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Review & Perspectives 2011-2014

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Preface

We are pleased to be able to present the "Northern Ireland Housing Market: Review and Perspectives, 2011-2014. This is a key strategic planning document which highlights the main developments in Northern Ireland's housing market and on this basis identifies the key issues to be addressed. It is the fifteenth consecutive year that this document has been published and once again it provides a substantial evidence base to guide our intervention in the housing market.

The coming three year period presents a number of very significant challenges. Demographic projections indicate an ongoing need for substantial investment in new housing. Given the very challenging economic climate it has become increasingly difficult for the private sector to respond to this in the way that it did before the housing crash in 2007. Northern Ireland's construction sector has shrunk significantly over the past three years and the number of new houses being built by the private sector has diminished accordingly. The affordability of homes has certainly improved dramatically: 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 more than 40 per cent. However, changing labour market conditions, high levels of indebtedness, negative equity and the application of more stringent lending criteria means that the effective demand for new housing has dwindled. Restoring confidence in the housing market therefore must be seen as a key challenge for both public and private sectors.

The 2009 House Condition Survey provided confirmation of the rapid growth in the private rented sector, with approximately one in six houses now part of this tenure. Given the ongoing difficulties faced by first-time buyers and the rising need for social housing there is no doubt that private renting will in future continue to play a more prominent role in addressing the needs of lower income families. At present the Housing Executive provides approximately £250 million a year to support the sector in the form of Housing Benefit, most of this is paid directly to landlords.

It is therefore important for Government to fully evaluate the effects of its proposals to reduce the Local Housing Allowance in the context of the housing market as a whole. The assumed savings to be made from these reductions may in the longer term prove to be illusory. The Department for Social Development's Strategy for the Private Rented Sector provides a vehicle for raising both physical and management standards in the sector. The challenge will be to successfully engage with an increasing number of landlords and draw more of them into public-private partnership in order to address the housing needs of lower income households.

We have attempted, with at least some success, to highlight the beneficial effects that the development of new social housing can have for Northern Ireland's economy. During the 2009/10 the housing associations, in partnership with the Housing Executive and the Department for Social Development started work on an additional 1,838 social housing units, exceeding the Ministerial target of 1,750. This year we hope to exceed the target of 2,000. However, in 2011/12 we face a severe reduction in capital spending and this is probably the most difficult challenge: to ensure that there is a sufficiently large share of scarce public resources being devoted to the provision of new social housing. However, we must also not neglect the existing stock. The recent period of exceptionally cold weather and the damage which resulted from the thousands of burst pipes indicates the need for substantial investment to upgrade standards of insulation in both the social and private housing sectors. Any additional financial support would be well spent, not only providing a boost to the local economy, but also helping to prevent the severe disruption and discomfort caused by this winter's weather.

We accept that housing will not escape the inevitable reductions in financial support from Government. We hope, however, that the reductions in funding will take sufficient cognisance of 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. We also are committed to seeking and agreeing new models of governance and finance for social housing, which will help relieve the burden on the exchequer and taxpayer, while continuing to enable both the necessary strategic and operational roles to be undertaken more efficiently, without reducing the quality of the services provided.

Stewart Cuddy
Acting Chief Executive

Brian Rowntree
Chairman

Northern Ireland Housing Executive

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 is published at a time when Northern Ireland's housing market continues to face major challenges. The ongoing difficulty in emerging from a sharp recession, rising unemployment and constraints on public expenditure leading to low levels of confidence among potential purchasers and therefore a very subdued housing market.

The "Review and Perspectives" draws together the most recent market intelligence from a wide range of sources, including the Housing Executive itself, 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" provides an evidence base for the Housing Executive's Corporate Plan, thus helping to guide the organisation's intervention in the housing market, as well as being an important source of information on the impact of this intervention.

Chapter 1 provides the strategic context for Northern Ireland's housing market. It examines the budgetary framework and some recent housing policy developments 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 perspectives.

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 fifteenth 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 the owner-occupied, private rented and social 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 examining the impact of the Budget (June 2010) and the UK Spending Review (October 2010) and more specifically the budgetary provision for housing in Northern Ireland following the Northern Ireland Executive's Budget Statement.

The Budget June 2010

The new Chancellor of the Exchequer presented his budget to the House of Commons on 22nd June 2010, a budget designed to "deal decisively" with the country's huge budget deficit inherited from the previous Government. A combination of public expenditure reductions and increases in taxation would mean that by 2015/16 the structural current deficit should be in balance and that by this time too Government debt as a share of GDP would be falling again. The Office for Budget Responsibility forecast that public sector net borrowing would reach £149 billion this financial year before reducing steadily to only £20 billion in 2015/16.

Proposed changes to Housing Benefit are seen as having the most direct impact on the housing market and in particular the changes to the Local Housing Allowance (LHA). Government estimates that these proposed changes to the HB system will save the exchequer almost £1.8 billion. Potentially the most damaging proposal is the intention to change the LHA calculation from one based on a median (mid-point) rent to one based on the 30th percentile (i.e. 20 percentage points lower on the scale of rented properties ranked according to their rental level). It is difficult to assess in detail the effect of this in Northern Ireland, but there are some 38,000 private tenants who currently have their HB assessed on the basis of LHAs. An estimated £15m could be removed annually from the Government's support to the private rented sector with more private tenants losing their home and greater difficulties for landlords trying to collect a viable rent.

UK Spending Review & Northern Ireland's Draft Budget 2011-2015

HM Treasury published its Spending Review in October 2010 in which it set out in much more detail how it was going to achieve the more sustainable fiscal position which lay at the heart of June's emergency budget. The biggest reduction in Government spending is in its capital programmes which are to fall from £51.6 billion in 2010-11 to £40.2 billion in 2014-15, a cumulative reduction in real terms of 29 per cent. Within this the Communities and Local Government's Communities budget is to be reduced from £6.8 billion to £2.0 billion (a 74 per cent reduction in real terms). The overall reduction in revenue budgets (Resource DEL) is not so enormous (only 8.3 per cent by 2014-15) but again the Communities and Local Government Communities budget is hit disproportionately (a reduction of 51 per cent).

Northern Ireland's Draft Budget 2011- 2015

The Northern Ireland Executive issued its proposed spending plans for 2011-2015 in January 2011 against a background of a significant reduction in the level of funding from the UK exchequer as a result of the Coalition Government's deficit reduction plan. The final budget document is to be published In February 2011. It continues to prioritise the economy. The key challenge is seen as simultaneously rebuilding the economy in the aftermath of recession and rebalancing it towards the private sector in the context of the restrictions on public expenditure. The contribution of the central exchequer to Northern Ireland's budget is to reduce significantly over the four year period: by 8 per cent in real terms for resource (revenue) Departmental Expenditure Limits (DEL) and by 40 per cent in the case of capital DEL.

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 to provide a cross-sector consensus on a long-term future vision for housing in Northern Ireland, published its final report in June 2010. It contained a number of important recommendations:

- A housing strategy for Northern Ireland should be produced by the Department of Social Development.
- "Developer contributions" to ensure house builders provide social/affordable housing as a matter of course in most new developments should be introduced.
- A "light touch" registration scheme for all private landlords should be introduced.
- Co-Ownership should continue in its present form and should become the partner for housing associations moving into mixed income/tenure development.
- The Housing Executive's strategic/enabling role should be separated from its landlord role, but should remain within one organisation governed by a single Board.

- A Northern Ireland-wide "energy saving programme" should be developed, including developing financial products for retro-fit which attach loan payments to the property rather than the owner.

The Regional Development Strategy

Northern Ireland's Regional Development Strategy (RDS) was published in 2001. It has played an important role in shaping the housing market. However, its 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.

A consultation document: *Regional Development Strategy (RDS) 2025* was published in January 2011. It provides a spatial framework and strategic guidelines which aim to provide long term policy directions from a strategic spatial perspective. The new HGIs are to be seen as guidelines rather than a rigid framework. The consultation document envisages that a total of 189,500 new dwellings will be required over the period 2008-2025. This implies an average annual requirement of approximately 11,150, a smaller number than in the current RDS (12,235 per annum), and reflects a declining rate of household formation.

The Economic Context

The world economy

Despite the rapid growth of the Chinese economy, the world economy continues to be dominated by developments in the USA, Europe and Japan. Concerns over the ongoing fragility of the American economy in particular are reflected in the second phase of "quantitative easing" (QE2) announced in November 2010 by the Federal Reserve. A further $600 is to be pumped into the economy to encourage banks to lend more to business and consumers alike. The Japanese economy has consistently failed to emerge from a severe economic downturn sparked by the collapse of its housing market in the early 1990s. Japan's average house price is still 37 per cent lower than it was then.

In the Eurozone economic news is more mixed with some positive signs of economic recovery such as a significant reduction in unemployment and rapid growth in exports in Germany. However, 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 Irish Government is attempting to rehabilitate Ireland's banking system through the National Assets Management Agency which has taken over banking loans worth approximately □80 billion and the associated (and now worth much less) land and property assets. This may impact directly on Northern Ireland's housing market, as an estimated □5 billion of the assets are located in Northern Ireland. An additional £70 billion was borrowed from the EU and IMF in November 2010, precipitating an austerity budget in December. A combination of austerity and a weakening labour market makes the problem of tackling Ireland's "ghost estates" all the more difficult.

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. New housing construction and mortgage approvals remain at very low levels. A subdued housing market and the sharp reductions in public expenditure and associated job losses over the next three years 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 -2.5 per cent in 2009 and is expected to contract in 2010 as well.

Unemployment has risen steadily with more than 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 and proportion of children under 16 is set to fall over the next ten years from 347,000 to 334,000 (4%).
- 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 and proportion of people of pensionable age will grow a little: from 269,000 to 275,000 (2%).
- 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 (2008 based) household projections were published in August 2010. They show that the number of households is set to grow by 83,300 (12%) between 2008 and 2018, with average household size falling from 2.53 to 2.41 persons per household. In the longer term over the period 2008 to 2023 the number of households is projected to increase by approximately 122,000 (+18%). The number of single person households will continue to grow from 204,500 in 2008, to 249,400 in 2018, and to 273,800 by 2023. By then 34 per cent of all households will be single person households, compared to 30 per cent in 2008.

These demographic projections have important implications not only for the number of new dwellings required, but also for their design, as well as the steadily growing need for housing support services which will enable older people to live independently for longer 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.

The waiting list for social housing, including the number of applicants in housing stress has declined for a second year in a row. In March 2010 the overall number of applicants stood 38,120, a decrease of 2 per cent on March 2009. The number in housing stress was 19,716, (a reduction of 4 per cent on the previous year). By September 2010, however, the number on the waiting list had risen sharply to 39,344, and the number in housing stress had to 20,513 as pent up demand began to manifest itself again. The number of households presenting as homeless has also been rising again: to 18,664 in 2009/10 (a 3% increase on 2008/09). The number of homeless households being awarded priority also increased in 2009/10 (by 11%) to 9,914.

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 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, Energy Conservation 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 from 2009 included the following:

- The proportion of the housing stock failing the Decent Homes standard fell from 23 per cent in 2006 to 15 per cent in 2009.
- Over the same period, however, there was little change in the proportion of homes failing the Housing Health & Safety Rating: 19 per cent.
- The 2009 survey also recorded further improvement in the energy efficiency of the stock: the average SAP rating in 2006 was 52; by 2009 it had risen to 57.

- The level of Fuel Poverty in Northern Ireland rose rapidly between 2006 and 2009: from 34 to 44 per cent of all households, reflecting in particular the very significant rise in fuel prices over this period.

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 and the Eurozone remains fragile. In the UK unemployment and a combination of increases in taxation and reductions in Government expenditure (including significant reductions in welfare payments) will reduce the amount households can afford to spend on meeting their housing needs. The Republic of Ireland faces a major fiscal challenge, with the December budget announcement further reducing consumer confidence and spending, as well as heightening the danger of a negative equity crisis. 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 influx of migrant workers) and single living associated with marriage/relationship break up. The continuing trend towards more single person and older households will result in a sustained demand for accommodation and in particular for smaller units of accommodation and supported housing. However, there are some early indications that 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 2010-16 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, ongoing public funding is required, despite the severe public expenditure constraints.

- Reducing the very high level of Fuel Poverty (44%) in Northern Ireland remains a serious challenge, given that energy prices are expected to remain high. Improvements to the energy efficiency of the dwelling stock can make a significant contribution to reducing Fuel Poverty, but will not eradicate it. A Government-led review is currently re-examining the definition of Fuel Poverty with a view to targetting scarce resources on those in most need.

Chapter 2

The Owner Occupied Sector

New Housing

The steady growth of the owner-occupied sector which characterised Northern Ireland's housing market for more than three decades 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 a much smaller number of social dwellings and in particular the rapid growth of the private rented sector resulted in the overall number of owner-occupied dwellings falling between 2006 and 2009 by approximately 7,000 to 462,000 (62.4% of the total stock).

In parallel with the rest of the UK and the Republic of Ireland, Northern Ireland has experienced a much lower level of construction of new private 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 5,500 were started. The year 2009/10 saw a small increase in the rate of starts to approximately 6,800, but this still represents less than half the number (14,000) started during the boom year of 2006/07. Given the perspective for the Northern Ireland economy, this rate is unlikely to increase significantly in the next two years.

House Prices

House price indices had, over a twelve month period, indicated that the UK housing market as a whole had gradually emerged from the 2008/09 recession, with five consecutive quarterly increases in average house price, culminating in an annual rate of increase of 9.5 per cent in Q2, 2010 and an average house price for this quarter of £168,719 (Nationwide). However, Q3, 2010 saw both a quarterly fall in average house prices (-1.0%) and a halving of the rate of annual increase to 4.5 per cent, indicating the return of a more subdued market generally. The figures for Q4, 2010 have confirmed this downward trend; house prices fell on a quarterly basis by -2.5 per cent (to £163,244) giving an annual rate of increase of 0.7 per cent.

In Northern Ireland the picture has been somewhat different. The University of Ulster's House Price Index shows that quarter-on-quarter change in average house prices in Northern Ireland was erratic between Q1, 2009 and Q2, 2010. A combination of small increases and decreases meant that the average house price in Q2, 2010 (£163,459) was only 4 per cent higher over the 18 month period. However, in Q3, 2010 there was a 10 per cent reduction to bring the average price down to £148,243, representing a peak-to-trough fall of 41 per cent compared with the market at its highpoint in Q3, 2007, when the average price was £250,586. This not only reflects the current difficulties being experienced by businesses in Northern Ireland and the concomitant rising level of unemployment, but also the deepening concerns about the impact of the coming public expenditure cuts on wages and salaries.

The number of housing transactions in Northern Ireland has also remained at historically low levels. Although the overall number of mortgage based sales has risen a little again to almost 11,000 for the 12 month period ending in September 2010, it is still well below the figure of 27,200 for the equivalent period in 2005/06.

Affordability

The dramatic change in the relationship between house prices and incomes since 2007, the growing proportion of first time buyers and the increasing proportion of dwellings costing less than £100,000 (26 per cent in Q3, 2010) all indicate that affordability has improved significantly in Northern Ireland. However, the uncertain economic climate has made banks and building societies reluctant to relax the much more stringent lending criteria introduced after the downturn in 2008. Lenders are typically now offering mortgages at 75 per cent loan to value ratios, but the number of potential mortgagees who qualify for them remains low as lenders apply stricter affordability criteria and make more thorough credit history checks. Stimulating the return of confidence in the housing market remains a key challenge for both policy makers and the private sector.

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 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. In 2009/10 the figure rose to approximately 300 and in the first nine months of this financial year the figure has continued at this level as valuations have remained at a much lower rate than three years ago, reflecting broader housing market conditions.

Condition of the Stock and Grant Aid

Figures on the condition of the owner-occupied stock emerging from the 2009 House Condition Survey showed that housing conditions 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). In 2009 only 13 per cent of owner-occupied dwellings failed the Decent Homes Standard (compared to 20 per cent in 2006). Grant aid, despite reducing budgets, is seen as having played a significant role in this continued improvement. However, the year 2009/10 saw a very considerable 50% reduction in the number of home improvement grants approved to approximately 3,000 and a concomitant fall of about 40 per cent in the amount of expenditure approved.

Key Issues and Strategic Perspectives

- Although house prices have returned to more sustainable levels, ongoing difficulties in obtaining mortgage finance and growing labour market insecurity have made the private rented sector a more attractive alternative for many newly forming households. This is reflected in the first fall in the absolute number of owner-occupied dwellings in Northern Ireland, and although this number may well increase in the coming years it is more than likely that as a proportion of the total stock the proportion of owner-occupied dwellings has peaked for the foreseeable future.

- Ongoing economic uncertainty will also mean that the number of new dwellings constructed will remain low compared to the early years of the new millennium. It is estimated that some 7,000 new private sector dwellings will be constructed in 2010/11 and that this will not increase significantly in 2011/12.
- 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. Growing concerns over the impact of the coming cuts in public expenditure has resulted in a further fall in house prices of 8 per cent in Q3, 2010. Average house prices have thus fallen by more than 40 per cent from peak to trough and are likely to remain flat during 2011.
- The substantial fall in house prices between 2007 and 2010 has seen the average price of a home return to 2005 levels. House price to income ratios and the much larger percentage of dwellings being sold at less than £100,000 means that the ongoing costs of owner-occupancy are significantly lower than in 2007. In this sense affordability for first time buyers is no longer as pressing an issue. Nevertheless continuing caution by lenders and the requirement to pay substantial deposits means that affordability remains an important policy issue, with stimulating confidence in the housing market posing a key challenge for policy makers and the private sector.
- 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 it is expected that more than 250 will be sold 2010/11.
- 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 in the context of a very difficult public expenditure environment is seen as important to maintaining this improvement.

Chapter 3

The Private Rented Sector

Background

The private rented sector declined steadily for most of the twentieth century in response to a combination of rent controls, large scale redevelopment and Government policy which looked upon owner occupation as the preferred tenure. Since the 1990s, the private rented sector has grown again in response to changes in the labour market, the growing affordability problems experienced by first-time buyers, rising waiting lists and more recently during the housing boom by an almost insatiable interest from investors trying to benefit from the potential for short-term capital gains. This growth in the sector was underpinned by a Housing Benefit budget which rose to approximately £250 billion in 2009/10.

The 2009 House Condition Survey estimated that there were some 125,000 occupied dwellings in Northern Ireland's private rented sector (17% of the 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.

Characteristics and Condition

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 2009 (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.The rate of unfitness has continued to fall. 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 stock also displays a higher proportion of dwellings failing the Decent Homes Standard (17 per cent compared to 15 per cent for the stock as a whole). In terms of the Housing Health and Safety Rating, a lower than average proportion failed this standard (15 per cent compared to 19 per cent for the stock as a whole).

However, the rate of Fuel Poverty in the private rented sector (55%) was much higher than for the stock as a whole (44%).

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 wealth of information on the sector, including an insight into living in the private rented sector and a landlord perspective.

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

- Tenants in the private rented sector stay relatively short periods of time. Two–thirds had lived in their current accommodation for less than three years and almost half (49%) of those who had moved in the past five years had previously lived in the private rented sector.
- One-third (34%) had paid rent in advance (average £348 per month) and two-fifths (41%) had paid a deposit (average £294). In total more than half (53%) had to pay a deposit and/or rent in advance and of these two-thirds were in receipt of Housing Benefit. The average total advance payment was £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 (68%) 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.

In terms of landlord-tenant relationships:

- The vast 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;
- Two-thirds of tenants were satisfied/very satisfied (67%) with the repairs/ maintenance service. However, almost one quarter (24%) were dissatisfied, primarily (50%) because of the time delay involved; and
- 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 (2010)

- 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 disadvantaged by a lack of regular consistent information on rental levels. This was addressed by the formation of a partnership between the Housing Executive, PropertyNews.com and the University of Ulster to produce a private rented sector Index. The first report, based on a sample of almost 5,400 residential rental transactions in the Belfast Metropolitan Area (BMA) during 2007 showed that the number of lettings was increasing and that the average monthly rent for all properties let during 2007 was £577.

During 2008 there was a further increase in the number of lettings which increased significantly to reach a peak of 4,243 in the second half of 2008, whilst average rents peaked at £594 during the first half of 2008. In 2009 there was a reduction in both rental levels and the number of lettings reflecting a quieter market generally. This pattern has continued into the first half of 2010 when average rents fell back below their 2007 level to an average of £560, while the number of lettings also fell to 3,280, indicating the stabilisation of the market.

Houses in Multiple Occupation (HMO)

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.

A new HMO strategy was launched by the Housing Executive in 2009 to ensure that physical standards were improved, that appropriate advice and information was available, that HMOs were well managed and that the adverse effects of concentrations of HMOs are reduced. An important part of implementing this strategy is the registration of HMO properties. So far approximately 4,000 have been registered.

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 2010. The key principles underpinning the proposals include the need for the changes to contribute positively to meeting housing need, supporting greater tenure choice, promoting more sustainable tenancies and provide a balanced approach to the rights and responsibilities of both landlords and tenants.

It focuses on proposals to overcome aspects of the private rented sector which currently make it less attractive to people in housing need. It emphasizes the need to improve the knowledge and awareness of both landlords and tenants of their rights and responsibilities under the Private Tenancies (Northern Ireland) Order 2006. The strategy signals the introduction of mandatory landlord registration, in order to give local councils the means to communicate with private landlords, allowing them to work with landlords to ensure compliance, raise standards and, where necessary, take enforcement action.

