Housing Executive

STRATEGIC HOUSING MARKET ANALYSIS:

DERRY AND STRABANE

FINAL REPORT

DECEMBER 2020

ECONOMIC Research and Evaluation

Strategic Housing Market Analysis: Derry and Strabane Housing Market Areas

Final Report

Submitted to

Northern Ireland Housing Executive

By

Economic Research and Evaluation

December 2020

Contents

Abbreviations

AHS	Average household size
ASHE	Annual Survey of Hours and Earnings
BRMA	Broad Rental Market Area
BTL	Buy-to-let
CHMA	Centre for Housing Market Analysis
CPI	Consumer Price Index
CWL	Common Waiting List
DCSDC	Derry City and Strabane District Council
DfC	Department for Communities
DfI	Department for Infrastructure
dPS	Draft Plan Strategy
FDA	Full-Duty Applicant
FRS	Family Resources Survey
FTB	First-time buyer
GDHI	Gross Disposable Household Income
HB	Housing Benefit
HCS	House Condition Survey
HGI	Housing Growth Indicators
HIP	Housing Investment Plan
HMA	Housing Market Area
HRP	Household reference person
HRR	Household representative rate
LDP	Local Development Plan
LFS	Labour Force Survey
LGD	Local Government District
LHA	Local Housing Allowance
LPS	Land and Property Services
NIHE	Northern Ireland Housing Executive
NISRA	Northern Ireland Statistics and Research Agency
NSM	Net stock model
ONS	Office for National Statistics

PfG	Programme for Government
POP	Preferred Options Paper
PRS	Private rented sector
RDS	Regional Development Strategy
SHBE	Single Housing Benefit Extract
SHMA	Strategic Housing Market Analysis
SOA	Super Output Area
SPPS	Strategic Planning Policy Statement
UUEPC	Ulster University Economic Policy Centre

Preface

The data accessed and used in this report all pre-date the Covid-19 Emergency. Whilst it is currently too early to know what the full impact of Covid-19 will be on the housing market, it will be important for outcomes to be monitored and consideration given to any short and long-term consequences for a range of groups.

Nonetheless, this report projects housing needs many years into the future, and it may be that the Covid Emergency will lead to housing market impacts that are more short-term in nature. For these reasons, it is considered that the core strategic conclusions in this report remain sound although they may be influenced by changes that cannot currently be accurately predicted.

Potential impacts and uncertainties due to the Covid-19 Emergency are highlighted as appropriate in the main body of the report.

Executive Summary

Introduction

This report presents the Strategic Housing Market Assessment (SHMA) for the Derry and Strabane Housing Market Areas (HMAs). The report sets out projections of future housing need and demand. The main purpose is to assist policymakers in their understanding of the dynamics of the HMAs and to inform Local Development Plans. The report has been commissioned by the Northern Ireland Housing Executive ('the Housing Executive') in its role as the strategic regional housing authority.

Housing Market Areas are defined as:

> "The spatial area within which most households both live and work and where those moving house without changing their place of work search for, and choose, a home."

HMAs provide a spatial framework for Strategic Housing Market Analyses. Within that context, this report serves as an evidence base. While different scenarios for the future evolution of housing need are identified, the report does not suggest targets or policy. It is a matter for Councils to conclude which scenario is most appropriate to their area and this can be referenced in the Local Development Plan (LDP). The scenario deemed most appropriate could change in a different economic/housing market housing context, over the life of the Plan. The scenarios are based on demographic trends and allow Councils to consider policy responses if they wish to change the identified trends. It is also acknowledged that the LDP can set housing targets due to other factors, set out in the 2015 Strategic Planning Policy Statement (SPPS).

The Housing Market Areas

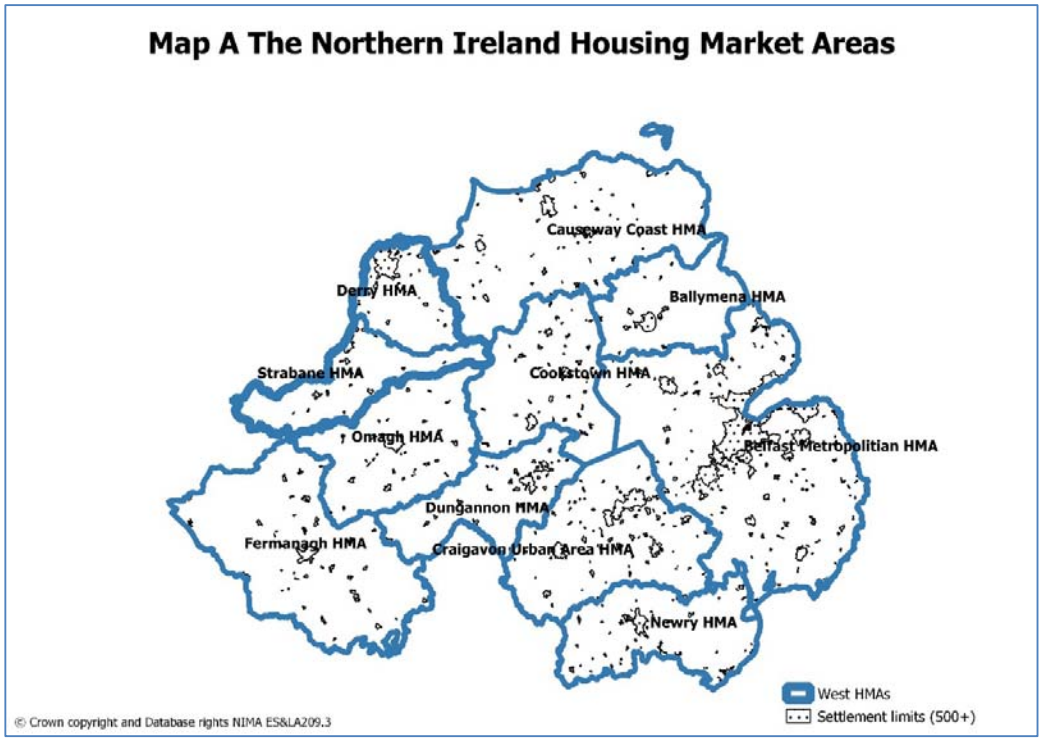
The Derry and Strabane HMAs are two of 11 which were defined in a research report commissioned by the Northern Ireland Housing Executive. The combined HMAs are aligned with Derry City and Strabane District Council (DCSDC).

Across the two HMAs, the main urban centre is Derry City, Northern Ireland's second largest city after Belfast. Strabane is a medium-sized District town.

Reflecting the prominence of Derry City, almost three quarters of the Derry HMA's population (74 per cent) live in urban areas. The remaining population is about equally distributed between intermediate settlements (12 per cent) and small villages, hamlets and the open countryside (14 per cent).

By contrast, 62 per cent of the Strabane HMA lives in rural areas with the remainder living in the District Town.

The spatial framework for the SHMA comprises three main components, i.e. the Derry City and Strabane LGD, the Derry and Strabane HMAs and the urban/rural dimension. Those three dimensions have been combined in the construction of datasets required for the SHMA and for modelling purposes.



Policy Context

The policy context within which this SHMA sits is framed by four main elements:

- Planning policy.
- The Programme for Government.
- The housing priority in New Decade-New Approach.
- Welfare reform.

The planning policy framework encompasses the Regional Development Strategy 2035, the 2015 Strategic Planning Policy Statement (SPPS) and the Local Development Plan (LDP) process. The LDP process is ongoing. Derry City and Strabane District Council published its draft Plan Strategy (dPS) in December 2019. The consultation on the dPS was scheduled to conclude in November 2020.

In May 2016, a draft Programme for Government 2016-2021 Framework document was issued for consultation by the Northern Ireland Executive. The PfG Consultation Document specified two housing-related indicators, both of which were framed around 'increasing the supply of suitable housing'.

In January 2017, the Executive collapsed, prior to finalising the PfG. The Executive was restored in January 2020, through the New Decade-New Approach agreement. Annex D of the agreement provides the outline of a new PfG, including a specific housing priority, which is currently being developed under four main themes.

The first theme is based around increasing housing supply and options across all tenures. The main thrust of the housing supply theme is to "enhance investment and agree a target for new social and affordable home starts". As part of the approach to increasing housing supply, the Department for Communities (DfC) is also considering how to expand the range of intermediate housing products for low and middle-income households that can afford social housing but cannot afford market rents and/or house purchase.

The three remaining housing priority themes are:

- Making the best use of existing housing.
- Improving the private rented sector.
- Improving housing for the most vulnerable.

Over the last decade, the UK Government has enacted a raft of legislation designed to reform the benefit system. The reforms have been implemented with the aim of streamlining the system and to reduce welfare expenditure.

The amount of Housing Benefit received by social sector tenants in Northern Ireland has been largely protected from welfare reform measures, notably the social sector size criteria (the 'bedroom tax'). That remained the case as at November 2020, with Welfare Supplementary Payments continuing to be made via contingency arrangements. Nonetheless, there is uncertainty around how long those mitigation measures will be sustained.

Private rented sector tenants have not been protected. Consequently, the vast majority face a shortfall between their Local Housing Allowance (LHA) entitlement and their weekly rent. However, having been frozen at their 2016 levels for four years, to March 2020, LHA rates are now being uprated in line with the Consumer Price Index (CPI).

The wider context within which this SHMA is being prepared can be considered unsettled and fraught with uncertainty. As the Derry City and

Strabane District shares a land border with the Republic of Ireland, Brexit is of particular concern.

The coronavirus pandemic is a further source of uncertainty, as there remain many unknowns around the medium and longer-term impacts.

Looking to the longer term and considering the 15-year projection period for this SHMA, demographic trends will continue to strongly shape housing market need and demand. The overall total population does not follow a cyclical pattern. The vast majority of those who will be alive in 2035 have already been born.

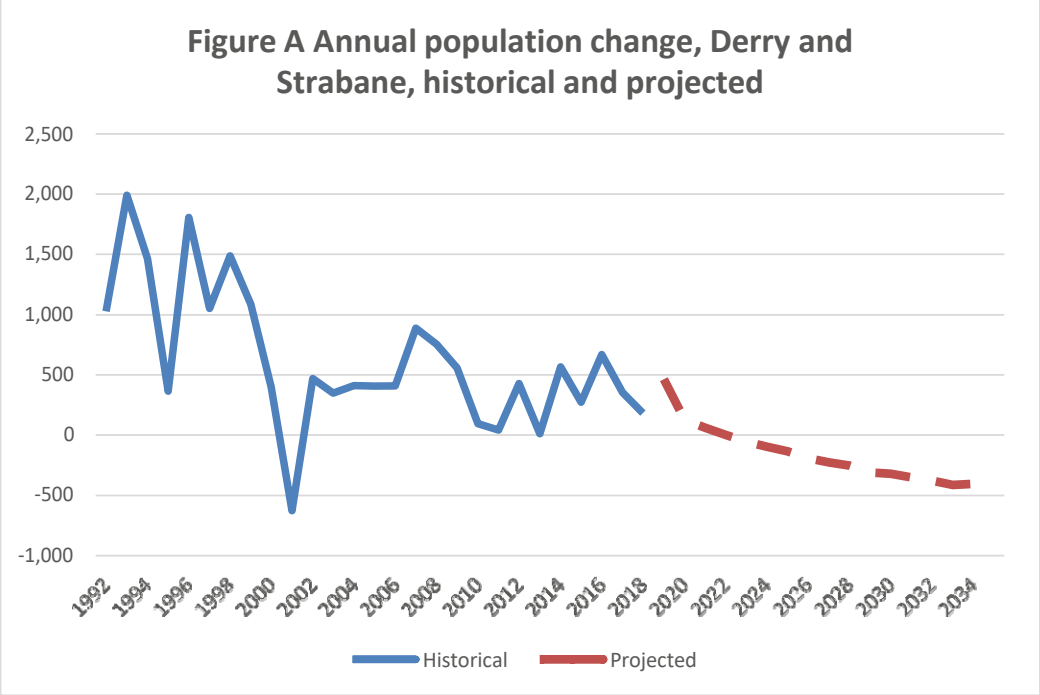
The perspective adopted in this SHMA is that long-term demographic trends will continue, e.g. the ageing of the population. It is also assumed that housing market effects, especially on activities such as transactions, lettings and new dwelling completions, will be transient, albeit the timing and duration of effects is highly uncertain. Those activities tend to fluctuate in any event, more typically with the economic cycle. However, demographic factors will continue to operate over the long term.

Population

The key points from the review of population trends are as follows:

- The Derry and Strabane HMAs have been lagging the Northern Ireland average in population growth since 1999.
- Since 1999, the area's share of the NI population has dipped from 8.6 per cent to eight per cent in 2018.
- The main factor underlying the loss of population share has been a persistent net out-migration flow, averaging 600-700 per annum over the past decade.
- The contribution of natural increase to population growth has been declining since 2010-11.
- Along with the rest of Northern Ireland, the population has been ageing, with an increasing proportion aged 65+ and a decreasing share aged under 16.

In the NISRA 2018-based population projections, the main trends are extrapolated forward. The result is a declining population, falling from 150,700 in 2018 to 147,800 by 2035. The fall in total population is accompanied by steadily reducing annual changes from 2023 onwards (Figure A).



The implications for the housing market of a falling population are severe. It has therefore been considered prudent to generate a variant population scenario, based on a zero net migration assumption. In that scenario, the population would increase to 159,600 by 2035 and the area's share of the Northern Ireland population would stabilise at around eight per cent. Though, that outcome would represent a major reversal of the historic migration trend. Therefore, the zero net migration scenario should be viewed more as an upper bound on the likely range of population growth outcomes over the projection period.

Households

Historically, at least through 2011, Derry and Strabane experienced above-average rates of household growth. Mainly, that was due to falling average household size. That is, for a given increase in population, the number of households increased by a larger amount due to being distributed across smaller household sizes.

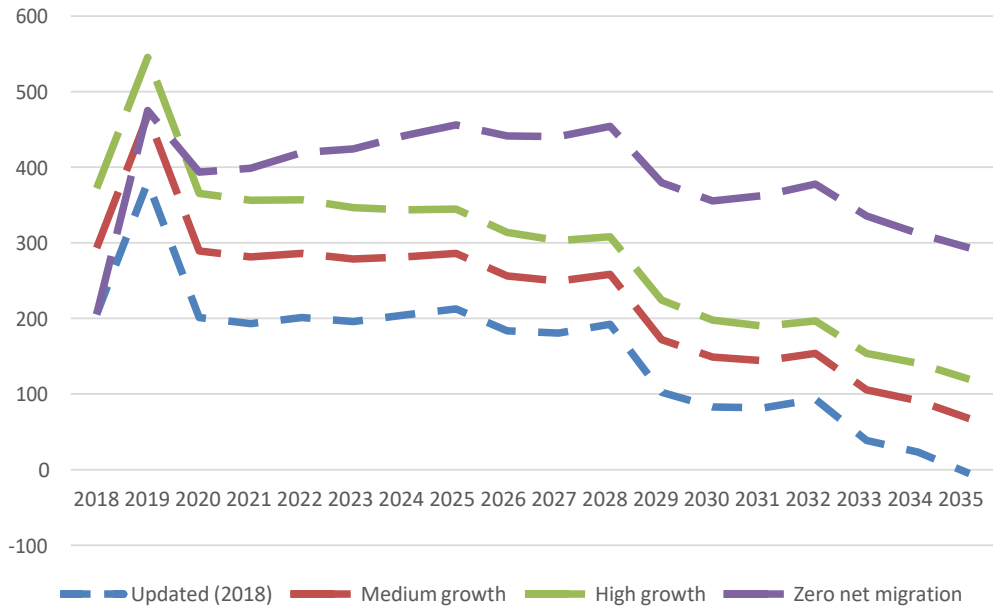
By 2011, average household size had converged close to the Norther Ireland average, indicating reduced scope for further boosts to household growth from that source.

However, the evolution of average household size in the period since 2011 is uncertain. That uncertainty is addressed by generating alternative scenarios for household growth since 2011 by varying the assumptions for the trend in average household size.

For that purpose, the NISRA 2016-based household projections have been updated to take account of the 2018-based population projections. The updated projections result in relatively slow household growth. In addition, medium and high growth scenarios for household growth have been generated which are linked to the official population projections, but with varying assumptions for the trend in average household size.

Beyond 2020, the household growth scenarios linked to the 2018-based population projections anticipate modest levels of newly arising households through to 2028, ranging from 200 per annum in the updated (2018) projection to a little over 300 in the high growth projection (Figure B). Beyond 2028, each of the household projection scenarios show sharply falling annual levels of newly arising households.

Figure B Household projection scenarios, annual changes, Derry and Strabane



As the central NISRA population projections show Derry and Strabane losing population by 2035, the household growth implications of a rising population are illustrated with a scenario based on the zero net migration population growth scenario. That scenario gives around 400 newly arising households per annum through to 2028, after which the projected level falls to circa 300 by 2035. Though, the zero net migration scenario would represent a marked turnaround in the population growth trend for Derry and Strabane and, from that perspective, can be viewed as an upper limit on the range of future possibilities.

Housing Market

Over the past decade and a half, house price movements in Derry and Strabane have closely tracked the Northern Ireland average. From their peak in 2007 to the trough in 2013, house prices in Derry and Strabane fell by 54 per cent. The scale of the price fall has been crucial in underpinning improved affordability within the residential property market in Derry and Strabane.

Average incomes are lower in Derry and Strabane compared with the rest of Northern Ireland, by about 11 per cent. However, that income differential is fully reflected in house prices; in 2019, the average (standardised) house price was 10 per cent below the Northern Ireland average.

Further testifying to the improvement in affordability, over the period 2011 to 2018, residential property transactions more than doubled, rising by 113 per cent in the Derry HMA and 106 per cent in the Strabane HMA.

The strongest recovery in transactions was registered in locations classified as rural, where sales almost tripled (+195 per cent), well in excess of the growth in urban areas (+86 per cent). When the differential is examined in more detail, it has primarily been concentrated in areas adjacent to Derry City.

Social sector completions have been especially important as a component of new dwelling completions in Derry and Strabane. Since 2013, the social sector share of completions has remained at a high level (close to 40 per cent), compared with the Northern Ireland average (around 15 per cent).

In the rented housing market, private sector rentals have been growing at a modest pace, on average. Across the HMA as a whole, median weekly private sector rents are estimated to represent 20 per cent of median household income. That is in line with the Northern Ireland average and could not be said to present an acute affordability problem, on the average.

Across the two HMAs, the 30th percentile of rents is estimated to be equivalent to 29 per cent of the lower quartile of household incomes.

An estimated 62 per cent of private rented sector tenants in Derry and Strabane were in receipt of Housing Benefit as at April 2019. That is well above the Northern Ireland average (42 per cent), reflecting the lower average incomes within Derry and Strabane and higher receipt of State benefits. Nonetheless, Housing Benefit is of particular importance in helping private rented tenants to sustain their accommodation in Derry and Strabane.

Along with the rest of Northern Ireland, tenure shares during the decade from 2001 to 2011 showed markedly divergent trends, with a sharp increase in the private rented sector share accompanied by falling shares in both the owner-occupied and social rented sectors.

Though, by 2011 the tenure composition of households in the combined Derry and Strabane HMAs remained distinctive in the Northern Ireland context. In 2011, over one in five households (21 per cent) were in social rented sector housing, six percentage points higher than the Northern Ireland average (15 per cent). Conversely, the owner-occupied share was relatively low compared with the Northern Ireland average; 60 per cent across Derry and Strabane compared with 67.5 per cent for Northern Ireland as a whole.

Based on the housing market trends observed since 2011, it is estimated that there was considerably less divergence in tenure shares over the period 2011 to 2018. The owner-occupied share is likely to have been stabilised by the recovery in the residential property market. The social sector share will have benefitted from the reduced pace of Housing Executive house sales combined with the pace of social sector completions between 2011 and 2018. Looking ahead over the longer term, to 2035, tenure shares are projected to remain broadly stable.

Housing Stock and Occupancy

Since 2011 the growth in the dwelling stock has been running at a slower pace by comparison with previous decades; 0.8 per cent per annum between 2011 and 2020 compared with 1.8 per cent per annum between 1991 and 2011. The pace of growth in the dwelling stock has varied little between the two HMAs or by settlement type. Across the District, growth has been stronger in the period 2016 to 2020, led by apartments and semi-detached properties, albeit the number of detached properties has also been growing.

Detached and semi-detached dwellings each account for about 31 per cent of the stock, followed by terraced properties (28 per cent) and apartments (10 per cent). The profile of the stock varies sharply between urban and rural areas, with the more space-extensive detached and semi-detached properties most prominent in rural areas.

The proportion of the dwelling stock that is unoccupied increased along with the housing market boom of 2006-07, peaking in 2007. The available evidence suggests that the vacancy rate had been falling at least through 2016.

The composition of the occupied housing stock varies markedly with household tenure. Almost all owner-occupier households (98 per cent) live in a whole dwelling, including 45 per cent in a detached dwelling, about one in three (31 per cent) in semi-detached properties and 23 per cent in terraced dwellings. Just two per cent live in apartments. By contrast, in the social rented sector, terraced dwellings are most prevalent (42 per cent) and a little under one in five (19 per cent) live in an apartment. The distribution of dwelling types in the private rented sector is more diffuse, reflecting the urban focus of that tenure.

At both the median and lower quartiles, relative house prices by property type have been broadly stable since 2015. There are no divergent trends that might be expected to disrupt the historical pattern of demand by property type.

The distribution of property types varies with the age of the HRP. The proportion living in detached and semi-detached properties increases steadily from 41 per cent among households where the Household Reference Person (HRP) is aged 16-24 to 68 per cent where the HRP is aged 45-49. From age 50 onwards, the proportion in such dwellings remains stable through ages 70-74 before dipping slightly to 64 per cent in the 75+ age group. Thus, the type of property occupied by a household aged 45 to 49 is a good predictor of the type of property that same household will occupy in future years, as they age into the older cohorts.

As measured by the number of rooms (bedrooms plus common spaces such as living rooms), dwelling size is clearly linked to household size. On average, the larger the household, the more rooms that are contained within the occupant's dwelling. Dwelling size also varies by tenure, with owner-occupied households generally occupying the larger dwellings.

Based on the occupancy rating measure, in 2011 one in ten households living in Derry and Strabane were classified as living in 'overcrowded' dwellings. Across Northern Ireland as a whole, the proportion classified as living in 'overcrowded' accommodation was seven per cent. Indeed, the Derry HMA recorded the highest incidence of overcrowding across all HMAs within Northern Ireland.

The distribution of bedroom sizes by tenure and age of the HRP has been estimated for the HMAs. Across the Derry and Strabane HMAs, over one in two households (55 per cent) are estimated to live in three bedroom properties, ranging from 58 per cent in the owner-occupied sector to 47 per cent in the social sector. Smaller sized properties, with one to two bedrooms, are estimated to be found most frequently in the social rented sector (47 per cent). Almost one in three owner-occupiers (32 per cent) live in larger properties with four or more bedrooms

The estimated distribution strongly reflects the linkage between tenure and the number of rooms and is consistent with the distribution of property types by age of the HRP. Similar to tenure and property type distributions, dwelling size distribution measured by the estimated number of bedrooms does not change hugely from age 45 onwards.

The age distribution of bedroom sizes stands in sharp contrast to the age distribution of household sizes, most notably in the older age groups. The vast majority of households where the HRP is aged 65 and over are comprised of one or two persons (84 per cent). On a notional bedroom standard basis, those one and two person households only 'require' one

bedroom. However, almost three in four households (72 per cent) where the HRP is 65 and over live in three and four bedroom properties. That is to suggest a considerable degree of 'under-occupancy' among older households.

The ageing of the population provides the fundamental demographic context in projecting the expected future use and occupation of the dwelling stock. Between 2018 and 2035, the net change in the number of households is projected to be driven by those where the HRP is aged 60 and over

Against that backdrop, the bedroom size projections indicate that the extent of 'under-occupancy' among older households will increase over the next 15 years. That raises policy issues both around helping people to live in their homes and, where that is desired and appropriate, moving to more suitably sized accommodation.

Housing Requirements

Based on net stock model, new dwelling requirements are projected over the 15-year period 2020 to 2035. The projections are made for the Derry and Strabane HMAs, both separately and in combination.

The household projections underlying the dwelling requirement projections are taken from the **medium household growth scenario**. In that scenario, the projected number of **newly arising households** in Derry and Strabane over the 15-year projection period is **3,060**. An additional **310** new dwellings would be required for expected changes in second homes, vacant dwellings, and to replace dwellings lost due to dereliction, demolition, etc. The total new dwelling requirements from the projected changes amount to **3,370**, giving an average annual requirement of **220** dwellings over the 15-year period.

Derry and Strabane contain an estimated **1,760** homeless individuals and families who do not have their own self-contained accommodation. They form the net **backlog of housing need**, i.e. additional new dwellings are required to meet their need for accommodation. The net backlog has been measured from the Housing Executive's Common Waiting List (CWL) as at August 2019. The CWL is a comprehensive listing of individuals who have expressed a desire for alternative accommodation by applying for a social rented home.

With the addition of the backlog, the total new dwelling requirement for the period 2020 to 2035 increases to **5,130**. Over the 15-year projection period, the net backlog adds an annual **120** to the requirement, bringing the annualised total to **340**.

The projected **changes by HMA** are summarised in Table A. The net backlog is highly concentrated in the Derry HMA, accounting for 94 per cent of the total.

Table A New dwelling requirements and components, 2020-2035, net stock model with backlog, Derry and Strabane HMAs, medium household growth scenario

	Households	Net backlog	Other changes	Total
	No.	*No.*	*No.*	*No.*
Derry HMA	2,410	1,650	90	4,150
Strabane HMA	650	120	210	980
Derry and Strabane	**3,060**	**1,760**	**310**	**5,130**

The net **new dwelling requirements by tenure** have been projected based on a household affordability model, with income tests deployed to assign the following categories:

- **Market** – can afford market rent or has sufficient income to enter and sustain home ownership.
- **Intermediate** – cannot afford market rent but can afford more than social rent.
- **Social** – cannot afford intermediate or market rent.

Excluding the backlog, 61 per cent of the projected annualised requirements are assigned to the market sector with 20 per cent to the intermediate sector and 19 per cent to the social sector.

When the net backlog is assigned to the social sector, the social share rises to 47 per cent while the market share reduces to 40 per cent and the intermediate share to 13 per cent.

The projected requirements by tenure, including the backlog, are summarised in Table B.

Table B New dwelling requirements by tenure, including backlog, Derry and Strabane HMAs, 2020-2035, medium household growth scenario

	Market	Intermediate	Social	All
Derry HMA	1,560	500	2,100	4,150
Strabane HMA	500	180	300	980
Derry and Strabane	**2,060**	**680**	**2,390**	**5,130**

The Housing Executive is responsible for the provision and management of accommodation for the **Irish Traveller Community**, including social housing, Traveller specific Group Housing, serviced sites, and transit sites. The findings from the Northern Ireland Housing Executive Irish Traveller Accommodation Survey 2018-19 provides an evidence base to inform the Irish Travellers Accommodation Strategy 2020-2025 and will be used to develop a traveller-specific accommodation needs assessment.

Projections for new dwelling requirements are inherently uncertain. To illustrative the sensitivities, the new dwelling requirements have also been projected by varying assumptions for the trend in average household size (the updated (2018) and high growth household projections) and the population growth assumptions (zero net migration scenario). The scenarios are summarised in Table C.

Table C Projected new dwelling requirements and household growth scenarios, 2020-2035, Derry and Strabane

	New household formation scenario:			Population growth
	Updated	Medium	High	Zero net migration
New households	1,980	3,060	3,890	5,890
Dwelling requirements				
Excluding backlog	2,230	3,370	4,210	6,430
Including backlog	4,000	5,130	5,970	8,190

The range in the projection scenarios does not represent a 'confidence interval' and should be viewed strictly as an illustration of potential variation arising from different assumptions for household growth. However, as the scenarios for new dwelling requirements are based on making alternative assumptions regarding future rates of household growth, they can be interpreted as follows.

Based on the principal 2018-based NISRA population projections:

- The medium growth scenario provides the basis for the main new dwelling requirement projections.
- The updated (2018) projections serve to test projections for new dwelling requirements to reflect slower household growth compared with the medium growth scenario.
- The high growth projections play a similar role in testing for the effects of faster than anticipated household growth.

The zero net migration scenario yields population projections that would reverse well-established trends. The scenario should be viewed as an upper bound on the range of projected new dwelling requirements.

It must be emphasised that the net stock model projections presented in this Section are intended to provide a long-term perspective on housing requirements across the HMAs. Within that context, the projections for new dwelling requirements do not take explicit account of the coronavirus pandemic. To the extent that the pandemic dampens activity levels in the housing market, it is plausible that new household formation may be suppressed between 2020 and 2021 or so long as the effects of the pandemic persist, e.g. in terms of measures taken to combat the virus. However, as the population from which new households arise already exists, suppression of new household growth is expected to prove temporary. Beyond the pandemic, a period of 'catch-up' in new household formation may be anticipated, e.g. where 'pent-up' demand emerges. Thus, over the 15-year projection period considered in this SHMA, the total projected requirements may be expected to remain unchanged, having regard to the underpinning population projections and associated trend assumptions.

1 Background

1.1 Introduction

This report presents the Strategic Housing Market Assessment (SHMA) for the Derry and Strabane Housing Market Areas (HMAs). The report sets out projections of future housing need and demand. The main purpose is to assist policymakers in their understanding of the dynamics of the HMAs and to inform Local Development Plans. The report has been commissioned by the Northern Ireland Housing Executive ('the Housing Executive') in its role as the strategic regional housing authority.

Housing Market Areas are defined as[1]:

> "The spatial area within which most households both live and work and where those moving house without changing their place of work search for, and choose, a home."

HMAs provide a spatial framework for Strategic Housing Market Analyses. The rationale for a SHMA has a number of dimensions, including[2]:

- Enabling the appropriate authority to develop long-term strategic views of housing need and demand to inform regional spatial strategies and regional housing strategies.
- Enabling planners to think spatially about the nature and influence of the housing markets in respect to their local area.
- Providing robust evidence to inform policies aimed at providing the right mix of housing across the housing market (both market and affordable housing).

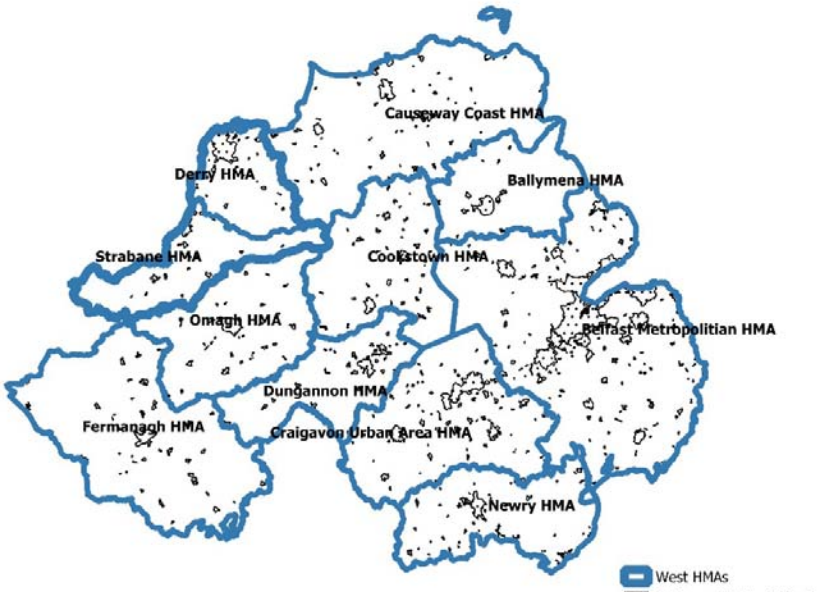
Within that context, this report serves as an evidence base. While different scenarios for the future evolution of housing need are identified, the report does not suggest targets or policy. It is a matter for Councils to conclude which scenario is most appropriate to their area and this can be referenced in the Local Development Plan (LDP). The scenario deemed most appropriate could change in a different economic/housing market housing context, over the life of the Plan. The scenarios are based on demographic trends and allow Councils to consider policy responses if they wish to change the identified trends. It is also acknowledged that the LDP can set housing targets due to other factors, set out in the 2015 Strategic Planning Policy Statement (SPPS).

[1] Newhaven Research, 2018. Mapping Northern Ireland's Housing Market Areas, page 12.
[2] Department for Infrastructure, Regional Development Strategy 2035, page 104.

1.2 The Housing Market Areas

The Derry and Strabane HMAs are two of 11 which were defined in a research report commissioned by the Northern Ireland Housing Executive[3]. The two HMAs are shown in Map 1.1. Together, they comprise the West area for HMA reporting purposes. The combined HMAs are aligned with Derry City and Strabane District Council (DCSDC).

Map 1.1 The Northern Ireland Housing Market Areas



The Derry HMA borders the Causeway Coast HMA, which is itself coterminous with Causeway Coast and Glens Local Government District (LGD).

In the HMA mapping produced by the Newhaven research, the Limavady area[4] on the western flank of the Causeway LGD had been assigned to the Derry HMA. Following the July 2019 review of subareas, for the purpose of this SHMA, it was decided to re-assign the Limavady area to the Causeway Coast HMA. The rationale was to enhance the coherence between the HMA and LGD geographies, within the policy context of helping to inform the Local Development Plan process.

[3] Newhaven Research, Mapping Northern Ireland's Housing Market Areas, August 2018.
[4] Comprising the bulk of the former Limavady LGD

1.3 Objectives

The objectives of this SHMA are as follows:

- Analyse key economic, demographic and housing data to establish the current operation and future trends that influence the Derry and Strabane Housing Market Areas.

- Identify the main housing sub-markets within the Derry and Strabane Housing Markets and, where appropriate, highlight any local issues (including rural-related issues) within the submarkets that deviate from the wider Housing Market Area. It should also highlight specific linkages to other Housing Market Areas and how they inter-relate.

- Provide a 15-year, cross-tenure (private, intermediate and social) housing need assessment methodology to be applied at Housing Market Area, Local Authority level and sub-local authority level within the Derry and Strabane area.

- Provide housing need projections across all tenures for 15 years at Housing Market Area and Local Authority level within the Housing Market Areas, i.e. total, intermediate and social housing need requirements. Regarding social housing projected need, the research will examine the potential of the new methodology to provide an acceptable 5-year social housing need requirement to formulate a 3-year social housing need programme.

- Apply a range of scenarios to the 15-year housing need assessment calculation, i.e. standard, high-level, and low-level housing requirements to accommodate potential variations in performance of the housing market, economy and the policy environment.

- Engage with local authority planners to clarify the most critical issues the housing systems analysis should address and which will be practical to deliver in light of data availability.

1.4 Structure of the Report

The report is structured as follows:

- **Section 2** presents an overview on **the policy context**, in relation to planning policy, the Programme for Government and welfare reform, with particular reference to housing. This Section also considers the wider context.

- **Section 3** describes **the spatial framework** for the analysis, including the Local Government District, HMAs and the urban-rural dimension.

- **Section 4** analyses **population** trends and projections for the Derry and Strabane area, and by HMA/LGD and settlement type.

- **Section 5** examines **household growth** trends and projections. The uncertainties around household projections are discussed and a number of scenarios presented.

- **Section 6** assesses the trends in a range of **housing market** indicators, commencing with factors affecting the affordability of owner-occupied accommodation in housing market areas, i.e. house prices, jobs and incomes, house price to earnings ratios. The Section then considers indicators for activity levels in the housing market, i.e. residential property sales and new dwelling completions. It also looks at the rented sector and concludes with a discussion of tenure shares, both historical and projected.

- **Section 7** presents a profile of **the housing stock and the occupancy of dwellings**. The Section commences with an overview on trends in the housing stock, both overall and by LGD and settlement type. Drawing on the 2011 Census of Population, the distribution of dwellings by number of rooms and occupancy ratings are discussed. The Section also presents estimates and projections for the bedroom size distribution of the occupied dwellings stock, which are compared with projections for bedroom requirements.

- **Section 8** presents the findings from the application of a net stock model to project new **housing requirements**, for a given rate of household growth. The basic net stock model is augmented through the inclusion of a net backlog component, i.e. households in need who lack their own self-contained accommodation. The Section concludes by assigning tenure splits to the projected requirements, based on an affordability test.

- **Section 9** brings together the key findings and themes in the **concluding remarks**.

Note:

All percentage figures shown are calculated from unrounded data. As percentages are presented in rounded numbers, components may not add to the total shown.

Population and other counts or estimates are presented in tables and charts rounded to the nearest 10 or 100. Consequently, components of a population or other total may not add to the total shown in a table or chart.

2 Policy Context

This Section presents an overview on the policy context for this SHMA, under the following headings:

- Planning policy.
- Programme for Government, with particular reference to housing.
- Welfare reform, again focusing on aspects relevant to housing.

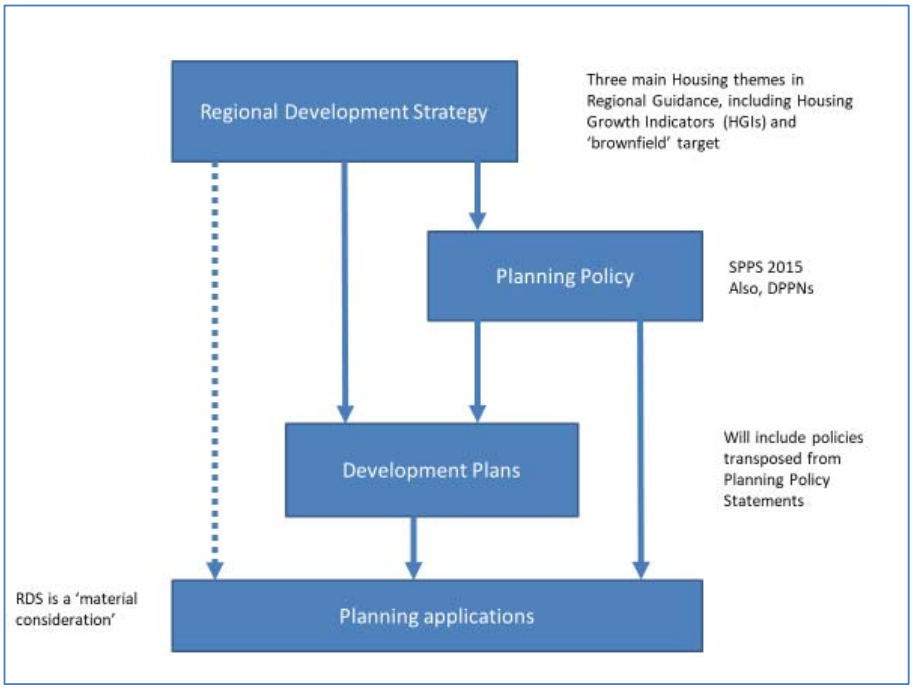
The Section also discusses the wider context, prior to the concluding remarks.

2.1 Planning Policy

The planning policy framework within which this SHMA sits is summarised in Figure 2.1 and includes:

- The Regional Development Strategy 2035.
- Strategic planning policy.
- Local development plans.

Figure 2.1 Policy context: Planning



The Regional Development Strategy (RDS) aims to provide "an overarching strategic planning framework to facilitate and guide the public and private sectors". It was conceived as the spatial framework for the delivery of the Northern Ireland Executive's Programme for Government with the intention of informing the spatial aspects of the strategies of Government Departments.

As a strategic framework, the RDS mainly serves to provide guidance to bodies such as Local Government Districts (LGDs) in exercising functions such as the preparation of Local Development Plans (LDPs). The 2035 iteration of the RDS contains three themes relating to housing. One of those themes is to 'manage housing growth to achieve sustainable patterns of residential development'.

As part of that theme, and to promote development within existing urban areas, the RDS has set a regional target of 60 per cent of new housing to be located in appropriate 'brownfield' sites within the urban footprints of settlements greater than 5,000 population.

Also under the housing theme, the Department for Infrastructure (DfI) produces Housing Growth Indicators (HGIs) at LGD level to "provide an indication of future housing need in Northern Ireland". The most recent Housing Growth Indicators were published in October 2019, based on the NISRA 2016-based household projections, which were commissioned by the Housing Executive. The 2016-based HGIs replaced the previous 2012-based HGIs, which had been prepared from NISRA's 2012-based household projections.

In the text accompanying the HGIs, DfI states that the estimates "are purely for guidance and should not be considered as a cap or a target on development". Rather, they represent a "starting point which can subsequently be adjusted". That is an appropriate caution, as the HGIs are purely trend-based extrapolations and contain no policy content. Nonetheless, the HGIs are tied to expectations of future household growth, which is the main component in projecting new dwellings required to meet housing need and demand.

Within the managing housing growth theme, and with reference to ensuring an "adequate and available supply of quality housing", the RDS states that planners should take account of Housing Needs Analysis/Housing Market Analysis when allocating land, "including land for social and intermediate housing and affordable housing".

The 2015 Strategic Planning Policy Statement (SPPS) was issued following the reform of the planning system from a unitary system (where all powers rested with the Department) to a new two-tier model of delivery where councils have primary responsibility in relation to, *inter alia*, local plan making.

The Housing in Settlements Section of the SPPS set out eight processes for allocating housing land. The first process listed identifies the HGIs as a starting point. The processes also include Housing Needs Analysis/Housing Market Analysis, in the following terms:

> "Provides an evidence base that must be taken into consideration in the allocation, through the development plan, of land required to facilitate the right mix of housing tenures including open market and special housing needs such as affordable housing [social rented housing and intermediate housing for eligible households], social housing, supported housing and Travellers accommodation. The HNA will influence how LDPs facilitate a reasonable mix and balance of housing tenures and types. The Northern Ireland Housing Executive, or the relevant housing authority, will carry out the HNA/HMA".

At the time of writing, the SPPS also provides a definition of 'affordable housing', i.e. social rented housing and intermediate housing (see Box 2.A).

Box 2.A Affordable housing: Strategic Planning Policy Statement definition

Social rented housing is housing provided at an affordable rent by a Registered Housing Association; that is, one which is registered and regulated by the Department for Social Development[5] as a social housing provider. Social rented accommodation should be available to households in housing need and is offered in accordance with the Common Selection Scheme, administered by the Northern Ireland Housing Executive, which prioritises households who are living in unsuitable or insecure accommodation; and

Intermediate housing consists of shared ownership housing provided through a Registered Housing Association (e.g. the Northern Ireland Co-Ownership Housing Association) and helps households who can afford a small mortgage, but that are not able to afford to buy a property outright. The property is split between part ownership by the householder and part social renting from a Registered Housing Association. The proportion of property ownership and renting can vary depending on householder circumstances and preference.

Source: DfI, Strategic Planning Policy Statement, October 2015, page 114.

[5] Since the SPPS was issued, and following the re-organisation of Northern Ireland government Departments, the functions of the former Department for Social Development have been subsumed within the Department for Communities.

Derry City and Strabane District Council published its draft Plan Strategy (dPS) in December 2019. The consultation on the dPS is scheduled to conclude in November 2020. The Preferred Options Paper (POP) which preceded the dPS identified three 'Growth Strategy Options' for the period 2017 to 2032 with associated targets for population, jobs and housing. The options were summarised in the dPS and are reproduced below as Table 2.1.

Table 2.1 Growth strategy options: Derry City and Strabane District

	Baseline	Modest growth	Planned growth (to 2032)	Potential growth (to 2037)
	2017	**Current projections**	**LDP Growth Strategy**	**City Region**
Population	150,000	149-150,000[1]	155-160,000	160-170,000
Jobs	55,800	+4,000	+8,000-15,000	+16,000-18,000
Homes	61,000	+4,100[2]	+8,000-15,000	+11,000-15,000

1 NISRA population projections.
2 Housing Growth Indicator for Derry City and Strabane District
Source: DCSDC, *Draft Plan Strategy*, para 5.7.

The 'modest growth' option is derived from the 2016-based NISRA population projections and the most recent HGI for Derry City and Strabane District Council, i.e. an additional new dwelling requirement of 4,100. The Planned and Potential Growth options stem from the Council's Strategic Growth Plan 2017-2032. Within that context, the Planned Growth option sets out the Council's ambition to increase the District's population by around 10,000 between 2017 and 2032, adding up to 10,000 new homes. The Potential Growth option reflects the Council's aspirations for the 20-year period 2017 to 2037.

The Council's dPS notes that the projections underlying the modest growth option are trend-based and "do not take account of any planned policy changes [such as the Council's Growth Strategy] that could alter the levels of population". The Council also observed that the HGI projection levels "are well below the current build rates". On that point, it can be noted that, between 2016 and 2020, the average annual number of new dwelling completions within the District was 560 (LPS, New dwelling statistics), almost double the annualised HGI requirement of 290.

Thus, for the purposes of the dPS, the Council has proposed providing land supply to meet the Strategic Growth Plan requirements. In that regard, the Council takes the position that, compared to the HGI requirement underlying the modest growth option, "9,000 dwellings over the LDP period is a more appropriate reflection of the District's aspired growth." (dPS, para 16.7). The potential growth option is reflected in the following terms:

> "As per the SPPS, it would be prudent to provide an additional five years land supply. This would establish the requirement for land for approximately 12,000 dwellings over the LDP period".

The Council takes the view that its growth option is realistic due to the infrastructure and other investment that is anticipated over the planning period, including:

- The proposed City Deal announced for Derry in May 2019, which will bring a cash injection of £210 million to the region.
- Road infrastructure investment, including the A5 and A6 dual carriageways.
- The expected expansion of Derry's university sector, including the planned opening in September 2021 of a graduate Medical School at the Magee University campus.

The Council's Growth Strategy also points to Derry as a regional growth centre in the North West, both within the context of the RDS 2035 and, on a cross-border basis, the recognition given to the broader Derry-Letterkenny region within the Republic of Ireland's National Planning Framework Project Ireland 2040.

Whether the Council's targets are achievable is a moot issue. As discussed in Section 4 of this SHMA, the population target would entail a sharp reversal of well-established population trends.

A final point to note is that the dPS also contains an affordable housing policy (HOU 5), which states that:

> "Planning permission will be granted for a residential development scheme of, or including, 10 or more residential units; or on a site of 0.5 ha or more, where a minimum of 10% of units are provided as affordable housing. Where there is an acute localised need as demonstrated by the Housing Executive, the proportion required may be uplifted on an individual site".

2.2 Programme for Government

In May 2016, a draft Programme for Government 2016-2021 Framework document was issued for consultation by the Northern Ireland Executive. The draft document set out the Executive's proposed approach to the development of a new Programme for Government (PfG) as a successor to the 2011-2015 PfG.

The PfG Consultation Document specified two housing-related indicators, both of which were framed around 'increasing the supply of suitable housing':

- Number of households in housing stress.
- Gap between the number of houses we need, and the number of houses we have.

The housing stress indicator was linked to Outcome 8 of the PfG, titled 'We care for others and we help those in need'. The indicator was to be measured as the number of households on the Common Waiting List (CWL) with 30 or more points[6].

The housing gap indicator was linked to Outcome 11, titled 'We connect people and opportunities through our infrastructure'. For monitoring purposes, the housing gap was defined as the difference between an estimate for the required housing stock and the total housing stock as at 2016[7]. The required housing stock estimate was measured from the Housing Growth Indicators (HGIs) produced by the Department for Infrastructure (DfI) for spatial planning purposes in the context of the Regional Development Strategy (RDS) 2035.

With the Department for Communities (DfC) in the lead, the Delivery Plan for the two housing indicators was published in December 2016. That document set out a range of proposed actions and policy commitments under the following headings:

- Increase the number of **new homes** being built in all tenure types. The proposed measures included an additional 9,600 social homes by March 2021 along with support for 3,750 first-time buyers through co-ownership or similar schemes and the release of more public sector

[6] Currently, social housing in Northern Ireland is allocated under the Housing Selection Scheme ('the Scheme'). The Scheme comprises a Common Waiting List and a Common Selection Scheme for the assessment of all applicants for social housing, encompassing applications to and allocations made both by the Northern Ireland Housing Executive and registered Housing Associations. Applicants are awarded points against the criteria specified in the scheme (intimidation, insecurity of tenure, housing conditions, health and social wellbeing), to reflect their level of housing need. For an overview on the Scheme, see DfC, 2017, Fundamental Review of Housing Allocations, pages 46-49.

[7] The housing gap indicator was to be monitored by tracking the change in the total housing stock, as set out in NISRA's Measurement Annex.

land for housing development. It was also proposed to find ways of stimulating demand for and supply of "appropriate, smaller, affordable accommodation for older owner-occupiers and supporting those who want to downsize".

- Bring more **empty homes** back into use, through targeted incentives.
- Ensure housing is of **good quality**, including a review of the statutory fitness standard, a review of the Fuel Poverty Strategy and maintenance of the Housing Executive stock.
- Reducing segregation, including measures to incentivise the development of more **mixed-tenure, mixed-use sites** with a shared ethos.
- Helping people access more **affordable housing**, including a review of the Common Selection Scheme for allocating social housing and development of new affordable housing products for first-time buyers and also products to help under-represented groups (specifically mentioning older people and those with disabilities) into 'home ownership or other affordable housing options'.
- Meeting the needs of **the most vulnerable**. This theme is mainly about tackling **homelessness**.

In January 2017, the Executive collapsed, prior to finalising the PfG. Following the collapse of the Executive, Departments sought to progress the draft Programme for Government through the publication of an Outcomes Delivery Plan 2018-19. In the 2018-19 Delivery Plan, funding of approximately £147 million was announced for actions to help meet housing need in relation to Outcome 8. The actions listed were as follows:

- Provide an additional 1,850 new social home starts, of which 200 will be shared housing and eight per cent of new builds will be wheelchair accessible.
- Support 750 first time buyers to purchase a new home through co-ownership or similar schemes.
- Provide housing advice to 7,200 people and prevent homelessness in 450 cases through the Housing Rights Service.
- Support people to live independently through the Supporting People programme. The Housing Executive aimed to provide £72.8m of support to approximately 17,000 households.

The measures announced with a view to increasing the supply of suitable homes (under PfG Outcome 11) reiterated the targets for new social home starts and first-time buyers supported via co-ownership or similar schemes and also stated the intention to release two public sector sites for housing development.

The Executive was restored in January 2020, through the New Decade-New Approach agreement. Part 1 of the document setting out the terms of the deal was devoted to enunciating the immediate priorities of the restored Executive and associated actions, including the development of a new Programme for Government.

Annex D of the agreement provides the outline of a new PfG. While committing "to begin immediately to develop a strategic Programme for 2020 and beyond", the Annex also states the *Outcomes Delivery Plan 2018-19* would form the basis for the initial (Year 1) Programme. Looking ahead, the agreement stated that the PfG would include a specific housing priority, in the following terms:

> "The Programme for Government outcomes framework will be augmented with a new outcome and indicators to provide specific focus on ensuring every household has access to a good quality, affordable and sustainable home that is appropriate for its needs".

2.3 Housing

The housing priority is now being developed under four main themes, as follows:

- Increasing housing supply/options across all tenures.
- Making the best use of existing housing.
- Improving the private rented sector.
- Improving housing for the most vulnerable.

Increasing Housing Supply

As stated in the New Decade-New Approach document, the main thrust of the housing supply theme is to "enhance investment and agree a target for new social and affordable home starts". No targets have yet been set but in a recent speech, the DfC Minister noted that the Executive has "never achieved more than 2,200 social new build starts in one year" and expressed an ambition to remedy the position.

In Northern Ireland, all social rented housing is developed and delivered by Housing Associations registered with DfC[8]. Housing Associations finance new developments through a mixture of grants and loan finance. Enhanced investment to increase the number of social housing starts will therefore depend on the ability of Housing Associations to access finance, in addition to the quantum of public funds that may be made available.

In 2016, the Office for National Statistics announced its intention to re-classify Housing Associations as public sector organisations from November 2017. If the re-classification were to proceed, the debt held by Housing Associations[9] would be categorised as public sector debt and count against the Northern Ireland budget, thereby hampering the ability of Housing Associations to borrow for housing development. The UK Treasury put in place a derogation to postpone the classification, which will expire in March 2021.

However, the legislation required to enable a reversal of the ONS decision has been passed in the Northern Ireland Assembly (the Housing Amendment Act (Northern Ireland) 2020) and received Royal Assent on 28 August 2020. In the absence of the legislation, the number of new social homes built by Housing Associations could have fallen by up to 50 per cent. DfC would also have been constrained in funding the Northern Ireland Co-ownership scheme. One of the legislative changes required to obtain the reversal of the decision to reclassify Housing Associations as public sector bodies, included an end to the compulsory need for registered Housing Associations to operate a House Sales Scheme. For further information, see page 15 below.

As part of the approach to increasing housing supply, DfC is also considering how to expand the range of intermediate housing products for low and middle-income households that can afford social housing but cannot afford market rents and/or house purchase. Currently, shared ownership is the primary intermediate housing product in Northern Ireland[10]. The main provider is Co-Ownership, a registered Housing Association that was established in 1978 and which has since assisted over 29,000 households.

Within that context, in June 2019 and June 2020, DfC issued consultation papers setting out proposals to change the definition of affordable housing

The June 2020 paper proposed a revised definition of affordable housing, as follows:

> "Affordable housing is either:

[8] The list of Housing Associations is available here.
[9] Estimated at £1 billion (Barker, N., Reclassification of Northern Irish associations delayed for a year. *Inside Housing*, 03/04/2020).
[10] A more detailed overview on shared ownership in Northern Ireland is provided in Appendix C.

a) Social rented housing

b) Intermediate housing for sale or rent that is provided outside of the general market, for those whose needs are not met by the market. Affordable housing which is funded by Government must remain affordable or alternatively there must be provision for the public subsidy to be repaid or recycled in the provision of new affordable housing".

In the 2019 DfC consultation paper, the drivers behind a new definition are set out as follows:

- Changes in the policy and funding environment, including "new Government funding streams, the Housing Association sector's desire to diversify and grow, and innovative new construction methods and products from private developers". (Para. 5.1). Those factors, it is stated, are opening up opportunities for new affordable housing products.

- Providing clarity on the provision of affordable housing options to organisations and actors in the housing market, such as the Housing Executive, Housing Associations, Councils, private developers and private landlords.

- Targeting resources, having regard to the current funding environment and pressures on revenue and capital funding.

- To assist Councils in bringing forward appropriate policies in their new Local Development Plans, specifically to "provide clarity in terms of the provision of housing development with homes in a range of sizes and tenures – supporting the creation of more balanced sustainable communities".

The DfC paper concludes that "there is clear potential to broaden the focus for intermediate housing to include groups such as, active older people, those with disabilities and those on low incomes but who do not have sufficient points for social rented housing". While it is well understood, the current intermediate product – shared ownership – is largely focused on first-time buyers. In the consultations for this SHMA, Housing Associations expressed an appetite to cater for a broader range of target groups, such as older people looking to relocate.

At this time, the proposed definition of affordable housing has not yet been finalised.

In November 2020, the DfC Minister set out plans to increase the supply of social housing and reduce housing stress by introducing fundamental changes to the Housing Executive. These include:

- Changing the status of the landlord part of the Housing Executive so that it may borrow, invest in homes and build again.
- Consulting on the Housing Executive's House Sales Scheme to protect the current supply of social housing.
- Reintroducing ring-fencing of the new build Social Housing Development Programme (SHDP) to prioritise certain areas of highest housing need.
- Introduce reform of the social housing allocations system.
- Ensure the Housing Executive prioritise adaptations.

The Minister also announced the intension to introduce legislation to improve the safety, security, and quality of private rented sector housing. Key areas of reform include extending the notice to quit period; ensuring rent is fair and considering an enhanced role for councils in registration and enforcement.

Other areas covered in the Minister's statement include the intention to:

- Develop new ways to help people into home ownership, continuing to support shared ownership schemes such as Co-Ownership.
- Expand the rental options available by introducing intermediate rent, to provide an additional supply of good quality, managed and maintained homes, which are affordable for lower income families.
- Develop a fundamental Housing Supply Strategy to provide a framework for delivery of the right volume and types of homes to meet changing housing needs and demand and put mixed tenure at the heart of housing policy.
- Prioritise action to improve the response to homelessness.

Use of Existing Housing

A range of challenges to optimising the use of existing social sector housing were identified in New Decade-New Approach, including:

- Tackle the maintenance backlog for Northern Ireland Housing Executive properties. In 2018, the Housing Executive estimated it needed £7.1 billion investment over 30 years with £3 billion required in the next 11 years. However, the Housing Executive can only afford

half of the required investment, which puts half of its stock of 86,000 homes at risk.

