housing market was the announcement of a two year exemption on Stamp Duty for first time buyers purchasing dwellings up to £250,000. This in effect represents a saving of up to £2,500 for first-time buyers who previously would have paid 1 per cent on dwellings costing between £125,000 and £250,000. This is to be offset by a higher rate of Stamp Duty (5%) on properties sold at more than £1 million. There is no doubt that the measure will have some effect on boosting the lower end of the housing market, but the effects are likely to be minimum as a significant proportion of first time buyers were not liable for Stamp Duty anyway, but more importantly, as discussed in Chapter 2 the real problem for first time buyers is the size of deposits required by lenders rather than the mortgage servicing costs of home ownership.

In general terms the measures contained in the Budget broadly confirm the combination of spending cuts and tax increases indicated in the Pre-Budget Report in December 2009. The Chancellor announced significant public sector spending cuts and savings amounting to £11 billion, including £4.5 billion from the Health Service. Personal allowances are to be frozen for 30 million people raising approximately £4 billion over a two year period and taxes are to rise on alcoholic beverages, cigarettes and petrol (though in the case of the latter at a slower rate than originally indicated. The combination of increased taxation and spending reductions is designed to reduce the Government's core budget deficit from £166 billion this year (8.2% of GDP) to £75 billion (2.5% of GDP) by 2014/15. Most economists think this is optimistic and envisage further significant cuts in expenditure following the 2010 General Election, regardless of which party wins.

Northern Ireland's Budget

Northern Ireland's Finance Minister had already presented draft revised expenditure plans to the Assembly in January 2010 against a background of a significant deterioration in the state of UK public finances and the expectation of reduced funding from Westminster. In total Departments were expected to make budget cuts amounting to a combined current and capital expenditure total of £367 million, including DHSSPS (£113m), DRD (£80m), DE (£74m) and DSD (£30m).

In the event, the March Budget awarded an additional £33 million of funding from the central exchequer to Northern Ireland's budget: an additional £12 million for the Executive and the remainder to areas of expenditure (mainly welfare benefits) not controlled by the Assembly. The full ramifications for the housing budget are not yet clear, but preliminary figures would indicate that although public expenditure support for the Housing Executive's budget will be approximately £50m lower in 2010/11 than it was 2009/10, overall expenditure will only decline by approximately £31m, mainly because capital receipts from the sale of land and dwellings will double to an estimated £30m. Expenditure on the Social Housing Development Programme is to be increased marginally to £160m and the maintenance budget will also be increased by around £10m to £140m. On the other hand the budget for home improvement grants is to be cut from around £43m to approximately £30m and likewise the budget for improvements has been reduced from £16 to £10m compared to 2009/10.

Commission on the Future for Housing in Northern Ireland

This important independent commission, which was launched in April 2009 under the Chairmanship of Lord Richard Best[3] aims to achieve a cross-sector consensus on a long-term future vision for housing in Northern Ireland by:

- Assessing the key challenges and opportunities associated with the delivery of housing in Northern Ireland;
- Providing a space for housing professionals to contribute their knowledge, skills and ideas to the Commission's outcomes;
- Publishing a report containing specific recommendations on a strategic direction for housing and a roadmap for a way forward.

Following a period of research and consultation, the Commission published a paper in November 2009, which was designed to stimulate debate on a number of key issues which it believes require resolution:

- Key elements of an oversight framework (regulation, inspection, redress/ Ombudsman services and consumer advice and protection);
- A Northern Ireland Insulation Programme to enhance energy efficiency;
- The role of housing in reducing segregation and promoting community cohesion;
- Strengthening the role of residents;
- Widening the range of housing options, by increasing the number of intermediate housing solutions available;
- Ways of attracting new forms of investment and resource, including bond finance and institutional investment;
- Broadening the role of housing associations into regeneration and sustainability;
- The future role of the rapidly growing private rented sector in providing more long-term and secure housing;
- More flexible tenure housing options;
- Enhancing the role of the strategic housing authority (the Northern Ireland Housing Executive) as a development driver and enabler and the future of the ownership and management of NIHE land and homes.

Depending on the strategic and policy responses to the work of this Commission there could be a significant paradigm shift in the way in which the social and private sectors are expected to contribute to meeting future housing requirements. A final report is scheduled to emerge during 2010.

[3] *The two other Commissioners are Professor Greg Lloyd and Alyson Kilpatrick BL*

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 (HGIs) were established which reflected demand and potential for growth for each of the district council areas outside the BMA. However, in 2003 new demographic and housing figures emerged from the 2001 Census and the 2001 House Condition Survey respectively.

The revised household projection model developed by NISRA's demographic experts envisaged that by 2015 Northern Ireland will have almost 745,000 households, a considerable increase from the 719,000 households projected by the original RDS figure. In addition, it was estimated there would be a higher rate of vacancies and more second homes. In total this meant a requirement for an additional 40,000 homes by 2015, bringing the overall total required to 200,000.

Following a Public Examination in February 2006 the independent panel which led this examination broadly endorsed the methodology used by the Department for Regional Development to calculate the HGIs, but recommended that the figure 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 and in particular the growing number of migrant workers.

In June 2008, the Regional Development Minister announced a fundamental review of the RDS. While acknowledging the innovative role it had played and its status as a best practice document at the time, the Minister emphasised the need for change. In particular, 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. Since then considerable work has been undertaken by the Department for Regional Development to produce revised figures on the basis of the new 11 Review of Public Administration councils as part of a consultation document. Unfortunately the process has been delayed considerably by political developments and negotiations in the latter part of 2009 and early 2010. It is hoped that a draft of the new Regional Development Strategy will be published for consultation during 2010.

Planning Policy Statement (PPS) 12: Housing in Settlements

In 2007, in response to the Review into Affordable Housing[4], the Minister for Social Development asked the Department for Regional Development to review Planning Policy Statement 12, and within it policy HS2, which has been identified as a key mechanism for delivering social housing in Northern Ireland in the future. An interagency working group comprising the Department for Regional Development, the Department of the Environment, the Department for Social Development and the Housing Executive was established to take this forward.

The existing policy allows Planning Service to identify future land use requirements for social, supported and Traveller housing in their Area Plans. This exercise is predicated on Housing Need Assessments provided by the Housing Executive. However, the Development Control policy within PPS12 (Policy HS2) has been deemed by Planning Service to be 'not fit for purpose' in its objective to meet social housing need outside areas zoned for social housing in Area Plans.

Following a period when work was curtailed as resources in the Planning Service were required to draft PPS21 (Sustainable Development in the Countryside), the review of PPS12 recommenced in October 2009. The proposed timeline for the revision of PPS12 covers a period of just over one year, with the process expected to complete in spring 2011. Approaches under consideration include the use of developer contributions via Article 40 agreements (as advocated by the Semple Review), and/or monetary contributions captured by a Community Infrastructure Levy.

[4] *Semple, Sir John (2007) Review into Affordable Housing, Final Report, Spring 2007, Department for Social Development, Belfast.*

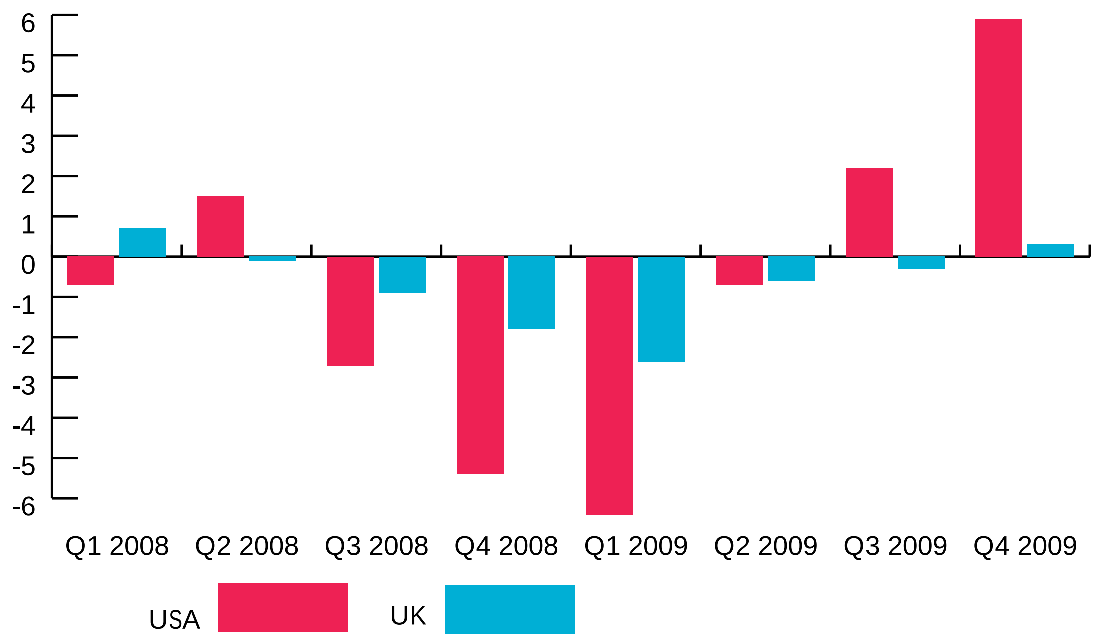
The Economic Context

The World Economy

Global economic forces[5] combine to play an important underlying role in determining trends in Northern Ireland's housing market. The years 2008 and 2009 saw the biggest contraction in world output since 1945. In 2009 alone the global economy shrank by 0.8 per cent and global trade flows contracted dramatically by 12 per cent. During the second half of 2009, however, there were some signs that an economic recovery, led by rapid growth in the economies of China and India in particular, was underway. Financial markets around the world became more stable again and equity markets experienced significant growth. However, huge fiscal and monetary stimuli in the advanced industrial nations have played a very significant role in this stabilisation and public sector support is still important to the banks in many countries, leaving a legacy of exceptionally large public sector deficits. Governments are in the process of debating their approach to the inevitable reductions in public expenditure and support to lenders. Timing is seen as critical in that these sharp reductions must not be at a speed which would undermine the fragile economic recovery.

Figure 1a: International Economic Trends, 2008/09

1a Gross Domestic Product, 2008/09



[5] *Most of the data for this section comes from three sources: First Trust Bank, Economic Outlook and Business Review, 25.1, March 2010; The Financial Times; The Economist. It is supplemented by data from a variety of statistical websites such as www.bea.gov (The Bureau of Economic Analysis in the USA)*

USA

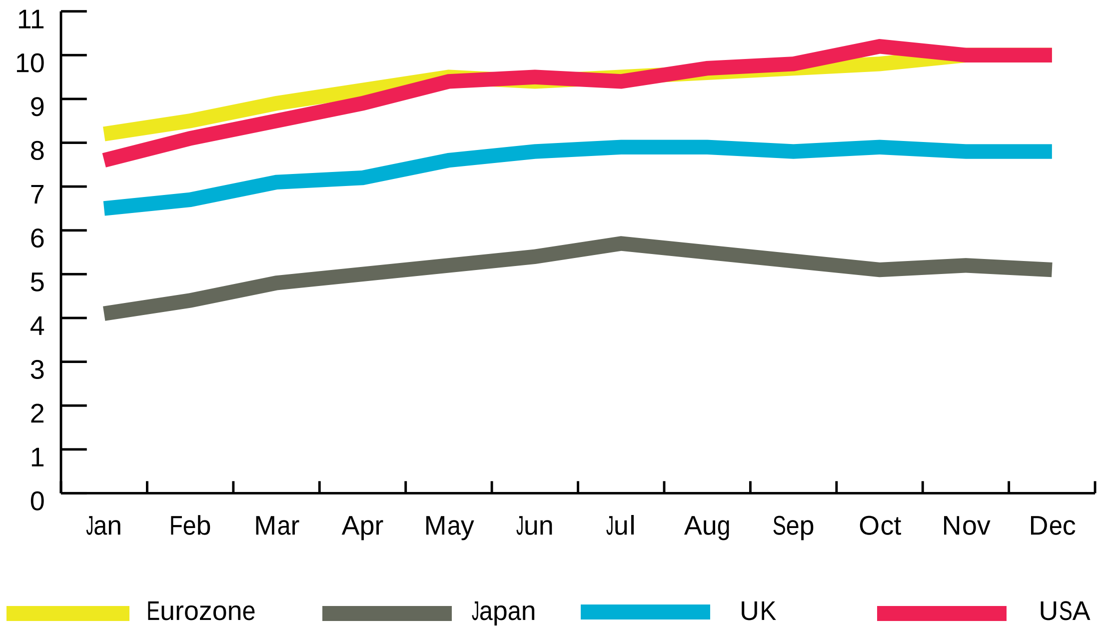
The world economy is dominated by developments in the economy of the USA. Figure 1a shows that the USA economy experienced four consecutive quarters of contraction: a sharp downturn which reached its nadir in Q1, 2009 when the economy contracted at an annualised rate of -6.4 per cent. It finally emerged from recession in Q3, 2009 when it experienced annualised growth of 2.2 per cent, followed by a 5.9 per cent increase in Q4, 2009. However, much of this growth was due to the replenishing of business inventories and the ongoing effects of a Government fiscal stimulus which boosted consumer spending and the housing market, for example, through the "Making Homes Affordable" programme.

A number of key indicators would indicate that there are significant challenges ahead:

- Employment declined for each of the 26 consecutive months up to March 2010, with the exception of November 2010, although the rate of contraction is now much lower. Between December 2007 and December 2009 the American economy is estimated to have lost 8.4 million jobs.
- Unemployment (see Figure 1b) rose steadily throughout 2009 to reach 10 per cent of the labour force. However, in mid 2009 the US Bureau of Labour estimated that if workers who are "part-time of necessity" or in the "labour force reserve" are included, there were approximately 30 million (20%) unemployed.
- House prices have fallen by approximately one-third and it is estimated that approximately one-fifth of all households with a mortgage are in "negative equity", where their outstanding mortgage debt exceeds the expected market price of their home.
- In 2009 car sales were 21 per cent lower than in 2008 and total Government debt now stands at $12 trillion.

The annual rate of growth in GDP in 2010 is expected to be around 2.5 per cent, which is low by recent historical standards, but the economy may weaken again in the latter months of 2010 as the impact of Government stimuli weakens, consumer confidence remains low, households continue to be weighed down by debt and ongoing difficulties in obtaining credit. In recognition of this the Federal Reserve has indicated that interest rates will remain low for a protracted period in order to counteract the expected slow recovery and the growing risk of deflation.

Figure 1b Unemployment, 2009



Asia/Japan

Asia's predominantly export-orientated economies have been badly affected by the latent world economic crisis. In Japan, GDP contracted by an annualised 10 per cent in Q1, 2009. In China and Korea industrial output fell by around 25 percent as world trade slumped. Only Government stimuli on a very large scale kept China from falling into recession. In the second half of 2009, the situation improved significantly and China, in particular, experienced strong growth: the Chinese economy grew by almost 9 per cent in 2009 as a whole.

The Japanese economy contracted by 5 per cent during 2009, but emerged from recession in Q2, 2009 with GDP increasing by an annualised 1.3 per cent. The pace of recovery, however, is set to remain slow as the impact of Government stimuli fades. Japan is once again experiencing deflation and is facing with the highest level of Government debt of any of the advanced nations: in early 2010 Government gross debt was 219 per cent of GDP (compared with 85% in the USA and 69% in the UK).

Eurozone

The economy of the Eurozone finally emerged from recession after five consecutive quarters of declining GDP in Q3, 2009, when its economy expanded at an annualised rate of 0.4 per cent. However, it slipped back to a mere 0.1 per cent in the final quarter, underlining the fragility of the recovery. Consumer spending was flat in Q4, 2009 and investment continuing to contract, and although exports have risen a little this has not been sufficient to compensate for declining domestic demand. The European Union has forecast that in 2010 Eurozone GDP will rise by only 0.7 per cent.

Figure 1b shows that as in the Eurozone, unemployment rose steadily throughout 2009 to reach 10 per cent in the final months – the first time it has been in double digits since the introduction of the single currency a decade ago. More than 4 million jobs have been lost during the recession, despite extraordinary Government subsidies and almost 16 million are unemployed. The European Central Bank has indicated that interest rates will remain at their historically low level of 1 per cent for a prolonged period.

The component countries of the Eurozone have been affected to different degrees. In Germany, although GDP shrank by 5 per cent for 2009 as a whole, unemployment has only risen to 8.2 per cent, to a large extent due to the 1.2 million employees who are on short time working as part of a state sponsored scheme. This contrasts with Spain where more than 4 million (almost 20%) are now unemployed and Greece where the Government is battling with a major public finance crisis.

Republic of Ireland

In the Republic of Ireland too, the latest economic statistics confirm the severity of the economic crisis. GDP contracted by 7.5 per cent in 2009. The downturn in output reflects a sharp decline in terms of new housing construction, where construction had provided 14 per cent of GDP during the boom. Conditions remain depressed and in 2009 there was a 50 per cent decline in housing output with completions falling from 51,700 in 2008 to 26,400 in 2009. Housing completions are expected to fall further in 2010 to approximately 13,000. GDP is expected to contract by a further 2.5 per cent in 2010.

Economic difficulties are reflected in and compounded by a growing deficit in public finances. A Government spending deficit of 6.3 per cent of GDP in 2008 increased to 11.7 per cent in 2009, for although spending was cut by 4 per cent, tax receipts fell by 20 per cent. A deficit of around 12 per cent is expected in 2010. The Government has spurned a counter-cyclical budgetary policy and further corrective measures to be introduced over the next four years aims to reduce this deficit to 3 per cent. This will have a significant dampening impact on any potential recovery in the housing market.

House prices have already declined by approximately one-third from peak to trough, but Fitch Ratings expects a total decline of 45 per cent. This combined with a sharp rise in unemployment has meant a very challenging time for the retail sector. More than 124,000 jobs have been lost in the construction industry (almost half of the total in that sector). Overall, unemployment has climbed to 12 per cent and is expected to reach more than 13 per cent in 2010. At the end of 2009 there were more than 430,000 claiming unemployment benefit.

The National Asset Management Agency (NAMA) was created in March 2010 in response to Ireland's serious banking crisis. NAMA has been set the task of rehabilitating Ireland's banking system by acquiring more than €80 billion of loans associated with land and property assets which are now worth much less than the original estimates. This may impact directly on Northern Ireland's housing market, as an estimated €5 billion of the assets are located in Northern Ireland.

The UK Economy

The economy of the United Kingdom officially emerged from recession in Q4, 2009, when GDP grew at an annualised rate of 0.3 per cent (see Figure 1a). However, year on year growth was still -3.3 per cent and cumulatively the economy has contracted by 6.2 per cent over the course of the recession, a significantly deeper downturn than during the previous recessions in the 1980s and 1990s.

Personal debt has continued to rise and now amounts to almost £1.5 trillion (an increase of 1%, £16bn over the year). Retail sales fell in December 2009 (-0.3%) and again in January (-0.8%). Unemployment has risen steadily from 5.2 per cent at the end of 2007, to 6.6 per cent at the end of 2008 and 7.8 per cent at the end of 2009. Although the housing market had shown signs of recovery in 2009, with UK house prices rising 3.4 per cent, mortgage approvals for house purchase fell for the third consecutive month in February 2010 as the housing market continued to show signs of slowing. A total of 47,000 were approved in February 2010, 21 per cent down on the recent peak reached in November 2009.

The outlook for 2010 looks very challenging with Britain only emerging very slowly from recession. High unemployment is set to continue and the expected reductions in Government spending and increases in taxation announced in the budget will exert downward pressure on purchasing power and the housing market. The Chancellor has predicted growth of up to 1.5 per cent for 2010, but this is considered over-optimistic by most economists. The Bank of England's decision to continue the historically low interest rates of 0.5 per cent for a protracted period reflects the fragility of the recovery.

The Northern Ireland Economy

An up to date view of Northern Ireland's economy is provided by the First Trust Bank's *Economic Outlook and Business Review* (March 2010), in which the economy is characterised as remaining "very patchy and fragile". Northern Ireland's GDP contracted by an estimated -2.5 per cent in 2009. Manufacturing output recorded its first increase in a year in Q3, 2009, but, it was still 13 per cent lower than it had been in Q3, 2008. Service sector output declined by 4 per cent over the same period. The construction industry, which had played such an important role in the period of expansion up to 2007 contiues to contract. The Construction Employers Federation estimates that approximately 30,000 construction workers have lost their job.

New car registrations were 23 per cent higher in Q3, 2009 compared to the same quarter 2008, but the Government funded car scrappage scheme has played an important role in this. Cross border shopping has contributed significantly to maintaining consumer demand in Northern Ireland, but despite this consumer confidence has weakened considerably and retail spending is destined to remain subdued throughout 2010.

Northern Ireland's labour market

Employment, unemployment and worklessness are key labour market indicators which impact on the health of the housing market. The increasing level of employment and rising levels of household income were key factors in the buoyancy of Northern Ireland's housing market since 1996. Since late 2007, however, the deterioration in Northern Ireland's economy has been reflected in a significant rise in unemployment and worklessness.