Key Issues and Strategic Perspectives

- The private rented sector continued to grow rapidly between 2006 and 2009 to comprise approximately 17 per cent of the total housing stock. 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 £250 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 grow, though probably at a lower rate than between 2006 and 2009.
- Some investors – particularly those who bought at the height of the boom with the help of high loan-to-value mortgages-are leaving the sector. However, given the expected continued demand for private renting from first-time buyers unable to afford their first home, from students and migrant workers and the continuing pressure on the social housing budget, the risk of large-scale disinvestment is seen as low. However, given the importance of Housing Benefit to both private landlords and tenants on low incomes, the proposed changes to the HB system must be considered a significant risk factor.
- 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 (HMO) 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 2010 Northern Ireland's social housing sector consisted of approximately 116,000 dwellings (16% of the total stock). The Housing Executive owned and managed some 89,000 dwellings and registered housing associations a further 26,800 self-contained rented units. The total housing stock increased numerically for the second year in a row. During 2009/10, additions to the stock (more than 1,500), mainly through the construction of new dwellings, outweighed the number of dwellings lost due to demolition and sales.

The condition of the social housing stock remains very high. The 2009 House Condition Survey confirmed that only a minimal number of social dwellings fail the unfitness standard. The number of social dwellings failing the Decent Homes Standard fell significantly from 25 per cent in 2006 to 15 per cent in 2006, due mainly to the introduction of new heating systems. Nevertheless, more than 80 per cent of those dwellings failing the standard do so on the grounds of inadequate thermal comfort, so there remains a significant amount of improvement and replacement work to be carried out, particularly in terms of heating systems.

Household Profile

The Continuous Tenant Omnibus Survey (2009) confirmed the growing residualisation of the Housing Executive's stock, characterised by a growing concentration of low income households. Only 17 per cent of household reference persons were working, while 42 per cent were in receipt of Income Support or Job Seekers Allowance. More than half (56%) of households had incomes of less than £10,400 a year.

The Social Housing Programme

A target of 1,750 additional social dwellings had been set for 2009/10. In the event, this target was exceeded, with a total of 1,838 starts/acquisitions over this period. Contracts were signed for 1243 new self-contained social dwellings and 467 "off the shelf" homes, in all a total of 1,710 new dwellings. The remainder of the programme comprised the purchase of "existing satisfactory" dwellings (76) and rehabilitation and re-improved dwellings (52). Although a considerable improvement on recent years, this outturn still does not meet the ongoing requirement of 1,900 new homes identified using the Net Stock Model or the "bottom up" analysis of the Waiting List.

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 ongoing affordability problems for first time buyers. In 2009/010 a further 461 properties were bought through the Co-Ownership Scheme, a significantly higher figure than in the previous year (325) at a total cost of £59 million (£26m from NICHA.)

Demand for Co-Ownership will continue to remain strong. However, whether the needs of aspiring home-owners can be met depends on a range of issues including the health of the wider economy, the extent of public expenditure cuts, mortgage lenders' response in support of affordable home ownership and the Co-Ownership Scheme's ability to manage demand through product review and development.

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 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 below 1,000 and it is hoped 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 1,900 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 has entered a much more stable period following a two year housing recession between 2007 and 2009. Nevertheless its future is closely tied up with developments in the world economy where the strength and speed of the economic recovery appears uncertain. This is compounded in the context of the UK by high levels of consumer debt, rising unemployment and expected sharp reductions in Government spending in the coming three years.

In Northern Ireland households are facing the combined effects of reductions in public expenditure, growing indebtedness and higher fuel and food prices. 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, having turned down fairly sharply in the last two quarters of 2010, will remain flat during 2011.

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 much 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 demand for investment in new social housing, in improvement and maintenance. Fuel Poverty in particular will remain a critical and exceptionally difficult issue to address.


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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%)	461,800 (62.4%)
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%)	24,600 (3.3%)
Vacant	31,900 (4.9%)	40,300 (5.7%)	43,400 (5.9%)
DWELLING AGE			
Pre-1919	116,400 (18.0%)	113,800 (16.1%)	106,500 (14.4%)
1919-1980†	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%)	112,000 (15.1%)
Fuel Poverty (rate)	167,100 (27.3%)	225,600 (34.2%)	302,300 (43.7%)
NEED FOR SOCIAL HOUSING			
Total Waiting List	22,054	31,908	38,120*
Housing Stress	10,639	17,223	19,716*
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

* Figures are for March 2010.

† *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

The Budget June 2010

The new Chancellor of the Exchequer presented his budget to the House of Commons on 22nd June 2010, a budget designed to "deal decisively" with the country's huge budget deficit inherited from the previous Government.

A combination of public expenditure reductions and increases in taxation aims to ensure that by 2015/16 the structural current deficit would be in balance and that by this time too Government debt as a share of GDP would be falling again. The Office for Budget Responsibility forecast that public sector net borrowing would reach £149 billion this financial year before reducing steadily to only £20 billion in 2015/16. Public sector workers are to endure a two-year pay freeze, while benefits (with the exception of state pension and pension credit) are to rise in line with the - usually lower - Consumer Price Index rather than the Retail Price Index. Other measures announced which will adversely affect effective demand were the increase in the rate of VAT to 20 per cent, the freezing of Child Benefit for three years and the increase in Capital Gains Tax to 28 per cent for higher rate taxpayers.

However, it is the proposed changes to Housing Benefit which appear to have the most direct impact on the housing market and in particular the changes to the Local Housing Allowance (LHA). Government estimates that these proposed changes to the HB system will save the exchequer almost £1.8 billion. The capping of the maximum LHA payable - to between £250 per week for a one-bed dwelling and £400 per week for a four-bed and larger property - will impact mainly on households in London, where rents tend to be much higher than in the rest of the UK. However, the potentially most damaging proposal is the intention to change the LHA calculation from one based on a median (mid-point) rent to one based on the 30th percentile (i.e. 20 percentage points lower on the scale of rented properties ranked according to their rental level). It is difficult to assess in detail the effect of this in Northern Ireland, but given that there are some 38,000 private tenants who currently have their HB assessed on the basis of LHAs and that each of them would lose on average over £7 a week, almost £15m would be removed annually from the Government's support to the private rented sector; inevitably more private tenants would lose their home and landlords would experience greater difficulties trying to collect a viable rent.

UK Spending Review October 2010

HM Treasury published its Spending Review in October 2010 in which it set out in much more detail how it was going to achieve the more sustainable fiscal position which lay at the heart of June's emergency budget. The biggest reduction in planned Government spending is to be in its capital programmes, which are to fall from £51.6 billion in 2010-11 to £40.2 billion in 2014-15, a cumulative reduction in real terms of 29 per cent. Within this the Communities and Local Government (CLG) Communities budget (including the budget for social and affordable housing) is to be reduced from £6.8 billion to £2.0 billion (a 74 per cent reduction in real terms). The overall reduction in revenue budgets, resource Departmental Expenditure Limits, is not so enormous (only 8.3 per cent by 2014-15), but again the CLG Communities budget is hit disproportionately by (a reduction of 51 per cent).

Northern Ireland's Draft Budget 2011- 2015

The Northern Ireland Executive issued its proposed spending plans for 2011-2015 in January 2011 against a background of a significant reduction in the level of funding from the UK exchequer as a result of the Coalition Government's deficit reduction plan. The final budget document is to be published in February 2011 following a short period of consultation.

This draft budget continues to prioritise the economy and provide a degree of protection to the health service as well as assisting the most disadvantaged. The key challenge is seen as simultaneously rebuilding the economy in the aftermath of recession and rebalancing it towards the private sector in the context of the restrictions on public expenditure. In consequence of the UK Spending Review, the contribution of the central exchequer to Northern Ireland's budget is to reduce significantly over the four year period: by 8 per cent in real terms for resource (revenue) DEL and by 40 per cent in the case of capital DEL (see Table 1).

Table 1: The Northern Ireland Executive's spending plans 2011-2015 (£m)

	2010/11	2011/12	2012/13	2013/14	2014/15
Current Expenditure	10,316	10,243	10,312	10,370	10,440
Capital Investment	1,488	1,184	1,125	1,079	1,374
DSD Current Expenditure	521.1	516.7	532.0	543.0	523.4
DSD Capital Investment	269.6	150.3	120.6	99.0	190.3

The draft budget also provides a preliminary insight into the effects of the budget on the expenditure plans of the individual departments. Table 1 shows that in line with overall departmental expenditure, current expenditure for the Department for Social Development (DSD) reduces by only a little (-0.7%) between 2010/11 and 2011/12 before rising gradually until 2013/14. The picture for capital investment (net of receipts) is very different. Here the expenditure falls quite significantly over a three year period by 27 per cent to £1,079m before rising in 2014/15 to £1,374m. The DSD's gross capital expenditure likewise shows a sharp fall of 63 per cent over a two year period to £99m, before rising substantially in the following year to £190m.

While it is difficult at this stage to assess the precise impact on Government spending on housing in Northern Ireland it is unlikely that capital expenditure (including expenditure for new social housing) will escape without a substantial cut.

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 to provide a cross-sector consensus on a long-term future vision for housing in Northern Ireland, published its final report in June 2010. It contained a number of key recommendations:

- The Department for Social Development should publish a housing strategy, setting out long term policy goals for the housing system. Priorities should include ensuring sustainable levels of public and private investment, stabilising housing supply, creating a mixed housing economy and support for greater integration and social cohesion.
- A form of 'developer contribution' should be used to require that housebuilders provide social/affordable housing as a matter of course in most new developments.
- There is scope for more partnership working in the social sector, with shared risk and reward. With restrictions on the availability of grant funding likely to continue, it will be necessary to consider ways of releasing resources to carry out improvements in the owner-occupied sector. Interest-only loans for essential works, 'rolled-up interest' loans for older people and equity share loans for younger households may all have a role in addressing this funding gap.
- A 'light touch' registration scheme should be put in place for all private landlords, and a mandatory tenancy deposit protection scheme established. Training programs should be developed for private landlords and managing agents and efforts should be made to attract institutional investors into the residential sector.
- Co-Ownership should continue to operate in its current form, and should also be the funding and administration partner for housing associations moving into mixed income tenure development.
- Legislation should be introduced to facilitate an expanded role for housing associations, which should have legal powers to build homes for shared ownership/low cost home ownership/outright sale and to use the proceeds to cross-subsidise new development.
- The Housing Executive's strategic/enabling role should be separated from its landlord role, but should remain within one organisation governed by a single Board and Chief Executive. Housing Executive rents should be set by an independent rent authority for Northern Ireland, and the income from a modest rent increase should be used for essential investment in Housing Executive stock and/or the Social New Build Programme.
- A Northern Ireland-wide "energy saving programme" should be developed, including developing financial products for retro-fit, which attach loan payments to the property rather than the owner. Requirements on house builders and social housing providers to meet higher new build standards (e.g. Code for Sustainable Homes Levels 5 and 6) should be maintained, but within timescales that reflect

cost pressures. Housing policy should ensure that there are opportunities for meaningful integration across religion, income and tenure, and mixed tenure developments should become the norm by 2015.

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 in 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.

A revised household projection model developed by NISRA 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 figure for Northern Ireland as a whole was 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.

A consultation document: *Regional Development Strategy (RDS) 2025* was published in January 2011. It provides a spatial framework and strategic guidelines which aim to provide long term policy directions from a strategic spatial perspective. It has sustainable development at its heart and sees managing housing growth as a key element of this. The new Housing Growth Indicators are "not to be seen as a rigid framework but as guidelines for local planning based on predicted growth patterns"[1].

[1] *DRD (2011) Regional Development Strategy (RDS) 2025, Belfast: Department for Regional Development, p.112.*

The consultation document envisages that a total of 189,500 new dwellings will be required over the 17 year period from 2008 to 2025. This represents an average annual requirement of approximately 11,150, a smaller number than in the current RDS (12,235 per annum), and reflects the projected decline in the rate of household formation.

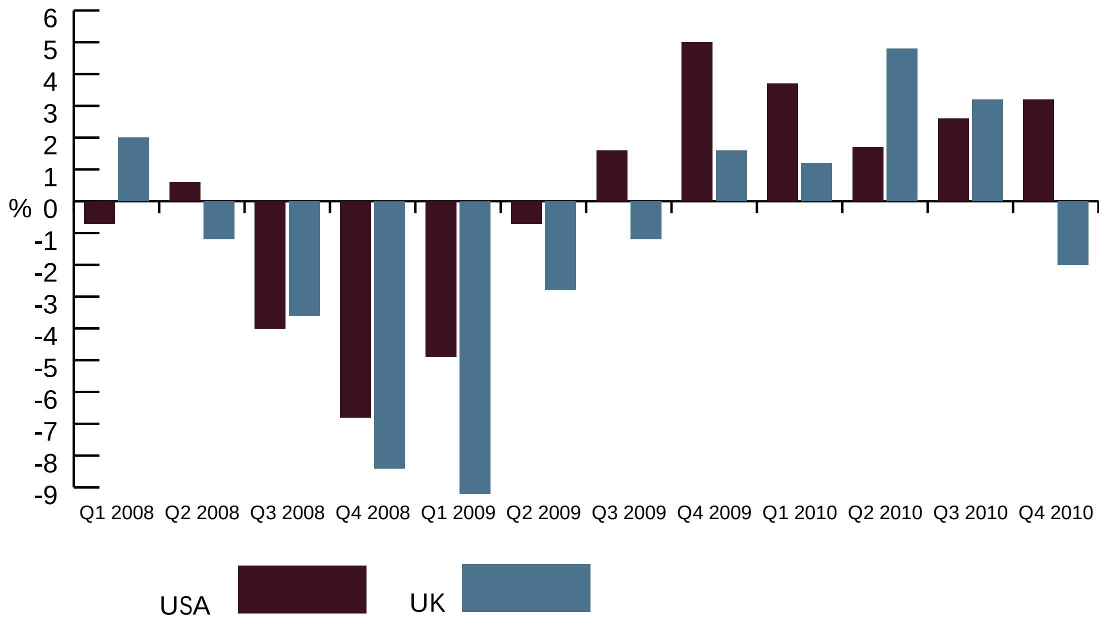
The Economic Context

The World Economy

Developments in the world economy provide clear signals in relation to the trajectory of Northern Ireland's economy and housing market. The year 2009 saw the sharpest contraction in the world economy since 1945: real GDP declined by -0.6 per cent[2]. During the second half of 2009, however, there were already some signs that an economic recovery, led by rapid growth in the economies of China and India in particular, was underway. The IMF expects world output to increase by 4.8 per cent in real terms during 2010 and increase by a further 4.2 per cent in 2011. However, it emphasises that this overall growth masks considerable differences in the rate of growth in different countries. Economic recovery in many advanced economies is expected to take place more slowly in the face of continuing high levels of consumer debt, high unemployment and the concomitant weakness in domestic demand.

Figure 1: International Economic Trends, 2008-2010

1a Gross Domestic Product, 2008-2010
Annualised Quarter on Quarter Growth



USA

Developments in the economy of the USA continue to dominate the global economy. America's economy experienced four consecutive quarters of contraction before 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.

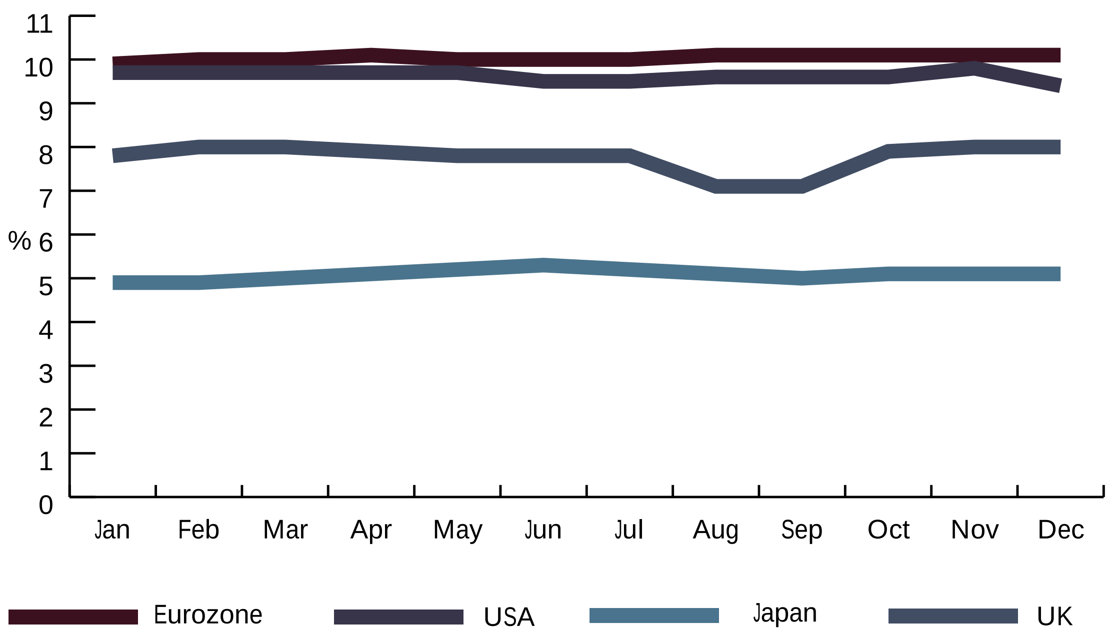
2 *IMF (October 2010)World Economic Outlook (http://www.imf.org/external/pubs/ft/weo/2010/2/index.htm)*

However, much of this growth was due to the ongoing effects of a Government fiscal stimulus which boosted consumer spending and the housing market (for example, through the "Making Home Affordable Program"). By the first half of 2010 growth had started to moderate (See Figure 1a). In the first quarter the economy grew at an annualised rate of 3.7 per cent, falling to 1.7 per cent during the second quarter before rising again to 2.6 and then 3.2 per cent in the third and fourth quarters. The IMF sees this ongoing weakness primarily as the result of sluggish personal consumption linked to the significant reduction in household net worth as a result of falling house prices (down 25-30 per cent in the last three years), continuing high unemployment (currently almost 10 per cent - see Figure 1b - and almost 17 per cent if a wider measure which includes "discouraged" workers and those forced to take part-time work is included), and finally, the continued reluctance of banks to lend to consumers completed with the greater propensity of consumers to save rather than spend.

It was against this background that the US Federal Reserve decided in November 2010 to pump an additional $600 billion into the economy over a six month period, by purchasing Government bonds from financial institutions, in order to increase lender liquidity and in turn stimulate the availability of credit to small business and consumers. In December 2010 the official unemployment rate dropped a little to 9.4 per cent (15 million), but much of this was due to the high number of people who had given up looking for work. Unemployment is projected to remain high as a result of low demand and structural deficiencies. The prevailing view is that recovery in the USA will be slow, with growth occurring at a rate of 2.3 per cent in 2011, which is insufficient to significantly reduce the rate of worklessness in the next few years.

The housing market in the USA reflects this very difficult economic situation. There are an estimated 8 million homes with loans in "delinquency" (more than 90 days in arrears) or already undergoing foreclosure and at least 20 per cent of all homes with mortgages are in negative equity. The number new homes sold in 2010 was the lowest for 47 years: 321,000, a reduction of 14 per cent compared to 2009 and the fifth consecutive year of decline.

Figure 1b Unemployment, 2010



Japan

The Japanese economy contracted by 5.2 per cent during 2009, but emerged from recession in Q2, 2009 with GDP increasing by an annualised 1.3 per cent. The export-led recovery strengthened in early 2010, particularly due to the rising demand for capital goods from China. However, by November there were growing concerns that Japan may slip back into recession as industrial demand weakened in the face of falling demand in overseas markets, a rising yen and ongoing deflationary tendencies[3]. The IMF sees economic growth being subdued in the short-term as the effects of the Government's substantial fiscal stimulus packages declines and the labour market remains sluggish. Real GDP growth is projected to be 2.8 per cent for 2010 and 1.5 per cent in 2011. In contrast to the Japanese economy, which has grown by only 2 per cent on average since the bursting of its housing 'bubble' in 1991, the Chinese economy grew by 10.3 per cent in 2010, to become the second biggest economy in the world.

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, growth slipped back to a mere 0.1 per cent in the final quarter of 2009, underlining the fragility of the recovery. Quarterly GDP growth in 2010 has also remained subdued, rising from 0.2 per cent in the first quarter to 1.0 per cent in the second, before falling back to 0.4 per cent in the third. Unemployment in the Eurozone rose steadily in 2009 to reach 10 per cent (16 million) and has stayed at around this level throughout 2010 (see Figure 1b).

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, it has recovered to grow by 3.6 per cent in 2010 (its fastest rate since reunification two decades ago), due primarily to a significant rise in exports, particularly to India. Its unemployment rate has fallen to 7.0 per cent, one of the lowest in the Eurozone. This contrasts with Spain, where more than 4 million (more than 20%) are now unemployed and Greece and Portugal where both Governments are battling with a major public finance crisis.

Republic of Ireland

The latest economic statistics for the Republic of Ireland confirm the severity of its economic crisis. Its economy had contracted by 7.5 per cent in 2009, reflecting in particular a sharp decline in new housing construction, which had previously contributed 14 per cent of GDP. During Q1, 2010 GDP rose by 0.5 per cent before falling again by 0.3 per cent in the following quarter. Overall GDP is expected to decline marginally (by a quarter of a per cent) during 2010[4].

The Republic of Ireland has also experienced a sharp rise in unemployment. More than 124,000 jobs have been lost in the construction industry (almost half of the total in that sector). Overall, unemployment climbed from 6.3 per cent in 2008, to 11.8 per cent in 2009 and to 13.5 per cent in 2010. At the end of 2010 there were more than 450,000 claiming Unemployment Benefit.