- To help meet the Housing Executive's investment challenge, examine options to remove historical debt from the NI Housing Executive and exclude it from having to pay Corporation Tax. The Housing Executive is currently the only social landlord liable for Corporation Tax.

- Set a long-term trajectory for the rental charges for NI Housing Executive homes, which is sustainable and is affordable to tenants. Housing Executive rents have been frozen since 2015, thereby reducing the funds available to undertake necessary maintenance work. The freeze was to have been lifted on 1 April 2020, with a rent increase of 2.7 per cent. This was deferred to 1 October 2020 due to the coronavirus pandemic.

The Department will also end the mandatory house sales scheme for Housing Associations, under Section 7 of the Housing (Amendment) Act (Northern Ireland) 2020[11]. As house sales reduce the stock of social dwellings, ending the mandatory right to buy is expected to have a positive effect on the availability of dwellings for relets[12], which are the main source of allocations to applicants on the Common Waiting List (CWL)[13].

For the same reason, the Department is also considering the future of the Housing Executive House Sales Scheme. Housing Executive sales to sitting tenants have declined sharply over the last decade and a half; in 2018-19, 449 dwellings were sold to sitting tenants. Nonetheless, such sales reduce the stock available for relets.

In recent years, the number of social housing applicants assessed as being in housing stress has been rising steadily, up from 22,100 in 2014-15 to 26,400 in 2018-19. In that same period, social housing allocations to applicants have been relatively static (between 7,700 and 8,000 per annum). Those trends provide important context for the efforts to make best use of existing housing, including the ending of mandatory house sales. The increasing numbers in social housing stress also acts as a spur to the development of affordable intermediate housing options.

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[11] Under Section 8 of the Act, the Department may make grants for support of non-statutory right-to-buy schemes.

[12] Where a social housing property becomes vacant and is then available to be let to another household.

[13] In the financial year 2018-19, 7,696 social housing allocations were made to applicants and 2,748 to tenants transferring from an NIHE or Housing Association property (Source: DfC, Housing Statistics , Table 3.5). The total allocations include both relets and newly completed properties. In 2018-19, 937 social sector dwellings were completed (Source: LPS, New Dwelling Statistics, Table 2.1), representing nine per cent of all allocations.

Improving the Private Rented Sector

According to the Housing Executive's 2016 House Condition Survey (HCS), the private rented sector now provides accommodation for close to one in five households in Northern Ireland (18 per cent), up from 11.5 per cent in the 2006 HCS. Within that context, the policy thrust is to improve the safety, security, and quality of the private rented sector. In January 2017, DfC issued a consultation paper setting out proposals for change in the private rented sector in Northern Ireland, under the headings of affordability, security of tenure, tenancy management, property standards and dispute resolution.

Homelessness

The primary means of addressing homelessness is through the allocation of social housing to applicants on the Common Waiting List who have been assessed as homeless. In addition, the Housing Executive has sought to develop preventative approaches.

Since 2010, the Executive has had a legislative duty to formulate and publish a strategy for homelessness setting out how it intends to prevent homelessness, provide sufficient accommodation, advice, and assistance. The current homelessness strategy, Ending Homelessness Together was published in April 2017 for the five-year period through to March 2022. The strategy has three aims:

- To prevent homelessness.
- To ensure that households experiencing homelessness are supported to find suitable accommodation and support solutions as quickly as possible.
- To ensure a cross departmental and inter agency approach to ending homelessness.

The tools available for the preventative approach include Housing Support through the Supporting People programme (the £72.8 million budget for that programme has been ring-fenced) and temporary accommodation.

At least in the short term, the level and pattern of homelessness presentations have changed due to the Covid-19 pandemic and the measures adopted to contain and delay its transmission. The Housing Executive's analysis of homeless presentations and acceptances through September 2020 identified the main changes as follows:

- The numbers of households presenting as homeless declined during the lockdown period in April and May 2020 but started to increase when restrictions were eased.

- An increase in the numbers of young people aged 16-25 years presenting as homeless, both female and male.
- Reasons for homelessness; the primary reason shifted from 'accommodation not reasonable' (decrease from 25 per cent in 2019 to 19 per cent in 2020) to 'sharing breakdown/family dispute' (increase from 22 per cent in 2019 to 27 per cent in 2020).
- The numbers of households requiring temporary accommodation increased sharply, by 52 per cent comparing April to September 2020 with the same period in 2019.
- The availability of and throughput in temporary accommodation.

From 12th May 2020, with the publication of the Northern Ireland Executive's recovery plan and the commencement of the relaxation of social distancing measures, the situation continues to evolve.

At the time of writing, the requirements to have in place crisis response arrangements remain. However, it is not yet known over how long a period the changes outlined above will continue to affect the scale and composition of social housing need.

2.4 Welfare Reform

Over the last decade, the UK Government has enacted a raft of legislation designed to reform the benefit system. The reforms have been implemented with the aim of streamlining the system and to reduce welfare expenditure.

The reform agenda commenced in October 2010 when the UK government announced plans to introduce the Universal Credit (UC) as a means of integrating and simplifying means tested welfare benefits and in-work tax credits for working-age adults.

Universal Credit comprises a single means-tested benefit for working age claimants, including an allowance for housing costs, whether they are unemployed or in low-paid work.

The Government's plans were given legislative effect through the Welfare Reform Act 2012. The 2012 Act also introduced changes to Housing Benefit which reduced the amount payable to social sector tenants who were deemed to be 'under-occupying' their dwelling according to the social sector size criteria (Box 2.B).

The Welfare Reform and Work Bill introduced to the House of Commons on 9 July 2015 forced all English social landlords to cut their rents by one per cent annually. That measure was taken to reduce Housing Benefits payable to social tenants as a further means of cutting welfare expenditure. Pressure

was placed on devolved governments to follow suit, resulting in the Housing Executive rent freeze.

Box 2.B The social sector size criteria

The social sector size criteria apply to social sector tenants of working age (over 16 and under state pension age). Housing Benefit claimants to whom the criteria apply may have their Housing Benefit amount reduced if they have one or more 'spare' bedrooms. To determine if a tenant has one or more spare bedrooms, the number of bedrooms contained within the property rented by the tenant is compared with the number of bedrooms that the claimant is deemed to require, given the household's size and composition. For example, an adult couple without children and without a disability living in a two-bedroom property would be considered to have one spare bedroom.

If a tenant has more bedrooms than they are deemed to require, the rent used to work out their Housing Benefit is reduced by:

- 14 per cent if they under occupy the property by one bedroom.
- 25 per cent if they under occupy the property by two or more bedrooms.

Source: Gov.UK, Housing Benefit: What you'll get

Private rented sector tenants have also been affected by welfare reform, again for generating savings on welfare expenditure. Since 2008, private rented sector tenants have received a Local Housing Allowance (LHA) rather than Housing Benefit.

When first introduced, LHA was intended to be set at a level that would encompass 50 per cent of local area rents[14]. In 2011 that was reduced to 30 per cent of local area rents[15] and in 2012, the link between the LHA rates and local rents was broken, with the introduction of annual uprating in line with the Consumer Price Index (CPI). LHA rates were then completely frozen from April 2016 to March 2020, when uprating with the CPI was restored. In addition, from 2012, the shared accommodation rate was extended to those living alone in the private rented sector and aged under 35[16].

[14] That is, LHA rates (by bedroom entitlement) were intended to be set with reference to the median rent in geographic areas known as Broad Rental Market Areas (BRMAs), so that LHA recipients would have access to rental properties in the lower half of the local area market.
[15] That is, by setting the LHA reference rent to the 30th percentile of local area rents.
[16] The shared accommodation rate restricts the amount of benefit to the amount allowed for someone living in accommodation with access to one bedroom and shared use of facilities such as a kitchen and

The 2008 LHA reforms were introduced in Northern Ireland in tandem with the rest of the UK. Subsequent changes to the LHA regime have also been implemented concurrently with the rest of the UK.

The remaining reforms, notably Universal Credit and the social sector size criteria, were not implemented until the Welfare Reform (Northern Ireland) Order 2015 came into effect on 9 December 2015[17]. The 2015 Order brought the system in Northern Ireland into alignment with the rest of the UK. Additional provisions for Welfare Reform were introduced under the Welfare Reform and Work (Northern Ireland) Order 2016.

Universal Credit was rolled out across Northern Ireland on a phased basis between October 2017 and December 2018. The rollout was for new claims only, with migration of existing claimants of 'legacy benefits' such as Income Support and Jobseekers Allowance scheduled to commence in 2020 and complete by 2023. That schedule is subject to change due to the coronavirus pandemic.

While the social sector size criteria have been introduced in Northern Ireland, the effects have been mitigated to date. Thus, in Northern Ireland, most tenants affected by the criteria receive Welfare Supplementary Payments that top up their benefits[18]. That mitigation was scheduled to cease in March 2020. However, as part of the *New Decade-New Approach* deal, a commitment was made to extend the existing welfare mitigation measures beyond March 2020. The extension was to be implemented via new primary legislation, albeit no expiry date was to be set for the mitigation measures[19]. Due to the coronavirus pandemic, the legislation was not passed in time for the March 2020 date. However, payments have continued to be made via contingency arrangements.

Overall, the amount of Housing Benefit received by social sector tenants has been largely protected from welfare reform measures, notably the social sector size criteria. However, the removal of the mitigation measures would affect a substantial number of tenants. As at February 2020, an estimated 38,000 households were in receipt of supplementary benefits protecting them

applies even where the tenant is actually living in self-contained accommodation, whether that be an apartment or a house. Certainly, across Northern Ireland's rental market areas, the shared rate is below the LHA rate for self-contained accommodation; the 2020-21 LHA rates can be found here.

[17] For details of the welfare reforms in Northern Ireland, see NIHE, 2018, Welfare Reform in Northern Ireland: A Scoping Report.

[18] A tenant will cease to receive Welfare Supplementary Payments if they move to another social rented property and continue to occupy at least the same number of bedrooms and the move was not a Management Transfer. Between 1 April and 30 October 2019, 56 Payments ended for that reason. Payments will also cease where the recipient moves to private tenancy or private ownership.

[19] See Murphy, 2020. *Social Sector Size Criteria ('Bedroom Tax') Mitigation in Northern Ireland – A Timeline of Key Developments*. Northern Ireland Assembly, Research and Information Service Briefing Note, NIAR 38-2020.

from the social sector size criteria[20]. According to a DfC Review of Welfare Mitigation Schemes, dated December 2019, the average expenditure on social sector size criteria Welfare Supplementary Payments was £1.7 million per four-week payment period, equivalent to £22.1m per year, with an average of £12.50 per week per claimant (DfC, page 36). The mitigation for Social Sector Size Criteria is now being uprated to meet the new shortfall created by the increase in rent, introduced on 5 October 2020.

Private rented sector tenants have not been protected. Consequently, the vast majority face a shortfall between their LHA entitlement and their weekly rent. In March 2018, over 52,000 private sector tenants were in receipt of Local Housing Allowance and 88 per cent of those tenants had a shortfall[21]. Among those with a shortfall, the average was £28, representing 29 per cent of their weekly rent.

2.5 Wider Context

The wider context within which this SHMA is being prepared can be considered unsettled and fraught with uncertainty.

As the Derry City and Strabane District shares a land border with the Republic of Ireland, Brexit is of particular concern. In partnership with Donegal County Council, Derry City and Strabane District Council commissioned the Ulster University Economic Policy Centre (UUEPC) to conduct an Initial Analysis of the Challenges and Opportunities of Brexit for the Derry~Londonderry North West City Region.

Reporting in February 2017, UUEPC presented a range of scenarios for the potential employment effects, both positive and negative, but concluded that the Brexit impact is not known. As the outcome of the current Brexit negotiations is still undetermined, that conclusion remains apt, especially as the prospect of a 'hard' Brexit in January 2021 cannot be discounted.

While the recent breakthroughs in the development of vaccines are hugely encouraging, the coronavirus pandemic is a further source of uncertainty, as there remain many unknowns around the medium and longer-term impacts.

The immediate effects of the pandemic are more apparent. With a lockdown lasting from March through May 2020 and continuing restrictions, the economy has gone into a sharp recession. According to the Northern Ireland Composite Economic Index (NICEI), by mid-2020 output had fallen by 17 per cent compared to the position at the end of 2019. During this period, construction sector output dropped by almost one-third (32 per cent).

[20] DfC, Minister announces extension of protections from bedroom tax, Press Release dated 3 February 2020.
[21] See NIHE, 2019. Broad Rental Market Areas Scoping Study.

More detailed data on the sectoral pattern in output falls are not yet available. However, modelling by the Fraser of Allander Institute indicates that, in addition to construction, the sectors most negatively affected include transport and storage, accommodation and food services[22]. The least affected sectors include information and communication and financial services, i.e. office-based sectors where output could be maintained by employees working from home. The Institute's modelling work also indicates that Derry City and Strabane District Council has suffered output falls that are closely aligned with the Northern Ireland average.

The employment effects of the contraction in output have to date been cushioned by programmes such as the Job Retention Scheme and the Self-Employed Income Support Scheme. The UUEPC estimates that, as of mid-July, around 120,000 employees were on furlough[23]. By end-June 2020, 76,000 claims had been made in Northern Ireland under the Self-Employed Income Support Scheme.

Jobs have been lost; according to the October 2020 Labour Force Survey (LFS), total employment in the June to August 2020 period was 6,000 lower than in the corresponding quarter of 2019. The claimant unemployment count rose from 30,000 in February 2020 to 62,000 by October 2020.

Nonetheless, it is predicted output will recover. Economists expect a V-shaped recovery. The UUEPC report Pathways to Economic Recovery after Covid-19 in Northern Ireland includes a scenario where Northern Ireland output recovers to its 2019 level sometime in 2023. The International Monetary Fund's (IMF) World Economic Outlook October 2020 expects a similar timeframe for the UK.

Some jobs will be permanently lost. Over time, potential new forms of work will emerge[24]. However, there will be a period of adjustment. The adjustment will be more painful and prolonged for the lower-paid and unskilled, leading to a period of rising inequality.

Regarding the housing market effects, activity indicators such as transactions will likely also follow a V-shaped pattern. The housing market was shut down during the lockdown but in the summer period when restrictions were eased, there were indications of pent-up demand returning to the market[25].

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[22] Fraser of Allander, August 2020, The Impact of Covid-19 on the NI Economy: Modelled Results for Q2 2020. Research commissioned by the Department for the Economy.
[23] UUEPC, 2020, Pathways to Economic Recovery after Covid-19 in Northern Ireland, Discussion Paper 3.
[24] For a useful overview on potential labour market effects, see Curr, H., 2020. "The peril and the promise". *The Economist*, October 10-16, 2020.
[25] Belfast Telegraph, October 10 2020, NI house prices hit five-year high as pent-up demand fuels sales.

Some commentators are suggesting that housing preferences have been affected by the pandemic, with increased demand for houses with gardens and private amenity space. In addition, due to the expected long-term changes to working patterns, adequate space for home working is also seen as desirable.

Looking to the longer term and considering the 15-year projection period for this SHMA, demographic trends will continue to strongly shape housing market need and demand. The overall total population does not follow a cyclical pattern. The vast majority of those who will be alive in 2035 have already been born.

The cyclical component in population growth largely derives from migration movements. To that extent, the uncertainties around the pandemic are to do with the future pattern of migration, both within Northern Ireland and flows to and from other jurisdictions. For example, inflows of international students to Northern Ireland are likely to reduce in the short-term.

The perspective adopted in this SHMA is that long-term demographic trends will continue, e.g. the ageing of the population. It is also assumed that housing market effects, especially on activities such as transactions, lettings and new dwelling completions, will be transient, albeit the timing and duration of effects is highly uncertain. Those activities tend to fluctuate in any event, more typically with the economic cycle. However, demographic factors will continue to operate over the long term.

3 Spatial Framework

The Derry and Strabane HMAs are coterminous with the boundaries of Derry City and Strabane District Council (DCSDC). The Council is located on the western side of Northern Ireland and shares a border with County Donegal in the Republic of Ireland. Its neighbouring Councils in Northern Ireland are shown in Map 3.1.

Map 3.1 West HMAs and Local Government Districts

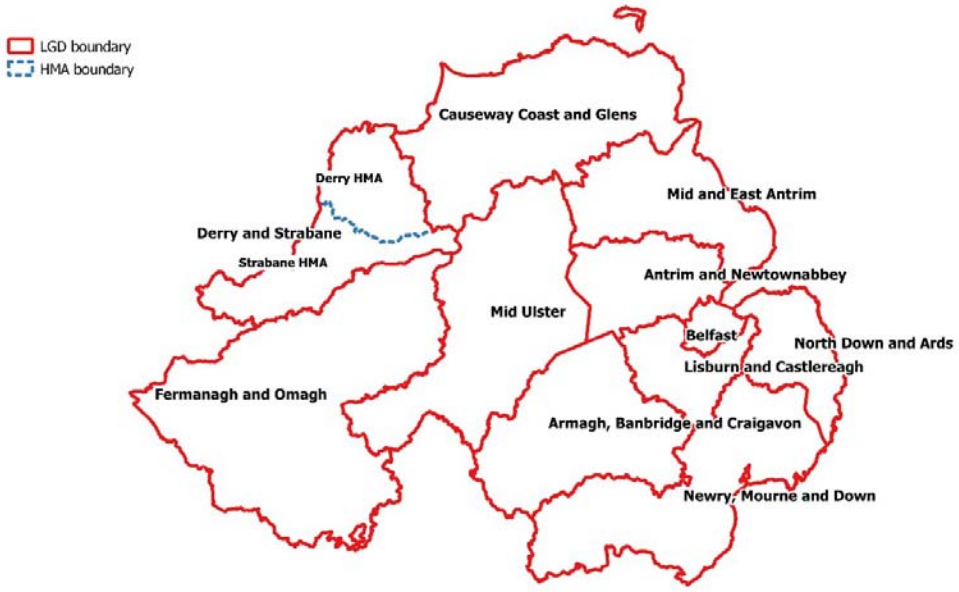


Table 3.1 Population, Derry and Strabane HMAs, 2018		
	Population	**Per cent of HMA**
		%
Derry HMA	115,100	76
Strabane HMA	35,580	24
Derry and Strabane	**150,680**	**100**
Source: NISRA mid-year population estimates. HMA figures estimated from NISRA data.		

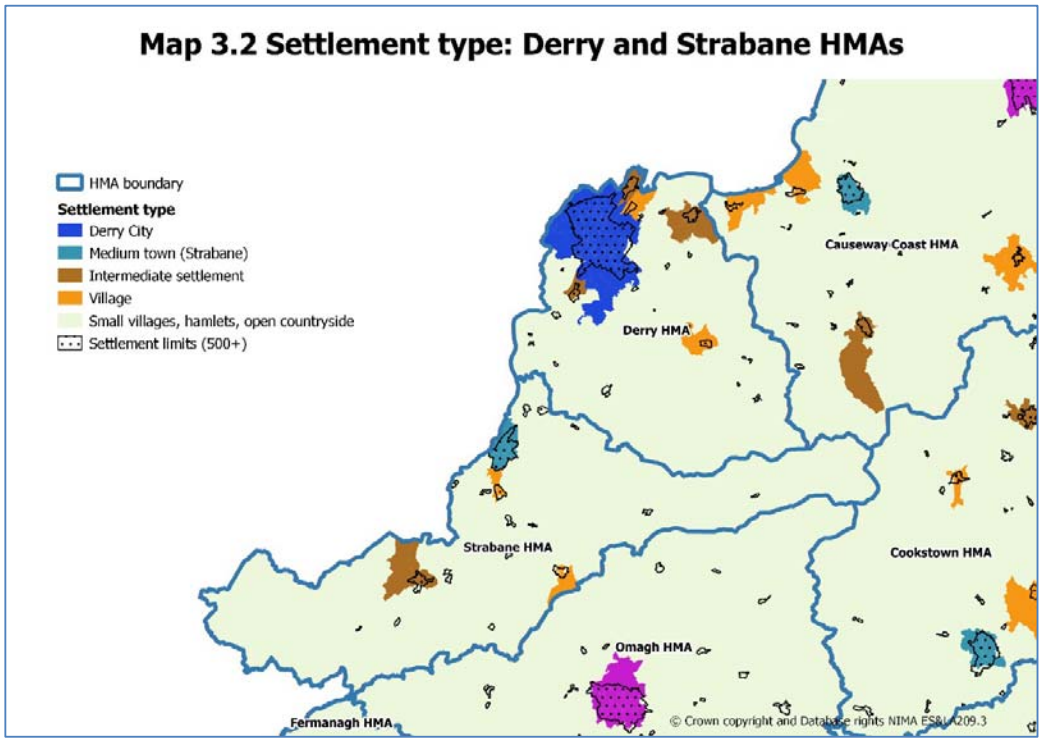
Considered separately, the Derry and Strabane HMAs do not correspond to any administrative or statistical unit for which data are regularly published. Though, the HMAs overlap to a considerable degree with the former LGD boundaries of Derry and Strabane; the Derry HMA comprises all of the former Derry LGD and 12 per cent of the former Strabane LGD. That overlap has been helpful in constructing the requisite database for analysis and modelling.

The urban-rural dimension of the SHMA has been framed around the 2015 NISRA Review of the Statistical Classification of Settlements. The NISRA review set out a hierarchy of settlements by population size, distinguishing the following bands:

Band	Description	Category
A	Belfast City	
B	Derry City	
C	Large town (18,000+ population)	Urban
D	Medium town (10,000-17,999 population)	
E	Small town (5,000-9,999 population)	
F	Intermediate (2,500-4,999 population)	Rural – Intermediate settlements and villages
G	Village (1,000-2,499 population)	
H	Small village, hamlet, open countryside	Rural – Open countryside

In the NISRA scheme, Bands A-E are considered 'urban' with bands F-H classified as 'rural'. The distribution of settlement types across the Derry and Strabane HMAs is shown in Map 3.2. The map has been produced, for illustrative purposes, using NISRA's Small Area look-up table and is therefore an approximate representation of the settlement types[26]. For that reason, the map also shows the settlement limits that formed the basis for the NISRA settlement type classification.

[26] For details, see the Guidance document accompanying this SHMA. Briefly, Small Areas are allocated to the settlement type containing the majority of the Small Area population. A little over one in six Small Areas (16 per cent) straddle two or more settlement types, mainly at the limits separating a defined settlement from open countryside.



Across the two HMAs, the main urban centre is Derry City, Northern Ireland's second largest city after Belfast. Strabane is a medium-sized District town.

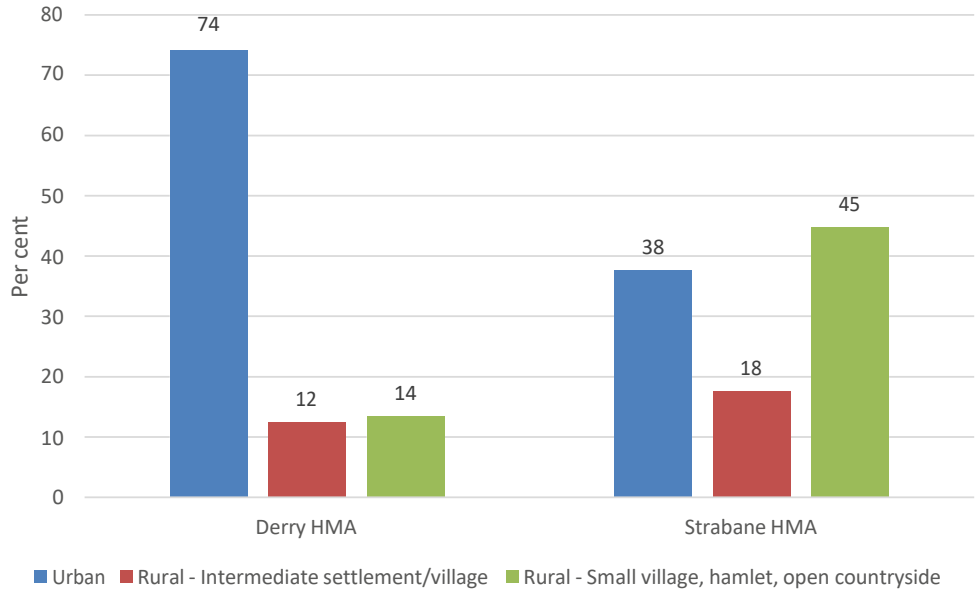
In 2011, Derry City had a population of 83,125 (Table 3.2), accounting for almost three-quarters of the population contained within the Derry HMA and 56 per cent of the combined Derry and Strabane HMAs. The remainder of the Derry HMA is comprised of intermediate settlements, villages and small villages, hamlets and the open countryside. The intermediate settlements are Eglinton (3,650), Culmore (3,500), and Newbuildings (2,600). The villages are Strathfoyle (2,400) and Claudy (1,300).

Overall, the HMA is centred on Derry City; Culmore, Eglinton, Newbuildings and Strathfoyle are all situated in close proximity to the City.

The Strabane HMA has a different settlement pattern, i.e. a predominantly rural hinterland centred on the District Town. With a 2011 population of 13,150, the Strabane urban settlement is classed as a medium town by NISRA. There is one intermediate settlement - Castlederg (3,000) – and two villages - Sion Mills (1,900) and Newtownstewart (1,550). The remainder of the Strabane HMA is comprised of small villages, hamlets and open countryside. In 2011, 45 per cent of the Strabane HMA's total population lived in small villages, hamlets and the open countryside, compared with 14 per cent of the Derry HMA (Figure 3.1).

Table 3.2 Derry and Strabane HMAs: Settlements by type		
Classification	**Name**	**Population (2011)**
Urban		
Derry City	Derry City	83,125
Medium town	Strabane	13,147
Rural		
Intermediate settlement	Eglinton	3,650
	Culmore	3,466
	Castlederg	2,985
	Newbuildings	2,599
Village	Strathfoyle	2,412
	Sion Mills	1,903
	Newtownstewart	1,547
	Claudy	1,336
Small village, hamlet, open countryside		31,550
Source: Census of Population 2011, Commissioned Table CT0235NI		

Figure 3.1 Population shares by settlement type, Derry and Strabane HMAs (Source: Census of Population 2011)

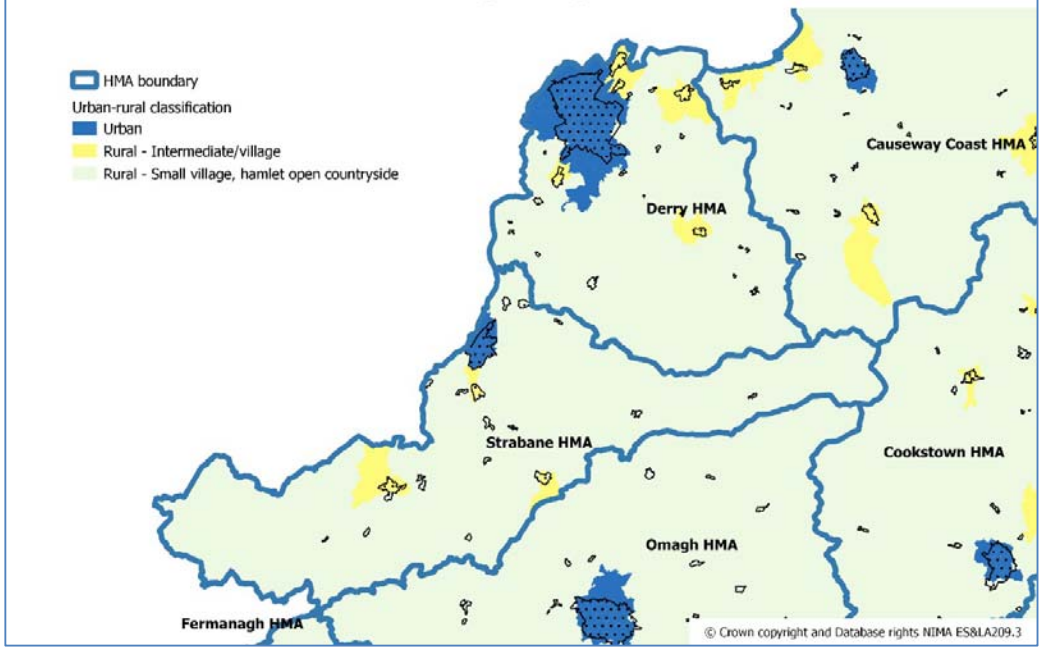


For analysis and reporting purposes, in this SHMA the settlement types have been grouped into three categories, within each of the two HMAs, as follows (Map 3.3):

- Urban – Derry City and Strabane Town.
- Rural – intermediate settlements and villages.
- Rural – small villages, hamlets and the open countryside.

It should be noted that the modelling and analysis is at the level of the categories listed above, not by individual settlements.

Map 3.3 Derry and Strabane HMAs - urban and rural areas for reporting



To summarise, the spatial framework for the SHMA comprises three main components, i.e. the Derry City and Strabane LGD, the Derry and Strabane HMAs and the urban/rural dimension. Those three dimensions have been combined in the construction of datasets required for the SHMA and for modelling purposes.

4 Population

4.1 Introduction

This Section focuses on population change within and across the Derry and Strabane HMAs, commencing with an overview on the main population trends over the period 1991 to 2018, both for the constituent HMAs and by settlement type.

The Section then discusses:

- Recent trends in the components of population change, that is, natural change and net migration.
- The projected growth of the population over the period 2018 to 2035, based on the 2018-based sub-national population projections published by NISRA in spring 2020.
- The age composition of the population, including trends and projections.

The Section concludes with a key points summary.

The sources used to derive the time series data are described in Annex 4 at the end of this Section. The combined Derry and Strabane HMAs are aligned with the Derry City and Strabane District Council (DCSDC). However, the constituent Derry and Strabane HMAs do not correspond with statistical or administrative units for which data are published. Within that context, the approach taken to meeting the reporting requirements was to construct a Small Area dataset, by single year of age and sex, scaled to be consistent with published population estimates and benchmarked using 2011 Census of Population Small Area counts. The Small Area dataset was designed to produce estimates at HMA level and by the rural-urban classification discussed in Section 3.

The NISRA mid-year population estimates formed the main data inputs for constructing historical data, covering the period 1991 to 2018. The population projections reported in this Section are based on NISRA's 2018-based population projections for areas within Northern Ireland. The tables and charts in this Section all derive from those two main sources. *As the NISRA data have been processed to meet the geographic requirements for this SHMA, the reader is referred to Annex 4 for information on data sources*.

Finally, this Section focuses on trends within and across the Derry and Strabane HMAs. The Northern Ireland context within which those trends fit is discussed in the accompanying Appendix A.

4.2 Trends

In 2018, the combined Derry and Strabane HMAs had an estimated mid-year population of 150,700 representing eight per cent of the Northern Ireland total (Figure 4.1 and Table 4.1).

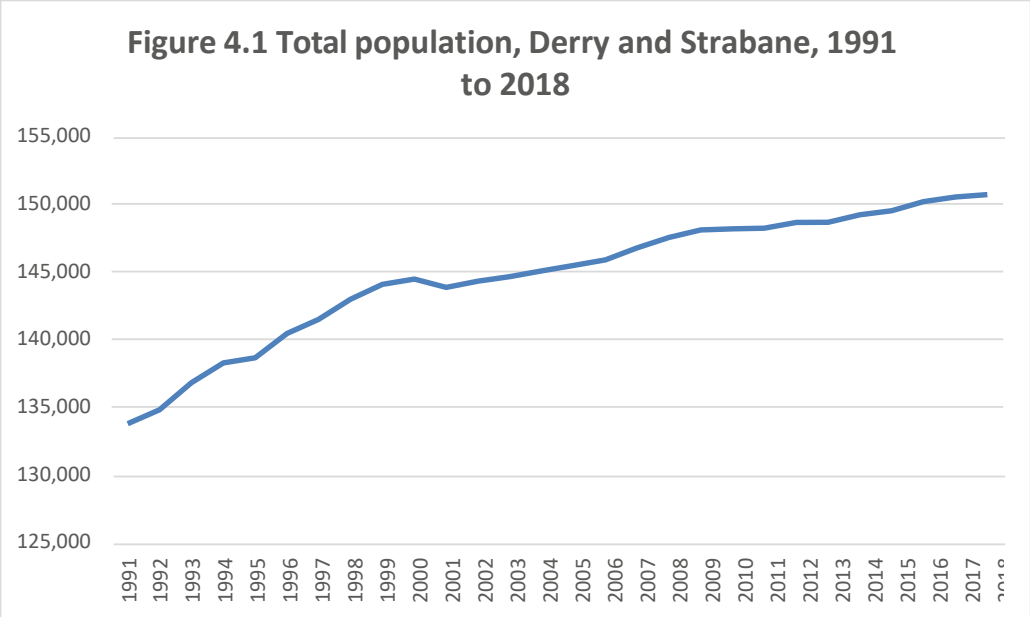


Table 4.1 Total population, 1991 to 2018, Derry and Strabane

	1991	2001	2011	2018
'000s	133.8	143.8	148.2	150.7
2011=100	90.3	97.0	100.0	101.7
Per cent of N. Ireland	8.3	8.5	8.2	8.0

Throughout the 1990s, the population growth of Derry and Strabane exceeded the Northern Ireland average, increasing at 0.7 per cent per annum compared with 0.5 per cent for Northern Ireland as a whole (Figure 4.2 and Table 4.2). Since 2001, however, Derry and Strabane have lagged behind the Northern Ireland average. In the period 2011 to 2018, the area recorded a population growth rate of 0.2 per cent per annum, compared with the regional average of 0.5 per cent per annum. The slower growth rate has been underpinned by a persistent loss of population due to net out-migration, averaging 470 per annum between 2001-02 and 2018-19.

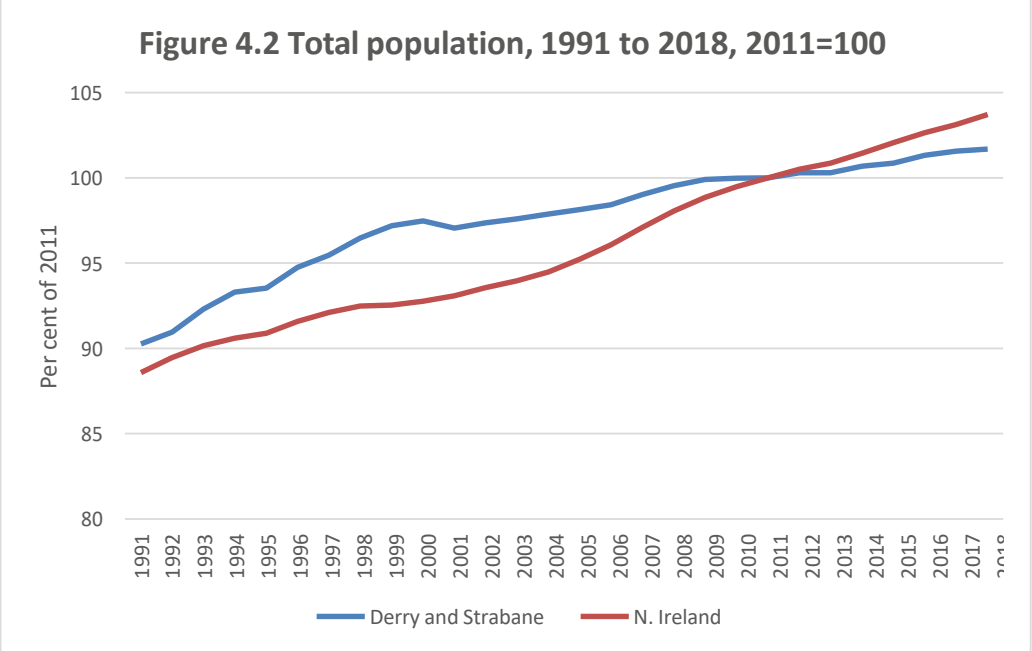


Table 4.2 Population change, Derry and Strabane, 1991-2018			
	1991-2001	**2001-2011**	**2011-2018**
	%	%	%
Derry and Strabane			
Per cent change	7.5	3.0	1.7
Per cent per annum	*0.7*	*0.3*	*0.2*
N. Ireland			
Per cent change	5.1	7.4	3.7
Per cent per annum	*0.5*	*0.7*	*0.5*

4.2.1 The HMAs

In 2018, the Derry HMA had a resident population of 115,100, representing 76 per cent of the two HMAs combined. The Strabane HMA was home to 35,600 people.

Similar to the picture for the combined Derry and Strabane area, both HMAs out-paced the Northern Ireland average in population growth during the 1990s (Figure 4.3 and Table 4.3). However, since 2001, the two HMAs have each lagged behind the regional average in population growth. Mainly, that reflects persistent net population losses due to migration. Between 2001 and 2018, Derry lost an annual average of 370 due to net out-migration while Strabane registered an annual loss of 110.

Figure 4.3 Total population, Derry and Strabane HMAs, 2011=100

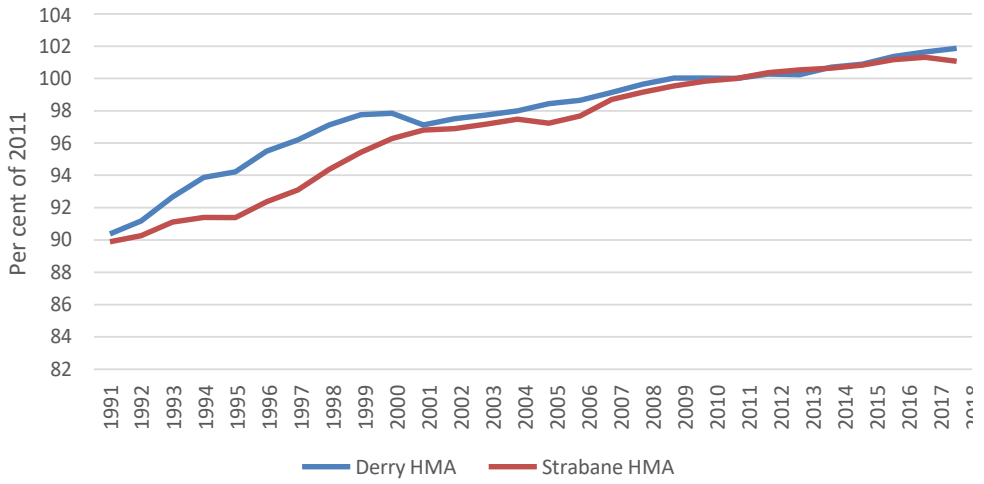


Table 4.3 Population change by HMA, Derry and Strabane, 1991-2018

	1991-2001	2001-2011	2011-2018
	%	%	%
Derry HMA	7.5	3.0	1.9
Strabane HMA	7.7	3.3	1.1
Derry & Strabane	**7.5**	**3.0**	**1.7**
N. Ireland	5.1	7.4	3.7

As the two HMAs have followed similar population growth trajectories over the past three decades, their shares of the combined Derry and Strabane area have been very stable. The Derry HMA accounts for a little over three-quarters of the total population and that has not changed over the period since 1991 (Table 4.4). Indeed, as will be seen later in this Section, the two HMAs have exhibited very similar demographic trends.

Table 4.4 Population shares by HMA, Derry and Strabane, 1991-2018

	1991	2001	2011	2018
	%	%	%	%
Derry HMA	76.4	76.3	76.2	76.4
Strabane HMA	23.6	23.7	23.8	23.6
Derry and Strabane	**100.0**	**100.0**	**100.0**	**100.0**

4.2.2 Settlement Type

Population growth rates have varied across the settlement hierarchy in a manner similar to the rest of Northern Ireland (see Appendix A for an overview on population growth trends by settlement type across Northern Ireland). Thus, rural settlements and areas have shown the fastest growth rates over the last three decades (Figure 4.4 and Table 4.5).

Figure 4.4 Population change by settlement type, Derry & Strabane, 1991-2018, 2011=100

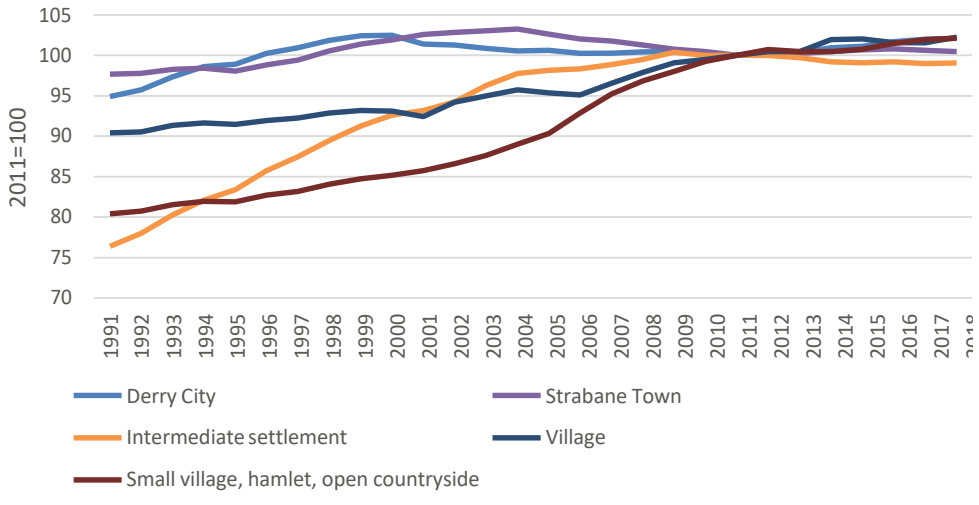


Table 4.5 Population change by settlement type, Derry and Strabane, 1991-2018			
	1991-2001	**2001-2011**	**2011-2018**
	%	*%*	*%*
Urban	6.6	-1.5	1.9
Derry City	6.8	-1.3	2.1
Strabane Town	5.0	-2.5	0.5
Rural	9.7	12.9	1.3
Intermediate settlement	22.0	7.3	-1.0
Village	2.2	8.2	2.2
Small village, hamlet, open countryside	6.6	16.7	2.1
Derry & Strabane	**7.5**	**3.0**	**1.7**

However, and similar to the rest of Northern Ireland, the past decade has seen a narrowing of the gap in growth rates between the urban and rural areas. Consequently, since 2010, the rural population share across the combined HMAs has been constant (Figure 4.5 and Table 4.6).

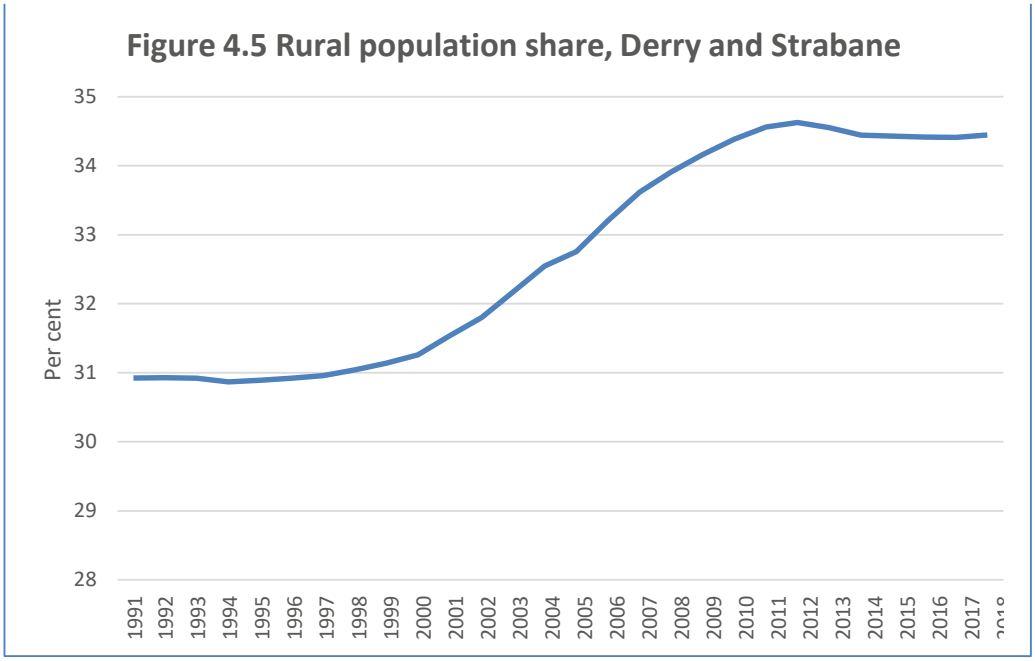


Table 4.6 Population shares by settlement type, Derry and Strabane HMAs, 1991-2018

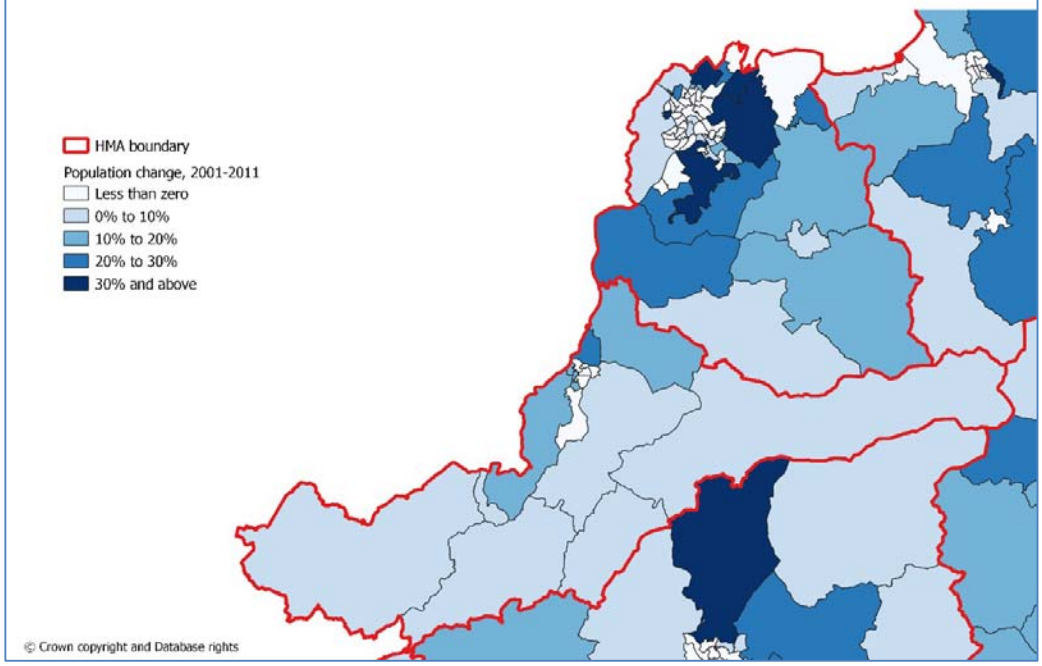
	1991	2001	2011	2018
	%	%	%	%
Urban	**69.1**	**68.5**	**65.4**	**65.6**
Derry City	59.4	59.0	56.5	56.7
Strabane Town	9.7	9.5	8.9	8.8
Rural	**30.9**	**31.5**	**34.6**	**34.4**
Intermediate settlement	7.5	8.5	8.8	8.6
Village	4.8	4.6	4.8	4.8
Small village, hamlet, open countryside	18.6	18.5	20.9	21.0
Derry and Strabane	**100.0**	**100.0**	**100.0**	**100.0**

The narrowing of the gap in rates of population change is also apparent at smaller spatial scales. That is evident from a comparison of the 75 Super Output Areas[27] (SOAs) contained within Derry and Strabane for the periods 2001 to 2011 (Map 4.1) and 2011 to 2018 (Map 4.1). Between 2001 and 2011, one in four SOAs recorded a population decline of -10 per cent or more while the 19 fastest growing SOAs saw growth rates of 15.5 per cent or more, a spread of 26 percentage points. Conversely, between 2011 and 2018, one in four SOAs registered declines of -3 per cent or more while the 19 fastest growing SOAs rose at +3 per cent or more, a much reduced spread of just six percentage points.

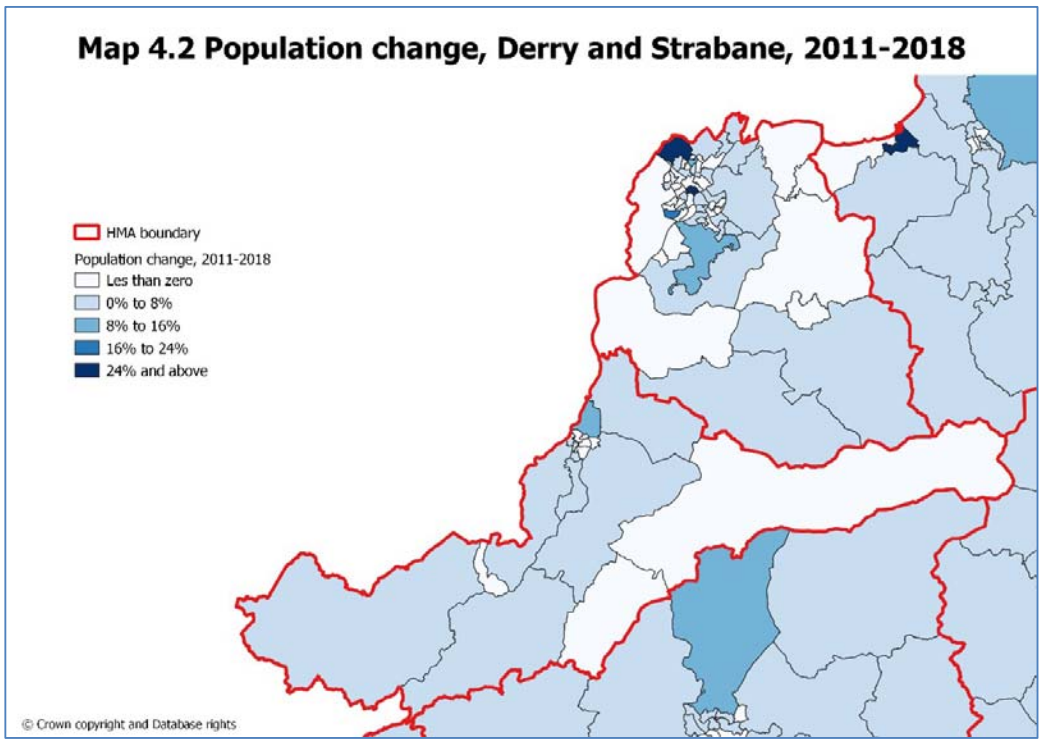
Though, it should also be noted that the reduced variability in rates of population change at SOA level is also a reflection of the slower overall pace of population change between 2011 and 2018 as compared with the decade from 2001 to 2011. Indeed, in both periods, about one in two of the 75 SOAs lost population, albeit the pace of decline was slower between 2011 and 2018. Within Derry City, population increases between 2011 and 2018 were observed mainly in the outer SOAs, such as Shantallow West, Culmore and Creggan South. Areas surrounding the City such as Enagh and Holly Mount also recorded above average population growth.

[27] SOAs are statistical units with an average population of around 2,000.

Map 4.1 Population change, Derry and Strabane, 2001-2011



Map 4.2 Population change, Derry and Strabane, 2011-2018



Note: The maps are drawn at Super Output Area (SOA) level, with data sourced from NISRA mid-year population estimates 2018.

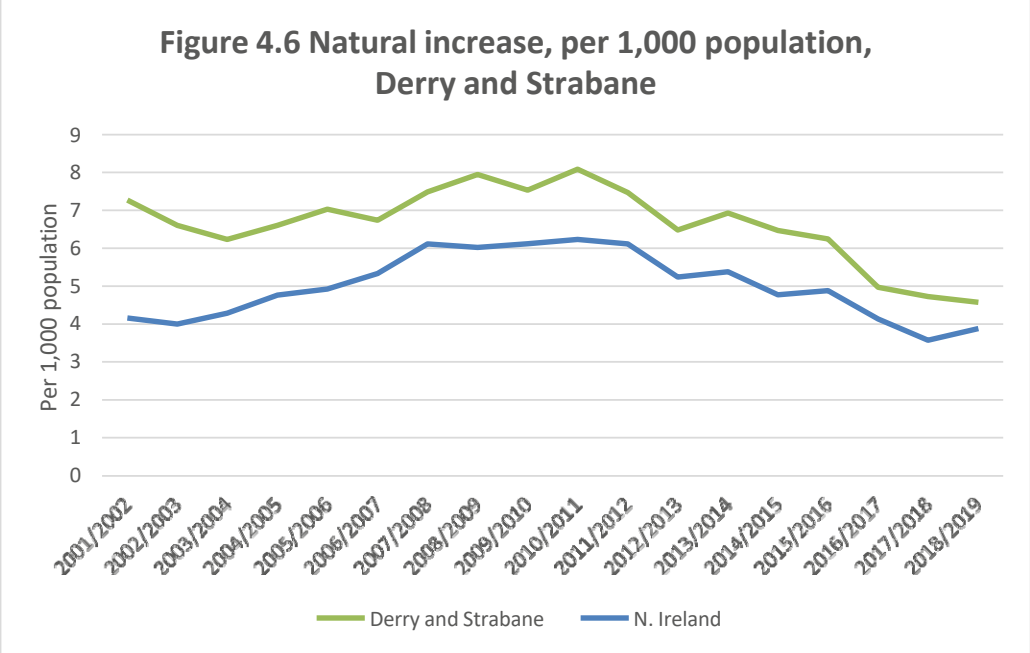
4.3 Components of Change

Over a given period, the total population will rise or fall depending on the balance between the components of population change, as follows:

- Natural change, i.e. the difference between births and deaths.
- Net migration, i.e. the difference between inflows to an area and outflows to other areas.

4.3.1 Natural Change

Historically, natural change has made a larger contribution to population change in Derry and Strabane by comparison with the Northern Ireland average (Figure 4.6) [28]. However, and similar to Northern Ireland as a whole, the contribution of natural change has been falling in recent years. After peaking in 2010-11 at eight per 1,000, by 2018-19 the contribution had declined to under five per 1,000. Over that same period, the gap with the Northern Ireland average also narrowed, from almost three per 1,000 in 2010-11 to less than one per 1,000 population by 2018-19.



[28] The discussion in this Section focuses on components of change per 1,000 population at the start of the period under discussion, e.g. where the component relates to the change between mid-2001 and mid-2002 (abbreviated to 2001-02 in the text), the denominator is the population at mid-2001. That is to illustrate the difference that the component makes to population change. The contribution that a specific component makes is dependent on parameters such as fertility and mortality rates. See Appendix A for a summary of Northern Ireland's recent demographic trends.

Over the seven-year period from 2012-13 to 2018-19, the average annual contribution from natural change did not vary greatly between the two HMAs (Table 4.7).

Table 4.7 Natural increase, per 1,000 population, annualised, seven-year average, 2012-13 to 2018-19

	Births	Deaths	Natural change
Derry HMA	13.7	7.7	6.0
Strabane HMA	12.8	7.5	5.3
Derry and Strabane	**13.5**	**7.7**	**5.8**

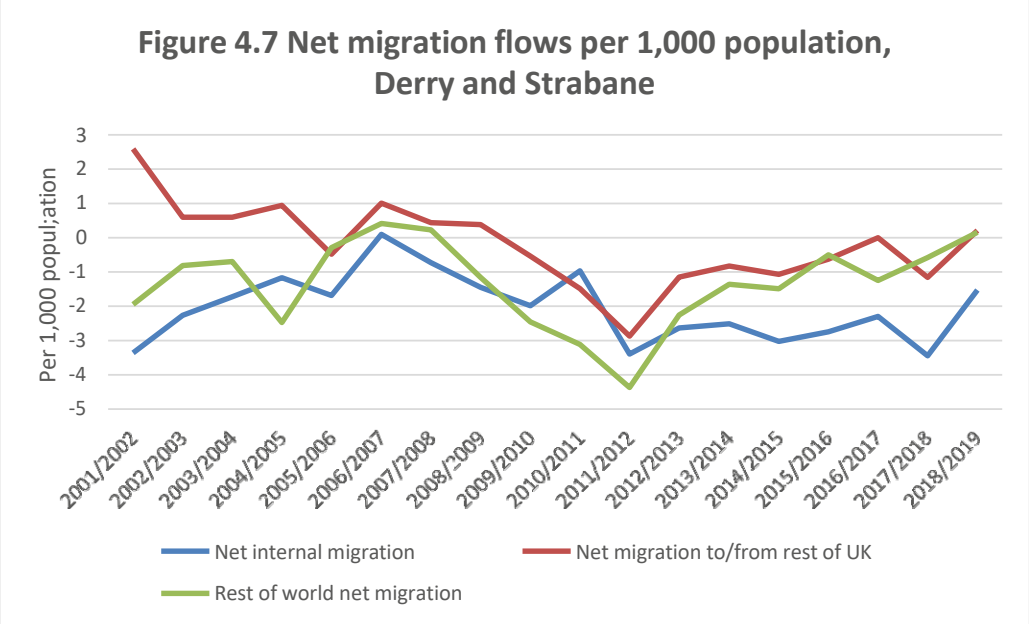
4.3.2 Migration

There are three migration flows affecting the combined Derry and Strabane HMAs, as follows:

- Internal migration, i.e. flows to and from the rest of Northern Ireland.
- Migration to the rest of the UK.
- International migration.