Table 1 sets out the key labour market statistics for Q4, 2008 and Q4, 2009:

Table 1: Key Labour Market Statistics for Northern Ireland, 2008-2009

	Q4, 2008		Q4, 2009		YoY Change
Employment	770,000	(68.5%)	765,000	(67.3%)	-5,000
Unemployment	43,000	(5.3%)	49,000	(6.0%)	+6,000
Economic Inactivity	302,000	(27.7%)	310,000	(28.3%)	+8,000
Worklessness (18 – 59/64)	345,000	(31.6%)	359,000	(32.7%)	+14,000

Source: DETNI, Monthly Labour Market Report, February 2010 (Seasonally adjusted)

- Employment (including employees, self employed and those on government programmes) has fallen by 5,000 between Q4, 2008 and Q4, 2009 to 765,000. However, there was an increase of 13,000 from the previous quarter.
- Unemployment increased (+6,000) to 49,000 in Q4, 2009 compared to the same quarter in 2008, although it was 8,000 down on the previous quarter. Northern Ireland's unemployment rate (the proportion of those who are of working age and economically active but unemployed) is 6.0 per cent. This significantly lower than that for the UK as a whole (7.8%) and it represents an decrease from the 7.0 per cent recorded for Northern Ireland in the previous quarter.
- The number of working age people who were economically inactive in Northern Ireland in Q4, 2009 rose over the previous 12 months by 8,000 to 310,000 (28.3%).
- The number of working age people who are workless (economically inactive plus unemployed) has increased significantly from 345,000 in Q4, 2008 to 359,000 in Q4, 2009, bringing the proportion of the working population classified as workless to almost 33 per cent – the highest for any region in the UK.
- An estimated 91 per cent of those who are of working age but economically inactive do not want employment, the remaining 9 per cent (50,000) do want to work but do not satisfy the ILO job search definition. However, when combined with the 49,000 who do meet the ILO definition it effectively means that Northern Ireland has approximately 100,000 who are unemployed.

Earnings

Northern Ireland continues to show a lower level of earnings than for the UK as a whole:

- Average gross weekly household income in Northern Ireland (2007) was £568, the fourth lowest of any region of the UK. The average for the UK as a whole was £647[5].

Economic Outlook for Northern Ireland

Northern Ireland's economy is destined to remain weak at least until the second half of 2010. The announcement of a series of closures and workforce reductions in long standing manufacturing firms in Q1, 2010 and a significant tightening of the public expenditure environment, including next year the possibility of introducing the long awaited water tax, will all have a negative impact on Northern Ireland's ability to emerge from the economic doldrums. The construction sector continues to face a very challenging time and a significant proportion of first time buyers who bought their homes between June 2006 and June 2008 are in "negative equity". The continuing reluctance of banks to lend to households and small businesses will compound this, as will the further deterioration in labour market conditions. In the last analysis much will depend on how quickly the economy of the UK begins to grow again and the severity of the expected reductions in public expenditure. A more stable housing market and continued investment in social and affordable housing can make a significant contribution to this recovery.

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. Northern Ireland's population had grown by 6.8 per cent between 1991 and 2001, but the number of households had grown by 18.2 per cent (96,000 households) to 626,700, almost three times as fast as the overall population. The age structure of the population was the youngest of all regions of the UK: almost one quarter (23.6%) were children under the age of 16 compared to 20.1 per cent in the UK as a whole.
- Conversely Northern Ireland had a smaller percentage of people of pensionable age than the rest of the UK (15.5% compared to around 18 per cent in the UK).
- In Northern Ireland there were more than 100,000 people aged 75 or more (6%). This compares with 7.5 per cent for the UK as a whole. Since 1991 the number of people aged 75 and over in Northern Ireland had increased by 18,000 (22%).

2008 Based Population Projections

The Office for National Statistics published its 2008 based population projections for Northern Ireland in October 2009. The projections indicate a number of important changes in Northern Ireland's demography over the 10 year period to 2018:

- The population is projected to increase from 1,775,000 in 2008 to 1,896,000 in 2018. This is equivalent to an average annual rate of growth of almost 0.7 per cent.
- The net projected increase of 121,000 people between 2008 and 2018 is attributable to a natural increase (the difference between the numbers of births and deaths) of 109,000 and a net inward migration of 12,000. The most recent estimates of net inward migration indicate that it will continue to decline: between 2008 and 2013 an estimated additional 9,000 more people will migrate into Northern Ireland than will leave; during the following five year period out migration and in-migration will be broadly in balance (+500 annually).
- The number of children aged under 16 is projected to increase from 381,000 (21.5%) in 2008 to 393,000 (20.7%) in 2018 as a result of an increase in the birth rate, partly attributable to the increase in the number of migrant workers.
- The number of working age adults is projected to increase from 1,098,000 (61.9%) in 2008 to 1,179,000 (62.2%) by 2018, an increase of about 81,000 (7%), largely as a result of the pension age being increased.
- The number of people of pension age is projected to increase from 296,000 (16.7%) in 2008 to 324,000 (17.1%) by 2018, an increase of 9 per cent leaving the ratio of working age adults to pensioners almost unchanged at approx 3.7:1.
- The number of people aged 75 and over is projected to increase by 34,000 (30%) from 113,000 in 2008 to 147,000 in 2018.

2006 Based Household 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 which are to be published as part of the major review of the Regional Development Strategy now being undertaken. New 2008 based household projections are to be published in May 2010.

Figures for the fifteen year period 2006 – 2021 (Table 2), indicate 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 size is projected to fall from 2.55 in 2006 to 2.36 in 2021.

Table 2 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.

Table 2: Household Projections by Size of Household 2006 - 2021

	2006 No + % of Total		2021 No + % of Total		Percentage 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, 2006

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

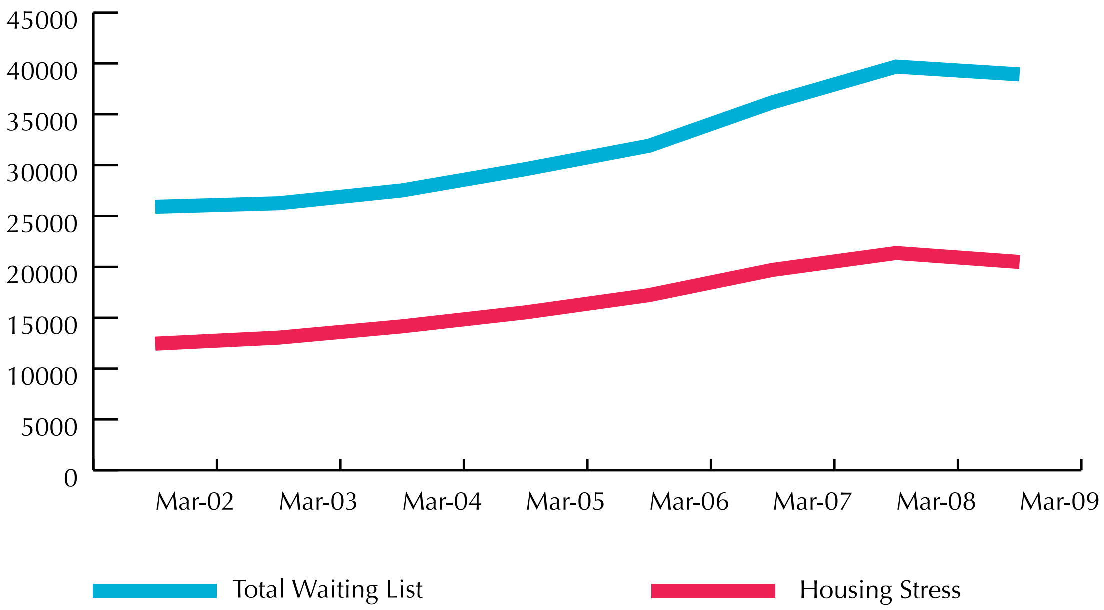
- The increasing number and proportion of one and two person households will have some impact on the size and design of dwellings, but should not be overestimated as younger children increasingly occupy a bedroom on their own, or adults use an extra bedroom as a place of work or recreation.
- The steady 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 housing support funding and care packages which are needed to enable these pensioners to live independently and comfortably in their own homes.

The Need for Social Housing

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 the need for social housing at the local level, including the number of new social dwellings to be constructed and their location.

Figure 2: Trends in the Waiting List, 2002-2009



Source: NIHE

Figure 2 illustrates the overall trends in the waiting list between 2002 and 2009. An analysis of these figures shows that:

- The overall number of applicants increased substantially between March 2002, when there were 25,903, and March 2008, when there were 39,688. However, between March 2008 and March 2009 the overall list decreased slightly to 38,923.
- A similar pattern is evident in the number of households in housing stress. Between March 2002 and March 2008 the number of applicants in housing stress rose from around 12,449 to 21,364. In the twelve months to March 2009, however, this number fell by 883 (4%) to 20,481.

It is difficult to ascertain the relative importance of the factors driving this change. However there can be little doubt that the effects of a deep recession on the rate of household formation and the burgeoning private rented sector have both played an important role.

In the six month period from the end of March to the end of September 2009, the overall demand for social housing has continued to fall a little (at the end of September 2009 there were 38,200 applicants on the Common Waiting List) and the number in housing stress had fallen to 19,958.

Geography of the Demand for Social Housing

Analysis by geography of trends in the waiting list shows that the pattern is by no means uniform. Table 3 shows the 5 housing management districts with the highest percentage increases (at least 75%) in housing stress over the five year period from September 2004 to September 2009. It also shows the 5 districts with the lowest growth – including, in the case of two districts, where the number in housing stress has actually declined.

It is difficult to generalise about the districts experiencing the most rapid increase in housing stress, except that they are all important district towns outside Belfast. Proximity to the main A1/M1 or M2 corridors appears to be of significance, with accessibility to Belfast - the location of many of the newer jobs in the service sector. 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.

In the case of housing management districts where the waiting list has declined, there is a clear link to the fact that Fermanagh and Strabane are more rural districts in remoter locations. Indeed districts such as Magherafelt and Limavady are also experiencing a more recent decline in waiting lists – although over the five year period there has still been a significant increase in the number of housing stress.

Table 3: Housing Stress: Change 2004-2009

Housing Management District	Housing Stress Sept 2004	Housing Stress Sept 2009	Change 2004 – 2009	% Change 2004 – 2009
Cookstown	85	165	80	94
Ballymena	445	820	375	84
Waterside	198	360	162	82
Banbridge	181	322	141	78
Newry	635	1114	479	75
South Belfast	996	1097	101	10
Antrim	387	424	37	10
Larne	134	148	14	10
Fermanagh	392	363	-29	-7
Strabane	252	140	-112	-44
Northern Ireland	14,629	19,958	5329	36

Source: NIHE

Household composition

Analysis of the waiting list by household composition over the period 2004 to 2009 confirms the continuing dominance of single person households (See Table 4). Small families also continued to be the next largest component of the waiting list (having risen to 25 per cent of the total in September 2007). The elderly have declined a little as a proportion of the total (from 19% in 2004 to 17% in September 2009). It is expected that future demand for social housing will continue to come predominantly from these types of households.

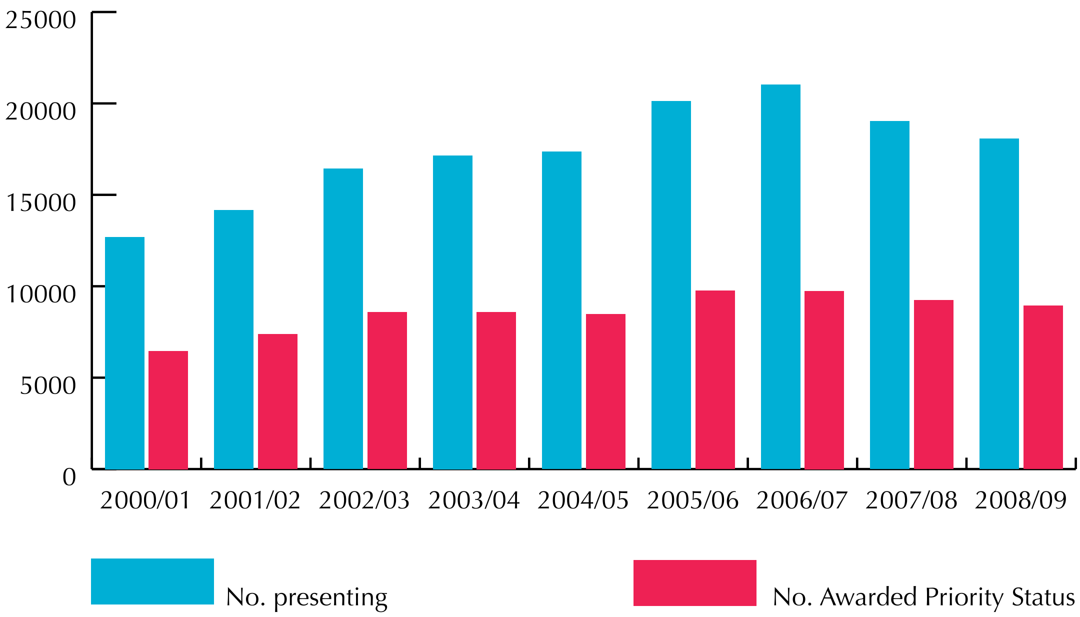
Table 4: The Waiting List: Household Composition 2004-2009

Household Type	March 2004 (%)	March 2005 (%)	March 2006 (%)	Sept 2007 (%)	Sept 2008 (%)	Sept 2009 (%)
Singles	46	46	46	44	44	45
Small Adult	6	6	6	6	6	6
Small Families	23	23	23	25	25	25
Large Families	5	5	5	5	5	5
Large Adult	1	1	1	1	1	1
Elderly	19	19	18	18	18	17

Source: NIHE

Homelessness

Figure 3: Trends in Homelessness 2000-2009



Source: NIHE

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 years 2007/08 and 2008/9 the number of households presenting fell considerably (by 14%) to 18,076 (see Figure 3). As in the case of the waiting list as a whole, qualitative evidence would indicate that the two main reasons for this downward trend are:

- The impact of the deep economic recession – resulting in a growing reluctance of both couples to separate and children to leave the family home for economic reasons; the sharp drop in house prices since late 2007 has also meant fewer landlords seeking vacant possession in order to sell their houses.
- The availability of a growing number of good quality private rented sector dwellings, encouraging households to seek accommodation in the private rented sector without recourse to the Common Waiting List.

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, to 8,934 in 2008/09 (a total reduction of 8 per cent).

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: 4,473 (25%) of those presenting in 2008/09 did so for this reason. The other key factors remain marital/relationship breakdown (2441; 14%);

accommodation not reasonable (2,643; 15%) and loss of rented accommodation (2,322, 13%). It is worth noting that there has been a sharp decline in the number of presenters stating loss of rented accommodation as the cause of their homelessness (from 3,236; 17% of the total number of households presenting as homeless) and reflects the dramatic change in market conditions, with fewer landlords selling with vacant possession to gain from capital appreciation.

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

- Sharing breakdown/family dispute is only the second most important cause: 1,976 in 2008/09 (22% of the total).
- The biggest single cause is 'accommodation not reasonable': 2,134 (24%) and is related to the ongoing ageing of the tenant profile with many elderly people find it increasingly difficult to live independently in their current home.
- The third largest category was loss of rented accommodation: 1,069 (12%); as in the case of those presenting as homeless this represented a significant fall from 2007/08 (1,528; 17% of the total number of households accepted as homeless.

More than half (51%) of all households who presented in 2008/09 were single people, of whom 3,954 (22% of the total) were single males aged 26-59 years of age. Families with children accounted for a little over one third (6,166; 34%) of those presenting.

Figures for the first nine months of the financial year 2009/10, however, show a slight increase again in the number of households presenting themselves as homeless: from 13,085 for the first three quarters of 2008/09 to 13,439 for the first three quarters of 2009/10. There was a concomitant and much more substntial rise in those being awarded priorty status (from 6,550 to 7,199; 10%).

Net Stock Model

Much of the ongoing need for social housing is met through re-letting existing properties. However, the above analysis of existing waiting lists confirms the ongoing need for new social dwellings. Since 1994 the Housing Executive has used a 'top down' Net Stock Model to estimate the need for new social housing at the Northern Ireland level[6]. 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. Successive iterations of the model have provided a useful starting point for determining the size of the Social Housing Development Programme. The most recent model (February 2010) was for the period 2006-2016 and used the most recent (2006 based) household projections and housing stock data from the 2006 and 2009 House Condition Surveys (See Table 5).

Table 5: Net Stock Model 2006-2016[7]

	Projected Households (000)
Extra Demand 2006-2016	
New Households	89.4
Concealed Households	5.0
Temporary Accommodation	1.1
Total Extra Demand	*95.5*
Extra Supply 2006-2016	
New Private Output	113.7
Less Net Demolitions, Conversions and Closures	(18.0)
Less 5% Second Homes	(5.7)
Less 11% Vacancy in New Private Housing	(12.5)
Total Extra Supply	*77.5*
New Social Housing Needed 2006-2016	
Deficit	18.0
Plus 2% Vacancy in New Social	0.4
Total Needed	18.4
Total Rounded and Allowance for Other Factors	19.0
Total Per Annum	***1.9***

Source: Paris, February 2010

A lower rate of household formation and demolitions compared to the 2008 model for the period 2001-2011 is partly counteracted by a higher number in temporary accommodation and a lower rate of private sector output between 2006 and 2016 to give an annual ongoing requirement for 1,900 new social dwellings for the next three year period. Given the cumulative backlog of approximately 5,000 which developed between 2001 and 2010 it is considered appropriate to have an annual target of 2,500 dwellings for the period.

[6] *Heenan, D., Gray, P. and Paris, C. (1994) Demographic Trends and Future Housing Need in Northern Ireland, Report to the Northern Ireland Housing Executive.*
[7] *Paris, C. (2010) Net Stock Model for 2006-2016, Report to the Northern Ireland Housing Executive.*

The Characteristics and Condition of the Stock

The headline results from the 2009 House Condition Survey which emerged in January 2010 provide the most recent picture of the characteristics and condition of Northern Ireland's housing stock. In 2009 there were 740,000 dwellings in Northern Ireland – an increase of 35,000 (5%) over the period since 2006.

Dwelling Tenure

Table 6: Northern Ireland's Dwelling Stock by Tenure, 2001 - 2009

	2001 (%)		2006 (%)		2009(%)	
Owner Occupied	432,300	66.8	468,800	66.5	461,200	62.3
Private Rented	49,400	7.6	80,800	11.5	124,600	16.8
Housing Executive	116,000	17.9	93,400	13.3	85,600	11.6
Housing Association	17,900	2.8	21,500	3.1	24,500	3.3
Vacant Dwellings	31,900	4.9	40,400	5.7	44,000	5.9
TOTAL	647,500	100	705,000	100	740,000	100

Table 6 provides the key tenure related information:

- Growth in the owner-occupied sector has stalled: the proportion of the total stock which is in owner occupation sector (and is occupied) has fallen from 66.5 per cent in 2006 to 62.3 per cent in 2009.
- The number and proportion of private rented sector dwellings has continued to increase rapidly. 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) and by 2009 to 124,600 (17% of the total stock). Indeed if vacant properties, whose tenure when last occupied was private rented, are included, the figure rises to 142,000 (19% of the total stock).
- The number of tenanted social dwellings fell substantially between 2001 (133,900; 21%) and 2006 (114,900; 16%) as the Social Housing Development Programme only replaced approximately one third of the houses sold or demolished. However, between 2006 and 2009, the figure declined only a little to 110,100 as the rate of dwellings sold to sitting tenants declined dramatically.

Dwelling Age

The 2009 House Condition Survey confirmed that the number and proportion of homes built before 1919 has continued to decline: from 116,400 (18%) in 2001 to 109,500 (16%) in 2006 to 106,500 (14%) in 2009. Conversely there has been a substantial increase in the number and proportion of dwellings built since 1980: in

2006, 210,000 (30%) properties had been built since 1980; by 2009 248,000 (34%) were modern properties built since 1980.

Dwelling Type

Northern Ireland's dwelling stock has traditionally been dominated by houses and bungalows. The 2009 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.

Of the total stock:

- almost a quarter of all dwellings (22%) were bungalows;
- detached houses accounted for almost one-fifth (19%);
- terraced houses accounted for almost one-third (31%);
- semi-detached houses accounted for one-fifth (20%) and detached houses for 17 per cent;
- flats/apartments accounted for eight per cent of the total stock (60,000 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 (69% of all dwellings) with the remainder (31%) in rural areas. Within rural areas the proportion of dwellings in isolated rural areas fell from 18 per cent in 2001 to 15 per cent in 2006. Between 2006 and 2009 the number of dwellings in isolated rural areas increased by an estimated 10,000 but the overall proportion remained approximately the same.

Unfitness

In 2009 there were approximately 17,500 unfit dwellings in Northern Ireland: a headline rate of 2.4 per cent. This reflects a further improvement in the quality of the stock since 2006, when the rate of unfitness was 3.4 per cent (24,200 unfit dwellings).

- Unfitness remained higher in rural than urban areas, although there was a reduction in both. In 2006 the rate of unfitness in urban areas had been 2.5 per cent, but by 2009 this had reduced to 1.6 per cent. In rural areas the proportion of unfit dwellings in 2006 was 5.4 per cent; by 2009 the proportion had fallen to 4.1 per cent. The highest rate of unfitness in 2009 continued to be in isolated rural areas where 6,000 (5.2%) of all dwellings were unfit; indeed this accounts for a third (34%) of all unfit dwellings.
- There continues to be a clear link between unfitness and occupancy. Almost two-thirds (59%) of all unfit dwellings are vacant. However, a declining proportion of vacant properties are unfit (24% compared to 35% in 2006), although 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 2,700 dwellings (2.2% of this sector) were unfit, compared to 2.6 per cent in 2006. In the owner occupied sector some 4,400 dwellings (1% of this sector) were unfit compared to 1.6 per cent in 2006. In the social sector unfitness continues to be minimal (less than 1%).
- There was also a clear correlation between unfitness and dwelling age. Almost one-half of all unfit dwellings (8,500; 48%) had been built prior to 1919.