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3 *Financial Times, 1 November 2010, p.8*

4 *ESRI, Quarterly Economic Commentary, Autumn 2010.*

Ireland's housing market remains depressed. There was a 50 per cent decline in housing completions between 2008 (51,700) and 2009 (26,400). Housing completions are expected to fall further in 2010 to approximately 14,000 and to 8,000 in 2011. This decline in new housing construction reflects the estimated 33,000 unsold new dwellings located in the often unfinished and at best partially occupied 2850 "ghost estates" dotted throughout the country. The average house price has fallen by 38 per cent since its peak at the end of 2006 and is now similar to the figure for Q2, 2002. The average house price fell a further 3.5 per cent in Q4, 2010[5]. Repossessions have so far been rare (11/100,000 in Q2, 2010 compared to 82/100,000 in UK), but there was a significant rise in the proportion of mortgagees with arrears of more than 90 days between Q3, 2009 (3.2%) and Q2 2010 (4.5%).

Economic difficulties are reflected in and compounded by a growing deficit in public finances. A Government budget deficit of 7 per cent of GDP in 2008 increased to almost 14 per cent by the end of 2009. Although spending was reduced by more than 4 per cent, tax receipts fell by □33 billion (20%)[6]. By the end of 2010 this had increased to approximately 32 per cent, including support to the banking sector (although it was approximately 12 per cent of this is excluded). In November the Irish Government was forced to turn to the European Union and International Monetary Fund for a further loan of almost □70 billion (□85 billion including the additional contribution of the Irish Government) with the joint aim of rehabilitating Ireland's debt ridden banks and restoring public finances by 2014. This necessitated an emergency budget in December 2010 which combined increases in taxation and severe public expenditure cuts. It aims to reduce the Government's budgetary deficit by €15 billion.

The National Asset Management Agency (NAMA) created in March 2010 in response to Ireland's serious banking crisis is in the process of acquiring loans from the banks with a book value of more than □80 billion. However, the associated land and property assets are now worth much less than this. An estimated □5 billion of the assets (mainly development land) are located in Northern Ireland. One of the challenges facing NAMA and Government bodies is to ensure that these assets are sold at a price and at a rate that does not severely undermine the price of land in Northern Ireland, thereby damaging a fragile housing market.

The UK Economy

The economy of the United Kingdom officially emerged from recession in Q4, 2009, when GDP grew by 0.4 per cent (an annualised rate of 1.6 per cent - see Figure 1a). However the economy had 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. For the next three quarters (Q1-3, 2010) the economy continued to grow a little before an unexpected decline of -0.5 per cent (-2.0 per cent annualised) in Q4, 2010, which could only be partly accounted for by the severe weather conditions.

A raft of other statistics confirms the fragility of the economic recovery in the UK and the major challenge faced by a Government trying to rapidly reduce its growing deficit. The National Debt (total outstanding Government Debt) passed the £1 billion mark for the first time in January 2011. Personal debt has continued to rise and now amounts to almost £1.5 trillion (an increase of almost 1 per cent over the year). Retail sales fell by 0.8 per cent in December 2010, the biggest December fall since records

5 *ESRI, Permanent TSB / ESRI House Price Index, Quarter 4 2010*
6 *First Trust Bank Economic Outlook and Business review, December 2010.*

began. Unemployment has risen steadily from 5.2 per cent at the end of 2007 to 7.9 per cent at the end of 2010, with almost one million 16-24 year olds without a job. Gross mortgage lending for 2010 as a whole was £136 billion, a ten year low. The figure for December 2010 was £11 billion, 18 per cent lower than in December 2009. Approximately 180,000 homeowners have arrears of more than 2.5 per cent of their mortgage balance – an increase of 5,000 on December 2009.

The economic outlook for the economy appears very challenging, with the UK now facing the real possibility of a further downturn in GDP and a "double dip" recession. The rate of recovery will be slow as the combination of increases in taxation and the £80 billion reduction in public expenditure will increase unemployment and reduce purchasing power, thereby exerting further downward pressure on the housing market. The Government's forecast of growth of 2.3 per cent for 2011 may well prove to be over-optimistic, particularly if the Bank of England starts to move away from the current historically low interest rate of 0.5 per cent in response to the rising cost of commodities.

The Northern Ireland Economy

Data and analysis contained in the First Trust Bank's *Economic Outlook and Business Review* (Dec 2010) provides a useful insight into the perspective for Northern Ireland's economy. GDP contracted by an estimated -2.5 per cent in 2009. Manufacturing output and the service sector have continued to contract. The Spending Review has effectively removed more than £1.4 billion from Northern Ireland's capital expenditure programme over the next four years with serious consequences for the construction industry. The Construction Employers Federation estimates that approximately 30,000 construction workers have lost their job during the recession. New car registrations were (21,000) 11 per cent lower in Q3, 2010 compared to the same quarter in 2009 after the ending of the Government's car scrappage scheme and the effects of the austerity programme in the Republic of Ireland will continue to impact negatively on consumer and retail spending.

Northern Ireland's Labour Market

Employment, unemployment and worklessness are key labour market indicators which impact on growth and stability in the housing market. Rising employment and household income were key factors in the buoyancy of Northern Ireland's housing market between the late 1990s and 2007. Since then, however the developing economic crisis has resulted in a significant rise in unemployment and worklessness.

Table 2 NI Key Labour Market Statistics, 2009-2010

	Sept - Nov 2009		Sept - Nov 2010		YoY Change
Total in Employment (Employment rate 16-64)	766,000	(65.4%)	768,000	(65.3%)	+2,000
Unemployment	55,000	(6.8%)	65,000	(7.8%)	+10,000
Economic Inactivity 16-64 (Inactivity Rate 16-64)	339,000	(29.7%)	333,000	(29.0%)	-6,000
Worklessness 16-64	345,000	(31.6%)	359,000	(32.7%)	+14,000

Source: DETNI, Monthly Labour Market Report, January 2011 (Seasonally adjusted)

Table 2 sets out the most recent key labour market statistics for the three month period September-November 2010 and compares them for the equivalent period in 2009 and the previous three month period (June-August 2010):

- The total number in employment (including employees, the self employed and those on government programmes) rose about by 2,000 over the year to 768,000, but declined by approximately 11,000 compared to the previous three month period.
- Unemployment increased by 10,000 to 65,000 (September–November 2010) compared to the same period in 2009 and was 7,000 up on the previous three months. Northern Ireland's unemployment rate (the proportion of those who are of working age and economically active but unemployed) is now 7.8 per cent, an increase of 1.0 percentage point compared to the previous year (and now broadly similar to the rate for the UK as a whole).
- The number of working age people who were economically inactive in Northern Ireland fell over the previous 12 months by 6,000 to 333,000 (29.0%). The number of working age people who are workless (economically inactive plus unemployed) has increased from 394,000 to 398,000 (almost 35 per cent of the total working age population – the highest proportion 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 (52,000) do want to work but do not satisfy the ILO job search definition. However, when combined with the 65,000 who do meet the ILO definition it effectively means that Northern Ireland has approximately 117,000 who are unemployed (a 17 per cent increase over the year).

Earnings

Northern Ireland continues to show a lower level of household income than for the UK as a whole, although six other regions have even lower ones (including Wales and Scotland :

- Average gross weekly household income 2006-2008 in Northern Ireland was £590 compared to an average of £621 for the UK as a whole[7].

Economic Outlook for Northern Ireland

Northern Ireland's economy will continue to remain weak during 2011. 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. Much will depend on the degree of severity of the impact of the reductions in public expenditure and the health of the economies of the UK and RoI. There is no doubt, however, that the Northern Ireland Executive faces a very difficult time in attempting to rebalance and grow the economy.

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[7] *DSD, Housing Statistics 2009-2010, Table 6.8*

Demographic Profile

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

- There were approximately 1,686,000 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 per cent 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 approximately 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.

2008 Based Population Projections

From the point of view of understanding the housing market, the rate of household formation is of more significance than population growth.

The most recent (2008 based) household projections were published in August 2010. They show that the number of households is set to grow by 83,300 (12%) between 2008 and 2018, with average household size falling from 2.53 to 2.41 persons per household. The rate of projected growth in the number of households is largest in West & South of Northern Ireland compared to Greater Belfast and the north of Northern Ireland.

In the longer term over the period 2008 to 2023 the number of households is projected to increase by approximately 122,000 (+18%), driven primarily by population growth (50%), but also by changing age structure (27%) and the trend towards smaller households (23%). The number of single person households will continue to grow: from 204,500 in 2008, to 249,400 in 2018, and to 273,800 by 2023. By then 34 per cent of all households will be single person households compared to 30 per cent in 2008.

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

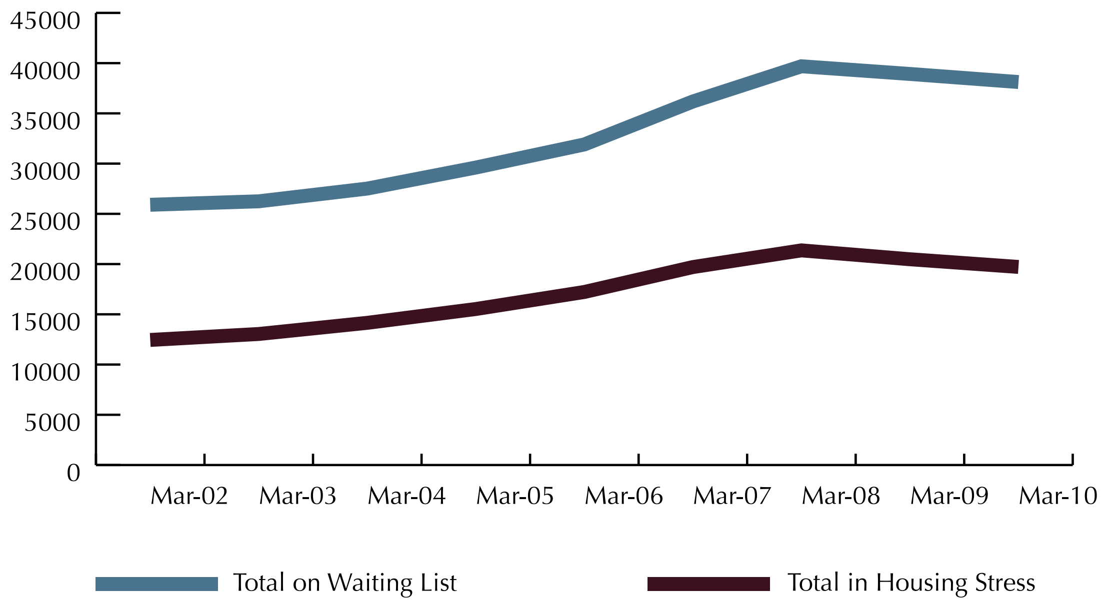
- The increasing number and proportion of one and two person households will have some impact on the size and design of dwellings, but should not be overestimated as younger children increasingly occupy a bedroom on their own, or adults use an extra bedroom as a place of work or recreation.
- The steady 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 not only for gaining an insight into the dynamics of Northern Ireland's housing market but also for the planning process of determining the need for social housing at the local level.

Figure 2: Trends in the Waiting List, 2002-2010



Source: NIHE

Figure 2 illustrates the overall trends in the waiting list between 2002 and 2010. 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. It fell further over the next twelve months to reach 38,120 in March 2010.
- 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 continued to fall during the following year to reach 19,716 by March 2010.

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

The six month period from the end of March to the end of September 2010 saw a significant change (possibly as a result of pent up demand which had arisen during the economic downturn). The overall waiting list increased to 39,344 (a 3 per cent increase over 6 months) and the number in housing stress increased at a similar rate to 20,513.

Geography of the Demand for Social Housing

Analysis by geography of trends in the waiting list shows that although the waiting list as a whole grew by 23 per cent over a five year period the pattern is by no means uniform. Table 3 shows the 5 housing management districts with the highest percentage increases (at least 45%) in housing stress over the five year period from September 2005 to September 2010. It also shows the 5 districts with the lowest growth – including, in the case of four 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 two of them are in Derry and the others are on main arterial routes into Belfast (Ballymena, Lurgan and Newtownards). The rapid increase in the demand for the Waterside certainly 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 Fermanagh and Strabane where the waiting lists have declined, their more remote rural location may play an important role. The same may be true, but to a lesser extent, in Ballymoney and Armagh.

Table 3: Housing Stress: Change 2005-2010

Housing Management District	Housing Stress Sept 2005	Housing Stress Sept 2010	Change 2005 – 2010	% Change 2004 – 2009
Waterside, Derry	235	402	167	+71
Collon Terr, Derry	384	646	262	+68
Ballymena	537	839	302	+56
Lurgan	303	461	158	+52
Newtownards	735	1068	333	+45
Ballymoney	139	139	0	0
Armagh	295	293	-2	-1
Antrim	455	451	-4	-1
Strabane	221	205	-16	-7
Fermanagh	486	331	-55	-32
Northern Ireland	16,675	20,513	3,838	+23

Source: NIHE

Household Composition

Analysis of the waiting list by household composition over the period 2005 to 2010 confirms the continuing dominance of single person households (see Table 4). Small families 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 2005 to 17% in 2010). It is expected that future demand for social housing will continue to come predominantly from these types of households.

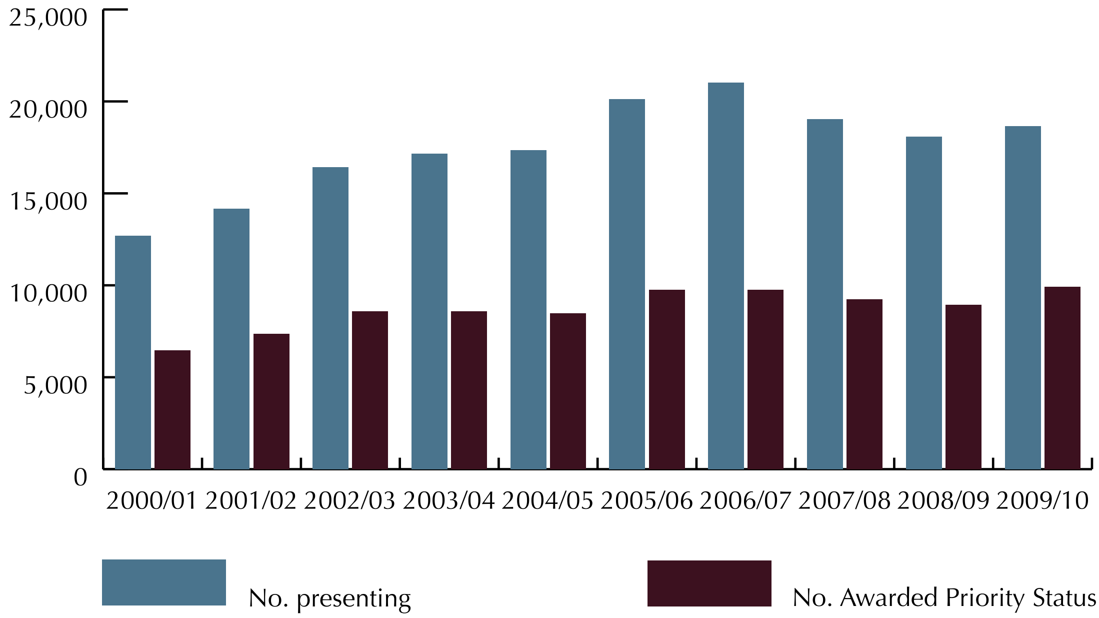
Table 4: The Waiting List: Household Composition 2005-2010

Household Type	March 2005 (%)	March 2006 (%)	March 2007 (%)	Sept 2008 (%)	Sept 2009 (%)	Sept 2010 (%)
Singles	46	46	46	44	45	46
Small Adult	6	6	6	6	6	6
Small Families	23	23	25	25	25	25
Large Families	5	5	5	5	5	5
Large Adult	1	1	1	1	1	1
Elderly	19	18	18	18	17	17

Source: NIHE

Homelessness

Figure 3: Trends in Homelessness 2000-2010



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 economic reasons and the availability of private rented accommodation were the two main reasons for this. However, during 2009/10 the figure increased again by 3 per cent to 18,664 as pent up demand manifested itself.

Figure 3 indicates that for two years (2007/08 and 2008/09) there was 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). In 2009/10, as in the case of the presenting households, there was an increase in the number of households accepted as homeless to 9,914 (an 11 per cent increase).

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: 4,525 (24%) of those presenting in 2009/10 did so for this reason. The other key factors remain marital/relationship breakdown (2,367; 13%) and accommodation not reasonable (2,897; 15%).

The number of presenters stating loss of rented accommodation as the cause of their homelessness has risen again from 2,643 in 2008/09 to 2,897, (16%) in 2009/10.

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: 2,041 in 2009/10 (21% of the total).
- The biggest single cause is 'accommodation not reasonable': 2,490 (25%) and is related to the ongoing ageing of the tenant profile with many elderly people finding it increasingly difficult to live independently in their current home.
- The third largest category was loss of rented accommodation: 991 (10%).

More than half (52%) of all households who presented in 2009/10 were single people, of whom 4,196 (22% of the total) were single males aged 26-59 years of age. Families with children accounted for around one third (6,122; 33%) of those presenting.

Figures for the first six months of the financial year 2010/11, show a further increase in the number of households presenting themselves as homeless (10,130 compared to 9,126 in the first six months of 2009/10). There was a concomitant substantial rise in those being awarded priority status (from 4,828 to 5,120; 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[8]. 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 to 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[9]

	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.

[8] *Heenan, D., Gray, P. and Paris, C. (1994) Demographic Trends and Future Housing Need in Northern Ireland, Report to the Northern Ireland Housing Executive.*

[9] *Paris, C. (2010) Net Stock Model for 2006-2016, Report to the Northern Ireland Housing Executive.*

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	461,800	62.4
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	24,600	3.3
Vacant Dwellings	31,900	4.9	40,400	5.7	43,400	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; while
- 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 undertaken by the Housing Executive in partnership with the Building Research Establishment has now provided more up to figures on Government indicators of housing conditions during the course of 2010. These most recent figures are from the 2009 House Condition Survey.

The Decent Home Standard

In 2009, 15 per cent (112,000) of all dwellings failed the Decent Home Standard. This represents a marked improvement from the 23% (162,100) which failed in 2006 and mainly reflects continuing progress with the introduction of more efficient oil or gas central heating systems.

More than two-thirds (67%) of dwellings which failed the Decent Home Standard did so on the basis of the thermal comfort criterion, 18 per cent on the basis of disrepair and 27 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 (38%; 50% in 2006);
- fifteen per cent of social housing and 17 per cent of privately rented properties (26%) failed the Decent Home Standard (compared to 25% and 26% respectively in 2006); and
- only 13 per cent of owner-occupied housing properties failed the standard.

Housing Health and Safety Rating System (HHSRS)

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 2009 House Condition Survey was used to help ascertain how the housing stock here might perform under the HHSRS by considering the risks posed by:

- falls on stairs, on the level and between levels; fire; hot surfaces; and
- 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 2009, almost one fifth (19.5%) of all dwellings had Category 1 hazards. This remains almost unchanged since 2006. The proportions with Category 1 hazards were highest in vacant properties (40%) and in dwellings built before 1919 (36%). The proportions were lowest in social housing (9%) and in the most modern dwellings built since 1980 (9%).

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 into Affordable Housing[10] 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 in partnership with Land & Property Services identified the location of these properties and attempted to contact their owners with a view to encouraging owners to either sell them or bring in a tenant. Evidence from England had indicated that this could be a long and arduous process, which yields little in the way of additional occupied dwellings. The experience in Northern Ireland has confirmed this.

In January 2011 the UK Government announced that the rules allowing councils to seize empty homes are to be tightened up, in order to protect the "fundamental human right" to property. Local authorities will have to wait two years before attempting to take charge of an empty property, instead of the present six months. There have only been 44 Empty Dwelling Management Orders in England since their introduction in 2006.

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10 *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 by the Home Energy Conservation Act (1995). The role required the Housing Executive to identify practicable, cost-effective measures that could be applied to residential accommodation, with the aim of significantly improving the energy efficiency of the entire housing stock. The Housing Executive's key objective was defined as a 34 per cent reduction in the energy consumption of the dwelling stock that was in existence at 1st April 1996, with substantial progress expected within a 10-year time frame.

Energy efficiency-related findings from the 2009 House Condition Survey showed that:

- The energy efficiency of the stock improved by 21.4% between 1996 and 2009, mainly due to fuel switching and insulation programmes across all tenures.
- The average SAP (energy efficiency) rating for dwellings increased from 35 in 1996 to 52 in 2006 and 57 in 2009[11]. Within the social housing sector, the average SAP rating in 2009 was 63.
- The proportion of dwellings across all tenures with full central heating increased from 87 per cent in 1996 to 99 per cent in 2009.
- The popularity of oil fired central heating 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, but was marginally lower (68%) in 2009. A further six per cent of dwellings had dual systems, the majority of which had oil as one of the fuel sources.
- The use of mains gas as a heat source has grown rapidly in the last decade. In 2009, 113,640 homes (15%) were heated using gas systems, by comparison with around 84,000 (12%) in 2006 and none in 1996.
- During the 10 years to 2006, solid fuel's share of the domestic heating market declined substantially, from almost one third (30%; 183,100 homes) to only five per cent (around 33,000 properties). Between 2006 and 2009, however, both the number and proportion of homes heated by solid fuel remained virtually unchanged.
- The proportion of the housing stock with no wall insulation declined from 52 per cent in 1996 to 21 per cent in 2009, the bulk of the reduction having occurred between 1996 and 2006. Almost two thirds of dwellings (64%) had full cavity wall insulation in 2009, compared with just over one third (36%) in 1996. Many of the 153,800 dwellings with no wall insulation are of solid wall construction, and cannot avail of cavity wall insulation – the traditional and most cost-effective solution.
- In 2009, the vast majority (96%) of dwellings in Northern Ireland that had lofts also had loft insulation. In 1996, the equivalent proportion was 87 per cent.
- More than three quarters (77%) of properties had full double glazing in 2009. The proportion had increased since 2006 (68%) and was considerably higher than in 1996 (24%).