The net flows under each of those headings are summarised in Figure 4.7. While the net flows vary from one year to the next, the overall patterns can be summarised as follows:

- A persistent net outflow due to internal migration flows, i.e. Derry and Strabane loses more than it gains in population due to moves to and from other parts of Northern Ireland.
- Net flows to and from the rest of the UK have been highly variable, but close to a zero balance in the three years from 2016-17 to 2018-19.
- Migration to and from the rest of the world has typically resulted in a net loss of population for the Derry and Strabane HMAs, albeit the trend has been improving in recent years.



4.3.3 Internal Migration

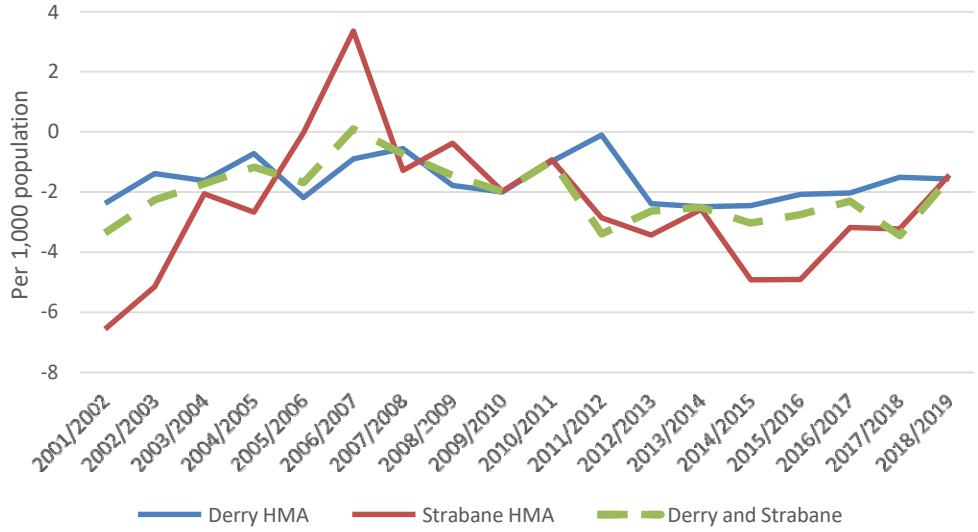
NISRA publishes internal migration figures for both the 11 new LGDs and the 26 former LGDs. As the Derry and Strabane HMAs are similar, though not identical to the former LGDs, it is possible to derive internal migration estimates separately for the two HMAs. However, it should be noted that the net migration estimates for LGDs (both current and former) do not separately distinguish flows between pairs of LGDs.

Nonetheless, from the available data, it is clear that the Derry and Strabane HMAs exhibit very similar patterns of inflows and outflows due to internal migration. The gross inflows and outflows per 1,000 population are closely aligned and both HMAs have net out-flows due to internal migration (Table 4.8). While the net rate for Strabane is more variable from one year to the next, the broad trend of net population loss appears well-established (Figure 4.8).

Table 4.8 Internal migration, per 1,000 population, annualised, seven-year average, 2012-13 to 2018-19

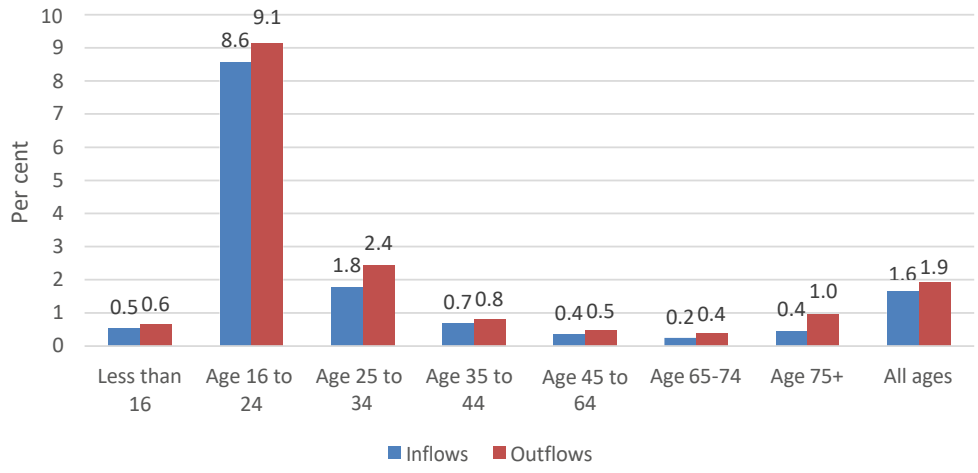
	Inflows	Outflows	Net
Derry HMA	19.4	21.4	-2.1
Strabane HMA	18.4	21.8	-3.4
Derry and Strabane	**19.1**	**21.5**	**-2.4**

Figure 4.8 Internal migration, net flows per 1,000 population, Derry and Strabane HMAs



The net internal migration flows represent the balance between outflows to and inflows from other parts of Northern Ireland. Relative to the population, inflow and outflow rates are highest among young people aged 16-24 (Figure 4.9). That reflects moves to look for or start a job or to commence higher education. Though, across each age group, the outflow rate exceeds the inflow rate, i.e. net out-migration across each age group.

Figure 4.9 Internal migration inflows and outflows, Derry and Strabane, per cent of population, annual average, 2013-14 to 2016-17



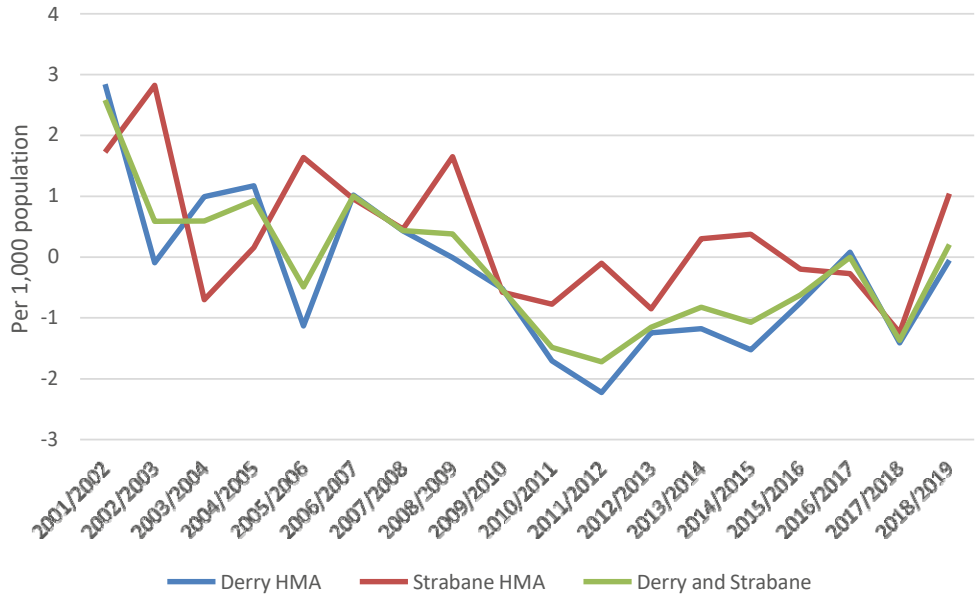
4.3.4 Rest of UK

The annualised gross and net flows to and from the rest of the UK over the seven-year period from 2012-13 to 2018-19 are shown in Table 4.9 (the annual net flows are shown in Figure 4.10). In that period, the Derry HMA registered a net loss of 0.9 per 1,000 population. The Strabane HMA is estimated to have been roughly in balance between inflows and outflows, with a negligible net loss.

Table 4.9 Migration to and from the rest of the UK, per 1,000 population, annualised, seven-year average, 2012-13 to 2018-19

	Inflows	Outflows	Net
Derry HMA	5.8	6.6	-0.9
Strabane HMA	4.9	5.1	-0.1
Derry and Strabane	**5.6**	**6.3**	**-0.7**

Figure 4.10 Net migration to/from rest of UK, per 1,000 population, Derry and Strabane HMAs



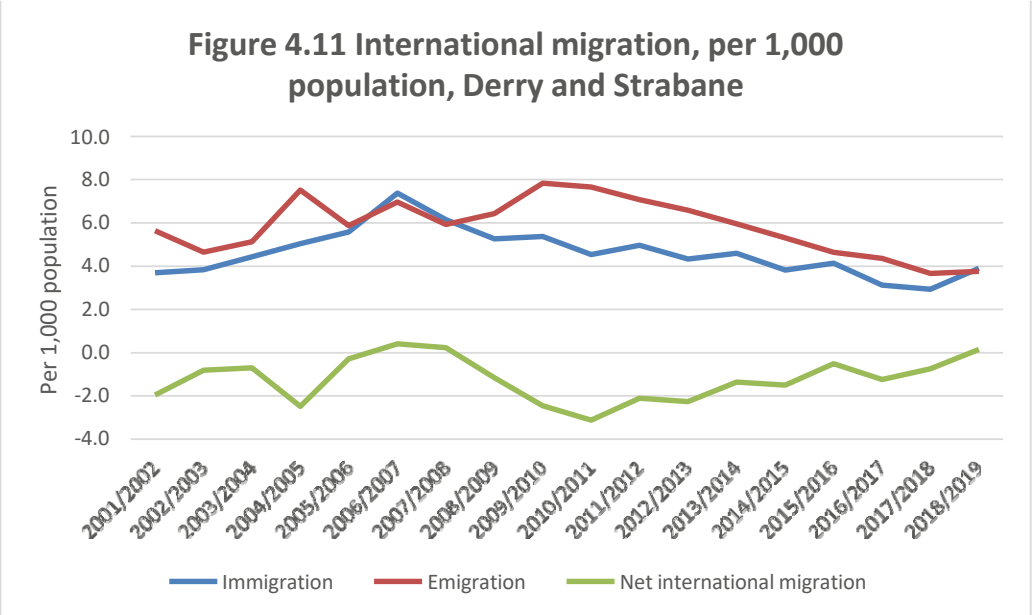
4.3.5 International Migration

The annualised gross and net flows to and from the rest of the world over the seven-year period from 2012-13 to 2018-19 are shown in Table 4.10. Similar to the flows to and from the rest of the UK, the combined Derry and Strabane HMAs have lost population due to international migration over the period.

Table 4.10 Migration to and from the rest of the world, per 1,000 population, annualised, seven-year average, 2012-13 to 2018-19

	Inflows	Outflows	Net
Derry HMA	3.9	5.3	-1.4
Strabane HMA	3.7	3.7	0.0
Derry and Strabane	**3.9**	**4.9**	**-1.1**

The out-flow due to emigration from Derry and Strabane has been declining since 2010-11, which has had the effect of pushing the net international migration component close to zero over the same period (Figure 4.11).



Since 2010-11, gross international inflows due to immigration have been relatively stable at around four per 1,000. The Republic of Ireland has long been the largest source of immigrants. From the most recent NISRA statistics on origins of international migrants, the Republic has regularly been

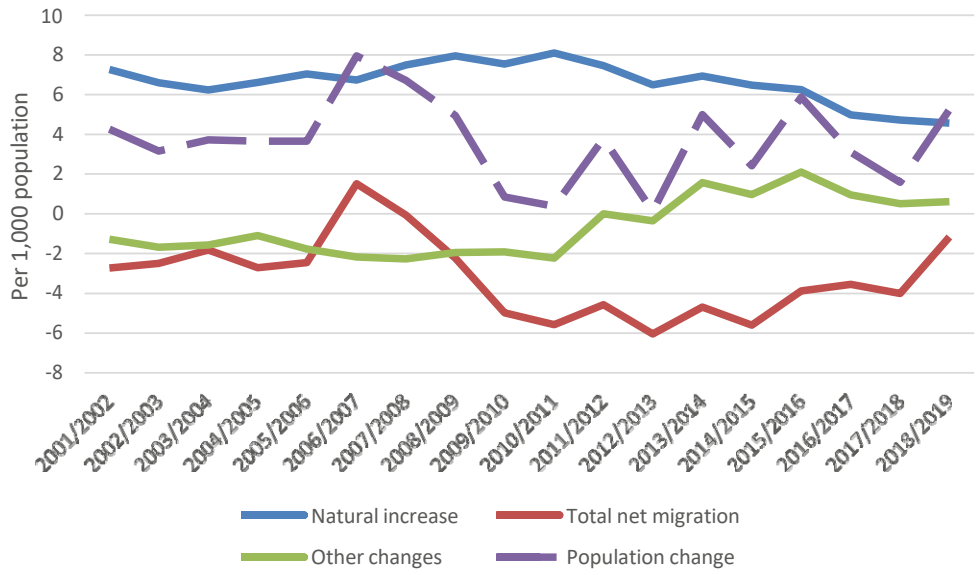
the top origin for international inflows to both Derry and Strabane, the only exception being 2008 when Poland was the largest source.

However, and notwithstanding the border with the Republic of Ireland, the international inflow rate per 1,000 population for Derry and Strabane is slightly more than half the Northern Ireland average rate (7.2 per 1,000 between 2010-11 and 2018-19). That would suggest that cross-border migration is not a major influence on population change within the area.

4.3.6 Components: Summary

The relative contributions of the components of change, per 1,000 population, are summarised in Figure 4.12. The associated levels are shown as annual averages for the seven-year period 2012-13 to 2018-19 in Table 4.11. Clearly, natural increase (the excess of births over deaths) has been the major contributor to population change, but that contribution has been diminishing.

Figure 4.12 Components of population change, per 1,000 population, Derry and Strabane



Net migration has been consistently negative over the same period and, with the natural change contribution falling, its proportional effect on population change has been rising. The most recent net migration estimates, for 2018-19, show a reduced rate of out-migration by comparison with the previous decade. However, one data point is not sufficient to say whether the out-migration trend has gone into reverse.

Table 4.11 Components of population change, annualised net changes, seven-year average, 2012-13 to 2018-19				
	Natural increase	**Net migration**	**Other changes**	**Total**
Derry HMA	677	-493	149	333
Strabane HMA	186	-125	-13	48
Derry and Strabane	**863**	**-618**	**136**	**381**

Also shown in both Figure 4.12 and Table 4.11 is the adjustment that NISRA makes which it calls 'other changes'. The 'other changes' figure includes changes in the Armed Forces and an adjustment made to reconcile the difference between the two methods that NISRA uses for sub-national population estimates[29]. For the Derry and Strabane areas, the 'other changes' adjustment is minor.

4.4 Projections

The methodology used by NISRA for producing population projections is based around making assumptions about how the components of change might evolve in future years The assumptions are trend-based and it is useful therefore to bear in mind the following points made in the Statistical Bulletin accompanying the 2018-based Population Projections for Areas within Northern Ireland:

> " … population projections are **not** forecasts and do not attempt to predict the impact that future government policies, changing economic circumstances or other factors might have on demographic behaviour. Due to the inherent uncertainty of demographic behaviour, any set of projections will inevitably differ from actual future outcomes to a greater or lesser extent." (NISRA, 2019, p. 1).

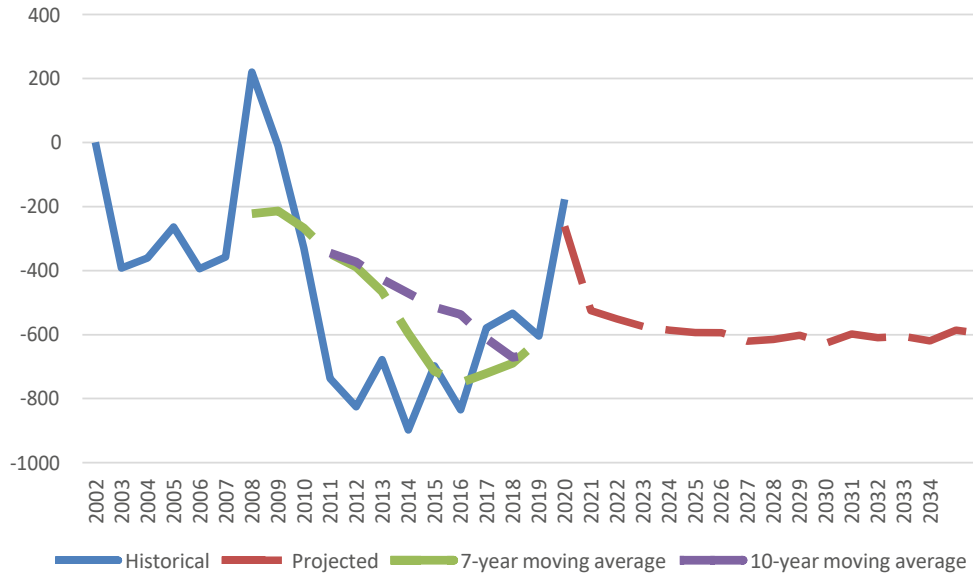
[29] NISRA makes its mid-year population estimates by taking the average of two methods, i.e. the components of change and ratio change methods. See the Methodology Report accompanying the NISRA mid-year population estimates. As set out in the notes accompanying the mid-year population estimates: "The ratio change method applies the change in secondary (typically administrative) data sources to Census estimates. The cohort-component method updates the Census estimates by 'ageing on' populations and applying information on births, deaths and migration. An average of both methods is taken and constrained to the published population figures [for Northern Ireland]". Due to the use of two methods, the total population change from one year to the next cannot all be attributed to one or other of the components of change and the remainder is subsumed within the figures for 'other changes'. Note also that the Armed Forces are treated as a special population; they are removed from the start year population before ageing on and then added back after the components have been estimated.

The most recent population projections take as their starting point the 2018 mid-year population estimates. They are therefore referred to as the 2018-based projections. The 2018-based projections for LGDs were issued in Spring 2020 and replaced the previous 2016-based projections. The main assumptions underlying the 2018-based projections for Northern Ireland are summarised in Appendix A, along with comparisons between the 2018-based and 2016-based assumptions, both at Northern Ireland and LGD level.

As the combined Derry and Strabane HMAs are coterminous with Derry City and Strabane District Council (DCSDC), the official population projections for that LGD can be used without the need for any adjustment. NISRA also publishes projections for the 26 former LGDs. That provides a basis for deriving population projections separately for the Derry and Strabane HMAs that are consistent with the official NISRA projections. The discussion in this Section focuses mainly on the DCSDC projections.

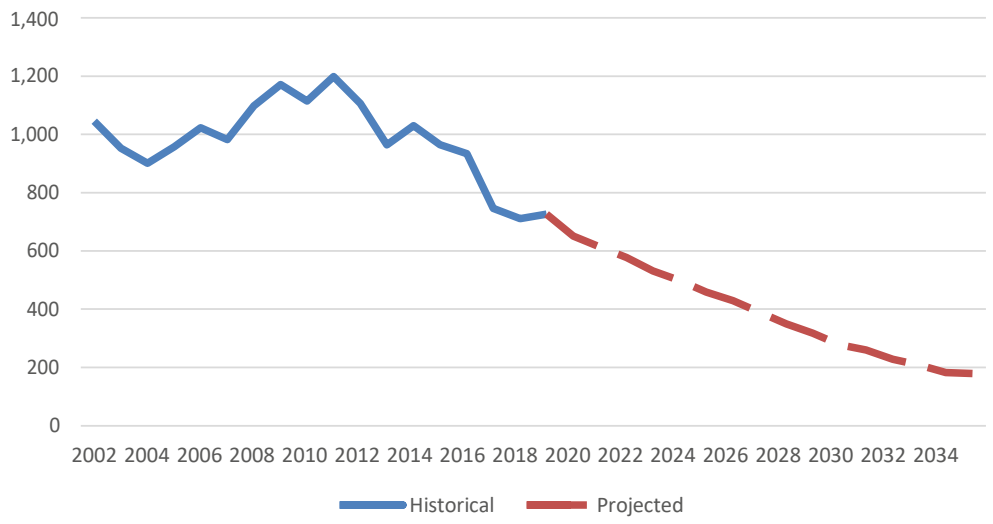
The net migration assumptions underlying the 2018-based DCSDC projections are shown in Figure 4.13. The main feature of the assumptions is that migration is assumed to continue at around the -600 level based on the annualised trend for the seven years leading up to the projection baseline year (2018). Cumulated over the period from 2018 to 2035, the LGD is expected to lose 9,200 from net migration, representing six per cent of the baseline 2018 population (150,700).

Figure 4.13 Net migration, Derry and Strabane



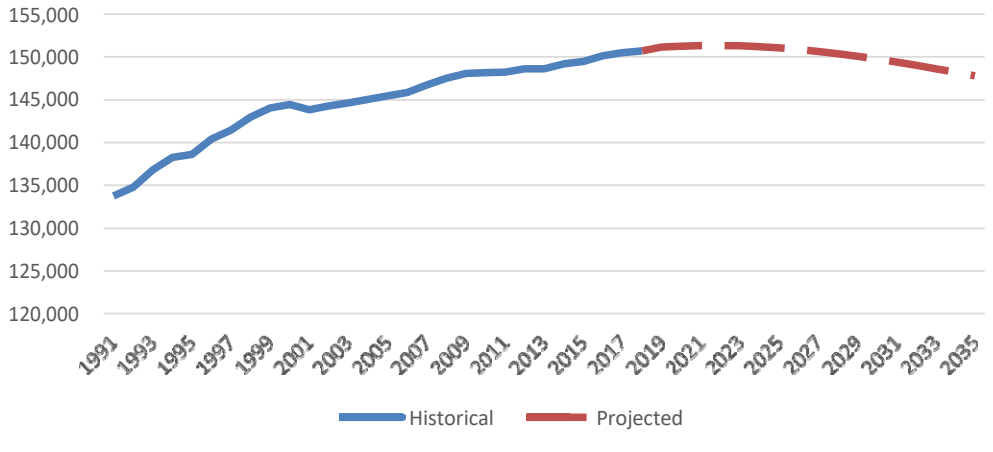
The assumptions for natural change (births minus deaths) are summarised in Figure 4.14. Over the projection period, the natural change component is expected to continue the downward trend that commenced in 2011-12. Cumulatively, over the period 2018 to 2035, the component adds 6,700 to the population (4.4 per cent of the 2018 base population).

Figure 4.14 Natural change, Derry and Strabane



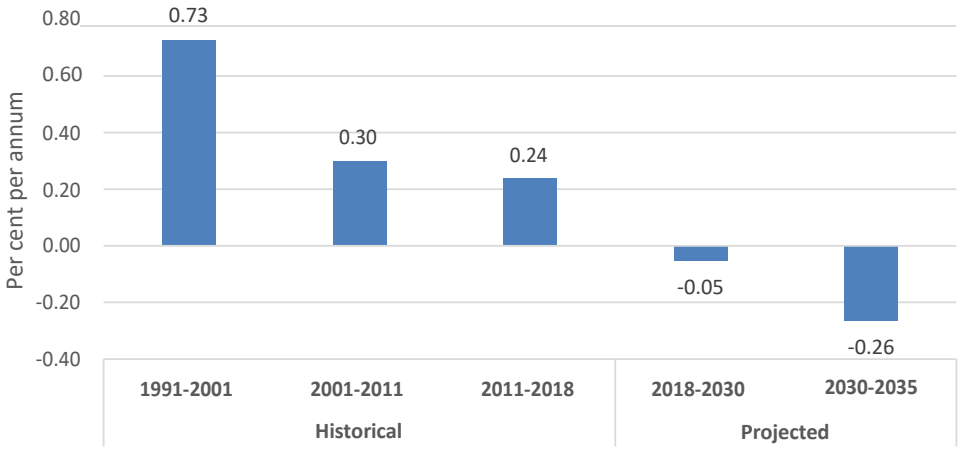
The total population projection is shown in Figure 4.15. The DCSDC population is projected to fall from 150,500 in 2018 to 148,200 by 2035, a reduction of 1.5 per cent.

Figure 4.15 Total population, Derry and Strabane, historical 1991 to 2018 and 2018-based projected to 2035



The projected fall in the population is due to the combination of persistent net out-migration and the sharp fall in the contribution of natural change. Thus, the rate of change in the population is projected to fall from +0.24 per cent per annum between 2011 and 2018 to -0.05 per cent per annum in the period 2018 to 2030 and -0.26 per cent per annum from 2030 to 2035 (Figure 4.16).

Figure 4.16 Population growth, Derry and Strabane, per cent per annum, historical 1991 to 2018, projected 2018 to 2035



The two HMAs are projected to mirror the DCSDC projections. Both HMAs follow almost identical trajectories (Figure 4.17) accompanied by reductions in population over the projection period (Tables 4.12 and 4.13).

Figure 4.17 Total population, Derry and Strabane HMAs, 2018=100

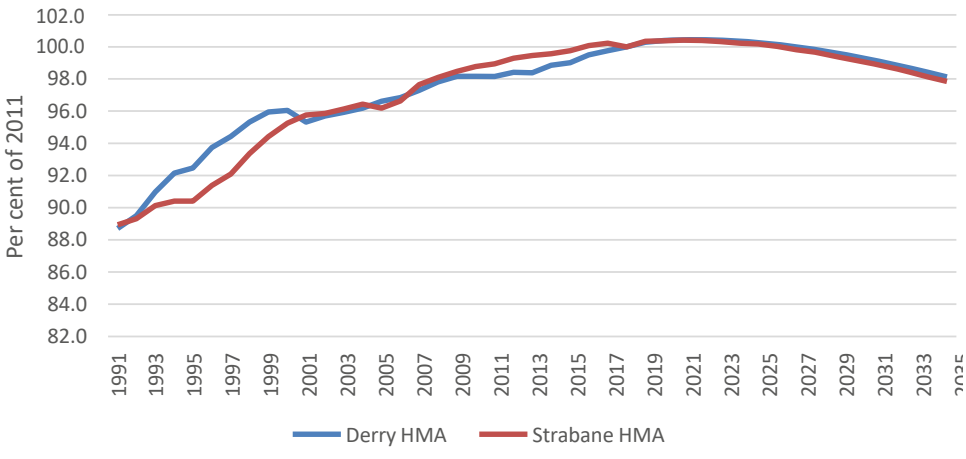


Table 4.12 Population change, Derry and Strabane HMAs, per cent per annum, historical 1991-2018, projected 2018-2035

	1991-2001	2001-2011	2011-2018	2018-2025	2025-2035	2018-2035
	%	*%*	*%*	*%*	*%*	*%*
Derry HMA	0.72	0.29	0.26	0.04	-0.26	-0.11
Strabane HMA	0.74	0.33	0.15	0.02	-0.27	-0.13
Derry and Strabane	**0.73**	**0.30**	**0.24**	**0.04**	**-0.26**	**-0.11**

Table 4.13 Population, Derry and Strabane, historical 1991-2018, projected 2018-2035

	1991	2001	2011	2018	2030	2035
	000s	*000s*	*000s*	*000s*	*000s*	*000s*
Derry HMA	102.1	109.7	113.0	115.1	114.5	113.0
Strabane HMA	31.6	34.1	35.2	35.6	35.3	34.8
Derry and Strabane	**133.8**	**143.8**	**148.2**	**150.7**	**149.8**	**147.8**

In population terms, Derry and Strabane is projected to lag behind the Northern Ireland rate of population growth (Figure 4.18). That would entail a reduction in the DCSDC share of the NI population from eight per cent in 2018 to 7.5 per cent by 2035. The projected loss of share, it should be noted, is consistent with the historical trend dating back to 1999 (Figure 4.19).

Figure 4.18 Total population, Derry and Strabane, 2018=100

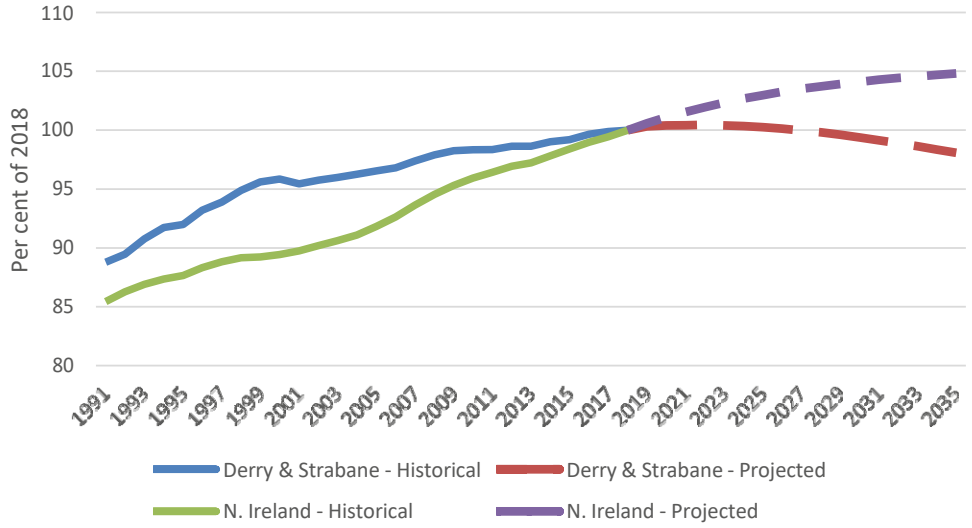
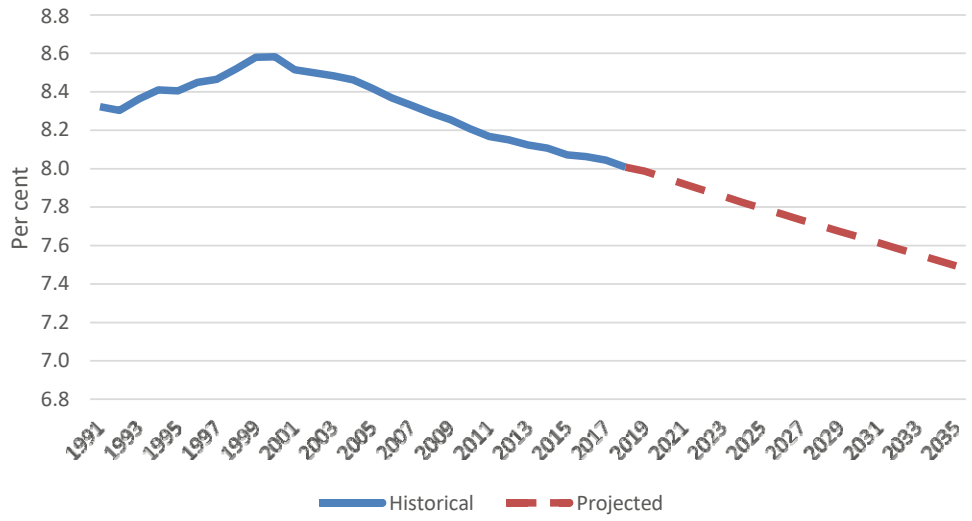


Figure 4.19 Derry City and Strabane, share of NI population, historical and projected

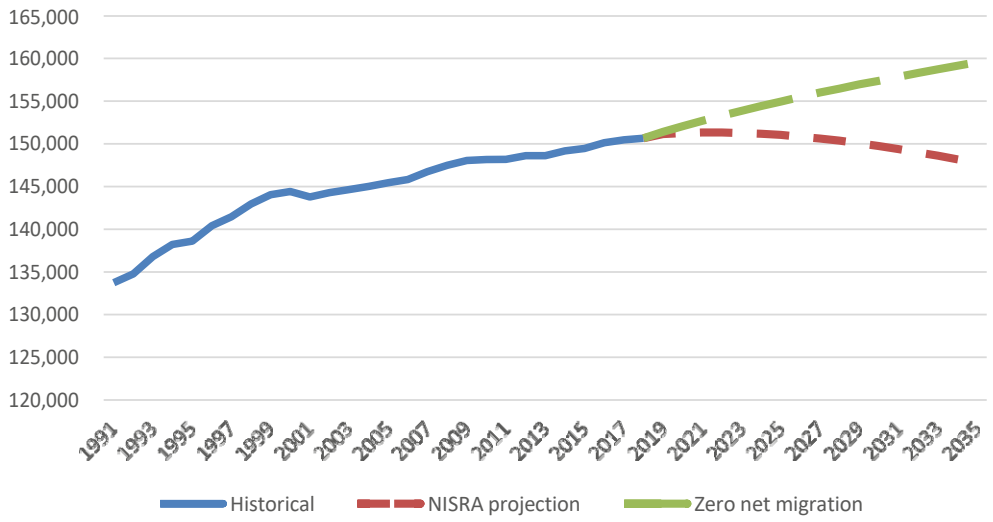


Nonetheless, the population projections for Derry and Strabane are quite severe. While they reflect established trends, there is inevitably a considerable degree of uncertainty in looking ahead 10-15 years. That is especially the case in light of the substantial role played by the net migration assumptions in the DCSDC projections.

Within the context of this SHMA, therefore, it is considered prudent to consider also a more benign scenario. The most straightforward way of doing that is to prepare a net zero migration scenario. That is, to pose the question, what would be the implications for population growth (and hence housing market issues such as household demand) if net migration flows were to balance out at zero?

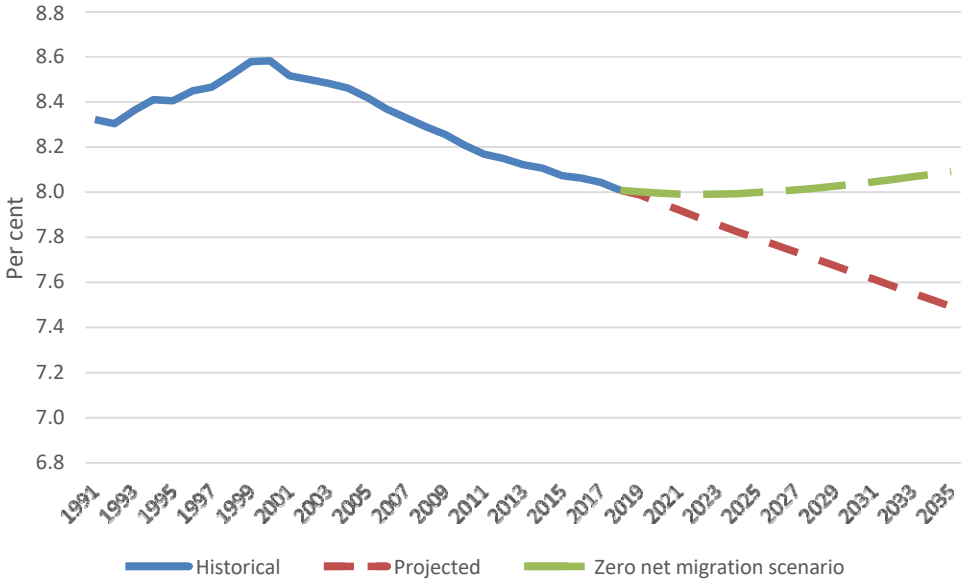
The net zero migration scenario is shown in Figure 4.20. If the scenario were to transpire, the DCSDC population would grow from 150,700 in 2018 to 159,600 by 2035 (+6 per cent). In that scenario, the DCSDC population share would remain broadly stable at eight per cent over the period 2018 to 2035 (Figure 4.21). That would represent a major turnaround from the recent population trend. To that extent, the zero net migration scenario should be viewed more as an upper bound on the likely range of population growth outcomes over the projection period.

Figure 4.20 Population, zero net migration scenario, Derry and Strabane



It can also be noted that the total population projected in the zero net migration scenario (159,600) would see the Derry and Strabane population grow by around 10,000 between 2018 and 2035. That is the same as the population growth target in the DCSDC draft Plan Strategy.

Figure 4.21 Derry and Strabane, share of NI population, historical and projected



4.5 Age Composition

Similar to the rest of Northern Ireland, population ageing has been a key feature shaping the age composition of the population over the last three decades. Driven by rising life expectancies, the proportion of the Derry and Strabane population aged 65 and over rose from 10 per cent in 1991 to 15 per cent by 2018 (Figure 4.22 and Table 4.14). The 2018-based population projections anticipate a continuation, and even acceleration, of the ageing trend (Figure 4.23).

Thus, the population aged 65+ is projected to rise by 45 per cent between 2018 and 2035, from 22,400 to 32,500 (Figure 4.24). Over the same period, the number of children aged under 16 is projected to fall by 14 per cent, from 32,800 to 28,100. By 2031, the population aged 65+ is expected to surpass the number of children aged under 16. That would represent a major transition for the Derry and Strabane areas. In 1991, children aged under 16 accounted for almost one in three of the population (31 per cent), outnumbering those aged 65+ by over three to one. By 2035, they are expected to comprise fewer than one in five of the population (19 per cent).

A slight rise in the child population is expected in the early years of the projection period, between 2018 and 2022. The child population falls beyond 2022 as, by then, the rise in fertility rates in the period from 2000 to 2007 cease to have an effect (the infants born in the early-2000s age into adulthood in the 2020s).

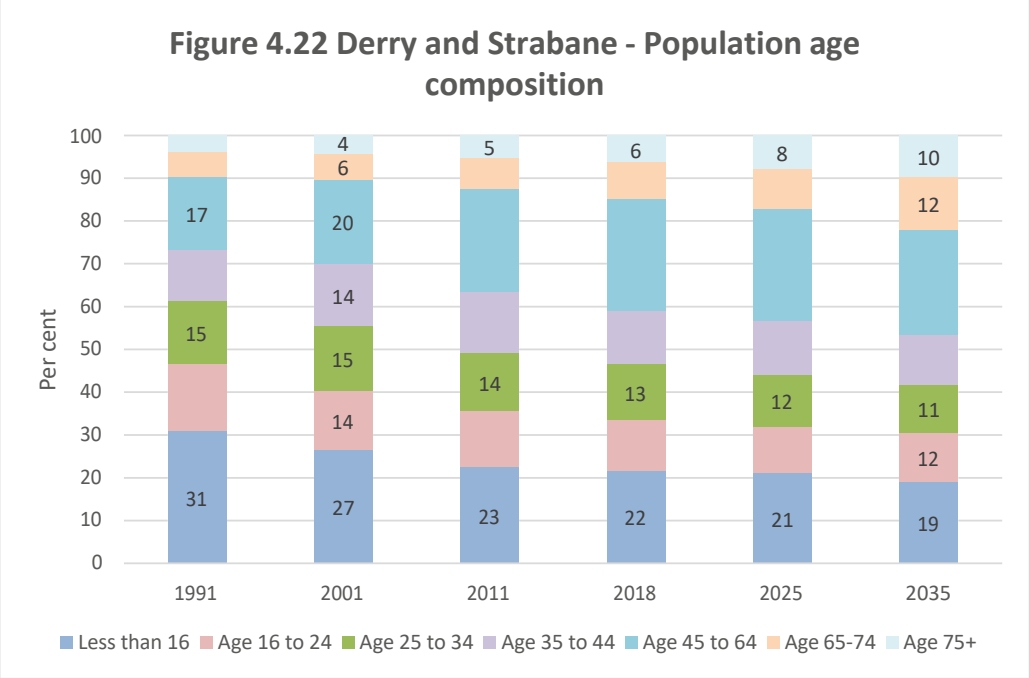


Table 4.14 Population age composition, Derry and Strabane

	1991	2001	2011	2018	2025	2035
	%	*%*	*%*	*%*	*%*	*%*
Less than 16	31	27	23	22	21	19
Age 16 to 24	16	14	13	12	11	12
Age 25 to 34	15	15	14	13	12	11
Age 35 to 44	12	14	14	12	13	12
Age 45 to 64	17	20	24	26	26	25
Age 65-74	6	6	7	9	9	12
Age 75+	4	4	5	6	8	10
All ages	**100**	**100**	**100**	**100**	**100**	**100**

Figure 4.23 Population by age group, Derry and Strabane, 2018=100

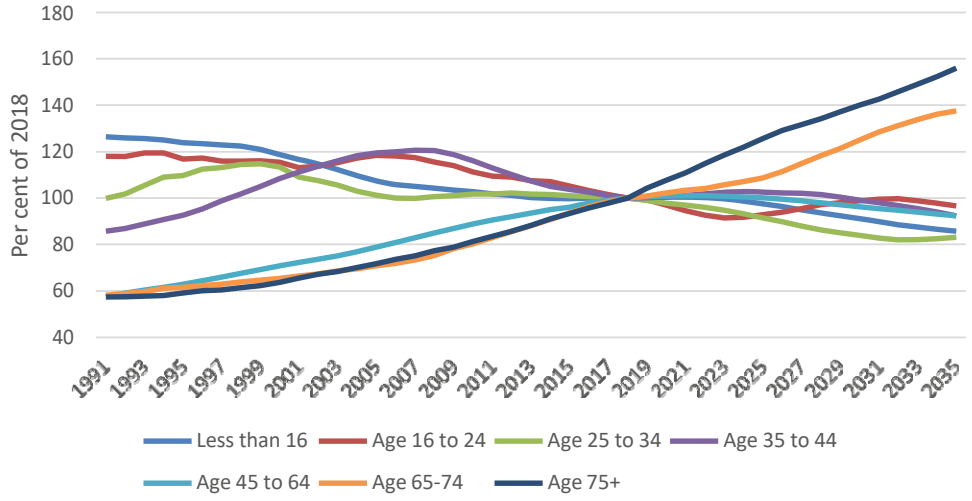
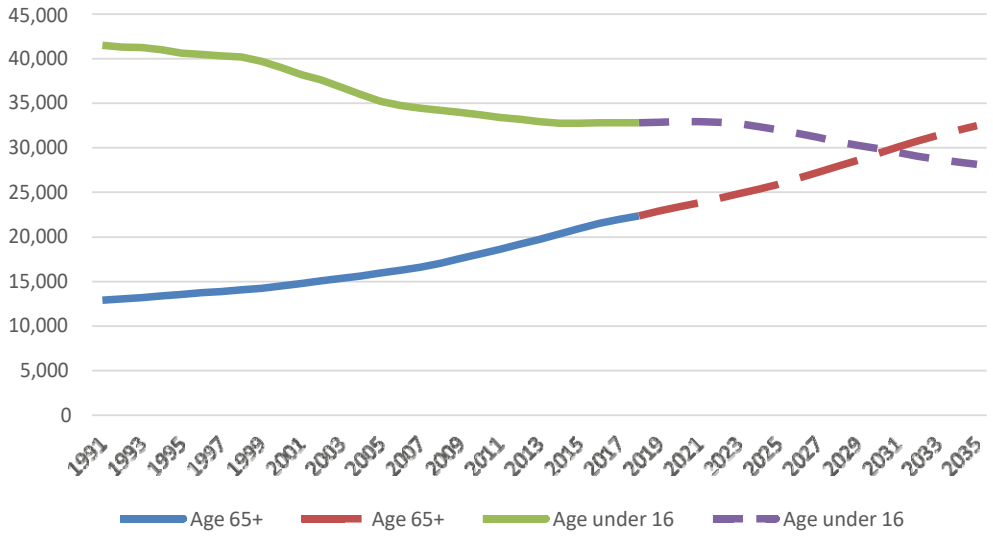


Figure 4.24 Population aged 65+ and children aged under 16, Derry and Strabane, historical and projected



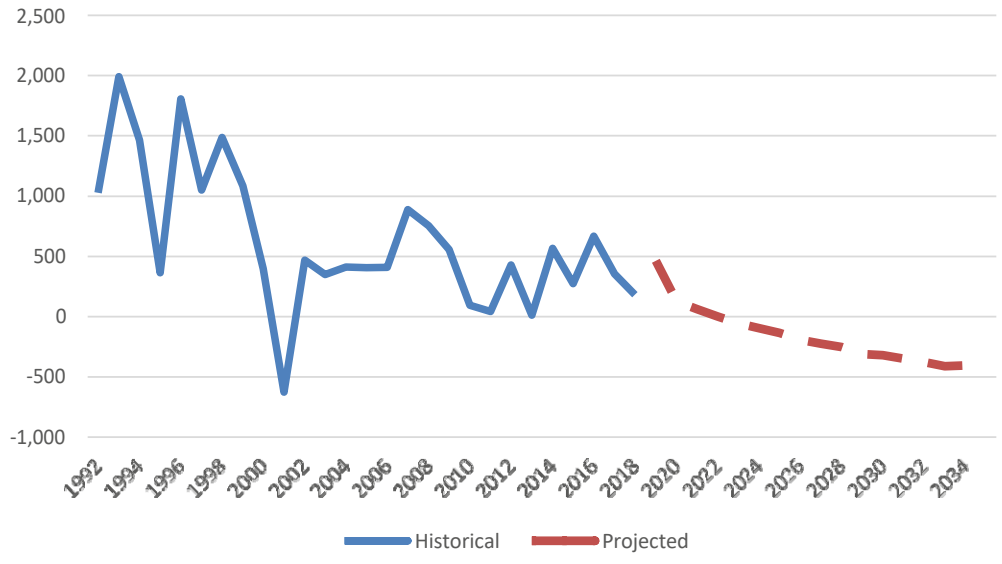
4.6 Key Points Summary

The key points from the review of population trends are as follows:

- The Derry and Strabane HMAs have been lagging the Northern Ireland average in population growth since 1999.
- Since 1999, the area's share of the NI population has dipped from 8.6 per cent to eight per cent in 2018.
- The main factor underlying the loss of population share has been a persistent net out-migration flow, averaging 600-700 per annum over the past decade.
- The contribution of natural increase to population growth has been declining since 2010-11.
- Along with the rest of Northern Ireland, the population has been ageing, with an increasing proportion aged 65+ and a decreasing share aged under 16.

In the NISRA 2018-based population projections, the main trends are extrapolated forward. The result is a declining population, falling from 150,700 in 2018 to 147,800 by 2035. The fall in total population is accompanied by steadily reducing annual changes from 2023 onwards (Figure 4.25).

Figure 4.25 Annual population change, Derry and Strabane, historical and projected



The implications for the housing market of a falling population are severe. It has therefore been considered prudent to generate a variant population scenario, based on a zero net migration assumption. In that scenario, the population would increase to 159,600 by 2035 and the area's share of the Northern Ireland population would stabilise at around eight per cent. Though, that outcome would represent a major reversal of the historic migration trend. Therefore, the zero net migration scenario should be viewed more as an upper bound on the likely range of population growth outcomes over the projection period.

4.7 Annex 4 Data Sources: Population

The historical data series used for the analysis of population trends (Section 4.2) were derived primarily from the NISRA mid-year population estimates 2018. As the combined Derry and Strabane HMAs are coterminous with the Derry City and Strabane District Council (DCSDC), the relevant data were sourced from the published LGD tables for the years 2001 to 2018. The former LGDs of Derry and Strabane together form the new DCSDC area. Hence, the NISRA mid-year estimates for those former LGDs were used to source the population data for the combined Derry and Strabane HMAs for the years 1991 to 2000.

The Derry and Strabane HMAs are not fully aligned with the former Derry and Strabane District Council areas; 12 per cent of the former Strabane District Council lies within the Derry HMA. For the HMA geographies, it was therefore necessary to apportion the mid-year population estimates for the former Strabane LGD across the Derry and Strabane HMAs. That was done through the creation of a Small Area dataset, by single year of age and sex, scaled to be consistent with the published small area population estimates and benchmarked using the 2011 Census of Population Small Area counts for the usually resident population by single year of age and sex. The Small Area dataset was also used to derive time series for the analysis of settlement type trends.

The main data source for the components of change analysis (Section 4.3) was the NISRA mid-year population estimates 2019, which were published in May 2020. Components of change data are published for the 11 new Local Government Districts and the 26 former Local Government Districts. As with the population estimates, data series for the combined Derry and Strabane HMAs were sourced directly from the published tables for the new LGDs. For the analysis at HMA level, some estimation was again required to apportion the data for the former Strabane LGD across the Derry and Strabane HMAs.

The population projections reported in Section 4.4 are based on NISRA's 2018-based population projections for areas within Northern Ireland. NISRA publishes projections for the 11 new LGDs and the 26 former LGDs, by single year of age and sex, from which it was possible to derive HMA-level projections.

NISRA does not publish variant subnational population projections. The net zero migration scenario was produced by running a components of change projection model using the same natural change assumptions as in the central NISRA projections, but with net migration set to zero. The natural change assumptions were based on unpublished tables supplied by NISRA for the purpose of this project.

5 Households

5.1 Introduction

This Section examines household growth trends across the Derry and Strabane HMAs.

The Section commences with an overview on the longer-term historical trends in household growth between 1991 and 2011.

The Section then considers the 2016 NISRA household projections. As the 2011 Census of Population is the most recent source of key data inputs for making such projections, there is considerable uncertainty around the rate of household growth across the HMA in the period since 2011. For that reason, the Section contrasts the 2016 NISRA household projections with recent supply-side changes, which can be viewed as indicative of changes in household demand.

In light of the uncertainties around the current position and the future outlook, the Section then presents a number of scenarios for alternative household growth trajectories.

The Section concludes with a key points summary.

5.2 Trends

Historical data for the number of households at the geographical level required for this SHMA are only available from the Census of Population. Over the period 1991 to 2011, the Census data show the number of households within the Derry and Strabane HMAs increasing at a robust rate; 2.4 per cent per annum between 1991 and 2001 followed by 1.3 per cent per annum from 2001 to 2011 (Table 5.1). In both periods, the rate of increase in the number of households was in excess of the growth in the household population[30].

The difference between the household and population growth rates was reflected in a declining average household size (AHS), particularly over the decade from 1991 to 2001 when the AHS fell by a full 0.5 persons. Similar to the rest of Northern Ireland, the decline in average household growth slackened between 2001 and 2011.

[30] The household population comprises the resident population minus those who are living in communal establishments, which would include hospitals, prisons, hostels, student residences, etc. In 2011, 1.1 per cent of the Derry and Strabane resident population lived in communal establishments.

Table 5.1 Household change and components: Derry and Strabane			
	1991	**2001**	**2011**
Households	38,700	48,900	55,600
% per annum		*2.4*	*1.3*
Household population	129,600	141,400	146,100
% per annum		*0.9*	*0.3*
Average household size	3.35	2.89	2.63
Change (persons per household)		*-0.46*	*-0.26*

The household growth trends between 1991 and 2011 did not vary between Derry and Strabane. In both HMAs, average household size started at about the same level in 1991 and fell over the next two decades in roughly equivalent amounts.

Table 5.2 Average household size					
	Average:			**Change:**	
	1991	**2001**	**2011**	**1991-2001**	**2001-2011**
Derry HMA	3.36	2.88	2.62	-0.49	-0.26
Strabane HMA	3.31	2.93	2.65	-0.38	-0.28
Derry & Strabane	**3.35**	**2.89**	**2.63**	**-0.46**	**-0.26**

A striking feature of the household growth trends in Derry and Strabane over the 1991 to 2011 period is that, in each decade, household growth was driven mainly by reductions in average household size. In the 1991 to 2011 period, the HMAs mirrored the overall Northern Ireland experience in that regard, when population growth contributed about one-third of the household growth with the remaining two-thirds accounted for by falling household size (Table 5.3).

Table 5.3 Components of household change, 1991 to 2011, per cent				
	1991 to 2001:		2001 to 2011:	
	Population	Average household size	Population	Average household size
	%	%	%	%
Derry HMA	33	67	26	74
Strabane HMA	38	62	20	80
Derry & Strabane	**34**	**66**	**24**	**76**
N. Ireland	*36*	*64*	*64*	*36*

Between 2001 and 2011, with average household size continuing to act as the main driver of household growth, Derry and Strabane diverged from the Northern Ireland trend of greater reliance on population growth as a component of household change. Indeed, despite lagging Northern Ireland in population growth terms (see Section 4), Derry and Strabane posted a slightly higher rate of household growth between 2001 and 2011; 1.3 per cent per annum compared with 1.2 per cent for Northern Ireland as a whole.

One important consequence of the faster pace of household growth in Derry and Strabane has been the convergence on the Northern Ireland AHS (Figure 5.1). In 1991, the Derry and Strabane AHS was considerably higher than the Northern Ireland average; 3.34 compared with 2.94, a gap of 0.4 persons per household. By 2011, the gap had narrowed to just .09 persons per household (a Derry and Strabane AHS of 2.63 compared with 2.54 for Northern Ireland).

That would suggest that decreasing average household size might play less of a role as a component of household growth in future years. That would have important implications for future household growth across the two HMAs.

As can be seen from Figure 5.1, AHS fell by a smaller margin between 2001 and 2011 when compared with the previous decade. It is not possible to say if that reflects 'suppressed' household growth during a period of rapidly escalating house prices followed by a deep recession. However, it can be noted that, similar to the rest of Northern Ireland, the number of concealed families did increase at a faster pace compared to all families (Table 5.4).

Figure 5.1 Average household size, Derry and Strabane
(Sources: Census of Population; Author's estimates)

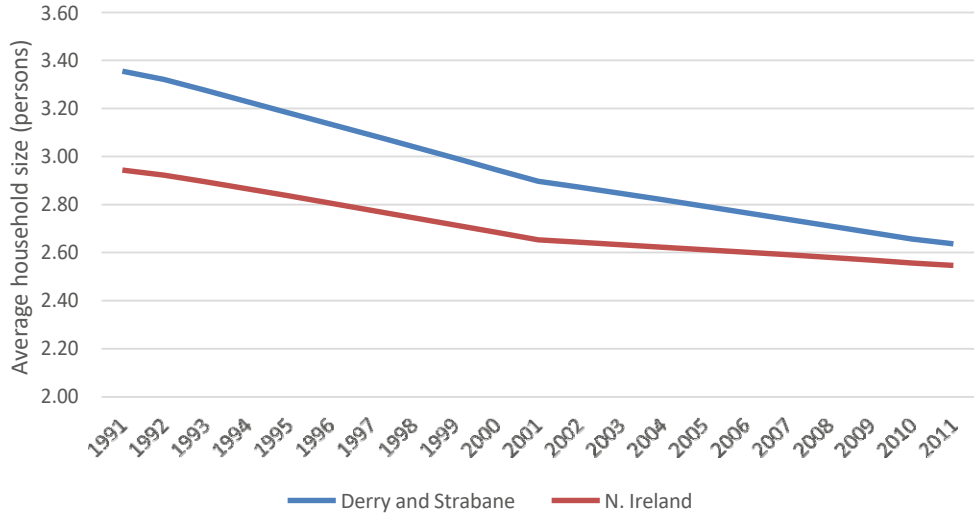


Table 5.4 Concealed families[1], Derry and Strabane

	2001	2011	Change (per cent)
All families	36,318	39,161	7.8
Concealed families			
All	730	964	32.1
Lone parent	456	605	32.7
Couple	274	359	31.0
Per cent of all families			Change (pps)
All	2.0	2.5	0.5
Lone parent	1.3	1.5	0.3
Couple	0.8	0.9	0.2

pps Percentage points
1 Concealed families are defined as families living in households where the family head is not the household head.
Sources: Census of Population 2011, Table CT0164; Census of Population 2001, Table CAS011.

5.3 Projections

The most recent set of official Northern Ireland household projections, which were commissioned by the Housing Executive and prepared by NISRA, were published in December 2018. The projections are for the years 2016 to 2041, both for Northern Ireland as a whole and for each of the 11 Local Government Districts. They are referred to as the 2016-based projections because they are tied to NISRA's 2016-based population projections for areas within Northern Ireland. Though, the household trends used to convert the population projections to household projections were derived from Census of Population data for the years 2001 to 2011.

As the 2016-based population projections have now been superseded by the 2018-based population projections[31], an updated set of household projections has been prepared by the authors for this SHMA, following the approach set out in the published NISRA methodology paper (see Box 5.A).

The updated projections replicate the NISRA household projections by LGD for 2016. Beyond 2016, the updated projections differ from the NISRA projections to reflect the changes between the most recent 2018-based population projections and the previous 2016-based population projections. A comparison of the updated projections with the NISRA 2016-based projections is provided and discussed in Appendix A.

Box 5.A Household projections

The Northern Ireland household projections are based on the extrapolation of changes in household membership probabilities.

Briefly, in each projection period, for each of 14 age groups and separately for males and females, the probability of being in one of 18 household types is calculated (see NISRA's Methodology Report published in December 2018). The probabilities are then applied, by age and sex, to the projected population living in households, i.e. the total population minus those projected as living in communal establishments. The results can then be summed across the household types to derive the projected total number of households, with appropriate weightings for household size, i.e. divide the projected population living in two-person households by two, and so on.