Government Indicators

Modelling work being undertaken by the Housing Executive in partnership with the Building Research Establishment will provide more up to figures on Government Indicators of housing conditions during the course of 2010. The most recent figures therefore are from the 2006 House Condition Survey.

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%; 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%).

Vacant Properties

The 2009 House Condition Survey confirmed that the number of vacant properties has continued to rise. In 2009 there were an estimated 44,000 vacant properties at any one time in Northern Ireland, 5.9 per cent of the stock. This compares to a figure of 40,300 (5.7%) in 2006 and 32,000 (4.9%) in 2001. A high vacancy rate is particularly evident in the private rented sector, where 17,500 properties (12%) are vacant: a rate which is double that for the stock as a whole. In the owner-occupied sector the vacancy rate is 4 per cent, while in the social sector it is lower still.

The Review of Affordable Housing[8] completed in 2007 recommended a more pro-active approach to empty homes in both the social and private sectors as a way to addressing the lack of social and affordable homes in Northern Ireland. Research undertaken by the Housing Executive to examine the potential for bringing these properties back into use based on secondary analysis of the 2006 House Condition Survey revealed that the potential was much more limited than the gross figures suggested.

There were an estimated 40,000 vacant homes in 2006 of which approximately 35,000 were in the private sector. Of these 19,000 were not available for a variety of reasons, for example, they were awaiting demolition, were second homes, they were being modernised or their owners (or tenants) were in hospital or abroad. Of the remaining 16,000, almost 11,000 had been vacant for less than six months and must be regarded as part of the normal 'churn' in any housing market. Almost another 1,000 were unfit and in isolated rural areas were it was unlikely that they would be inhabited again. This effectively left 4-5,000 dwellings in the private sector which could be brought back into stock. The Housing Executive is at present working with Land & Property Services to identify the location of these properties and their owners to look specifically at the potential for encouraging owners to either sell them or bring in a tenant, although the evidence from England would indicate that this can be a long and arduous process, which yields little in the way of additional occupied dwellings.

[8] *Semple, Sir John (2007) Review into Affordable Housing, Final Report, Spring 2007, Department for Social Development, Belfast.*

Energy Conservation and Fuel Poverty

The Housing Executive was designated as Northern Ireland's sole Home Energy Conservation Authority under the Home Energy Conservation Act (1995). The Act required the Housing Executive 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. The Housing Executive's key objective is therefore defined as a 34 per cent reduction in the energy consumption of the dwelling stock that was in existence at 1st April 1996.

Findings on energy efficiency from the 2009 House Condition Survey will emerge in the Autumn of 2010. However, the results of the 2006 House Condition Survey already showed that significant progress had been made within a 10-year time frame:

- The energy efficiency of the stock improved by 20 per cent between 1996 and 2006, mainly as a result of fuel switching and insulation programmes across all tenures.
- The average SAP (energy efficiency) rating for dwellings increased from 35 in 1996 to 45 in 2001, and 52 in 2006[9].
- The proportion of dwellings across all tenures with full central heating increased from 87 per cent in 1996 to 98 per cent in 2006.
- The popularity of oil fired central heating had increased significantly since 1996, when around one third (36%) of all dwellings had oil fired systems. The proportion had increased to 70 per cent by 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.
- During the 10 years to 2006, solid fuel's share of the domestic heating market declined substantially, from 40 per cent to only six per cent. At the same time, 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 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 cannot, therefore, avail of cavity wall insulation, the traditional and most cost-effective remedy.
- In 2006, the vast majority (95%) of dwellings in Northern Ireland that had lofts also had loft insulation. In 1996, the equivalent proportion was 87 per cent.
- Around two thirds (68%) of properties had full double glazing in 2006, compared with only around a quarter (24%) in 1996.

[9] *Figures are based on a revised 'SAP05' model*

Fuel Poverty

A household is considered to be in Fuel Poverty if, in order to maintain an acceptable level of temperature throughout the home (21°C in the living room and 18°C in other occupied rooms), 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 of water heating, cooking, lighting and household appliances, and encompasses more than simply the ability to pay heating bills.

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 data 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.

Escalating worldwide oil prices, which have also impacted on the prices of other fuels, have been the most important single factor driving the increase in Fuel Poverty in Northern Ireland. With oil remaining the most widespread fuel source for homes in Northern Ireland, households across all tenures have been – and will continue to be – significantly affected by changes in oil prices. Figures which were modelled by the Building Research Establishment on the basis of the 2006 House Condition Survey, but using 2009 fuel prices and incomes indicated that more than 40 per cent of all dwellings were likely to be in Fuel Poverty in 2009.

Action to Tackle Fuel Poverty

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

Housing Executive Dwellings

Initiatives to improve energy efficiency in the Housing Executive stock include:

- A heating policy that aims to convert existing coal or electric heating systems to more energy efficient, controllable systems: natural gas where available, and oil elsewhere.

- Ongoing maintenance programmes, which increase the level of insulation in Housing Executive properties, as well as window replacement schemes, which provide double glazing in properties throughout Northern Ireland.

- A number of projects on new and innovative technologies. In recent years the Housing Executive has:
  - installed solar water heating panels at more than 2,000 dwellings and solar photovoltaic (PV) panels at 32 homes;
  - carried out a 10-dwelling field trial of micro-CHP (combined heat and power); and
  - installed one ground source heat pump, 55 solar air heating and ventilation systems, 26 wood pellet boilers and one wind turbine.

Housing Association Stock

The average energy efficiency (SAP) rating of housing association stock increased from 41 in 1996 to 69 in 2006, a significant improvement which was due to a combination of upgrades in the existing stock and the growth of the sector through new build activity. More modern properties are built to higher energy efficiency standards, and housing associations are now required to build properties to Code Level 3 of the Code for Sustainable Homes. In addition, the Cosy Homes scheme, administered by the NI Energy Agency and funded from a variety of sources, has assisted registered housing associations to change Economy 7 and solid fuel heating systems to natural gas or oil heating since 2003.

Private Rented Sector

The average energy efficiency (SAP) rating of dwellings in the private rented sector increased substantially between 1996 (27) and 2006 (52). Again, the change is due to a combination of energy efficiency improvements and addition of recently-built dwellings to the private rented stock. Landlords may avail of tax allowances (Landlords Energy Saving Allowance) towards improvements, and some private sector tenants may be eligible for grant aid and/or the Warm Homes grant.

During 2008/09, 477 private sector tenants had a change of heating carried out in their dwellings under the Warm Homes scheme, while 680 benefited from provision of various types of insulation.

Owner Occupied Sector

Owner occupied dwellings account for around two thirds (67%) of the housing stock and their average SAP rating increased from 44 in 1996 to 51 in 2006. The improvement was mainly due to provision of insulation and change of heating, either financed entirely by owner-occupiers themselves, or assisted by grant and cash-back schemes from a variety of sources.

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 2008/09:

- Cavity wall insulation in 85 dwellings was funded as part of renovation grants, while partial cavity wall insulation was included as part of 530 extensions.
- 121 new dwellings were constructed using Replacement Grants in 2008/09, contributing to a total of 3,656 new dwellings built in rural areas to current energy efficiency standards since April 1996.
- 111 heating systems were provided under various grants including Disabled Facilities, Home Repair Assistance and Renovation Grants. Since April 1996, these grants have funded 3,673 fully controlled natural gas or oil heating systems in private dwellings.

Warm Homes Scheme

The Warm Homes Scheme, introduced in July 2001, is the main source of grants for low income households in the private sector. Funded by the Department for Social Development, the scheme grant aids a range of insulation and other energy efficiency measures for eligible households in receipt of qualifying benefits, including:

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

In 2008/09, a total of 3,115 owner-occupied homes had a change of heating under the Warm Homes Scheme, and 7,509 benefitted from various insulation measures.

The Housing Executive took over the management of the scheme from Eaga Partnership in April 2009, and two new scheme managers were appointed to administer it. The new scheme began in July 2009, administered by Bryson Charitable Group and H&A Mechanical Services in the southern and northern parts of Northern Ireland respectively.

Energy Performance Certificates

In compliance with the EU Directive on the Energy Performance of Buildings, the Department of Finance and Personnel (NI) introduced Energy Performance Certificates (EPCs) for dwellings in 2008. The Housing Executive has been producing EPCs for all new tenancies created since January 2009, and EPCs are also required for all dwellings sold or built from June 2008 and September 2008 respectively. The certificate provides information on the energy performance of a particular dwelling (such as its energy rating on a scale of A to G, and its SAP score) along with information on how the rating can be improved.

Key Issues and Strategic Perspectives

- Although most of the leading world economies appear to have technically emerged from the sharpest world economic recession since the 1930s, the economic recovery in the USA, Japan, the Eurozone and the UK remains fragile. Rising unemployment and a combination of increasing taxation and reductions in Government expenditure will reduce the amount households can afford to spend on meeting their housing needs. In Northern Ireland lower public expenditure, the level of indebtedness and benefit dependency, rising unemployment, a continuing tighter credit environment and a subdued housing market will continue to exert significant downward pressure on household purchasing power and investor and consumer confidence.

- Northern Ireland's demography is continuing to change. The rate of household formation has been rising, driven by population growth (including a substantial number 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 the rate of household formation may reduce for economic reasons.

- The number of applicants on the waiting list and those in "housing stress" has fallen a little from its historically high levels, but there continues to be a very substantial demand for social housing. The latest analysis indicates that there is an annual requirement for at least 1,900 additional new social dwellings for the period 2010-13 to meet ongoing need as well as an additional 600 to address the substantial backlog which has arisen since 2001.

- The housing stock has grown at an accelerated rate over the past five years and its condition has also improved markedly. The 2009 House Condition Survey shows that between 2006 and 2009 the rate of unfitness continued to fall from 3.4 per cent to 2.4 per cent. 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.

- Reducing the high level of Fuel Poverty - estimated to be at least 40 per cent in 2009 - will continue to pose a very serious challenge, given that fuel prices are expected to remain high. Improving the thermal efficiency of the stock will only help up to a certain point.

Chapter 2

The Owner Occupied Sector

Northern Ireland Housing Executive

The Owner Occupied Sector: Key Figures

	2001	2006	2009
TOTAL STOCK	432,300	468,900	461,800
Urban	272,200 (63%)	307,600 (66%)	294,200 (64%)
Rural	160,100 (37%)	161,300 (34%)	167,600 (36%)
DWELLING AGE			
Pre-1919	78,800 (18%)	69,500 (15%)	64,800 (14%)
1919-1980	234,100 (54%)	255,400 (54%)	231,500 (50%)
Post 1980	121,400 (28%)	143,900 (31%)	165,500 (36%)
HOUSING CONDITIONS			
Unfitness (rate)	12,000 (2.8%)	7,500 (1.6%)	4,400 (1%)
Non-Decent Homes (rate)	101,100 (23%)	95,700 (20%)	n/a
Fuel Poverty (rate)	97,900 (23%)	148,000 (32%)	n/a
New housing	10,418	13,955	5,493
Average house price (£)	86,754	174,178	160,855
Median advance: income ratio (FTBs)	2.36	3.19	3.26
Proportion of sales to FTBs	60	32	46
No. of NIHE sales	5,555	2,522	54

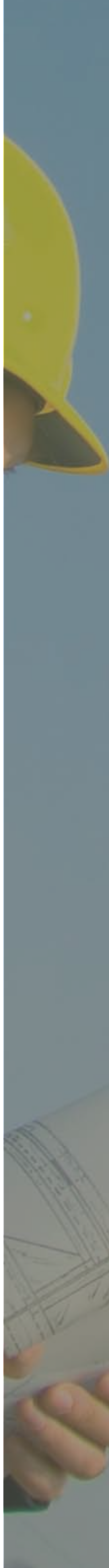
Introduction

Owner occupation grew steadily in Northern Ireland in 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.

In the early years of the new millennium owner occupation continued to grow: a low interest rate environment helped counteract the growing disparity between the typical income of first-time buyers and rising house prices. However, the financial crisis and concomitant economic downturn which developed since 2007 have combined to cause a decline in both the number and proportion of households now living in owner-occupation.

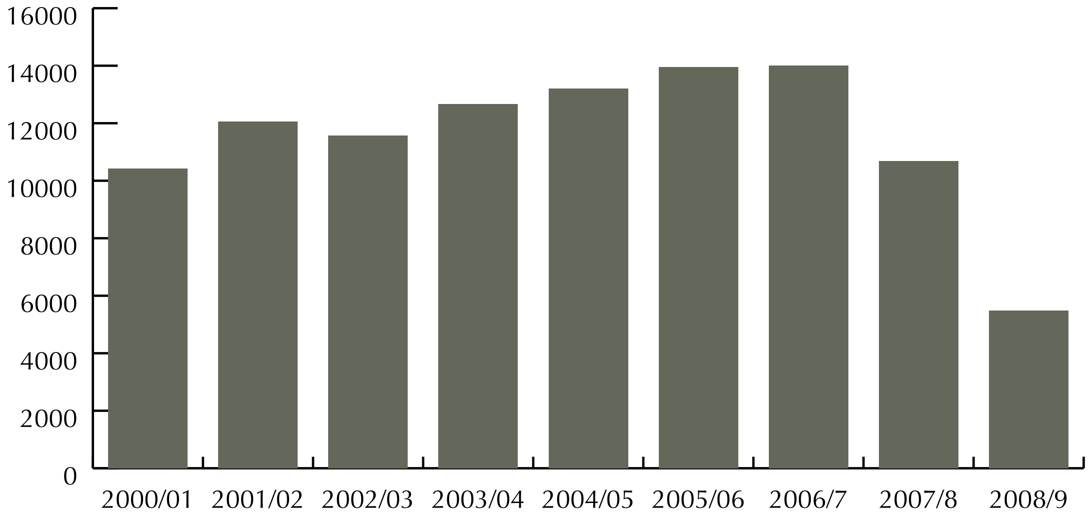
In 2001 there were some 432,000 owner occupied dwellings in Northern Ireland (66.8% of the total stock). By 2006 the figure had grown to 469,000, but the proportion had remained approximately the same. By 2009, however, the number of owner-occupied dwellings had fallen to 461,000 (62.3% of the total stock). One reason for this is undoubtedly the rapid decline in the number of Housing Executive dwellings sold over the past three years (see below). However, the effects of a combination of unsustainably high house prices and levels of personal debt, the continuing reluctance of lenders to significantly relax their mortgage criteria and growing uncertainty in the labour market have meant that younger households, in particular, are finding it increasingly difficult to purchase their first home and are therefore choosing 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. 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. It is very likely, however, that the proportion of dwellings in owner occupancy will remain fairly 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 (see Figure 4). Between April 2007 and March 2008 approximately 10,700 new private sector dwellings were started, a 24 per cent reduction on the previous year. Between April 2008 and March 2009 only 5,500 new private sector dwellings were constructed, a further reduction of almost 50 per cent. Figures for the first six months of 2009/10 indicate that the number of new homes started has risen from 2336 to 3804. Nevertheless this still represents a construction rate not seen in Northern Ireland since the early 1990s.

Figure 4: New Dwellings in the Private Sector 2000-2009



Source: DSD, Housing Statistics 2008/09

In 2008/09 only two District Council areas reported that work had begun on more than 400 new dwellings in the private sector: Dungannon (410) and Fermanagh (454). The next largest number recorded was for Belfast (394). However, this represented a particularly sharp decline compared to the 2,344 started in Belfast in the previous year.

Table 7 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 35 to 23 per cent. The proportion of semi detached properties has declined from 30 to 19 per cent. The biggest change, however, is in the proportion of flats/maisonettes (including apartments) which has more than doubled from 14 to 36 per cent.

Table 7: NHBC Registered Starts by House Type, 2004-2009

	Detached Houses	Detached Bungalows %	Semi Det Properties %	Terraced Properties %	Flats and maisonettes %	Total Numbers
2004/05	35	4	30	18	14	10,191
2005/06	28	3	29	21	18	10.409
2006/07	27	3	31	19	20	7,800
2007/08	27	5	23	19	26	5,680
2008/09	23	7	19	15	36	2,762

Source: DSD, NI Housing Bulletin, 1 July – 30 September 2009

House Prices

House Prices in the UK

House price figures for the UK confirm that the housing market as a whole has stabilised. Between Q4, 2008 and Q4, 2009 the overall average house price for the UK rose by 3.4 per cent to £162,116. Table 8 shows the regional variation in trends with the highest annual increases of over 5 per cent being recorded in London, Outer Metropolitan and Outer South East. Annual declines are recorded in only three regions: North, Wales and Northern Ireland. Quarter on quarter increases were recorded in all regions except Northern Ireland, where the average house price (Nationwide) is £137,949, the fourth lowest regional figure.

Table 8: UK Regional House Price Change Q4,2009

Region	Qtrly % Change	Annual % change	Ave house price Q4 2009
North	0.4	-2.0	116,154
Yorks/Humberside	2.5	2.7	137,275
North West	2.0	2.7	139,811
East Midlands	2.8	2.5	136,492
West Midlands	2.1	2.1	144,748
East Anglia	1.8	4.5	159,989
Outer South East	2.4	5.5	191,397
Outer Metropolitan	2.7	6.4	232,198
London	3.4	7.0	276,088
South West	1.0	3.8	179,425
Wales	0.9	-0.3	135,776
Scotland	1.9	1.0	140,352
Northern Ireland	-6.8	-6.7	137,949
UK	1.6	3.4	162,116

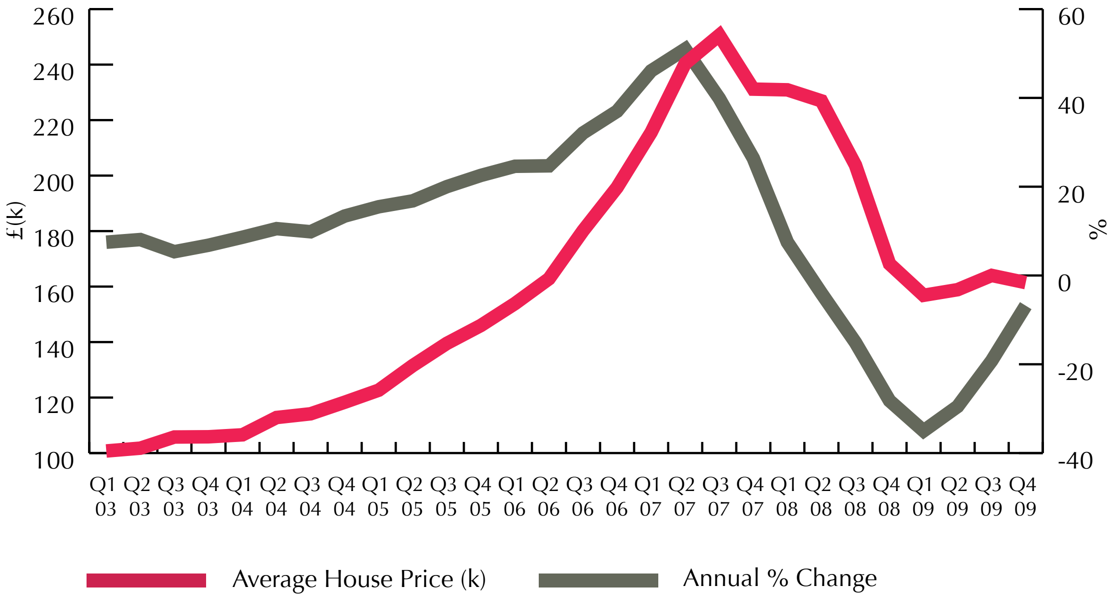
Source: www.nationwide.co.uk/hpi

House Prices in Northern Ireland

The University of Ulster's more comprehensive, mix-adjusted analysis of open market transactions gathered from a network of estate agents throughout Northern Ireland shows a similar picture.

From its highpoint in Q3, 2007 (£250,586) the average house price in Northern Ireland fell to £156,857 in Q1, 2009 – a peak to trough decline of 37.4 per cent. The University of Ulster's most recent survey for the final three months of 2009 shows that house prices in Northern Ireland declined by a weighted average of 6.8 per cent between Q4, 2008 and Q4, 2009, and a quarterly weighted reduction of 0.9 per cent. This compares with an annual rate of decline in average price of 35.0 per cent for Q1, 2009 and confirms the predicted stabilisation of prices during 2009 (see Figure 5). The average price of dwellings in Q4, 2009 was £161,429 (a higher figure than Nationwide's £137,949) compared to £168,185 in Q4, 2009, representing an unweighted decline of 4.0 per cent.

Figure 5: NI Average House Price: 2003-2009



Source: University of Ulster, House Price Index

Analysis by property type (see Table 9) reveals some significant differences in the rate of price change. Apartments experienced an annual decline in average price of almost 19 per cent, while the average price of a detached home rose by 1.2 per cent over the same period.