[11] *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), more than 10 per cent of its income would have to be spent 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.

There are three main causes of Fuel Poverty:

- poor thermal efficiency in dwellings;
- low household income; and
- high fuel prices.

The baseline figure for Fuel Poverty in Northern Ireland used 2001 House Condition Survey data, which was modelled by the Building Research Establishment (BRE). At that time, one third of households (33%; 203,250) were estimated to be in Fuel Poverty.

The Fuel Poverty model 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. For the purpose of comparability, the 2001 figure was also reworked using the new model; the calculation revealed that the level of Fuel Poverty in Northern Ireland had increased by seven percentage points, from 27.3%, between 2001 and 2006.

The latest figures, modelled using data from the 2009 House Condition Survey, show a further rise in the level of Fuel Poverty, which had reached 44 per cent (302,300 households) by 2009. The increase was primarily the result of escalating fuel prices, and would have been even more pronounced had it not been for investment in energy efficiency improvements between 2006 and 2009.

Action to Tackle Fuel Poverty

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

Owner Occupied Sector

The 2009 House Condition Survey estimated that there were 461,800 properties within Northern Ireland's owner-occupied sector – 62 per cent of the total stock. Having risen from 44 in 1996 to 51 in 2006, the average SAP rating for owner-occupied stock had increased again by 2009, to 56. The 'SAP' energy efficiency rating of dwellings is measured on a scale of 1 to 100, with 1 being extremely poor and 100 excellent.

The increased average SAP rating confirms improvements in the energy efficiency of owner-occupied stock.

Although primarily aimed at reducing dwelling unfitness and preventing disrepair, Housing Executive grants also contribute to improving the energy efficiency of dwellings. In 2009/10:

- Insulation measures were included as part of renovation grants in 187 dwellings.
- 136 new dwellings were constructed using replacement grants. A total of 3,792 new dwellings have been built to current energy efficiency standards – and replaced old, unfit houses – in rural areas since April 1996 with the help of Replacement Grants.
- 891 heating systems were provided under various grants including Disabled Facilities, Home Repair Assistance and Renovation Grants. In combination, such grants have funded a total of 4,564 fully controlled natural gas or oil heating systems in private dwellings since April 1996.

Housing Executive Dwellings

- The Housing Executive's heating policy aims to switch from inefficient solid fuel and electricity-based heating systems to more energy efficient, less polluting and more controllable heating such as natural gas (where available) and oil (elsewhere). A review of the policy, launched in 2010, will test whether any amendments are required, and will also consider the role of new technologies such as wood pellet boilers, geothermal heating and air source heat pumps.
- Ongoing maintenance programmes increase the level of insulation in Housing Executive properties, while window replacement schemes provide double glazing in properties throughout Northern Ireland.
- Projects on new and innovative technologies undertaken in recent years have included:
  - Installation of solar water heating panels at more than 2,000 Housing Executive dwellings, and solar photovoltaic (PV) panels at 32 homes;
  - A 10-dwelling field trial of micro-CHP (combined heat and power); and
  - Installation of one ground source heat pump, 55 solar air heating and ventilation systems, 26 wood pellet boilers and one wind turbine.
- In coming years, the Housing Executive plans to undertake field trials on geothermal energy, air source heat pumps and bio-kerosene (a mix of 30% recycled vegetable oil and 70% kerosene which can be used in conventional oil boilers with very minor modifications).
- Proposals have been drawn up for a research project involving the retrofit of five dwellings in Newry to various energy efficiency standards ranging from basic up to Passive House Standard. A passive house is an energy efficient building which can provide good levels of comfort and indoor environmental conditions throughout the year without the use of a significant space heating or cooling system. If successful, this project will be the first example of existing housing being retrofitted to Passive House Standard in Northern Ireland.

- The Heatsmart energy advice service run for the Housing Executive by the Northern Ireland Energy Agency provides advice to Housing Executive tenants on the efficient use of heating systems. During 2009/10, its 11th year of operation, the service advised almost 12,000 tenants.

Housing Association Stock

Modern housing association properties are built to high energy efficiency standards; in 2009/10 1,838 new properties were started and 1,504 completed, the majority of which will have met at least level three of the Code for Sustainable Homes.

The Cosy Homes Scheme, set up in 2003, administered through the Northern Ireland Energy Agency and funded from a variety of sources, helps registered housing associations to change from Economy 7 and solid fuel heating systems to natural gas or oil heating.

Private Rented Sector

Having increased substantially between 1996 and 2006 (from 27 to 52) the average energy efficiency (SAP) rating of dwellings in the private rented sector had increased again, to 57, by 2009. The further improvement is due to a combination of energy efficiency improvements and the substantial growth in the sector between 1996 and 2009, during which time many new, modern dwellings were added to the private rented stock.

Private sector landlords may avail of tax allowances (Landlords Energy Saving Allowance) towards improvements, and some private sector tenants may be eligible for grant aid towards energy efficiency works, and/or the Warm Homes Grant. During 2009/10, heating installations were carried out in 185 privately rented properties under the Warm Homes Scheme, while 909 private sector tenants benefited from provision of various types of insulation.

Cross-tenure Initiatives

A number of organisations and/or partnerships carry out energy efficiency programmes that span all housing tenures. They include:

- The Energy Saving Trust's Low Carbon Building Programme, which provided grants for renewable technologies up to May 2010. The grant was aimed at stimulating the market for renewable energy technologies, but has now closed to new applications.
- The Northern Ireland Sustainable Energy Programme (formerly the Levy Programme) amounted to almost £8m in 2009/10, funding energy efficiency schemes managed mainly by NIE Energy and other energy licence holders.
- NIE Energy continued to provide financial support towards renewable energy installations in the domestic sector.
- A number of Health Trusts, Health Action Zones and Investing for Health

Partnerships manage energy efficiency and fuel poverty programmes across Northern Ireland.

- The DSD/NIE-funded Hard to Heat Homes Scheme monitors the performance of a range of renewable or innovative technologies in solid wall properties, off the gas network, in mainly rural areas.

Warm Homes Scheme

The Warm Homes Scheme, which was introduced in July 2001, is the main source of grants for low income households in the private sector. The scheme is funded by the Department for Social Development and offers a range of energy efficiency measures to households in receipt of a qualifying benefit, who may be eligible for assistance through Warm Homes or Warm Homes Plus:

Warm Homes	Warm Homes Plus
• Cavity wall insulation	Same as 'Warm Homes' and:
• Loft insulation	• Installation of a fully controlled energy-efficient oil or gas central heating system where no system currently exists.
• Hot water tank jacket	• Conversion of an existing bottled gas (LPG), solid fuel or Economy 7 heating system to oil or natural gas.
• Benefit entitlement check	
• Energy advice	

During 2009/10, 391 owner-occupied homes had a change of heating through the Warm Homes Scheme, while 5,938 benefitted from insulation measures.

Fuel Poverty Strategy

The Department for Social Development published *Ending Fuel Poverty: A Strategy for Northern Ireland* in 2004. The strategy set ambitious objectives for the Department and its partners, aiming (subject to resource availability) to see Fuel Poverty eradicated among vulnerable households and in the social rented sector by 2010, and among non-vulnerable households by 2016.

Whilst there have been significant improvements in domestic energy efficiency, progress towards eradicating Fuel Poverty has been undermined by substantial increases in fuel prices and limited increase in income; the 2010 target for eradicating the problem among vulnerable households and in the social rented sector was not achieved.

In 2010, the Department introduced a consultation paper on a new Fuel Poverty Strategy for Northern Ireland: *Warmer Healthier Homes*. The consultation paper recognised that the definition of Fuel Poverty is now 20 years old and in the context of a more restrictive public expenditure environment the Department wishes to ensure that scarce resources are targetted to help those most in need. It proposed that the new strategy would continue to focus strongly on removing energy inefficiency as a cause of Fuel Poverty, while exerting influence to reduce the impact of the other two main contributing factors: fuel price and household income.

The consultation, which closed in September 2010, sought views on a variety of proposals, including:

- Introduction of a ‘severity index’, to include ‘severe’ and ‘extreme’ Fuel Poverty;
- Prioritisation of energy efficiency as the principal means of tackling Fuel Poverty;
- Continued use of the Warm Homes Scheme as the primary mechanism to deliver the Fuel Poverty Strategy and tackle energy inefficiency in the owner-occupied and private rented sectors;
- Continued use of the Housing Executive’s heating replacement scheme and the Cosy Homes Scheme to improve the energy efficiency of the social housing stock;
- Examination of the feasibility of a Boiler Replacement Scheme to replace old, inefficient boilers for some vulnerable households who do not meet the qualifying criteria for the Warm Homes Scheme;
- Incentivising housing associations to build new social dwellings that meet the higher levels of the Code for Sustainable Homes;
- Examination of the feasibility of an equity release scheme which would allow home owners to carry out energy efficiency improvements to their homes;
- A Northern Ireland pilot project on the use of home ‘smart meters’;
- Introduction of legislation that will give local authorities new powers to produce action plans to improve domestic energy efficiency within their local area;
- Continuation of the benefit uptake campaign to help households increase their incomes;
- Exploration of the options for possible introduction of a social tariff (special payment arrangements to benefit disadvantaged energy customers);
- Maintenance of an active monitoring, evaluation and research programme to support the development of best practice in the delivery of the Fuel Poverty Strategy; and
- Support for social housing providers to broker energy at a competitive rate for their tenants.

The 2004 target to eradicate Fuel Poverty by 2016 will be re-examined following this public consultation to determine whether it is still realistic and fit for purpose.
An updated strategy is due to be published in 2011.

Energy Brokering

One of the recommendations of the Fuel Poverty Task Force, which was set up in May 2008, was that development of discounted energy schemes for tenants should be investigated. The Housing Executive had considered energy brokering schemes some years previously, but was unable to proceed due to insufficient legal powers. With the legal issues now in the process of being resolved, the Housing Executive and its partners have been able to research the feasibility of energy brokering in Northern Ireland.

Two main options to provide cheaper energy for tenants as part of a brokering scheme have been identified:

- Preferred supplier arrangements / affinity deals: after full evaluation a landlord works with a specific energy supplier to promote an agreed discounted tariff to tenants. Several supply companies compete to provide the service.
- Bulk (or aggregated) energy buying from a market place in large volume for a reduced cost.

Since the Housing Executive would not be in a position to purchase, store or sell energy to tenants, only the first option has been considered feasible. The Housing Executive is currently awaiting passage of the required legislation before moving forward with this initiative.

Green New Deal for Northern Ireland

In early 2009, the Housing Executive was invited to participate in a cross-sectoral round table forum convened by Friends of the Earth to develop a Green New Deal for Northern Ireland. One of the forum's first papers set out a costed programme of housing measures to improve the energy efficiency of the housing stock by reducing waste in the use of energy, particularly fossil fuels. The paper also emphasised how the associated programme of work would maintain and create jobs, reduce Northern Ireland's energy insecurity and safeguard the region's economic future.

The Green New Deal Group has continued to examine alternative finance options to help fund the programme, including the possibility of setting up a Green New Deal company to borrow money from financial institutions. In addition, the findings of a proposed community energy audit may be used to prepare a business case for the DSD to consider funding interest-free loans to help private householders pay for energy efficiency improvements to their homes.

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 and the Eurozone remains fragile. In the UK unemployment and a combination of increases in taxation and reductions in Government expenditure (including significant reductions in welfare payments) will reduce the amount households can afford to spend on meeting their housing needs. The Republic of Ireland faces a major fiscal challenge, with the December budget announcement further reducing consumer confidence and spending, as well as heightening the danger of a negative equity crisis. 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 influx of migrant workers) and single living associated with marriage/relationship break up. The continuing trend towards more single person and older households will result in a sustained demand for accommodation and in particular for smaller units of accommodation and supported housing. However, there are some early indications that 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 2010-16 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 expected severe public expenditure constraints.
- Reducing the very high level of Fuel Poverty (44%) in Northern Ireland remains a serious challenge, given that energy prices are expected to remain high. Improvements to the energy efficiency of the dwelling stock can make a significant contribution to reducing Fuel Poverty but will not eradicate it. A Government-led review is currently re-examining the definition of Fuel Poverty with a view to targetting scarce resources on those in most need.

Chapter 2

The Owner Occupied Sector

Northern Ireland Housing Executive

Northern Ireland HousingExecutive

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%)	58,000 (13%)
Fuel Poverty (rate)	97,900 (23%)	148,000 (32%)	178,000 (39%)
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	272

Introduction

During the second half of the twentieth century owner occupation grew steadily in Northern Ireland, encouraged by a range of Government policies.

These included the removal of Schedule A tax on imputed rent, 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, fuelled by a low interest rate environment and the wider availability of credit which helped counteract the growing disparity between the typical income of first-time buyers and rising house prices. However, the economic downturn which began in late 2007- precipitated by the sub-prime mortgage related financial crisis - and from which Northern Ireland has struggled to emerge, has for the first time resulted in a decline in both the number and proportion of households now living in owner-occupation.

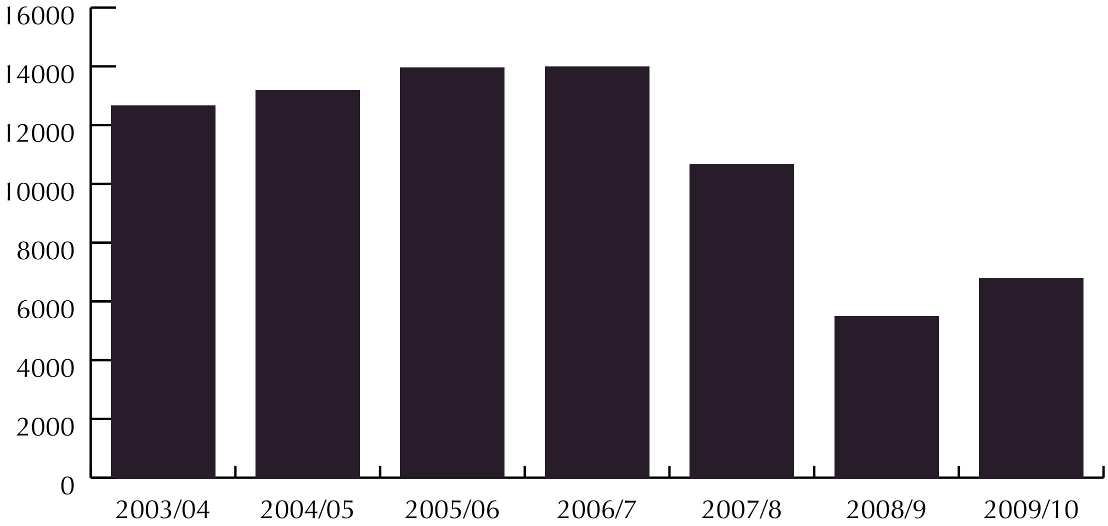
In 2001 approximately two-thirds (432,000; 66.8% of the total stock) of Northern Ireland's dwellings were owner-occupied. By 2006 the number of owner-occupied dwellings had grown to 469,000, but the proportion had remained approximately the same. By 2009, however, the actual number of owner-occupied dwellings had fallen to 462,000 (62.4% of the total stock). Undoubtedly the sharp decline in the number of Housing Executive dwellings sold between 2006 and 2009 (see below) played a role in this. However, the main reason for this reduction was the rising demand for, and concomitant rapid expansion of, the private rented sector. This rapid expansion was the result of 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, which has meant that younger households in particular found purchasing their first home more and more difficult. An increasing number of potential new households, which in previous years would have entered owner-occupation have chosen 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" eventually work their way through the system and the economy returns to a period of more sustainable growth in the medium term, but it is likely that the proportion of dwellings in owner occupancy will remain fairly static over the next three to five year period.

New Housing

In parallel with the rest of the United Kingdom and the Republic of Ireland, Northern Ireland in recent years has experienced a sharp downturn in the number of new dwellings being constructed. The rate of construction in Northern Ireland reached a highpoint in the two financial years 2005/06 and 2006/07 when almost 14,000 new private dwellings were built in each of these twelve month periods (see Figure 4[12]). 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. During 2009/10 the figure rose again to approximately 6,800, but this remains less than half the rate of construction of a few years ago. Initial estimates for 2010/11 indicate that the figure will be lower than the previous year as the construction industry struggles to raise effective demand in the current economic climate.

Figure 4: New Dwellings in the Private Sector 2003-2010



Source: DSD, Housing Statistics 2009/10

In 2009/10 only three district council areas reported that work had begun on more than 400 new dwellings in the private sector: Banbridge (491), Belfast (577) and Fermanagh (711). Table 7 provides some indication of recent trends in the type of new dwellings being constructed. The proportion of detached houses constructed between 2005/06 and 2009/10 fell from 28 to 24 per cent. The biggest change, however, is in the proportion of flats/maisonettes (including apartments), which rose markedly to 38 per cent in 2008/09 before falling back sharply to 22 per cent in 2009/10 in response to the downturn in demand for this type of accommodation.

12 *Figures are based on private sector new build starts - for although they may in a small number of cases not be completed the statistics are seen as significantly more accurate than the available completion figures.*

Table 7: NHBC Registered Starts by House Type, 2005-2010

	Detached Houses %	Detached Bungalows %	Semi Detached Properties %	Terraced Properties %	Flats and Maisonettes %	Total Numbers
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
2009/10	24	5	28	21	22	3,436

Source: DSD, Housing Statistics, 2009/10

Northern Ireland Housing Executive

House Prices

House Prices in the UK

House price indices had, over a twelve month period, indicated that the UK housing market as a whole had gradually emerged from the 2008/09 recession, with five consecutive quarterly increases in average house price, culminating in an annual rate of increase of 9.5 per cent in Q2, 2010 and an average house price for this quarter of £168,719 (Nationwide). However, Q3, 2010 saw both a quarterly fall in average house prices (-1.0%) and a halving of the rate of annual increase to 4.5 per cent, indicating the return of a more subdued market generally. The figures for Q4, 2010 have confirmed this downward trend; house prices fell on a quarterly basis by -2.5 per cent (to £163,244) giving an annual rate of increase of only 0.7 per cent.

Analysis of the regional average house prices for 2010 shows that although prices were generally rising during the first half of the year, they fell back during the second half - and in particular during the final quarter. Between Q4, 2009 and Q4, 2010 the overall average house price for the UK rose by only 0.7 per cent to £163,244. Table 8 shows the regional variation in trends, with the highest annual increases of over 5 per cent being recorded in East Anglia, Outer Metropolitan and London. Annual declines were recorded in five regions: Yorkshire/Humberside, North West, Wales, Scotland and Northern Ireland. In Q4, 2010 quarter-on-quarter decreases were recorded in all regions except East Anglia which recorded a marginal rise of 0.2 per cent. Northern Ireland recorded the largest annual and quarterly declines in average house prices of all the regions in the UK (-8.9 and -4.0 respectively). Nationwide's figures indicate that Northern Ireland now has the second lowest average price in the UK, a place it last occupied in 2005 at the start of the unprecedented boom in house prices.

Table 8: UK Regional House Price Change Q4, 2010

Region	Qtrly % Change	Annual % change	Ave house price Q4 2009
North	-0.1	+0.8	117,082
Yorks/Humberside	-3.1	-3.4	132,633
North West	-1.6	-1.3	137,969
East Midlands	-2.0	+1.8	138,973
West Midlands	-2.7	+0.7	145,752
East Anglia	+0.2	+3.8	166,026
Outer South East	-3.3	+2.1	195,392
Outer Metropolitan	-3.2	+2.8	238,767
London	-3.4	+2.7	283,511
South West	-3.4	+2.1	183,242
Wales	-3.5	-1.5	133,688
Scotland	-1.3	-2.0	137,491
Northern Ireland	-4.0	-8.9	125,637
UK	-2.5	+0.7	163,244

Source: www.nationwide.co.uk/hpi

House Prices in Northern Ireland

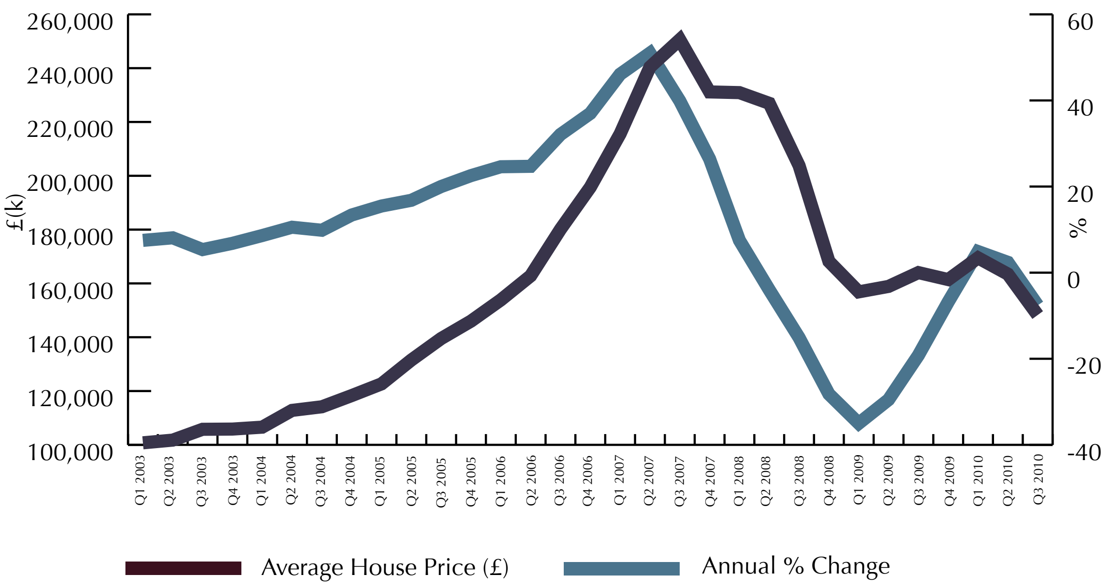
The University of Ulster's mix-adjusted analysis of open market transactions gathered from a network of estate agents throughout Northern Ireland indicates a somewhat different pattern for Northern Ireland than for the UK as a whole.

