Housing Executive

STRATEGIC HOUSING MARKET ANALYSIS:

APPENDICES – NORTHERN IRELAND CONTEXT

FINAL REPORT

DECEMBER 2020

ECONOMIC Research and Evaluation

Contents

Appendix A Population and Households: Northern Ireland

Population Trends

Overview

Over the past three decades, the Northern Ireland population has been growing steadily, rising from 1.6 million in 1991 to 1.9 million in 2018 (Figure A.1), an average annual growth rate of 0.6 per cent. At 0.7 per cent per annum, the pace of growth was fastest during the decade from 2001 to 2011 (Table A.1).

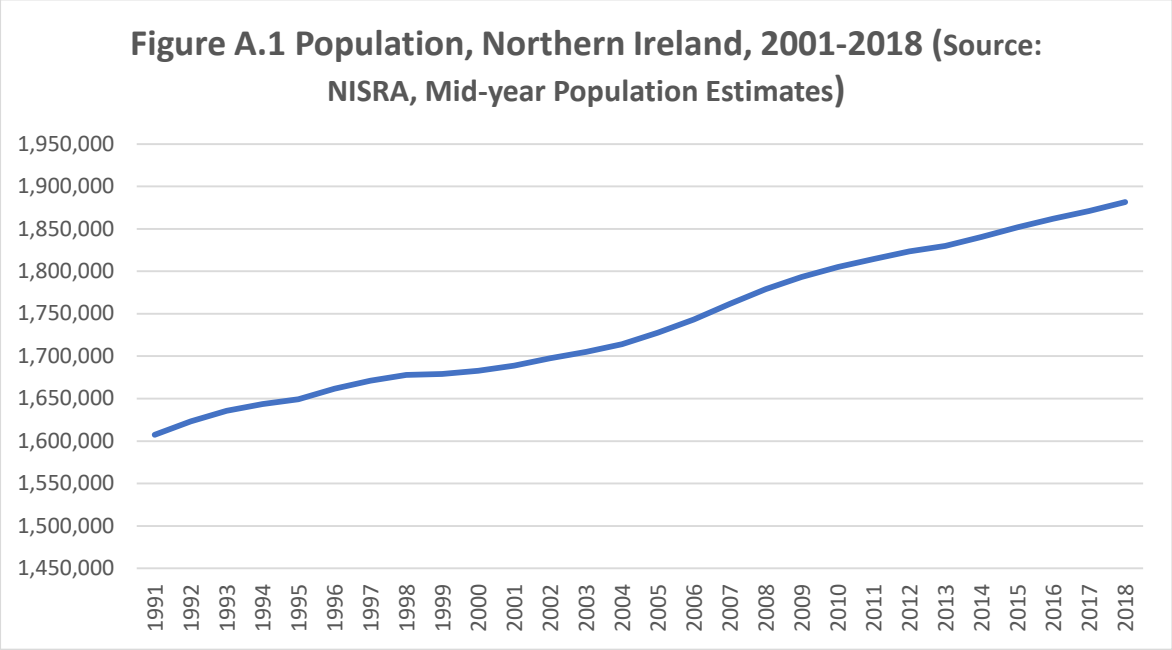


Table A.1 Population growth, Northern Ireland, 1991-2018			
	1991-2001	2001-2011	2011-2018
	%	%	%
Per cent change	5.1	7.4	3.7
Per cent per annum	0.5	0.7	0.5
Source: NISRA, 2018 Mid-year Population Estimates for Northern Ireland.			

Settlement Type

Until recently, population growth within Northern Ireland had been highly uneven from a geographical perspective. In particular, the two decades from 1991 to 2011 witnessed divergent growth across the settlement hierarchy. The main feature of that divergence was that population growth in rural areas strongly outpaced the expansion of urban settlements (Figure A.2. See also Table A.2).