For projection purposes, the household membership probabilities are extrapolated forward based on changes between the 2001 and 2011 Population Censuses. That is, household trends between 1991 and 2001

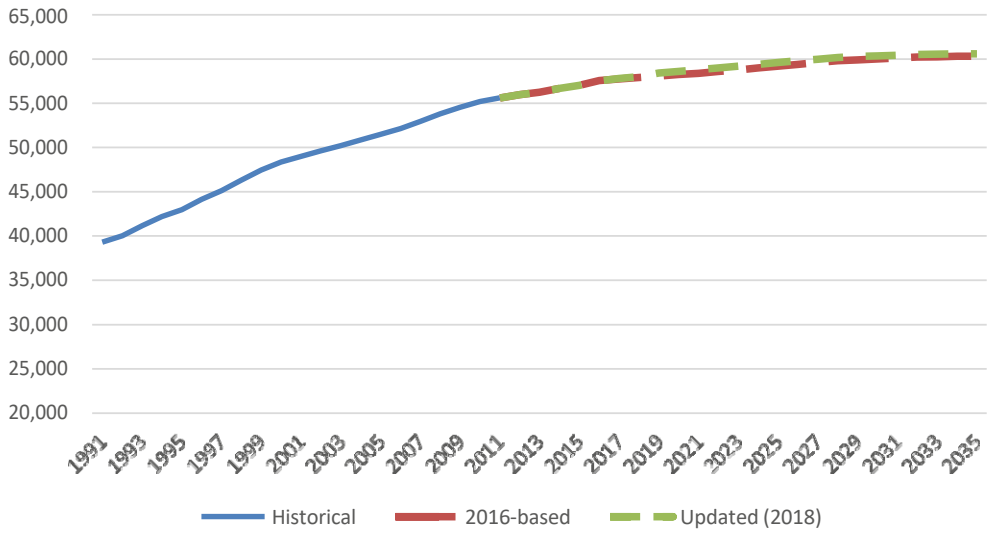
[31] See Appendix A for a comparison between the 2018-based population projections and the preceding 2016-based pro

are given zero weight.

The household membership probability tables are published only for Northern Ireland as a whole (Tables B.1 and B.2 accompanying the NISRA Methodology paper). On request, NISRA supplied the same tables for the Belfast Metropolitan HMA and the rest of Northern Ireland combined. HMA-level tables were then estimated by combining the NISRA-supplied tables with age, sex, and household size counts from the Census of Population. The derived household membership tables served as inputs to a computer programme designed to mirror the NISRA methodology.

For Derry and Strabane combined, the updated projections differ only slightly from the NISRA 2016-based projections (Figure 5.2[32]). Between 2016 and 2035, the updated projections show +3,050 net new households compared with +2,770 in the NISRA 2016 projections, a difference of 280.

Figure 5.2 Household projections, Derry and Strabane
(Sources: NISRA; Author's estimates)



As noted above, above the NISRA household projections are at LGD level. For the purpose of this SHMA, it was necessary to disaggregate the LGD-

[32] The historical data points in Figure 5.2 are based on actual Census of Population data for 1991, 2001 and 2011, with intervening years obtained via interpolation. The key inputs to the household projections for converting population estimates and projections to household numbers are based on 2001 and 2011 Census of Population data. Hence, the years 2012 to 2016 are also shown as projections.

level projections to the HMAs contained within the DCSDC area. At HMA level, the differences in projected households to 2035 also vary only slightly between the 2016-based and the updated projections (Table 5.5).

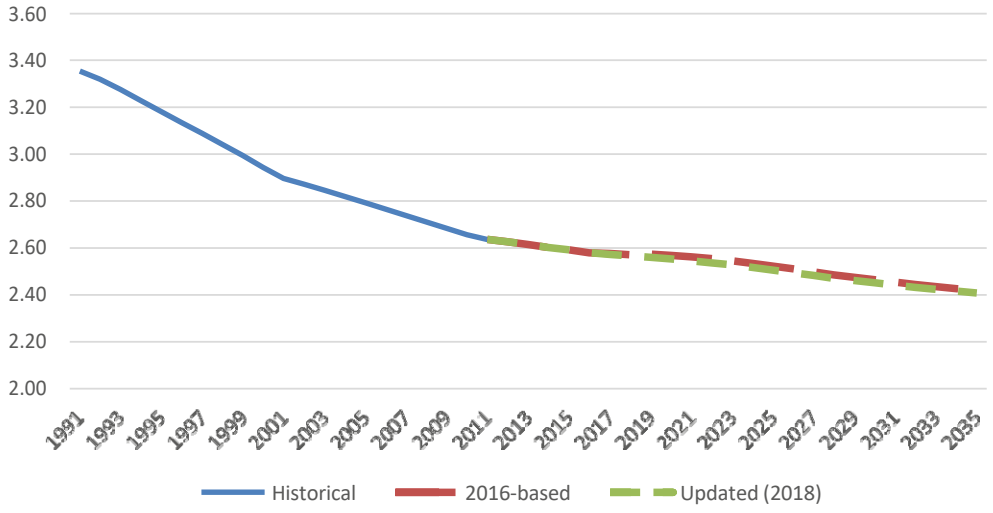
Table 5.5 Household projections by HMA, NISRA 2016 compared with updated

	Net new households 2016 to 2035:		
	2016-based	**Updated (2018)**	***Difference***
Derry HMA	2,010	2,430	430
Strabane HMA	760	610	-150
Derry and Strabane	**2,770**	**3,050**	**280**

Sources: Author's estimates for the separate Derry and Strabane HMAs, both 2016-based and updated; NISRA, for the 2016-based combined Derry and Strabane projections (equivalent to the Derry and Strabane District Council area).

In line with the NISRA methodology, the updated projections are based on the extrapolation of trends between the 2001 and 2011 Censuses of Population. Consequently, the updated projections for average household size are closely aligned with the NISRA 2016-based projections (Figure 5.3).

Figure 5.3 Average household size, Derry and Strabane
(Sources: NISRA; Author's estimates)



Both the NISRA 2016-based and the updated projections anticipate considerably slower growth in the number of households compared with the

historical experience. Between 2001 and 2011, the number of households in Derry and Strabane grew by 13.5 per cent. By contrast, for the decade 2011 to 2021, the NISRA 2016-based projections anticipate a five per cent expansion in the number of households. The updated projections show a 5.7 per cent increase. However, population growth has not been noticeably slower since 2011; an average annual rate between 2011 and 2018 of 0.2 per cent compared with 0.3 per cent between 2001 and 2011. Thus, the main factor underlying the slower household growth projections is a reduction in the rate of decline in average household size (see Figure 5.3).

Within that context, it is useful to compare the household projections with supply side changes that have actually occurred over the period since 2016. The rationale is that supply side changes ought to reflect the level and pattern of demand for housing, which may be expected to be linked with changes in the number of households.

The published LPS housing stock counts provide a direct supply-side measure, i.e. the total number of dwellings available for occupation[33]. From the LPS data, between 2011 and 2020 there was a net increase in the Derry and Strabane dwelling stock of 4,270 properties (Table 5.6). Over that same period, the NISRA 2016-based projections anticipate an additional 2,630 households, i.e. 62 per cent of the change in the housing stock. The updated household projections, based on the 2018 population projections, give an estimated 3,000 net new households, i.e. 70 per cent of the change in the housing stock.

Table 5.6 The stock of domestic properties and household projections, changes 2011 to 2020, Derry and Strabane

	Domestic properties[1]	Household projections	
		2016-based[2]	Updated[3]
Change 2011-2020	4,270	2,630	3,000
Per cent of domestic properties	100	62	70

1. Source: LPS, Housing Stock Statistics 2008-2020, 2 June 2020. HMA level figures estimated through apportionment of LGD level data.
2. Source: NISRA, Northern Ireland Household Projections (2016-based).
3. Authors' estimates.

Over the period 2011 to 2020, therefore, the growth in the housing stock has out-paced projected household growth by a substantial margin. Historically,

[33] Land and Property Services (LPS) publish annual data giving a count of properties valued as domestic or mixed for the purposes of rating. The counts refer to "properties in the Valuation List which are used for the purposes of a private dwelling".

dwelling stock and household changes have been broadly in alignment. Based on Census of Population data, between 1991 and 2001 the growth in the number of households matched the increase in the dwellings. From 2001 to 2011, the change in the number of households was 91 per cent of the net change in the dwelling stock, even though that period included the housing boom years of 2005 to 2007 when new housebuilding levels were elevated.

The contrast between supply-side changes and the household projections point to a degree of uncertainty around the rate of household growth at least through 2020[34]. For that reason, and to manage the uncertainty around the future path of household growth in projecting future new dwelling requirements, a number of scenarios have been prepared based on varying the assumptions underlying the household projections.

The approach to specifying the scenarios is described in Appendix A[35]. The scenarios are based on varying the main assumptions underpinning the NISRA 2016 projections[36,37] as follows:

- **Medium growth scenario**. For this scenario, new households are projected by extrapolating from a weighted average of the 1991 to 2001 and 2001 to 2011 trends, with a two-thirds weighting given to the 2001 to 2011 trends.

- **High growth scenario**. In this scenario, households are projected from the 1991 to 2011 trends, i.e. with equal weighting given to the trends from 1991 to 2001 and 2001 to 2011.

The projection scenarios for Derry and Strabane are summarised in Table 5.7. Figure 5.4 shows the projected numbers of households.

[34] It should be emphasised that the comparisons between the household projections and the dwelling stock changes have not been made to draw any conclusions regarding the balance between demand and supply in the housing market. Rather, the LPS dwelling counts are actual data, which provide relevant and interesting points of comparison for the household projections.
[35] The NISRA household projections were prepared on a 'top-down' basis, i.e. the LGD projections were prepared to be consistent with Northern Ireland totals. To ensure a geographically consistent approach, the scenarios were prepared across Northern Ireland as a whole. However, the scenarios have been modelled to accommodate HMA-specific adjustments.
[36] In both scenarios, the NISRA assumptions for the trends in households with children were also modified – see Appendix A.
[37] A 'fast growth' scenario was also prepared. That is discussed in Appendix A and is not reported here as the assessment is made that the assumptions are not sustainable.

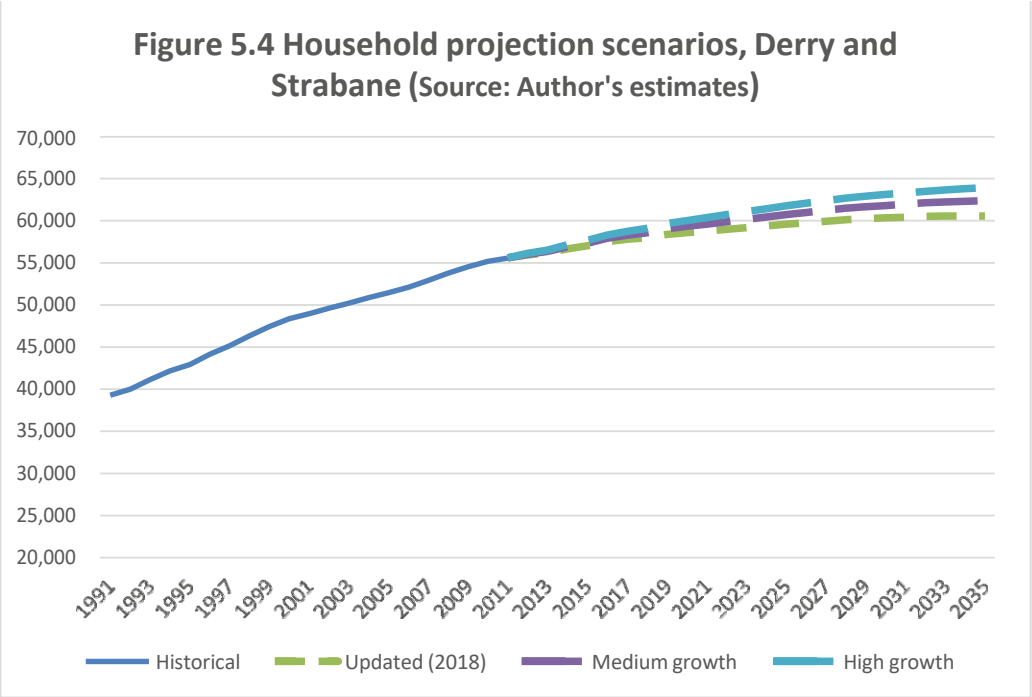
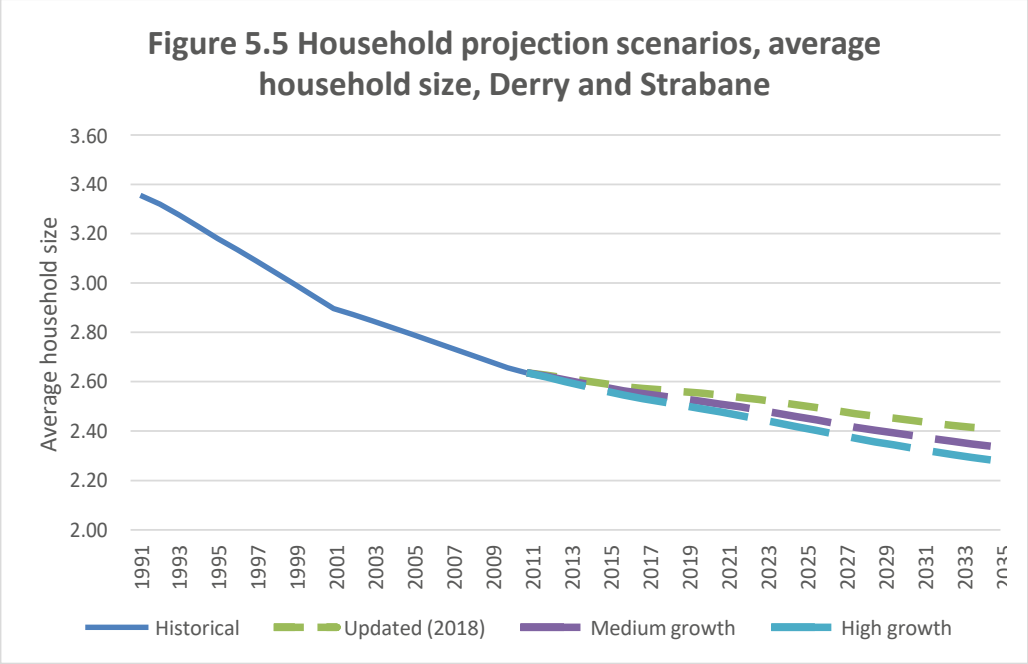


Table 5.7 Household projection scenarios, summary, Derry and Strabane

	2018	2035	Change	
	No.	*No.*	*No.*	*%*
NISRA 2016-based	57,890	60,310	2,420	4.2
Updated (2018)	58,010	60,570	2,560	4.4
Scenario:				
Medium growth	58,580	62,400	3,820	6.5
High growth	59,120	63,930	4,800	8.1
Sources: 2016-based – NISRA; Updated and scenarios – author's estimates.				

Similar to the results for Northern Ireland as a whole (discussed in Appendix A), the scenarios result in a range of average household size (AHS) projections (Table 5.8). The high growth scenario is a straightforward extrapolation of trends over the period 1991-2011 and generates the lowest AHS over the projection period (Figure 5.5). The updated (2018-based) and 2016-based projections result in very similar AHS changes. The AHS projections in the medium growth scenario fall between the high growth scenario and the updated projections.

Table 5.8 Household projection scenarios, average household size, Derry and Strabane				
	2011	**2018**	**2035**	***Change, 2018-2035***
	Persons	*Persons*	*Persons*	*Persons*
2016-based	2.64	2.57	2.42	*-0.15*
Updated (2018)	2.64	2.57	2.41	*-0.16*
Scenario:				
Medium growth	2.64	2.54	2.34	*-0.20*
High growth	2.64	2.49	2.23	*-0.27*
Sources: 2016-based – NISRA; Updated and scenarios – author's estimates.				



As illustrated in Figure 5.1 above, the historical trend has been for average household size in Derry and Strabane to fall more quickly than the Northern Ireland average. That trend is projected forward in the household projections. Thus, in the updated and medium growth scenarios, average household size in Derry and Strabane is projected to converge fully on the Northern Ireland average by 2035 (compare Table 5.8 with Table A.17 in Appendix A). In the high growth scenario, average household size is projected to dip slightly below the comparable Northern Ireland average by 2035.

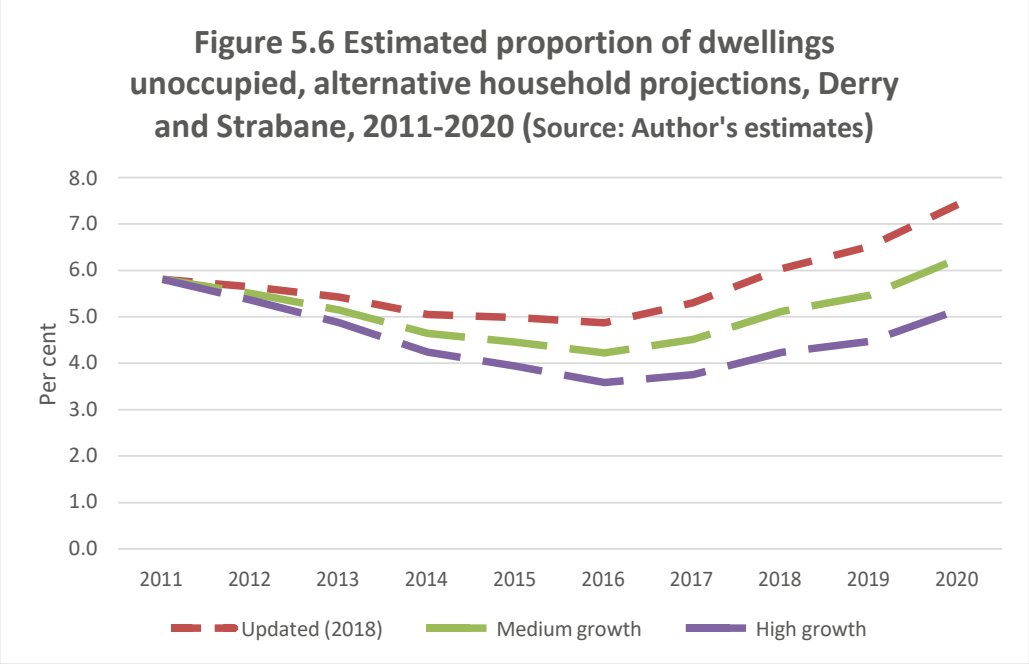
The projection scenarios can also be compared with the observed changes in the housing stock. Focusing on the period 2011 to 2020, as a percentage of the change in the dwelling stock, the projected numbers of new households range from 104 per cent in the high growth scenario to 62 per cent in the 2016-based projections (Table 5.9). Again, the medium growth scenario occupies a middle position, with projected household growth 2011-2020 amounting to 88 per cent of the change in the housing stock.

Table 5.9 Change in projected total households, 2011-2020, compared to net change in housing stock, Derry and Strabane

	2011-2016	2016-2020	2011-2020
Housing stock change	**1,450**	**2,820**	**4,270**
Per cent of housing stock:			
Household projections			
2016-based	135	24	62
Updated (2018)	133	38	70
Scenario:			
Medium	160	50	88
High	187	61	104

Sources: Housing stock – LPS, Housing Stock Statistics 2008-2020; Household proportions – Author's estimates.

It can also be seen from Table 5.9 that the relationship between the change in the housing stock and the household projections varied sharply over the period 2011 to 2020. Between 2011 and 2016, the projected number of new households exceeds the change in the dwelling stock. That would be to suggest that, over the same period, the proportion of dwellings which were unoccupied was falling (Figure 5.6). Although evidence on unoccupied dwellings is limited, the implied fall in the proportion between 2011 and 2016 is consistent with the evidence contained in the Housing Executive's 2016 Northern Ireland House Condition Survey (HCS). Since 2016, the rate of new dwelling completions in Derry and Strabane has accelerated in tandem with the housing market recovery (further discussed in Section 6). It would not therefore be unexpected to see a pick-up in the proportion of dwellings that are unoccupied, allowing for a lag between dwelling completions and occupancy. However, the updated projections give a rise of almost three percentage points between 2016 and 2020, with an estimated 7.4 per cent of dwellings unoccupied in 2020, which would seem high.



Overall, while it would not be expected that household growth would be perfectly aligned with the net change in the dwelling stock, considering the period 2011 to 2020, the medium growth scenario would seem to yield household projections that are reasonably consistent with the observed change in the number of properties available for occupation by newly forming households.

Beyond 2020, the household projections in each scenario are shaped by the central NISRA population projections discussed in Section 4. As the population projections are for Derry and Strabane to lose population by 2035, it is useful to also consider the household growth implications of the zero net migration population scenario discussed in Section 4. As shown in Table 5.10, the zero net migration scenario gives a faster pace of household growth over the 15-year period 2020 to 2035.

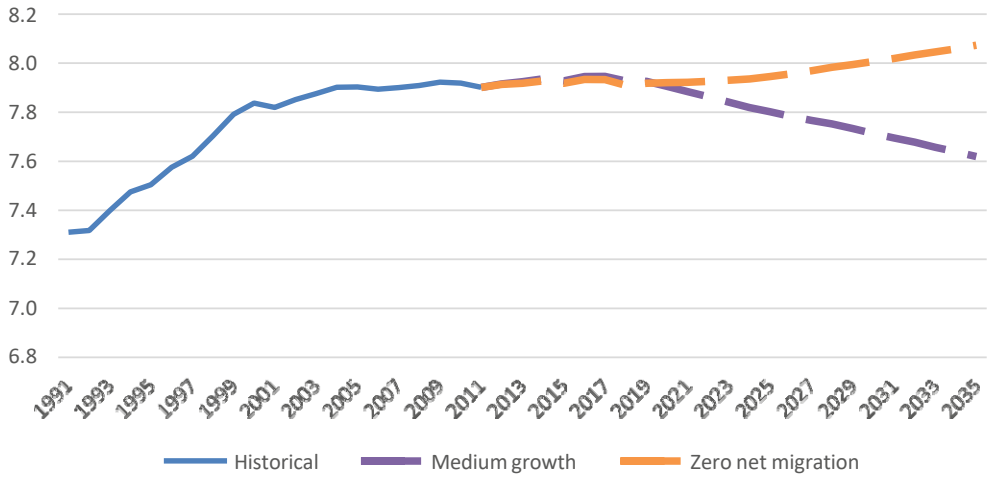
Table 5.10 Projected household growth scenarios, 2020-2035, Derry and Strabane

	Household growth scenario:			
New households:	**Updated**	**Medium**	**High**	**Zero net migration**
Total	1,980	3,060	3,890	5,890
Annualised	130	200	260	390

Source: Author's estimates.

The household projections can be summarised by considering the implications for the Derry and Strabane share of the Northern Ireland total within their historical context. Between 2001 and 2011 the Derry and Strabane share of the Northern Ireland household total remained broadly constant at about 7.9 per cent (Figure 5.7). That was due to the faster fall in average household size in Derry and Strabane compared to the Northern Ireland average (Figure 5.1), which offset a slower pace of population growth (see Table 4.2) and a falling population share (Figure 4.19).

Figure 5.7 Derry and Strabane share of total households in Northern Ireland, historical and projected



However, as illustrated in Figure 5.1, by 2011, average household size in Derry and Strabane was much closer to the Northern Ireland average compared with the position in 2001. Looking ahead, therefore, further convergence on the Northern Ireland average household size will have much less of an effect in maintaining the Derry and Strabane household share. Thus, in the medium household growth scenario, the Derry and Strabane household share falls in tandem with the declining population share in the central NISRA population projections. Reversing that outcome would depend on population growing more quickly than in the central NISRA projections.

As discussed in Section 4, the zero net migration scenario would see the Derry and Strabane population share stabilise or even rise slightly over the period 2020 to 2035 (see Figure 4.21). In that event, the Derry and Strabane share of households would increase slightly, in concert with the population share projected in the zero net migration scenario.

5.4 Key Points Summary

Historically, at least through 2011, Derry and Strabane experienced above-average rates of household growth. Mainly, that was due to falling average household size. That is, for a given increase in population, the number of households increased by a larger amount due to being distributed across smaller household sizes.

By 2011, average household size had converged close to the Norther Ireland average, indicating reduced scope for further boosts to household growth from that source.

However, the evolution of average household size in the period since 2011 is uncertain. That uncertainty is addressed by generating alternative scenarios for household growth since 2011 by varying the assumptions for the trend in average household size.

For that purpose, the NISRA 2016-based household projections have been updated to take account of the 2018-based population projections. The updated projections result in relatively slow household growth. In addition, medium and high growth scenarios for household growth have been generated which are linked to the official population projections, but with varying assumptions for the trend in average household size.

For the period 2011 to 2020, the projection scenarios are compared with the observed changes in the housing stock. While it would not be expected that household growth would be perfectly aligned with the net change in the dwelling stock, the conclusion drawn is that, considering the period 2011 to 2020, the medium growth scenario yields household projections that are reasonably consistent with the observed change in the number of properties available for occupation by newly forming households.

Beyond 2020, the household growth scenarios linked to the 2018-based population projections anticipate modest levels of newly arising households through to 2028, ranging from 200 per annum in the updated (2018) projection to a little over 300 in the high growth projection (Figure 5.8). Beyond 2028, each of the household projection scenarios show sharply falling annual levels of newly arising households.

As the central NISRA population projections show Derry and Strabane losing population by 2035, the household growth implications of a rising population are illustrated with a scenario based on the zero net migration population growth scenario discussed in Section 4. That scenario gives around 400 newly arising households per annum through to 2028, after which the projected level falls to circa 300 by 2035. Though, the zero net migration scenario would represent a marked turnaround in the population growth trend for Derry and Strabane and, from that perspective, can be viewed as an upper limit on the range of future possibilities.

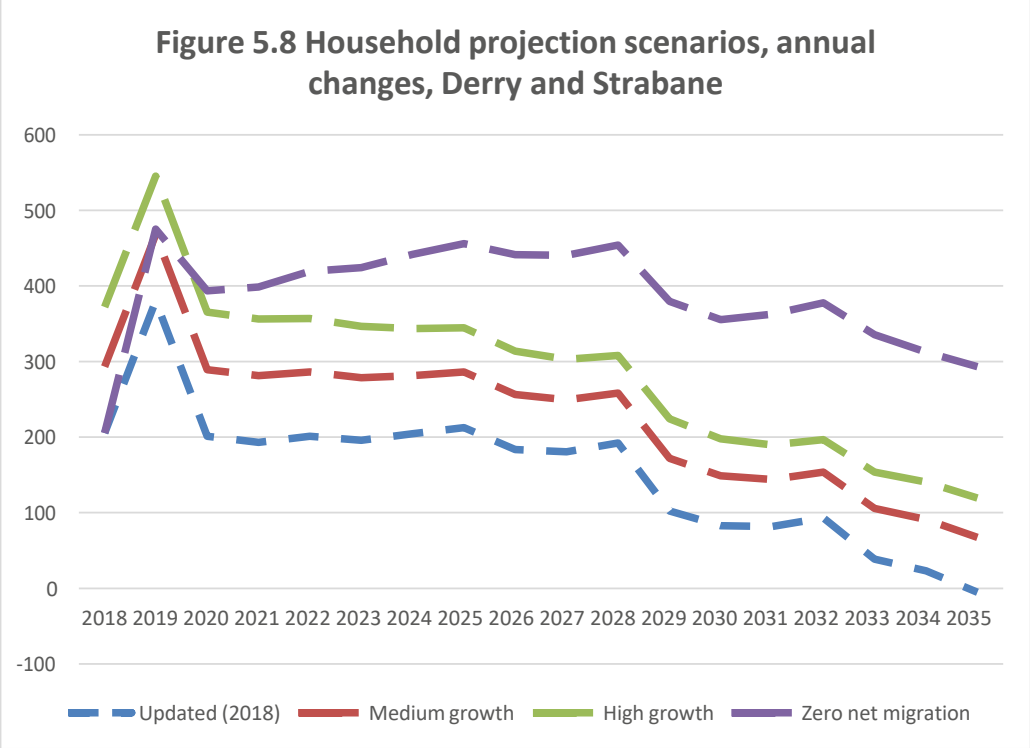


Figure 5.8 Household projection scenarios, annual changes, Derry and Strabane
600
500
400
300
200
100
0
-100
2018 2019 2020 2021 2022 2023 2024 2025 2026 2027 2028 2029 2030 2031 2032 2033 2034 2035
Updated (2018)
Medium growth
High growth
Zero net migration

6 Housing Market

6.1 Introduction

This Section presents a review of housing market trends under the following headings:

- House prices.
- Jobs and incomes.
- House price to earnings ratios.
- Residential property transactions.
- Completions.
- Private sector rents.
- Receipt of Housing Benefit.
- Tenure changes.

In reviewing the residential property market, the key issue of interest is the extent to which the market has now recovered from the severe and protracted downturn that followed the 2005-2007 house price boom. That issue is assessed separately at Northern Ireland level in Appendix B, for two reasons.

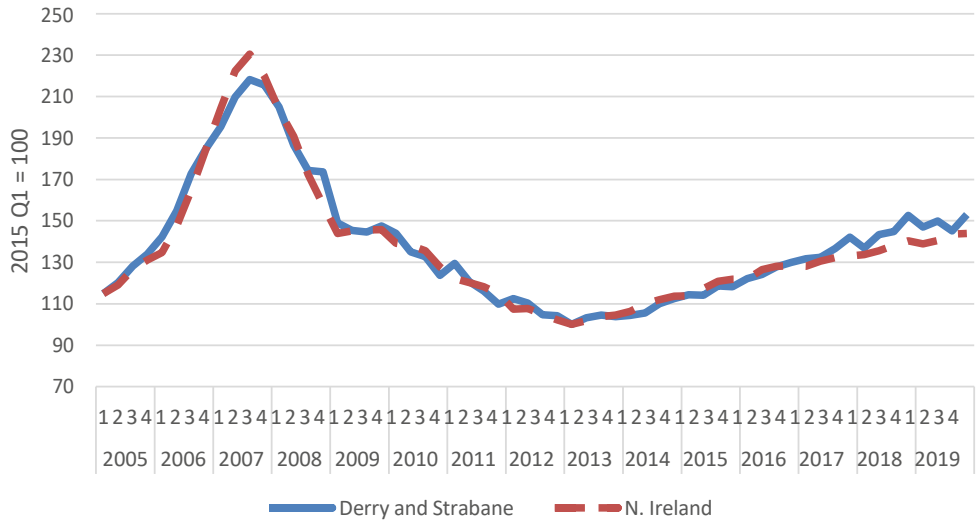
First, time series data for a number of indicators are not publicly available at sub-regional level, including for mortgage market trends such as loans advanced and price-to-income multiples for first-time buyers. In addition, longer time series data are available for indicators such as house prices and completions, which help to give a fuller picture in placing recent trends within their historical context. Second, HMA and LGD-level trends in key housing market indicators, such as house prices, transactions and completions, are very strongly correlated with the overall Northern Ireland trend. That reflects common influences such as mortgage interest rates and the economic cycle.

The main conclusion drawn in the review of Northern Ireland trends is that the sharp price adjustment that lasted until spring 2013 has led to improved affordability and, by 2018-19, a recovery in levels of activity in the mortgage market and residential property transactions. A similar conclusion is drawn in respect of the Derry and Strabane HMAs. Though, that conclusion is based on data that pre-date the onset of the coronavirus pandemic, which introduces a new element of uncertainty.

6.2 House Prices

Over the past decade and a half, house price movements in Derry and Strabane have closely tracked the Northern Ireland average (Figure 6.1). Reflecting the influence of common factors such as mortgage interest rates, the experience of Derry and Strabane over that period has been no different from each of the other LGDs across Northern Ireland. Thus, along with the rest of Northern Ireland, Derry and Strabane experienced an unprecedented bout of house price inflation between 2005 and 2007. According to the Northern Ireland House Price Index, house prices peaked in the third quarter of 2007, having risen by 90 per cent since the first quarter of 2005, not far behind the Northern Ireland average of 101 per cent. Similar to the rest of Northern Ireland, house prices fell sharply from the peak, eventually bottoming out in the first quarter of 2013. The 54 per cent drop in house prices from peak to trough was only slightly less than the Northern Ireland average (57 per cent). The scale of the price fall has, however, been crucial in underpinning improved affordability in the residential property market in Derry and Strabane.

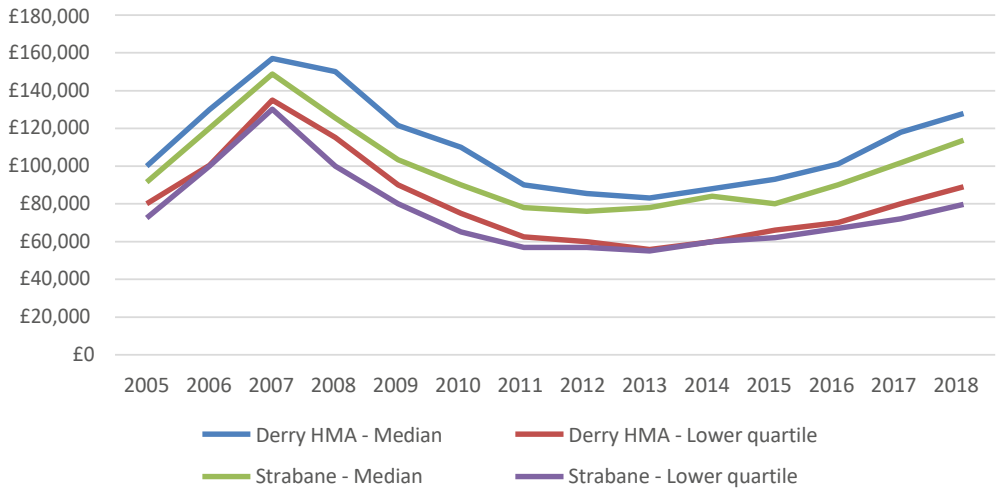
Figure 6.1 House price index, Derry and Strabane, 2013 Q1 = 100 (Source: LPS, NI House Price Index)



Following the 2013 trough, house prices in Derry and Strabane rose by 53 per cent between the first quarter of 2013 and the fourth quarter of 2019, slightly faster than the Northern Ireland average (44 per cent). However, the differential in growth only emerged in the period from mid-2017 and should be judged with regard to the more variable behaviour of the Derry and Strabane house price index, i.e. a reversion to tracking the Northern Ireland average would be expected from the historical pattern.

Median and lower quartile house prices within each of the two HMAs have followed the house price cycle (Figure 6.2). Within each HMA, the median and lower quartile prices peaked in 2007 and, with the exception of the median Strabane price, bottomed out in 2013. For the most part, the house price movements within the two HMAs move in tandem, with Strabane prices consistently staying slightly below Derry prices on both measures.

Figure 6.2 Median and lower quartile house prices, Derry and Strabane (Source: LPS)



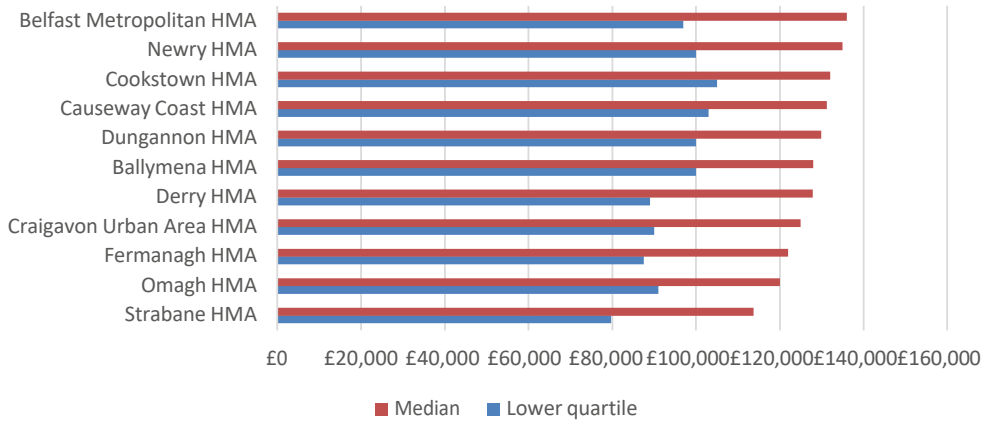
Box 6.A Median and lower quartile values

The **median** is the middle value in a set of numbers arrayed in rank order from lowest to highest. That is, 50 per cent of values lie below the median and 50 per cent lie above the median. For example, across Derry and Strabane, the median value of all dwellings sold in 2018 was £125,000. In that year, half the dwellings sold had a value below £125,000 while the remaining half sold for more than £125,000. As it lies in the middle of a distribution, median values are less affected by extremely high (or low) values. For that reason, the median is often used to measure the 'typical' value at which a property sells.

In an ordered set of numbers, the **lower quartile** is the value separating the 25 per cent of lowest-valued numbers from the rest of the distribution. For example, across Derry and Strabane, the lower quartile value of all dwellings sold in 2018 was £90,000. In that year, 25 per cent of the dwellings sold had a value below £90,000 while the remaining three-quarters sold for more than £90,000. In a housing market analysis, the lower quartile is often selected as the entry point for first-time buyers.

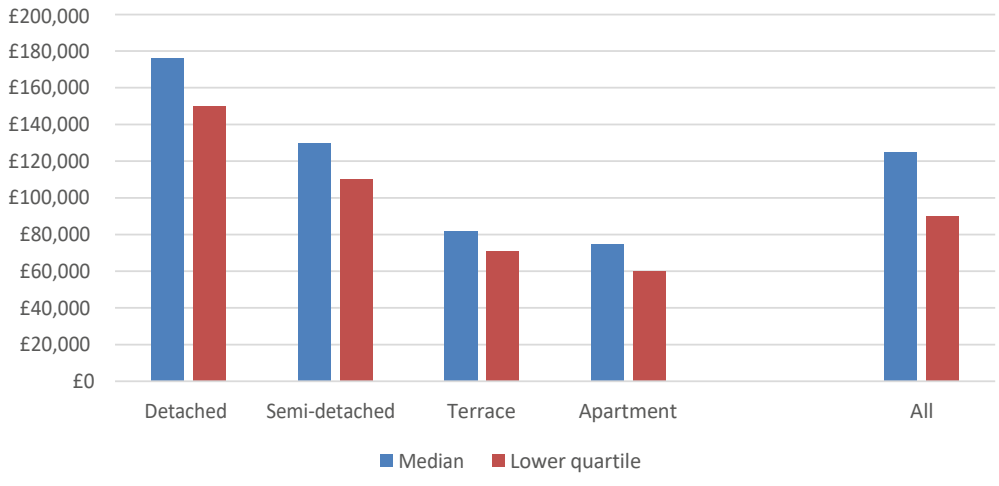
In 2018, the median and lower quartile house prices for Strabane were the lowest of any HMA in Northern Ireland (Figure 6.3). The median house price for Derry ranked seventh out of the 11 HMAs with the lower quartile ranking ninth. For Derry and Strabane combined, the median house price in 2018 (£117,950) was 11 per cent lower than the NI average (£132,000).

Figure 6.3 Median and lower quartile house prices by HMA, 2018 (Source: LPS)



A further point to note is that, across the two HMAs, house prices vary in a predictable fashion by property type (Figure 6.4). That is, detached properties command the highest prices, on both measures.

Figure 6.4 House prices by property type, Derry and Strabane, 2018 (Source: LPS)



6.3 Jobs and Incomes

The Northern Ireland labour market was badly affected by the Great Recession of 2008-09 that occurred alongside the housing market downturn. Between 2008 and 2012, employee jobs fell by almost six per cent. Since 2012, and prior to the onset of the coronavirus pandemic, the labour market had been performing strongly, posting a 12 per cent rise in employee job numbers between 2012 and 2018 (Table 6.1). Derry and Strabane shared in the recovery, with a 14 per cent expansion in employee jobs between 2012 and 2018. The increasing numbers of employee jobs have been reflected in rising employment rates among the working age population (aged 16-64). Between 2009 and 2018, the proportion of the working age in employment rose by 4.2 percentage points across Derry and Strabane, only slightly behind the average improvement across Northern Ireland (+4.9 percentage points).

Table 6.1 Employment

	Employee jobs	**Employment rate, 16-64**	
	% change 2012-2018	**2018**	**Change, 2009-2018, pps**
	%	%	pps
Derry and Strabane	13.9	61.6	+4.2
N. Ireland	11.6	70.0	+4.9

pps Percentage points
Source: NISRA, Business Register and Employment Survey (BRES).

Rising employment rates are important in a housing market context due to the positive effect on household incomes and the concomitant capacity to obtain a mortgage for those households that may wish to purchase a home. However, an important point to note regarding the Derry and Strabane employment rate is that, at 62 per cent in 2018, it was eight percentage points behind the Northern Ireland average.

The obverse of the comparatively lower employment rate in Derry and Strabane is an above-average rate of economic inactivity. Economic inactivity is due to some combination of study, looking after the home or sickness/disability. Generally, higher rates of economic inactivity are associated with lower household incomes and above-average receipt of state benefits, including Housing Benefit or the housing element of Universal Credit. Receipt of Housing Benefit is examined later in this Section.

In Derry and Strabane, reflecting flows into employment, economic inactivity fell by two percentage points between 2009 and 2018 (Table 6.2). However, in 2018, over one in three persons of working age were not active in the labour market, seven percentage points higher than the Northern Ireland average.

Table 6.2 Economic inactivity, 16-64

	2018	Change, 2009-2018, pps
	%	pps
Derry and Strabane	34.1	-2.1
N. Ireland	27.2	-2.9

pps Percentage points
Source: Labour Force Survey (LFS).

The Annual Survey of Hours and Earnings (ASHE) is the main source of information on median earnings of employees at LGD level. As the ASHE is a survey, the results can vary from one year to the next due to sampling variability, which can make the assessment of trends more difficult. That is certainly the case with the ASHE results for Derry and Strabane.

As can be seen from Figure 6.5, if 2013 is taken as the base year, median earnings grew very slowly through to 2019 (0.8 per cent per annum). Conversely, if the base year is set at 2014, earnings in Derry and Strabane grew at 2.6 per cent per annum, in tandem with the Northern Ireland average over the same period (+2.3 per cent per annum).

Other labour market indicators, notably employee jobs and employment rates, have tracked the Northern Ireland average, which would suggest that earnings in Derry and Strabane have done likewise. Nonetheless, earnings growth has been modest and, in 2019, median earnings in Derry and Strabane were six per cent below the Northern Ireland average (Table 6.3).

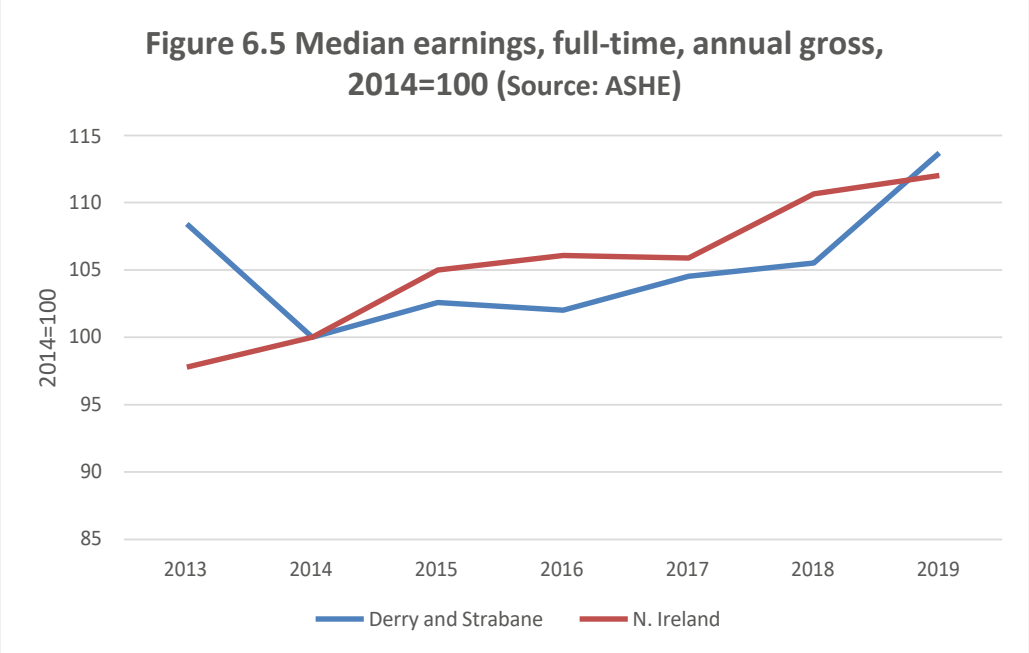
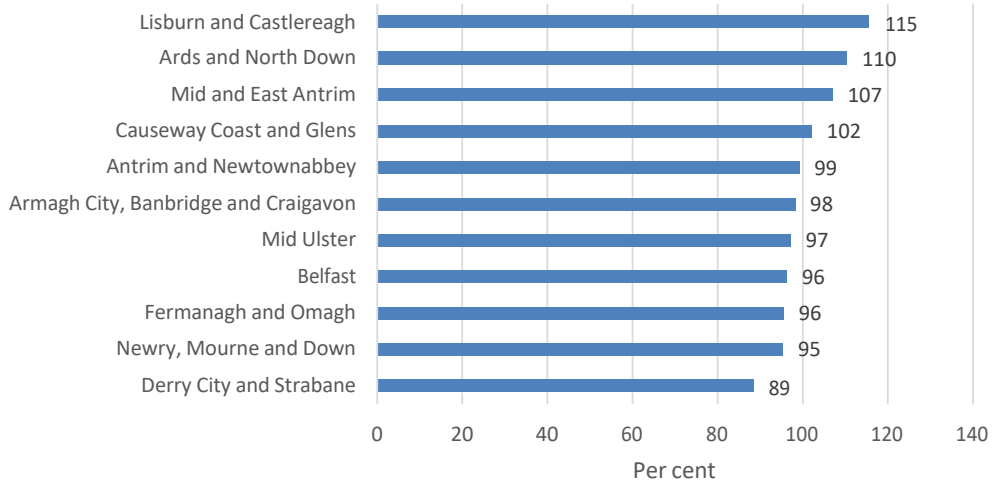


Table 6.3 Median earnings, full-time, annual gross, residence-based, 2019		
	£'s	*NI=100*
Derry and Strabane	24,774	94
N. Ireland	27,434	100
Source: NISRA, Annual Survey of Hours and Earnings (ASHE).		

Household incomes have grown slightly faster than earnings. Between 2012 and 2018, per capita Gross Disposable Household Income (GDHI) in Derry and Strabane rose by 17 per cent, an annual rate of 2.7 per cent. That compares with a 3.4 per cent annual rate of increase at Northern Ireland level. With slower annual income growth, per capita income in Derry and Strabane slipped further below the Northern Ireland average, falling from 92 per cent in 2012 to 89 per cent in 2018. Indeed, by 2018, Derry and Strabane had the lowest level of per capita income across the 11 LGDs (Figure 6.6).

Though, the 2018 gap in average household income was on a par with the 10 per cent differential in average house prices between Derry and Strabane and the Northern Ireland average, as measured by the LPS Northern Ireland House Price Index (the 2018 average index value for Derry and Strabane was £119,500 compared with £133,400 for Northern Ireland).

Figure 6.6 Gross household disposable income per capita, NI=100, 2018 (Source: ONS)



6.4 House Price to Earnings Ratios

In 2007, at the peak of the house price boom, the Northern Ireland wide ratio of median house prices to median earnings stood at 9.1:1. By the time house prices had reached their trough, in 2013, the ratio had more than halved, to 4.2:1, lower than in any of the English and Welsh regions. The Northern Ireland ratio ticked upward in the early phase of the house price recovery, from 2013 to 2016, but has been stable at around five since 2017 (Figure 6.7 and Table 6.4).

As noted above, comparable earnings data by LGD are only available since 2013 and there is some uncertainty around the Derry and Strabane trend. Nonetheless, by 2013-14, on the house price to earnings ratio measure, both median and lower quartile house prices were more affordable in Derry and Strabane by comparison with the Northern Ireland average, illustrating the extent of the house price adjustment from the 2007 peak to the 2013 trough.

Since 2014, both median and lower quartile house price to earnings ratios have converged on their respective Northern Ireland averages. By 2018, the lower quartile ratio (5.1:1) was aligned with the Northern Ireland ratio (5.0:1). The median ratio had edged slightly higher (5.4:1 versus 5.0:1), but that is more likely to reflect some combination of sampling variability (in the earnings data) and short-term fluctuations in house prices.

A sustained divergence from the Northern Ireland average ratio is unlikely given the lower relative incomes and economic activity rates in Derry and Strabane. Overall, on a comparative regional basis, lower incomes in Derry and Strabane are offset by relatively lower house prices.

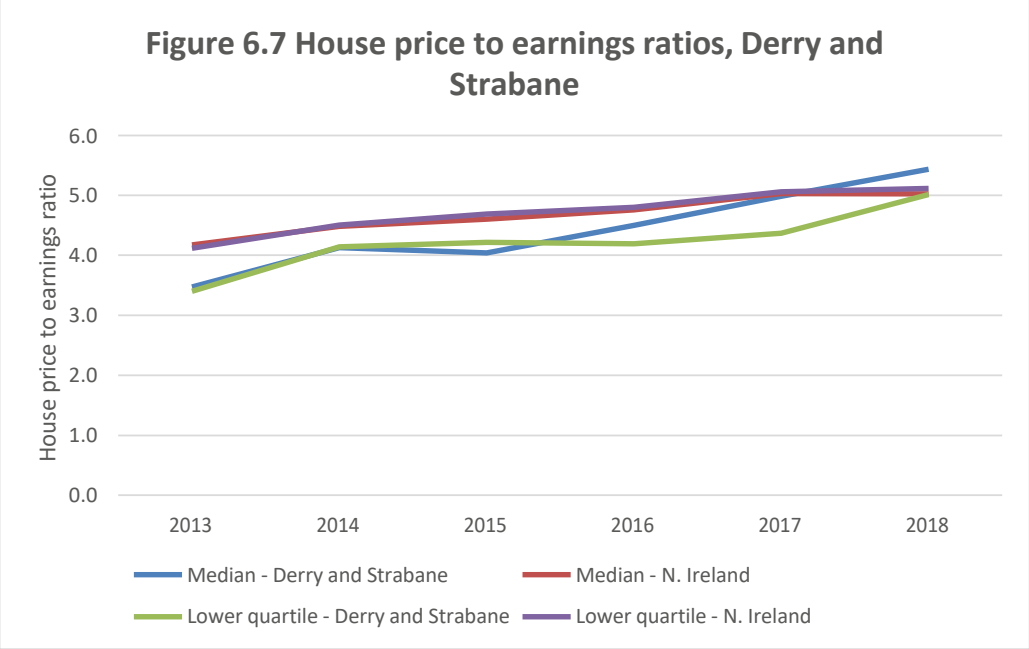


Table 6.4 House price to earnings ratios, Derry and Strabane

	2013	2014	2015	2016	2017	2018
Median						
Derry & Strabane	3.5	4.1	4.0	4.5	5.0	5.4
N. Ireland	4.2	4.5	4.6	4.8	5.0	5.0
Lower quartile						
Derry & Strabane	3.4	4.1	4.2	4.2	4.4	5.0
N. Ireland	4.1	4.5	4.7	4.8	5.1	5.1

Sources: Calculated from LPS, Annual Ward and Local Government District Statistics and NISRA, Annual Survey of Hours and Earnings (ASHE).

From the review of trends at Northern Ireland level in Appendix B, the following points can be noted in respect of affordability. In the wake of the house price boom, the large price falls that occurred through the first quarter of 2013 have been the main driver behind improving affordability. Within that context, house purchase affordability has also benefitted from the sustained period of low interest rates. Bank base rate has been held at or below one per cent since February 2020 and was reduced to 0.1 per cent in spring 2020.

Low interest rates have helped to keep mortgage payments as a proportion of income at affordable levels. For example, in late 2019, for first-time buyers in Northern Ireland, the average repayment as a proportion of income was 15.3 per cent, compared with a UK average of 17.2 per cent[38] (Source: UK Finance, Regional Mortgage Trends).

In the mortgage market, price to income multiples for first-time buyers have fallen sharply since the peak of the house price boom, from 4.73 in the third quarter of 2007 to 3.17 by the third quarter of 2013 (Source: ONS, House price data: quarterly tables, Table 15). The multiple has edged up slightly since then but has been stable at around 3.5 since 2016.

Reflecting the improvements in affordability, loans for house purchase have recovered strongly since the downturn, up from 10,000 in 2013 to 17,580 in 2019 across Northern Ireland as a whole. That recovery has been driven by the return of first-time buyers. At the peak of the boom, in 2006, their share of loans for house purchase had fallen to 30 per cent (Source: UK Finance). By 2018, the first-time buyer share had returned to its longer-term average share of around 60 per cent.

Furthermore, at the peak of the house price boom, it is plausible that potential first-time buyers were competing with buy-to-let (BTL) purchasers, constraining first-time buyer access to house purchase and exacerbating affordability problems. The BTL factor would not appear to be exerting those same effects in the more recent period of recovery. Since 2015, the BTL sector has been subject to a number of tax and regulatory changes that have served to dampen activity levels[39]. According to UK Finance, BTL house purchase loans in Northern Ireland hardly grew between 2015 and 2017 and showed a decline in 2018.

The main caveat to the continuation of the recovery in first-time buyer affordability lies in the response of banks to the coronavirus pandemic. Early indications are that banks are tightening their lending criteria, requiring higher deposits[40]. Other banks are changing their rules around deposits[41]. These developments may act as barriers to first-time buyers (FTBs) entering the owner-occupied market, which could lead to potential FTBs considering other housing options, entering or remaining in the private rented sector, remaining at home or applying for a shared ownership property. The effects on first-time buyers are evolving and will require monitoring.

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[38] See Table B.1 in Appendix B.

[39] See Tatch, Northern Ireland's comeback: Wonder horse or dead cat, UK Finance blog post.

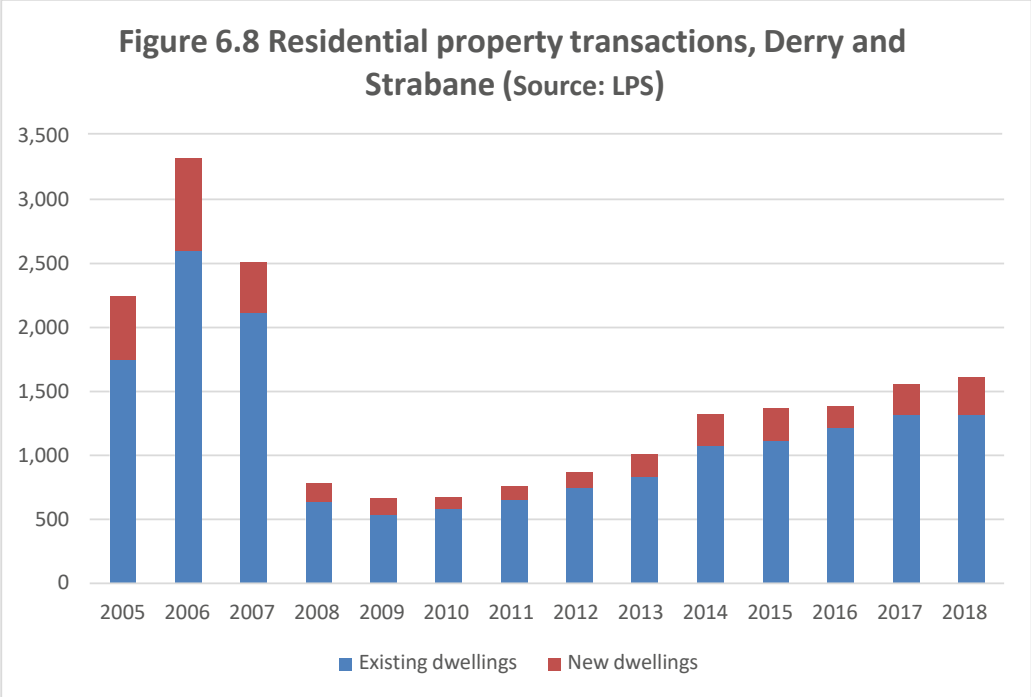
[40] See, e.g. BBC News, 23 August 2020, Co-ownership: Housing body sees threefold rise in demand; Belfast Telegraph, 10 October 2020, NI house prices hit five-year high as pent-up demand fuels sales.

[41] For example, with a 10 per cent deposit, the Nationwide bank now requires the applicant to show they saved 75 per cent of the deposit themselves. See BBC News, 5 August 2020, First-time buyers: The end of the bank of Mum and Dad?.

The conclusions drawn in respect of affordability trends at Northern Ireland level can equally be applied to the Derry and Strabane HMAs. That reflects both the synchronicity in the house price movements (Figure 6.1) and the house price to income ratios (Figure 6.7). The conclusion is further strengthened by the recovery in residential property transactions across Derry and Strabane, which have tracked the overall Northern Ireland trend.