Quarter-on-quarter change was erratic between Q1, 2009 and Q2, 2010. A combination of small increases and decreases meant that the average house price in Q2, 2010 (£163,459) was only 4 per cent over this eighteen month period.

The most recent survey for the final three months of 2009 shows that house prices in Northern Ireland, having increased a little on an annual basis over the first two quarters of 2010, declined by a (weighted) 7.6 per cent between Q3, 2009 and Q3, 2010. Average house prices also experienced a similar (weighted) quarter-on-quarter decline (7.7%), reflecting not only the current difficulties being experienced by businesses in Northern Ireland and the concomitant rising level of unemployment, but also the deepening concerns about the impact of the coming public expenditure cuts on wages and salaries.

From its highpoint in Q3, 2007 (£250,586) the average house price in Northern Ireland fell to £148,243 in Q3, 2010 – representing a peak to trough decline of 41 per cent (or almost 14 per cent each year for the last three years). This means that the average house price in Northern Ireland has now fallen back to roughly where it was in late 2005 / early 2006.

Figure 5: NI Average House Price: 2003-2010



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 approximately 17 per cent, while the average price of detached and semi-detached bungalows actually rose over the year.

Table 9: NI: Average Prices by Property Type Q3, 2009 - Q3, 2010

Property Type	Q4, 2009 (£)	% Change (YoY)
Terraced Houses	107,407	-5.6
Semi Detached Houses	130,956	-12.5
Detached Houses	252,581	-7.0
Semi Detached Bungalows	131,439	10.6
Detached Bungalows	195,636	4.2
Apartments	119,716	-17.1

Source: University of Ulster, Quarterly House Price Index, Report 104: Q3, 2010

Analysis by geographic region (see Table 10) indicates that there were significant inter-regional differences in the level of house price change between Q3, 2009 and Q3, 2010. At one end of the scale the average price in Belfast fell by almost 22 per cent, while at the other, in Craigavon/Armagh house prices rose by 23 per cent. However, some caution must be exercised in the interpretation of these regional figures due to ongoing abnormalities in the market, reflected in a low rate of sales which in turn is reflected in a relatively small sample size.

Table 10: NI: Regional House Prices Q3, 2009 - Q3, 2010

	Average Price Q4, 2008 (£)	Average Price Q4, 2009 (£)	% Change (YoY) (unwted)
Belfast	176,418	138,131	-21.7
North Down	203,023	179,263	-11.7
Lisburn	165,433	143,170	-13.5
East Antrim	134,601	141,082	+4.8
Londonderry/Strabane	147,000	147,692	+0.5
Antrim/Ballymena	171,306	137,602	-19.7
Coleraine/Limavady/North Coast	166,523	153,884	-7.6
Enniskillen/Fermanagh/S Tyrone	147,577	125,451	-15.0
Mid Ulster	143,296	130,368	-9.0
Mid and South Down	160,147	178,177	+11.3
Craigavon/Armagh	118,600	145,893	+23.0
Northern Ireland	**164,017**	**148,243**	**-9.6**

Source: University of Ulster, Quarterly House Price Index Report 101: Q3, 2010

The University of Ulster's survey of house prices not only provides an analysis of house price movements, it also provides a very useful insight into housing market activity in Northern Ireland in general. In the twelve month period from Q4, 2009 to Q3, 2010 the survey included some 3,650 transactions. This compares with the much larger sample of approximately 9,200 at the height of the boom in 2005/06.

A similar picture emerges from an analysis of Council of Mortgage Lenders statistics. For the twelve month period Q4, 2009 to Q3, 2010 there were 10,900 mortgage based sales. This represents an increase from the previous twelve month period (9,000) but is still well below the figure of 27,200 for the equivalent period in 2005/06.

Transaction rate is an important indicator of future price change. Last year's estimate that the market would remain flat during 2010 has so far proved somewhat optimistic, partly due to the continuing low transaction rate, although it remains to be seen what emerges in the final quarter of the year. However, there is no indication that the transaction rate is increasing and given the ongoing economic uncertainty, and in particular the coming reductions in public expenditure as well as continuing caution on the part of mortgage providers, it is unlikely that the average house price for Northern Ireland will rise during 2011, although any significant reduction is unlikely given the lack of supply in areas of higher demand.

Affordability in Northern Ireland

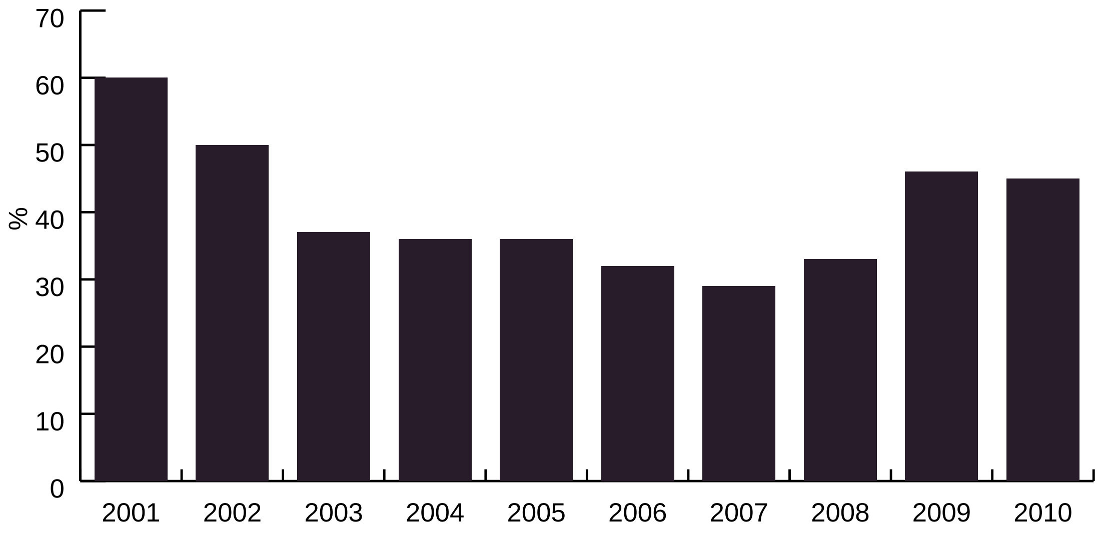
Research published by the Housing Executive in 2001[13] showed that affordability was not an immediate or widespread problem at that time, due primarily to the low interest rate environment and the availability of a more flexible range of mortgage products, but that there were signs that it was an emerging 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 for first-time buyers. Figures published by the Council of Mortgage Lenders show that this ratio 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. Having risen to more than 3.4 in the first two quarters of 2010 it fell back again for Q3, 2010 to 3.19, in tandem with the falling prices which characterised the housing market during that quarter.

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, a figure which remained almost unchanged (at 45%) for the first three quarters of 2010.

Figure 6: NI: Proportion of Sales to First-Time Buyers, 2001-2010

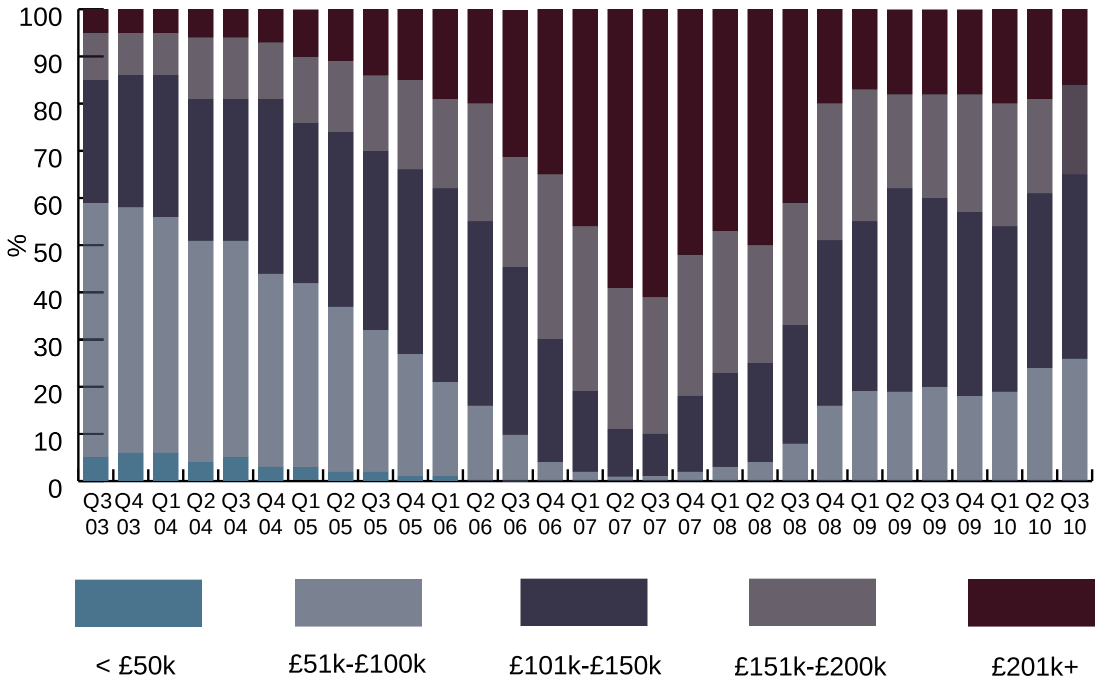


Source: Council for Mortgage Lenders

[13] *McGreal, S., Murie, A. & Berry, J. (2001) Affordable Housing in the Private Sector in Northern Ireland, Belfast: NIHE.*

The proportion of lower priced homes (see Figure 7). At the start of 2005 more than two-fifths of all homes were sold for less than £100,000. At the peak of the housing boom in 2007 this proportion had fallen to almost zero. However, in each of the four quarters in 2009 approximately one fifth of all homes sold cost less than £100,000 and by Q3, 2010 more than one quarter (26%) of the properties sold at or below £100,000.

Figure 7: NI: Proportion of Sales by Price Band, 2005–2010

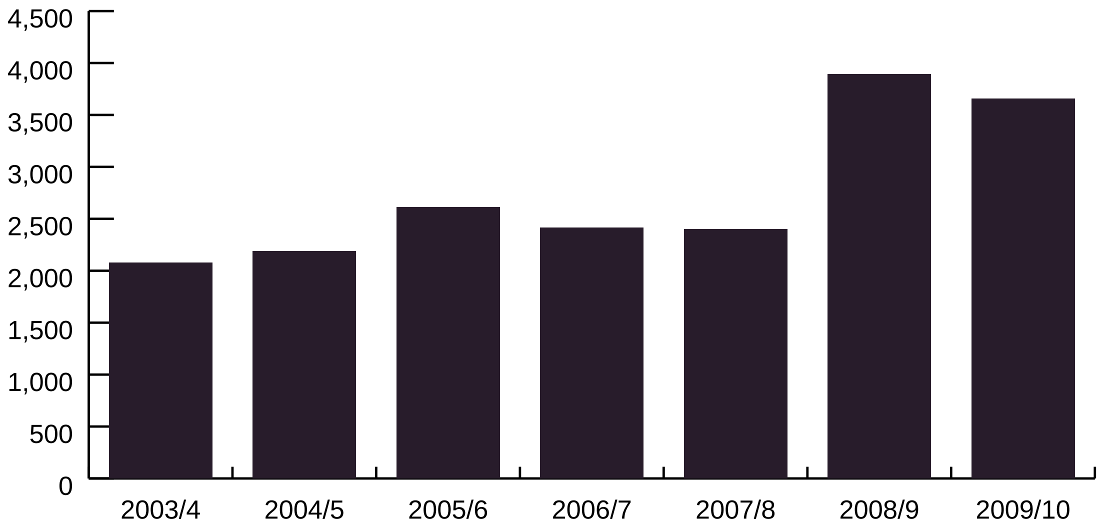


The dramatic change in the relationship between house prices and incomes since 2007, the growing proportion of first time buyers and the increasing proportion of dwellings costing less than £100,000 all indicate that affordability has improved significantly in Northern Ireland. However, the uncertain economic climate has made banks and building societies reluctant to relax the much more stringent lending criteria introduced after the downturn in 2008. Lenders are typically now offering mortgages at 75 per cent loan to value ratios, but the number of potential mortgagees who qualify for them remains low as lenders apply stricter affordability criteria and make more thorough credit history checks. Stimulating the return of confidence in the housing market remains a key challenge for both policy makers and the private sector.

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. However, in 2009/10 the number of actions for possession came down to 3,658, partly as a result of increasing lender “forbearance” in the face of the potentially damaging effects of too many repossessed homes on lenders’ asset bases. It is also important to remember that only a small proportion of homes subject to actions for possession are actually repossessed (in 2008/09 there were 1,457 actual possession orders, rising to 1,795 in 2008/09), it is nevertheless an indicator of stress in the housing market as a result of affordability problems.

Figure 8: NI: Actions for Repossession, 2003/4 -2009/10



Source: DSD: Housing Statistics 2009/10

The Sale of Housing Executive Dwellings

Since 1979 the Housing Executive has sold more than 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.

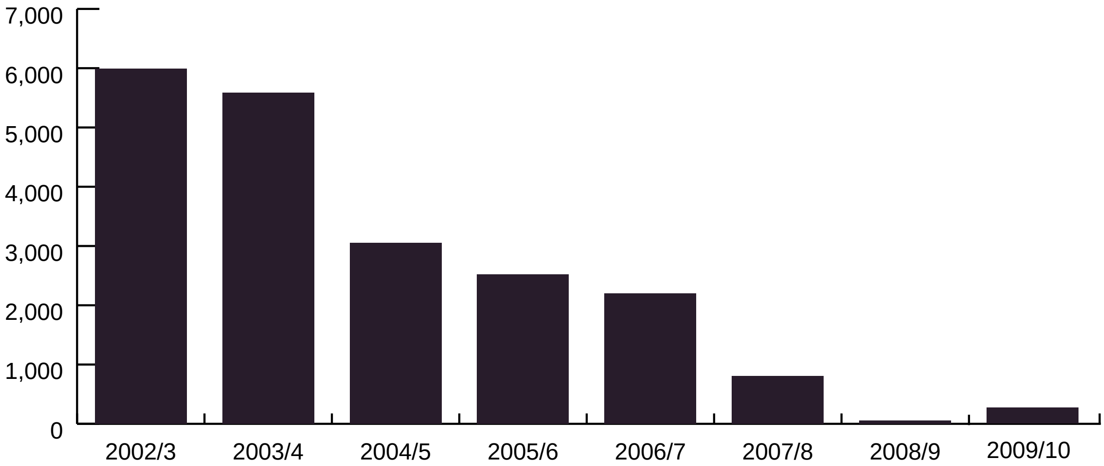
Resale of Former Housing Executive Property on the Open Market (2009)

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, Bangor, Newtownards 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 number of sales increased to 272 as valuations fell. During the first nine months of 2010/11 a total of approximately 200 were sold. It is envisaged that in tandem with the housing market as a whole, this much lower level of sales will continue as economic uncertainty affects the confidence and ability of tenants to purchase their homes.

Figure 9: Housing Executive Sales Completed, 2002/03-2009/10



Source: NIHE

Characteristics and Condition

The 2009 House Condition Survey provides 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 based on the 2009 House Condition Survey was completed by the Building Research Establishment during the course of 2010 and provides the latest information on Government indicators of housing conditions.

Disrepair and the Decent Home Standard

The 2009 House Condition Survey found that 50 per cent (56% in 2001 and 48% in 2006) 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 (43% of the total owner-occupied stock). The average basic repair cost was £693 (£1,107 in 2001, £940 in 2006), which was well below the £938 for the stock as a whole.

Only thirteen per cent (58,000 dwellings) of owner-occupied dwellings (20%; 95,700 in 2006) failed the Decent Home Standard in 2009 (compared to 15% for the stock as a whole), but they accounted for more than half (52%) of all homes failing this standard in Northern Ireland.

Housing, Health and Safety Standard

A little over one fifth (21%; 20% in 2006) of all owner-occupied homes also failed the Housing Health and Safety Standard, a similar proportion to that for the stock as a whole.

Overall the 2009 House Condition Survey indicates some significant further improvement in the condition of the owner-occupied stock in Northern Ireland compared to 2006, in terms of reduced levels of unfitness and non-decent homes. The proportion of dwellings with disrepair and the proportion failing the Housing Health and Safety Rating have remained broadly static, although the average disrepair cost has reduced considerably.

Grant Aid for the Owner Occupied Sector

The 2009 House Condition Survey showed that approximately 2,500 dwellings became unfit each year between 2006 and 2009 and more than half of these were owner-occupied in 2006. House Condition Surveys have also consistently 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.

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

Table 11: Home Improvement Grants: 2005/06 – 2009/10: Number of Grants Approved and Approved Expenditure

Year	Renovation	Replacement	Disabled Facilities	Repairs	HRA	HMO	Total Grants	Approved Expenditure (£)
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
2009/10	161	27	1,750	851	172	72	3,033	3.1m

Source: NIHE

The following key points emerge:

Between April 2005 and March 2008 more than £40 million was spent annually on home improvement grants and more than 7,000 grants were approved in each of these years. During the financial year 2008/09 only 6,000 grants were approved with an associated expenditure of £39 million. However, in 2009/10 as a result of the re-prioritisation of scarce resources for housing, the budget for home improvement grants was reduced substantially to approximately £23 million and only 3,033 grants were approved.

- Both the number of Renovation Grants and Replacement Grants approved (161 and 27 respectively) declined in 2009/10 compared to the previous year's figure. The number of Home Repairs Assistance (HRA) Grants approved in 2009/10, also declined sharply to only 172, in line with the reduction in the grants budget.
- However, the number of Disabled Facilities and Repairs Grants approved (1,750 and 851 respectively) was similar to the previous year reflecting the focus on mandatory grants and the ongoing importance of this type of investment in the housing stock.
- Grants for Houses in Multiple Occupation (HMO) have continued to be at a lower level in line with the Housing Executive's HMO Strategy. In 2009/10, 72 grants were approved at a cost of £1.5 million.

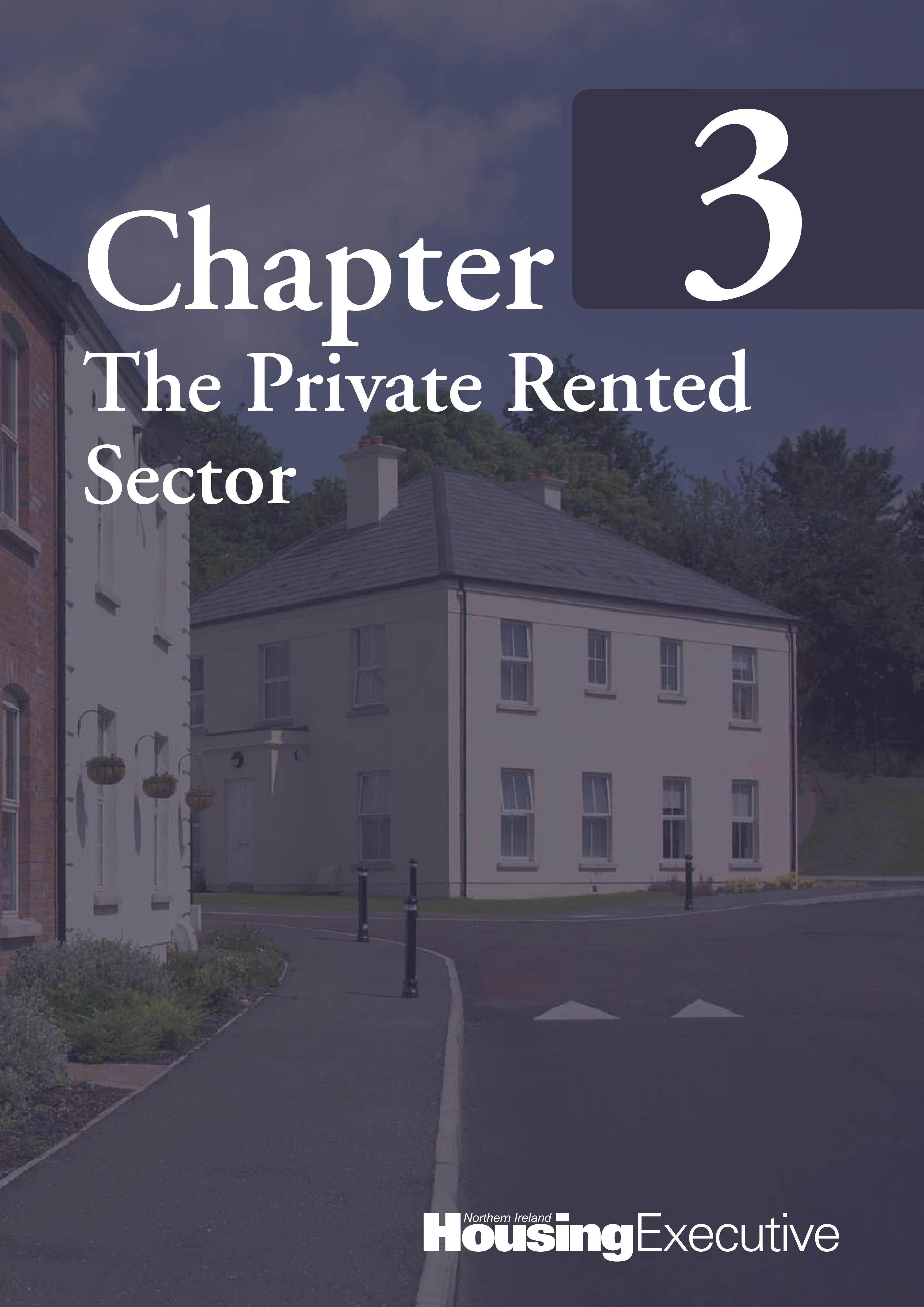
The financial year 2010/11 has seen a further contraction in the resources available for home improvement grants. An initial allocation of £34 million is once again being focussed on mandatory Disabled Facilities Grants (1,750) and Repairs Grants (800). Discretionary Renovation, Replacement, Home Repair Assistance and HMO Grants are continuing to be processed on an exceptions basis.