Figure A.2 Population change by settlement type, 1991-2018, 2011=100

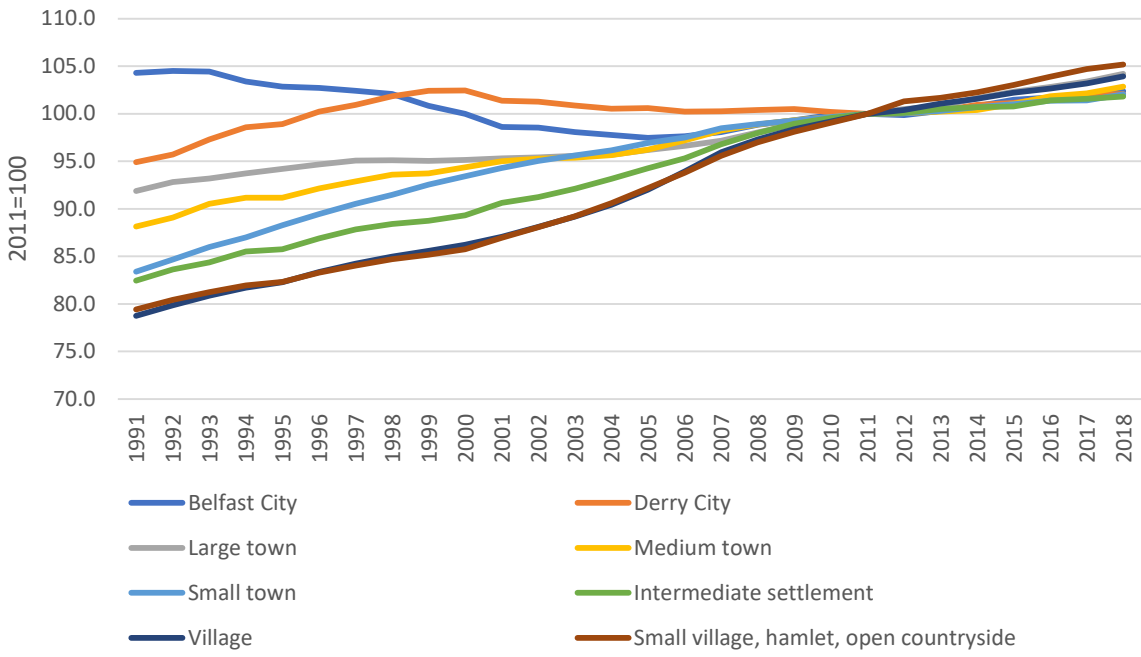


Table A.2 Population change by settlement type, 1991-2018

	1991-2001	2001-2011	2011-2018
	%	%	%
Belfast City	-5.4	1.4	2.4
Derry City	6.8	-1.3	2.1
Large town	3.7	4.9	4.2
Medium town	7.8	5.3	2.9
Small town	13.1	6.0	2.0
Intermediate settlement	9.9	10.4	1.8
Village	10.6	14.8	3.9
Small village, hamlet, open countryside	9.5	15.0	5.2
N. Ireland	**5.1**	**7.4**	**3.7**
Urban	2.8	3.7	3.2
Rural	9.7	14.4	4.6

Source: Calculated from NISRA, 2018 Mid-year Population Estimates for Northern Ireland.

The divergence in growth rates across the settlement hierarchy was most pronounced during the decade from 2001 to 2011, when the rural settlements grew by over 14 per cent compared to under four per cent in the urban settlements (Table A.2). The urban-rural divide in growth rates during that period was a continuation of a trend that was also very evident during the 1990s.

However, in the period since the housing market crash and the Great Recession of 2008-09, there has been a considerable narrowing of the differential in population growth rates between urban and rural areas. Between 2011 and 2018, urban areas added 3.2 per cent in population, only 1.4 percentage points behind the growth of the population in rural areas.

Since 2011, the main urban centres of Belfast City and Derry City have continued to lag the Northern Ireland average population growth (Table A.2). However, the gap in growth rates between the two Cities and Northern Ireland has narrowed considerably compared to the two decades between 1991 and 2011. In the urban areas outside the two Cities, large towns grew by 4.2 per cent between 2011 and 2018, slightly ahead of the Northern Ireland average (3.7 per cent). By contrast, medium and small towns have lagged the Northern Ireland average in the 2011 to 2018 period, having posted above-average gains over the two decades from 1991 to 2011.

One important consequence of the narrowing in population growth rates is that the share of the population living in rural areas has been relatively stable in recent years, rising only marginally from 37 per cent in 2011 to 37.3 per cent in 2018 (Table A.3). As can be seen from Figure A.3, the rural population share began to flatten in 2007, in tandem with the housing market crash.