6.5 Transactions

Residential property transactions in Derry and Strabane fell steeply in the housing market downturn, from a peak of 3,320 in 2006 to 666 in 2009 (Figure 6.8). The volume of transactions remained depressed through 2011, but have since been climbing steadily, reaching 1,600 by 2018.



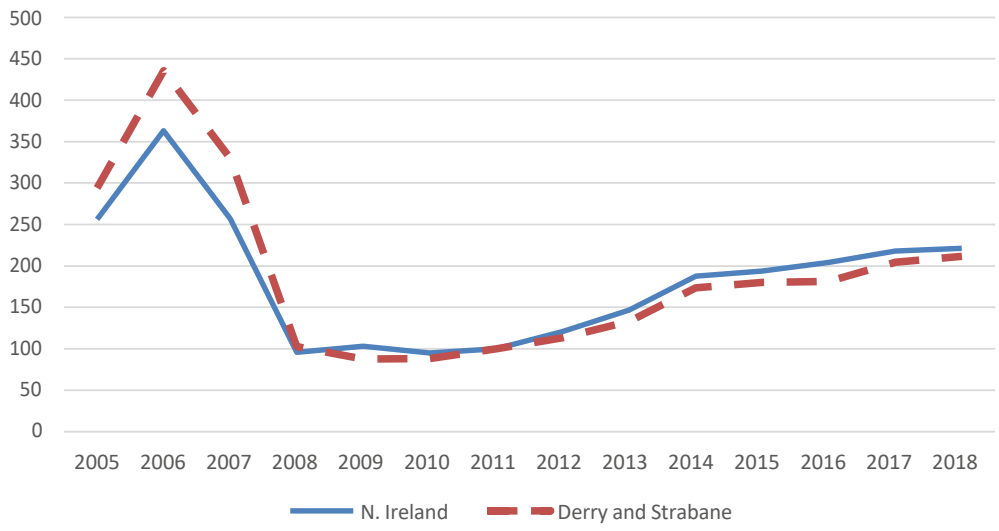
Similar to the rest of Northern Ireland, the 2006 peak was an inflated level of transactions with no sustainable basis. Therefore, the 2006 peak does not provide any form of benchmark or reference point against which to gauge whether the transactions levels of 2017 and 2018 represent a market in which there was, in broad terms, a balance between buyers and sellers. In that regard, the following points can be made.

The sharp contraction in house prices between 2007 and 2013 left many mortgage-holders with negative or low (less than five per cent) equity in their homes. According to UK Finance, by 2010-2011, around one in two outstanding mortgages had negative or low equity. That proportion had reduced to around six per cent by end-2018; at around 7.5 per cent, Derry

and Strabane had the highest proportion in negative equity across the 11 LGDs[42].

Negative or low equity can depress transactions in those cases where the household wishes to transact, e.g. to move house. However, recent trends in the mortgage market, which are reviewed in Appendix B, would suggest that negative equity is not having a discernible effect on the overall level of transactions across Northern Ireland. In addition, negative/low equity is less than one per cent at UK level but, since 2013, the growth in transactions at Northern Ireland level has been outpacing the UK average. The conclusion that negative equity is not now a constraining factor may also be applied to Derry and Strabane, where the recovery in transactions has tracked the Northern Ireland trend since 2011 (Figure 6.9).

Figure 6.9 Residential property transactions, 2011=100
(Source: LPS)



The review of affordability trends, and especially the return of the first-time buyer, would also suggest that the level of transactions across Derry and Strabane has not, in recent years, been constrained by lack of effective demand (at least prior to the coronavirus pandemic). That conclusion is supported by recent trends in residential property transactions.

[42] As reported by Tatch, Northern Ireland's comeback: Wonder horse or dead cat?, Chart 3, UK Finance blog post.

Over the period 2011 to 2018, residential property transactions more than doubled, rising by 113 per cent in the Derry HMA and 106 per cent in the Strabane HMA (Table 6.5). The recovery in Derry and Strabane combined (+112 per cent) was only slightly below the Northern Ireland average for that period (+121 per cent).

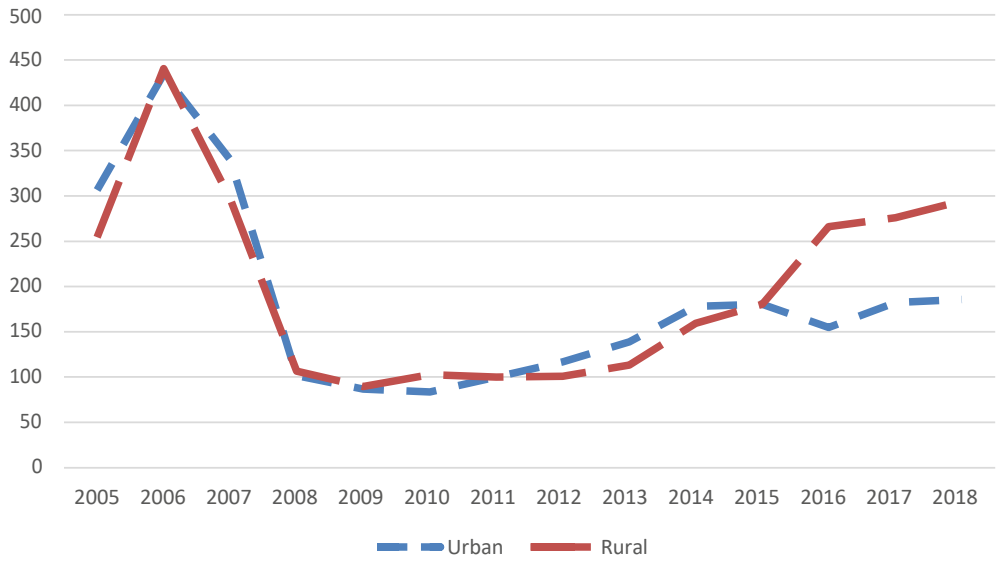
Table 6.5 Residential property transactions by location and type, Derry and Strabane

	2011	2018	Change 2011-2018	Composition 2018
	No.	*No.*	*%*	*%*
All	**762**	**1,612**	**112**	**100**
Derry HMA	601	1,280	113	79
Strabane HMA	161	332	106	21
Urban	580	1,076	86	67
Rural	182	536	195	33
Detached	206	469	128	29
Semi-detached	217	565	160	35
Terrace	283	500	77	31
Apartment	56	78	39	5
Existing dwellings	656	1,316	101	82
New dwellings	106	296	179	18

Source: LPS, Annual Ward and Local Government District Statistics

The strongest recovery was registered in locations classified by the LPS as rural, where transactions almost tripled (+195 per cent), running well in excess of the growth in urban areas (+86 per cent). The differential between urban and rural areas occurred in the period between 2016 and 2018 (Figure 6.10). Though, when the differential is examined in more detail, it has primarily been concentrated in areas adjacent to Derry City.

Figure 6.10 Residential property transactions by location, Derry and Strabane, 2011=100 (Source: LPS)



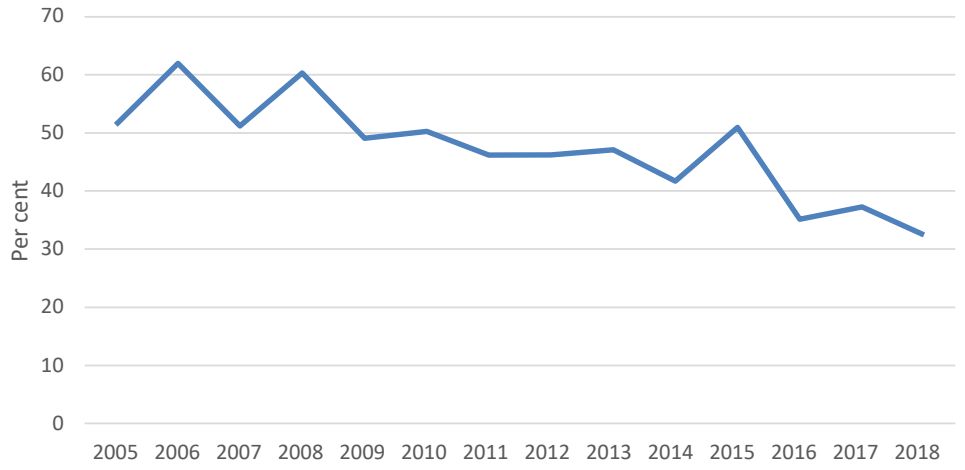
Between 2011 and 2018, 88 per cent of the increase in transactions classified as rural occurred in five Electoral Wards surrounding and coterminous with Derry City[43]. In 2011, those five Wards recorded just 18 transactions classified as rural. By 2018, the volume had increased to 252, an increase of 234.

A comparable occurrence was observed in the Strabane HMA, where the bulk of the growth in rural transactions (67 per cent) occurred in Wards adjacent or in close proximity to Strabane District Town[44].

As the growth in transactions classified as rural was mainly around Derry City, the Strabane HMA's share of all rural transactions has fallen sharply since 2011, from a little under 50 per cent to just under one-third (Figure 6.11). That highlights the suburban nature of the recent growth in transactions classified as rural across Derry and Strabane.

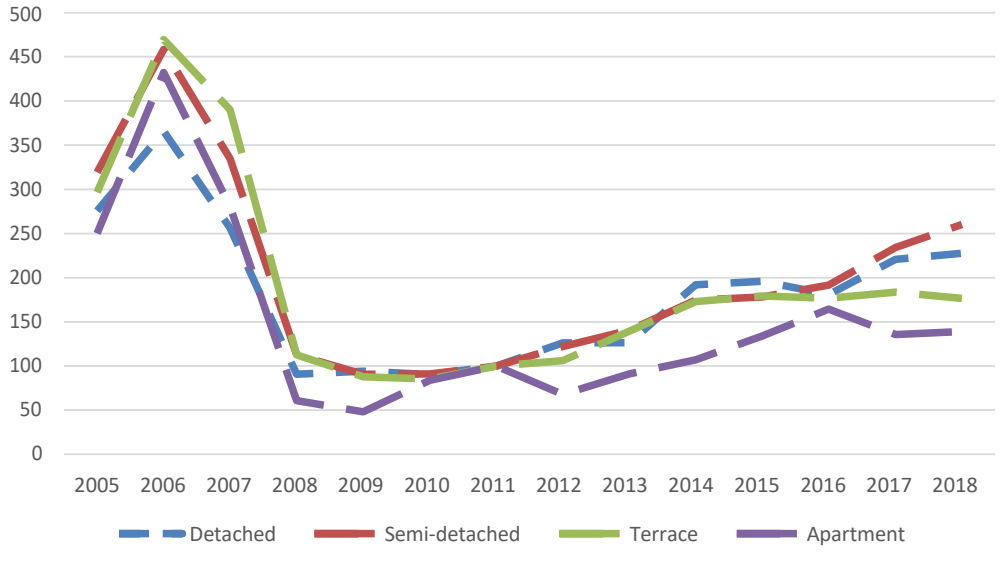
[43] Enagh, Culmore, Slievekirk, Drumahoe and New Buildings. Each of those five Wards is mixed urban and rural.
[44] Artigarvan and Finn are adjacent to Strabane. The third Ward - Sion Mills - is centred on the eponymous village, albeit within close proximity to Strabane Town.

Figure 6.11 Strabane HMA share of transactions classified as rural (Source: LPS)

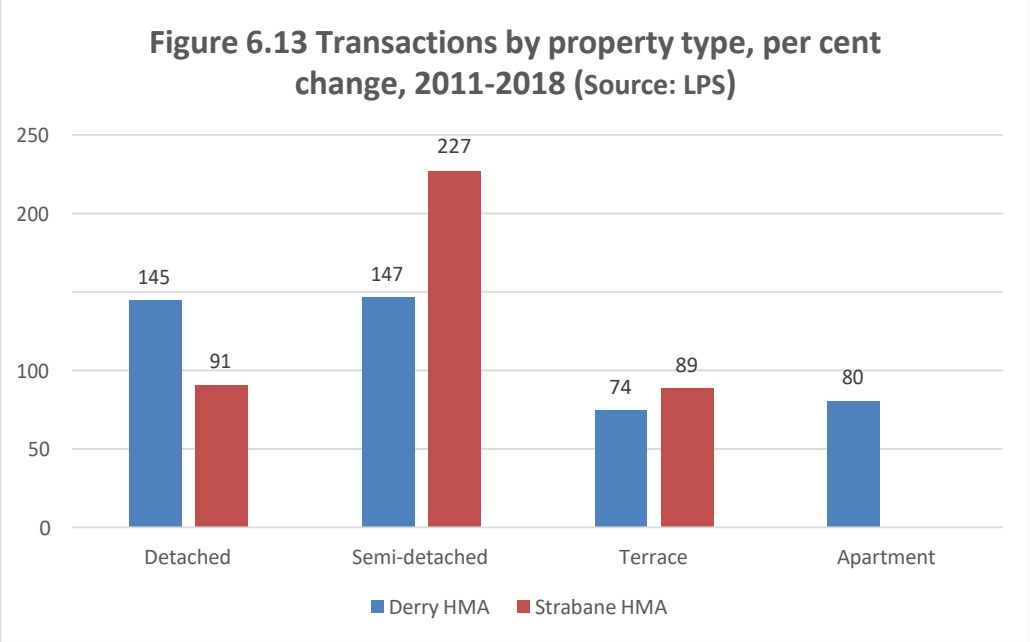


When analysed by property type, the recovery in transactions has been led by sales of semi-detached (+160 per cent) and detached (+128 per cent) properties (Table 6.5 and Figure 6.12). Sales of terraced properties increased by 77 per cent, albeit remaining flat since 2016 (Figure 6.12). Apartment sales have been slowest to recover, rising by 39 per cent between 2011 and 2018, but with a fall in volumes from 2016.

Figure 6.12 Residential transactions by property type, Derry and Strabane, 2011=100 (Source: LPS)



The pattern of change by property type has also varied between the two HMAs. In the Derry HMA, detached and semi-detached properties have led the recovery, with apartments and terraced properties recovering more slowly (Figure 6.13). At least in part, that is testimony to the suburban thrust in the growth of sales around Derry City.



By contrast, in the Strabane HMA, semi-detached properties have seen the largest growth in sales (+227 per cent), while detached and terraced properties have grown at about the same pace. Sales of apartments in Strabane are not shown in Figure 6.13, due to the very low volume of transactions in that property type (fewer than five in 2018).

As can be seen from Table 6.6, the composition of transactions by property type has largely mirrored the composition of the stock of dwellings occupied by households with a mortgage. To that extent, in the recovery period from 2011 onwards, the pattern of demand has remained consistent with the historical profile.

Table 6.6 Residential property transactions: Composition by property type, 2018					
	Detached	**Semi-detached**	**Terraced**	**Apartments**	**All**
	Row%	*Row%*	*Row%*	*Row%*	*%*
Derry HMA	27	35	33	6	100
Strabane HMA	37	36	25	1	100
Derry and Strabane	**29**	**35**	**31**	**5**	100
Occupied dwellings by type, 2011 – Owned with mortgage					
Derry and Strabane	*29*	*38*	*30*	*3*	*100*
Sources: LPS Tables supplied for SHMA; Census of Population 2011.					

Sales of newly registered properties have grown more quickly than sales of existing (previously registered) properties between 2011 and 2018 (Table 6.7). Within the Derry HMA, the growth of sales in newly registered properties was led by Wards located on the outskirts of the City. Four of those Wards saw 100 or more sales of newly registered properties over the 2011 to 2018 period[45].

Table 6.7 Residential property transactions, per cent change 2011-2018, Derry and Strabane			
	Existing	**New**	**All**
	%	*%*	*%*
Derry HMA	101	189	113
Strabane HMA	98	150	106
Derry and Strabane	**101**	**179**	**112**
N. Ireland	*122*	*117*	*121*
Source: LPS Tables supplied for SHMA.			

[45] Kilfennan (124 properties), New Buildings (113), Clondermot (106) and Drumahoe (106).

Within the Strabane HMA, the largest volume of sales of newly registered properties occurred in Strabane North (99 sales), within the District Town, and Artigarvan (72 sales), which is adjacent to Strabane North. Sion Mills, a village Ward just southeast of Strabane Town, registered 57 sales.

Newly registered properties accounted for almost one in five transactions in 2018 (18 per cent), slightly ahead of the Northern Ireland average (16 per cent). The share of newly registered properties did not vary greatly between the Derry and Strabane HMAs (Table 6.8).

Table 6.8 Residential property transactions, new and existing, Derry and Strabane, 2018

	Existing	New	All
	% of all	*% of all*	*No.*
Derry HMA	82	18	1,280
Strabane HMA	80	20	332
Derry and Strabane	**82**	**18**	**1,612**
N. Ireland	*84*	*16*	*24,984*

Source: LPS Tables supplied for SHMA.

6.6 Completions

Similar to the rest of Northern Ireland, private/speculative completions have largely mirrored the housing market cycle in prices and transactions (Figure 6.14). Having peaked at 907 dwellings in 2005-06, private sector completions fell below 200 in 2012-13. Over that period, private completions fell by 80 per cent, steeper than the Northern Ireland average fall of -68 per cent. Completions have grown robustly since then. Over the period from 2017-18 to 2019-20, private sector completions have averaged 383 new dwellings per annum, more than double the 2012-13 level (Table 6.9), and ahead of the comparable Northern Ireland increase (+60 per cent).

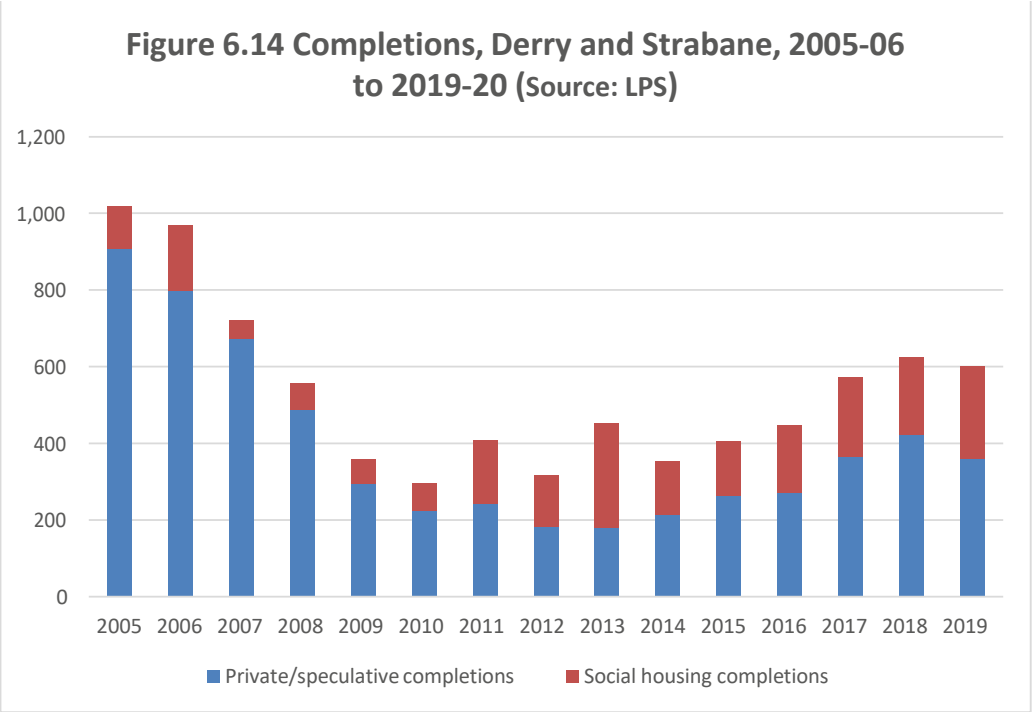
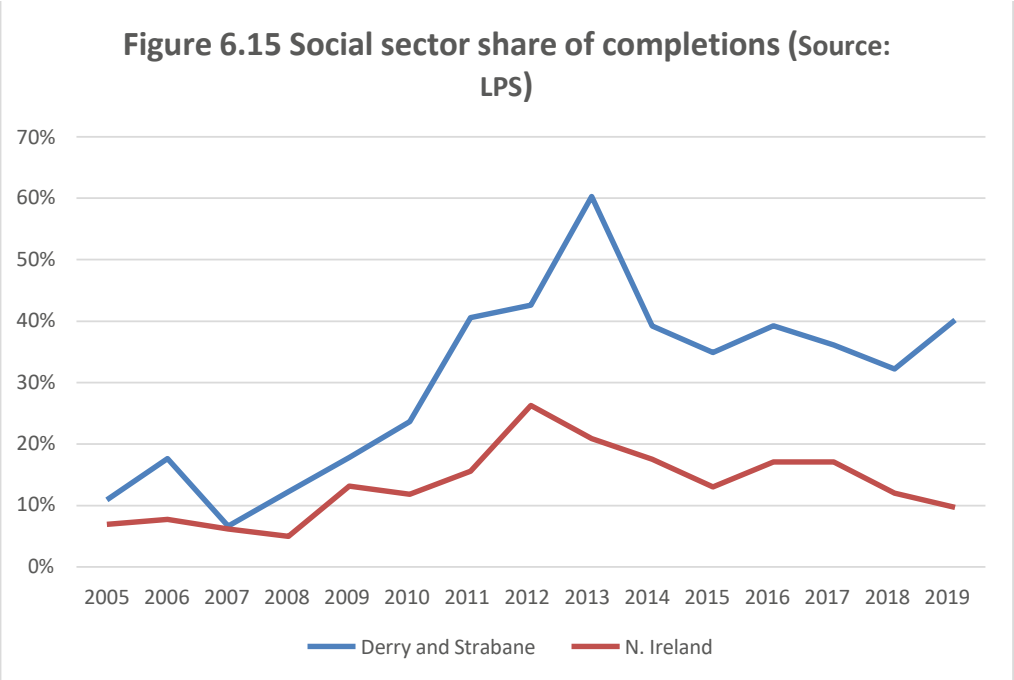


Table 6.9 Completions: Private/speculative

	Average 2017-18 to 2019-20		Per cent change from 2012-13
	No.	*%*	*%*
Derry HMA (e)	296	77	116
Strabane HMA (e)	87	23	92
Derry and Strabane	**383**	**100**	**110**

Source: LPS, New dwelling statistics
(e) Estimated.

Social sector completions have been particularly important as a component of new dwelling completions in Derry and Strabane. Over the three-year period 2011-12 and 2013-14, when the private sector was at its lowest ebb, the social sector accounted for almost half of new completions (49 per cent), mainly due to a 60 per cent share in 2013-14 (Figure 6.15). Since 2013, the social sector share of completions has remained at a high level (close to 40 per cent), compared with the Northern Ireland average (15 per cent average share over the period 2013-14 to 2019-20).



6.7 Private Sector Rents

The available evidence would suggest that private sector rentals have grown at a steady pace in recent years. The review of private sector rental trends in Appendix B indicates that, at Northern Ireland level, average rentals have grown at 1.7 per cent per annum between January 2015 and January 2020. Over the same period, the rate of inflation in consumer prices was 1.8 per cent per annum, suggesting average rentals have been stable in real terms.

Using data from the Family Resources Survey (FRS) also indicates that private sector rents have grown at a steady pace over a longer period, from 2002-03 through to 2018-19. Certainly, at Northern Ireland level, private sector rents have not exhibited the volatility that has characterised house prices in the residential property market.

The private sector rents data supplied by the Housing Executive for this SHMA, based on advertised lettings, suggest that, within the Derry and Strabane area, private sector rents have also been growing at a modest pace, on average (Table 6.10).

Table 6.10 Private sector rents, annual growth, Derry and Strabane		
	2018	2019
	%	%
Derry and Strabane	1.9	1.1
N. Ireland	1.6	1.8
Source: Calculated from advertised lettings data supplied by NIHE.		

Within that context, it is useful to examine the affordability of private sector rentals. One approach is to compare rents with household income levels. Income data by tenure are not available at sub-regional level within Northern Ireland. Therefore, average rents are compared with the small area household income data, based on CACI modelled estimates. As the small area data are for all households, ratios of rents to household incomes are likely to be lower than would be the case with a tenure breakdown[46]. Bearing that caveat in mind, it is useful to consider ratios of rents to average household incomes within and across Derry and Strabane. Rent to household income ratios are shown in Table 6.11 for both median and 30th percentile rents[47]. In calculating the ratios, Housing Benefit is included on the income side.

Across the combined Derry and Strabane HMAs, median weekly rents represent 20 per cent of median household income. The ratio is slightly lower in Strabane (18 per cent) where the median rent is below the average for the HMAs combined. At those ratios, the median rent could not be said to present an acute affordability problem, on the average.

The 30th percentile rent is relevant as the reference rent that forms part of the process for determining Local Housing Allowance (LHA) rates paid to private sector tenants who have insufficient income to meet their full accommodation costs. Given its role in assisting those on a low income to meet their housing costs, the 30th percentile rent is compared with the lower quartile of gross household incomes. Across the two HMAs, the 30th percentile of rents is equivalent to 29 per cent of the lower quartile of household incomes.

[46] According to the FRS, the median income of households in the private rented sector is 11 per cent below the average for all households when Housing Benefit is included on the income side and 16 per cent lower when Housing Benefit is excluded from income.
[47] In an order array of numbers, the 30th percentile is the value below which 30 per cent of values are located.

Table 6.11 Median and 30th percentile rents as per cent of income (including Housing Benefit), 2018

	Median rent		30th percentile rent	
	£'s	% of median income	£'s	% of lower quartile income
Derry HMA	£107	20	£99	29
Strabane HMA	£95	18	£86	26
Derry and Strabane	**£107**	**20**	**£98**	**29**
N. Ireland	*£112*	*19*	*£102*	*28*

Sources: Calculated from rent data supplied by NIHE and CACI Small Area household income data combined with FRS household income data.

On both the median and 30th percentile, the ratios for the combined Derry and Strabane HMAs are close to their respective Northern Ireland averages. Indeed, in the Strabane HMA, the ratios are lower than the Northern Ireland average. That is because the lower incomes in Derry and Strabane are offset by lower median and 30th percentile rents.

Clearly, even at the 30th percentile, rents place a greater strain on the finances of lower income households. It is therefore useful to look at receipt of Housing Benefit[48], which is awarded on a means-tested basis, as a direct indicator of affordability problems within the private rented market. Receipt of Housing Benefit also facilitates a discussion of social sector tenants.

[48] From October 2017, for working age claimants, Housing Benefit is being replaced by the housing support element of Universal Credit, with new applications for help with housing costs treated under the Universal Credit regime. For convenience, Housing Benefit is used here as shorthand for all recipients of help with housing costs, including those in the private rented sector receiving LHA.

6.8 Receipt of Housing Benefit

As at April 2019, an estimated 62 per cent of private rented sector tenants were in receipt of Housing Benefit in Derry and Strabane (Table 6.12). By comparison, the estimated average share across Northern Ireland was 42 per cent (Table 6.13). The difference of 20 percentage points reflects the lower income levels in Derry and Strabane by comparison with the rest of Northern Ireland, as Housing Benefit is means-tested. That is also reflected in a substantially higher receipt of key State benefits. For example, at February 2020, over one in four working age persons in Derry and Strabane (26 per cent) were in receipt of a key state benefit, i.e. Income Support, Employment Support Allowance, etc. (Figure 6.16).

Table 6.12 Receipt of Housing Benefit[1], Derry and Strabane

	2018		2019	
	No.	*%[2]*	*No.*	*%[2]*
Private rented	8,300	*69*	7,500	*62*
Social rented	11,900	*95*	11,700	*92*
All	**20,200**	***82***	**19,200**	***77***
Per cent of all households		*35*		*33*

1 Sourced from Single Housing Benefit Extract (SHBE), adjusted to include receipt of housing element of Universal Credit, April of each year shown.
2 Per cent of households (estimated).

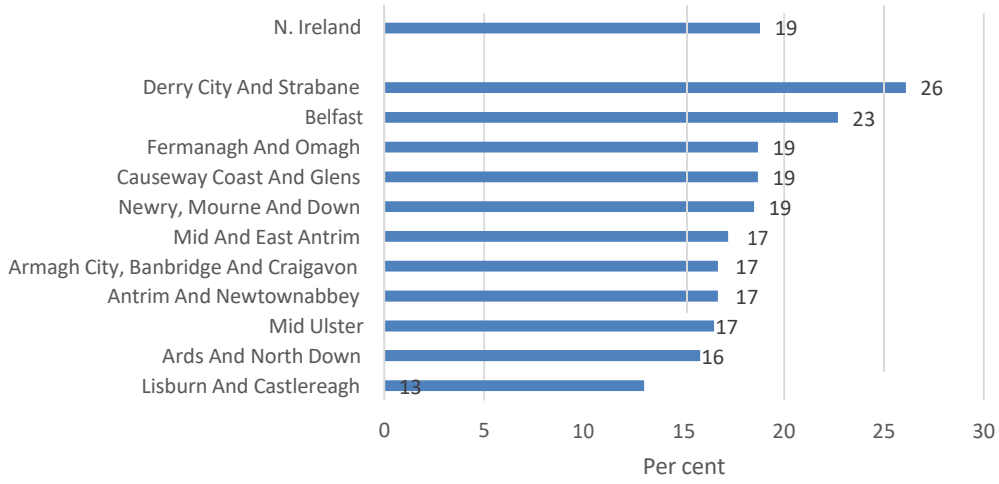
Table 6.13 Receipt of Housing Benefit, Derry and Strabane: Per cent of households (estimated)

	Private Rented	Social	All rented	*All households*
	%	*%*	*%*	*%*
Derry HMA	62	92	78	34
Strabane HMA	63	92	76	28
Derry and Strabane	**62**	**92**	**77**	**33**
N. Ireland	*42*	*84*	*60*	*21*

Receipt of Housing Benefit is higher within the social rented sector where an estimated 92 per cent of the combined total of Housing Executive and Housing Association tenants received assistance towards their rent costs as at April 2019.

Across the rented sector as a whole, both private and social, an estimated 77 per cent of tenants are in receipt of Housing Benefit, amounting to an estimated one in three households (33 per cent), compared with an estimated 21 per cent of households across Northern Ireland.

Figure 6.16 Working age claimants of key benefits, February 2020, Per cent of 16-64 population (Source: DfC Benefit Statistics)



Box 6.B Key benefits for persons of working age

- Carer's Allowance
- Disability Living Allowance
- Employment & Support Allowance
- Incapacity Benefit
- Income Support
- Jobseeker's Allowance
- Severe Disablement Allowance
- Personal Independence Payment

Source: DfC, Benefit Statistics, Client Group Analysis.

Social rented housing, including both the Housing Executive and Housing Associations, is one of the types of affordable housing included in the 2015 SPPS definition. It is therefore useful to compare the rents paid by Housing Benefit recipients in the social sector with the rents paid by their private sector counterparts and the wider private rented market. That is, how do rents in the private sector compare with rents paid for dwellings that are classified as 'affordable housing'?

In making such comparisons, it is necessary to control for variations in rents by bedroom size. Table 6.14 shows the variations in private rented sector lettings by bedroom size for both the median and 30th percentile. Table 6.15 presents the average rents paid by Housing Benefit recipients in the private rented sector[49] as well as Housing Associations and the Housing Executive[50]. Housing Executive rents are shown separately because they were frozen from 2015 to October 2020 and, by April 2019, were 27 per cent below Housing Association rents, on average.

The main point to note is that the mean rent paid by Housing Association tenants in receipt of Housing Benefit amounts to 96 per cent of the 30th percentile of the private sector rents shown in Table 6.15, ranging from 91 per cent for one-bedroom accommodation to 98 per cent for three bedrooms. To that extent, the 30th percentile is a valid threshold for defining social affordable rents and is used for that purpose in the forward-looking assessment of housing requirements in Section 8 below.

Table 6.14 Private rented sector lettings: Median and 30th percentile rents by number of rooms, Derry and Strabane

	One room	Two rooms	Three rooms	Four rooms	All[1]
Median	£88	£106	£111	£126	£107
30th percentile	£84	£100	£106	£117	£98

Source: Lettings data supplied by NIHE.
1 Excluding shared accommodation lettings

[49] The amounts shown relate to actual contract rent amounts, which are typically greater than the LHA rate that is payable as a contribution towards their rents.
[50] The rents shown within the bedroom size categories within the social sector relate only to working-age claimants. Claimants of pension age within the social sector are not subject to the social sector size criteria (the 'bedroom tax'); therefore, information on the number of bedrooms contained within their accommodation is not included in the SHBE.

Table 6.15 Mean rents paid by Housing Benefit recipients, Derry and Strabane

	One room	Two rooms	Three rooms	Four rooms	All[1]
Private rented/LHA	£79	£99	£108	£115	£100
Housing Associations	£77	£92	£104	£110	£94
NIHE	£51	£64	£75	£83	£69
Per cent of PRS 30th percentile					
Private rented/LHA	94%	99%	102%	98%	102%
Housing Associations	91%	92%	98%	94%	96%
NIHE	61%	64%	71%	71%	71%

Source: SHBE.
1 Excluding shared accommodation lettings

The rents paid by Housing Benefit recipients can be further compared with the overall private rented sector distribution by calculating the proportions with rents lying below the 30th percentile; between the 30th percentile; and, above the private rented sector median. The results are shown in Table 6.16, with proportions adjusted for bedroom size. All Housing Executive tenants pay rents that are below the 30th percentile of PRS rents. A large majority of Housing Association tenants (84 per cent) also pay a rent that is below the 30th percentile.

One in two Housing Benefit recipients in the private rented sector (50 per cent) pays a rent below the 30th percentile. However, almost 15 per cent are between the 30th percentile and the median while over one in three (35 per cent) pay above the median.

The proportion of claimants in the private rented sector paying above the 30th percentile for their weekly rent is at least partly due to the freeze on LHA amounts over the period 2016 to 2020. Indeed, the majority of those claimants (89 per cent) pay a weekly contract rent that exceeds their LHA award (Table 6.17). On average, the weekly shortfall amounts to £23, representing almost one-fourth (23 per cent) of their weekly contract rent, which must be met from their own resources. That underlines the importance of the continuing availability of Housing Benefit within the private rented sector.

Table 6.16 Housing Benefit recipients[1]: Rents[2] relative to private rented sector median and 30th percentile – Derry and Strabane

	Above PRS median	Between 30th percentile and median	Below 30th percentile
	%	%	%
LHA\Private rented	35.4	14.6	50.0
Housing Associations	6.7	9.0	84.4
NIHE	0.0	0.0	100.0
All	**15.9**	**8.1**	**76.1**

Sources: Calculated from SHBE and NIHE lettings data.
1 Working age recipients with bedroom entitlement (73 per cent of total claimants on SHBE).
2 Adjusted for number of bedrooms.

Table 6.17 Housing Benefit recipients with bedroom entitlement[1]: Shortfall between Housing Benefit amount and contract rent, Derry and Strabane

	Private rented /LHA	NIHE	Housing Association
Per cent with a shortfall	89%	64%	51%
Median shortfall			
Amount	£23	£12	£15
Per cent of weekly rent (average)	23	16	15

Source: SHBE
1 LHA claimants in the private rented sector, working age claimants in the social sector.

6.9 Tenure

Similar to the rest of Northern Ireland, prior to 2011, the main trends in tenure shares within the Derry and Strabane HMAs were the rising share of owner-occupation and the falling share in social rented accommodation (Table 6.18). The two trends were linked to the extent that the shift toward owner-occupation was boosted by the introduction of the House Sales Scheme in 1979, whereby sitting Housing Executive tenants could purchase their dwelling.

Table 6.18 Tenure shares, 1991-2011, Derry and Strabane

	Shares:			Shift in share:	
	1991	2001	2011	1991-2001	2001-2011
	%	%	%	pps	pps
Owner-occupied	52	63	60	11	-3
Owned outright	19	24	27	5	3
Owned with mortgage	32	38	32	6	-6
Shared ownership	-	1	0	-	0
Social rented	43	29	21	-14	-8
NIHE	41	25	16	-16	-10
Housing Associations	2	3	5	1	2
Private rented	5	9	19	4	11
Private landlord/letting agency	4	7	15	3	9
Employer/relative/friend	0	2	2	1	0
Rent-free	1	1	3	0	2
All	**100**	**100**	**100**		

Source: Census of Population.

The decade from 2001 to 2011 saw a reversal in the shift to owner-occupation, with the share falling from 63 per cent to 60 per cent. The decrease was only slightly in excess of the Northern Ireland average (-2 percentage points) and similarly driven by a fall in the proportion owning with a mortgage; -6 percentage points, compared to the Northern Ireland average of -5 percentage points. The decline in the proportion owning with a mortgage is testimony to the effects of the house price cycle during that

period, with first-time buyers squeezed by deteriorating affordability when prices were rising and constrained access to credit during the downturn.

The fall in owner-occupation would likely have been steeper were it not for Housing Executive sales to sitting tenants. During the 2000s, the social sector share continued to decline, by eight percentage points.

The obverse of the falling owner-occupation and social sector shares was a sharp rise in the proportion of households living in rented accommodation. Having ticked upwards during the 1990s by four percentage points, the private rented sector share rose by 11 percentage points between 2001 and 2011, ahead of the Northern Ireland average (+8 percentage points).

The above trends were felt in the two HMAs and with almost equal force (Table 6.19). Thus, the private rented sector rose by double digits in both Derry (+11 percentage points) and Strabane (+10 percentage points).

The social sector share also fell in equal proportions across the two HMAs, by -8 percentage points. Though, in Derry, the sector accounted for 22 per cent of households in 2011, well above the Northern Ireland average of 15 per cent.

Table 6.19 Tenure shares by HMA, 2011

	Owner-occupied	Shared	Social rented	Private rented
Shares 2011				
	%	*%*	*%*	*%*
Derry HMA	58	1	22	19
Strabane HMA	64	0	16	19
Change 2001-2011				
	pps	*pps*	*pps*	*pps*
Derry HMA	-3	0	-8	11
Strabane HMA	-2	0	-8	10

pps Percentage points difference
Source: Census of Population.

In the absence of a Census of the population, it is not possible to say precisely how the household tenure composition has evolved since 2011. That issue is addressed in detail in Appendix C, drawing on time series data from the Family Resources Survey (FRS). While it is not possible to be definitive, the conclusion drawn is that the main tenure trends of 2001 to 2011 continued through to 2018-19 but at a reduced pace. Based on that analysis, the main tenure trends have been estimated through to 2018.

The estimates for the combined Derry and Strabane HMAs are summarised in Figure 6.17 and Table 6.20, as follows:

- Owner-occupation – estimated to have declined by about 1.4 percentage points.
- Social rented – estimated to have risen slightly, by a little under one percentage point. That reversal in trend is likely due to the sharp fall-off in Housing Executive house sales allied to the social sector profile in new dwelling completions noted above. Between 2011 and 2018, over 1,700 new social sector homes were completed, an annual average of 245.
- Private rented – estimated to have increased in share by one percentage point.

Figure 6.17 Household tenure composition, 1991 to 2011 historical, 2018 estimated, Derry and Strabane

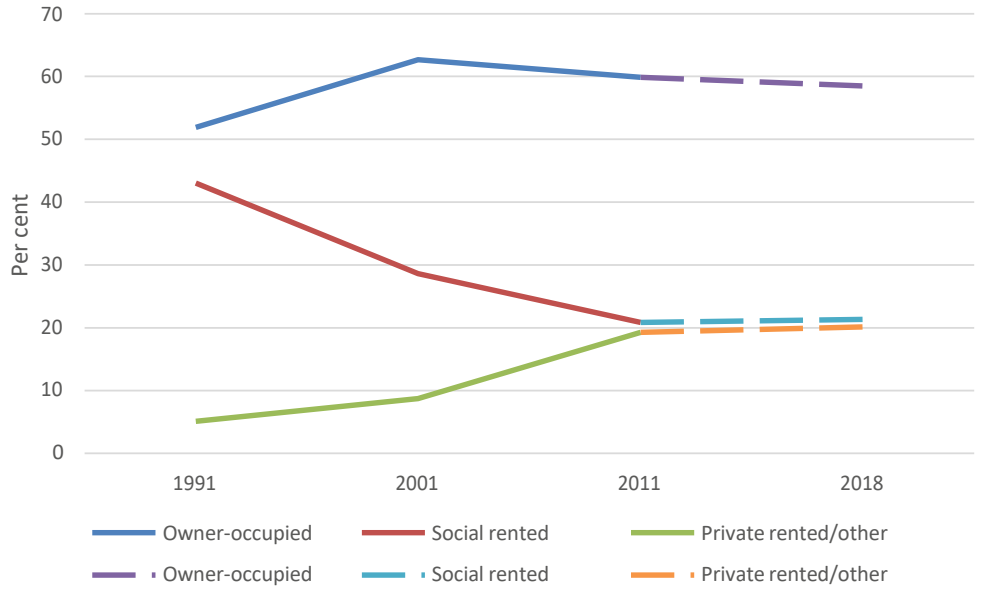
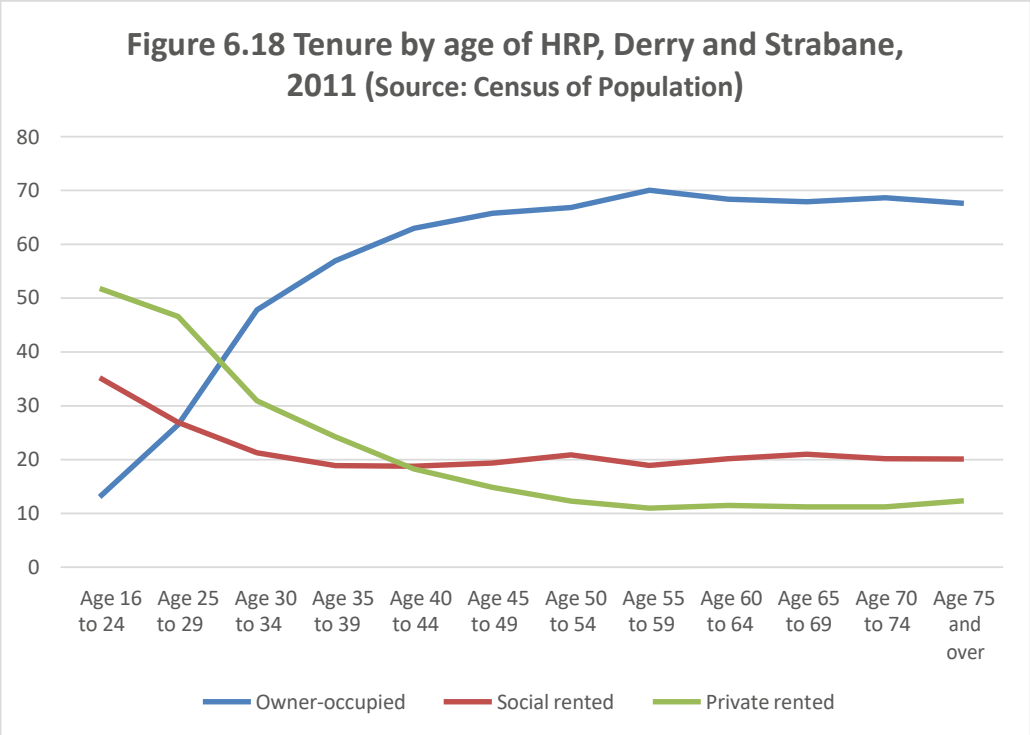


Table 6.20 Tenure shares, 1991-2011 historical, 2018 estimated, Derry and Strabane				
	1991	2001	2011	2018
Owner-occupied	51.9	62.6	59.9	58.5
Social rented	43.0	28.6	20.9	21.3
Private rented	5.1	8.7	19.3	20.2
Sources: Historical - Census of Population; Estimated – author's estimates.				

As outlined in Appendix C, the tenure shares have been projected forward using Holmans' demographic method. The methodology is grounded in two main features of the tenure composition by age of the Household Reference Person (HRP – see Box 6.C), both of which are present in Derry and Strabane. First, tenure shares are broadly stable among households where the HRP is aged 45 and over (Figure 6.18). Second, in households where the HRP is aged under 45, there is a clear progression from renting to owning (Figure 6.19).



Box 6.C Household Reference Person (HRP)

The **Household Reference Person** (HRP) concept was introduced for the 2001 Census of Population to replace the former 'head of household' measure. There is one HRP per household. The HRP should be one of the usual residents in the household. For a person living alone, it follows that this person is the HRP. Otherwise:

- If the household contains only one family, the HRP is the same as the Family Reference Person (FRP).
- If there is more than one family in the household, the HRP is chosen from among the FRPs using the same criteria as for choosing the FRP (economic activity, then age, then order on the form).

In a lone parent family, the **Family Reference Person** is taken to be the lone parent in a lone parent family. Otherwise:

- In a couple family, the FRP is chosen from the two people in the couple based on their economic activity (in the priority order; full-time job, part-time job, unemployed, retired, other).
- If both people have the same economic activity, the FRP is identified as the elder of the two or, if they are the same age, the first member of the couple on the form.

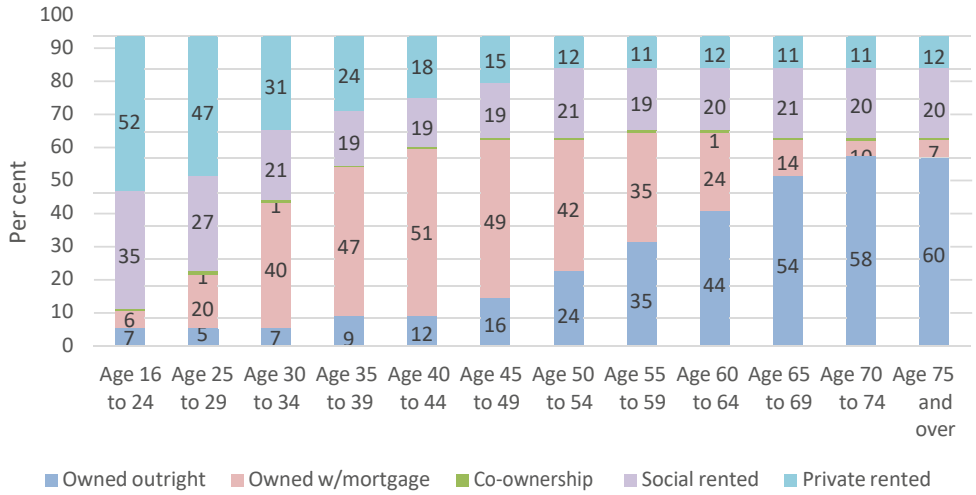
A **family** comprises of a group of people consisting of a married or cohabiting couple with or without child(ren), or a lone parent with child(ren). It also includes a married or cohabiting couple with their grandchild(ren) or a lone grandparent with his or her grandchild(ren) where there are no children in the intervening generation in the household. Cohabiting couples include same sex couples. Children in couple families need not belong to both members of the couple.

If there is no family, the HRP is chosen from the individuals within the household using the same criteria as for the FRP, i.e. economic activity status, age and order in which listed on the form.

Generally, visitors cannot be HRPs and households containing visitors only (e.g. holiday homes) would not have a HRP unless they contained a visitor with no other usual residence. In an all-visitor household containing one or more visitors with no other usual residence, an HRP should be selected from the 'resident visitors' (i.e. visitors with no (other) usual residence).

Source: Extracted from NISRA, 2011 Census Definitions and Output Classifications.

Figure 6.19 Tenure by age of HRP, 2011, Derry and Strabane (Source: Census of Population)



The results of the demographic tenure projection for Derry and Strabane are summarised in Figure 6.20 and Table 6.21. The interesting feature is the projected rise from 2018 to 2035 in the share of households in social rented sector accommodation. The reason is that, compared to Northern Ireland, the social sector share is relatively high among all age groups, and noticeably higher in the 16-64 working age groups (compare Figure 6.18 with Figure C.9 in Appendix C).

Figure 6.20 Household tenure composition, 1971 to 2011 historical, 2018 estimated, projected to 2035, Derry and Strabane

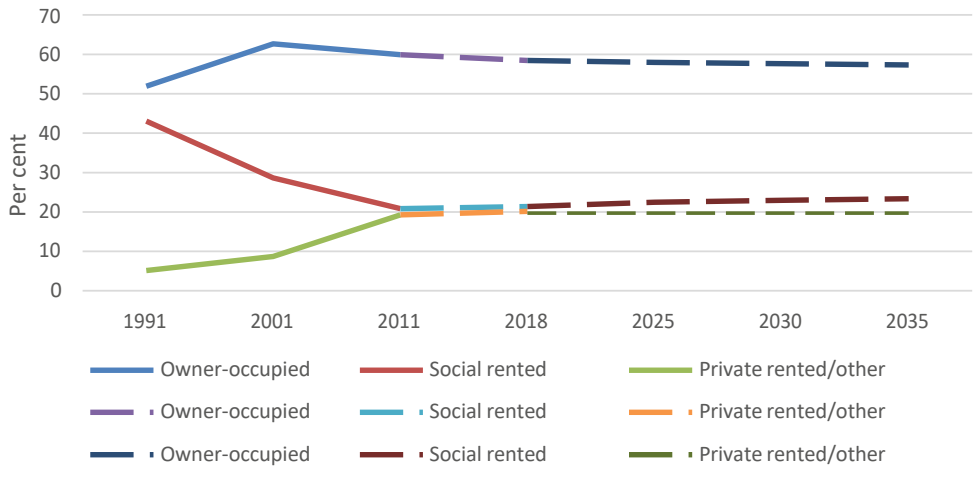


Table 6.21 Household tenure composition: Projections to 2035, Derry and Strabane, Holmans demographic method

	2011	2018	2030	2035
Owner-occupied	59.9	58.5	57.6	57.3
Social rented	20.9	21.3	23.0	23.4
Private rented	19.3	20.2	19.4	19.3
All	**100.0**	**100.0**	**100.0**	**100.0**

Sources: Historical - Census of Population; Estimated – author's estimates.

In the demographic projections, that higher rate of social housing need among the household population of working age is carried forward into the older age groups, more so than in the projections for Northern Ireland as a whole.

The owner-occupation share is projected to fall only slightly, by about one percentage point, which would represent a markedly slower pace of decline than was seen in the period from 2001 to 2011. That speaks to the housing market recovery in recent years when, especially from 2016 onwards, housing market activity indicators such as transactions and private sector completions signalled a turnaround in the owner-occupied sector.

The private rented sector share is projected to also decline by about one percentage point between 2018 and 2035.

Nonetheless, there is uncertainty around the projected tenure shares. For example, house purchase affordability may worsen. In that event, newly arising households may be more likely to enter the private rented sector. Households already in the private rented sector may find it more difficult to move into home ownership.

For that reason, it is useful to consider a variant scenario in which the private rented sector share increases, albeit at a reduced rate compared with the rapid expansion of the 2000s. The trend-based scenario is summarised in Figure 6.21 and Table 6.22.

Figure 6.21 Household tenure composition, 1971 to 2011 historical, 2018 estimated, projected to 2035, Derry and Strabane, trend-based

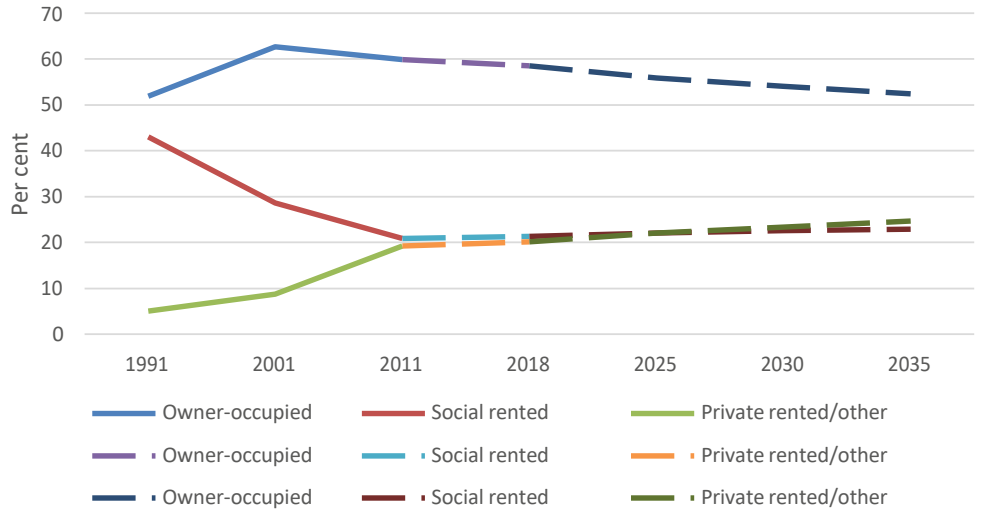


Table 6.22 Household tenure composition: Projections to 2035, Derry and Strabane, FRS-based trends by age				
	2011	**2018**	**2030**	**2035**
Owner-occupied	59.9	58.5	56.8	56.1
Social rented	20.9	21.3	21.9	22.0
Private rented	19.3	20.2	21.3	21.9
All	**100.0**	**100.0**	**100.0**	**100.0**
Sources: Historical - Census of Population; Estimated – author's estimates.				

6.10 Key Points Summary

Over the past decade and a half, house price movements in Derry and Strabane have closely tracked the Northern Ireland average. From their peak in 2007 to the trough in 2013, house prices in Derry and Strabane fell by 54 per cent. The scale of the price fall has been crucial in underpinning improved affordability within the residential property market in Derry and Strabane.

Average incomes are lower in Derry and Strabane compared with the rest of Northern Ireland, by about 11 per cent. However, that income differential is

fully reflected in house prices; in 2019, the average (standardised) house price was 10 per cent below the Northern Ireland average.

Further testifying to the improvement in affordability, over the period 2011 to 2018, residential property transactions more than doubled, rising by 113 per cent in the Derry HMA and 106 per cent in the Strabane HMA.

The strongest recovery in transactions was registered in locations classified as rural, where sales almost tripled (+195 per cent), well in excess of the growth in urban areas (+86 per cent). When the differential is examined in more detail, it has primarily been concentrated in areas adjacent to Derry City.

Social sector completions have been especially important as a component of new dwelling completions in Derry and Strabane. Since 2013, the social sector share of completions has remained at a high level (close to 40 per cent), compared with the Northern Ireland average (around 15 per cent).

In the rented housing market, private sector rentals have been growing at a modest pace, on average. Across the HMA as a whole, median weekly private sector rents are estimated to represent 20 per cent of median household income. That is in line with the Northern Ireland average and could not be said to present an acute affordability problem, on the average.

Across the two HMAs, the 30th percentile of rents is estimated to be equivalent to 29 per cent of the lower quartile of household incomes.

An estimated 62 per cent of private rented sector tenants in Derry and Strabane were in receipt of Housing Benefit as at April 2019. That is well above the Northern Ireland average (42 per cent), reflecting the lower average incomes within Derry and Strabane and higher receipt of State benefits. Nonetheless, Housing Benefit is of particular importance in helping private rented tenants to sustain their accommodation in Derry and Strabane.

Along with the rest of Northern Ireland, tenure shares during the decade from 2001 to 2011 showed markedly divergent trends, with a sharp increase in the private rented sector share accompanied by falling shares in both the owner-occupied and social rented sectors.

Though, by 2011 the tenure composition of households in the combined Derry and Strabane HMAs remained distinctive in the Northern Ireland context. In 2011, over one in five households (21 per cent) were in social rented sector housing, six percentage points higher than the Northern Ireland average (15 per cent). Conversely, the owner-occupied share was relatively low compared with the Northern Ireland average; 60 per cent across Derry and Strabane compared with 67.5 per cent for Northern Ireland as a whole.

Based on the housing market trends observed since 2011, it is estimated that there was considerably less divergence in tenure shares over the period 2011 to 2018. The owner-occupied share is likely to have been stabilised by the recovery in the residential property market. The social sector share will have benefitted from the reduced pace of Housing Executive house sales combined with the pace of social sector completions between 2011 and 2018. Looking ahead over the longer term, to 2035, tenure shares are projected to remain broadly stable.