Table 9: NI: Average Prices by Property Type Q4, 2008 - Q4, 2009

Property Type	Q4, 2009 (£)	% Change (YoY)
Terraced Houses	124,904	-7.4
SD Houses	153,140	-7.8
Detached Houses	250,119	+1.2
SD Bungalows	133,983	-3.9
Detached Bungalows	197,541	-9.5
Apartments	124,597	-18.9

Source: University of Ulster, Quarterly House Price Index, Report 101: Q4, 2009

Analysis by geographic region (see Table 10) shows that there were considerable inter-regional differences in house price change between Q4, 2008 and Q4, 2009. At one end of the scale the average price in Belfast fell by almost 8 per cent. However, in Enniskillen/Fermanagh/S Tyrone the average price of a home actually increased by more than 10 per cent over the twelve month period. Some caution must be exercised in the interpretation of these regional figures due to the extraordinary nature of the housing market last year, but this type of diffuse pattern is not untypical of a market that is stabilising overall.

Table 10: NI: Regional House Prices Q4, 2008 - Q4, 2009

	Average Price Q4, 2008 (£)	Average Price Q4, 2009 (£)	% Change (YoY) (unwted)
Belfast	178,399	164,476	-7.8
North Down	184,019	186,272	+1.2
Lisburn	187,638	180,904	-3.4
East Antrim	147,913	137,088	-7.3
Londonderry/Strabane	148,929	149,263	+0.2
Antrim/Ballymena	177,319	170,739	-3.7
Coleraine/Limavady/North Coast	162,191	163,684	+0.9
Enniskillen/Fermanagh/S Tyrone	135,804	150,020	+10.5
Mid Ulster	147,421	148,256	+0.6
Mid and South Down	176,306	169,213	+4.0
Craigavon/Armagh	143,905	134,993	-6.2
Northern Ireland	168,185	161,429	-4.0

Source: University of Ulster, Quarterly House Price Index Report 101: Q4, 2009

There is always a certain risk in forecasting the rate of house price change for a twelve month period. However, last year's estimate of a decline of 10 per cent was in the event reasonably accurate given the unusual market conditions. This year there are mixed signals: on the one-hand transaction rates have started to increase – including those for first time buyers – and interest rates are destined to stay low for at least the remainder of this year; on the other hand growing problems in the labour market and the expected reductions in public expenditure would indicate that the housing market will remain subdued during 2010. It is estimated therefore that house prices will be broadly static for a twelve month period.

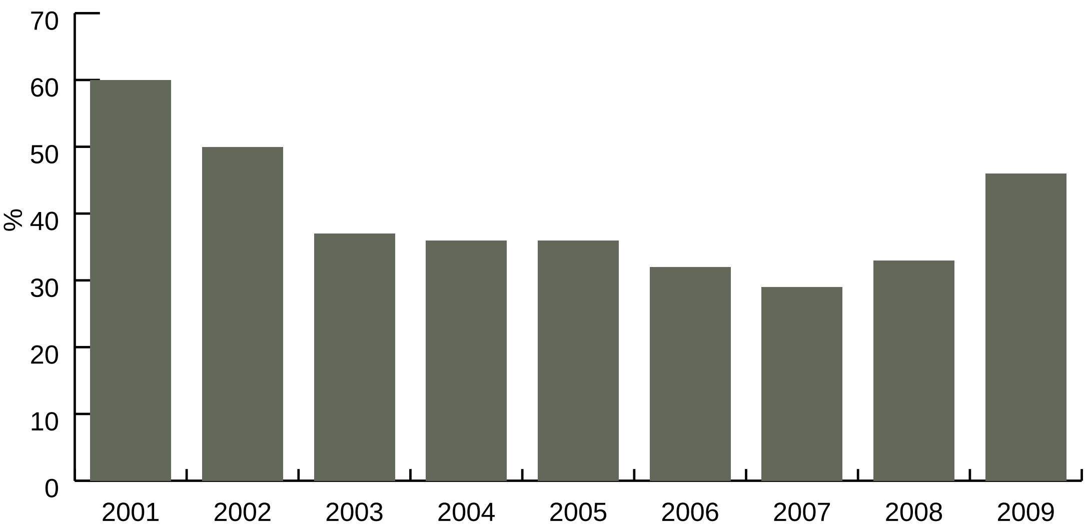
Affordability in Northern Ireland

Research published by the Housing Executive in 2001 showed that although 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, there were signs that it was an emerging problem for first time buyers, particularly in Belfast and its commuter belt.

Since that time a number of indicators have charted the growing difficulties experienced by first time buyers:

- The ratio of median income to median advance in Northern Ireland published by the Council of Mortgage Lenders was 2.36 in 2001. This ratio rose to a peak of 3.51 in 2007 before falling back a little to 3.26 in 2009.
- The number and proportion of first-time buyers (see Figure 6). In 2001 there were 18,200 first time buyers in Northern Ireland, and 60 per cent of house sales were purchased by them. By 2007 this had fallen to 5,400 (29% of total sales). In 2008 only 2,900 (33% of total sales) went to first time buyers but in 2009 there were 4,600 mortgage based sales to first time buyers (46% of the total) indicating the start of a return to more normal market conditions.

Figure 6: NI: Proportion of Sales to First-Time Buyers, 2001-2009



Source: Council for Mortgage Lenders

- The proportion of lower priced homes (see Figure 7). At the start of 2001 more than two-fifths of all homes were sold for less than £150,000. At the peak of the housing boom in 2007 this proportion had fallen to almost zero. However, in each of the four quarters in 2009 approximately one fifth of all homes sold cost less than £150,000.

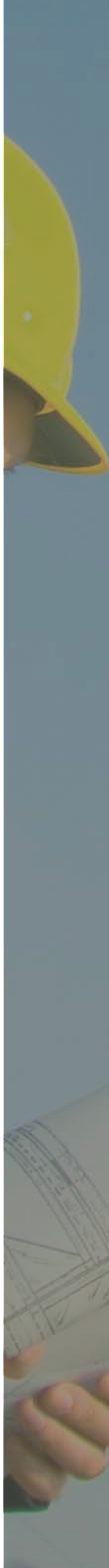
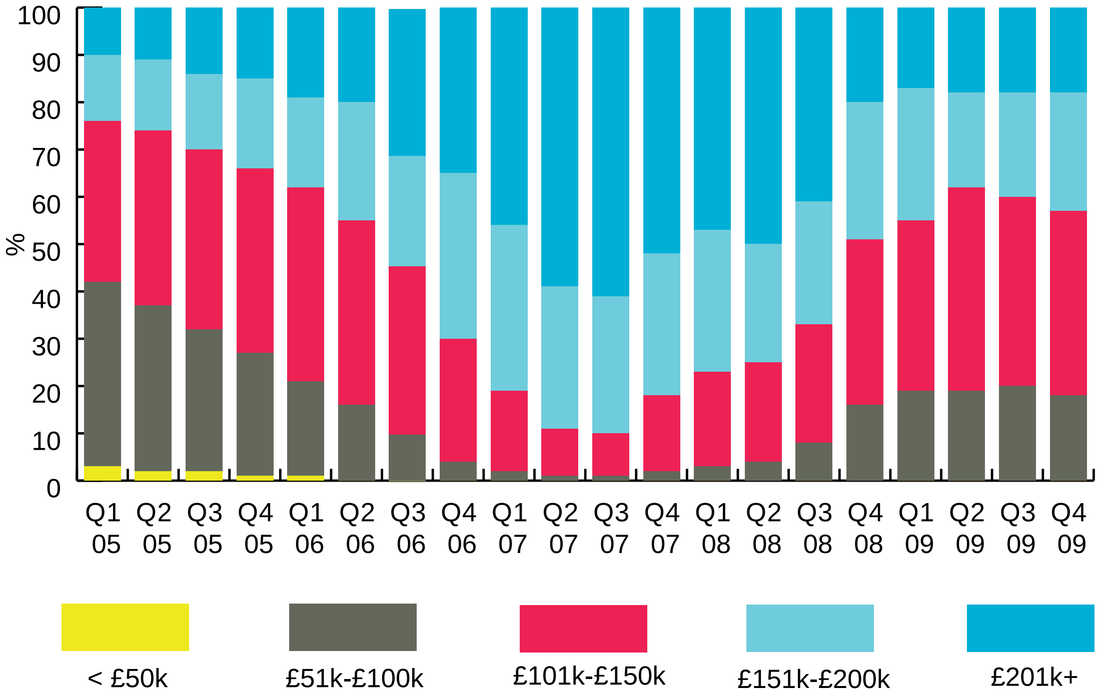


Figure 7: NI: Proportion of Sales by Price Band, 2005–2009



Modelling Affordability

The Housing Executive's Affordability Index[10] used a typical Bank/Building Society annuity formula to calculate the maximum price a household with a median household income could afford to pay, assuming a typical interest rate, a 95 per cent mortgage (loan to value ratio) and a 25 year repayment period. At that time 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 a particular District Council area. The resultant model provided a useful indicator of the degree of difficulty experienced by first time buyers in each District Council area purchasing a property with a five per cent deposit.

The most recent modelling exercise was run for 2008. The recalibrated model kept the loan to value ratio at 95 per cent in order to permit reasonable comparisons with 2007, although this was no longer a typical ratio for first time buyers. This indicated that in 10 District Council areas the affordability gap was more than £50,000. However, in a further 7 District Councils the affordability gap in 2008 was between £25,000 and £50,000. Household income figures emerging from the 2009 House Condition Survey and Family Resources Survey later this year will allow the 2009 Index to be recalibrated.

Overall, 2009 has seen a significant change for the better in terms of affordability. This is reflected in lower price to income ratios, a growing number and proportion of dwellings being purchased by first time buyers, a significant increase in the proportion of dwellings being purchased at a market price of less than £150,000 and interest rates continuing to be maintained at a historic low. However, this is not the total picture.

---

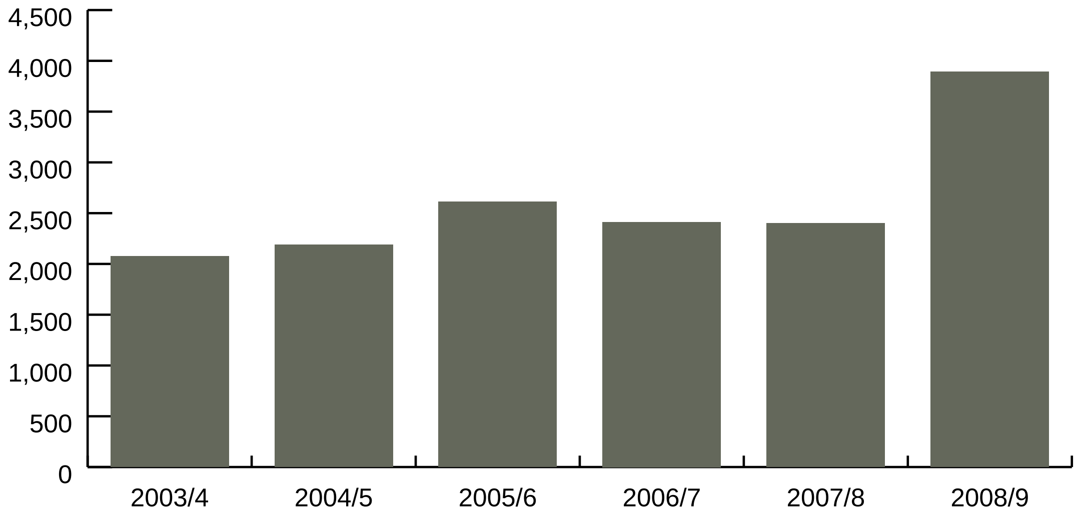
[10] *Developed in partnership with the University of Ulster and University of Birmingham*

Price to income ratios still remain much higher than they were at the start of the new millennium, and the number and proportion of first time buyers is still low compared to the pre-boom years. So although from the point of view of house prices and interest rates the affordability position has improved dramatically in the last two years ongoing economic uncertainties mean that lenders continue to be reluctant to expose themselves to new loans which have a higher risk of default. This is in turn reflected in much lower loan-to value ratios, so that if borrowers default there is sufficient equity in the home to ensure the outstanding loan is covered. The result is that first time buyers often have to find deposits of between 20 and 40 per cent in order to access the better mortgage deals with lower interest rates.

Repossessions

Statistics on repossession also provide a useful indicator of affordability. The number of writs and originating summonses relating to mortgages rose between 2003/04 and 2005/06 to 2,614. In the following two financial years the number declined a little. However, as Figure 8 shows, there was a significant increase in the number of actions for possession in 2008/09: an annual increase of 62 per cent to 3,894. This much higher level has continued into the first six months of the 2009/10 financial year when the number of actions for possession rose to 2,078 (compared to the previous year's figure of 1,935. While it is important to remember that only a small proportion of homes subject to actions for possession are actually repossessed (in 2007/08 there were 669 actual possession orders, rising to 1,457 in 2008/09), it is nevertheless a worrying indicator of growing affordability related stress in the housing market.

Figure 8: NI: Actions for Repossession, 2003/4 -2008/9



Source: DSD: Housing Statistics 2008/09

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 2009 they performed well on the open market.

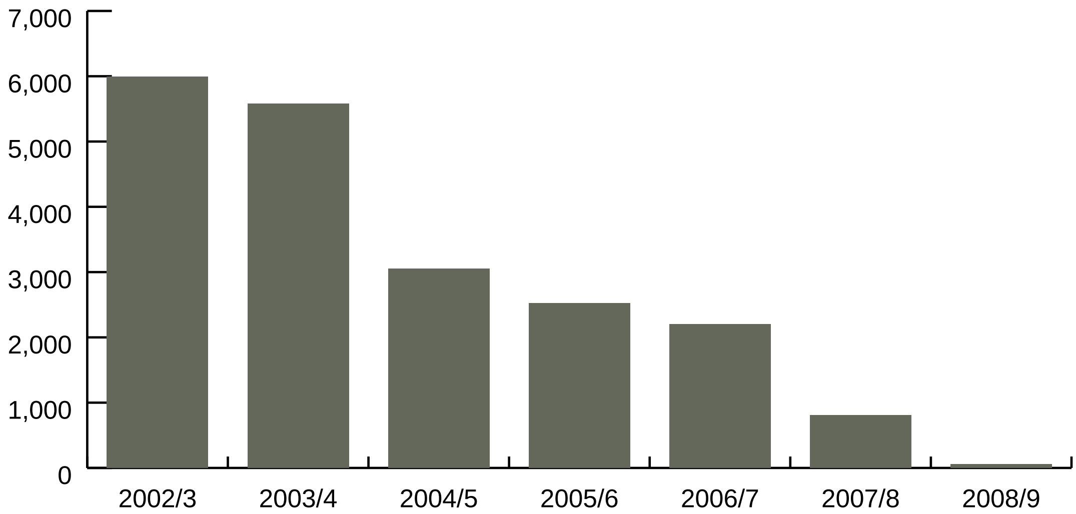
Resale of Former Housing Executive Property on the Open Market (2009)

Key findings

- Resold former Housing Executive dwellings made up approximately 8 per cent of all existing dwellings sold in 2009, a substantial decrease from the 15 per cent recorded in 2008.
- The spatial pattern of sales across the province was consistent with previous surveys, with a high representation occurring in Carrickfergus, Lisburn and Newtownabbey. In Belfast the highest concentrations of resales were in the west and southwest of the city.
- The resold properties were typically terraced houses and dwellings constructed between 1960 and 1980.
- Between 2008 and 2009 the average price of former Housing Executive properties decreased from £130,766 to £88,138, representing an annual rate of decline of 33 per cent.
- Longer term trends (1990-2009) indicate a nominal price increase of 20 per cent per annum compared to 24 per cent for the housing market as a whole.

Figure 9 shows that in 2002/03 there were 5,991 Housing Executive dwellings sold to sitting tenants. Since then there has been a dramatic reduction in the number sold, reflecting the introduction of major revisions to the House Sales Scheme, in particular the reduction of the maximum discount to £24,000 and the substantial increases in house prices between 2004 and 2007. In 2008/09 only 54 were sold. In 2009/10 the rate of sales has increased as valuations falls have levelled and by the end of March 2010 a total of 272 had been sold.

Figure 9: Housing Executive Sales Completed, 2002/03-2008/9



Source: NIHE

Characteristics and Condition

Preliminary findings emerging from the 2009 House Condition Survey provide an insight into the characteristics and condition of the owner-occupied stock.

Dwelling Age

In 2009, more than one third (36%) of the owner-occupied stock had been built since 1980. The number and proportion of properties built before 1919 had declined from 18 per cent in 2001 to 14 per cent in 2009.

Dwelling Type

There has been little change in dwelling types since 2001. In 2009 more than one-quarter of the stock was terraced houses (26%), 23 per cent bungalows, 22 per cent were semi-detached and 26 per cent were detached houses. Flats/apartments again constituted only a very small proportion of this sector (2%).

Unfitness

The condition of the owner-occupied stock has continued to improve. In 2006 there were approximately 7,500 unfit properties that were owner occupied, representing an unfitness rate of 1.6 per cent. By 2009 this had fallen to 4,400 (0.9%). This proportion is lower than for the stock as a whole (2.4%). Nevertheless, one quarter of all unfit properties are owner occupied.

Government Indicators

Modelling work being undertaken by the Housing Executive in partnership with the Building Research Establishment will provide more up to figures on Government indicators of housing conditions during the course of 2010. The most recent figures therefore are from the 2006 House Condition Survey.

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%). 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% 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 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, helps ensure that the "deterioration flow" into unfitness is more than outweighed by the number of dwellings being brought up to modern standards.

Table 11 shows the level of grants activity and associated expenditure over the past five years.

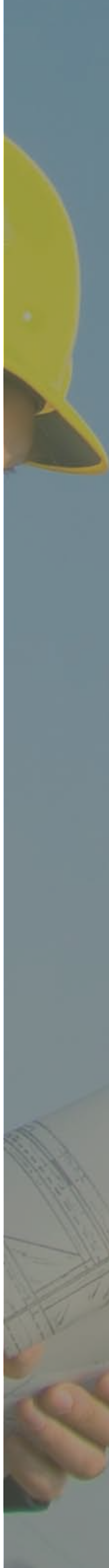
Table 11: Home Improvement Grants: 2004/05 – 2008/09: Number of Grants Approved and Approved Expenditure

Year	Renovation	Replacement	Disabled Facilities	Repairs	HRA	HMO	Total Grants	Approved Expenditure (£)
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
2008/09	931	117	1,755	765	2,433	86	6,087	38.8m

Source: NIHE

The following key points emerge:

- Between April 2003 and March 2008 grants expenditure has remained at over £40 million. In each of these years more than 7,000 grants have been approved. However budgetary pressures meant that approximately only 6,000 grants could be approved in 2008/09 with an associated expenditure of £39 million.
- The number of renovation grants approved in 2008/09 (931) declined significantly compared to the previous year's figure. However, the number of replacement grants remained approximately the same.



- The number of Repairs Grants approved in 2008/09 continued to fall as they are no longer available to owner occupiers.
- The number of Disabled Facilities Grants approved increased in 2008/09 to 1,755, reflecting the ongoing importance of this investment in the housing stock.
- Grants for Houses in Multiple Occupation (HMOs) have continued to be at a lower level in line with the Housing Executive's HMO Strategy. In 2008/09, 86 grants were approved at a cost of £1.6 million.
- More than 2,400 Home Repairs Assistance (HRA) Grants were approved in 2008/09, a decrease of almost 800 on the previous year (Costing £7 million).

For the financial year 2009/10 an initial allocation of £20 million to the Housing Executive's grants budget permitted the processing of only mandatory Disabled Facilities Grants (1,700) and Repairs Grants (800). This level of funding was insufficient to cover the total commitment for grants already approved. Therefore all discretionary Renovation, Replacement, Home Repair Assistance and HMO grants were processed on an exceptions basis. A total of 433 discretionary grants were approved in 2009/10.

Throughout the year additional funding was obtained at the quarterly monitoring rounds. In June 2009 £15 million was provided to meet the commitment from prior years approvals, and in December £9.7 million was provided to meet expenditure pressures and recommence the processing of some discretionary applications that had been refused earlier in the year. A total allocation of £45 million has been made to the Housing Executive's grants scheme for 2009/10.

Key Issues and Strategic Perspectives

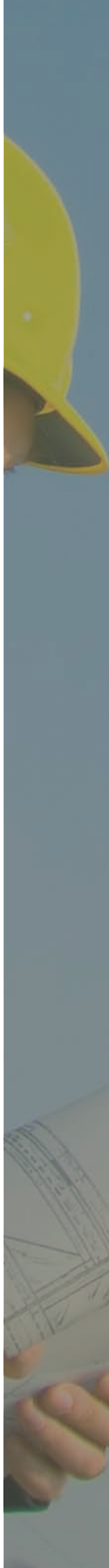
- With house prices having returned to more sustainable levels, owner occupation continues to be the most viable way for households to meet their housing needs. However, there are strong indications that although the number of owner-occupied dwellings may rise over the next three years, the owner-occupied proportion of the overall housing market will remain static. Ongoing economic uncertainty will mean that the number of new dwellings constructed will remain low compared to the early years of the new millenium. It is estimated that some 8,000 new private sector dwellings will be constructed in 2010/11.