Figure A.3 Rural share of population, N. Ireland (Source: Calculated from NISRA Mid-year Population Estimates)

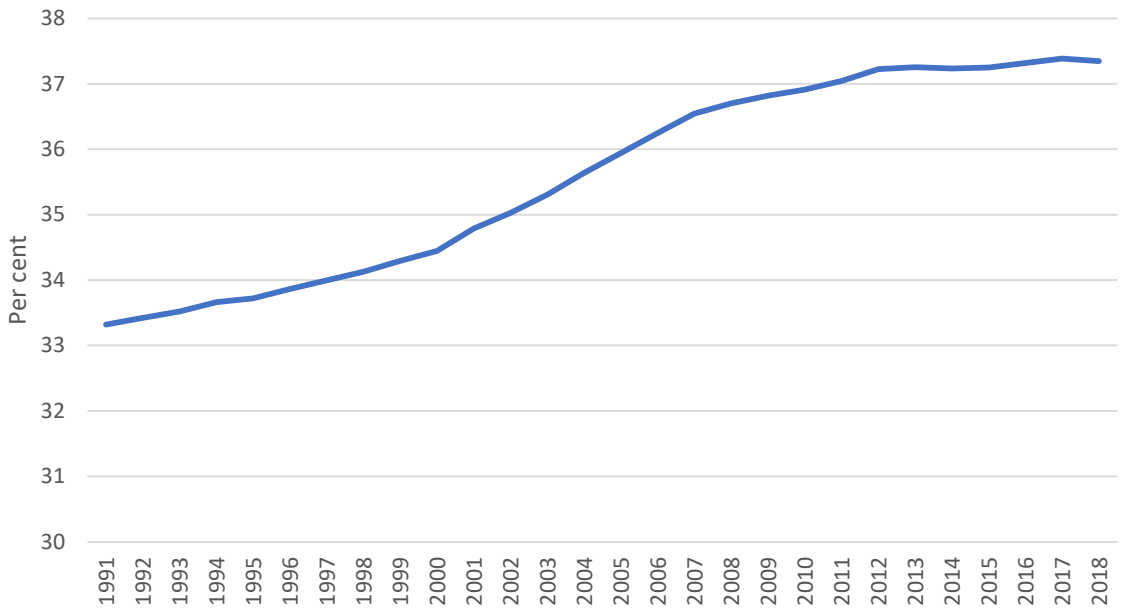


Table A.3 Population shares by settlement type, 1991-2018				
	1991	**2001**	**2011**	**2018**
	%	%	%	%
Belfast City	18.2	16.4	15.5	15.3
Derry City	4.9	5.0	4.6	4.5
Large town	30.1	29.7	29.0	29.2
Medium town	7.2	7.4	7.2	7.1
Small town	6.2	6.7	6.6	6.5
Intermediate settlement	4.2	4.3	4.5	4.4
Village	5.4	5.7	6.0	6.1
Small village, hamlet, open countryside	23.8	24.8	26.5	26.9
N. Ireland	**100.0**	**100.0**	**100.0**	**100.0**
Urban	66.7	65.2	63.0	62.7
Rural	33.3	34.8	37.0	37.3
Source: Calculated from NISRA, 2018 Mid-year Population Estimates for Northern Ireland.				

Components of Change

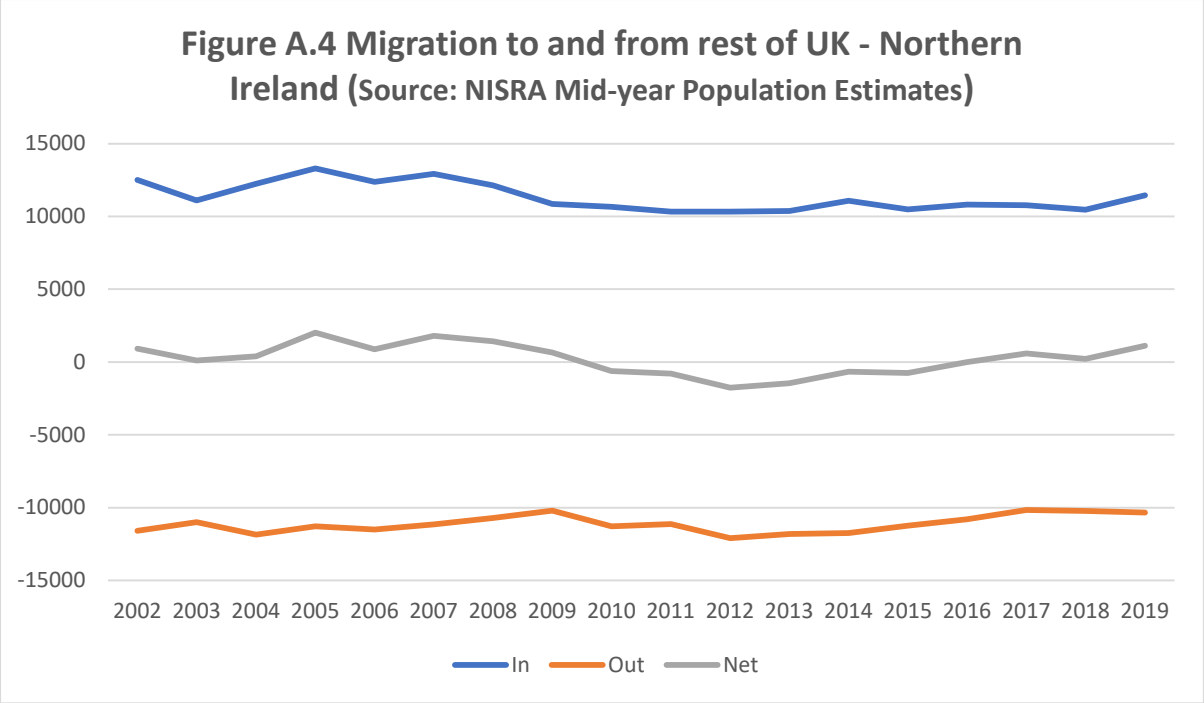
At the Northern Ireland level, the change in the population is an outcome of the balance in the components of change, as follows:

- 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.

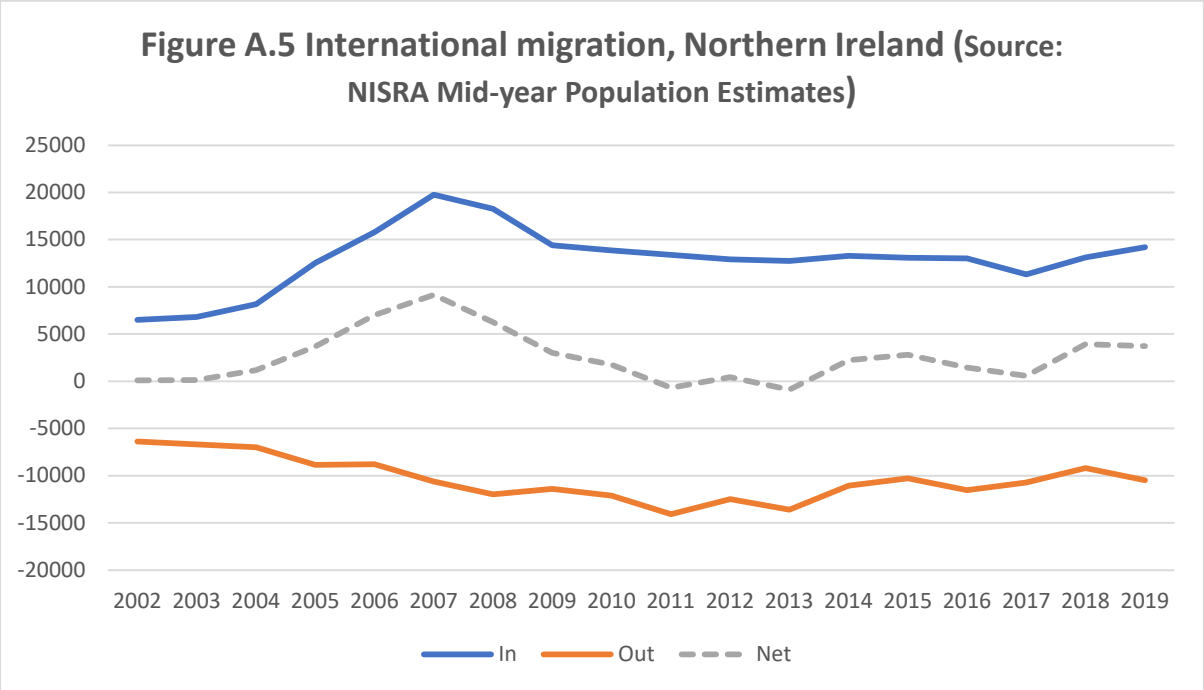
Considering the migration component, at Northern Ireland level, there are two main flows, as follows:

- To and from the rest of the UK.
- International migration to and from the rest of the world.