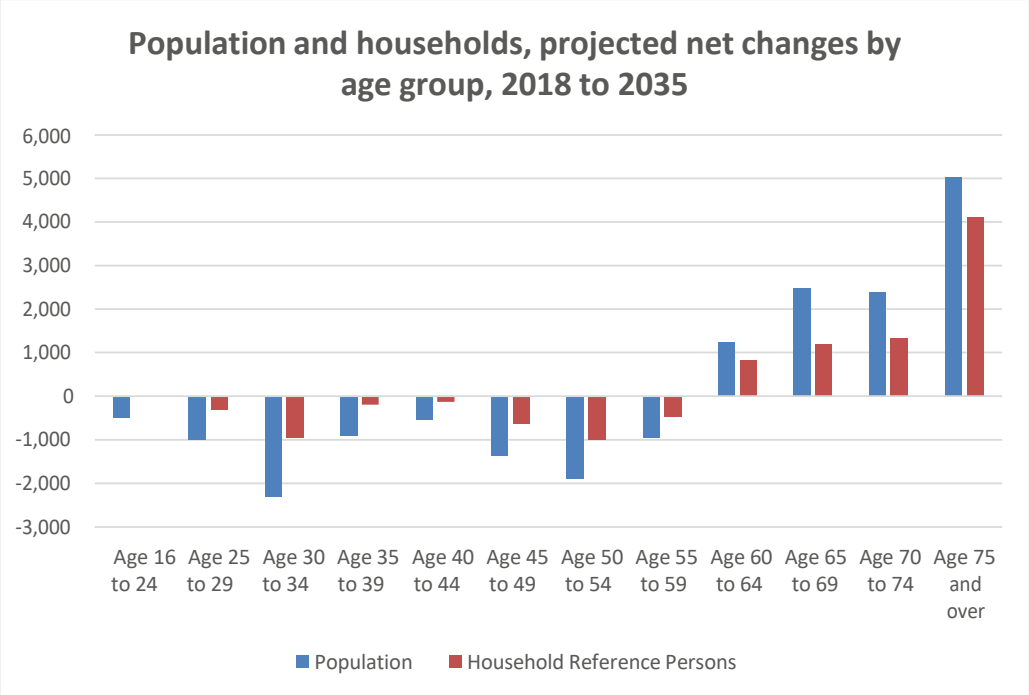
7 Housing Stock and Occupancy

7.1 Introduction

This Section presents a profile of the housing stock and the occupancy of dwellings. The Section commences with an overview on trends in the housing stock by type of dwelling, including the distribution by HMA and settlement type. The next part of the Section looks at the trend in unoccupied dwellings, again by HMA and settlement type.

The Section then provides a profile of occupied dwellings, by property type, tenure, and age of the Household Reference Person (HRP). The remainder of the Section focuses on the use of the stock, specifically the size distribution of dwellings. Drawing on the 2011 Census of Population, the distribution of dwellings by number of rooms and occupancy ratings are discussed, including variations by tenure, HMA and settlement type.

The Section next presents estimates for the bedroom size distribution, focusing in particular on occupancy by age of the HRP. The Section concludes by presenting indicative sets of projections for the bedroom size distribution of the occupied dwellings stock, which are compared with projections for bedroom requirements. The demographic context is of particular importance for those projections, notably the projected ageing of the population.



7.2 Housing Stock

Over the two decades from 1991 to 2011, the housing stock in the Derry and Strabane HMAs rose by 43 per cent, from 40,550 to 58,100 (Table 7.1). Detached and semi-detached dwellings formed the major component of the growth in the stock, especially between 1991 and 2001 (Figure 7.1). The number of terraced dwellings fell by almost 3,000 from 1991 to 2001, recovering only slightly between 2001 and 2011 with a net addition of 644 dwellings. In each decade, the number of apartments went up by about 1,000.

Reflecting the variations in growth, the composition of the dwelling stock showed large shifts. In 1991, almost one in two dwellings (47 per cent) was terraced (Table 7.2). By 2011, the terraced share had fallen to 29 per cent. The combined proportion of the stock in detached and semi-detached dwellings rose from 46 per cent in 1991 to 62 per cent by 2011. The proportion in apartments increased from seven to nine per cent.

Notwithstanding the sharp differences in growth of the dwelling stock by property type, the pattern of growth by settlement type did not vary greatly between 1991 and 2001 (Table 7.3). That is consistent with the absence of a rural-urban divide in population growth over the same period (see Section 4.2.2). Between 2001 and 2011, the housing stock grew more quickly in rural areas (22 per cent) than in urban areas (11 per cent), albeit the rural growth in that period was more focused on areas surrounding Derry City and Strabane Town.

Figure 7.1 Net change in dwellings by type, Derry and Strabane, 1991-2011 (Source: Census of Population)

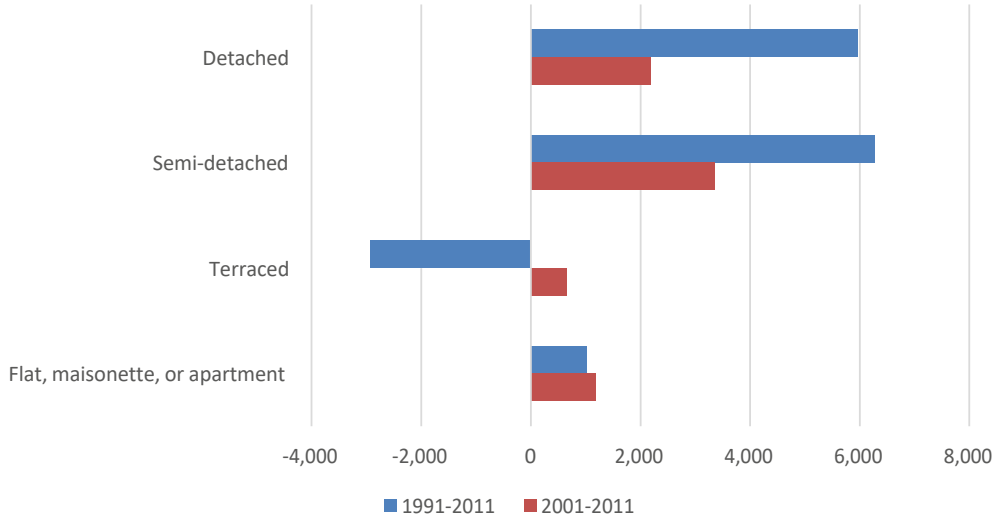


Table 7.1 The housing stock, Derry and Strabane HMAs, 1991, 2001 and 2011

	1991	2001	2011
Detached	10,510	16,480	18,670
Semi-detached	7,970	14,240	17,590
Terraced	18,860	15,920	16,570
Flat, maisonette, or apartment	2,960	3,980	5,160
Purpose built	1,860	3,310	4,400
Converted or shared house (including bedsits)	1,100	670	760
Caravan or other mobile or temporary structure	190	110	50
Shared dwelling	70	10	60
All	**40,550**	**50,740**	**58,090**

Source: Census of Population.

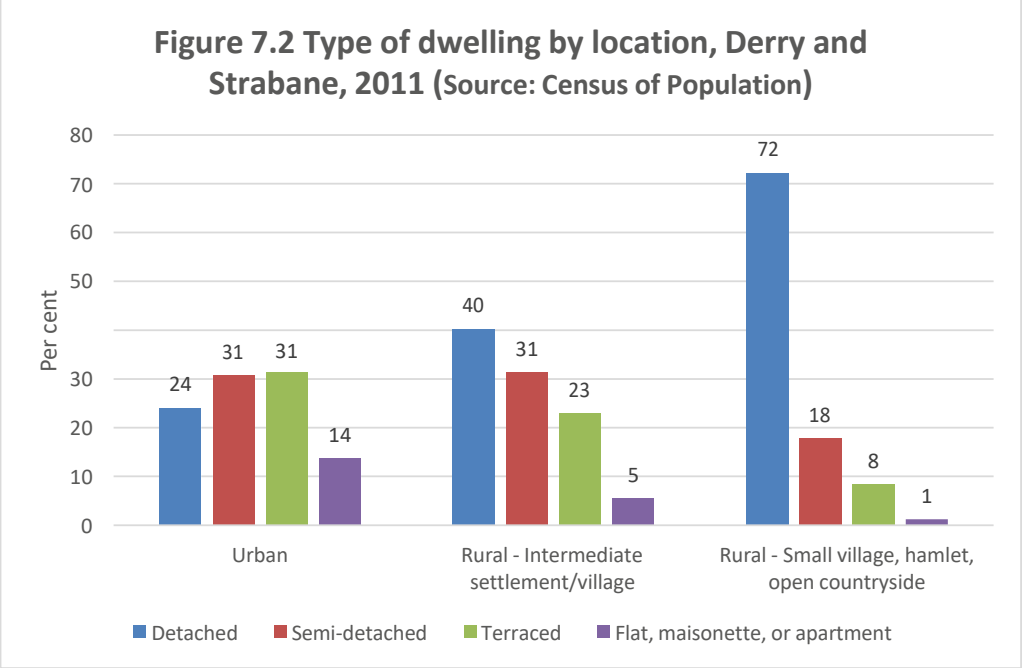
Table 7.2 The housing stock, Derry and Strabane HMAs, composition by dwelling type, 1991, 2001 and 2011

	1991	2001	2011
	%	*%*	*%*
Detached	25.9	32.5	32.1
Semi-detached	19.6	28.1	30.3
Terraced	46.5	31.4	28.5
Flat, maisonette, or apartment	7.3	7.8	8.9
Other	0.6	0.2	0.2
All	**100.0**	**100.0**	**100.0**

Source: Census of Population.

Table 7.3 The housing stock by HMA and settlement type, Derry and Strabane HMAs, per cent change		
	1991-2001	2001-2011
	%	%
Derry HMA	26.6	14.0
Strabane HMA	20.7	16.1
Urban	25.3	11.3
Rural	24.6	21.6
Intermediate settlement/village	28.8	15.6
Small village, hamlet, open countryside	21.7	26.2
All	**25.1**	**14.5**
Source: Census of Population.		

Similar to the rest of Northern Ireland, the composition of the stock varies between urban and rural areas (Figure 7.2). The more space extensive dwelling types, notably detached dwellings, are more prevalent in rural than in urban areas. Apartments are much less frequently found in rural than in urban areas.



As the most recent Census of Population dates to 2011, the annual LPS dwelling count data are used to track dwelling stock trends from 2011 to 2020, both overall and by type (see Box 7.A). On the LPS data, between 2011 and 2020 the total dwelling stock increased by seven per cent, ranging from four per cent for terraced properties to 15 per cent for apartments (Figure 7.3). Though, across all property types, growth has been stronger in the second half of the decade, from 2016 to 2020 (Table 7.4).

Figure 7.3 Growth in dwellings by property type, Derry and Strabane, 2011=100 (Source: LPS)

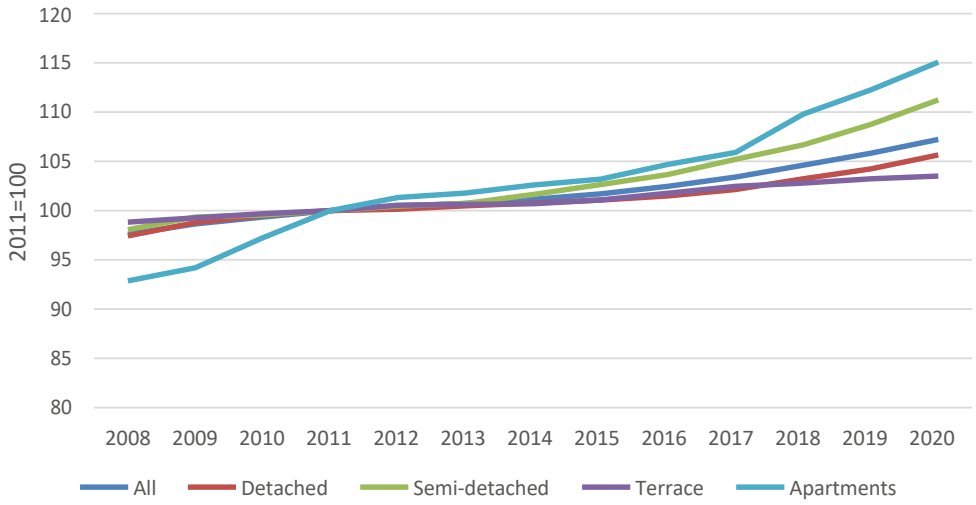


Table 7.4 Change in dwelling stock, Derry and Strabane, per cent per annum

	2008-2011	2011-2016	2016-2020
	%	%	%
Derry and Strabane	**0.8**	**0.5**	**1.1**
Dwelling type			
Detached	0.9	0.3	1.0
Semi-detached	0.6	0.7	1.8
Terraced	0.4	0.3	0.4
Apartment	2.5	0.9	2.4

Source: LPS, Domestic Properties (administrative geographies), extracted from NINIS.

Box 7.A Annual Housing Stock Statistics

Land and Property Services (LPS) publish annual data giving a count of properties valued as domestic or mixed for the purposes of rating. The counts refer to "properties in the Valuation List which are used for the purposes of a private dwelling". A private dwelling is defined as a self-contained dwelling and includes both social and private sector dwellings. The counts refer to the position at April/May of each year, from 2008 onwards.

The LPS count excludes caravans, which are included in the Census of Population as a separate type of dwelling. That is a minor difference in scope.

Notwithstanding differences in scope and timing, the LPS and Census dwelling totals are reasonably well-aligned. For Northern Ireland as a whole, the LPS dwelling count for 2011 differs by 1.1 per cent from the Census of Population figure (754,647 on the LPS count for April 2011 compared with 748,048 according to the March 2011 Census, a difference of 8,599).

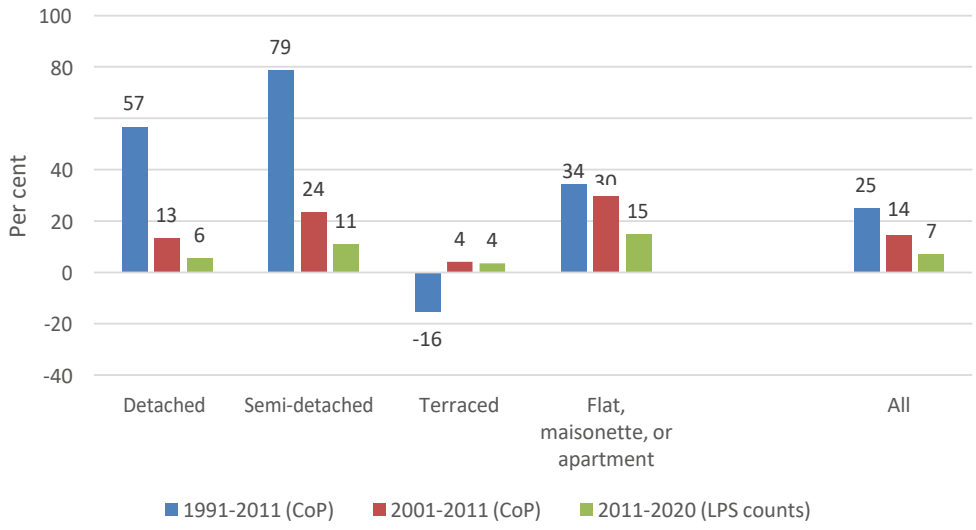
LPS also publishes counts of properties by type. The 2011 count by type refers to September 2011. However, the LPS counts differ from the Census figures by property type, notably in respect of semi-detached and terraced properties, as shown in the table below, which is for Northern Ireland.

	CoP 2011	LPS 2011	Difference
Detached	277,131	268,780	-3.0%
Semi-detached	207,903	185,388	-10.8%
Terraced	187,676	222,051	18.3%
Flat, maisonette, or apartment	74,146	78,247	5.5%
All	**748,235**	**754,466**	**0.8%**

The variances by property type are likely to reflect the different modes of data collection, i.e. the LPS counts are derived from administrative data whereas Census data are mainly self-reported. As the Census of Population contains detailed socio-demographic information, this is the main source of data for the SHMA on the use and occupation of dwellings. Due to the variances by property type, the LPS data have been deployed to indicate the direction of recent trends, with counts indexed to 2011.

Nonetheless, since 2011 the growth in the dwelling stock has been running at a slower pace by comparison with previous decades (Figure 7.4). As the pace of growth in the stock has fallen, so also has the variability in growth rates by property type. For example, between 2001 and 2011, growth ranged from +4 per cent (terraced) to +30 per cent (apartments). By contrast, from 2011 through 2020, the range was narrower, from +4 per cent (terraced) to +15 per cent (apartments).

Figure 7.4 Change in dwelling stock by type, Derry and Strabane, 1991 to 2020 (Sources: Census of Population, LPS)



Consequently, the composition of the stock has been changing relatively slowly since 2011. Updating the dwelling type shares shown in Table 7.2 with the LPS growth rates from Figure 7.4 yields the following estimated shares as at 2020:

- Detached – 31.6 per cent (+0.5 percentage points compared to 2011)
- Semi-detached – 31.4 per cent (+1.1 percentage points)
- Terraced – 27.5 per cent (-1.0 percentage points)
- Apartments – 9.5 per cent (+0.6 percentage points)

The population and household projections discussed in Sections 4 and 5 would suggest that the dwelling stock will continue to rise at a more muted pace and, with reduced variability in growth rates by property type, the composition of the stock will also evolve more gradually than had been the case prior to 2011. That provides a degree of assurance in relying on the 2011 Census of Population to profile how the stock is occupied.

A further point to note from the LPS dwelling counts is that the dwelling stock has been growing at a very even pace by HMA and settlement type since 2016 (Table 7.5). Over the period 2016 to 2020, rural and urban areas have grown at almost the same rate (one per cent per annum). The Derry HMA stock expanded only slightly faster than the Strabane HMA.

Table 7.5 Change in LPS dwelling count by HMA and settlement type, per cent per annum

	2008-2011	2011-2016	2016-2020
	%	%	%
Derry and Strabane	**0.8**	**0.5**	**1.1**
Derry HMA	0.8	0.5	1.2
Strabane HMA	0.9	0.3	1.0
Settlement type			
Urban	0.9	0.3	1.0
Rural - Intermediate settlement/village	0.4	0.2	1.0
Rural - Small village, hamlet, open countryside	1.5	0.1	0.9

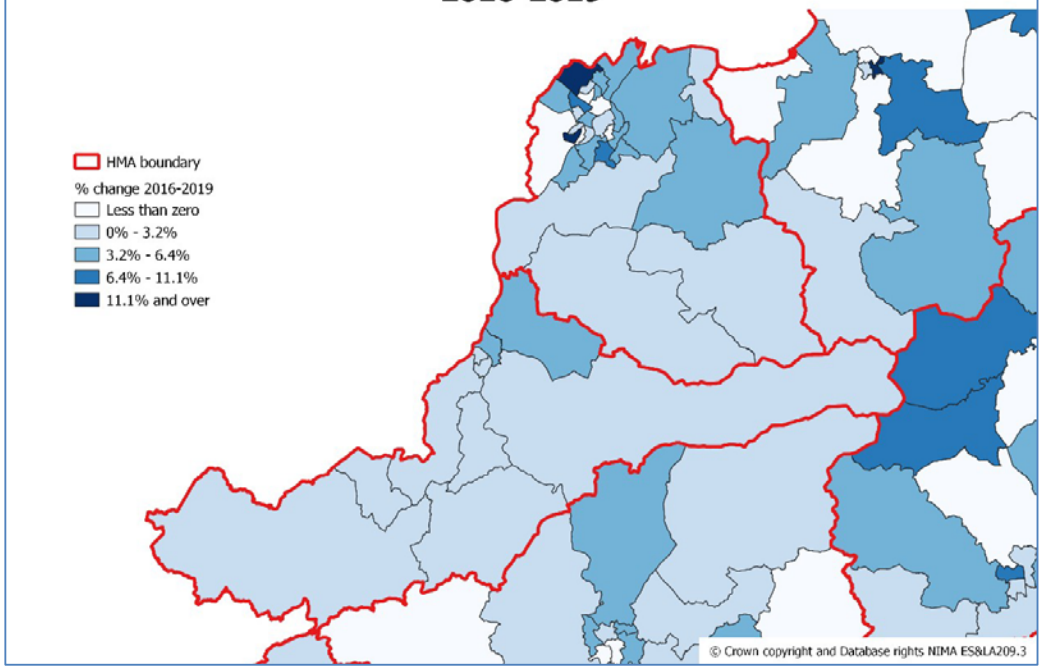
Source: Estimates derived from LPS, Domestic Properties (administrative geographies), extracted from NINIS.

As would be expected, there has been some variability at Ward level (Maps 7.1 and 7.2). Between 2016 and 2019, the fastest rates of growth occurred in Wards located in outer areas of Derry City, notably Skeoge (+21 per cent) and Creggan South (+16 per cent). Both those Wards have high shares of households in social rented dwellings (44 per cent in Creggan South and 35 per cent in Skeoge). Their faster rates of growth can be seen as the spatial expression of the social sector contribution to new dwelling completions in the Derry City and Strabane District Council area (discussed in Section 6).

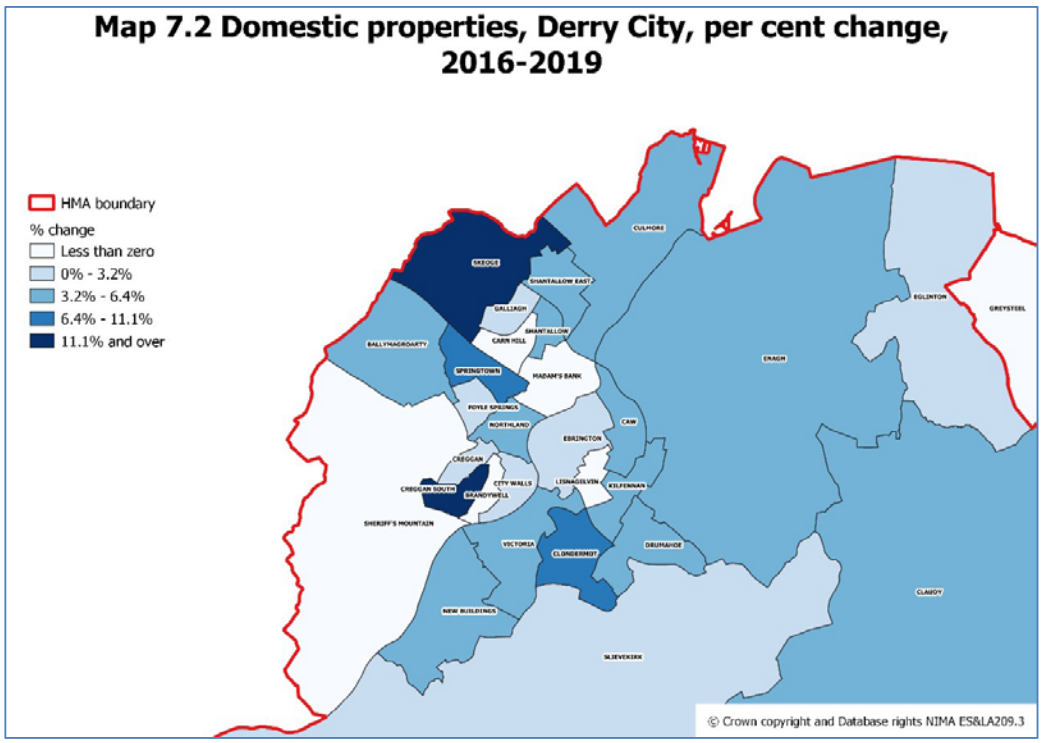
Other areas with above-average growth within the City included Clondermot (+9 per cent) and Springtown (+8 per cent).

Interestingly, areas of decline in the dwelling stock were also centred on Derry City, including Carn Hill (-4 per cent), Brandywell (-4 per cent), Lisnagelvin (-2.5 per cent) and Madam's Bank (-2 per cent) along with Sheriff's Mountain (-3 per cent) at the edge of the City.

Map 7.1 Domestic properties, Derry and Strabane, per cent change, 2016-2019



Map 7.2 Domestic properties, Derry City, per cent change, 2016-2019



Source: LPS, Domestic Properties (administrative geographies), extracted from NINIS. Maps drawn at Electoral Ward level (2014 boundaries).

7.3 Unoccupied dwellings

Before turning to the analysis of how the stock is occupied, it is useful to examine trends in the incidence of unoccupied dwellings. The vacancy rate is an important indicator of imbalances between demand and supply in the housing market. However, the 2011 Census of Population did not distinguish between vacant dwellings and second homes[51]. Rather, the Census reported on dwellings[52] with and without usual residents. Therefore, it is only possible to report on Census estimates for the proportion of dwellings that are unoccupied.

The unoccupied dwellings proportions for 1991, 2001 and 2011 are reported in Table 7.6 by dwelling type, HMA and settlement type. The following points can be noted.

First, the proportion of dwellings unoccupied varies mainly by dwelling type. Across the Census years, between one in 10 and one in seven apartment dwellings were unoccupied, well above average in each year. The unoccupied proportion also tends to be higher in terraced dwellings, when compared with detached and semi-detached. The variations in unoccupied proportions by type are to be expected, as apartments and terraced dwellings together form the majority of rented sector stock, where higher vacancy rates can be expected due to the higher turnover of occupants.

Second, the proportion unoccupied has been consistently above average in rural small villages and the open countryside. That is despite the lower proportions of apartments and terraced properties in those areas (see Figure 7.2). Though, the gap between the rural areas and the overall average has narrowed with each successive Census, falling from 0.8 percentage points in 1991 to 0.3 percentage points by 2011. It is not possible from the available data to say if the higher proportion unoccupied is due to second homes. The 2001 Census included a count of unoccupied second homes and there were very few of those in Derry and Strabane at that time (91 were enumerated). The 2011 Census did not report a separate count of second homes.

Third, between 2001 and 2011 the proportion unoccupied increased both overall and across all property types and areas. A similar trend was seen across Northern Ireland and would suggest that, in 2011, the proportion unoccupied may have been elevated due to the housing market downturn.

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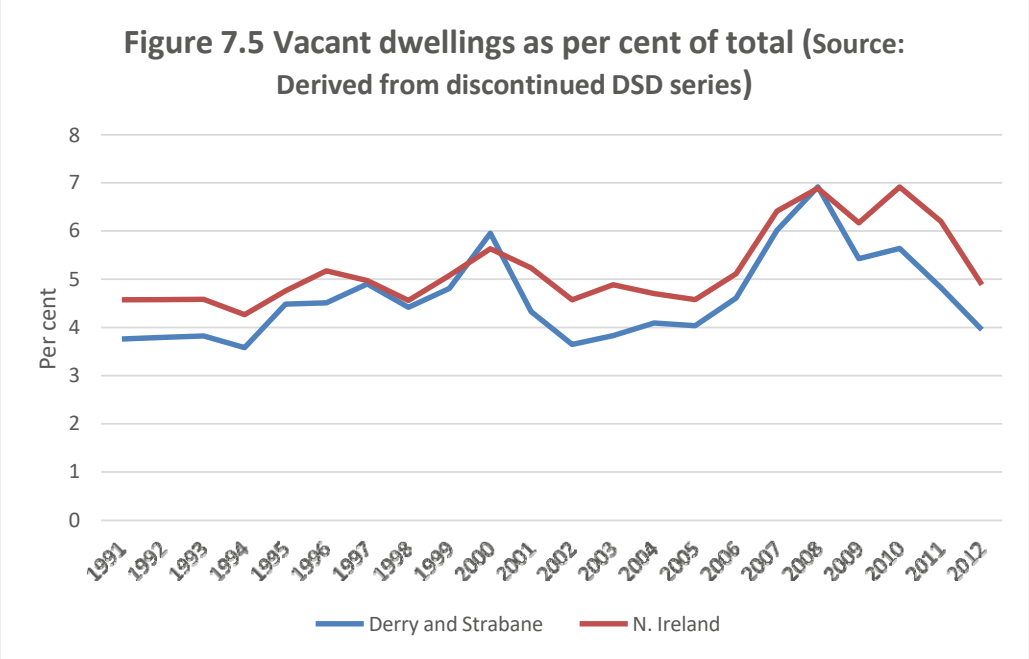
[51] The 2001 Census did distinguish between vacant dwellings and second homes. Across Derry City and Strabane District Council, out of 1,774 unoccupied dwellings, 1,676 (94 per cent) were classified as vacant with 91 dwellings (sex per cent) counted as second homes.

[52] The Census distinguishes between 'household spaces' and dwelling. The distinction is that the former includes shared spaces within a single dwelling. However, very few shared spaces were enumerated and, for practical purposes, spaces and dwellings are the same. Across Derry and Strabane District Council, the 2011 Census counted 58,087 spaces and 58,041 dwellings, a difference of 46 (0.08 per cent). For convenience, this report refers to 'dwellings'.

Table 7.6 Unoccupied dwellings, Derry and Strabane, per cent of total			
	1991	**2001**	**2011**
	%	*%*	*%*
Derry and Strabane	**4.3**	**3.5**	**4.3**
Dwelling type			
Detached	4.9	2.7	2.8
Semi-detached	2.4	1.5	2.2
Terraced (including end-terrace)	3.9	4.4	5.0
Flat, maisonette, or apartment	10.5	9.8	13.9
Housing Market Area			
Derry HMA	4.2	3.6	4.0
Strabane HMA	4.7	3.1	5.3
Settlement type			
All urban	4.0	3.4	4.3
Rural - Intermediate settlement/village	4.7	3.3	3.8
Rural - Small village, hamlet, open countryside	5.1	3.9	4.6
Source: Census of Population			

A time series showing the distribution of the stock between vacant and occupied properties had been published on an annual basis between 1993 and 2012, by the former Department for Social Development (DSD). That series was discontinued in 2012 due to a change in the rating of unoccupied dwellings. However, the data that are available show a rise in the vacancy rate following the house price crash of 2007, both in Derry and Strabane and across Northern Ireland as a whole (Figure 7.5). In Derry and Strabane, the vacancy rate fell after 2008 and, following a slight up-tick in 2010, had fallen to four per cent by 2012.

The only data point available for the period post-2012 is the Housing Executive's 2016 Northern Ireland House Condition Survey (HCS), which reported a 3.7 per cent vacancy rate for Northern Ireland as a whole, down from an estimated 7.2 per cent in the 2011 Survey. That would suggest that, at Northern Ireland level, vacancy rates continued to fall post-2012. From the DSD time series through to 2012, the vacancy rate in Derry and Strabane was consistently below the Northern Ireland average and can be expected to have tracked the overall trend.



One caveat to that conclusion is that, since 2016, there has been a rise in the use of private dwellings for short-term holiday rentals, i.e. Airbnb. According to a recent report, in December 2019 there were 381 Airbnb rentals listed in the Derry area[53]. It is not known how many of those were entire (unoccupied) dwellings, but 381 properties amount to 0.6 per cent of the April 2020 dwelling count for Derry and Strabane.

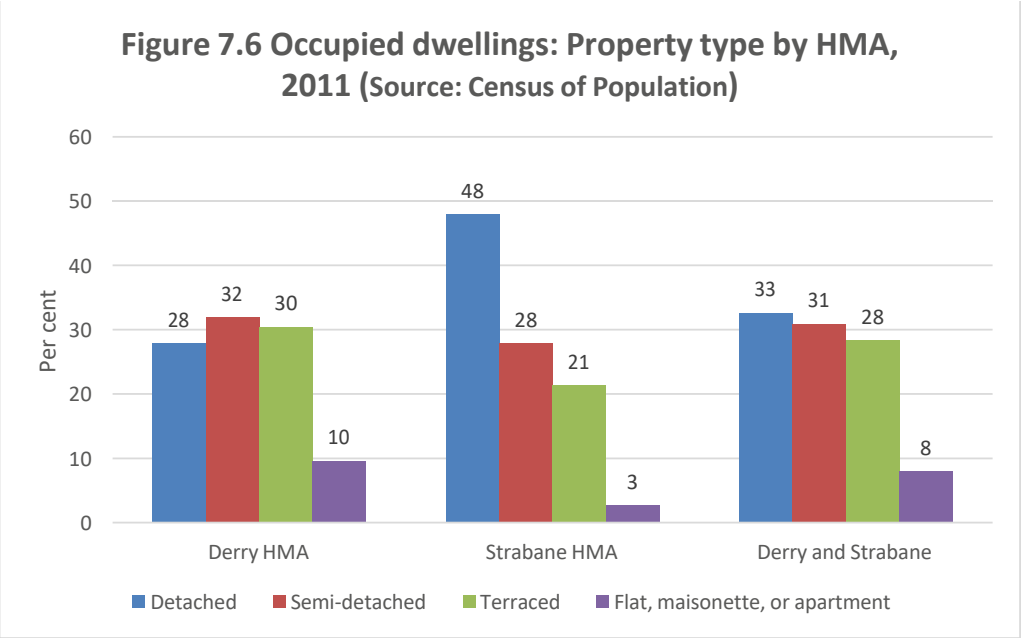
7.4 The Occupied Stock

7.4.1 Property Type

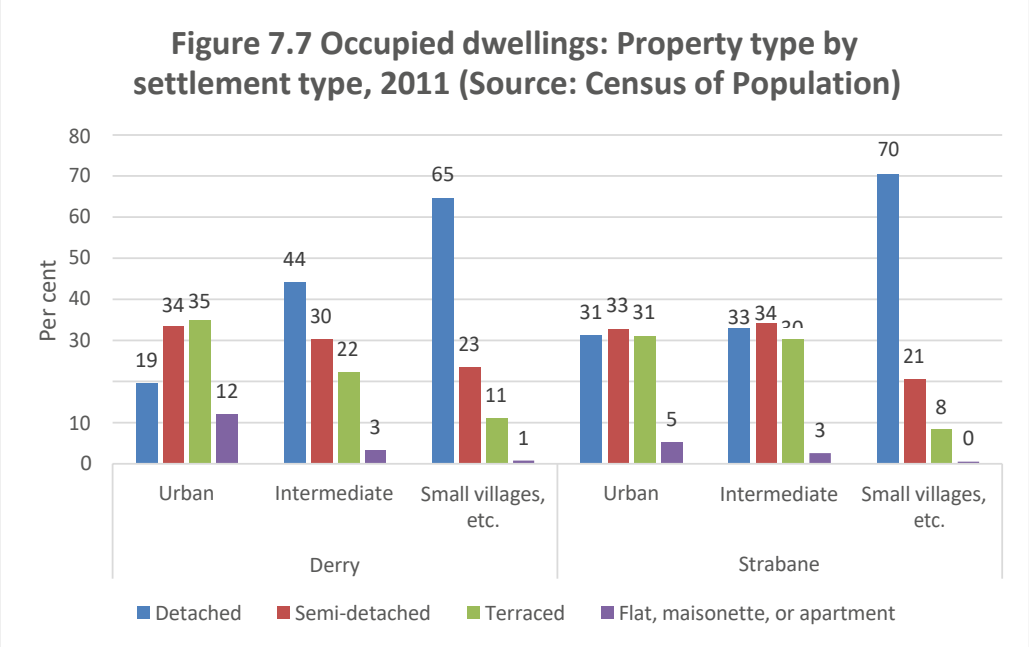
As around 96 per cent of dwellings are occupied by households, the composition of the occupied stock by property type differs only very slightly from the total stock. Reflecting their higher proportion unoccupied, apartments comprise a slightly lower share of occupied dwellings (eight per cent) compared to their share of the stock (nine per cent) (compare Figure 7.6 and Table 7.2).

Within the Derry HMA, over three in four households (76 per cent) live in Derry City. The composition of that HMA's occupied stock reflects that urban profile, with a relatively even distribution of whole houses (detached, semi-detached and terraced). By contrast, in the more rural Strabane HMA, almost one in two households (48 per cent) live in detached dwellings.

[53] Belfast Telegraph, 20 January 2020. Belfast 'is not yet Barcelona' despite rise of Airbnb.



Within each HMA the distribution of property types varies in a predictable fashion by settlement type (Figure 7.7). Though, the composition in the rural intermediate settlements and villages of the Strabane HMA (Castlederg, Newtownstewart and Sion Mills) is very similar to Strabane Town.



7.4.2 Tenure

The composition of the occupied housing stock varies markedly with household tenure (Table 7.7). Almost all owner-occupier households (98 per cent) live in a whole dwelling, including 45 per cent in a detached dwelling and about one in three (31 per cent) in semi-detached properties. Just two per cent live in apartments.

By contrast, in the social rented sector, terraced dwellings are most prevalent (42 per cent) and a little under one in five (19 per cent) live in an apartment.

The distribution of dwelling types in the private rented sector is diffuse, reflecting the more urban focus of that tenure.

Table 7.7 Property type by tenure, Derry and Strabane, 2011

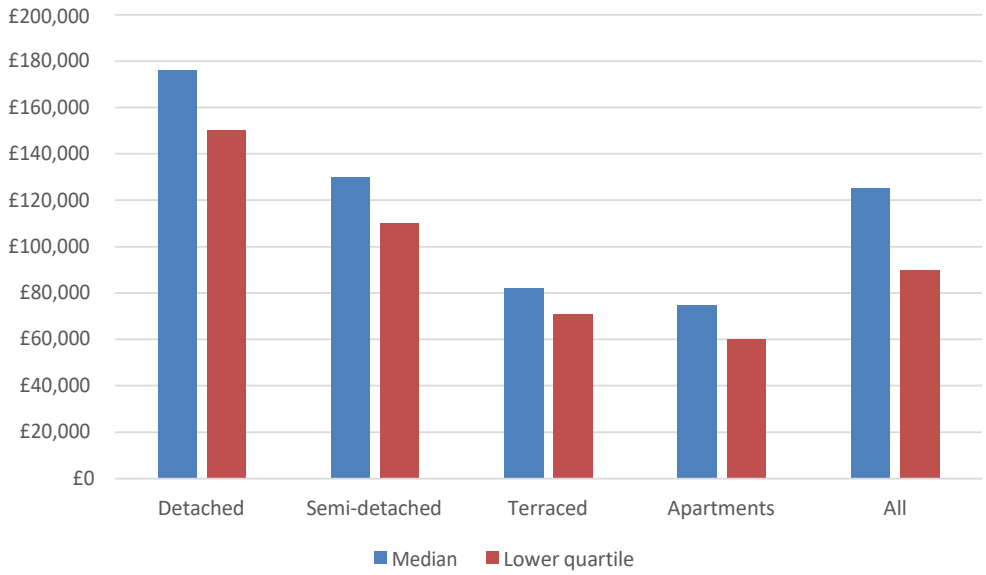
	Detached	Semi-detached	Terraced	Flat, maisonette or apartment
	Row%	*Row%*	*Row%*	*Row%*
Owner-occupied	**45**	**31**	**23**	**2**
Owned outright	51	27	21	1
With mortgage	41	34	24	2
Shared	16	53	28	3
Social rented	**8**	**31**	**42**	**19**
NIHE	8	28	49	15
Housing Associations	8	39	21	31
Private rented	**21**	**33**	**31**	**16**
All	**33**	**31**	**28**	**8**

Source: Census of Population.

The distribution of property types occupied by shared ownership households is interesting as an indicator of the types of dwellings that are purchased by first-time buyers; in 2018-19, first-time buyers accounted for 95 per cent of households assisted into shared housing.

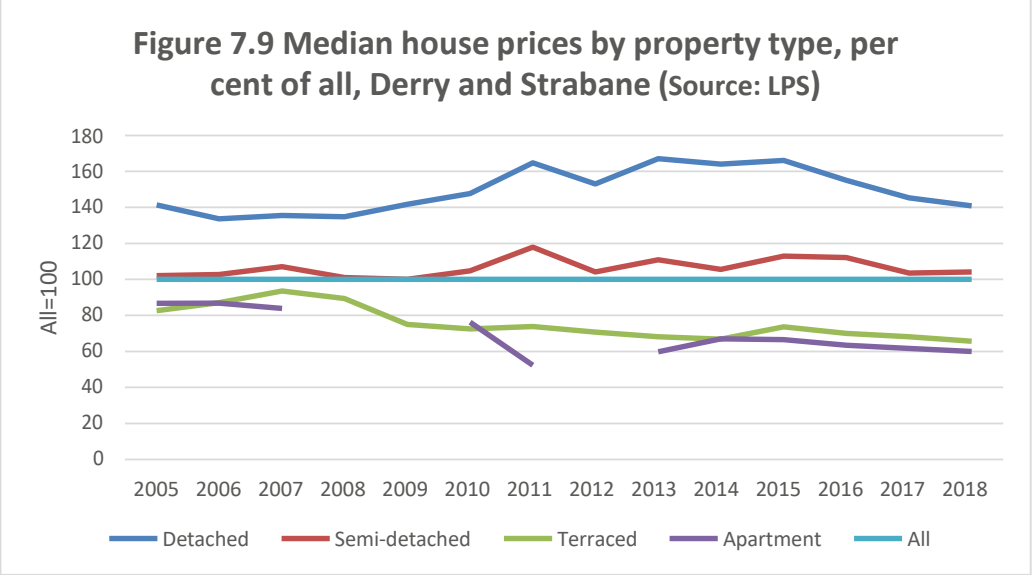
As can be seen, semi-detached and terraced properties account for the large majority (81 per cent) of properties in shared ownership with 16 per cent in detached properties, well below the average for all owner-occupier households (45 per cent). Though, the shared ownership proportion in detached properties was above the Northern Ireland average (10 per cent), which may reflect the lower house prices in Derry and Strabane. The upper threshold for assistance with entry to shared ownership is £165,000, which is in excess of the lower quartile detached house price in Derry and Strabane (£150,000), albeit below the median (£176,000) (Figure 7.8).

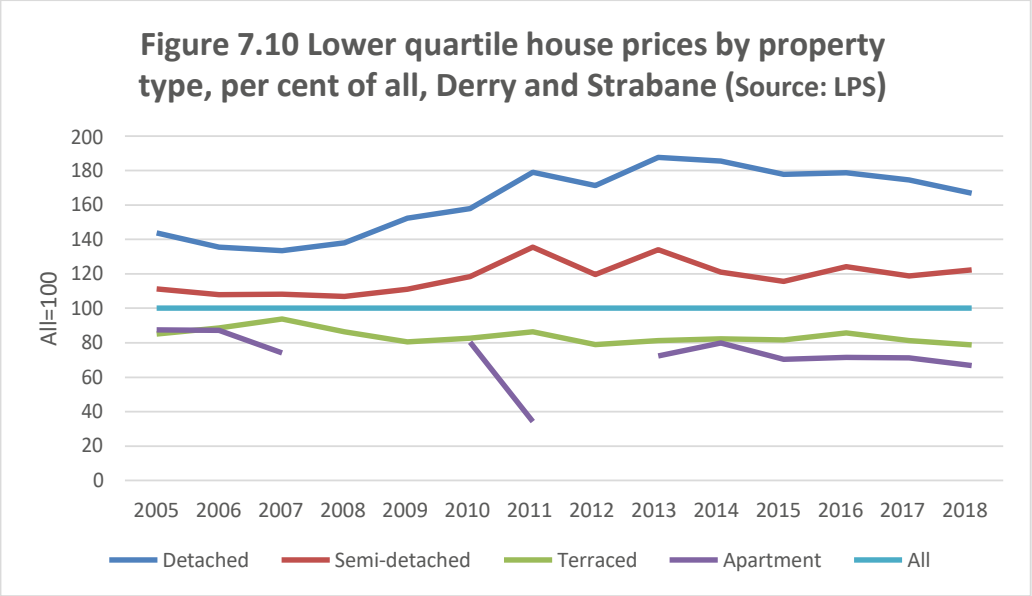
Figure 7.8 Median and lower quartile house prices by property type, Derry and Strabane, 2018 (Source: LPS)



To the extent that relative house prices may shape future owner-occupier demand for different property types, it is useful to consider recent trends in relative prices. Figure 7.9 shows median house prices by property type, relative to the median for all sales within Derry and Strabane. Figure 7.10 gives relative lower quartile prices. For example, in 2018, the median price for a semi-detached property (£130,000) was four per cent above the median for all property types (£125,000). Similarly, the lower quartile price for a semi-detached property (£110,000) was 22 per cent above the lower quartile price for all properties (£90,000).

The main point to note is that, at both the median and lower quartiles, relative house prices by property type have been broadly stable since 2015. There are no divergent trends that might be expected to disrupt the historical pattern of demand by property type.



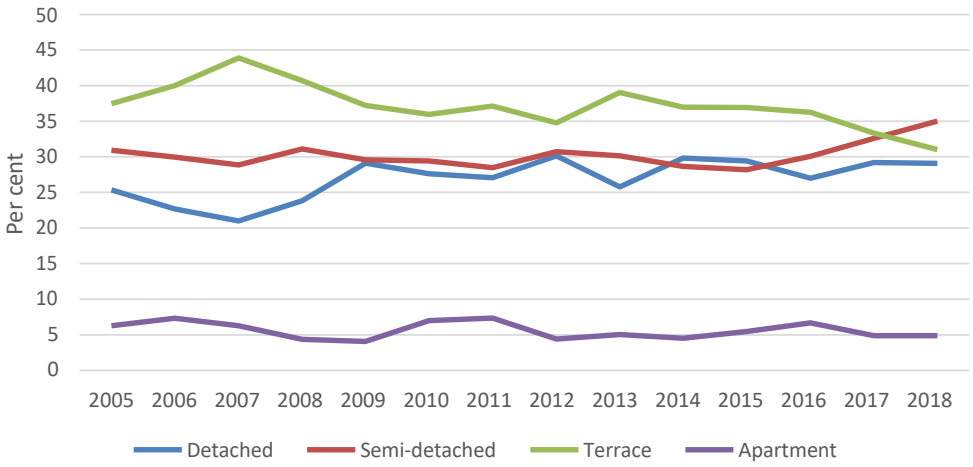


Note: In Figures 7.9 and 7.10, values for transactions in apartments are missing where the volumes were too low for LPS to disclose.

It can also be noted that the distribution of sales by property type shows a slight decline since 2015 in the terraced dwellings proportion accompanied by a comparable increase in sales of semi-detached properties (Figure 7.11). The proportions of sales accounted for by detached properties and apartments have remained at around, respectively, 30 per cent and five per cent since 2009.

Overall, however, there are no obvious market signals indicating substantial shifts in the future pattern of demand for owner-occupied properties by type.

Figure 7.11 Residential property transactions by property type, Derry and Strabane, per cent of all (Source: LPS)

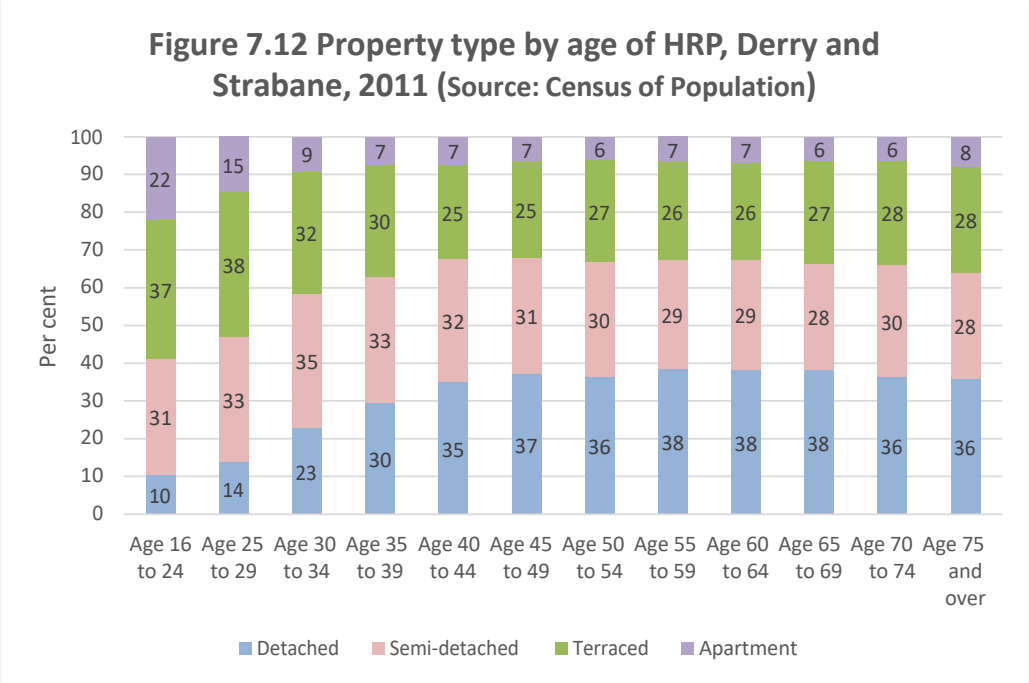


7.4.3 Age of Household Reference Person (HRP)

The distribution of property types by age of the Household Reference Person (HRP) is shown in Figure 7.12. As can be seen, the proportion living in detached and semi-detached properties increases steadily from 41 per cent among households where the HRP is aged 16-24 to 68 per cent where the HRP is aged 45-49. From age 50 onwards, the proportion in such dwellings remains stable through ages 70-74 before dipping slightly to 64 per cent in the 75+ age group.

Given the prominence of detached and semi-detached properties in the owner-occupied sector, the pattern by age of the HRP in the occupancy of those property types clearly reflects the age progression into owner occupation discussed in Section 6 above (see Figures 6.18 and 6.19).

The stability of the property type distribution among HRPs aged 45 and over also suggests that the type of property occupied by a household aged 45 to 49 is a good predictor of the type of property that same household will occupy in future years, as they age into the older cohorts.



The stability in the mix of dwelling types occupied by households where the HRP is aged 45 and over is also apparent from a comparison of urban (Derry City and Strabane Town) and rural areas. By broad settlement type, the main point of difference is the higher incidence of more space-intensive dwelling types in the urban areas, i.e. apartments and terraced properties (Figure 7.13). By contrast, in rural areas, about six in 10 households where the HRP is aged 40 and over live in detached properties (Figure 7.14).

The urban-rural contrast can also be seen to reflect tenure differences. For example, owner-occupation is more prevalent in rural areas (Table 7.8) and, as noted previously, that tenure is associated with a higher proportion of detached properties.

Table 7.8 Tenure composition by settlement type, 2011, per cent of households

	Owner-occupied	Social rented	Private rented
	Row%	*Row%*	*Row%*
Urban	54.2	25.6	20.2
Rural	71.5	11.1	17.4
Source: Census of Population			

Figure 7.13 Property type by age of HRP, urban areas, Derry and Strabane, 2011 (Source: Estimated from Census of Population)

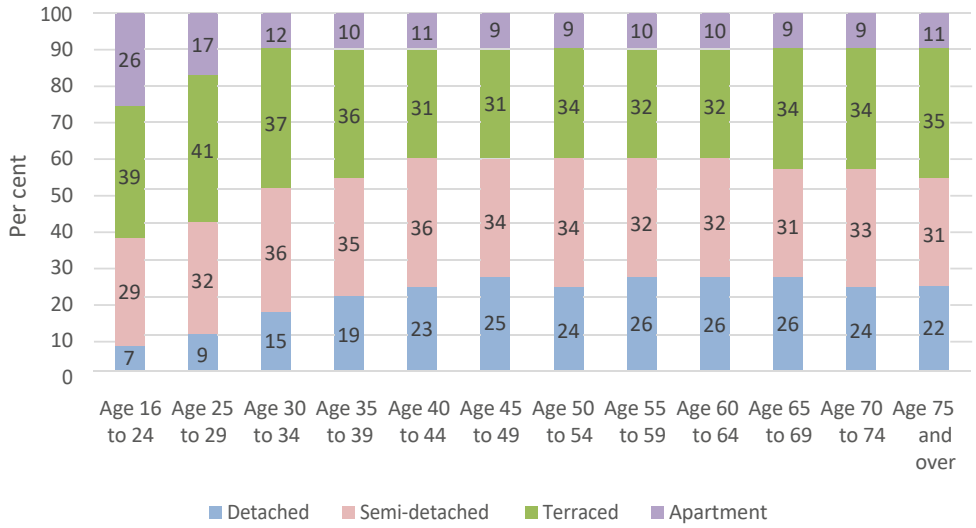
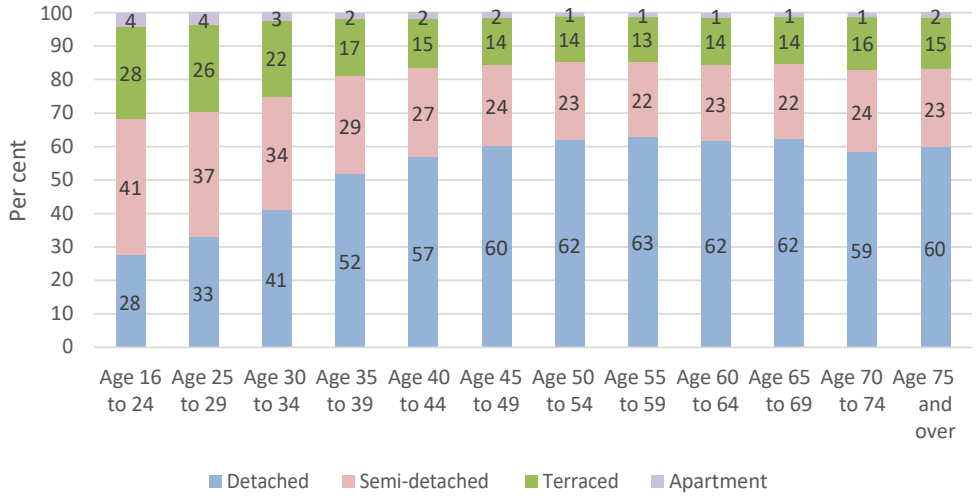


Figure 7.14 Property type by age of HRP, rural areas, Derry and Strabane, 2011 (Source: Estimated from Census of Population)



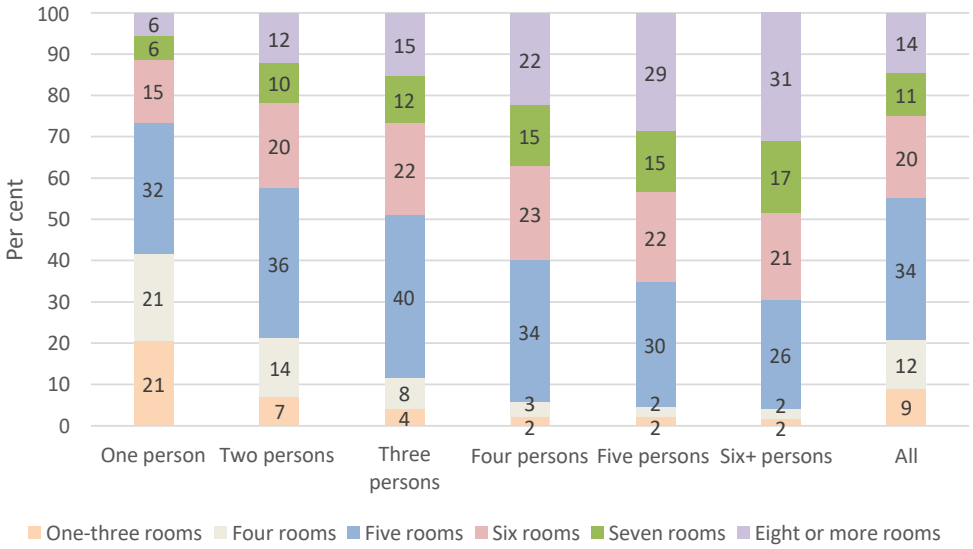
7.5 Dwelling Size

7.5.1 Rooms

Property types are of interest partly because they represent the physical expression of the housing stock, including especially its spatial distribution. The second major point of interest is the size distribution of the stock, which leads to discussion of issues around the occupation of the stock relative to household size. The published 2011 Census tables do not include size of dwellings by property type. However, information is available on numbers of rooms[54] by household size and tenure.

As measured by the number of rooms, dwelling size is clearly linked to household size. On average, the larger the household, the more rooms that are contained within the occupant's dwelling (Figure 7.15).

Figure 7.15 Number of rooms by household size, Derry and Strabane, 2011 (Source: Census of Population)

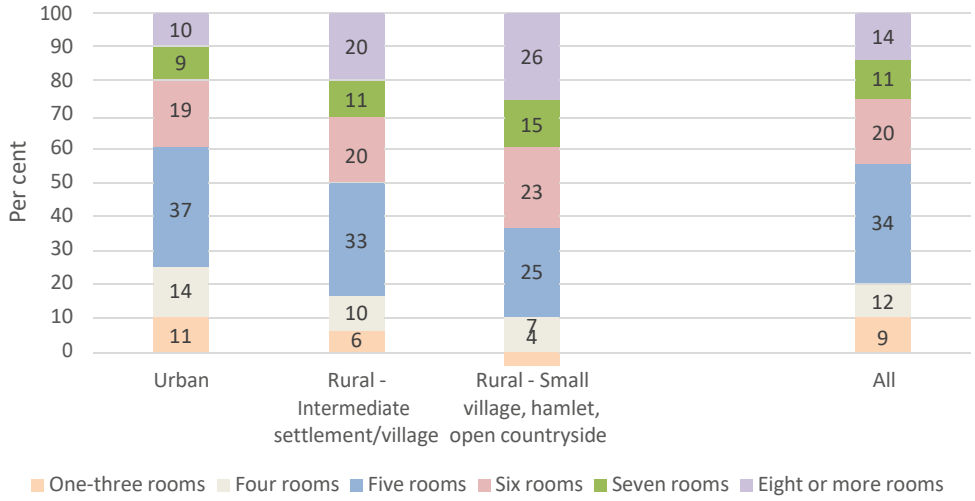


The linkage between household size and dwelling size is not perfect. For example, over one in four one-person households (27 per cent) live in a property with six or more rooms. Conversely, almost one in three households with six or more persons (30 per cent) live in a property containing five or fewer rooms.