Key Issues and Strategic Perspectives

- Although house prices have returned to more sustainable levels, ongoing difficulties in obtaining mortgage finance and growing labour market insecurity have made the private rented sector a more attractive alternative for many newly forming households. This is reflected in the first fall in the absolute number of owner-occupied dwellings in Northern Ireland, and although this number may well increase in the coming years it is more than likely that as a proportion of the total stock the proportion of owner-occupied dwellings has peaked for the foreseeable future.
- Ongoing economic uncertainty will also mean that the number of new dwellings constructed will remain low compared to the early years of the new millennium. It is estimated that some 7,000 new private sector dwellings will be constructed in 2010/11 and that this will not increase significantly in 2011/12.
- 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. Growing concerns over the impact of the coming cuts in public expenditure has resulted in a further fall in house prices of 8 per cent in Q3, 2010. Average house prices have thus fallen by more than 40 per cent from peak to trough and are likely to remain flat during 2011.
- The substantial fall in house prices between 2007 and 2010 has seen the average price of a home return to 2005 levels. House price to income ratios and the much larger percentage of dwellings being sold at less than £100,000 means that the ongoing costs of owner-occupancy are significantly lower than in 2007. In this sense affordability for first time buyers is no longer as pressing an issue. Nevertheless continuing caution by lenders and the requirement to pay substantial deposits means that affordability remains a key policy issue, with stimulating confidence in the housing market posing a key challenge for policy makers and the private sector.
- 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 it is expected that more than 250 will be sold 2010/11.
- 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 in the context of a very difficult public expenditure environment 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%)	21,200 (17%)
Fuel Poverty (rate)	21,400 (44%)	35,300 (44%)	67,800 (55%)
BMA average monthly rents (£)	n/a	n/a	576

Background

The importance of Northern Ireland's private rented sector declined for most of the twentieth century as a result of a combination of the effects of rent controls, large scale redevelopment and, in particular, Government policies which made owner-occupation the preferred tenure for most households.

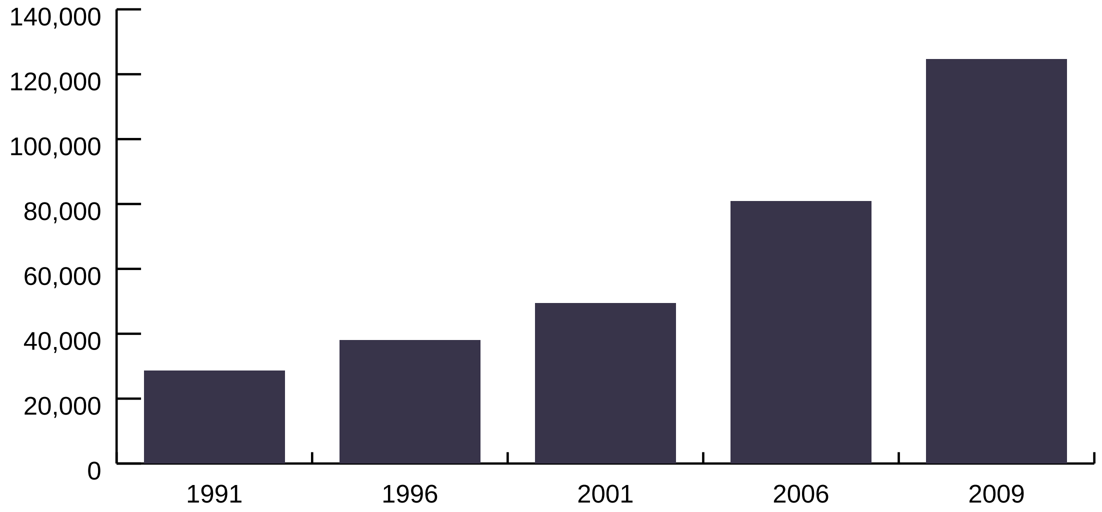
In 1991 there remained only 30,000 privately rented homes in Northern Ireland, comprising only 5 per cent of the stock. Since then, however, the private rented sector has grown steadily. By 2001 there were already almost 50,000 dwellings in this sector (see Figure 10).

Research commissioned by the Housing Executive from the University of Ulster[14] identified a number of underlying drivers of demand and supply, including the growing interest in the private rented 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. The research highlighted the important role played 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 2009/10 approximately 60,000 private tenants on Housing Benefit were supported by an annual private Housing Benefit budget of approximately £250bn.

Between 2001 and 2006 the rate of growth of the private rented sector accelerated rapidly. 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).

[14] *Gray, P., Hillyard, P., McAnulty, U. & Cowan, D. (2002) The private rented sector in Northern Ireland, Belfast: NIHE.*

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



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

The 2009 House Condition Survey showed that there had been a further substantial growth in the private rented sector, reflecting a combination of market conditions:

- The investor driven boom between 2005 and the autumn of 2007;
- 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 out their house;
- In areas of high demand for social housing, the private rented sector often provides the only short-term viable option for households on low incomes;
- Ongoing affordability problems for first-time buyers (see Chapter 2), including the inability of many to save the size of deposit now required in order to be granted a mortgage at a competitive interest rate.

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 now significantly higher than in England or Scotland.

Characteristics and Condition

Findings from the 2009 House Condition Survey provide a comprehensive view of the characteristics and condition of privately rented homes in Northern Ireland.

Dwelling Age

The 2001 House Condition Survey indicated that almost two-fifths (38%) of the private rented sector was built before 1919. By 2006 this had already declined to 28 per cent. By 2009 this figure had fallen further to 20 per cent (compared to 14% for the stock as a whole). Conversely, the proportion of dwellings in the private rented sector which were built after 1980 increased from 15 per cent in 2001 to 25 per cent in 2006 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 had 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 commissioned from the Building Research Establishment provides the latest figures for key Government indicators of housing conditions.

Disrepair and the Decent Homes Standard

In 2009, 56 per cent of dwellings in the private rented sector had at least one fault, a reduction from the comparable figure in 2006 (64%), but somewhat higher than the 2009 figure of 52 per cent for the stock as a whole. The average repair cost, however, is significantly lower in the private rented sector (£556 for urgent repairs and £798 for basic repairs) than for the stock as a whole (£756 and £938). Nevertheless the figures are still higher than for both the owner-occupied and social sectors.

Less than one fifth (17%) of privately rented homes failed the Decent Homes Standard in 2009, a significant reduction from 2006 when more than a quarter (27%) of all privately rented dwellings failed this standard. The rate of failure in 2009, however, whilst lower than for the stock as a whole (17%) - because of the high rate of failure for vacant properties (38%) - was nevertheless still the highest of the three occupied tenures.

Housing Health and Safety Rating

Analysis of the 2009 House Condition Survey data on the basis of the most recent Government measure of housing quality (the Housing Health and Safety Rating) showed that approximately 15 per cent of privately rented homes had Category 1 hazards. This compares to 21 per cent for the owner-occupied sector and 9 per cent for social housing.

Fuel Poverty

In 2009 more than half (55%) of all households living in the private rented sector were in Fuel Poverty. This compares with an overall average of 44 per cent. It also represents a significantly higher figure than in 2006 (44%) and reflects the characteristics of the stock, the significant rise in fuel prices and also the growing number of low income households who are now housed in this sector.

The Private Rented Sector: Ongoing Research

In 2006, the Housing Executive commissioned further research into the private rented sector from the University of Ulster. A series of reports were produced including an in-depth analysis of data from the 2006 House Condition Survey, and a 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 this latter report published in 2009[15] and one providing an insight into the views of landlords completed in 2010.

Living in the Private Rented Sector: The Experiences 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.
- 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.
- 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. The average rent was £79 per week (£341 per month), although 16 per cent paid at least £100 per week.
- 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 vast majority (89%) had a good relationship with their landlord/agent and almost three-quarters (72%) were satisfied or very satisfied with the overall service provided by the landlord or letting 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, primarily (50%) because of the time delay involved.
- 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 in favour of increased regulation in the sector: 84 per cent were in favour of an approval scheme for landlords, 87 per cent were in favour of

[15] *Gray, P. & McAnulty, U. (2009) Living In the private rented sector: The Experiences of Tenants, Belfast: NIHE.*

- a mediation/arbitration service to deal with landlord/tenant disputes and of these almost all thought it should be compulsory for landlords to attend.
- 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 continues to be one of the most difficult sectors of the housing market in which to undertake research. For example, for many years there was 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. An initial analysis of rental levels and transaction rates was produced for the year 2008 for the Belfast Metropolitan Area. Since then the researchers have used the considerable quantity of data on lettings held on the Property News.com website to produce a bi-annual analysis. It had been hoped to produce comparable figures for the rest of Northern Ireland's larger housing markets. However, the number of transactions was not considered high enough to provide sufficiently robust figures. Work is ongoing with University of Ulster to address this using other sources of information.

The key findings emerging from these reports over a three year period are illustrated in Figure 11 and summarised in the paragraphs below:

Figure 11: BMA: Lettings and Average Rent, 2007-2010

Source: PropertyNews.com

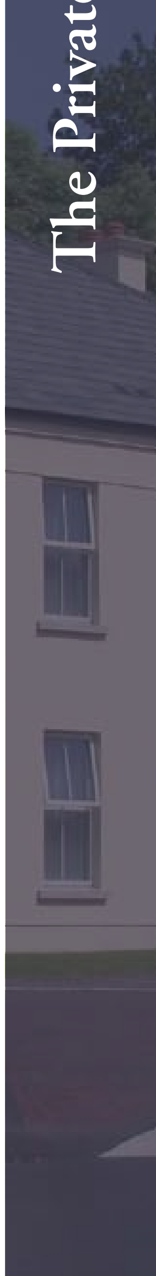
During 2007, the number of properties let on the PropertyNews website increased from a total of 2,298 in the first half to 3,060 in the second half of the year. The average monthly rent for all properties let during 2007 was £577, and for the BMA as a whole there was a slight upward drift in rents (+1.4%) during the year.

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 per cent 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 was recorded (an increase of 5 per cent 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 the 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 trends 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 the 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 (to 4,053; a 25 per cent increase over the first six months of 2009, but still 4 per cent lower than In the first half of 2008). The average rent for the BMA also rose during the second half of 2009 to £581, a 2 per cent increase on the first half of the year, but a 1 per cent decline compared to the comparable six months in 2008.

The most recent report - for the first half of 2010 - shows that the market has become somewhat more subdued with reductions in both the volume of transactions and average rental level. There were 3,280 transactions during the first six months of 2010, a reduction of nearly 20 per cent compared to the previous six months, but a slight increase on the comparable period in 2009. The average rent for the BMA also declined to £560 per month, a reduction of approximately 4 per cent compared to the previous six months and approximately 2 per cent compared to the comparable period in 2009.



Houses in Multiple Occupation (HMO)

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 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.

HMO Strategy

In 2008 the Housing Executive launched a new HMO Strategy to ensure physical standards were improved, that appropriate advice and information was available, that HMOs were well managed and that the adverse effects of concentrations of HMOs are reduced.
An important part of implementing this strategy is the registration of HMO properties.

Four of the main objectives of the HMO Strategy and progress on achieving them 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 approximately 4,000 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. Freshers week provides a useful opportunity to meet a considerable number of new 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

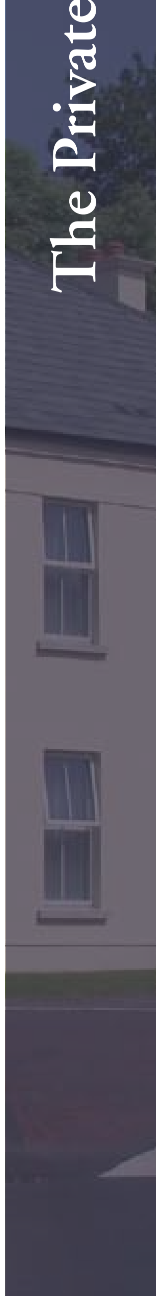
Ensure that HMOs are well managed.

The Housing Executive provides awareness seminars to landlords. The DSD is also considering 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 each to both the provision of CCTV in the Holyland area of Belfast and the University area of Derry City. The Housing Executive is a joint funder of the ongoing Holyland study to develop long term strategic solutions for the Holyland and is an active member of the Holyland Interagency Group and of PACT (Police and Communities Together). Information dissemination also highlights tenants' responsibilities to the surrounding community.



Private Rented Sector Strategy

The Department for Social Development launched its *Building Sound Foundations: A Strategy for the private rented sector* in 2010.

The primary objective of the strategy is to "create the conditions in which the private rented sector contributes more fully to meeting our rapidly changing housing needs". The key principles underpinning the proposals include the need for the changes to contribute positively to meeting housing need, supporting greater tenure choice, promoting more sustainable tenancies and provide a balanced approach to the rights and responsibilities of both landlords and tenants.

Key points from the strategy include:

- Putting in place a comprehensive programme to improve the knowledge and awareness of both landlords and tenants of 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 exercise which had preceded the publication of the strategy indicated a strong level of support for mandatory landlord registration, which is seen as providing local councils with comprehensive information about the sector and permitting them to communicate with landlords more easily, allowing them to work with landlords to raise standards, and where necessary take enforcement action. The strategy therefore signals the introduction of mandatory registration of all private landlords and agents acting on their behalf, including details of all properties available for rent. Registered landlords will be expected to comply with all the statutory requirements governing the private rented sector.
- An improved management framework in the future is 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. (The Department for Social Development is currently working on developing a practical standard).
- Improving accessibility to the sector by introducing a Northern Ireland rent deposit scheme which would provide better protection for tenants' deposits and a means for resolving landlord/tenant disputes in this field.

Key Issues and Strategic Perspectives

The private rented sector continued to grow rapidly between 2006 and 2009 to comprise approximately 17 per cent of the total housing stock. 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.

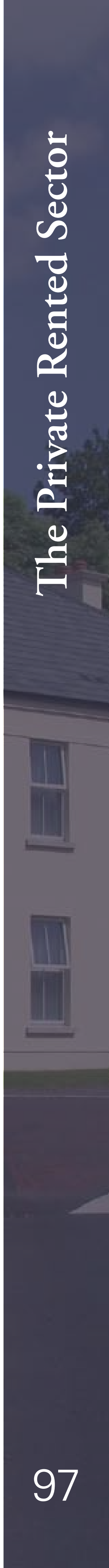
The private rented sector is currently underpinned by Housing Benefit payments totalling approximately £250 million. Rising waiting lists for social housing and affordability issues for first time buyers as a result of ongoing caution by lenders and changing labour markets, will ensure that the private rented sector will continue to grow, though probably at a lower rate than between 2006 and 2009.

Some investors – particularly those who bought at the height of the boom with the help of high loan-to-value mortgages - are leaving the sector. However, given the expected continued demand for private renting from first-time buyers unable to afford their first home, from students and migrant workers and the continuing pressure on the social housing budget, the risk of large-scale disinvestment at this point appears very low. However, given the importance of Housing Benefit to both private landlords and tenants on low incomes, the proposed changes to the HB system must be considered a significant risk factor.

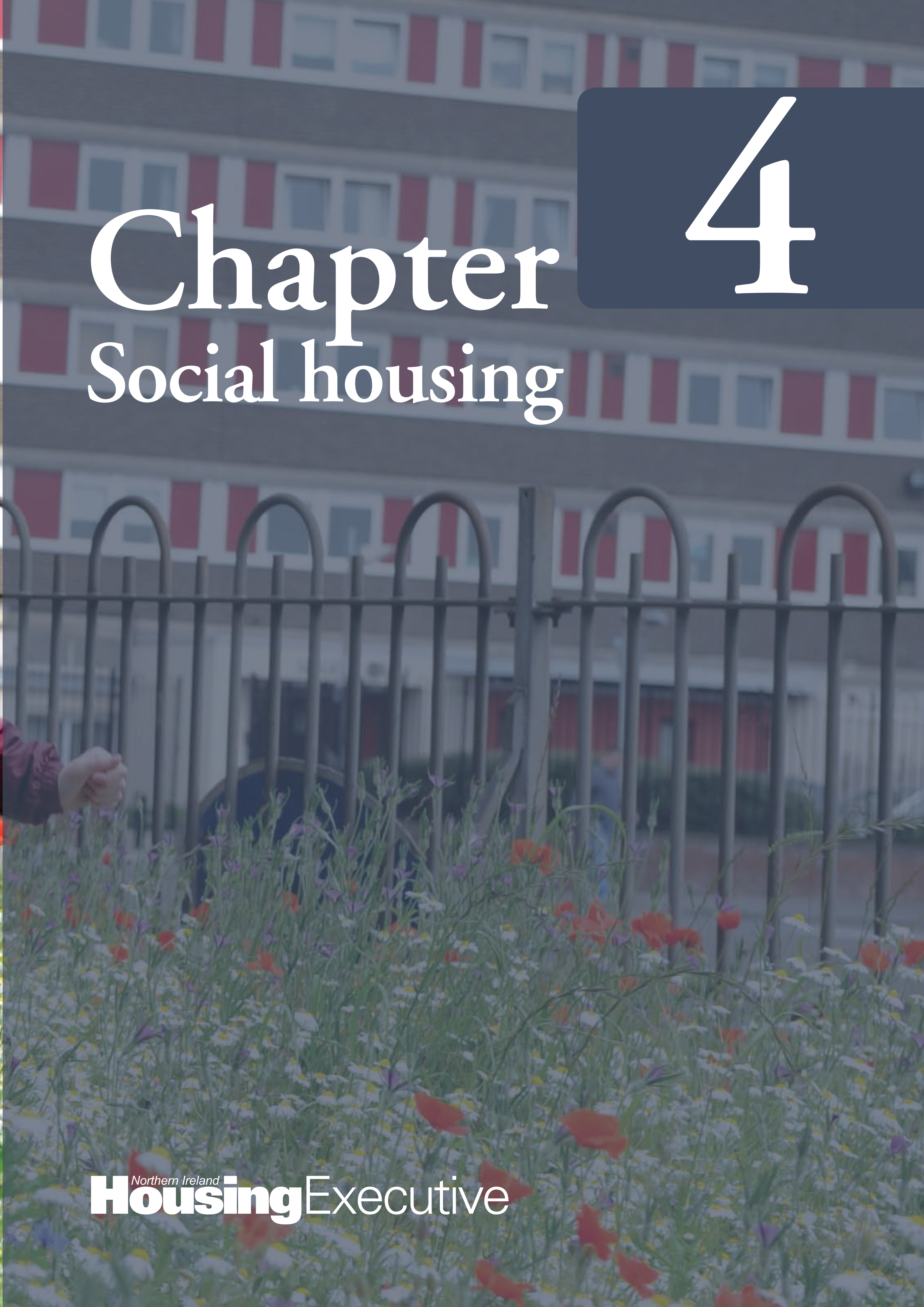
The condition of the stock is continuing to improve as more and more modern houses become part of the sector and the level of unfitness is now low.

Houses in Multiple Occupation (HMO) will continue to play an important role in housing single person households including students, young professionals and migrant workers.

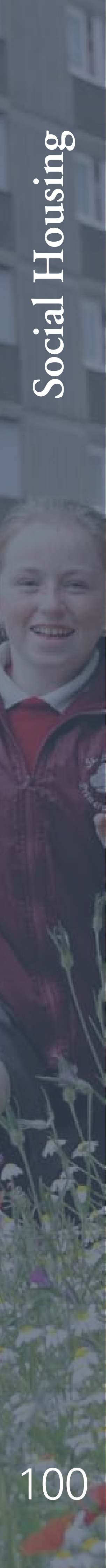
The implementation of the Department for Social Development's strategy for the private rented sector will help address a number of important outstanding issues, including awareness of rights and responsibilities, security of tenure, housing quality, management standards and the resolution of landlord tenant disputes, including those concerning deposits.