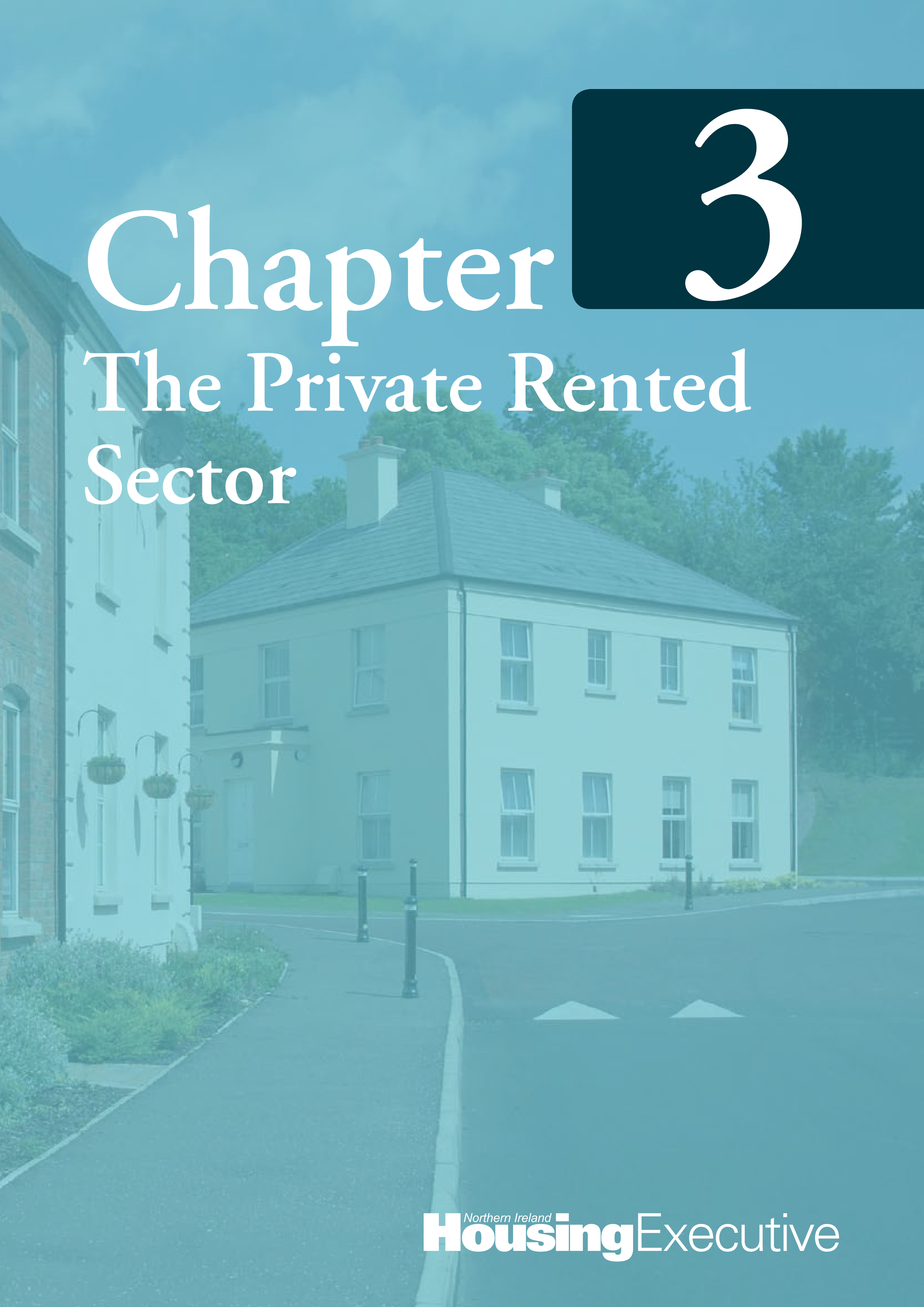
- During the three year period 2004/07 Northern Ireland experienced an unprecedented investor driven boom which saw house prices increase by 51% between Q2, 2006 and Q2, 2007. The inevitable correction followed. Average house prices fell by more than one third from peak to trough and although the market now seems to have stabilised it is likely that the overall average price will remain flat throughout 2010.

- The substantial fall in house prices between 2007 and 2009 has seen house prices return to their early 2006 level. In terms of the house price to income ratio therefore the issue of affordability for first time buyers is no longer as pressing. Nevertheless continuing caution by lenders and the requirement to pay substantial deposits means that affordability remains a key issue.

- 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 resulted in a significant reduction in the rate of house sales. A certain recovery has now taken place and in 2009/10, a total of 272 were sold.

- 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

Northern Ireland Housing Executive

The Private Rented Sector: Key Figures

	2001	2006	2009
TOTAL STOCK	49,400	80,900	124,600
Urban	35,400 (72%)	61,800 (76%)	90,300 (73%)
Rural	14,000 (28%)	19,000 (24%)	34,300 (27%)
DWELLING AGE			
Pre-1919	18,900 (38%)	22,300 (28%)	24,800 (20%)
1919-1980	23,100 (47%)	38,500 (48%)	65,400 (52%)
Post 1980	7,400 (15%)	20,100 (25%)	34,400 (28%)
HOUSING CONDITIONS			
Unfitness (rate)	4,300 (8.7%)	2,200 (2.7%)	2,700 (2.2%)
Non-Decent Homes (rate)	23,400 (47%)	21,400 (27%)	n/a
Fuel Poverty (rate)	21,400 (44%)	35,300 (44%)	n/a
BMA av. mthly rents (£)	n/a	n/a	576

Background

> For most of the twentieth century, Northern Ireland's private rented sector declined, in response to a combination of rent control, steady growth in owner occupation and large scale redevelopment.

In 1991 there remained only 30,000 privately rented homes in Northern Ireland. Since then, however, the private rented sector has grown steadily. Successive House Condition Surveys showed that by 2001 there were almost 50,000 dwellings in this sector (see Figure 15).

It was against this background that the Housing Executive commissioned the University of Ulster to undertake a major piece of research on the private rented sector. The report[11], published in 2002 highlighted a number of important changes in the household profile of private tenants:

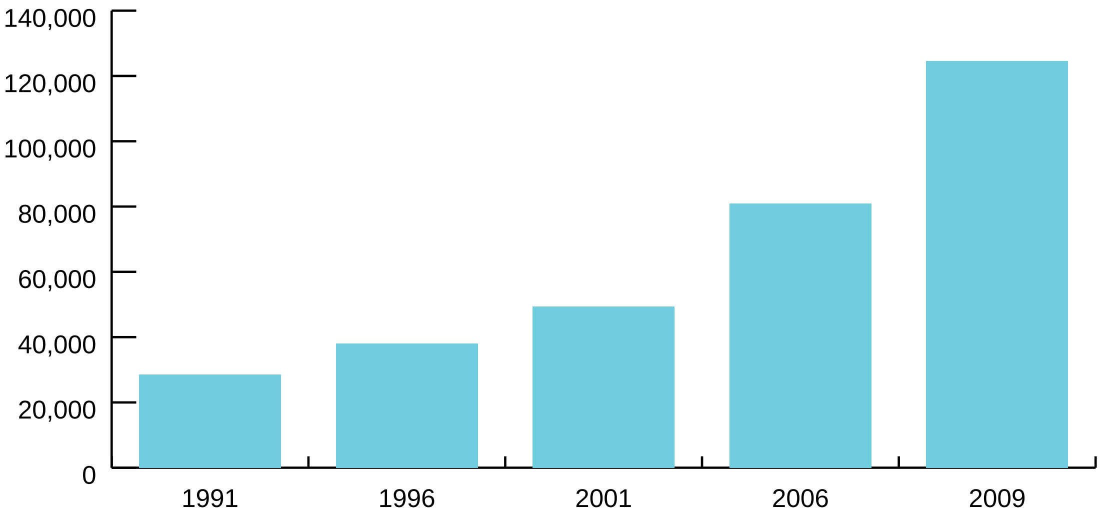
- Increasing proportions of single person households and lone-parent households.
- Decreasing proportions of lone pensioner households.
- A decrease in the age of the head of household.
- Higher turnover of tenants.
- Increasing proportions of tenants in receipt of Housing Benefit.

It also highlighted the growing interest in the sector from new investors: four out of ten landlords surveyed had entered the sector in the previous five years. The research also noted that a significant proportion of properties were former Housing Executive dwellings and that the steady growth of the private rented sector had been accelerated by the absence of a housing selection scheme, thus enabling prospective tenants to move more quickly to an area of choice, where the demand for social housing was high. This was facilitated by the availability of Housing Benefit for private tenants. Housing Benefit continues to play a vital role in supporting an expanding private rented sector. In 2008/09 approximately 50,000 private tenants on Housing Benefit were supported by an annual private Housing Benefit budget of approximately £200bn.

[11] *Gray, P., Hillyard, P., McAnulty, U. & Cowan, D. (2002) The Private Rented Sector in Northern Ireland, Northern Ireland Housing Executive, Belfast*

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 (see Figure 10).

Figure 10: The Growth of the Private Rented Sector 1991-2009



Source: NIHE: Northern Ireland House Condition Surveys, 1991-2009

Preliminary figures from the 2009 House Condition Survey indicate a further substantial growth in the private rented sector, reflecting a combination of market conditions:

- The ongoing investor driven boom between 2006 and the autumn of 2007 and renewed investor interest since the summer of 2009;
- Since late 2007 the slump in house prices giving rise to the “accidental landlords”: including potential vendors, unable to sell their home at the desired price, who let their house out.

In 2009 there were approximately 125,000 dwellings in the private rented sector in Northern Ireland, equating to 17 per cent of the total stock. If dwellings which were privately rented when last occupied are taken into account, this figure rises to almost 20 per cent, a figure which is significantly higher than in England or Scotland.

Characteristics and Condition

Preliminary findings emerging from the 2009 House Condition Survey provide 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 already decreased to 28 per cent. By 2009 this figure had fallen further to 20 per cent (compared to 14% for the stock as a whole) reflecting the increasing number of newly built properties which had entered the sector. 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 and to 28 per cent in 2009 reflecting further substantial 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 2009, the vacancy rate in the private rented sector was 12 per cent, compared to 6 per cent for the stock as a whole. This vacancy rate is double the proportion for the housing stock as a whole (6%), but has actually declined a little since 2006 when it was almost 15 per cent, reflecting the ongoing sustained demand for privately rented accommodation.

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 2009, this proportion had increased to 42 per cent, much higher than the overall stock average of 31 per cent. The number of occupied privately rented flats/apartments had increased from 7,000 in 2001 to 11,500 in 2009, but the proportion of flats/apartments in the private rented sector has actually fallen from 14 per cent to 9 per cent.

Unfitness

The unfitness rate decreased substantially from 8.7 per cent in 2001 to 2.7 per cent in 2006, 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. Between 2006 and 2009 there was a further fall in the level of unfitness to 2.2 per cent. 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 (2.2%, compared to 1.0% in the occupied stock as a whole).

Government Indicators

Modelling work being undertaken by the Housing Executive in partnership with the Building Research Establishment will provide more up to date figures on key Government indicators of housing condition. The most recent figures available therefore are from the 2006 House Condition Survey.

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. 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).

More than a quarter (27%) of privately rented homes failed the Decent Homes Standard, in 2006, a significant reduction from 2001 when nearly half (47%) of all privately rented dwellings failed this Standard. The rate of failure in 2006 was still higher than for the stock as a whole (23%).

Housing Health and Safety Rating

Analysis of the 2006 House Condition Survey data using the most recent Government measure of housing quality: the Housing, Health and Safety Rating, 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 2006 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%), reflecting both the characteristics of the stock and the greater concentrations of low-income households in the sector.

The Private Rented Sector: Ongoing Research

In 2006, the Housing Executive launched a new programme of research into the private rented sector in partnership with the University of Ulster. A series of reports have been produced based on a more in-depth analysis of data from the 2006 House Condition Survey, and an indepth follow up household survey of 300 private tenants completed in 2007, which focused on affordability and landlord-tenant relationships. The following paragraphs summarise the key findings emerging from the reports published in the past year.

Socio-Economic Profile of Tenants in the Private Rented Sector (2009)

- A growing proportion of tenants in the sector are under the age of 40 (54% in 2006 compared to 37% in 2001). This significant increase is primarily a reflection of the difficulties experienced by this group, both in terms of affordability (including tighter controls on lending) for potential first time buyers and difficulties in accessing social housing in the right location.
- The proportion of privately rented properties occupied by lone parents doubled from 10 per cent in 2001 to 20 per cent in 2006. 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 compared to 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. 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 (42%) compared to the proportion found in the stock as a whole (38%), 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.
- Overall, the analysis indicates the increasingly important role the private rented sector played in Northern Ireland's housing market at a time of increasing affordability problems for first time buyers and the growing difficulties faced by housing associations in competing for high priced land and in accessing sufficient government funding. The private rented sector has offered increasingly high quality accommodation for younger households, lone parents, the unemployed and those on low-incomes – supported obviously by a growing private sector Housing Benefit budget.

Living in the Private Rented Sector: The Experience of Tenants (2009)

- Tenants in the private rented sector stay relatively short periods of time. Two-thirds (67%) had lived in their current accommodation for less than three years.
- Almost half (49%) of those tenants who had moved in the past five years had previously lived in privately rented accommodation. One quarter had moved from their family home, 14 per cent had lived in social housing and 11 per cent had owned their previous home. Tenants had left their previous accommodation largely for personal reasons (39%) or for reasons relating to the house itself (24%) or the area (20%).
- More than one-third (35%) of tenants indicated that an inability to access other tenures was their main reason for living in the private rented sector, including 28 per cent who stated that the waiting list for social housing was too long and a further third (32%) the location of the accommodation was the main reason for choosing to live in the sector.
- One-third (34%) of respondents had paid rent in advance for their current home, paying on average £348 per month. Two-fifths (41%) of respondents paid a deposit for their current accommodation, paying on average £294. In all 53 per cent had to pay a deposit and/or rent in advance. The average total amount that tenants had to pay upfront to secure accommodation was £439. Two-thirds of these were in receipt of Housing Benefit.
- Overall sixty per cent of respondents were in receipt of Housing Benefit. Of these, the majority (68%) had to pay a shortfall between the Housing Benefit they received and the total rent payable. The average shortfall that tenants had to pay was £20 per week.
- The majority (89%) had a good relationship with their landlord/agent. Two-thirds (67%) of tenants were very or fairly satisfied with the repairs and maintenance service offered by their landlord. However, nearly one-quarter (24%) were dissatisfied.
- Only 27 per cent of tenants were provided with a rent book although nearly two-thirds (62%) of tenants had a written tenancy agreement with their landlord/agent. Less than one-third (30%) of tenants had neither a rent book nor tenancy agreement.
- Overall, tenants were very much in favour of increased regulation in the sector: 84 per cent were in favour of an approval scheme for landlords, 83 per cent were in favour of an approval scheme for tenants and 87 per cent were in favour of a mediation/arbitration service to deal with landlord-tenant disputes and of these almost all thought it should be compulsory for landlords to attend.
- More than half (54%) of tenants want to remain in their current home for the next five years, and forty per cent want to move. One-third (33%) of those intending to move wish to go to the owner-occupied sector, one-quarter (27%) to Housing Executive accommodation and a further quarter (26%) intend to remain as a private tenant. Almost one-third (30%) of those intending to move are on the waiting list for social housing
- Overall the research indicates that the private rented sector can offer a viable alternative to social housing for households on low incomes. However, there are still issues to be addressed in relation to affordability (deposits and shortfall in HB), the quality of the repairs service and the lack of a rent book/tenancy agreement.

The Private Rented Sector: The Landlord Perspective (2010)

This report was based on a survey of almost 200 private landlords undertaken during the Autumn of 2009. The following key findings have emerged:

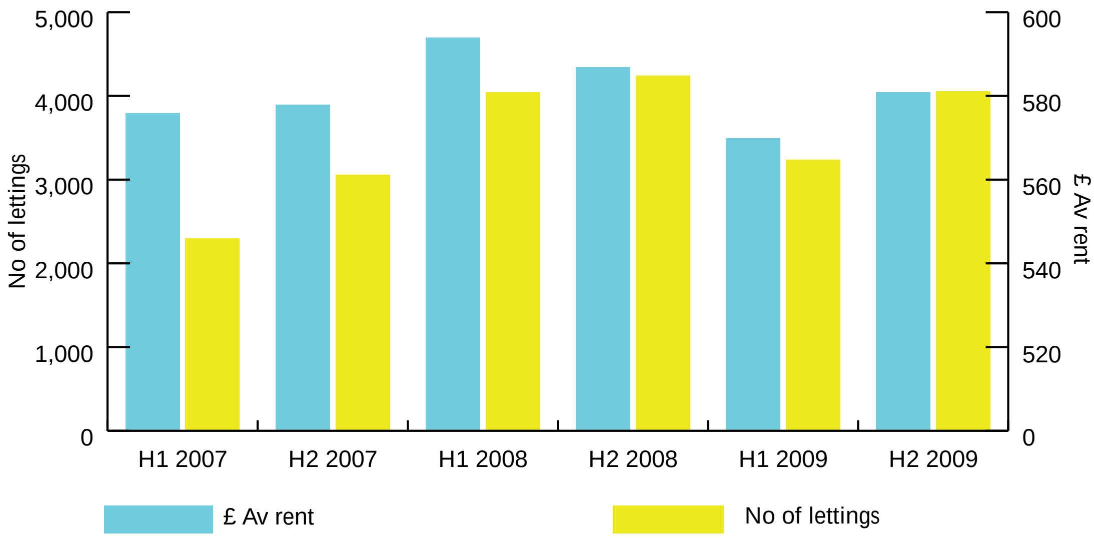
- Northern Ireland's private rented sector remains a "cottage industry": the majority of landlords operate on a small scale although typical portfolio sizes have increased in the last five years. Two thirds (66%) of landlords had five properties or less (71% in 2005). However, landlords with at least 20 dwellings owned 40 per cent of the stock covered by the survey.
- One quarter (25%) of landlords had entered the sector in the previous five years and a further 31 per cent six to ten years ago.
- Landlords who entered the sector did so for a variety of investment related motives. The main reason for more than one third (35%) was to part fund their retirement, for 20 per cent it was to benefit from a rental income; one quarter saw it as an "investment". However, a further 15 per cent were "accidental" landlords.
- The portfolio of the majority of landlords (69%) is financed mainly through mortgages or loans: 38 per cent with Buy to Let Mortgages and 24 per cent with Interest Only Mortgages. However, almost one third (31%) own/mainly own their portfolio outright. Of those who had outstanding mortgages/loans on their portfolio more than one third (38%) had loan-to-value ratios of 76 per cent or more and a further 17 per cent had loan to value ratios of 51 – 75 per cent.
- More than two fifths (41%) of landlords were in favour of a compulsory registration scheme for private landlords; mainly because it would "professionalise" the industry and help eradicate "rogue" landlords. However, 54 per cent were against such a scheme, citing additional costs and bureaucracy.
- The majority of landlords (65%) were in favour of a landlord/tenant arbitration/mediation service with two thirds of these (66%) stating that any decision by such a body should be legally binding on both parties.
- More than half of landlords (55%) were not in favour of introducing a Tenancy Deposit Scheme citing additional costs and bureaucracy. However, two fifths (40%) were in favour because it provided increased protection for landlords and tenants.
- Landlords views on accreditation schemes were split with just over half (52%) being in favour and the remainder against.
- Almost two-thirds of landlords (63%) stated an interest in a Private Sector Leasing Scheme. Those who were against it were worried about a loss of control over tenant selection.

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 been a lack of regular consistent information on rental levels. In order to address this information gap the Housing Executive formed a research partnership with PropertyNews.com and the University of Ulster in 2007. The researchers used the considerable quantity of data on lettings held on the Property News.com website, widely considered to be the most comprehensive in Northern Ireland. 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. It provided an analysis by location, property type and number of bedrooms, as well as average monthly rent for new lettings and became a template for future bi-annual reports for 2008 and 2009. The key findings emerging from these reports over a three year period are set out below.

During 2007, the number of properties let on the PropertyNews website increased from a total of 2,298 in the first half to 3,060 in the second half of the year. 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.

Figure 11: BMA: Lettings and Average Rent, 2007-2009



Source: propertynews.com

Two reports were produced for 2008, based on an analysis of private sector lettings in the first six months and second six months of the year respectively.

During 2008 there was a further rapid increase in the number of lettings. In the first six months there were 4,024 lettings (an increase of 32% compared to the previous six months). This upward trend continued into the second half of 2008, although at a

slower rate. A total of 4,243 new lettings were recorded (an increase of 5% over the previous six months).

Trends in rental levels showed a slightly different pattern. During the first six months of 2008 average rents increased by 3 per cent in BMA compared to the latter half of 2007 - although this increase was confined to the area outside Belfast City Council. By the second half of 2008 rents in the BMA as a whole had started to fall, again reflecting the situation outside the Belfast City Council area.

In 2009, the level of activity fell significantly compared to 2008. In the first six months of 2009 there were only 3,238 new lettings in BMA, a reduction of 24 per cent on the previous six months and a reduction of 20 per cent compared to the first six months of 2008.

This reduction in new lettings reflected a quieter market generally. Rental levels also declined a little, the average rent for new lettings during the first six months of 2009 was £570, representing a decline of -4 per cent compared to first six months of 2008 and a half yearly change of -3 per cent compared to second half of 2008, indicating that there may have been an oversupply in some sectors of the market.