[54] The Census count of rooms includes bedrooms, kitchens, living rooms, utility rooms, studies and conservatories. Bathrooms, toilets, halls and landings are not counted.

Larger dwelling sizes are more frequently found in rural areas than in urban areas (Figure 7.16). That is to be expected, given the higher proportions of detached properties in rural compared to urban areas (see Figure 7.7).

Figure 7.16 Number of rooms by settlement type, Derry and Strabane, 2011 (Source: Census of Population)



Dwelling size also varies by tenure, with owner-occupiers living in larger properties, on average (Table 7.9).

Table 7.9 Rooms by tenure: Occupied household spaces, Derry and Strabane, 2011

	All	Owner-occupied	NIHE	Housing Associations	Private rented
	%	%	%	%	%
One-two rooms	3	1	4	13	5
Three rooms	6	2	11	19	11
Four rooms	12	6	26	22	16
Five rooms	34	31	46	33	37
Six rooms	20	24	10	9	19
Seven rooms	11	15	2	2	6
Eight+ rooms	14	22	1	2	6
All households	**100**	**100**	**100**	**100**	**100**

Source: Census of Population

7.5.2 Occupancy Ratings

The number of rooms in a dwelling can be converted to occupancy ratings, to provide a measure of under-occupancy and overcrowding. The procedure used for Census of Population room counts is to estimate the number of rooms notionally required by a household and subtract the result from the actual number of rooms occupied (Box 7.B). The results are published on a five-point scale, ranging from -2 to +2. Values less than zero imply a 'shortfall' between rooms occupied and rooms required, indicating there is 'overcrowding'. A value in excess of zero implies too many rooms relative to requirements, i.e. 'under-occupation'.

Box 7.B Occupancy ratings

The occupancy rating provides a measure of whether a household's accommodation is overcrowded or under-occupied. There are two measures of occupancy rating, one based on the total number of rooms in a household's accommodation, and one based only on the number of bedrooms.

The occupancy rating of a household is calculated by subtracting the notional number of rooms (bedrooms) required from the actual number of rooms (bedrooms). The ages of the household members and their relationships to each other are used to derive the notional number of rooms (bedrooms) they require, based on a standard formula.

The occupancy ratings for the Derry and Strabane HMAs are summarised in Table 7.10 by HMA, tenure and settlement type. For reference, the ratings for Northern Ireland as a whole are reproduced in Annex A, Table A7.1, also distinguishing HMAs, tenure and settlement type.

Based on the occupancy rating measure, in 2011, 74 per cent of households within the Derry and Strabane HMAs lived in dwellings with one or more rooms in excess of their notional requirement. That compares with 79 per cent across Northern Ireland as a whole.

One in ten households were classified as living in 'overcrowded' dwellings. Across Northern Ireland as a whole, the proportion classified as living in 'overcrowded' accommodation was seven per cent. Indeed, the Derry HMA recorded the highest incidence of overcrowding across all HMAs within Northern Ireland.

Similar to the rest of Northern Ireland, the distribution of occupancy ratings varies sharply by tenure. The prevalence of households in over-crowded accommodation was highest in the social rented sector (15 per cent of Housing Executive tenants and 23 per cent of Housing Association tenants)

and lowest in the owner-occupier sector (six per cent). Within each tenure, the incidence of over-crowding in Derry and Strabane was above the Northern Ireland average.

Table 7.10 Occupancy ratings, Derry and Strabane, per cent of households, 2011

	Occupancy rating:				
	-2	**-1**	**0**	**+1**	**+2**
	%	*%*	*%*	*%*	*%*
Derry and Strabane	**3**	**7**	**17**	**24**	**50**
Housing Market Area					
Derry HMA	3	7	18	24	48
Strabane HMA	2	5	14	23	56
Tenure					
Owner-occupied	2	4	11	19	64
Rented from NIHE	5	10	28	36	22
Rented from Housing Association	5	18	40	25	12
Private rented	4	9	19	28	40
Settlement type					
All urban	3	8	19	26	44
Rural - Intermediate settlement/village	2	5	13	23	57
Rural - Small village, hamlet, open countryside	2	4	10	19	66

Source: Census of Population

The tenure patterns are reflected in the spatial distribution of occupancy ratings. For example, with relatively high proportions in the owner-occupied sector living in detached dwellings, the incidence of ‘over-occupation’ was highest in rural areas, ranging between 81 per cent in intermediate settlements and villages to 84 per cent in small villages, hamlets and the open countryside.

Conversely, in the urban areas, where the proportion living in the social rented sector is higher than in rural areas, the incidence of ‘over-crowding’ was higher than in rural areas.

7.5.3 Bedrooms

While the number of rooms is helpful, the number of bedrooms provides a more relevant perspective for housing market analysis. Unfortunately, the 2011 Northern Ireland Census did not collect information on that topic. The approach adopted has therefore been to convert the Census counts for rooms into estimates for numbers of bedrooms. That was accomplished by calculating, from pooled Family Resources Survey (FRS data), the distribution of bedrooms by number of rooms, with a control for household tenure, and applying the distribution to the HMA data for rooms by tenure.

Across the Derry and Strabane HMAs, over one in two households (55 per cent) are estimated to live in three bedroom properties, ranging from 58 per cent in the owner-occupied sector to 47 per cent in the social sector (Table 7.11). Smaller sized properties, with one to two bedrooms, are estimated to be found most frequently in the social rented sector (47 per cent). Almost one in three owner-occupiers (32 per cent) live in larger properties with four or more bedrooms.

The estimated distribution of bedroom sizes by age of the HRP is shown in Figure 7.17. The distribution strongly reflects the linkage between tenure and bedroom size and is consistent with the distribution of property types by age of the HRP (see Figure 7.12). Similar to the tenure and property type distributions (Figures 6.19 and 7.12 respectively), dwelling size distribution does not change hugely from age 40 to 45 onwards.

Figure 7.17 Bedrooms by age of household reference person, Derry and Strabane, 2011 (estimated)

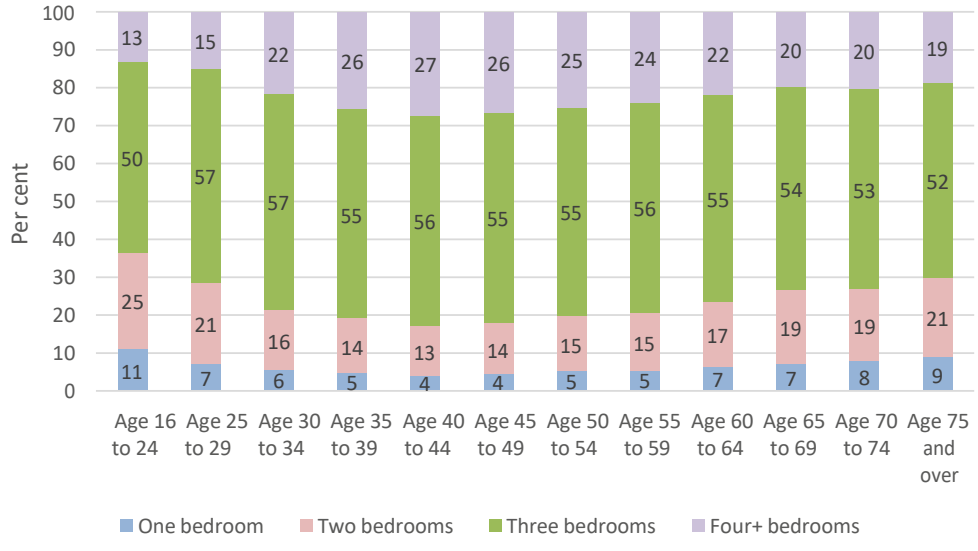


Table 7.11 Bedrooms, Derry and Strabane, 2011, per cent of households

	Bedrooms:			
	One	Two	Three	Four+
	%	%	%	%
Derry and Strabane	**6**	**17**	**55**	**22**
Tenure				
Owner-occupied	1	9	58	32
Social rented	18	29	47	5
Private rented	9	26	54	11
HMA				
Derry	7	17	54	22
Strabane	4	15	56	25
Settlement type				
Urban	8	19	56	18
Rural - Intermediate settlement/village	4	15	54	27
Rural - Small village, hamlet, open countryside	2	11	52	35

Source: Estimates based on 2011 Census of Population and pooled FRS data

The distribution of bedroom sizes by age of the HRP presents a sharp contrast to the age distribution of household sizes, most notably in the older age groups. The vast majority of households where the HRP is aged 65 and over (84 per cent) are comprised of one or two persons (Figure 7.18). From Figure 7.17, most households where the HRP is 65 and over (72 per cent) live in three and four bedroom properties.

However, on a notional bedroom standard basis, those one and two person households only 'require' one bedroom (Figure 7.19). That is to suggest a considerable degree of 'under-occupancy' among older households. Further, with lengthening life expectancies, the period of time over which dwellings are 'under-occupied' is set to be extended.

Figure 7.18 Household size by age of household reference person, Derry and Strabane, 2011 (estimated from Census of Population)

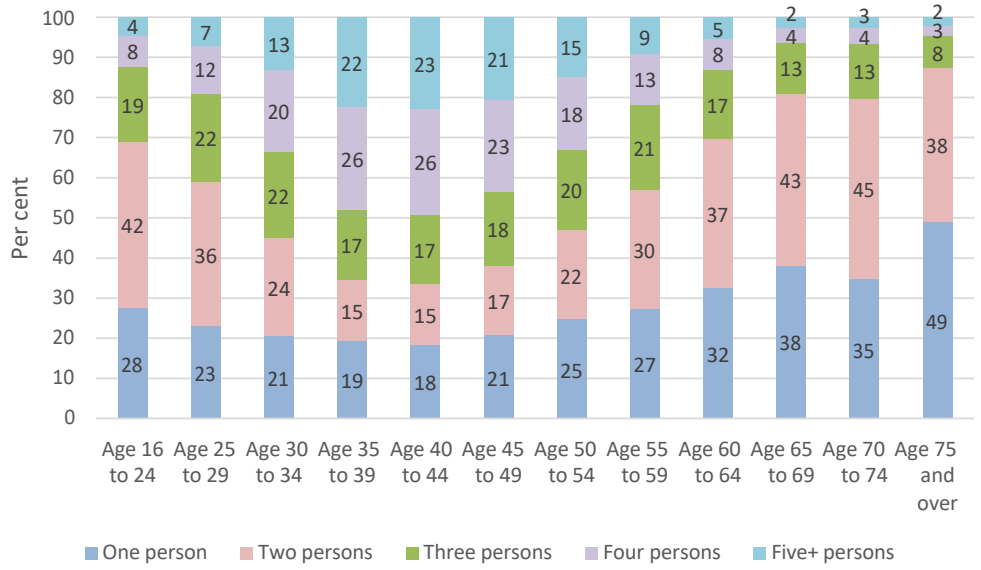
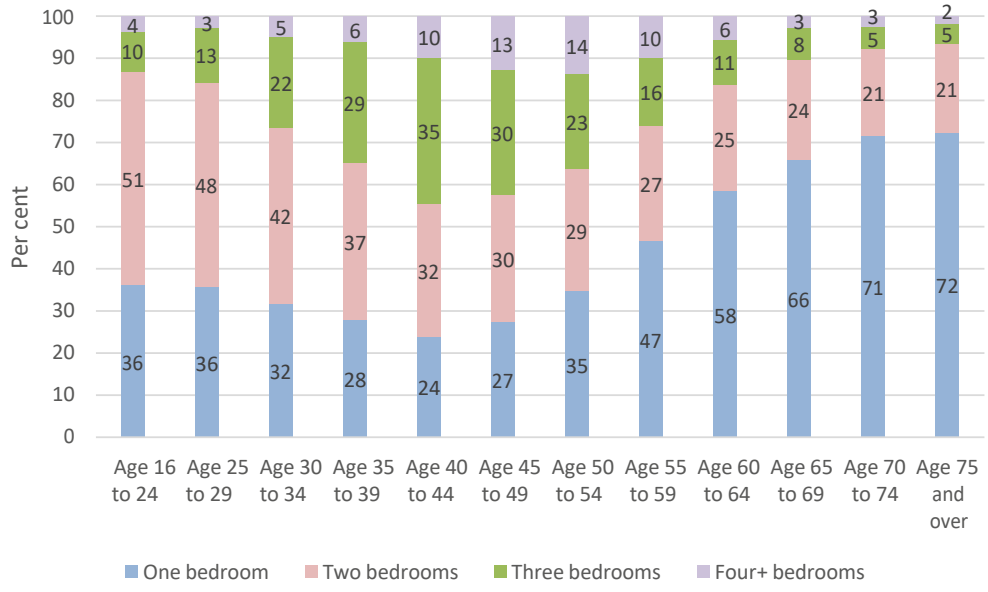


Figure 7.19 Bedroom requirements by age of household reference person, Derry and Strabane, 2011 (estimated)



A second point to note from the household size by HRP age distribution is the range of household sizes in the 45 to 59 age groups (Figure 7.18). For example, in the 45-49 age group, 62 per cent of households contain three or more persons. That is likely to reflect family life cycle effects, with such households comprising a mix of children and young adults who have not yet left the family home. Over the next 15 years, those households with a HRP aged 45 to 49 will age into the 60 to 74 age cohorts. The evidence from this Section, and also the review of housing market trends in Section 6, is that the vast majority will retain their current tenure, continuing to live in the same property with the same number of bedrooms.

Third, new household formation is concentrated among the younger age groups, in the range 16 to 34. New households forming partnerships with the intention of having children in future years will want to access housing that will accommodate their needs, both current and future. From Figure 7.17, they will mostly (72 per cent) demand three and four bedroom properties.

The established patterns may change. For example, the projected decline in the number of children aged under 16 undperpins the projected reduction in the proportion of households with children and increasing proportions in one and two person households, i.e. decreasing average household size and associated bedroom requirements (Table 7.12). On the other hand, trends may emerge that would increase average household sizes. For example, multi-family households are the fastest growing household type across the UK, though such households only represent 1.1 per cent of total families across the UK[55].

Table 7.12 Household composition by type, per cent of total

	2011	2018	2030	2035
	%	%	%	%
One adult households	27	29	31	32
Two adults without children	23	23	25	26
Other households without children	16	16	15	15
Households with children	34	32	28	26
All households	**100**	**100**	**100**	**100**

Sources: 2011 – Estimated from Census of Population; 2018, 2030 and 2035 – Author's estimates.

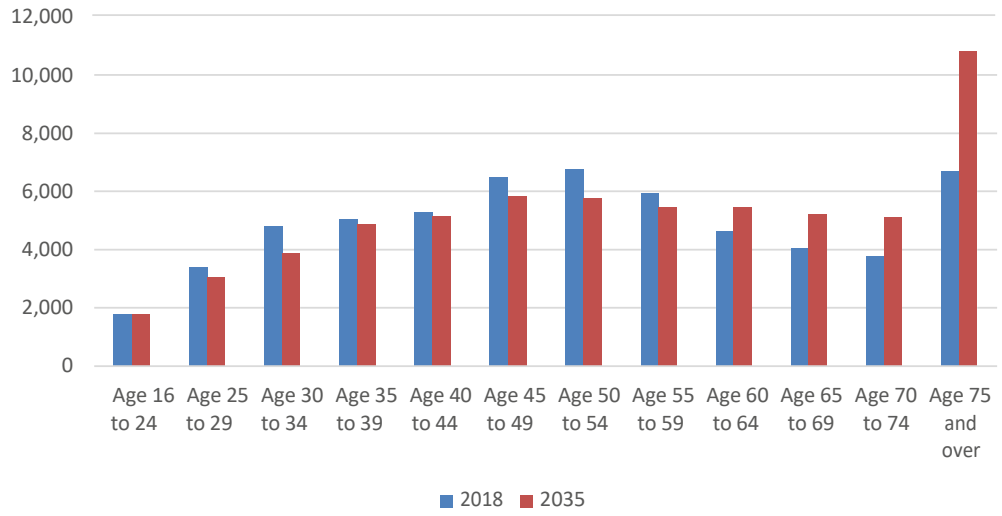
[55] See ONS, 2019, Families and Households in the UK.

7.6 Projections

7.6.1 Demographic Context

The ageing of the population provides the fundamental demographic context in projecting the expected future use and occupation of the dwelling stock. Between 2018 and 2035, the net change in the number of households is projected to be driven by those where the Household Reference Person (HRP) is aged 60 and over (Figure 7.20. See also Box 7.C). In total, households where the HRP is aged 60 and over are projected to increase by 7,440, from 19,150 in 2018 to 26,590 by 2035[56]. A little over half of the increase (55 per cent) is projected to arise from the increase in households where the HRP is aged 75 and over.

Figure 7.20 Number of households by age of household reference person, Derry and Strabane, 2018 and 2035, projections



The projected HRP age composition is strongly reflected in the household size projections, with increasing proportions of households living in one and two person households. By 2035, 63 per cent of households are projected to live in one and two person households (Table 7.13). The proportion in households containing four or more persons is expected to fall from 26 per cent in 2018 to 21 per cent by 2035.

[56] The projections presented in this Section are based on the medium household growth scenario discussed in Section 5.

Box 7.C Household Reference Persons: Projections

The NISRA 2016-based household projections include household size and type projections in addition to total households for each LGD. They do not include projections for household reference persons (HRPs) by age group. The HRP was introduced for the 2001 Census of Population to replace the former 'head of household' measure. There is one HRP per household.

HRP projections by age are especially useful in a Housing Market Analysis. For example, as discussed in Section 6, tenure composition varies strongly with the age of the HRP. Similarly, there are distinct differences by age of HRP in the occupancy of the dwelling stock, particularly when assessing patterns in bedroom requirements. It was therefore necessary to add an additional module to the NISRA household methodology to project HRPs by age group. The approach was based on projecting forward household representative rates (HRRs), i.e. the household reference persons as a proportion of the population in the relevant age group. The baseline HRRs for the projection module were derived from the 2011 Census of Population.

HRRs rise sharply among the younger age groups, up to about age 34, due to new household formation as, for example, young adults leave the family home, enter relationships, etc. and enter the housing market. HRRs stabilise from age 35 through to about age 69. From age 70 onwards, HRRs increase as, for example, a two-person household becomes a one-person household following the death of a partner.

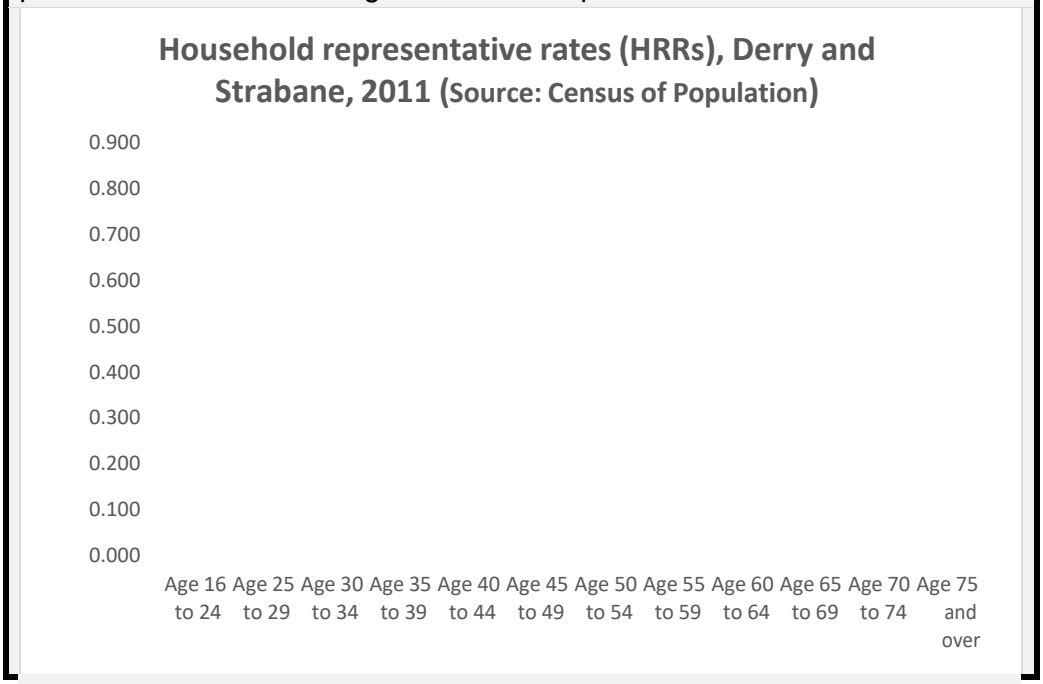


Table 7.13 Household composition by type, per cent of total

	2011	2018	2030	2035
	%	%	%	%
One person	27	29	31	32
Two persons	28	29	30	31
Three persons	17	17	16	16
Four persons	15	15	13	13
Five+ persons	12	11	9	8
All households	**100**	**100**	**100**	**100**

Sources: 2011 – Estimated from Census of Population; 2018, 2030 and 2035 – Author's estimates.

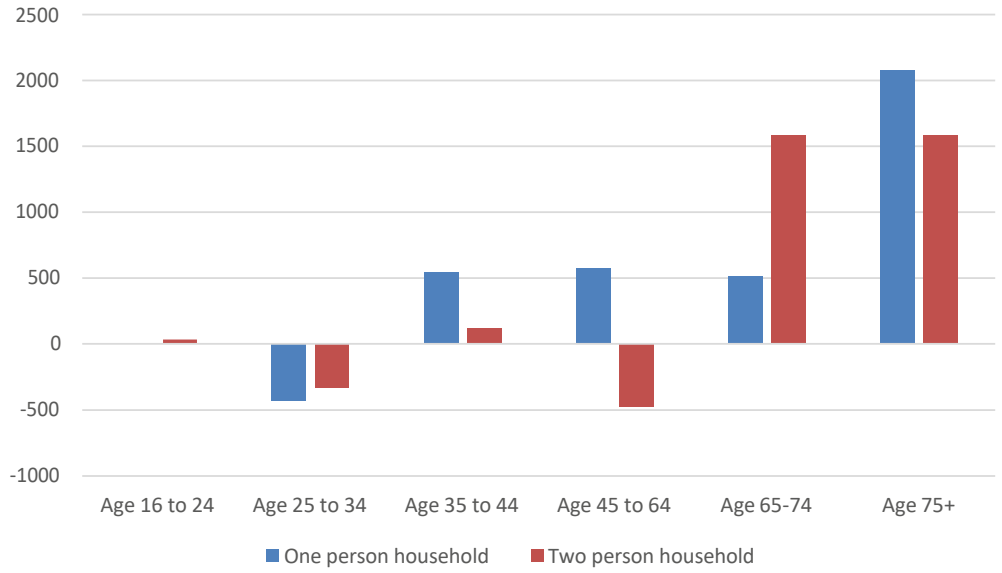
Consequently, all of the net change in households between 2018 and 2035 within Derry and Strabane is projected to derive from the growth of one and two person households (Table 7.14). The number of three person households is projected to fall slightly (-100) accompanied by larger falls in four (-600) and five person (-1,400) households.

Table 7.14 Household size, projected net changes, 2018-2035

	Net change	% of 2018
One person	3,300	19
Two persons	2,500	15
Three persons	-100	-1
Four persons	-600	-7
Five+ persons	-1,400	-22
All households	**3,800**	**7**

Reflecting the HRP by age projections, the net increase in two person households is projected to occur primarily among those aged 65 and over, i.e. older couples (Figure 7.21). The projected net change in one-person households is more dispersed by age group, with positive changes projected in the age ranges 35 to 44 and 45 to 64

Figure 7.21 One and two person households, net changes by age of household reference person, 2018-2035, projections



The household projections also reflect the anticipated fall in the number of children aged under 16 discussed in Section 4. Thus, the projections by household type show reduced numbers of households with children and a concomitant increase in the numbers of households without children (Table 7.15).

Table 7.15 Household type, projected net changes 2018-2035

	Net change	% of 2018
One adult households	3,300	19
Two adults without children	2,400	17
Other households without children	300	3
Households with children	-2,200	-12
All households	**3,800**	**7**

7.6.2 Bedrooms

Bedroom size projections have been prepared primarily to illustrate the potential effects of the projected demographic outlook on the occupancy of the housing stock. The projections have been prepared by rolling forward the 2011 baseline bedroom size estimates by tenure (see Section 6), household size and age and sex of the HRP. The assumption made is that preferences remain unchanged in future years, e.g. on average, around 58 per cent of owner-occupier households will live in three-bedroom dwellings, adjusted for projected changes to the household size and HRP age and sex distribution. The projections are not trend-based and should therefore be interpreted strictly as a base case scenario for the future distribution of dwellings by bedroom sizes, assuming no policy or other interventions. An important point to note in making a projection for the bedroom size distribution is that the dwelling stock changes very slowly. For example, in the past five years, new dwelling completions have, on average, added about one per cent per annum to the housing stock. The vast majority of dwellings that households will occupy in 15 years' time already exist.

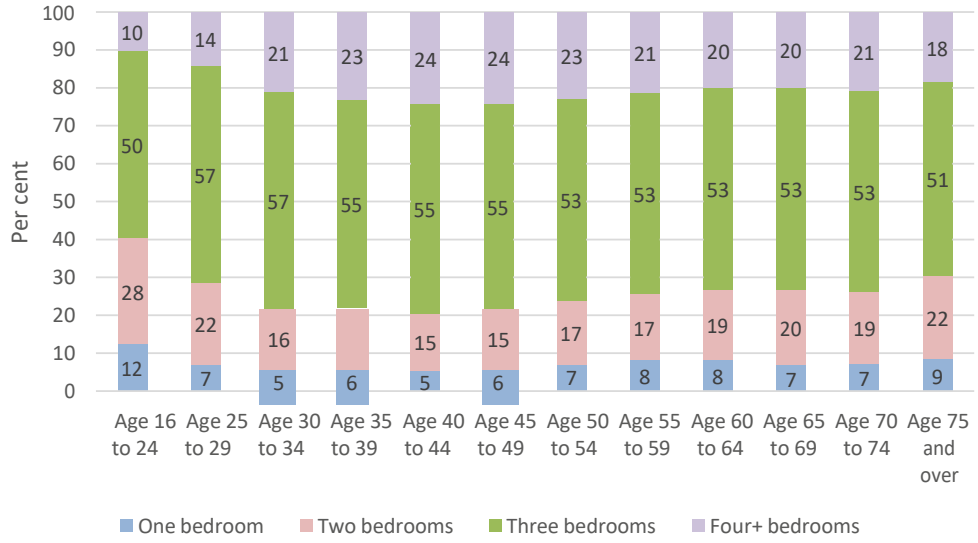
While the projections allow for changes in household size and the age distribution of HRPs, it should be understood that they reflect current patterns of demand in the private sector and provision in the social sector. Bearing that caveat in mind, in the base case projection, the size distribution of occupied dwellings in 2035 is not expected to differ greatly from the 2018 baseline position (Table 7.16). The projections for net changes shown in Table 7.16 indicate a slight shift towards one and two bedroom properties, relative to their baseline shares of occupied dwellings. The shift largely reflects the projected increase in the proportion of smaller one and two person households.

Table 7.16 Bedroom size projections, 2018-2035

	Occupied dwellings		Net change, 2018-2035	
	2018	**2035**	**No.**	**Per cent of total**
	%	*%*		
One bedroom	7	7	700	19
Two bedrooms	17	19	1,500	40
Three bedrooms	55	54	1,500	41
Four+ bedrooms	22	20	0	0
All	**100**	**100**	**3,700**	**100**

The size distribution by age of the HRP is also projected to remain broadly similar to the baseline position (compare Figure 7.22 with Figure 7.17).

Figure 7.22 Bedrooms by age of household reference person, Derry and Strabane, 2035 (projected)



The zero net migration scenario discussed in Sections 4 and 5 is useful to consider as it illustrates the sensitivity of the projections to substantially faster population growth. In that scenario, the composition of the occupied stock is not greatly different from the base case projection; compare Tables 7.16 and 7.17. However, the proportional shift to one and two bedroom dwellings is less evident.

Table 7.17 Bedroom size projections, net zero migration scenario, 2018-2035

	Occupied dwellings		Net change, 2018-2035	
	2018	2035	No.	Per cent of total
	%	%		
One bedroom	7	7	900	13
Two bedrooms	17	18	1,900	29
Three bedrooms	55	54	3,100	47
Four bedrooms	22	21	800	11
All	**100**	**100**	**6,700**	**100**

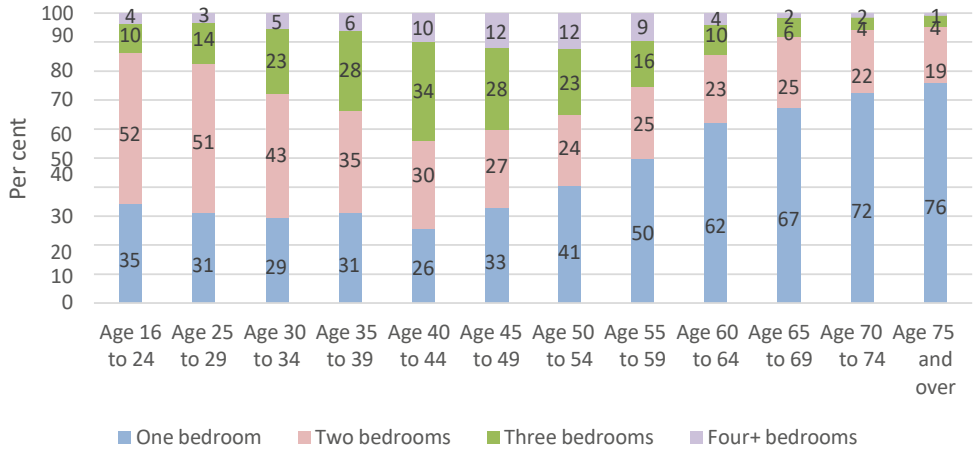
7.6.3 Bedroom Requirements

The underlying projections by household size and age of the HRP can be converted into projections for the distribution of bedroom requirements. The projected distributions to 2035 are summarised in Table 7.18 and shown by age of the HRP in Figure 7.23. The influence of the projected changes in the age composition of HRPs and household sizes are most evident in the projected net changes in bedroom requirements, notably the increase of 5,100 in the number of households 'requiring' one bedroom only.

Table 7.18 Bedroom requirements projections, 2018-2035

	Occupied dwellings		Net change, 2018-2035
	2018	2035	No.
	%	%	
One bedroom	45	50	5,100
Two bedrooms	31	29	200
Three bedrooms	18	15	-1,000
Four+ bedrooms	7	5	-700
All	**100**	**100**	**3,800**

Figure 7.23 Bedroom requirements by age of household reference person, Derry and Strabane, 2035 (projected)



Nonetheless, an important point to note is that bedroom 'requirements' is a notional measure based on household size and composition. For younger households living in a couple, the acquisition of a dwelling with bedrooms in excess of their current notional 'requirement' is perfectly rational where it is anticipated that the household will grow in size over the family life cycle.

For other households, under-occupation may be one element in the sustainability of the dwelling for a household. For example, at the Census of Population 2011, 43 per cent of households in Derry and Strabane contained one or two people with a long-term health problem or disability (see Annex 7 Table A7.5). The proportion rises to 52 per cent for one-person households and 74 per cent in the case of households with two or more people all aged 65 and over. Within the resident population, in 2011, 27 per cent of those whose day-to-day activities are limited a lot, lived in dwellings with one or more adaptations (Annex 7 Table A7.6). By tenure, the proportion of the resident population living in households with one or more adaptations ranged from eight per cent in the rented sector to 22 per cent in the social sector (Annex 7 Table A7.7). The higher prevalence of adaptations in the social sector partly reflects an older age profile. In addition, the Lifetime Homes Standard is a requirement for grant-funded social housing development. The Standard incorporates criteria that make it easier and less costly to adapt a house for people who develop a mobility problem or disability in later life.

Regarding older people, while the bedroom requirement measure may indicate under-occupancy, householders may not take that perspective. For example, in an analysis of housing needs and ageing, Croucher *et al* (2009) point to changing expectations and conclude that: "One 'spare' bedroom is now the contemporary social norm, and very few older households wish to move to one bedroom accommodation"[57]. The report also highlighted factors rooting households in their current location, such as the neighbourhood, family and friends and access to local services and facilities, which may be more or less difficult to replicate at a different location.

In the Northern Ireland context, research conducted by the Housing Executive found that the majority of older people prefer to stay in their own home[58]. The research also found that older people face a wide range of housing-related issues that may affect their capacity to remain in their own home, including "under-occupation, suitability and accessibility, fuel poverty, affordability and tenure-specific issues". External factors identified by the research as barriers to making a move include: lack of (affordable) alternative options; difficulty or unwillingness to move tenure (particularly connected to the desire for capital retention); and, difficulties relating to downsizing and location.

[57] Croucher, K., Wilcox, S., and Holmans, A., 2009. *An Examination of the Housing Needs and Supply for an Ageing Society*. Report commissioned by RICS.
[58] Boyle, F., 2019. Housing and Older People: Housing Issues, Needs and Aspirations.

The research discussed two models for addressing the housing-related issues faced by older people, i.e. support to stay in the home and options for support to help the household move. Presently, the main policy support to help people stay in their home within the owner-occupied and private rented sectors is the availability of grants to assist with adaptations, administered by the Housing Executive. Other models were also discussed which are currently being examined in other jurisdictions, albeit on a small scale. For example, reconfiguring family sized homes to create a new rental unit within the home.

Regarding support for moving house, two main issues were noted. First, on the supply side, while sheltered housing is available, the concepts of retirement villages and extra care schemes have not yet taken root in Northern Ireland, by comparison with developments in Great Britain.

Second, financial considerations are an important consideration in moving house. As discussed in Section 6, the majority of older people in Derry and Strabane own their own home; 68 per cent of HRPs aged 65 and over at the 2011 Census of Population. Most of those households (85 per cent) own their home outright and therefore will have some equity that can be drawn down or released.

However, the level of equity may not be sufficient to enable the household to move to a suitable property and to sustain the accommodation, given the household income level. Where the need exists, there are potential affordable housing options to assist older people with downsizing. For example, some form of shared ownership model presents a possibility, where the household's equity in their current home could be used to buy a share in a new dwelling, with Housing Benefit covering the rent side where low income is a constraint. From a housing market perspective, helping older households to downsize would release a family sized property for some other household to occupy, thereby reducing new build requirements for such units and providing a better match between household size/composition and dwelling type/size.

7.7 Key Points Summary

Since 2011 the growth in the dwelling stock has been running at a slower pace by comparison with previous decades; 0.8 per cent per annum between 2011 and 2020 compared with 1.8 per cent per annum between 1991 and

2011. The pace of growth in the dwelling stock has varied little between the two HMAs or by settlement type. Across the District, growth has been stronger in the period 2016 to 2020, led by apartments and semi-detached properties, albeit the number of detached properties has also been growing.

Detached and semi-detached dwellings each account for about 31 per cent of the stock, followed by terraced properties (28 per cent) and apartments (10 per cent). The profile of the stock varies sharply between urban and rural areas, with the more space-extensive detached and semi-detached properties most prominent in rural areas.

The proportion of the dwelling stock that is unoccupied increased along with the housing market boom of 2006-07, peaking in 2007. The available evidence suggests that the vacancy rate had been falling at least through 2016.

The composition of the occupied housing stock varies markedly with household tenure. Almost all owner-occupier households (98 per cent) live in a whole dwelling, including 45 per cent in a detached dwelling and about one in three (31 per cent) in semi-detached properties. Just two per cent live in apartments. By contrast, in the social rented sector, terraced dwellings are most prevalent (42 per cent) and a little under one in five (19 per cent) live in an apartment. The distribution of dwelling types in the private rented sector is more diffuse, reflecting the urban focus of that tenure.

At both the median and lower quartiles, relative house prices by property type have been broadly stable since 2015. There are no divergent trends that might be expected to disrupt the historical pattern of demand by property type.

The distribution of property types varies with the age of the HRP. The proportion living in detached and semi-detached properties increases steadily from 41 per cent among households where the Household Reference Person (HRP) is aged 16-24 to 68 per cent where the HRP is aged 45-49. From age 50 onwards, the proportion in such dwellings remains stable through ages 70-74 before dipping slightly to 64 per cent in the 75+ age group. Thus, the type of property occupied by a household aged 45 to 49 is a good predictor of the type of property that same household will occupy in future years, as they age into the older cohorts.

As measured by the number of rooms (bedrooms plus common spaces such as living rooms), dwelling size is clearly linked to household size. On average, the larger the household, the more rooms that are contained within the occupant's dwelling. Dwelling size also varies by tenure, with owner-occupied households generally occupying the larger dwellings.

Based on the occupancy rating measure, in 2011 one in ten households living in Derry and Strabane were classified as living in 'overcrowded' dwellings. Across Northern Ireland as a whole, the proportion classified as living in 'overcrowded' accommodation was seven per cent. Indeed, the Derry HMA recorded the highest incidence of overcrowding across all HMAs within Northern Ireland.

The distribution of bedroom sizes by tenure and age of the HRP has been estimated for the HMAs. Across the Derry and Strabane HMAs, over one in two households (55 per cent) are estimated to live in three bedroom properties, ranging from 58 per cent in the owner-occupied sector to 47 per cent in the social sector (Table 7.11). Smaller sized properties, with one to two bedrooms, are estimated to be found most frequently in the social rented sector (47 per cent). Almost one in three owner-occupiers live in larger properties with four or more bedrooms

The estimated distribution of bedroom sizes strongly reflects the linkage between tenure and the number of rooms and is consistent with the distribution of property types by age of the HRP. Similar to tenure and property type distributions, dwelling size distribution measured by the estimated number of bedrooms does not change hugely from age 45 onwards.

The age distribution of bedroom sizes stands in sharp contrast to the age distribution of household sizes, most notably in the older age groups. The vast majority of households where the HRP is aged 65 and over are comprised of one or two persons (84 per cent). On a notional bedroom standard basis, those one and two person households only 'require' one bedroom. However, almost three in four households (72 per cent) where the HRP is 65 and over live in three and four bedroom properties. That is to suggest a considerable degree of 'under-occupancy' among older households.

The ageing of the population provides the fundamental demographic context in projecting the expected future use and occupation of the dwelling stock. Between 2018 and 2035, the net change in the number of households is projected to be driven by those where the HRP is aged 60 and over

Against that backdrop, the projections presented in this Section indicate that the extent of 'under-occupancy' among older households will increase over the next 15 years. That raises policy issues both around helping people to live in their homes and, where that is desired and appropriate, moving to more suitably sized accommodation.

Annex 7 Accompanying Tables

Table A7.1 Occupancy ratings, Northern Ireland, per cent of

households, 2011					
	Occupancy rating:				
	-2	**-1**	**0**	**+1**	**+2**
	%	*%*	*%*	*%*	*%*
All households	**1.9**	**5.0**	**14.0**	**22.4**	**56.7**
Tenure					
Owner-occupied	1.1	2.8	8.6	18.0	69.4
Rented from NIHE	3.6	8.9	29.2	37.5	20.8
Rented from Housing Association	4.3	16.8	41.8	25.9	11.1
Private rented	3.5	8.5	19.1	28.7	40.2
HMA					
Ballymena HMA	1.4	3.5	11.3	19.5	64.3
Belfast Metropolitan HMA	1.9	5.3	15.3	23.7	53.9
Causeway Coast HMA	1.6	4.2	12.0	20.0	62.2
Cookstown HMA	2.0	4.4	10.9	19.8	62.9
Craigavon Urban Area HMA	1.5	3.9	11.5	22.0	61.2
Derry HMA	**3.1**	**7.0**	**17.5**	**24.2**	**48.2**
Dungannon HMA	2.7	5.1	12.1	19.8	60.2
Fermanagh HMA	1.6	3.9	10.9	19.8	63.7
Newry HMA	2.3	5.4	13.4	21.2	57.8
Omagh HMA	1.8	4.5	10.8	18.9	63.9
Strabane HMA	**2.2**	**5.1**	**13.5**	**23.1**	**56.1**
Settlement type					
Urban	2.2	5.7	16.2	24.5	51.4
Rural - Intermediate settlement/village	1.5	4.0	12.3	22.3	59.9
Rural - Small village, hamlet, open countryside	1.4	3.2	8.4	16.6	70.4
Source: Census of Population					

Annex A7.2 Household size, 2011, per cent of households

	One	Two	Three	Four	Five+
	Row%	*Row%*	*Row%*	*Row%*	*Row%*
Derry and Strabane	**27**	**28**	**17**	**15**	**12**
Tenure					
Owner-occupied	21	27	18	19	15
NIHE	37	29	16	10	8
Housing Associations	42	22	16	11	9
Private rented	38	30	16	10	7
HMA					
Derry	27	28	17	15	12
Strabane	27	28	17	16	13
Settlement type					
Urban	29	28	17	14	11
Rural - Intermediate settlement/village	25	28	17	17	12
Rural - Small village, hamlet, open countryside	22	26	17	18	16

Source: Census of Population

Annex A7.3 Bedrooms, projected net changes by area, 2018-2035				
	Number of bedrooms			
	One	Two	Three	Four+
All households	700	1,500	1,500	0
Tenure				
Owner-occupied	0	400	900	0
Social rented	600	800	700	100
Private rented	100	300	0	-100
HMA				
Derry HMA	600	1,200	1,100	0
Strabane HMA	100	300	400	0
Settlement type				
Urban	600	1,200	900	-100
Rural - Intermediate settlement/village	0	100	200	0
Rural - Small village, hamlet, open countryside	0	200	400	0

Annex A7.4 Bedroom requirements, projected net changes by area, 2018-2035				
	Number of bedrooms			
	One	Two	Three	Four+
All households	**5,100**	**200**	**-1,000**	**-700**
HMA				
Derry HMA	4,000	200	-700	-500
Strabane HMA	1,200	0	-200	-200
Settlement type				
Urban	3,600	200	-600	-500
Rural - Intermediate settlement/village	600	0	-100	-100
Rural - Small village, hamlet, open countryside	900	0	-200	-100

Annex A7.5 Households containing one or more persons with long-term health problems or disabilities					
	All households		One-person households	All aged 65+	
	With disability		With disability	With disability	
	One	Two		One	Two
	%	%	%	%	%
Derry and Strabane	**34.4**	**11.5**	**51.8**	**28.0**	**45.6**
HMAs					
Derry	33.9	11.0	50.9	27.7	45.1
Strabane	36.0	13.1	54.9	28.6	47.3
Settlement type					
Urban	35.1	11.2	51.7	27.5	45.7
Rural - Intermediate settlement/village	33.1	10.6	52.4	28.1	45.7
Rural - Small village, hamlet, open countryside	32.7	13.1	51.5	29.6	45.4
Source: Census of Population, Commissioned Table 0467.					

Annex A7.6 Resident household population living in dwellings with one or more adaptations of accommodation, by long-term health problem or disability, former Local Government Districts, per cent of total resident household population[1]

	All in a dwelling with adaptation(s)	Population living in dwellings with adaptation(s) and their:		
		Day-to-day activities are limited a lot	Day-to-day activities are limited a little	Day-to-day activities are not limited
	%	%	%	%
Derry	11.3	27.8	14.7	8.2
Strabane	12.7	23.7	14.9	10.3
All	**11.7**	**26.6**	**14.7**	**8.8**
N. Ireland	*11.1*	*27.8*	*14.2*	*8.4*

1 Population living in households, which does not include the population living in communal establishments.

Note: the adaptations listed in the Census are as follows:

- Wheelchair usage.
- Other physical or mobility difficulties.
- Visual difficulties.
- Hearing difficulties.
- Other.

Source: Census of Population, Table DC4305.

Annex A7.7 Resident household population living in dwellings with one or more adaptations of accommodation, by tenure, former Local Government Districts, per cent of total resident household population[1]

	All	Owner-occupied	Social rented	Private rented
	%	%	%	%
Derry	11.3	8.7	22.8	7.6
Strabane	12.7	12.2	20.7	8.4
All	**11.7**	**9.8**	**22.4**	**7.8**
N. Ireland	*11.1*	*10.1*	*22.6*	*6.9*

1 Population living in households, which does not include the population living in communal establishments.
Note: the adaptations listed in the Census are as follows:

- Wheelchair usage.
- Other physical or mobility difficulties.
- Visual difficulties.
- Hearing difficulties.
- Other.

Source: Census of Population, Table DC4413.

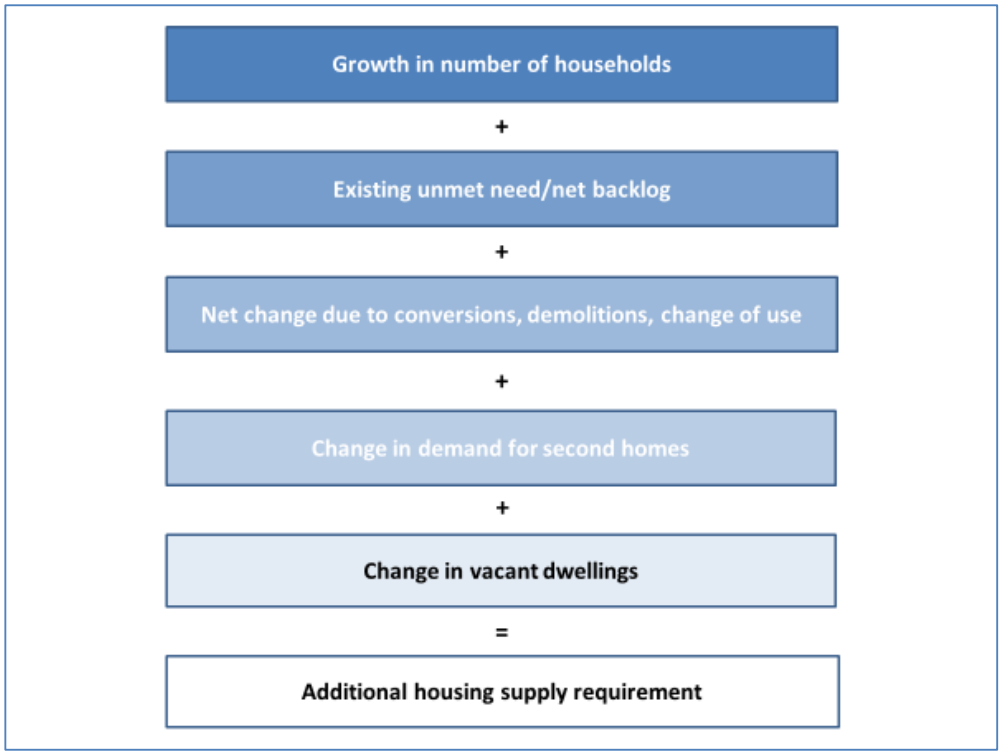
8 Housing Requirements

8.1 Introduction

This Section assesses the implications for new dwelling requirements of the household projections discussed in Section 5. The assessment is based on the net stock model (NSM) which projects future housing requirements from three main components, as follows (Figure 8.1):

- Newly arising need and demand due to projected net growth in the number of households.
- Existing unmet need, most often referred to as the backlog of unmet need, i.e. the shortfall between current provision and the accommodation needs of existing households as well as individuals or families that have not yet formed as separate households.
- Accompanying demand (second homes) and supply-side adjustments (vacant dwellings, conversions, etc.).

Figure 8.1 Net stock model: Components



8.2 Implementation

It is useful to consider first the implementation of the net stock model without reference to the backlog. The model is underpinned by the basic accounting identity, i.e. at a given point in time.

Housing stock = Number of households + Second homes + Vacant dwellings

In that formulation, new housing demand may be estimated by summing the projected changes in households, second homes and vacant dwellings. In practice, the projected net change in the number of households is the main driver in new housing demand.

The supply-side response to a change in housing demand has two components:

New dwelling completions + net changes from conversions, etc.

Conversions of existing dwellings to residential use will reduce the number of newly constructed dwellings required to meet a given change in demand. Alternatively, existing residential dwellings may be demolished or be lost to the stock through dereliction. In that instance, additional new dwellings would be required to replace those lost.

In the net stock model, projected new housing requirements are obtained by projecting forward the change in housing demand (new households plus the changes in the numbers of second homes and vacant dwellings) and adding (or subtracting) the expected flows of net changes due to conversions, etc.

The implementation of the model therefore requires the following inputs:

- Choice of a baseline or initial starting year and projection period.
- Household projections.
- Assumptions for changes in second homes, vacant dwellings and the annual flow of net changes from conversions, demolitions, etc. The assumptions are outlined in Annex 8.A

The results reported in this Section are derived from a 2020 baseline, projected over a 15-year period to 2035. An important reason for choosing 2020 as a baseline year is that published data on new house completions are available through spring 2020. If an earlier baseline were chosen, the published completions would have to be netted out to derive a projection for remaining new dwelling requirements, having regard to the supply that has already occurred. For example, if running off a 2018 baseline, it would be necessary to net out the known 2018-19 and 2019-20 completions.

Furthermore, from the LPS data, the housing stock as at spring 2020 is a known quantity.

The household projections are taken from the **medium household growth scenario** discussed in Section 5. The net stock model results with no backlog in that scenario are summarised in Table 8.1. Thus, for Derry and Strabane, the projected new dwelling requirement for the period 2020 to 2035 is **3,370**. Projected new dwelling requirements associated with the updated (2018) and high growth household projections are included as part of Annex 8.B, along with the zero net migration population growth scenario.

Table 8.1 New dwelling requirements and components, 2020-2035, net stock model with no backlog, Derry and Strabane, medium household growth scenario[1]

	2020	2035	Change
	(a)	(b)	(c) = (a) – (b)
	No.	*No.*	*No.*
Households[2]	59,340	62,400	3,060
Second homes[3]	160	160	10
Vacant stock[4]	3,800	4,010	210
Dwellings[5]	63,290	66,570	3,280
Net changes[6]			90
Requirements[7]			**3,370**

Notes:

1. All projections are shown rounded to the nearest 10. Calculations are based on unrounded figures, therefore sums or differences may not add to the totals shown.

2. Household projections, medium growth scenario.

3. Constant 0.3 per cent of households – see Annex 8.A.

4. Projected as a constant share of dwellings (six per cent), from the 2020 modelled vacancy rate in the medium growth scenario - see Annex 8.A.

5. The sum of households, vacant dwellings and second homes. Note that the 2020 dwelling stock figure is an actual count derived from LPS data.

6. Net changes due to conversions/closures/demolitions are an annual flow, which are cumulated over the 15-year projection period. Derived from nine-year average using the residual method - see Annex 8.A and accompanying discussion. As the net changes assumption is a positive number, for Derry and Strabane, closures/demolitions out-number conversions by a cumulated 90 over the projection period; replacement of those losses adds to the new dwelling requirement.

7. The sum of dwelling stock changes plus the cumulated net changes.

The annualised new dwelling requirements are summarised in Table 8.2. The annualised total requirement from 2020 to 2035 is **220** dwellings. The largest component is the net change in new households, projected at **200** per annum, representing 91 per cent of the total requirement.

Table 8.2 New dwelling requirements and components, 2020-2035, net stock model with no backlog, Derry and Strabane, medium household growth scenario, by component, annualised

	Change 2020-3035	Annualised	Composition
	No.	*No.*	*Col%*
New households	3,060	200	91
Vacant stock and second homes	220	10	7
Net changes	90	10	3
Requirements	**3,370**	**220**	**100**

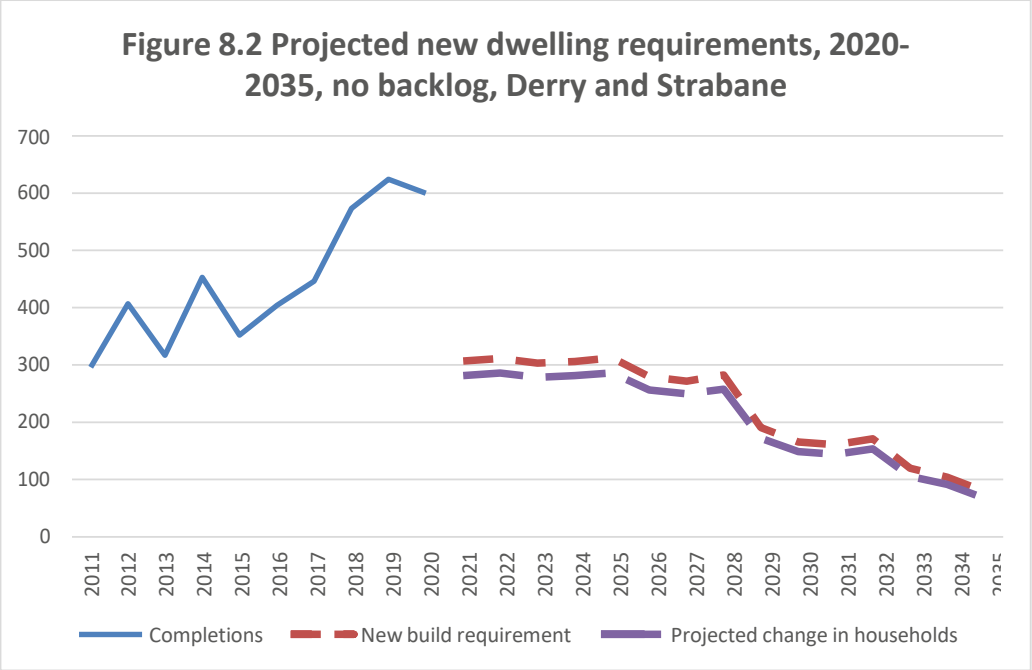
See Table 8.1 for explanation of components.

It must be emphasised that the net stock model projections presented in this Section are intended to provide a long-term perspective on housing requirements across the HMA. Nonetheless, as the model has the capability to generate outputs on an annual basis, it is useful to illustrate further the relationship between projected new dwelling requirements and the projected trend in household growth.

As discussed in Section 5, household growth is projected to slacken from the mid-2020s onwards, reflecting the slower growth in population discussed in Section 4. That feature of the household projections is strongly reflected in the projected path of new dwelling requirements when shown on an annual basis (Figure 8.2). The sensitivity of the projections to the population projection is examined later in this Section.

Based on the projected trend in household growth, new dwelling requirements over the decade 2020 to 2030 are projected to average 200 per annum, falling to less than 100 per annum in the five years between 2030 and 2035.

As a point of comparison, it is noted that, over the historical 10-year period from 2010 to 2020, new dwelling completions averaged 447 per annum across the two HMAs.



The projected new dwelling requirements by HMA are summarised in Table 8.3. The projections by component are reported in Annex B, Table A8B.1. Similar to the projections for the District, the annualised projections by HMA are mainly shaped by the expected household growth. For each HMA, and following the path of household growth, the projected annualised new dwelling requirements over the first 10 years of the projection period, to 2030, are in excess of the annualised requirements for the final five years from 2030 to 2035 (Table 8.3).

Table 8.3 New dwelling requirements by HMA, Derry and Strabane, net stock model, no backlog, 2020-2035

	Total	Annualised		
		2020-2035	2020-2030	2030-2035
Derry and Strabane	**3,370**	**220**	**270**	**130**
Derry HMA	2,500	170	200	90
Strabane HMA	860	60	70	30

8.3 Backlog

The backlog of unmet need for social housing can be considered to encompass three main components[60]:

- Households and potential households without self-contained accommodation.
- Owner-occupiers and private renters in need of social rented housing.
- Social rented sector tenants in unsuitable accommodation.

The first of those three components is comprised of households or potential households (such as concealed families) who do not have their own self-contained accommodation. For that reason, they form the 'net backlog', i.e. additional new dwellings are required to meet their need for accommodation.

The second and third elements can be referred to, respectively, as the tenure (or mismatch) backlog and the social backlog. Neither of those components is counted as part of the new dwelling requirements in a net stock framework.

Owner-occupiers and private renters who have a need for social rented accommodation (e.g. due to overcrowding) currently occupy self-contained accommodation; if they are allocated social housing, their existing dwelling would free up to be occupied by some other household.

Households in the social sector may be counted as part of the backlog in circumstances where their current accommodation is unsuitable, for example, the tenant has serious mobility problems. Again, however, if they are allocated a dwelling, their current accommodation frees up for some other household.