Chapter 4
Social housing



Northern Ireland Housing Executive



The Social Sector: Key Figures

	2001	2006	2009
SOCIAL STOCK†	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%)	16,100 (14.7%)
Fuel Poverty (rate)	47,800	42,300 (37%)	56,500 (51.4%)
NEED FOR SOCIAL HOUSING			
Total Waiting List (At March)	22,054	31,908	38,120*
Housing Stress	10,639	17,223	19,716*
Homeless: No. Presented	12,694	20,121	18,664
Homeless: No. Accepted	6,457	9,749	9,914
New Social Housing Required	1,500	2,500	2,500

† Excluding vacant properties

** Figures for March 2010*

Introduction

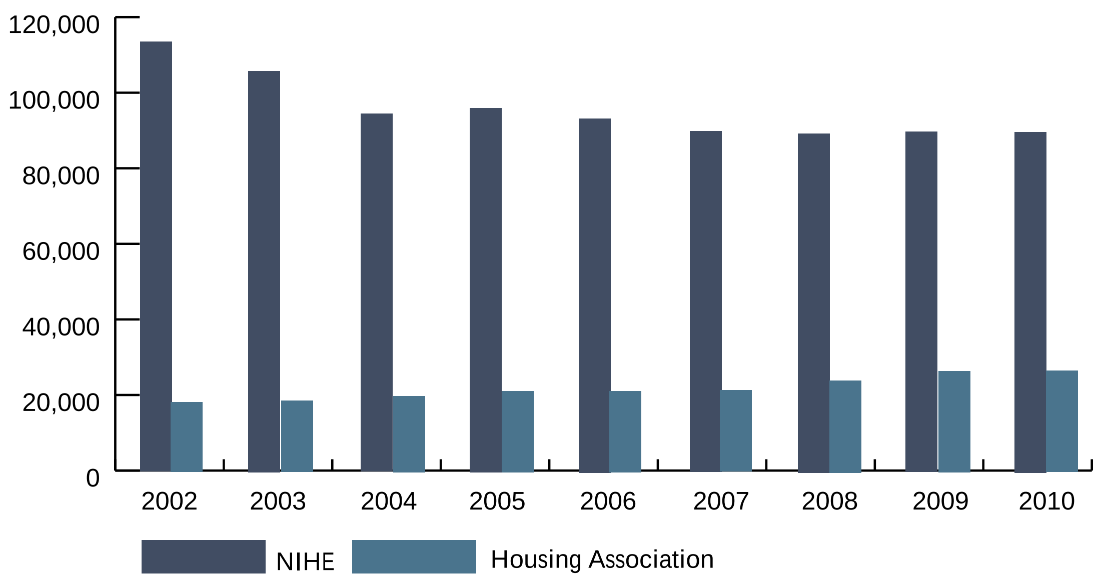
Self-contained social rented sector dwellings accounts for around 16 per cent (116,000 dwellings) of Northern Ireland's total housing stock (including vacant dwellings).

The Northern Ireland Housing Executive owns and manages 89,300, while housing associations manage 26,800 self-contained homes and a further 4,500 units of accommodation that are not fully self-contained.

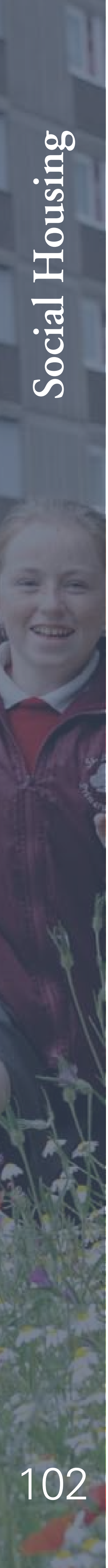
Although slightly higher than in 2008/09, both demolitions and sales of social dwellings to tenants remained relatively low during 2009/10, while there were more than 1,500 dwellings added to the social housing stock. The result was that the proportion of total occupied stock accounted for by social sector properties remained the same for a fifth consecutive year, and the absolute number of social dwellings increased slightly for the second year in a row.

Housing association properties accounted for almost one quarter (23%) of self-contained social dwellings at March 2010, a considerable increase since March 2002, when the equivalent proportion was 14 per cent. Figure 12 illustrates the changing profile of self-contained social housing stock in Northern Ireland since 2002.

Figure 12: Occupied Housing Executive and housing association stock, 2002-2010



Source: DSD Housing Statistics, 2009/10 (Figures are at March each year).



The Housing Executive

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

Over a period of almost four decades, the organisation's role has evolved in response to the changing housing and policy context in Northern Ireland. 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 1996 Housing Policy Review and transfer of responsibility for provision of all new social dwellings to the housing associations, 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 2009/10 was £746m. Funding for the Social Housing Development Programme accounted for around one fifth of the total budget (£157m), and £166m was invested in improvements and repairs to Housing Executive stock (a reduction of £23m on the previous year's figure).

Housing Executive Stock

At March 2010, the Housing Executive's property database showed that:

Dwelling Age

Half of the stock (51%; 46,350 dwellings) was constructed after 1970, one quarter (25%) between 1961 and 1970, and just under one fifth (18%) between 1945 and 1960. Only five per cent of dwellings (almost 5,000) were constructed before 1945, of which the majority (69%) were located in the Belfast area. The figures have remained virtually unchanged for the last two years.

Dwelling Type

The majority of Housing Executive stock (56%; 50,880 dwellings) was in the form of traditional terraced or semi-detached houses. Bungalows and flats both accounted for one fifth (20%) of properties, and the remaining four per cent were cottages, maisonettes, or split level homes.

Dwelling Size

Just under 40,000 dwellings (44%) had three bedrooms, and around 35,000 offered three-bedroom accommodation. Only a small proportion (5%) of properties had four or more bedrooms.

Heating

Almost all Housing Executive properties (89,000; 99%) had full central heating systems, one third (30,000; 33%) of which had natural gas as the fuel source, while 37,000 (41%) used oil-fired systems. More than half (53%) of all Housing Executive dwellings heated by mains gas were located in the Belfast area, where the majority (70%) of Executive-owned properties use this heating fuel source. The ongoing increase in the number of Housing Executive homes heated by gas has been accompanied by a steady decline in the use of solid fuel systems. Having already fallen to around 13,000 at March 2009, there was a further drop – to around 11,700 – in the number of homes heated by solid fuel by March 2010. The figures reflect continuing investment in more efficient heating systems.

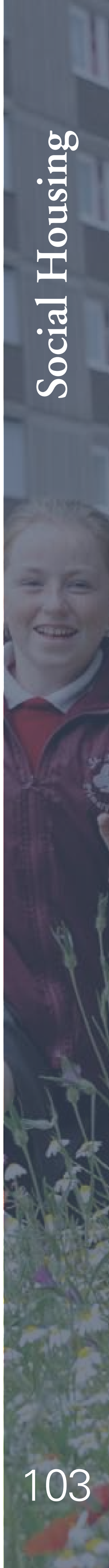
Household profile

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

Continuous Tenant Omnibus Survey 2009: 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%; a proportion that remained unchanged from 2008), and more than one third (37%) of households consisted of one or more older people. 'Lone older' remained the single most common household type (25% of households, as in 2008).
- Only 17 per cent of Household Reference Persons (HRPs)[16] were working (full time, part time or self-employed) in 2009. This represented a further small increase on previous years' figures (15% in 2008 and 14% in 2007). The proportion of HRPs who were retired decreased slightly, from 32 per cent in 2008 to 30 per cent in 2009, and the proportion in receipt of Income Support or Jobseekers Allowance was also marginally lower in 2009 (42%) than 2008 (44%).
- More than half (56%) of respondents who provided information on their income reported that they have 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 broadly in line with the previous year's figures and suggest that a significant number of households are living on minimal incomes and are, therefore, likely to experience fuel poverty.
- More than one tenth (13%) of all household members required some form of mobility aid (including a wheelchair) and the proportion of household reference persons in receipt of a disability benefit (35%) was almost identical to previous years' figures (36% in 2008 and 35% in 2007).

[16] *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

The Commission on the Future for Housing in Northern Ireland was launched in April 2009, chaired by Lord Richard Best and facilitated by the Chartered Institute of Housing. Its purpose was to drive cross-sector consensus on a long-term vision for the future of 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; and
- publishing a report containing specific recommendations on a strategic direction for housing and a road map 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. After further consultation, the Commission published its final report in May 2010, making a range of recommendations for the housing sector, among them a number that were specific to the Housing Executive.

The Commission suggested that the Housing Executive's strategic/enabling and landlord roles should be separated, but should remain within one organisation governed by a single Board and Chief Executive. It also recommended that Housing Executive rents should be set by an independent rent authority for Northern Ireland, and that the income from a modest rent increase (along with re-profiling of the organisation's historic debt) should be used for essential investment in Housing Executive stock and/or the social new build programme. While the Commission did not see any necessity for stock to be transferred outside public ownership, it did not dismiss this option, should a detailed financial assessment show it to be prudent.

Review of the Northern Ireland Housing Executive

In October 2010, the Minister for Social Development announced his intention to examine all functions of the Housing Executive in detail, with a view to providing a comprehensive assessment of their contribution to housing and other Departmental and Government policy objectives.

The review is expected to examine the effectiveness of Housing Executive operations, including the appropriateness of existing structures, and will make recommendations for improving performance and delivery of housing policy and objectives. It will be carried out in three phases:

Phase 1	Analysis of the base position, including examination of strategic and operational functions.
Phase 2	Identification of high level options for revised service delivery model and assessment against business requirements for improving performance and delivery of housing policy and services.
Phase 3	Based on the outcomes of Phase 2, formulation of a robust implementation plan for agreed preferred option.

The first phase of the review is expected to commence early in 2011.

The Housing Associations

Including the Northern Ireland Co-Ownership Housing Association (NICHA), there were 33 registered[17] housing associations in Northern Ireland at March 2010. Housing associations are independent social housing organisations which provide good quality, affordable accommodation for households in housing need, on a not-for-profit basis.

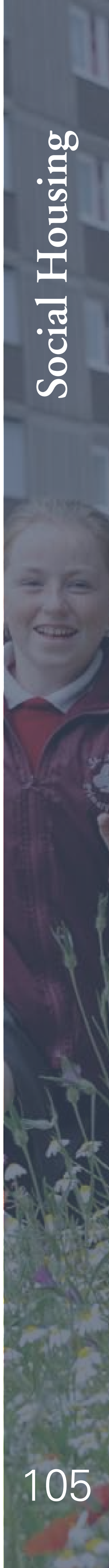
The occupied rented stock owned and managed by registered housing associations in Northern Ireland continued to increase during 2009/10, and totalled 26,800 self-contained rented dwellings in March 2010. In addition, housing associations also own and manage around 4,500 bed spaces in non-self-contained accommodation, as well as NICHA's 4,413 properties (March 2010).

Until 1992, housing association development was financed almost entirely by grants and loans from Government. However, the 'mixed funding' arrangements subsequently put in place have required that associations 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, which have borrowed more than £526m from private sources (mainly banks, building societies and their own reserves) since 1991.

Prior to 2006, housing associations did not generally need to borrow private finance towards the cost of supported housing schemes, which provide 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. In more recent years, grants for supported housing have been paid at rates below 100 per cent.

Housing Association Stock

Excluding properties within the Co-Ownership Scheme, but including vacant stock, registered housing associations owned more than 32,300 units of accommodation at March 2010. The majority (86%; 27,850) of these were self-contained; the remainder were bed spaces in shared accommodation. The ten largest housing associations, each of which had more than 850 units, owned more than three quarters (77%) of all housing association stock (see Table 12).



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

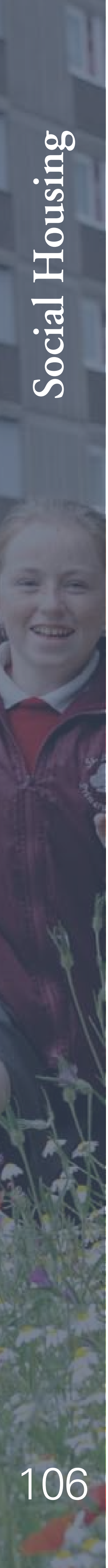


Table 12: Housing Associations with more than 800 units of Rented Accommodation, March 2010

	Self Contained Units	Bed Spaces	Total Units
Helm	4,448	556	5,004
Fold	4,342	298	4,640
Oaklee	3,686	634	4,320
North & West	2,617	427	3,044
Clanmil	2,242	90	2,332
Habinteg	1,680	259	1,939
Alpha	946	0	946
Trinity	825	95	920
Ulidia	597	295	892
South Ulster	886	0	886
Total (Top 10)	22,269	2,654	24,923
Total Housing Association Stock	**27,859**	**4,455**	**32,314**

Source: DSD, Housing Division

Approximately 1,900 housing association dwellings (almost 1,200 self-contained units and around 700 bed spaces in shared accommodation) were suitable for tenants who use a wheelchair, and one third of all stock owned by associations (almost 10,400 units) was designed for elderly people. Housing association stock is found throughout Northern Ireland, but is concentrated for historical reasons in a number of district council areas including Belfast (40% of all housing association stock in March 2010), Derry (12%) and Lisburn (7%).

The Characteristics and Condition of the Social Housing Stock

Information on the characteristics of social housing stock and the households living in the sector is provided by the 2009 House Condition Survey. Findings on Housing Executive and housing association properties in Northern Ireland are combined[18]. Key findings show that in 2009:

Dwelling Age

The majority (79%) of social housing stock was built after 1964, and more than one third (36%) since 1980. The figures highlight the important role of the social housing sector in providing new homes to replace poor quality stock over a sustained period.

Dwelling Type

In 2009, 44 per cent of social sector stock was in the form of terraced properties. Flats and apartments (25%) and bungalows (23%) were the other main dwelling types, reflecting the sector's role in providing accommodation suitable for various need groups, including sheltered dwellings for older people.

Dwelling Location

The vast majority of social sector dwellings (90%) were located in urban areas – either the Belfast Metropolitan Area (BMA; 47% of social homes) or other towns and cities (43%). Of the remainder located in rural areas, most (9%) were found within small rural settlements rather than in isolated rural areas (2%).

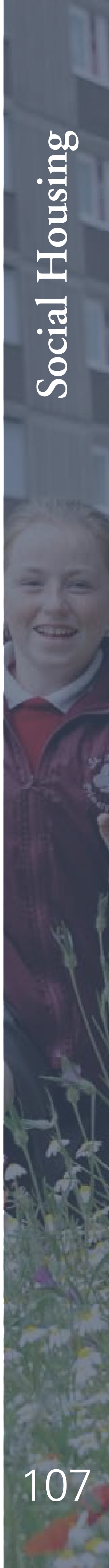
Unfitness and Decent Homes

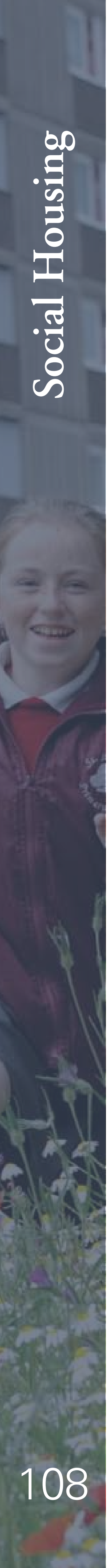
In 2009 only 100 social sector dwellings (0.1%, excluding vacant dwellings) were estimated to be unfit. The unfitness rate for all housing stock (2.4%) was also low, but the minimal level of unfitness in social housing reflects both the relatively young age profile of the stock and the effect of investment in property rehabilitation. A larger proportion (15%) of social dwellings failed to meet the Decent Homes Standard, more than 80 per cent of these on the basis of thermal comfort.

Fuel Poverty

Around half (51%; 56,500) of households living in the social sector were estimated to be in Fuel Poverty in 2009, compared with an average rate across all tenures of 44%. The rate of Fuel Poverty has risen among all households since 2006, when the overall rate of fuel poverty stood at 34%, and the rate among households living in the social sector (37%) was only slightly higher.

[18] *The reduced sample size for the 2009 survey meant that it was impossible to provide sufficiently robust figures for housing association properties on their own*





Housing Health & Safety Rating System (HHSRS)

Social dwellings performed well when assessed using the HHSRS methodology. In 2009 the proportion estimated to have Category 1 hazards (9%) was lower than for the housing stock as a whole (20%), and in line with the findings of the 2006 survey (8%).

Profile of Social Housing Tenants, 2009

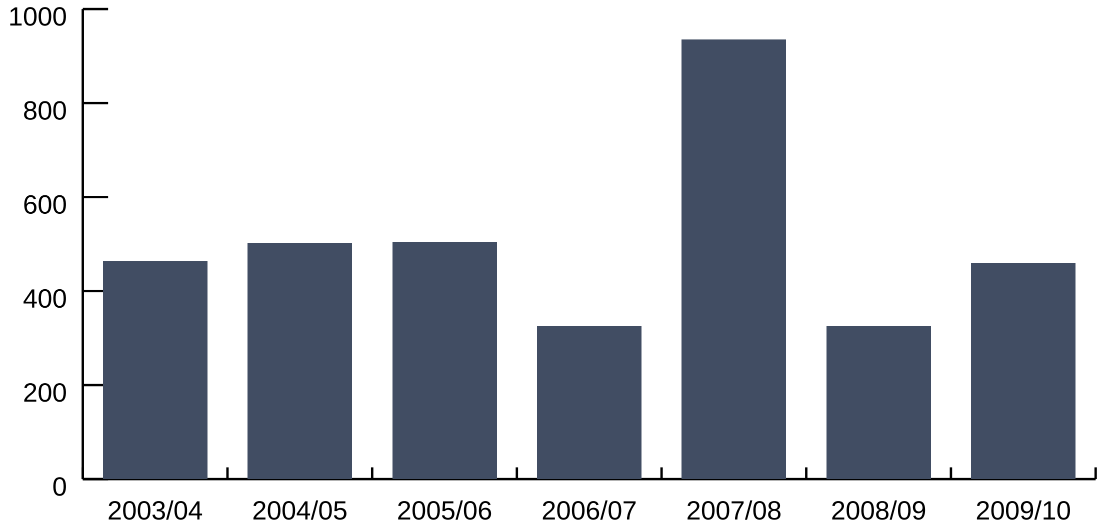
- Across the social sector as a whole, one quarter (25%) of household reference persons were aged between 25 and 39, just under one third (30%) were aged 40-59, and 41% were aged 60 or more. More than one third (35%) of households living in social dwellings consisted of one or two older people and one fifth (20%) were lone parent households.
- Almost half (45%) of social tenants were single persons living alone, compared with one quarter (24%) of owner occupiers and almost one third (32%) of households living in private rented accommodation.
- The majority (84%) of households living in social sector accommodation had an annual gross income of less than £15,000, and almost half (47%) reported having annual incomes lower than £10,000, compared with 30 per cent of households living in private rented accommodation and 15 per cent of owner occupiers.
- Around one fifth (19%) of household reference persons living in social sector properties were working either full-time or part-time. One third (34%) were retired and more than one tenth (14%) were permanently sick/disabled.

Co-Ownership Housing

The Northern Ireland Co-Ownership Housing Association (NICHA) was established in 1978 and 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 using shared ownership arrangements and thus to access owner-occupation.

Co-Ownership managed a total of 4,413 properties at 31 March 2010 – 325 more than at the same date a year earlier. Figure 13 shows that the number of properties acquired through the scheme between April 2009 and March 2010 (461) was slightly higher than in 2008/09, and in line with the 2003/04 total.

Figure 13: Co-Ownership: Properties acquired annually, 2003/04-2009/10



Source: Co-Ownership Housing

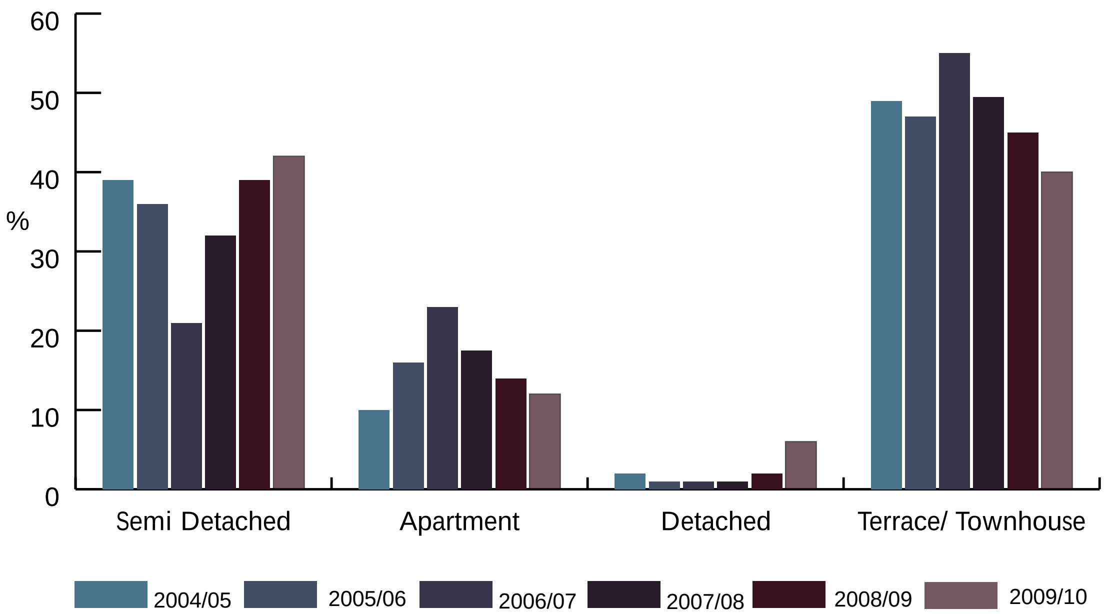
Property value limits for Co-Ownership purchases were raised during 2007/08 in recognition of the prevailing housing market conditions at the time. The slowing of the housing market from late 2008 was accompanied by a reduction in the property value limit, which continues to stand at £175,000 throughout Northern Ireland. Similar adjustments saw the introduction of an option to purchase an initial share of 40 per cent of the property through the scheme. However, the minimum share returned to 50 per cent in November 2008 and, with no requirement for lower starting shares in the current market, remains at that level. A wider range of starting shares – nine in total, between 50 per cent and 90 per cent – were made available during 2009/10, replacing the previous four starting shares and 75 per cent maximum that previously applied.