The second half of 2009, however, saw a significant increase in lettings, and rents rose once more, to an average of £581 (+1.9%). Average rents in Belfast rose 2.8 per cent, more than compensating for the -3.9 per cent reduction in the rest of the BMA.

Houses in Multiple Occupation (HMOs)

A House in Multiple Occupation is defined by the Housing Order (NI) 2003 as a dwelling "occupied by more than two qualifying persons, being persons who are not members of the same family". Effectively therefore, it is a house occupied by three people from *two* different families. The definition of family does not include uncles, aunts, nephews and nieces, implying that a couple who takes in an aunt has created an HMO. This is not considered to be a sustainable position and the Department for Social Development is considering an amendment to the legislation using the Scottish definition of an HMO, where it is defined as a dwelling "occupied by three or more people who are not all members of the same family or of one or other of two families". In Scotland the definition of family includes uncles, aunts, nephews and nieces.

The most recent figures suggest that there are approximately 10,000 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

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 on the basis of an area based approach over a series of years. The scheme requires compliance with all HMO physical and management standards.

In 2007, a review of the HMO registration scheme in Northern Ireland 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, and provide a useful evidence base for developing future policy and strategy for the HMO sector.

HMO Registration Study (2008): Key Findings

- The Housing Executive should achieve better communication with tenants to ensure that they can easily access information about their rights and have a greater awareness of HMO standards.
- Landlords need a simple and clear explanation of what the HMO standards are. They require additional support in relation to tenancy agreements and dealing with problem tenants.
- At present, the registration scheme is perceived as enforcement without teeth. The key requirement is to have an appropriate balance between sanctions and incentives.
- 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.
- There is a lack of consistent information regarding the circumstances of migrant workers. There are clear benefits in working through community organisations and possibly also major employers to promote communication and trust between migrant workers and the Housing Executive.

HMO STRATEGY

Bearing in mind the key findings of this research, the Housing Executive launched a new HMO Strategy in 2008. Four of the main objectives are set out below:

Objective 1

Ensure HMO properties are brought up to satisfactory physical standards, prioritising those properties where risk to the occupants is perceived to be greatest.

A specified registration date has now been set for every HMO in Northern Ireland and almost 3,000 properties have been registered to date.

Objective 2

Provide appropriate advice and information on the HMO Sector to tenants and prospective tenants and ensure that they are fully aware of their rights and responsibilities.

The Housing Executive attends all the University Campuses each year to distribute relevant information to students. It also attends 6th Form Colleges to make a presentation to prospective HMO tenants and asks them to pass the information on to their parents. Information is also passed to Foreign Migrant Workers through a variety of forums and meetings.

Objective 3

Ensure that HMOs are well managed.

The Housing Executive provides awareness seminars to landlords. The DSD is also examining the case for changes in legislation to make the HMO Management Regulations more effective and to increase fines for non-compliance with the HMO Registration Scheme.

Objective 4

Ensure that the adverse effects of concentrations of HMOs are reduced

The Housing Executive contributes £175,000 annually to the cost of community safety wardens, as well as approximately £25,000 to the provision of CCTV in the Holyland area of Belfast and in the University area of Derry City. Information dissemination also highlights tenants' responsibilities to the surrounding community.

Private Rented Sector Strategy

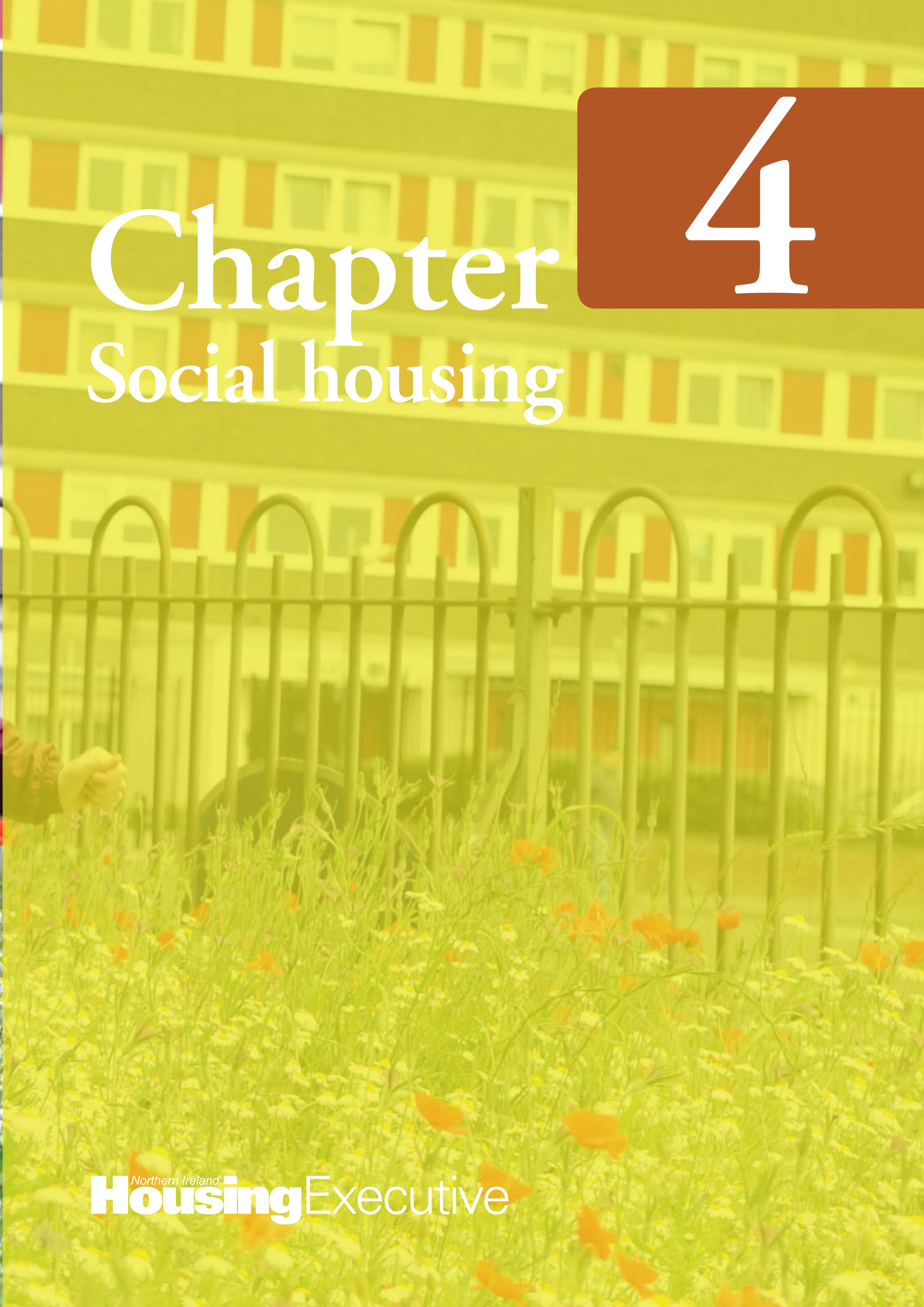
The Department for Social Development issued its *Building Sound Foundations: A Strategy for the Private Rented Sector* in May 2009. The strategy was guided by a vision of a “professional, well managed, service driven sector, grounded in high standards and good practice”. It focused on proposals to overcome aspects of the private rented sector which currently make it less attractive to people in housing need, thereby offering greater choice in particular to households who traditionally would have entered the social housing sector. The final document was launched by the Minister for Social Development in March 2010. It reflected the proposals contained in the original consultation document to a considerable degree.

Key points from the strategy include:

- Putting in place a comprehensive programme to improve the knowledge and awareness of both landlords and tenants to their rights and responsibilities under the Private Tenancies (Northern Ireland) Order 2006 is seen as a key priority.
- The need for a more consistent approach to enforcement of legislative provisions facilitated by more reliable sources of information on new tenancies, rather than any additional regulation. The Department has identified a number of areas within the order which need clarification and has drawn up a programme of enhancements which will strengthen the law, including the removal of the requirement to have both a rent book and a statement of the terms of tenancy.
- The consultation document had expressed the view that the mandatory registration of landlords would have significant cost implications, put an unnecessary and unfair focus on responsible landlords and provide no assurance that the quality of tenancy management would improve. However, the consultation exercise indicated a strong level of support for mandatory landlord registration, which is seen as proving comprehensive information about the sector and permitting councils to communicate with landlords more easily, allowing them to work with landlords to ensure compliance, raise standards and, where necessary, take enforcement action. The strategy therefore proposes the mandatory registration of all private landlords and agents acting on their behalf, including details of all properties available for rent. Landlords who are registered will be expected to comply with all statutory requirements governing the private rented sector. The required legislation is to be introduced at the earliest opportunity.
- The consultation document recognised that a more systematic collection of data on the reasons private tenancies are terminated is required to help understand the perceived insecurity associated with private tenancies. An improved management framework in the future was seen as key to providing greater security of tenure. In the interim the strategy proposes to increase notice to quit periods to a minimum of 8 weeks for those households who have been tenants for between 5 and 10 years and to 12 weeks for those who have been tenants for more than 10 years.
- All private rented accommodation should meet an enhanced standard similar to the Decent Homes Standard. This enhanced standard would include thermal comfort and fire safety measures.
- Improving accessibility to the sector by introducing a Northern Ireland rent deposit scheme which would provide better protection for tenant’s deposits and a means for resolving landlord/tenant disputes in this field.

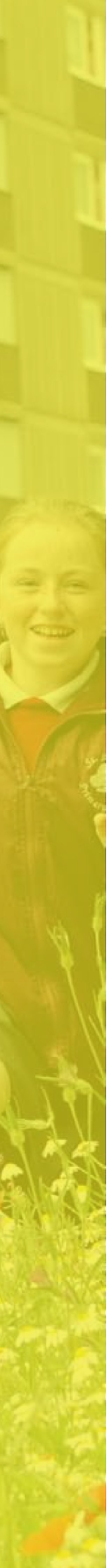
Key Issues and Strategic Perspective

- The private rented sector continued to grow rapidly between 2006 and 2009. Following a lull in activity after the autumn of 2007 when the housing bubble burst, substantial falls in house prices have re-activated investors' interest in the market.
- The private rented sector is currently underpinned by Housing Benefit payments totalling approximately £200 million. Rising waiting lists for social housing and affordability issues for first time buyers as a result of the ongoing caution by lenders, together with changing labour markets, will ensure that the private rented sector will continue to play an increasingly 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.
- Some investors – particularly those who bought at the height of the boom with the help of a mortgage with a high loan-to-value ratio – are leaving the sector. However, given the expected continued demand for private renting from first-time buyers unable to afford their first home, and the continuing pressure on the social housing budget, the risk of large-scale disinvestment is seen as low.
- The condition of the stock is continuing to improve as more and more modern houses become part of the sector and the level of unfitness is now low.
- Houses in Multiple Occupation (HMOs) will continue to play an important role in housing single person households including students, young professionals and migrant workers.
- The implementation of the Department for Social Development's strategy for the private rented sector will help address a number of important outstanding issues, including awareness of rights and responsibilities, security of tenure, housing quality, management standards and the resolution of landlord tenant disputes, including those concerning deposits.



Chapter 4
Social housing

Northern Ireland Housing Executive



Social Housing: Key Figures

	2001	2006	2009
SOCIAL STOCK[12]	133,900	115,000	111,100
Urban	112,000 (84%)	99,400 (86%)	98,600 (90%)
Rural	21,900 (16%)	15,600 (14%)	11,500 (10%)
DWELLING AGE			
Pre-1919	4,900 (3%)	4,300 (4%)	1,200 (1%)
1919-1980	86,700 (65%)	74,200 (64%)	69,100 (63%)
Post 1980	42,300 (32%)	36,500 (32%)	39,800 (36%)
HOUSING CONDITIONS			
Unfitness (rate)	1,270 (0.9%)	590 (0.5%)	100 (0.1%)
Non-Decent Home (rate)	58,800 (44%)	25,000 (22%)	n/a
Fuel Poverty (rate)	47,800	42,300 (37%)	n/a
NEED FOR SOCIAL HOUSING			
Total Waiting List (At March)	22,054	31,908	38,923
Housing Stress	10,639	17,223	20,481
Homeless: No. Presented	12,694	20,121	18,076
Homeless: No. Accepted	6,457	9,749	8,934
New Social Housing Required	1,500	2,500	2,500

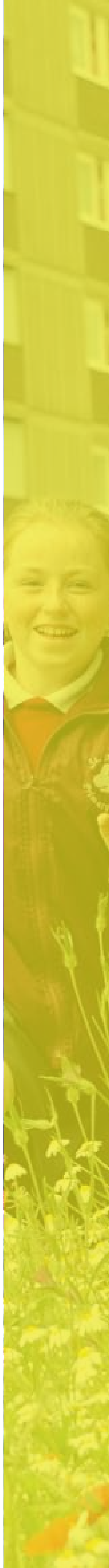
[12] *Excluding vacant properties*

Introduction

In March 2009, the social rented sector accounted for 16 per cent of the total housing stock (including vacant dwellings). Of the 116,000 self-contained rented properties owned and managed by social landlords at that time, around 90,000 belonged to the Northern Ireland Housing Executive, and 26,300 to housing associations.

The housing associations also owned a further 4,500 units of accommodation that were not fully self-contained. After a period of gradual but steady decline, the proportion of total occupied stock accounted for by social sector properties has remained static since 2006/07. Historically low levels of both house sales and demolitions have enabled an increase in the absolute number of social dwellings, with the result that the sector has maintained its share of the growing overall housing stock.

The composition of the social sector continued to shift during 2008/09. Housing association-owned properties accounted for almost one quarter (23%) of self-contained social dwellings at March 2009 – a considerable increase since March 2002, when the equivalent proportion was 14 per cent. During 2008/09, the number of new social housing completions (1,072) was, for the first time in recent years, significantly higher than the number of social sector dwellings sold or demolished (around 200). With the level of house sales having remained low, and a continuing emphasis on delivery of new social dwellings, the social sector has continued to grow during 2009/10.



The Housing Executive

A Non-Departmental Public Body which reports to the Department for Social Development, the Housing Executive was established in 1971 and became Northern Ireland's single comprehensive regional housing authority.

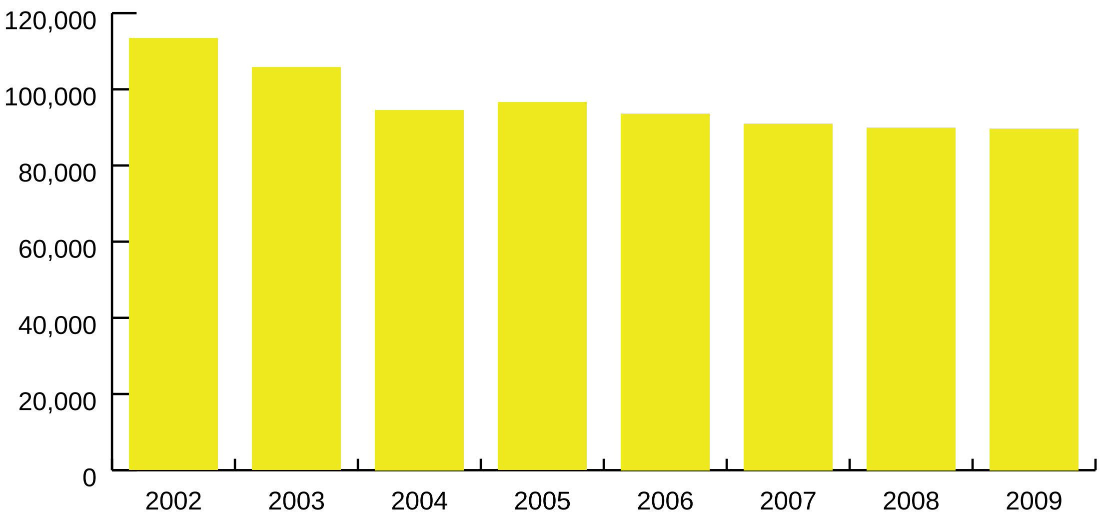
The organisation's role has evolved in response to changing housing and policy conditions over a period of almost four decades. After inheriting some of the worst housing conditions in Europe, the Housing Executive embarked on a programme of work that included construction of 90,000 new dwellings in the period to 2001. Following the transfer of responsibility for provision of new social dwellings to the housing associations – the result of the 1996 Housing Policy Review – the Housing Executive's construction role was gradually scaled back, and it has built no new homes since 2002/03.

The Housing Executive's gross budget in 2008/09 was £742m – almost £50m less than in 2007/08. Funding for the Social Housing Development Programme accounted for £128m of the 2008/09 total, while around £189m was invested in improvements and repairs to Housing Executive stock (a £13m reduction on the previous year's figure).

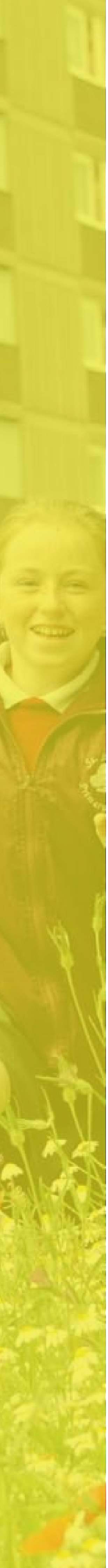
Housing Executive Stock

In addition to the properties sold through the House Sales Scheme, a number of Housing Executive properties are demolished each year. There were more than 1,000 demolitions annually between 2001/02 and 2004/05, but the numbers have since fallen, to just over 600 in 2007/08 and only 136 in 2008/09. Figure 12 shows the combined effect of house sales and demolitions on the occupied Housing Executive stock since 2002.

Figure 12: Housing Executive Stock, 2002-2009



Source: DSD Housing Statistics, 2008-09. Figures are at March each year.



The Characteristics and Condition of the Housing Executive Stock

At March 2009, the Housing Executive's property database showed that:

Dwelling Age

Around half of the stock (52%; 46,600 dwellings) was 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, the majority (68%) of which were located in the Belfast area. The figures are virtually unchanged from March 2008.

Dwelling Type

The majority of Housing Executive stock (56%; 50,980 dwellings) took the form of traditional terraced or semi-detached houses. Bungalows and flats both accounted for 20 per cent of properties (around 18,400 each), while the remaining four per cent were cottages, maisonettes or split level homes.

Dwelling Size

Around 40,000 dwellings (44%) had three bedrooms, while almost 35,000 offered two-bedroom accommodation. Dwellings with four or more bedrooms accounted for around one fifth of the stock (4,500).

Heating

The vast majority of properties owned by the Housing Executive (89,100 dwellings; 99%) had full central heating. Of the remainder, just over 600 had non-central, and a similar number part-central, systems.

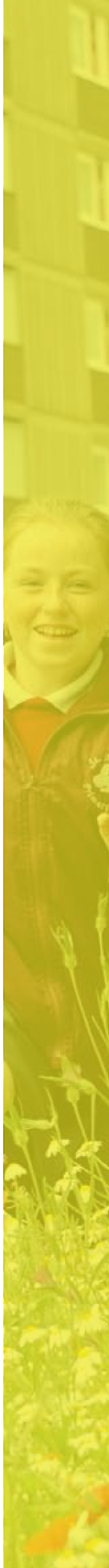
The number of homes that had solid fuel as principal heat source continued to reduce during 2008/09, reflecting ongoing investment in more efficient heating systems. By March 2009, around 13,000 Housing Executive properties were heated by solid fuel, compared with just under 15,000 in March 2008. Similarly, the number of homes which had electricity as their main heat source decreased from around 12,600 in March 2008 to 11,800 in March 2009.

By March 2009, almost one third of Housing Executive properties (32%; 28,500) were heated by natural gas. The majority were in Belfast, where more than two thirds of properties (69%) had gas as their main heat source. In addition, 40% of properties in the South East and around one quarter (26%) of those in the North East, were heated by natural gas.

The most recent Northern Ireland House Condition Survey was carried out in 2009. Some headline figures have recently become available, while ongoing work on modelling of the data means that some indicators are still based on the findings of the 2006 survey.

Unfitness and the Decent Homes Standard

The 2006 House Condition Survey estimated that some 500 dwellings (0.5% of Housing Executive stock) were unfit. The 2009 Survey indicates that the unfitness level in Housing Executive dwellings is now so low that it can no longer be measured. However, the 2006 House Condition Survey showed that a quarter (25%) of Housing Executive homes failed the Decent Homes Standard in 2006 – almost all on thermal



comfort. Findings emerging later this year will indicate the level of progress made since 2006.

Housing Health and Safety Rating System (HHSRS)

The 2006 House Condition Survey showed that around one tenth (9%) of Housing Executive properties had Category 1 risks, compared with three per cent of housing association properties and almost one fifth (19%) of Northern Ireland's entire housing stock.

Fuel Poverty

The 2006 House Condition Survey indicated that more than two fifths of Housing Executive tenants (41%) were experiencing Fuel Poverty in 2006, compared with 34 per cent of households across all tenures. The figures reflect, primarily, the relatively low incomes of households living in Housing Executive dwellings.

Household Profile

The Housing Executive's Continuous Tenant Omnibus Survey is based on interviews with 3,500 tenants throughout the calendar year. It provides an invaluable source of information on the socio-economic and demographic profiles of Housing Executive tenants.