The backlog is inherently difficult to measure. For example, not all of the concealed families counted by the Census of Population (see Table 5.3) may want or desire their own accommodation. Some of those who do may have sufficient resources to rent or buy market housing.

For this SHMA, the issues around measurement and scope are handled through use of the Housing Executive's Common Waiting List (CWL). The CWL offers several advantages for that purpose, as follows:

- It is a comprehensive listing of individuals who have expressed a desire for alternative accommodation by applying for a social rented home.
- The specific housing needs of CWL applicants are identified in the course of assessing their applications. It is therefore possible to

[60] See, for example, Holmans, 2008; Greater London Authority, 2017.

identify, for example, those who are homeless and do not have self-contained accommodation, households in over-crowded accommodation, households with functional mobility problems in their present dwelling, and so on.

- The CWL contains information on the attributes of individuals, such as family type and size.

- Because the CWL is common across Northern Ireland, it is possible to characterise applicants' housing needs without double counting. That is a particular problem with an approach based on multiple datasets, such as a mix of Census, survey and administrative data.

The main caveat to the use of the CWL is the 'no detriment' practice, which applies to applicants who have been accepted as homeless and awarded Full Duty Applicant (FDA) status, i.e. an applicant to whom the Housing Executive has a legal responsibility. When such applicants are awarded points, e.g. for sharing or overcrowding, those points cannot be removed even if the applicant later improves their housing circumstances. That is, the points awarded to an FDA applicant may also reflect their homelessness 'journey', depending on whether their circumstances have changed since making an application for social housing. Consequently, the CWL may not accurately reflect the current housing circumstances of all applicants. Nonetheless, the advantages of the CWL are sufficient to justify its use for estimating the net backlog component in projecting new dwelling requirements.

The criteria for including CWL applicants in the net backlog were as follows:

- Accepted as homeless by the Housing Executive.

  and,

- Lacking their own self-contained accommodation, based on their circumstances according to the CWL.

Concealed households without their own self-contained accommodation are defined to include:

- Adult couples (with or without children) and lone parents whose circumstances indicate that they live with some other family, but are not responsible for the dwelling, e.g. where they have sharing points and/or that is their stated tenure.

- Single adults living with some other family, where they are assessed to warrant sharing points and/or that is their stated tenure.

Households living in temporary accommodation in hostels, etc. are also included in the net backlog, as they do not live in self-contained accommodation.

Conversely, applicants in temporary accommodation but who are in single lets are not included in the net backlog, as they are in self-contained accommodation which would become available to some other household if they were allocated a social home (see Box 8.A). Similarly, households in the private rented or owner-occupied sectors are not included in the net backlog.

Box 8.A Common Waiting List applicants living in temporary accommodation arranged by the Housing Executive

After six months on the CWL, an applicant accepted as homeless and without their own accommodation may be offered and placed in temporary accommodation arranged by the Housing Executive. On the June 2019 CWL, 1,910 applicants were listed as being in temporary accommodation arranged by the Housing Executive. Of those, 536 were in a voluntary sector hostel (291), Housing Executive hostel (130), leased property (60) or external placement (55). The remaining 1,374 were listed as being in private single lets.

The 536 in hostels, etc. are counted in the net backlog. The 1,374 in single lets are not included in the net backlog.

The rationale for excluding private single lets from the net backlog is that they are living in self-contained accommodation; if they are allocated social housing; their single let will free up to be occupied by some other household.

In the net stock model approach, if those single lets were to be included in the net backlog that would introduce an element of double counting, which would inflate the projected new build requirement.

Another way of looking at the issue is to consider how those in temporary accommodation would be counted in the Census of Population.

Applicants living in hostels would be counted in the Census as part of the communal resident population, i.e. they would not be included in the count of households since they are not in self-contained accommodation. For that reason, they properly belong in the net backlog.

Conversely, applicants living in private single lets would be counted as part of the household population, since they live in self-contained accommodation. Thus, when making a net stock projection, those households are already included in the baseline. Consequently, including private single lets in the net backlog would be a form of double counting. The exclusion of private single lets from the net backlog is not at all to imply those households do not have a need for social housing. Rather, if they are allocated social housing, their single let frees up, so there is no net new ‘bricks and mortar’ requirement.

The three main components of the backlog are summarised in Table 8.4. As at June 2019, 4,070 applicants on the CWL for social housing in Derry and Strabane had 30 or more points, i.e. they are considered to be in housing stress. That is the gross backlog. Within that gross backlog, 1,760 CWL applicants met the criteria for inclusion in the net backlog[61]. For the reasons outlined above, the remaining 2,310 applicants are not counted in projecting requirements for additional dwellings in the net stock model framework.

Table 8.4 The backlog by category, Derry and Strabane, CWL applicants in housing stress (30+ points)

	No.	*%*
Net backlog	1,760	43
Tenure/mismatch backlog	1,600	39
Social backlog	710	17
Gross backlog	**4,070**	**100**

Source: NIHE, Common Waiting List, June 2019

The applicants meeting the net backlog criteria are summarised in Table 8.5 by family type and accommodation status. The majority (86 per cent) are concealed households, almost equally split between families (41 per cent) and single adults (44 per cent). The net backlog relative to the estimated number of households in 2020 is also of note. At three per cent, that proportion is double the Northern Ireland average (1.5 per cent) and above the proportion estimated for any other LGD. The net backlog figure therefore reflects the higher level of social need in Derry and Strabane, which is evident from indicators such as receipt of State benefits (see Figure 6.16).

The distribution of the net backlog by HMA is summarised in Table 8.6. The main point of note is the Derry HMA share (93 per cent). The Derry HMA net backlog of 1,650 is equivalent to 3.6 per cent of the estimated number of households in 2020, which is higher than any other HMA in Northern Ireland. On that same metric, the Strabane HMA (0.9 per cent) is slightly below the Northern Ireland average (1.5 per cent).

[61] Note that the net backlog applicants on the CWL were geographically assigned according to their area of choice, i.e. the location where an applicant states they are prepared to live when making an application for social housing. However, the estimated size of the net backlog barely differs if defined on a residence basis (1,740).

Table 8.5 The net backlog by family type and accommodation status, Derry and Strabane

	No.	% of total	% of households
Households living in temporary accommodation, not self-contained (hostels, etc.)	220	12.4	0.4
Adult couple or lone parent families, accepted as homeless, in shared accommodation	730	41.3	1.2
Single adult, accepted as homeless, in shared accommodation	780	44.3	1.3
Other homeless not in self-contained accommodation	40	2.1	0.1
Total	**1,760**	**100.0**	**3.0**

Sources: NIHE, Common Waiting List, June 2019. Household proportion estimated.

Table 8.6 The net backlog by HMA, Derry and Strabane

	Concealed family	Concealed single	Temporary accomm. etc.	All
CWL applicants				
Derry HMA	680	730	230	1,650
Strabane HMA	40	50	20	120
Derry and Strabane	**730**	**780**	**260**	**1,760**
Per cent of HMA				
Derry HMA	94.0	93.3	91.0	93.3
Strabane HMA	6.0	6.7	9.0	6.7
Derry and Strabane	**100.0**	**100.0**	**100.0**	**100.0**
Per cent of households				
Derry HMA	1.5	1.6	0.5	3.6
Strabane HMA	0.3	0.4	0.2	0.9
Derry and Strabane	**1.2**	**1.3**	**0.4**	**3.0**

Source: NIHE, Common Waiting List, June 2019. Household proportion estimated.

The addition of the net backlog to the net stock model projections is summarised in Table 8.7. With the addition of the backlog, the total new dwelling requirement for the period 2020 to 2035 increases to **5,130**. Over the 15-year projection period, the net backlog adds an annual **120** to the requirement, bringing the annualised total to **340**.

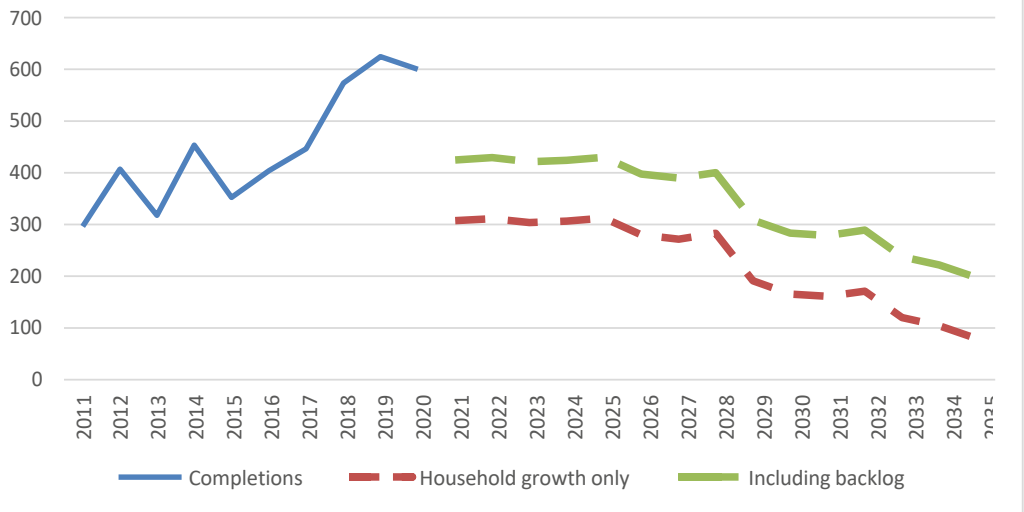
Table 8.7 New dwelling requirements and components, 2020-2035, net stock model with backlog, Derry and Strabane, medium household growth scenario

	Change 2020-3035	Annualised	Composition
	No.	*No.*	*Col%*
New households	3,060	200	59.7
Net backlog	1,760	120	34.4
Other changes	310	20	6.0
Requirements	**5,130**	**340**	**100.0**

See Table 8.1 for explanation of components.

As the backlog is projected forward on a constant annual basis, the trajectory of new dwelling requirements over the projection period continues to reflect the household growth projections, i.e. a fall in the annual new dwelling requirements from the 2028 onwards (Figure 8.3).

Figure 8.3 Projected new dwelling requirements, 2020-2035, Derry and Strabane, with backlog



The results by HMA are summarised in Table 8.8. The detailed results are reported in Table A8B.2 in Annex 8.B. The addition of the net backlog has the largest effect on the projected requirements for the Derry HMA, where the annualised requirement increases from 170 without the backlog to 280 with the inclusion of the backlog.

Table 8.8 New dwelling requirements and components, 2020-2035, net stock model with backlog, Derry and Strabane HMAs, medium household growth scenario

	Households	Net backlog	Other changes	Total
	No.	*No.*	*No.*	*No.*
Changes 2020-2035				
Derry HMA	2,410	1,650	90	4,150
Strabane HMA	650	120	210	980
Derry and Strabane	**3,060**	**1,760**	**310**	**5,130**
Annualised				
Derry HMA	160	110	10	280
Strabane HMA	40	10	10	70
Derry and Strabane	**200**	**120**	**20**	**340**

8.4 Tenure

8.4.1 Affordability Tests

The assignment of net new households by tenure is based on an affordability model, with the following categories:

- **Market** – can afford market rent or has sufficient income to enter and sustain home ownership.
- **Intermediate** – cannot afford market rent but can afford more than social rent.
- **Social** – cannot afford intermediate or market rent.

The tenure assignments are made based on simple income tests, following the Scottish and Welsh models (see Centre for Housing Market Analysis (CHMA), 2018,and Statistics for Wales 2019).

The affordability tests were conducted by combining private rent data for the HMAs (see Section 6) with local area income data, scaled to the Family Resources Survey by broad age group. Newly arising households are assigned to one of the three tenures via the following affordability tests:

- **Market**. Estimated from the proportion of households that can afford to pay the median private rent, without spending more than 25 per cent of household income.
- **Social sector**. Estimated from the proportion of households with an income such that they would spend more than 35 per cent of their income (including Housing Benefit or the housing element of Universal Credit) at the 30th percentile of the private rent distribution.
- **Intermediate**. The estimated proportion of households that cannot afford the market rent but can afford the social rent level.

The results of the affordability tests are summarised by in Table 8.9. Across the two HMAs, an estimated one in five households can afford social rents only with a similar proportion having intermediate affordability. The two HMAs have very similar affordability profiles.

Table 8.9 Affordability tests by HMA, Derry and Strabane

	Market	Intermediate	Social
Derry	61	20	19
Strabane	59	21	20
All	**61**	**20**	**19**

A house purchase affordability test was also conducted, to estimate the proportion of households with an income (excluding Housing Benefit) sufficient to afford a property in the lower quartile of house prices with a house price to income multiple of 3.6. Leaving aside capital requirements for house purchase, an estimated 54 per cent of households in the Derry HMA meet the criterion. At 57 per cent, the proportion is slightly higher in Strabane.

Within each HMA, the proportion estimated to be able to afford house purchase is less than the proportion estimated to afford the median private rent. Therefore, the tenure assignments are made based on the rent tests. In addition, the net backlog is assigned to the social sector.

8.4.2 Tenure Projections

The tenure projections for the medium household growth scenario are summarised in Table 8.10. Excluding the backlog, 61 per cent of the projected annualised requirements are assigned to the market sector with 20 per cent to the intermediate sector and 19 per cent to the social sector. When the backlog is added, the social sector share increases to 47 per cent while the market share reduces to 40 per cent and the intermediate share to 13 per cent. Though, it should be appreciated that, in level terms, the projected market and intermediate requirements are unchanged at 140 per annum and 50 per annum respectively. That is because the backlog is added to the social sector only.

Table 8.10 Annualised requirements by tenure, 2020-2035, medium household growth scenario, Derry and Strabane

	Market	Intermediate	Social	All
Excl. backlog				
Number	140	50	40	220
Per cent	*61*	*20*	*19*	*100*
Incl. backlog				
Number	140	50	160	340
Per cent	*40*	*13*	*47*	*100*

The projected new dwelling requirements by tenure for each of the HMAs are shown in Table 8.11 with the backlog excluded and in Table 8.12 with the backlog included.

When the backlog is excluded, the tenure composition within each HMA is very similar, reflecting the profile in the affordability tests reported in Table 8.9.

The main effect from the addition of a backlog term is to increase the social sector share within each HMA. As it accounts for 93 per cent of the net backlog, the effect is much larger in the Derry HMA, where the social sector share rises to 51 per cent with the backlog included, up from 18 per cent when the backlog is omitted.

It is important to note that the projected new dwellings requirement includes an allowance for housing, which is not permanently occupied as a primary residence (vacant dwellings and second homes). As indicated above and in Section 7, the presence of second homes is demand led and therefore they are not a component of housing need and do not contribute to meeting housing need. However, this is not to say that second homes have no effect on local housing needs. Rather, in areas where there is demand for second homes, available housing may be more limited, which may lead to higher housing costs and this may reduce the supply of affordable housing for local people. As set out in the 2015 SPPS (para 6.142), Councils may wish to consider zoning land or include policy within the Local Development Plan, as appropriate, to reflect the local need resulting from demand for second homes.

Table 8.11 New dwelling requirements by tenure and HMA, excluding backlog, 2020-2035

	Market	Intermediate	Social	All
Requirements 2020-2035				
Derry HMA	1,560	500	450	2,500
Strabane HMA	500	180	180	860
Derry and Strabane	**2,060**	**680**	**630**	**3,370**
Annualised requirements				
Derry HMA	100	30	30	170
Strabane HMA	30	10	10	60
Derry and Strabane	**140**	**50**	**40**	**220**
Per cent of total				
Derry HMA	62	20	18	100
Strabane HMA	58	21	21	100
Derry and Strabane	**61**	**20**	**19**	**100**

Table 8.12 New dwelling requirements by tenure and HMA, including backlog, 2020-2035

	Market	Intermediate	Social	All
Requirements 2020-2035				
Derry HMA	1,560	500	2,100	4,150
Strabane HMA	500	180	300	980
Derry and Strabane	**2,060**	**680**	**2,390**	**5,130**
Annualised requirements				
Derry HMA	100	30	140	280
Strabane HMA	30	10	20	70
Derry and Strabane	**140**	**50**	**160**	**340**
Per cent of total				
Derry HMA	38	12	51	100
Strabane HMA	51	19	30	100
Derry and Strabane	**40**	**13**	**47**	**100**

8.5 Irish Traveller Community

The Housing Executive is responsible for the provision and management of accommodation for the Irish Traveller Community**,** including social housing, Traveller specific Group Housing, serviced sites, and transit sites**.** Planning for, providing and managing culturally sensitive Irish Traveller accommodation is both complex and challenging. Accommodation is linked with a range of deprivation factors experienced by Irish Travellers such as health and well-being, education, racism, mortality and discrimination.

The Census of Population provides the most recent benchmark data on the geographic distribution of Irish Travellers. At the time of the 2011 Census, there were 466 Irish Traveller households, of which 38 (eight per cent) were living in Derry and Strabane, of which 28 were in the Derry HMA and ten in the Strabane HMA.

In meeting its responsibilities, the Housing Executive carries out periodic surveys and needs assessments of the Irish Traveller community. The fourth such survey, the Northern Ireland Housing Executive Irish Traveller Accommodation Survey 2018-19, reported in January 2020. The Survey provides an evidence base to inform the Irish Travellers Accommodation Strategy 2020-2025, and will be used to develop a traveller-specific accommodation needs assessment.

The 2018-19 Survey estimated that the Irish Traveller population stands at 1,628 individuals in 540 households. An estimated 48 households containing 122 individuals live in Derry and Strabane.

The majority of Survey respondents (69 per cent) live in social housing followed by 10 per cent in private rented accommodation, nine per cent on a permanent/serviced site, seven per cent in group housing and three per cent in owner occupation.

A little over one in four respondents (27 per cent) indicated that they would prefer different accommodation, including 16 per cent who said they would prefer social housing; six per cent who said they would prefer to live at a serviced site; and three per cent who said they would prefer to live in grouped housing.

Other findings from the Survey include:

- 86 per cent of respondents were living in some form of ‘bricks and mortar’ accommodation.
- The propensity to travel appears to be low, with only seven per cent of respondents expecting that they or a member of their household would travel within the next three years.

- Almost one in five respondents (19 per cent, accounting for 102 households) said that they expected one or more members of their household to seek their own accommodation within the next five years. The majority of these newly arising households (85 per cent) were expected to seek permanent bricks and mortar accommodation.

8.6 Sensitivities

The sensitivity of the projections for new dwelling requirements to changes in the assumptions is examined under two headings, as follows:

- Average household size. Changes to the assumptions around the trend in average household size lead to alternative paths for the pace of household growth, holding the population projections constant at the principal NISRA projection, i.e. the updated and high growth projections discussed in Section 5 alongside the medium growth scenario.

- Population growth. In addition to the average household size assumptions, the projected number of households depends also on the projected rate of population change. The zero net migration scenario discussed in Sections 4 and 5 is applied to examine the implications of an alternative population level.

When the average household size assumptions are varied in the manner outlined in Section 5, the projections for newly arising households range from 1,980 in the updated slower growth scenario to 3,890 in the high growth scenario, giving a variation of -1,080 (-35 per cent) to +830 (+27 per cent) around the medium growth scenario (Table 8.13). The variation in the household growth projections are directly reflected in the projections for new dwelling requirements, as the updated and high growth scenarios differ from the medium growth scenario by approximately the difference in the household growth projections.

It should be noted that the range in the projection scenarios does not represent a 'confidence interval' and should be viewed strictly as an illustration of potential variation arising from different assumptions for the trend in average household size.

In the zero net migration scenario, the projected number of newly arising households is 5,890 with associated new dwelling requirements of 6,430 when the backlog is excluded and 8,190 when the backlog is included. The zero net migration scenario is based on the average household size assumptions adopted for the NISRA 2016-based household projections. Those are also the assumptions underpinning the updated household projections in this SHMA, with which the zero net migration projections can therefore be compared to focus on the population growth effect.

Table 8.13 Projected new dwelling requirements and household growth scenarios, 2020-2035, Derry and Strabane

	New household formation scenario:			Population growth
	Updated	Medium	High	Zero net migration
New households				
Total	1,980	3,060	3,890	5,890
Annualised	130	200	260	390
Dwelling requirements				
Excluding backlog				
Total	2,230	3,370	4,210	6,430
Annualised	150	220	280	430
Including backlog				
Total	4,000	5,130	5,970	8,190
Annualised	270	340	400	550

The faster population growth in the zero net migration scenario generates a new dwelling requirement which is 4,200 higher than in the updated scenario[62]. That difference of 4,200 arises because the projected 2035 household population in the zero net migration scenario is 11,700 higher than in the principal NISRA population projection driving the updated household scenario. On average, therefore, for every 1,000 additional household population members, the 15-year new dwelling requirement to 2035 increases by 360. That is an indicative measure of the potential variation in the projections for new dwelling requirements from varying the population growth assumptions for net migration.

The projections at HMA level for each of the scenarios are reported in Annex 8.B. In addition to the medium growth projections shown in Tables A7B.1 and A7B.2, the updated (2018) projections can be found in Tables A7B.3 and A7B.4 along with Tables A7B.5 and A7B.6 for the high growth scenario and Tables A7B.7 and A7B.8 for the zero net migration scenario.

[62] Excluding the backlog, subtract the updated scenario requirement of 2,230 from the zero net migration scenario requirement of 6,430. Note that, as the backlog does not vary between the two scenarios, the difference is the same when the requirements with the backlog are compared.

The annual projections for new dwelling requirements in each scenario are shown in Figure 8.4 without the backlog and in Figure 8.5 with the backlog. In the scenarios based around varying the average household size assumptions, the annual projections are shaped by the principal NISRA population projections discussed in Section 4, i.e. a tapering off in the annual pace of population growth. The zero net migration scenario gives a different profile, reflecting population growth throughout the projection period.

Figure 8.4 Projected new dwelling requirements and household growth scenarios, no backlog, 2020-2035, Derry and Strabane

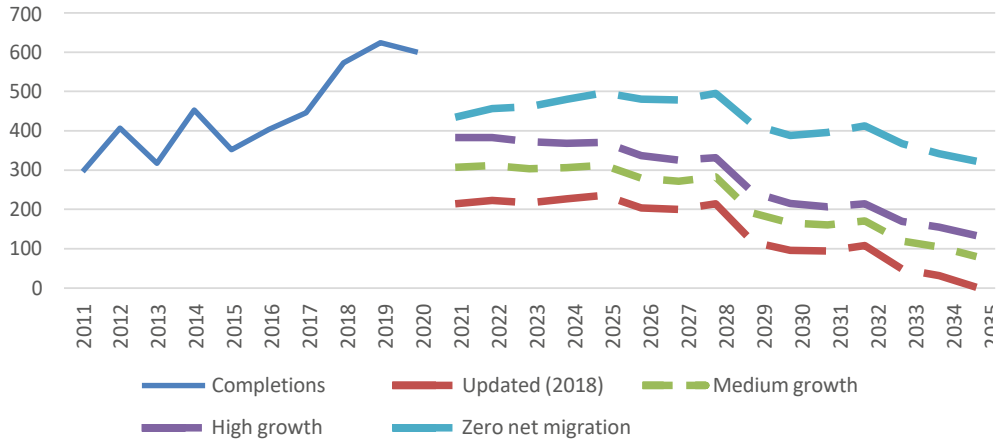
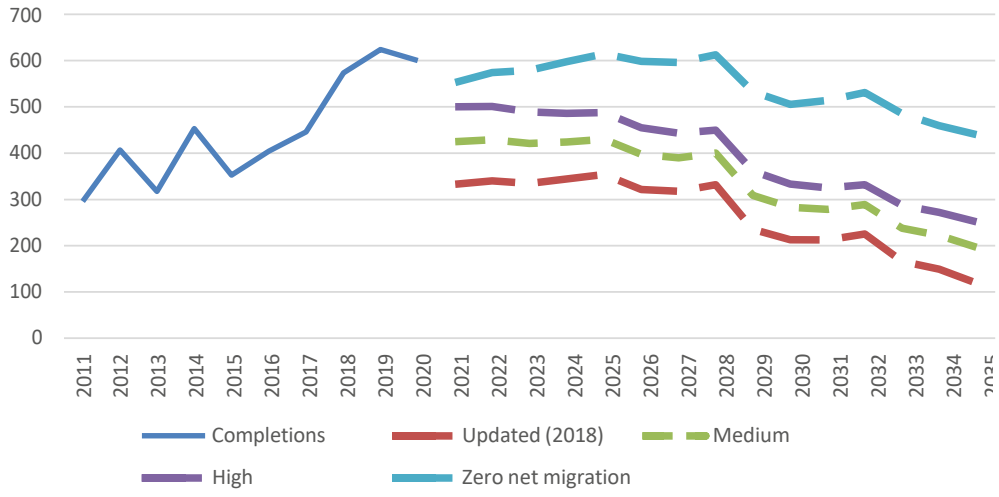


Figure 8.5 Projected new dwelling requirements and household growth scenarios, with backlog, 2020-2035, Derry and Strabane



The annual projections for new dwelling requirements shown in Figures 8.4 and 8.5 do not take account of the coronavirus pandemic. To the extent that the pandemic dampens activity levels in the housing market, it is plausible that new household formation may be suppressed between 2020 and 2021 or so long as the effects of the pandemic persist, e.g. in terms of measures taken to combat the virus. However, as the population from which new households arise already exists, suppression of new household growth should prove temporary. Beyond the pandemic, a period of 'catch-up' in new household formation may be anticipated, e.g. where 'pent-up' demand emerges. Thus, over the 15-year projection period considered in this SHMA, the total projected requirements may be expected to remain unchanged, albeit the precise trajectory may well differ from the scenarios shown in Figures 8.4 and 8.5.

The projected tenure proportions are also subject to uncertainty. First, the tenure split in the projected new dwelling requirements assumes the continued availability of Housing Benefit. Housing Benefit for some social sector tenants is likely to become less generous, if mitigation of the social sector size criteria ends. As discussed in Section 3, mitigation is currently continuing, albeit on a contingency basis and without a definite timescale for when it may be terminated.

Modelling the potential impact of a change in the availability of Housing Benefit would, ideally, be conducted using a household survey dataset in which households in receipt of Housing Benefit can be separately identified. Such a dataset is not available at the geographic level of detail required for this SHMA. An indication of the tenure split in the absence of Housing Benefit can be gleaned by running the net stock model in a scenario where the average amount of Housing Benefit received by households is omitted from the household income estimates. That scenario will tend to understate the potential impact of non-availability of Housing Benefit, as the variability in receipt of Housing Benefit is absent from an average income measure.

Nonetheless, the scenario is useful in highlighting that, when average Housing Benefit is excluded from average household income, the projected social tenure proportion would increase by an estimated four percentage points, from 19 to 23 per cent (Table 8.14). The effect would not vary much between the two HMAs.

Table 8.14 Tenure proportions including and excluding Housing Benefit, Derry and Strabane

	Market	Intermediate	Social	All
	%	%	%	%
Derry HMA				
Including Housing Benefit	62	20	18	100
Excluding Housing Benefit	60	18	22	100
Strabane HMA				
Including Housing Benefit	58	21	21	100
Excluding Housing Benefit	55	19	26	100
Derry and Strabane				
Including Housing Benefit	61	20	19	100
Excluding Housing Benefit	59	18	23	100

The second source of uncertainty in the tenure projections is the future path of incomes relative to rents in the affordability tests. The review of the housing market in Section 6 concluded that, prior to the coronavirus pandemic, ratios of incomes to rents and house prices had been relatively stable since 2016. That conclusion is also supported by the more detailed data available at Northern Ireland level, which is reported in Appendix B to this SHMA, which points also to the recent improvements in house purchase affordability. The assumption in the tenure projections is that, over the 15-year period 2020 to 2035, income to rent ratios will remain stable, albeit there may be cyclical fluctuations over that same period. Projecting the housing market cycle over a 15-year period would be highly speculative in any event.

8.7 Comparison with HGIs and Social Housing Need Estimates

Prior to drawing conclusions, it is useful to briefly consider how the projected new dwelling requirements presented in this Section compare with the Housing Growth Indicators (HGIs) published by the Department for Infrastructure in October 2019 to assist with the local development planning process. Strictly speaking, the projected new dwelling requirements presented in this Section are not comparable with the published HGIs. The main differences are as follows[63]:

[63] There are some technical differences in the implementation of the net stock model for the HGIs compared with the scenarios presented in this Section.

- The HGIs project new dwelling requirements for the 14-year period 2016 to 2030 whereas this Section presents requirements over the 15-year period 2020 to 2035.
- The HGIs are based on the NISRA 2016-based household projections. The projections in this Section employ the medium household growth scenario, described in Section 5[64].
- The HGIs are based solely on newly arising households and do not include a backlog component.
- The projections in this Section include an affordability analysis, which is not part of the HGIs.

Bearing those caveats in mind, the projected new dwelling requirements 2020 to 2035 for Derry and Strabane from the medium household growth scenarios, without the backlog, are shown in Table 8.15 alongside the annualised HGI 2016 to 2030. The first point to note is that the 2016 to 2030 HGI projects a larger annualised new dwelling requirement than the medium household growth scenario; the variation is 36 per cent.

Table 8.15 Annualised new dwelling requirements 2020-2035, no backlog, compared with Housing Growth Indicators 2016-2030

	Medium household growth scenario		Housing Growth Indicator	
	2020	2035	2016-2030[1]	Adjusted, 2020-2030[2]
Derry and Strabane	220		300	190

1. Annualised figures for Derry and Strabane taken from DfI, Housing Growth Indicators.
2. Derived by subtracting new dwelling completions (source: LPS, New dwelling statistics) for the years 2016-17 through 2019-20 from the total HGI requirements projected for 2016 to 2030.

One reason for that variation lies in the use of different assumptions for vacant dwellings. In the HGI projection for Derry and Strabane, the change in vacant dwellings between 2016 and 2030 accounts for 38 per cent of the

[64] Though, as discussed in Section 5, the updated (2018) household projections, which are used for sensitivity testing of the projected new dwelling requirements, are quite similar to the NISRA 2016-based projections.

projected new dwelling requirements[65]. Alternatively, 38 per cent of the projected requirement would not be occupied by newly arising households.

In the net stock model used for this SHMA, the number of vacant dwellings is assumed to grow in proportion to the dwelling stock, i.e. the vacant dwellings proportion is held constant over the projection period (see Appendix 8.A). Consequently, in the medium household growth projections, the change in the number of vacant dwellings accounts for six per cent of the projected new dwelling requirements.

In addition, as the HGIs have a 2016 baseline, they can be adjusted for actual new dwelling completions over the period 2016-17 to 2019-20. Over that four-year time span, 2,240 new dwellings were completed in Derry and Strabane, amounting to 54 per cent of the total projected HGI requirement of 4,140 over the projection period 2016 to 2030. Consequently, when the HGI projections are adjusted for dwellings already completed, the annualised projected requirements for the remaining years 2020 to 2030 fall to 190, from 300 (see the final column in Table 8.18). That is because, since 2016, new dwelling completions have been running ahead of the annualised HGI projections.

It is also useful to caution against drawing comparisons between the net stock model projections in this SHMA and the social housing need estimates produced by the Housing Executive, such as the five-year ahead housing need estimates contained within the Housing Investment Plans (HIPs) prepared for each LGD.

The 2018-2023 HIP for the Derry City and Strabane District Council sets out a social housing need estimate 2018 to 2023 of 2,744, giving an annual average of 549. As it is based on a quite different methodology, that figure cannot be compared with the annualised projections presented in this SHMA.

In particular, the social housing need estimates contained within the HIP are based on modelling the gross backlog on the Common Waiting List, i.e. all three components listed in Table 8.4 above. Thus, the social housing need estimates will include households with a tenure or social housing mismatch who are already in self-contained accommodation but who have a social housing need, due to over-crowding, accommodation which is unsuitable because of mobility problems, etc. If those households' social housing needs are met, the dwelling in which they currently reside frees up for some other household to occupy.

[65] The technical reason is that the HGI assumes a vacant dwelling rate of 6.7 per cent for Derry and Strabane, which is above the baseline 2016 vacant dwelling rate (4.5 per cent). As the vacant dwellings rate is assumed to rise over the HGI projection period, new dwellings are required to supply the required higher number of vacant dwellings.

By contrast, in the net stock model projections, only those CWL applicants who do not currently live in their own self-contained accommodation and who have been assessed as homeless are included in the backlog.

There are other differences between the net stock model and the social housing needs model, which should also caution against drawing comparisons. For example, the social housing need model takes account of relets of social sector dwellings, which are vacated and become available for re-allocation to CWL applicants. Relets do not feature in the net stock model, since they refer to dwellings that already exist.

8.8 Key Points Summary

This Section reports on the findings from a net stock model to project new dwelling requirements over the 15-year period 2020 to 2035. The projections are made for the Derry and Strabane HMAs, both separately and in combination.

The household projections presented in this Section are taken from the **medium household growth scenario**. In that scenario, the projected number of **newly arising households** in Derry and Strabane over the 15-year projection period is **3,060**. An additional **310** new dwellings would be required for expected changes in second homes, vacant dwellings and to replace dwellings lost due to dereliction, demolition, etc. The total new dwelling requirements from the projected changes therefore amounts to **3,370**, giving an average annual requirement of **220** dwellings over the 15-year period.

Derry and Strabane contain an estimated **1,760** homeless individuals and families who do not have their own self-contained accommodation. They form the net **backlog of housing need**, i.e. additional new dwellings are required to meet their need for accommodation.

The net backlog has been measured from the Housing Executive's Common Waiting List (CWL) as at August 2019. The CWL is a comprehensive listing of individuals who have expressed a desire for alternative accommodation by applying for a social rented home.

With the addition of the backlog, the total new dwelling requirement for the period 2020 to 2035 increases to **5,130**. Over the 15-year projection period, the net backlog adds an annual **120** to the requirement, bringing the annualised total to **340**.

The projected **changes by HMA** are summarised in Table 8.16. The net backlog is highly concentrated in the Derry HMA, accounting for 93 per cent of the total.

Table 8.16 New dwelling requirements and components, 2020-2035,

net stock model with backlog, Derry and Strabane HMAs, medium household growth scenario				
	Households	**Net backlog**	**Other changes**	**Total**
	No.	*No.*	*No.*	*No.*
Derry HMA	2,410	1,650	90	4,150
Strabane HMA	650	120	210	980
Derry and Strabane	**3,060**	**1,760**	**310**	**5,130**

The net **new dwelling requirements by tenure** have been projected based on a household affordability model, with income tests deployed to assign the following categories:

- **Market** – can afford market rent or has sufficient income to enter and sustain home ownership.
- **Intermediate** – cannot afford market rent but can afford more than social rent.
- **Social** – cannot afford intermediate or market rent.

Excluding the backlog, 61 per cent of the projected annualised requirements are assigned to the market sector with 20 per cent to the intermediate sector and 19 per cent to the social sector.

When the net backlog is assigned to the social sector, the social share rises to 47 per cent while the market share reduces to 40 per cent and the intermediate share to 13 per cent.

The projected requirements by tenure, including the backlog, are summarised in Table 8.17.

Table 8.17 New dwelling requirements by tenure, including backlog, Derry and Strabane HMAs, 2020-2035, medium household growth scenario

	Market	**Intermediate**	**Social**	**All**
Derry HMA	1,560	500	2,100	4,150
Strabane HMA	500	180	300	980
Derry and Strabane	**2,060**	**680**	**2,390**	**5,130**

The Housing Executive is responsible for the provision and management of accommodation for the **Irish Traveller Community,** including social housing, Traveller specific Group Housing, serviced sites and transit sites. The findings from the Northern Ireland Housing Executive Irish Traveller Accommodation Survey 2018-19 provides an evidence base to inform the Irish Travellers Accommodation Strategy 2020-2025 and will be used to develop a traveller-specific accommodation needs assessment.

Projections for new dwelling requirements are inherently uncertain. To illustrative the sensitivities, the new dwelling requirements have also been projected by varying assumptions for the trend in average household size (the updated (2018) and high growth household projections) and the population growth assumptions (zero net migration scenario). The scenarios are summarised in Table 8.18.

Table 8.18 Projected new dwelling requirements and household growth scenarios, 2020-2035, Derry and Strabane

	New household formation scenario:			Population growth
	Updated	**Medium**	**High**	**Zero net migration**
New households	1,980	3,060	3,890	5,890
Dwelling requirements				
Excluding backlog	2,230	3,370	4,210	6,430
Including backlog	4,000	5,130	5,970	8,190

The range in the projection scenarios does not represent a 'confidence interval' and should be viewed strictly as an illustration of potential variation arising from different assumptions for household growth. However, as the scenarios for new dwelling requirements are based on making alternative assumptions regarding future rates of household growth, they can be interpreted as follows.

Based on the principal 2018-based NISRA population projections:

- The medium growth scenario provides the basis for the main new dwelling requirement projections.
- The updated (2018) projections serve to test projections for new dwelling requirements to reflect slower household growth compared with the medium growth scenario.
- The high growth projections play a similar role in testing for the effects of faster than anticipated household growth.

The zero net migration scenario yields population projections that would reverse well-established trends. The scenario should be viewed as an upper bound on the range of projected new dwelling requirements.

To conclude, it must be emphasised that the net stock model projections presented in this Section are intended to provide a long-term perspective on housing requirements across the HMAs. Within that context, the projections for new dwelling requirements do not take explicit account of the coronavirus pandemic. To the extent that the pandemic dampens activity levels in the housing market, it is plausible that new household formation may be suppressed between 2020 and 2021 or so long as the effects of the pandemic persist, e.g. in terms of measures taken to combat the virus. However, as the population from which new households arise already exists, suppression of new household growth is expected to prove temporary. Beyond the pandemic, a period of 'catch-up' in new household formation may be anticipated, e.g. where 'pent-up' demand emerges. Thus, over the 15-year projection period considered in this SHMA, the total projected requirements may be expected to remain unchanged, having regard to the underpinning population projections and associated trend assumptions.

Annex 8.A Data Sources: Net Stock Model

In this report, the net stock model is implemented by assuming that:

- The vacant dwellings rate remains constant over the projection period.
- Dwellings required to clear the backlog are fully occupied, i.e. zero vacancies within that portion of the projected stock.
- The proportion of households owning second homes remains constant, i.e. the level grows with the increase in households.
- Net conversions are held constant at an average of the historic annual flow.

Statistics on the numbers of second homes and vacant dwellings are not published for Northern Ireland. However, from a net stock model perspective, vacant dwellings and second homes share a distinct characteristic, i.e. they each represent a type of unoccupied dwelling. The approach taken in this SHMA has therefore been taken forward in two stages:

- First, estimate the proportion of dwellings that are unoccupied, regardless of whether they are vacant dwellings or second homes.
- Second, allocate the estimated number of unoccupied dwellings between vacant dwellings and second homes.

The estimation of **the unoccupied stock** in the baseline period is calculated from the simple accounting identity:

Unoccupied stock = Total housing stock – Total households

For the 2020 baseline period in this Section, total housing stock figures by LGD are available from the LPS Housing Stock Statistics. From those data, estimates have been made for the stock within parts of LGDs contained within the Belfast Metropolitan HMA, including by subarea. The LGD-level stock figures in the baseline, it should be noted, are therefore actual published data points.

The estimates for total households have been made from the household projections for 2020, which vary between the updated, medium and high growth scenarios.

For a given household growth scenario, the proportion of the stock that is unoccupied is readily calculated by comparing the 2020 projected households with the 2020 dwelling stock statistics. In each scenario, that proportion is held constant over the projection period.

It may also be noted that, in the approach used here, for a given household growth scenario the split between second homes and vacant dwellings within the estimated unoccupied dwelling stock is essentially notional, i.e. the projected new dwelling requirements are not affected by the allocation, albeit the allocation may be of interest in its own right.

The allocation of the unoccupied stock to **second homes** was as follows.

Drawing on survey data, the HGI exercise assumed that, at Northern Ireland level, the proportion of households with a second home is 1.1 per cent. When applied to the projected number of households, that assumption gives the total number of dwellings that are second homes.

For example, from the medium growth scenario discussed in Section 5, the projected total number of households in Northern Ireland in 2020 is 750,590. If 1.1 per cent of those households have a second home in Northern Ireland, that implies a total of 8,300 second home dwellings in 2020.

For this SHMA, the Northern Ireland total of second homes was allocated geographically using the distribution of second homes enumerated at the 2001 Census of Population[66]. The source is dated but it is a benchmark data point and the results would seem reasonable (Table A8.1)[67].

Thus, in 2001, 1.9 per cent of second homes were located in the Derry and Strabane HMAs. Assuming their share of the Northern Ireland total remained at 1.9 per cent, by 2020 the number of second home dwellings across Derry and Strabane was 155, i.e. 1.9 per cent of 8,300. That equates to 0.2 per cent of the Derry and Strabane dwelling stock.

Once the number of second homes has been determined, the **vacant dwelling stock** is calculated as a residual in the baseline year, by taking the difference between the total housing stock, net of second homes, and the projected number of new households:

Vacant dwellings = (Total dwelling stock – Second homes) - Households

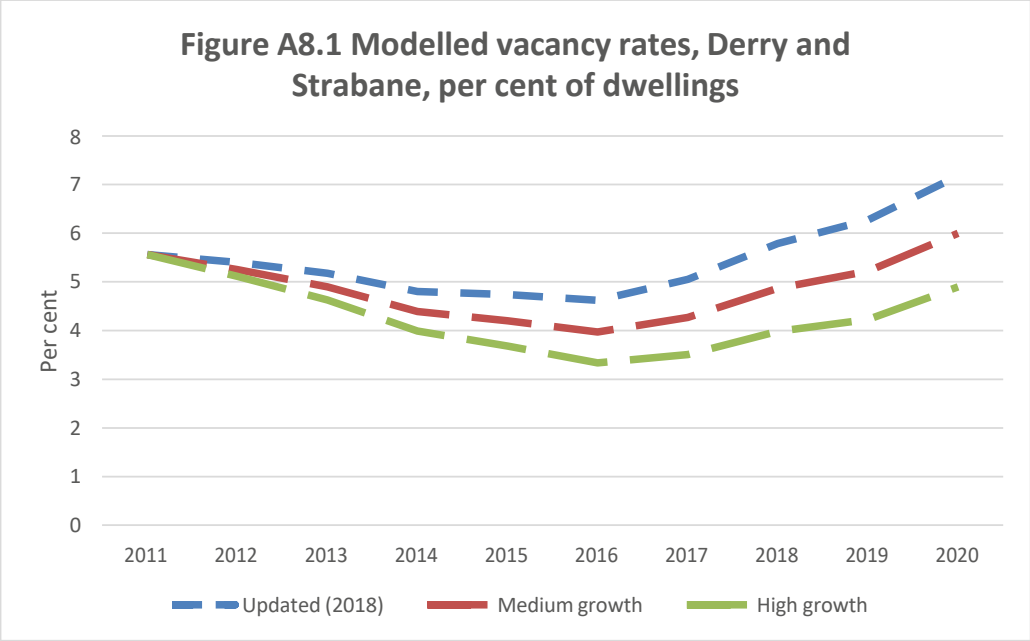
The proportion will therefore vary according to the chosen baseline and the household projection scenario (Figure A8.1).

An important advantage of the approach outlined above is that the net stock model can be implemented in a wholly consistent fashion throughout the projection period. That is, the fundamental accounting identity (dwelling stock = households + second homes + vacant dwellings) is satisfied both in the baseline year and in each year of the projection period.

[66] DfI used a different method of spreading the Northern Ireland control total.
[67] Note that the geographical spreader is based on the housing stock and that is how the results are presented in Table A8.1.

Table A8.1 Second homes: Distribution by HMA, 2020 estimated			
	Per cent of NI total[1]	No. of second homes[2]	Per cent of dwellings[3]
Derry and Strabane	**1.9**	**155**	**0.2**
Derry HMA	1.1	92	0.2
Strabane HMA	0.8	63	0.4
Rest of N. Ireland	98.1	8,168	1.1
N. Ireland	**100**	**8,323**	**1.0**

1. Estimated from Table CAS363, Census of Population 2001.
2. NI total of second homes (8,323) multiplied by HMA's per cent share.
3. Second homes as per cent of dwelling stock (LPS, 2020).



To implement the net stock model, **net changes** due to conversions, demolitions, etc. must be added to the projected changes in households, vacancies, and second homes. However, there is no data source available through which net changes can be directly measured. The only viable approach available is to estimate net changes as a residual by comparing new dwelling completions with changes in the housing stock:

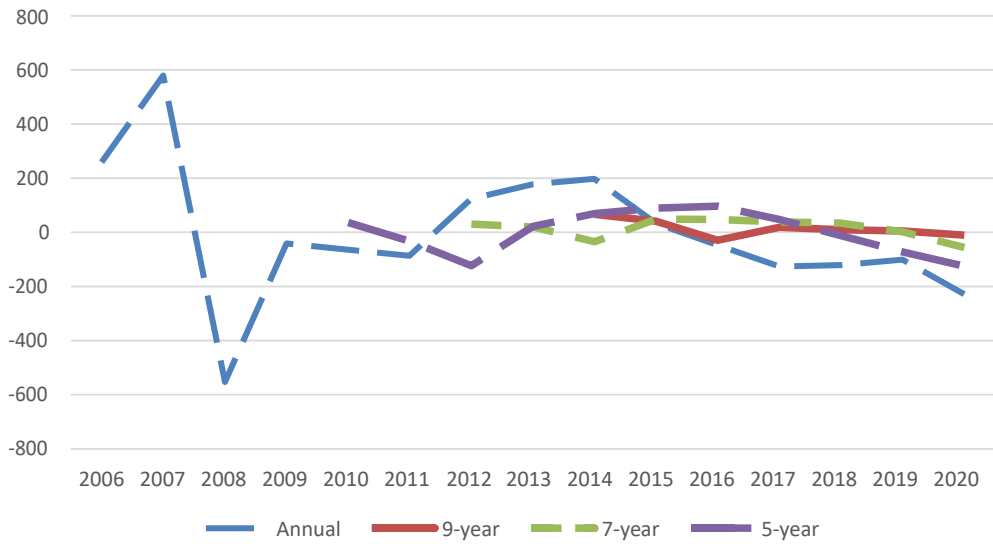
Net changes = New dwelling completions – Change in housing stock

That is the same approach used in the production of the HGIs.

Net changes can fluctuate sharply when defined on an annual basis (Figure A8.2). It is therefore appropriate to take an average of a number of years as the input to the NSM projection. The five, seven and nine year averages are shown in Figure 8.2. The medium growth scenario reported in the SHMA uses the nine year average from 2010-11 to 2018-19.

The choice of the nine-year period is appropriate as the NSM projections are made over a longer-term period. For the Derry and Strabane HMAs, the net change assumption is therefore that six new dwellings need to be constructed per annum to replace units lost through demolition, etc.

Figure A8.2 Net changes, Derry and Strabane
(Source: Estimated from LPS data)



It should be noted that, while the nine year average is a positive quantity, the five-year average through to 2018-19 is negative (-73). That is, over that timeframe, more new dwellings were added to the housing stock through conversions than were lost through demolition, etc.

Annex 8.B New Dwelling Requirements: Net Stock Model Projections by Housing Market Area

Table A8B.1 Medium household growth - new dwelling requirements and components, 2020-2035, net stock model with no backlog, Derry and Strabane

	Changes, 2020 to 2035:				Net changes	Requirements
	Households	Backlog	Vacant stock & second homes	Dwellings		
Changes 2020-2035						
Derry and Strabane	**3,060**	**0**	**220**	**3,280**	**90**	**3,370**
Derry HMA	2,410	0	160	2,570	-70	2,500
Strabane HMA	650	0	60	710	160	860
Annualised						
Derry and Strabane	**200**	**0**	**10**	**220**	**10**	**220**
Derry HMA	160	0	10	170	0	170
Strabane HMA	40	0	0	50	10	60

Table A8B.2 Medium household growth - new dwelling requirements and components, 2020-2035, net stock model with backlog, Derry and Strabane

	Changes, 2020 to 2035:				Net changes	Requirements
	Households	Backlog	Vacant stock & second homes	Dwellings		
Changes 2020-2035						
Derry and Strabane	**3,060**	**1,760**	**220**	**5,040**	**90**	**5,130**
Derry HMA	2,410	1,650	160	4,220	-70	4,150
Strabane HMA	650	120	60	830	160	980
Annualised						
Derry and Strabane	**200**	**120**	**10**	**340**	**10**	**340**
Derry HMA	160	110	10	280	0	280
Strabane HMA	40	10	0	60	10	70

Table A8B.3 Updated (2018) household growth - new dwelling requirements and components, 2020-2035, net stock model with no backlog, Derry and Strabane

	Changes, 2020 to 2035:				Net changes	Requirements
	Households	Backlog	Vacant stock & second homes	Dwellings		
Changes 2020-2035						
Derry and Strabane	**1,980**	**0**	**170**	**2,150**	**90**	**2,230**
Derry HMA	1,550	0	130	1,680	-70	1,610
Strabane HMA	430	0	40	470	160	620
Annualised						
Derry and Strabane	**130**	**0**	**10**	**140**	**10**	**150**
Derry HMA	100	0	10	110	0	110
Strabane HMA	30	0	0	30	10	40

Table A8B.4 Updated (2018) household growth - new dwelling requirements and components, 2020-2035, net stock model with backlog, Derry and Strabane

	Changes, 2020 to 2035:				Net changes	Requirements
	Households	Backlog	Vacant stock & second homes	Dwellings		
Changes 2020-2035						
Derry and Strabane	**1,980**	**1,760**	**170**	**3,910**	**90**	**4,000**
Derry HMA	1,550	1,650	130	3,320	-70	3,250
Strabane HMA	430	120	40	590	160	740
Annualised						
Derry and Strabane	**130**	**120**	**10**	**260**	**10**	**270**
Derry HMA	100	110	10	220	0	220
Strabane HMA	30	10	0	40	10	50

Table A8B.5 High household growth - new dwelling requirements and components, 2020-2035, net stock model with no backlog, Derry and Strabane

	Changes, 2020 to 2035:				Net changes	Requirements
	Households	Backlog	Vacant stock & second homes	Dwellings		
Changes 2020-2035						
Derry and Strabane	**3,890**	**0**	**230**	**4,120**	**90**	**4,210**
Derry HMA	3,110	0	170	3,270	-70	3,200
Strabane HMA	790	0	60	850	160	1,000
Annualised						
Derry and Strabane	**260**	**0**	**20**	**270**	**10**	**280**
Derry HMA	210	0	10	220	0	210
Strabane HMA	50	0	0	60	10	70

Table A8B.6 High household growth - new dwelling requirements and components, 2020-2035, net stock model with backlog, Derry and Strabane

	Changes, 2020 to 2035:				Net changes	Requirements
	Households	Backlog	Vacant stock & second homes	Dwellings		
Changes 2020-2035						
Derry and Strabane	**3,890**	**1,760**	**230**	**5,890**	**90**	**5,970**
Derry HMA	3,110	1,650	170	4,920	-70	4,850
Strabane HMA	790	120	60	970	160	1,120
Annualised						
Derry and Strabane	**260**	**120**	**20**	**390**	**10**	**400**
Derry HMA	210	110	10	330	0	320
Strabane HMA	50	10	0	60	10	70

Table A8B.7 Zero net migration - new dwelling requirements and components, 2020-2035, net stock model with no backlog, Derry and Strabane

	Changes, 2020 to 2035:				Net changes	Requirements
	Households	Backlog	Vacant stock & second homes	Dwellings		
Changes 2020-2035						
Derry and Strabane	**5,890**	**0**	**450**	**6,340**	**90**	**6,430**
Derry HMA	4,580	0	330	4,920	-70	4,850
Strabane HMA	1,310	0	120	1,430	160	1,580
Annualised						
Derry and Strabane	**390**	**0**	**30**	**420**	**10**	**430**
Derry HMA	310	0	20	330	0	320
Strabane HMA	90	0	10	100	10	110

Table A8B.8 Zero net migration - new dwelling requirements and components, 2020-2035, net stock model with backlog, Derry and Strabane

	Changes, 2020 to 2035:				Net changes	Requirements
	Households	Backlog	Vacant stock & second homes	Dwellings		
Changes 2020-2035						
Derry and Strabane	**5,890**	**1,760**	**450**	**8,110**	**90**	**8,190**
Derry HMA	4,580	1,650	330	6,560	-70	6,490
Strabane HMA	1,310	120	120	1,540	160	1,700
Annualised						
Derry and Strabane	**390**	**120**	**30**	**540**	**10**	**550**
Derry HMA	310	110	20	440	0	430
Strabane HMA	90	10	10	100	10	110

9 Concluding Remarks

From a housing market perspective, the Derry and Strabane HMAs exhibit some distinctive features, while at the same time reflecting trends that are common across the rest of Northern Ireland.

In demographic terms, Derry and Strabane has been characterised by relatively high rates of natural change and above-average household size.

Natural change has been an important component of population growth in Derry and Strabane over the past three decades, especially as both areas have experienced persistent net out-migration flows. However, with the annual number of births in decline (down from 2,230 in 2008-09 to below 1,900 in 2018-19), the natural change component has been steadily converging on the Northern Ireland average over the past decade, which has in turn been falling as a source of population growth.

Consequently, so long as the net migration component of population change remains negative, the outlook is for a steadily falling population over the next 15 years, from the mid-2020s onwards. In turn, that has implications for the pace of household growth and associated new build requirements.

Reversing the population outlook will depend on factors such as the efficacy of the Growth Strategy that underpins the DCSDC draft Planning Strategy. In that regard, future labour market performance will be an important ingredient. Prior to the onset of the coronavirus pandemic, the Derry and Strabane labour market had been performing about in line with the Northern Ireland average in the growth in employee jobs. Though, the outlook in relation to job growth is highly uncertain, including the depth and duration of the Covid-19 recession, the timing and strength of the recovery and the impact of Brexit.

Historically, average household size in Derry and Strabane has been above the Northern Ireland average. Over the past three decades, with household formation running ahead of population growth, average household size has been steadily converging on the Northern Ireland average; the differential fell from 0.4 persons per household in 1991 to 0.1 persons in 2011.

The pace of convergence in average household size in turn underpinned an above-average rate of household growth in Derry and Strabane between 1991 and 2011. Indeed, while the area's share of the Northern Ireland population has been declining since 2000 (see Figure 4.19), its share of households remained constant (Figure 5.7). However, the contribution of a convergent average household size to new household formation will diminish over the next 15 years.

In addition to those demographic factors, Derry and Strabane is distinctive in relation to the incidence of social housing need. At the 2011 Census of

Population, over one in five households (21 per cent) lived in social housing. That level of need remains evident in the size of the Waiting List for social housing in Derry and Strabane. As at June 2019, the net backlog of homeless and concealed families and single adults amounted to three per cent of the estimated total number of households, double the rate for Northern Ireland as a whole (1.5 per cent). In the main net stock model projections presented in Section 8, the net backlog accounts for 34 per cent of the projected total new dwelling requirements 2020-2035, compared with 15 per cent for the Belfast Metropolitan HMA.

The housing market is also distinctive in relation to the receipt of Housing Benefit, both in the social and private rented sectors. In Derry and Strabane, an estimated 77 per cent of households renting their accommodation are in receipt of Housing Benefit, compared with the Northern Ireland average of 60 per cent. In overall terms, an estimated one in three households in Derry and Strabane receive Housing Benefit compared with just over one in five (21 per cent) across Northern Ireland as a whole. That contrast in turn speaks to the comparatively high rate of receipt of State benefits within Derry and Strabane (26 per cent compared with a Northern Ireland average of 19 per cent). The reliance of the local housing market is therefore more vulnerable than other parts of Northern Ireland to changes in housing and welfare entitlements.

Nonetheless, the majority of households in Derry and Strabane (60 per cent in the 2011 Census of Population) own their own accommodation. The conclusion drawn in this SHMA is that, having fallen between 2001 and 2011, the owner-occupied share has stabilised in recent years. One reason for that conclusion is the improvement in affordability following the severe house price adjustment that ensued in the wake of the housing market crash of 2007-08. In that regard, Derry and Strabane is quite similar to the rest of Northern Ireland. Indeed, the index of residential property prices in Derry and Strabane is highly correlated with the Northern Ireland average, reflecting the common influence of macroeconomic factors such as interest rates in house price determination. Local house prices are about 10 per cent below the Northern Ireland average, but that reflects the lower average household incomes in Derry and Strabane.

Finally, and again similar to the rest of Northern Ireland, over the next 15 years the ageing of the population will exert a major influence on housing need and demand in Derry and Strabane. The number of households where the head is aged 75 and over is expected to increase from an estimated 6,700 in 2018 to almost 11,000 by 2035. Against that backdrop, there will be an increase in the demand for homes that meet the needs of older people.

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