NICHA's overall investment of £25.5m during 2009/10 was broadly in line with the equivalent 2008/09 figure (£24.1m). £15m of the 2009/10 total was in the form of Housing Association Grant, and an identical amount has been allocated for 2010/11. At £58.7m, the total value of properties purchased during 2009/10 was 20 per cent higher than in 2008/09 (£49.6m). It is worth noting, however, that 40 per cent more properties were purchased in 2009/10 than in the previous year.

During 2009/10, purchase prices ranged from £60,000 to £200,000, and averaged £127,310. The 2009/10 average purchase price was lower than in 2008/09 (£152,651), and was also lower than the average Northern Ireland open market purchase price during 2009 (£160,855).

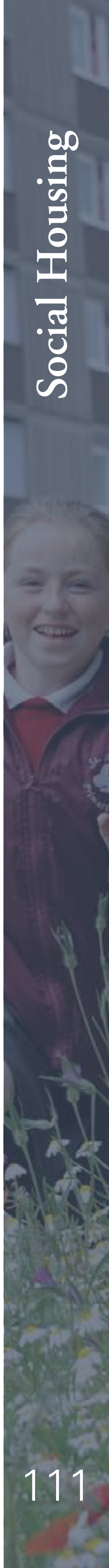
Figure 14 shows that proportionately fewer terraced and more detached properties were purchased through the Co-Ownership Scheme in 2009/10 than in any other recent year – largely as a result of falling house prices. More than two fifths (42%) of properties purchased in 2009/10 were semi-detached dwellings, and six per cent were detached, compared with only 21 per cent and one per cent respectively during 2006/07, when there was a great deal more activity in Northern Ireland's housing market.

Figure 14: Co-Ownership Purchases by Dwelling Type, 2004/05-2009/10



Source: Co-Ownership Housing

Assistance from NICHA has enabled almost 21,000 households to purchase their own home since the scheme was set up in 1978, and approximately 16,580 'staircased' out to become full owners between then and March 2010. Around 750 households staircased to 100 per cent ownership each year between 2003/04 and 2006/07; more recent years saw a much lower level of staircasing, although the number of households moving to full ownership increased from 80 in 2008/09 to 136 in 2009/10. The lower levels of staircasing since 2007/08 have been largely the result of falling property prices and reduced loan-to-value mortgage lending.



The average return for households that staircased during 2009/10 was £40,263 – a marginal increase on the previous year's figure (£39,418). Income generated through sales was slightly higher in 2009/10 (£6.7m) than in 2008/09 (£4.6m), and the £2.7m returnable to the Department for Social Development during 2009/10 was also higher than the previous year (£1m). NICHA uses receipts from sales to purchase property for new leaseholders.

Data collated by NICHA provides an insight into the profile of purchasers during 2009/10:

- Two thirds (67%) of purchasing households had only one earner, and over half (56%) were single person households. The equivalent figures for 2008/09 (58% and 39% respectively) suggest that the fall in house prices has helped more single earner and single-person households access the market through Co-Ownership. Couples accounted for one quarter (24%) of purchasers, and couples with children for just over one tenth (12%). Just under one tenth (8%) of purchasing households were lone parents.
- The age of purchasers ranged from 19 to 51 years, with an average of 27.
- The majority of purchasers (58%) commenced with a 50 per cent share of their property, while slightly less than one third (30%) started with a share of between 55 per cent and 70 per cent of the property value. More than one in ten (12%) joined the scheme with a 75 per cent share in their property.
- The average single income of those purchasing through Co-Ownership was £19,600 in 2009/10, and average combined household income stood at £22,977 (2008/09: £19,085 single/£23,571 combined). At 5.4, purchasers' price to income ratio in 2009/10 was significantly lower than in 2008/09 (7.0).

Following introduction of an expanded application form in 2008, Co-Ownership analysed the characteristics of 1,200 recent applicants, considering the effectiveness of the scheme in meeting the needs of Northern Ireland's low-income first time buyers. The analysis suggested that, with continuing strong aspirations towards home ownership, demand for Co-Ownership assistance would remain strong in both 'buoyant' and 'flat' housing markets. However, whether the needs of aspiring home-owners can be met depends on a range of issues including the health of the wider economy, the extent of public expenditure cuts, mortgage lenders' response in support of affordable home ownership and the Co-Ownership Scheme's ability to manage demand through product review and development.

Northern Ireland Housing Executive

New Social Housing

Social Housing Supply and Housing Need

In the social rented sector, housing need is primarily met through the re-let of existing dwellings to new applicants. The number of Housing Executive re-lets (excluding transfers) during 2009/10 (6,322) was 13 per cent higher than in 2008/09 (5,571). The total number of housing association allocations and re-lets through the Common Selection Scheme increased by a similar proportion, from 2,561 to 2,870 during the same period. In combination, the figures show a 13 per cent rise in the number of allocations between 2008/09 and 2009/10. The result was that during 2009-10, the total number of social sector allocations in Northern Ireland stood at more than 9,000 (9,192) for the first time since 2002/03.

The most recent version of the Net Stock Model (outlined in Chapter 1) was produced in February 2010. It envisaged an annual requirement for 1,900 new social dwellings to meet ongoing demographically-driven need. Given the shortfall in new social housing provision since 2001, however, it was also considered appropriate that an additional 600 units should be provided each year, giving a total annual requirement of 2,500 new social dwellings.

The Housing Executive is responsible for management of the Social Housing Development Programme, and takes account of local Housing Need Assessments (HNAs) in its formulation. The Programme is distributed and reviewed within the overarching framework of agreed strategic guidelines, which ensure an equitable geographical allocation of new build according to assessed housing need.

As part of the housing need assessment process, the Housing Executive has been developing skills in Housing Market Assessment (HMA) to move its annual District Housing Plans towards a broader, local housing strategy approach. The plans now include a local housing market analysis, which recognises more explicitly that "housing is part of a wider economic, social and political environment"[19], and which emphasises inter-tenure relationships and is based on a functionally-determined spatial framework rather than one based on administrative boundaries.

Research carried out for the Housing Executive and published in 2010[20] identified eleven Housing Market Areas in Northern Ireland, which better represent the 'functional' geographies within which housing decisions are made.

Housing Market Analysis is recognised as an important planning tool in understanding market trends and identifying potential imbalances in Northern Ireland's housing market. The Housing Executive is in the process of undertaking a housing market analysis for each of the eleven identified Housing Market Areas, commencing with Belfast. It is anticipated that the full suite of HMAs will be completed by March 2014.

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[19] *Communities Scotland (2004) Local Housing Systems Analysis: Good Practice Guide, Edinburgh: Communities Scotland*

[20] *Young, G., O'Sullivan, T, & Gibb, K (2010) Northern Ireland Housing Market Areas, Belfast: NIHE*

The Social Housing Development Programme 2009/10

The 2009/10 programme included a requirement for housing associations to start work on / acquire 1,750 additional units of accommodation, with an associated budget of £155m. Actual outturn exceeded this target: 1,838 social dwellings and a budget of £157m. This was the highest combined number of starts/acquisitions since 1998/99, and also significantly up on the previous year's total, 1,136 units.

During 2009/10, work started on 1,635 new self-contained dwellings – almost twice as many as during the previous year (863). In addition, work also commenced on 70 bed spaces in hostels and other communal establishments. The number of self-contained units completed during 2009/10 (1,213) was also higher than in 2008/09 (1,072), as were total completions of bed spaces in hostel and other communal establishments, which increased from 47 during 2008/09 to 108 in 2009/10.

Recorded contract starts for new dwellings increased significantly between 2008/09 (906) and 2009/10 (1,710). The 2009/10 total comprised 467 "off the shelf" and 1,243 new build properties. A further 76 "existing satisfactory" properties were acquired during the year and work started on the rehabilitation/re-improvement of 52 properties. It is important to bear in mind that neither these nor 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 over the last five years, and the extent to which the land and property boom and subsequent downturn have influenced the methods by which the social housing development programme is delivered. "Existing Satisfactory" purchases proved a useful means to supplement the programme for a number of years when sites were expensive and difficult to acquire, but in a changing land market, their popularity fell significantly in 2009/10. At the same time, the number of "off the shelf" purchases climbed during 2009/10, as developers sought an outlet for unsold properties; the position was similar in 2008/09, with "off the shelf" purchases accounting for around one quarter of total starts in both years.

Following consideration of case law in respect of European Union procurement directives, the Housing Executive stopped using negotiated "design and build" packages (whereby a developer who owned land would also build the houses) prior to commencement of the 2009/10 programme. Design and build packages that had been included in the Social Housing Development Programme were replaced with alternative schemes using traditional procurement methods.

Table 13: Social Housing New Build Activity, 2005/06-2009/10

	2005/06	2006/07	2007/08	2008/09	2009/10
Buy and develop sites: new build	1,013	604	885	476	1,243
Buy new homes "Off the Shelf"	90	48	270	299	467
Package Deals (Design & Build)	212	174	84	131	0
Buy "Existing Satisfactory" homes	142	180	343	223	76
Rehabilitation/Re-Improvement	62	26	13	7	52
Total Recorded Starts (DSD)	1,519	1,032	1,595	1,136	1,838

General needs schemes accounted for the vast majority (88%) of social housing starts during 2009/10. A further six per cent of starts (112) were dwellings for relatively fit elderly people, while the remainder were schemes to meet more specialist needs, such as those for people with a physical or learning disability, elderly people requiring housing with care, and Travellers. Around one tenth of the 2009/10 programme (185 units) was provided in rural areas.

The New Build Programme from 2009/10 onwards

In line with the Minister for Social Development's New Housing Agenda, the target for social new build starts in 2010/11 – 2,000 units – is the most ambitious in recent years. In addition, the Minister has indicated his preference that the Housing Executive and housing associations should seek to deliver a further 276 starts during 2010/11, to take account of the below-target delivery in 2008/09 and fully address the three-year target of 5,250 starts on new social dwellings between 2008/09 and 2010/11.

Funding for the 2011/12 and 2012/13 programme will be dependent on the outcome of the Northern Ireland Executive's budgetary decisions.

Improving and Maintaining Social Housing

Social Housing Stock Conditions

The findings of the 2009 House Condition Survey showed that the quality of social housing in Northern Ireland 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, and again to around 16,100 (14%) in 2009. This was mainly thanks to the high level of resources devoted to maintenance and improvement of the social stock, along with the ongoing investment in high quality new stock constructed by housing associations.

Of the social housing properties failing to meet the Decent Homes Standard, the vast majority (83%) failed on the thermal comfort criterion. Much smaller proportions of the social stock did not meet the standard on the basis of modernisation (16%) and disrepair (8%)[21]. Evidence therefore remains of a need to invest in social sector stock, primarily to replace obsolete and inefficient heating systems, but also to maintain and improve the existing stock as it continues to age.

In 2004, when the Decent Homes Standard was introduced to promote measurable improvements to housing in Northern Ireland, it was envisaged that all social housing in the region would meet the standard by 2010. However, reduced availability of funding and prioritisation of other work streams in recent years has curtailed capital improvement work and, therefore, the Housing Executive's progress towards meeting the Decent Homes Standard. As a result, the target date for Housing Executive stock to meet the standard has been put back to 2013/14.

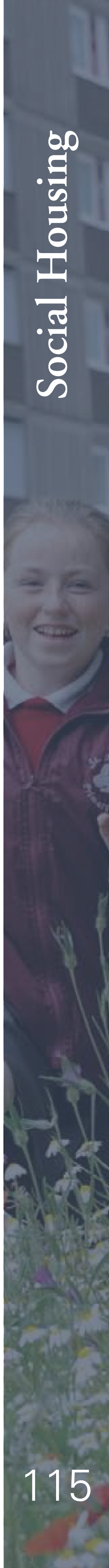
The findings of the 2006 House Condition Survey suggested that the non-Decency Rate among housing association properties (9%) was lower than among Housing Executive stock (25%). More recent figures from the 2009 survey have not been disaggregated within the social sector, but would suggest that although the number of both Housing Executive and housing association properties failing to meet the standard declined between 2006 and 2009, further investment will be required to ensure that all social housing stock in Northern Ireland is considered 'Decent' by the middle of the current decade.

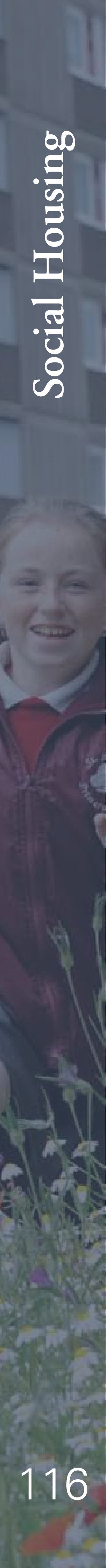
Funding constraints arising from the collapse in income from capital receipts (land and house sales) continued during 2009/10, and there is no reason to expect that the situation will ease in the short term. On the contrary, the out-workings of the Comprehensive Spending Review may place further pressure on 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.

[21] *As properties may fail to meet the Decent Homes Standard on the basis of more than one criterion, proportions add to more than 100 per cent.*





With below-target outturns during both 2007/08 and 2008/09, and no capital improvement starts possible during 2009/10 due to the funding shortfall, the projected 6,500 target had still not been achieved two years later in March 2010. The ongoing budgetary difficulties mean that no multi-element schemes are planned for 2010/11, with the result that the backlog continues to grow.

Heating replacement schemes, which are also classified as improvements, have been less adversely affected by the budget restrictions. Around 1,730 heating replacements starts were carried out during 2008/09 and against a target of 2,400, just over 2,700 heating systems were replaced in 2009/10. The higher than anticipated delivery was enabled by additional funding made available in-year through monitoring rounds. The Housing Executive's heating policy provides new gas heating installations where a gas supply exists and oil elsewhere, and is devised to target those properties with solid fuel room heaters or open fires. Properties with electrical heating are identified as programmes progress in estates. Subject to funding, 1,350 heating replacements are planned for 2010/11, with provision made for a further 250 heating adaptations.

Capital-funded improvement programmes have been hardest hit by the significantly reduced income from house and land sales. Capital receipts are expected to increase to around £30m in 2010/11 (by comparison with £18m in 2009/10), but even this higher figure represents a considerable shortfall against the planning target of £60m, and continues to present significant challenges where capital works are concerned. 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. The deferral affected around 850 homes during 2009/10.

In September 2010, recognising that some rehabilitation schemes for vacant properties included in area regeneration strategies have stalled due to funding difficulties, the Housing Executive's Board approved a policy for the transfer of vacant dwellings to housing associations for improvement works. The limited policy will only apply in very specific circumstances and, as such, has the potential to involve only a very small part of the capital improvement programme. Its approval does not commit the Housing Executive to a general stock transfer policy.

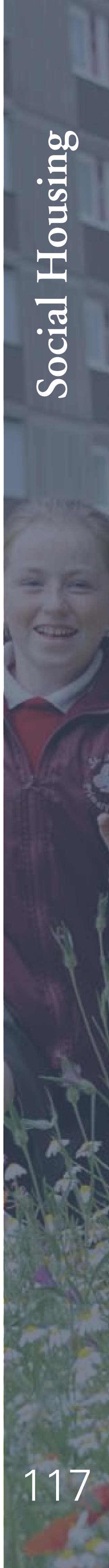
Maintaining the Housing Executive's Stock

The Housing Executive has two principal methods of maintaining its stock: planned maintenance (programmed schemes) and response maintenance (reacting to tenants' requests for repairs).

There are two main types of planned maintenance:

- External Cyclical Maintenance (ECM) involves work to the external fabric of the dwelling and its immediate surroundings and is carried out on a five-year cycle.
- Revenue Replacement involves replacement of any internal elements that have reached the end of their expected useful life, such as sanitary ware, room heaters and kitchen units.

Budgetary constraints have also impacted on the number and type of planned maintenance schemes carried out in recent years. ECM starts fell from around 9,700



in 2007/08 to 2,100 during 2008/09, but increased during 2009/10, with an outturn of just over 3,900 starts. The target for 2010/11 is 3,500 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.

Just over 4,000 revenue replacement schemes (mainly kitchen replacements) commenced during 2009/10. The total was substantially higher than the target for the year (1,400), and also greater than the 2008/09 total, 2,560. The increased work carried out during 2009/10 helped address a backlog that had arisen during the previous year, with the result that, of an estimated 16,800 kitchen replacements needed between April 2003 and March 2012, more than 15,500 had been completed by March 2010. A lower target for replacements (2,000) has been set for 2010/11.

It is important to bear in mind that the original target date for this work (March 2010) was moved back due to funding pressures, and that subsequent analysis has shown 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 is therefore likely to impact further on timescales for achieving the standard.

Response Maintenance

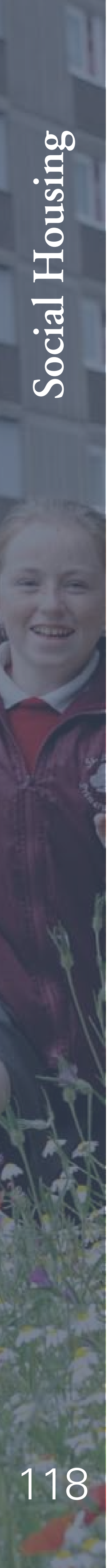
The total number of response maintenance works orders issued during 2009/10 (424,200) was higher than in the previous year (406,160) and in line with the 2005/06 and 2006/07 totals (426,040 and 429,320 respectively). Lower totals in 2008/09 and 2007/08 may have been partly due to spend restrictions imposed during the financial year.

The Continuous Tenant Omnibus Survey monitors tenants' satisfaction with the repairs service. In 2009, three quarters (75%) 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 a little higher than in 2008 (73%).

Maintenance Investment Strategy

The Housing Executive's Fundamental Review of Maintenance, undertaken in 2002, recommended the formulation of a Maintenance Investment Strategy set against proposed property standards. The strategy used 2003-2010 as the primary time horizon in order to achieve alignment with business planning/housing targets in England – particularly meeting the Decent Homes Standard – and was adopted by the Department for Social Development in 2004.

The strategy was reviewed in 2007 in light of progress to date as well as other factors including changing building regulations, health and safety issues (asbestos removal and smoke alarm provision) and 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 carried out by Savills for the Department for Social Development considered the Housing Executive's repairs and maintenance liability over a 30-year period and assessed properties against the Decent Homes Standard Plus[22]. While the survey found that the Housing Executive's stock was generally of a high quality, 17 per cent failed the Decent Homes Standard Plus. A need for short-term investment in the internal fabric of properties – mainly replacement of kitchens, bathrooms and heating – was identified, along with a medium-term requirement for investment in roofs, external fabric work and ongoing internal work. Taking account of all necessary work, Savills identified an overall budget requirement of £5.1bn over 30 years.

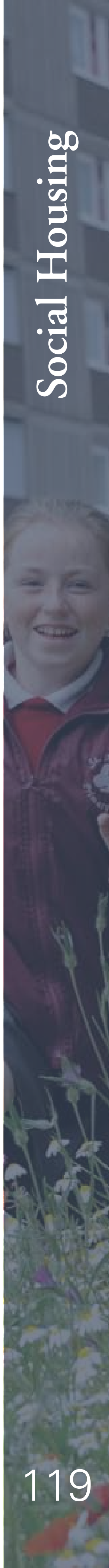
In light both of these findings and uncertainty over the availability of finance – particularly future capital improvement funding – the Housing Executive instigated a further review of its Maintenance Investment Strategy in 2010. The review has shown that the sudden and significant reduction in capital receipts from 2007/08 onwards has resulted in improvement and maintenance backlogs against the original 2010 target for the Housing Executive's stock to meet the Decent Homes Standard. The backlog anticipated by the end of 2010/11 will include external cyclical maintenance to 35,000 properties, more than 10,000 heating installations, 5,200 bathroom replacements, and work to bring more than 10,000 kitchens up to Decent Homes Standard Plus.

The review has considered a number of options for full compliance with Decent Homes Standard Plus, and a preferred option that will form the basis of the future Maintenance Investment Strategy for Housing Executive properties will be selected in early 2011.

Housing Associations

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

[22] *'Decent Homes Plus', an enhanced version of the Decent Homes Standard, has been applied by various housing authorities in the UK; however, there appears to be no agreed definition of its standard components. For the purposes of its 2008/09 analysis, Savills defined Decent Homes Plus as the Decent Homes Standard, plus: statutory obligations; good and tenantable repair; and maintenance of the existing environmental works. The Housing Executive's definition of Decent Homes Plus includes further components in relation to energy efficiency and carbon emissions, loft insulation, accessibility standards, internal noise insulation, external environmental standards, compliance with the Housing Health & Safety Rating System, replacement of Economy 7 and adequate dining facilities.*



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 1,900 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 engineer
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Conclusion

Northern Ireland Housing Executive

Conclusion

Northern Ireland's housing market has entered a much more stable period following a two year housing recession between 2007 and 2009. Nevertheless its future is closely tied up with developments in the world economy where the strength and speed of the economic recovery appears uncertain.

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

In Northern Ireland too, households are facing the combined effects of reductions in public expenditure, growing indebtedness and higher fuel and food prices. 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 – having turned down fairly sharply in the last two quarters of 2010 – will remain flat during 2011.

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 much 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 demand for investment in new social housing, in improvement and maintenance. Fuel Poverty in particular will remain a critical and exceptionally difficult issue to address.