Continuous Tenant Omnibus Survey 2008: Key Findings

- Average household size (2.1 persons) remained lower than the figure for Northern Ireland's housing stock as a whole (2.5).
- More than two-fifths of households comprised a single person (42%; 43% in 2007), and more than one third (38%) of households consisted of one or more older people. 'Lone older' remains the single most common household type (25%; 26% in 2007).
- Only 15 per cent of household reference persons (HRPs)[13] were working (full time, part time or self-employed) in 2008, a marginal increase on the previous year's figure (14%). As in 2007, 32 per cent of HRPs were retired, and the proportion in receipt of Income Support or Jobseekers Allowance (44%) was also in line with the previous year's figure (42%).
- Almost three fifths (58%) of respondents who provided information on their income reported that they had an annual gross household income of £10,400 or less. Around 15 per cent reported a gross annual income of £5,200 or less. Both proportions were slightly lower than in 2007 (61% and 16% respectively), but nevertheless point towards significant numbers of households living on minimal incomes and, therefore, likely to experience Fuel Poverty.
- More than one tenth (13%) of all household members required some form of mobility aid (including a wheelchair); the proportion of household reference persons in receipt of a disability benefit (36%) was almost unchanged by comparison with 2007 (35%).

[13] *The Household Reference Person is the member of the household who owns, or pays the rent or mortgage on, the property. Where two people have equal claim, the HRP is the person with the highest annual income. This definition is for analysis purposes only, and does not imply any authoritative relationship within the household.*

The Housing Executive and the Commission on the Future for Housing in Northern Ireland

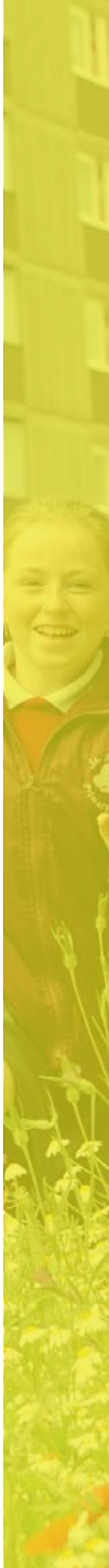
Launched in April 2009 and chaired by Lord Richard Best, the Commission on the Future for Housing in Northern Ireland is facilitated by the Chartered Institute of Housing and supported by the region's main housing organisations, including the Housing Executive. Its purpose has been to drive cross-sector consensus on a long-term vision for the future of housing here by:

- assessing the key challenges and opportunities associated with the delivery of housing in Northern Ireland;
- providing a space for housing professionals to contribute their knowledge, skills and ideas to the Commission's outcomes; and
- publishing a report containing specific recommendations on a strategic direction for housing and a roadmap for a way forward.

Following a period of research and consultation, the Commission published a paper in November 2009, which set out a number of key issues that had been identified as requiring resolution. In light of developments elsewhere in the United Kingdom, and also the current and potential outlook regarding funding, the Commission raised a number of points for discussion and debate in the future that relate specifically to the Housing Executive and its role. During a period of consultation that extended until early 2010, the Commission asked for views on:

- The efficacy of a more strategic role for the Housing Executive as a driver for development, and how this could work in practice;
- The implications of a more strategic role for the Housing Executive's other functions, in particular its landlord and other statutory functions;
- Whether change to the landlord function, either or both in terms of ownership and management of assets is required, and the optimum ways to achieve this;
- How this would impact on other NIHE statutory functions; and
- Whether other approaches, such as an asset management strategy, have merit, and what these other approaches may be.

The work of the Commission will continue during 2010, with a final report expected in the Summer of 2010.



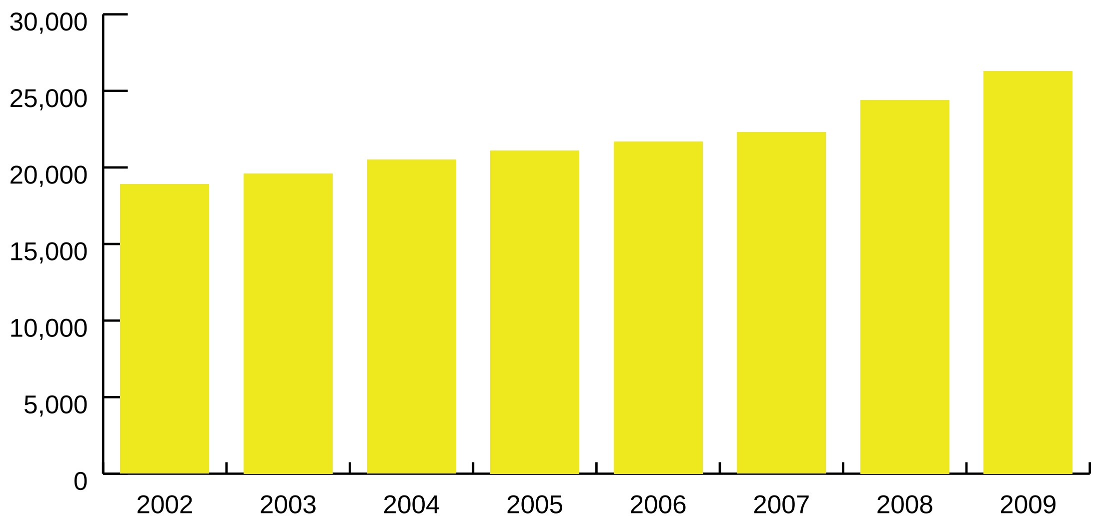
HousingExecutive

The Housing Associations

As at March 2009, there were 34 registered[14] housing associations in Northern Ireland, including the Northern Ireland Co-Ownership Housing Association (NICHA). Housing associations are independent social housing organisations which provide good quality, affordable accommodation for households in housing need, on a not-for-profit basis.

The occupied rented stock owned and managed by registered housing associations in Northern Ireland has increased steadily, to around 26,300 self-contained rented dwellings in March 2009. Housing associations also own and manage around 4,500 bedspaces in non-self-contained accommodation, in addition to Co-Ownership's 4,088 properties in equity sharing tenure (at March 2009). Figure 13 illustrates the steady growth in housing association stock.

Figure 13: Registered Housing Associations' Occupied Rented Stock (Self-Contained), 2002-2009



Source: DSD Housing Statistics 2008-09. Figures are at March each year.

Housing association development was financed almost entirely by grants and loans from Government until 1992. Under the 'mixed funding' arrangements subsequently put in place, associations have been required to obtain their loans from the private market. The private finance component represents about one third of the cost of general-purpose housing development by associations, and since 1991 they have borrowed more than £400m from private sources (mainly banks, building societies and their own reserves). This private finance represents a major contribution to the funding of social housing in Northern Ireland.

Until 2006, housing associations did not generally need to borrow private finance towards the cost of supported housing schemes; grant was paid at 100 per cent of the cost estimate approved by the Department for Social Development.

[14] *Housing associations registered with the Department for Social Development are eligible to receive Housing Association Grant, and operate within the Department's regulatory regime.*

Since then, grants for supported housing – which provides supportive services as well as suitable accommodation for a range of need groups including people who have a learning disability or are recovering from mental illness – may be paid at a rate lower than 100 per cent.

Housing Association Stock

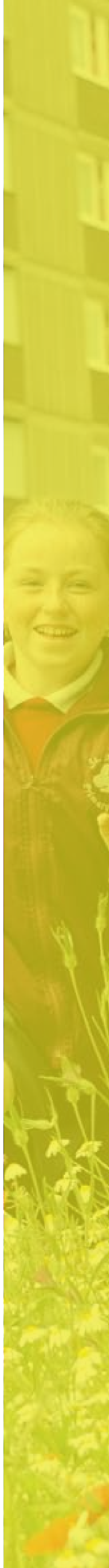
Excluding NICHA, but including vacant stock, registered housing associations owned a rented stock of more than 30,000 units of accommodation at March 2009. The majority (85%; 26,160 units) were self-contained, and the remainder were bed spaces in shared accommodation. The ten largest housing associations, which each had more than 800 units, owned more than three quarters (77%) of all housing association stock (see Table 12).

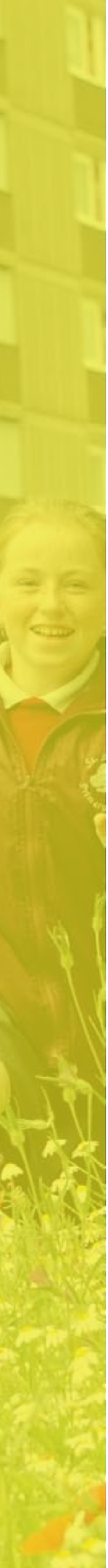
Table 12: Housing Associations with more than 800 units of Rented Accommodation, March 2009

	Self Contained Units	Bed Spaces	Total Units
Helm	4,177	556	4,733
Fold	4,229	298	4,527
Oaklee	3,515	632	4,147
North & West	2,320	427	2,747
Clanmil	1,992	0	1,992
Habinteg	1,605	288	1,893
SHAC	178	809	987
Trinity	758	95	853
Ulidia	567	278	845
South Ulster	813	0	813
Total (Top 10)	20,514	3,383	23,537
Total Housing Association Stock	26,161	4,507	30,668

Source: DSD, Housing Governance and Inspection

Approximately 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 one third of the stock owned by associations (almost 10,200 units) was designed for elderly people. Housing association stock is found in all District Council areas in Northern Ireland, but the highest concentrations at March 2009 were in the Belfast (41% 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.





The Characteristics and Conditions of Housing Association Stock

Information on the characteristics of housing association stock and the households living in the sector is provided by the House Condition Survey. Some preliminary figures from the 2009 Survey are now available.

Dwelling Age

In 2009, the vast majority of housing association properties (84%) were built after 1980. The high proportion of relatively new dwellings reflects the introduction of Housing Association Grant in 1976 as well as associations' responsibility for development of all new social housing since the late 1990s.

Dwelling Type

In 2009, more than one quarter (28%) of housing association stock was in the form of terraced properties. Flats and apartments (40%) were the most common property type, reflecting the fact that, until recently, a number of housing associations had concentrated their efforts on building sheltered accommodation for older people.

Dwelling Location

The findings from 2009 show that the largest concentration of housing association properties was in the Belfast Metropolitan Area (51%). A further 40 per cent were located in district and other towns, and five per cent in small rural settlements. Only four per cent of dwellings owned by housing associations were located in isolated rural areas.

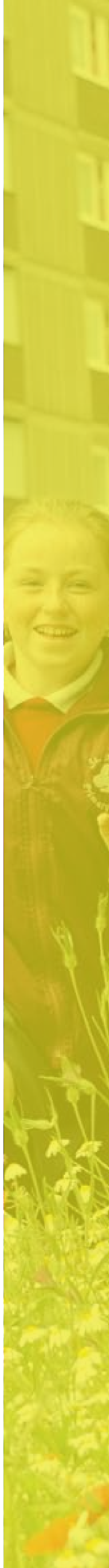
Unfitness, Decent Homes and Fuel Poverty

In 2006, an estimated 100 housing association properties (0.4%, excluding vacant dwellings) were found to be unfit, reflecting both the effect of property rehabilitation and the relatively young age profile of the stock. By 2009 the figure was so small it was considered to be statistically insignificant.

However, in 2006 nine per cent of housing association properties failed the Decent Homes Standard and around one fifth (21%) of housing association tenants were estimated to be in Fuel Poverty (although this was the lowest rate across all tenures).

Housing Health and Safety Rating System (HHSRS)

Housing association properties performed well when assessed using a HHSRS-style methodology in 2006. Only three per cent were estimated to have Category 1 risks, by comparison with an overall Northern Ireland rate of 19 per cent. Figures for 2009 on all these key Government measures will emerge during 2010.



Profile of Housing Association Tenants (2006)

The most recent figures available are from the 2006 House Condition Survey:

- Half (51%) of housing association tenants were elderly, and of these the vast majority (88%) were single person households.
- Around one third (31%) of household reference persons were aged 75 or older.
- Single person households of all ages represented 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 almost one quarter (23%) of owner occupiers.
- One fifth (20%) of household reference persons living in housing association-owned properties were in either full- or part-time employment. A further half (48%) were retired and around ten per cent were permanently sick/disabled.
- The majority (57%) of households living in housing association accommodation had an annual gross income of less than £10,000. One fifth (20%) reported that their income was less than £7,000 each year.

Co-Ownership Housing

The Northern Ireland Co-Ownership Housing Association (NICHA), which was established in 1978, plays a key bridging role in the local housing market through its 'Do-it-Yourself-Shared-Ownership' scheme. The scheme enables eligible, lower income households, whose resources would not otherwise allow them to purchase a home, to bid for a property on the open market through shared ownership arrangements and thus access owner-occupation.

Co-Ownership managed a total of 4,088 properties at 31 March 2009. Figure 14 shows that the number of properties acquired through the scheme between April 2008 and March 2009 (325) began to return to its longer term trend after the exceptional year of 2007/08 (935).

Property value limits for Co-Ownership purchases were uplifted to £180,000 and £225,000 (depending on area) from 1 April 2007, to keep pace with rising property prices, enabling access for potential applicants at the height of the house price boom in Northern Ireland. In combination with the reduced minimum share available at the time, the increased value limits led to rapid uptake of Co-Ownership's funding during 2007/08, and the organisation was unable to take any applications for a number of months from March 2008.

Acquisitions activity during 2008/09 was further affected by a combination of two other important external factors:

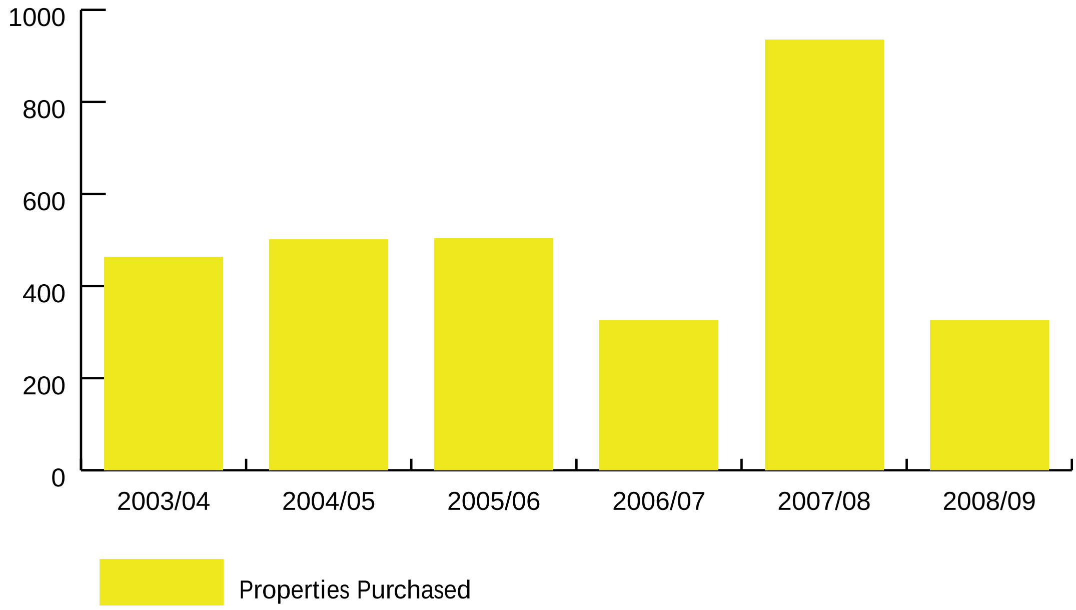
- limited access to credit (mortgage finance) and more stringent lending criteria (larger deposits)
- vendors withdrawing with properties from sale as prices fell

Processing of applications resumed in November 2008 after Co-Ownership secured a £35m private finance facility from Bank of Ireland. At that time, the value limit returned to £175,000 (where it still remains) in recognition of the changed market conditions and the raised stamp duty threshold that was in place until January 2010.

The option to purchase an initial share of 40 per cent of the property through Co-Ownership was introduced in 2006/07, and proved popular in 2007/08, with just over one quarter (27%) of purchasers commencing at initial 40 per cent shares. The minimum share subsequently returned to 50 per cent in November 2008, following the substantial price correction in the market.

NICHA's overall investment of £24.1m during 2008/09 was substantially lower than the previous year's unusually high figure of £78.2m. £15m of the 2008/09 total was in the form of Housing Association Grant, compared with £19m the previous year. The total value of properties purchased during 2008/09 was £49.6m – significantly lower than the 2007/08 figure of £157m, but higher than in 2006/07 (£36.8m), when the number of properties purchased was the same as in 2008/09. Purchase prices ranged from £87,000 to £225,000 in 2008/09, with an average purchase price of £152,651. This was lower than both the average Co-Ownership purchase price during 2007/08 (£167,938) and the average Northern Ireland market price during 2008 (£218,145).

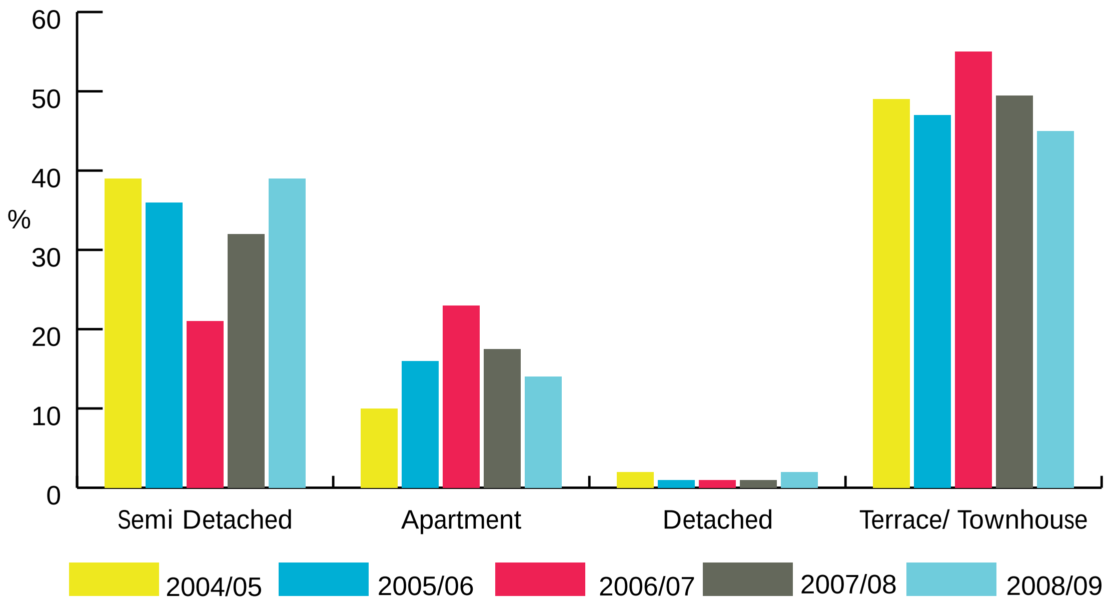
Figure 14: Co-Ownership: Properties acquired annually, 2003/04-2008/09



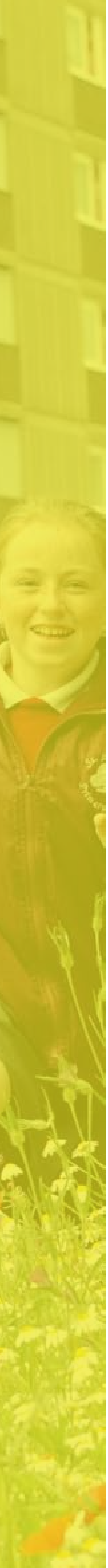
Source: Co-Ownership Housing

Slightly less than half (45%) of properties acquired through the scheme in 2008/09 were terrace/townhouses. This proportion was broadly in line with – although slightly lower than – recent trends. The proportion of purchases accounted for by apartments was also lower in 2008/09 than in the previous year. Figure 15 shows that the lower proportions of terraced and apartment properties purchased through the scheme in 2008/09 were balanced by an increase in the proportion of purchases accounted for by semi-detached dwellings – an effect of falling property prices since autumn 2007.

Figure 15: Co-Ownership Purchases byDwelling Type, 2004/05-2008/09



Source: Co-Ownership Housing



More than 20,500 households have been enabled to purchase their own home with the help of Co-Ownership since the scheme was set up in 1978, and around 16,450 had 'staircased' out to become full owners between then and March 2009. On average, around 750 households 'staircased' to 100 per cent each year between 2003/04 and 2006/07, but the number of households staircasing to 100 per cent ownership fell to 334 in the inflationary market conditions of 2007/08, and was lower still (80) in 2008/09. During this "credit crunch" period additional mortgage finance for the purposes of staircasing was much more difficult to access and very few properties came onto the market for potential "staircasers" to consider. The average return for those households that staircased during 2008/09 (£39,418) was higher than in 2007/08 (£30,625), indicating that homes purchased a number of years ago have increased significantly in value despite the recent downturn in property prices.

Not surprisingly, given the low level of staircasing, income generated through sales was relatively low in 2008/09. Total proceeds (£4.6m) were significantly down on 2007/08 (£24.9m), and just over £1m was returned to the Department for Social Development, compared with £4.9m in 2007/08. NICHA uses receipts from sales to purchase property for new leaseholders.

Data collated by Co-Ownership provides an insight into the profile of purchasers during 2008/09:

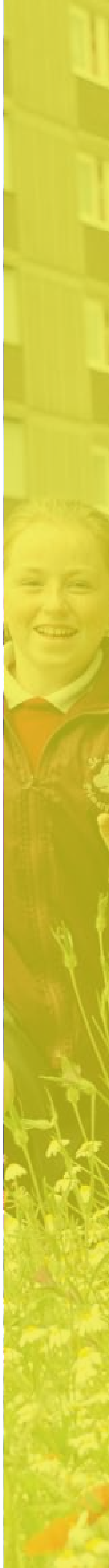
- More than half (58%) of households had only one earner (the equivalent figure for 2007/08 was 55%), and almost two-fifths (39%) of purchasers were single person households. Around one third (34%) were couples, slightly more than one tenth (12%) couples with children, and 15 per cent were lone parents.
- The average age of purchasers was 28, and ranged from 18 to 52 years.
- The majority (59%) of all purchasers commenced with a 50 per cent share of their property; a further fifth (20%) initially purchased 40 per cent of the equity in their home. (Although the option to join the scheme with a 40% share is no longer available, a number of purchases during 2008/09 involved applications carried over from the previous year, when the 40% starting share was still offered.)
- The average single income of those purchasing through Co-Ownership was £19,085 in 2008/09, and average combined household income stood at £23,571. Both figures had decreased marginally since 2007/08, when the averages were £19,870 and £23,617, but overall the figures suggest that affordability remained problematic during 2008/09, with purchasers' price to income ratio staying in line with the previous year's figure, at 7.0.

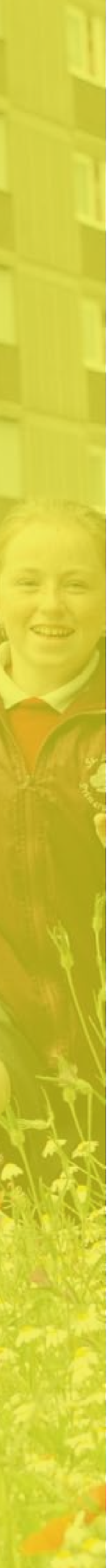
While changes in the market have made it easier for prospective purchasers to find properties within the Co-Ownership value limits, mortgage finance has become the main constraint, and there has been some evidence of difficulty agreeing valuations for mortgage purposes in an uncertain market.

Last year's Housing Market Review commented on how the Co-Ownership Scheme had been a victim of its own success – its popularity at a time when access to owner occupation had been severely limited meant that the scheme's resources rapidly depleted during 2007/08. £35 million of private finance secured from Bank of Ireland in October 2008 facilitated the scheme's operation during the latter half of 2008/09.

More recently (November 2009), Co-Ownership announced an arrangement with Bank of Ireland and Barclays that would lever in private finance of up to £48m, enabling a programme of 1,500 purchases over the three-year period to 2012.

The new funding arrangements should ensure that Co-Ownership continues to fulfil its important role in Northern Ireland's housing market, facilitating access to low-cost home ownership despite the continuing affordability difficulties presented by the wider economic environment.





New Social Housing

Social Housing Supply and Housing Need

Housing need in the social rented sector is primarily met through the re-let of existing dwellings to new applicants. There were approximately 16 per cent more Housing Executive re-lets (excluding transfers) in 2008/09 (5,571) than in 2007/08 (4,825), and the total number of housing association allocations and re-lets through the Common Selection Scheme also increased during the same period, from 2,464 to 2,561. In combination, the figures show a 12 per cent rise in the number of allocations between 2007/08 and 2008/09, so that during 2008/09 total social sector allocations stood at more than 8,000 for the first time since 2005/06.

The most recent version of the Net Stock Model (outlined in Chapter 1) envisages an annual requirement for 1,900 dwellings to meet ongoing need arising for mainly demographic reasons. However, given the shortfall in new social housing provision since 2001 compared to earlier versions of the model, it is considered appropriate that an additional 600 are provided each year to give a total annual requirement of 2,500 new social dwellings.

The Social Housing Development Programme 2008/09

A target of 1,500 additional social dwellings had been set for 2008/09. In the event, the availability of finance limited the scope of the programme to just over 1,100 units. During 2008/09, work started on 863 new self-contained social dwellings, a decrease of around one quarter (26%) on the previous year's figure of 1,167. Work also commenced on 43 bed spaces in hostels and other communal establishments. Slightly more self-contained units were completed during 2008/09 (1,072) than in 2007/08 (967), while completions of bed spaces decreased, from 61 in 2007/08 to 47 in 2008/09.

Contract starts for new dwellings in 2008/09 were recorded as 906, including 299 "off the shelf" and 131 "package deal" properties. A further 223 "existing satisfactory" properties were acquired during the year, and work started on the rehabilitation/re-improvement of seven properties. It is important to bear in mind that neither these, not the "existing satisfactory" acquisitions, contribute to addressing the overall social housing need estimated by the Net Stock Model.

Table 13 illustrates the changing composition of the new build programme, which has been heavily influenced by the land and property boom and subsequent housing market downturn in recent years. With sites proving expensive and difficult to acquire, 2007/08 saw a relatively high number of "existing satisfactory" purchases supplementing the programme. While the number was lower in 2008/09, existing satisfactory properties continued to account for around one fifth (20%) of the total social housing development programme. The role of "off the shelf" properties in new social housing delivery has also increased in recent years. In 2005/06, six per cent of the programme (90 dwellings) took the form of "off the shelf" properties. By 2008/09, around one quarter (26%) of new social housing starts were "off the shelf" properties. The trend reflects the fall in demand for new housing on the open market, which has resulted in housing associations purchasing suitable completed properties from developers at locations where there is an identified social housing need.

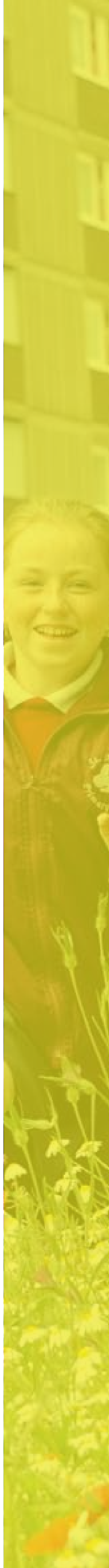


Table 13: Social Housing New Build Activity, 2005/06-2008/09

	2005/06	2006/07	2007/08	2008/09
Buy and develop sites: new build	1,013	604	885	476
Buy new homes “Off the Shelf”	90	48	270	299
Package Deals (Design & Build)	212	174	84	131
Buy “Existing Satisfactory” homes	142	180	343	223
Rehabilitation/ Re-Improvement	62	26	13	7
Total Recorded Starts (DSD)	1,519	1,032	1,595	1,136

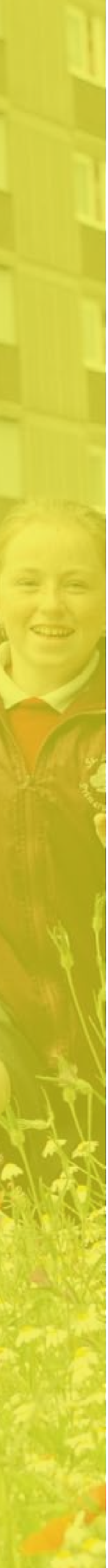
In 2008/09, ‘Design and Build’ (Package Deal) schemes accounted for just over one tenth (12%) of starts. Design and Build Packages are negotiated contracts for (in this instance) the provision of new social housing, whereby a developer who owns the land also builds the houses. These arrangements were appropriate and good value for money when land was in short supply and increasing in value.

More recently, emerging case law in respect of European Union procurement directives has called into question the use of negotiated Design and Build packages, not only in Northern Ireland but throughout the EU. With legal advice having indicated that this approach could run contrary to EU procurement law, the Housing Executive has now replaced Design and Build packages that had been included in the Social Housing Development Programme with alternative new build schemes using traditional procurement methods. Developers who had previously used the Design and Build route are free to compete for construction work procured through a process compliant with the requirements of EU procurement law, and/or to sell their development land direct to housing associations.

General needs schemes, including developments in North and West Belfast, Derry/ Londonderry and rural areas accounted for the majority (81%) of social housing starts during 2008/09. A further 14 per cent of starts were ‘Category 1’ schemes for active elderly people, and the remainder 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 2009/10 onwards

The 2009/10 programme included a requirement for housing associations to start work on 1,750 additional units of accommodation, with an associated budget of £155m. Actual outturn exceeded this target. Housing associations began work on or bought a total of 1,838 additional social dwellings during 2009/10, the highest figure since 1998/99. The target for 2010/11 is 2,000.



As part of the Minister for Social Development's commitment to new social housing under the New Housing Agenda, a further increase in the number of starts – to 2,000 – has been planned for 2010/11. In addition, more than 350 units that were not delivered due to a shortfall of funding during 2008/09 have also been programmed to commence during 2010/11. The expectation, therefore, is that work will commence on 2,364 new social dwellings in 2010/11, subject to the 2009/10 year-end outturn and availability of funding.

The Minister for Social Development's New Housing Agenda also included a new procurement strategy for the Social Housing Development Programme, which was launched in 2008. The strategy aims to streamline procurement activity across the housing association network in Northern Ireland, moving to a model of collaborative procurement and use of long term construction contracts. Four procurement groups (Abacus, Accord, Apex and Premier) have now been formed by the registered housing associations. This collaborative approach is expected to consolidate housing 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.

Improving and Maintaining Social Housing

Social Housing Stock Conditions

The findings of the 2006 House Condition Survey showed that the quality of social housing in Northern Ireland had continued to improve in recent years. Across the social sector as a whole, the number of properties failing to meet the Decent Homes Standard fell from almost 59,000 (44%) in 2001 to 25,000 (22%) in 2006. This was mainly due to the high level of resources devoted to the maintenance and improvement of the social stock here over a period of almost forty years. Figures from the 2009 House Condition Survey, which are due to become available later this year, will provide a useful indication of developments since 2006.

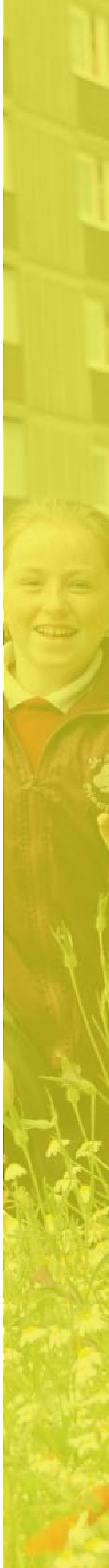
The House Condition Survey findings were echoed by the outcome of an independent study of Housing Executive dwellings carried out during 2008/09 by Savills. Following a major survey of more than 9,000 properties throughout Northern Ireland, the firm's surveyors concluded that the Housing Executive's stock was by far the best quality housing that it had inspected within the social sector.

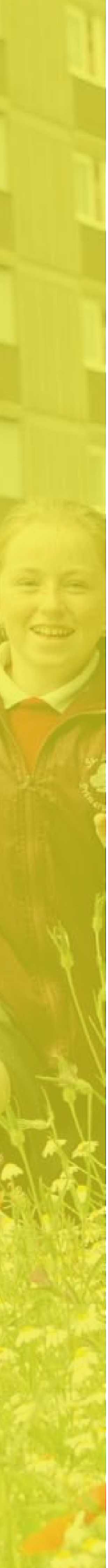
However, the Savills survey also found that around 17 per cent of Housing Executive dwellings did not meet the Decent Homes Standard, and were therefore in need of investment, primarily to replace obsolete and inefficient heating systems. Substantial investment over the years has made a major impact on Housing Executive stock, reducing the proportion of dwellings that did not meet the Decent Homes Standard from 50 per cent in 2001 to 25 per cent in 2006 (Northern Ireland House Condition Survey), but as the Executive's stock continues to age, ongoing investment is necessary to maintain and improve the dwellings. 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. Recent financial constraints mean that achievement of the 2010 target is no longer feasible, and the target for a number of associated work streams has now been put back to 2012.

In budgetary terms, the Housing Executive experienced one of the most challenging years since it came into existence in 2008/09. Funding constraints arising from the collapse in income from capital receipts (land and house sales) meant that although the organisation was able to present a balanced financial outturn at year-end, there were adverse consequences for the planned programme of work to maintain and improve Housing Executive properties.

Improving the Housing Executive's Stock

As part of its commitment to meet the Decent Homes Standard, the Housing Executive had estimated that 9,120 multi-element improvement starts would be required between April 2003 and the target date in March 2010. In order to stay in line with the programme, work to 6,500 dwellings should have been completed by March 2008. However, with the 2007/08 outturn slightly below target, and only 164 multi-element schemes commenced during 2008/09, the projected 6,500 target had still not been achieved a year later, in





March 2009. With ongoing budgetary difficulties meaning that no multi-element schemes have been planned for 2009/10, the backlog continues to grow.
The number of heating replacement schemes, which are also classified as improvements, was lower during 2008/09 (around 1,730) than in 2007/08 (just over 2,300). The diminished numbers reflect the reduced availability of funding, but also the fact that significant progress has been made in upgrading the heating systems in Housing Executive stock during the last decade. Implementation of the organisation's preferred fuel policy through the removal of inefficient solid fuel and electric and heating systems has continued during 2009/10; 1,200 heating installations have been programmed as part of an overall target to commence improvement work on almost 3,000 dwellings.

Capital-funded improvement programmes have been hardest hit by the plunge in income from house and land sales. Having fallen from £100m in 2006/07 to an anticipated £6m in 2009/10, the funding for capital works has largely evaporated. Early in 2009/10, the Housing Executive took the decision to defer all full-scale improvement schemes that had not commenced on site until a recovery in house and land sales. It was estimated that the deferral would affect around 850 homes during 2009/10. Adaptations and work related to Health and Safety issues have been identified as the most critical types of capital scheme, to be prioritised for available funding during the period 2010-2015.

Maintaining the Housing Executive's Stock

The Housing Executive maintains its stock, either as planned maintenance or in response to tenants' requests for repairs (External Cyclical Maintenance or response maintenance).

External Cyclical Maintenance

The Housing Executive aims to include each of its dwellings in an ECM scheme once every five years. Budgetary constraints have also impacted on this area of activity, with the result that ECM starts fell from around 9,700 in 2007/08 to 2,100 during 2008/09 (against a revised target of 3,200). The target for ECM schemes in 2009/10 remains relatively low at 2,000 starts. As the Housing Executive stock continues to age, it is important that appropriate funding for external cyclical maintenance continues to be made available in order to prevent deterioration to the external fabric of Housing Executive dwellings.

Revenue Replacement Schemes

At 2,560, the number of revenue replacement schemes (mainly kitchen replacements) that commenced during 2008/09 was also lower than in 2007/08 (almost 5,000), and below target for the year (4,500). The increasing backlog means that, of the 16,800 kitchen replacements that were estimated to be required between April 2003 and March 2012 (the target date was moved back from 2010), more than 11,500 have now been carried out, but a reduced number of starts (1,400) is planned in 2009/10. The need remains for work to modernise kitchens and bathrooms in Housing Executive dwellings, and there are indications that more kitchens than originally estimated will need to be replaced. Modern kitchens (less than 20 years old) and modern bathrooms (less than 30 years old) are important criteria in meeting the Decent Homes Standard. Any delay in undertaking replacement schemes will therefore impact further on timescales for achieving the Standard.

Response Maintenance

The number of works orders raised during 2008/09 (406,160) was higher than in 2007/08 (392,000). The 2007/08 total was unusually low, even in light of a previous downward trend, and may have been partly due to spend restrictions imposed during the last quarter of the financial year.

The Continuous Tenant Omnibus Survey monitors tenants' satisfaction with the repairs service. Findings for 2008 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. The proportion was the same in 2007.

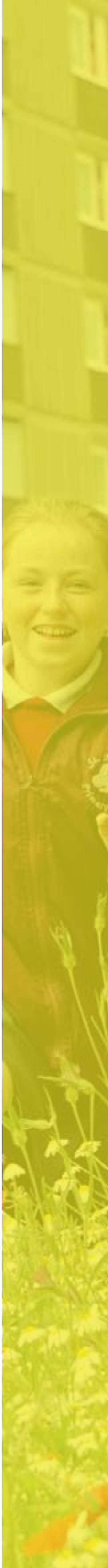
Maintenance Investment Strategy

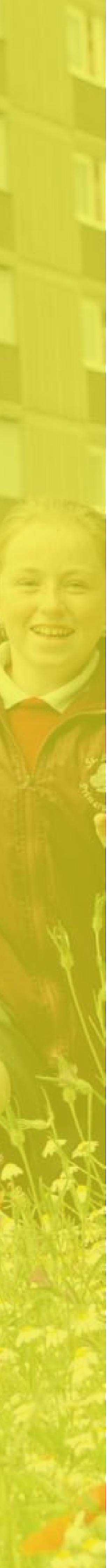
Following the Housing Executive's Fundamental Review of Maintenance (2002) a maintenance investment strategy was formulated for the period 2003-2010. Part of the rationale behind the choice of this time scale was to align the Housing Executive's programme of work with the target for meeting the Decent Homes Standard in England and Wales. Several immediate priorities were identified:

- to review the work content and programme cycles of external cyclical maintenance (ECM) programmes;
- to redirect resources to component replacement (initially towards kitchens); and
- to control response maintenance costs, 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 their 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.

More recently, a stock condition survey[15] was commissioned by the Department for Social Development with the aim of:

- assessing the current condition of the stock;
- assessing repairs and maintenance liability over a 30 year period; and
- assessing properties against the Decent Homes Standard.

As noted previously, the results of this survey confirmed that the Housing Executive's stock was of a high quality. However, it identified that 17 per cent of the stock failed the Decent Homes Standard, mainly on heating. The results of the 2009 House Condition Survey will provide a further update on this figure.

In addition, the survey identified a need for short term investment in heating, kitchens, wiring and windows; and a medium term investment in roofs, external fabric work and ongoing internal work. Furthermore, the survey indicated a requirement for a £5bn investment over 30 years, to include work to ensure properties meet the Decent Homes Standard, statutory obligations, and other response and planned maintenance work.

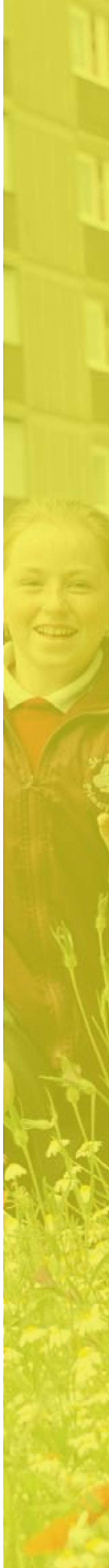
The financial constraints which have existed during the past two financial years (2008/09 – 2009/10), primarily as a result of the sharp fall in capital receipts from the sale of Housing Executive land and homes (see Chapter 2), has meant that progress in meeting improvement and maintenance targets has been slower than expected. A further review of the strategy is ongoing. It is examining a range of options which it is hoped will enable the stock to continue to be maintained to high standards in the context of a much more difficult public expenditure framework.

[15]Savills (2009) *Northern Ireland Housing Executive Stock Condition Survey,* Report to the Department for Social Development

Key Issues and Strategic Perspectives

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 February 2010, estimates that there is an annual requirement for at least 2,000 additional new social dwellings to meet ongoing need. An overall figure of 2,500 new social dwellings is seen as being required to make significant inroads into the substantial backlog which has developed since 2001.
- Work on developer contributions to help fund the provision of social and low cost affordable housing needs to be finalised. While it is recognised that in the current 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, the introduction of developer contributions will be a very important requirement in the longer term in the face of growing constraints on public expenditure.
- The Co-Ownership Scheme continues to play a very important role in meeting the needs of lower income households wishing to access owner-occupancy. More sustainable funding arrangements, including the greater use of private finance, will help the organisation fulfil its important role within the housing market in the longer 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.




Project sponsor
Project sponsor,Project engineer
Project engineer
10 days
15 days
10 days
5 days
10 days
3 days

Conclusion


Project engineer,Discipline engineer
Discipline engineer
Discipline engineer
Summary
Project Summary
Page 1

Conclusion

Northern Ireland's housing market now appears to have stabilised following a two year housing recession. Nevertheless its future is closely tied up with developments in the world economy where the strength of the recovery from a very sharp and protracted recession appears fragile.

This is compounded in the context of the UK by high levels of consumer debt and the expected reductions in Government spending in the coming three years.

In Northern Ireland households are facing the combined effects of a declining manufacturing base, lower increases in public expenditure, growing indebtedness, higher fuel and food prices and increases in local taxation. In addition banks and building societies are continuing with their more cautious approach to lending. It is expected that interest rates will remain low; nevertheless the most likely perspective is that the housing market will remain flat for at least the next year, as first-time buyers continue to struggle to purchase their first home.

An increasing number will seek to meet their accommodation needs in the private rented sector. This means that the risk of disinvestment by landlords on a larger scale is therefore unlikely. The implementation of the Department for Social Development's strategy for the sector should increase its attractiveness as a longer term housing solution for many more households – as long as an adequate Housing Benefit budget is available.

In the social rented sector there will be an ongoing sustained demand for accommodation – particularly in areas of high need. The growing availability of the private rented sector may relieve some of the pressure, but for many households social housing provides a more appropriate solution.

There is no doubt, therefore, that despite the further significant improvement in housing conditions recorded by the 2009 House Condition Survey, there remains an ongoing need for investment in new social housing, in improvement and maintenance and in measures to help alleviate Fuel Poverty.

Northern Ireland Housing Executive

Northern Ireland Housing Executive