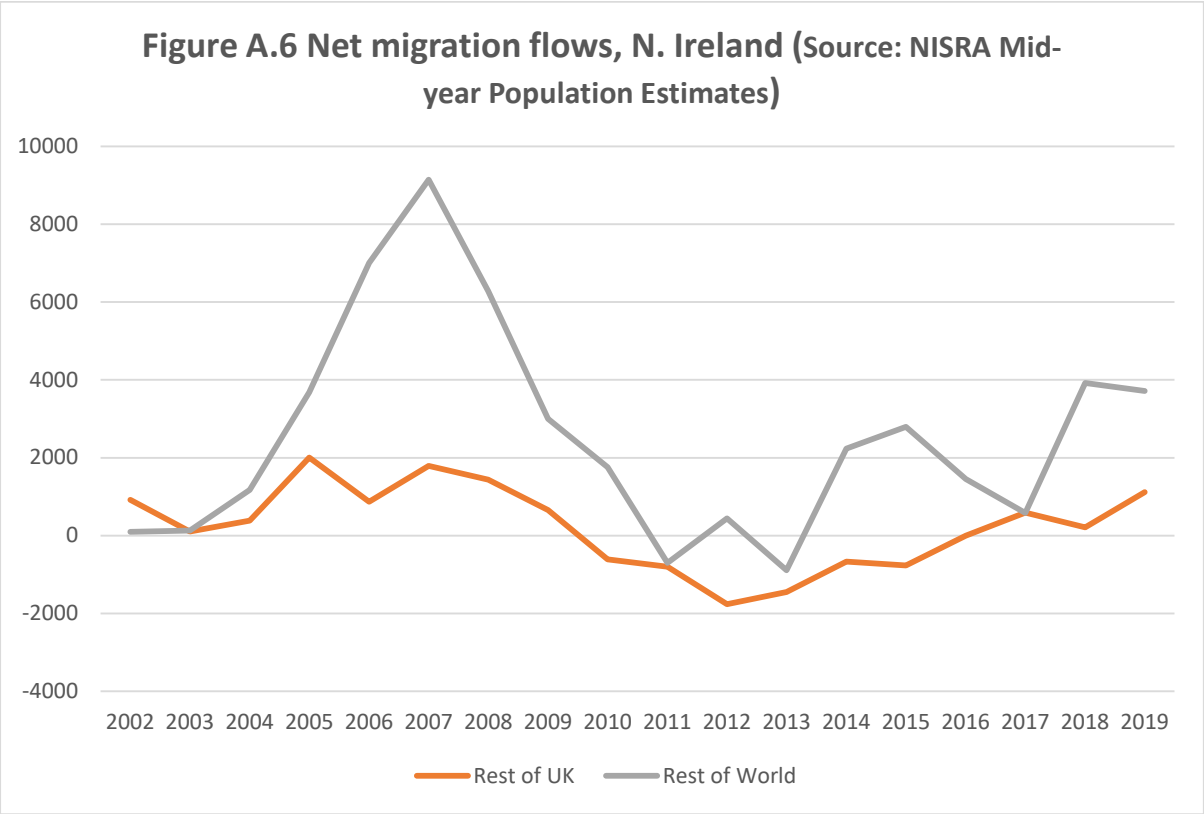
Historically, migration flows between Northern Ireland and the rest of the UK have, roughly, been in balance (Figure A.4).



International migration flows have fluctuated more than flows to and from the rest of the UK. However, in overall terms, Northern Ireland has gained from international migration over the past two decades. In particular, the faster pace of population growth in the 2001-2011 period was partly fuelled by net gains from international migration, especially following the accession of eight eastern European countries to the European Union in May 2004 (Figure A.5). The volume of international migration flows fell in the wake of the Great Recession. Though, there has been an uptick in inflows in more recent years. In both 2018 and 2019, inflows outpaced outflows by close to 4,000, corresponding to the net gains shown in Figure A.5.



Overall, Northern Ireland has experienced positive net migration inflows, with a resurgence in the most recent years (Figure A.6).



The natural change in the population growth between 2001 and 2011 was also strongly positive, boosted by a rise in the total fertility rate from a historic low of 1.75 in 2000 to 2.05 in 2008[1]. Since 2008, however, the fertility rate has edged lower, to 1.85 by mid-2019. Reflecting the fertility rate trend, over the period since 2001-02, the number of births peaked at over 25,000 between 2008 and 2012 before falling to 22,600 in 2018-19 (Figure A.7).

With the number of deaths continuing to rise (Figure A.8), due to an ageing population, the contribution of natural change to population growth has declined in recent years, from over 11,000 in 2011-12 to 7,300 by 2018-19 (Figure A.9). That fall in the natural change contribution is an important factor in the slower growth of the total population between 2011 and 2018 compared to the preceding decade.

[1] Source: Registrar General Annual Report 2018 Births, Table 3.6. The figures quoted *are total period fertility rates*, i.e. the average number of children per woman that would be born to a group of women if they experienced the current year's age-specific fertility rates for each year of their childbearing years. This measure is alternatively referred to as the *total fertility rate*.

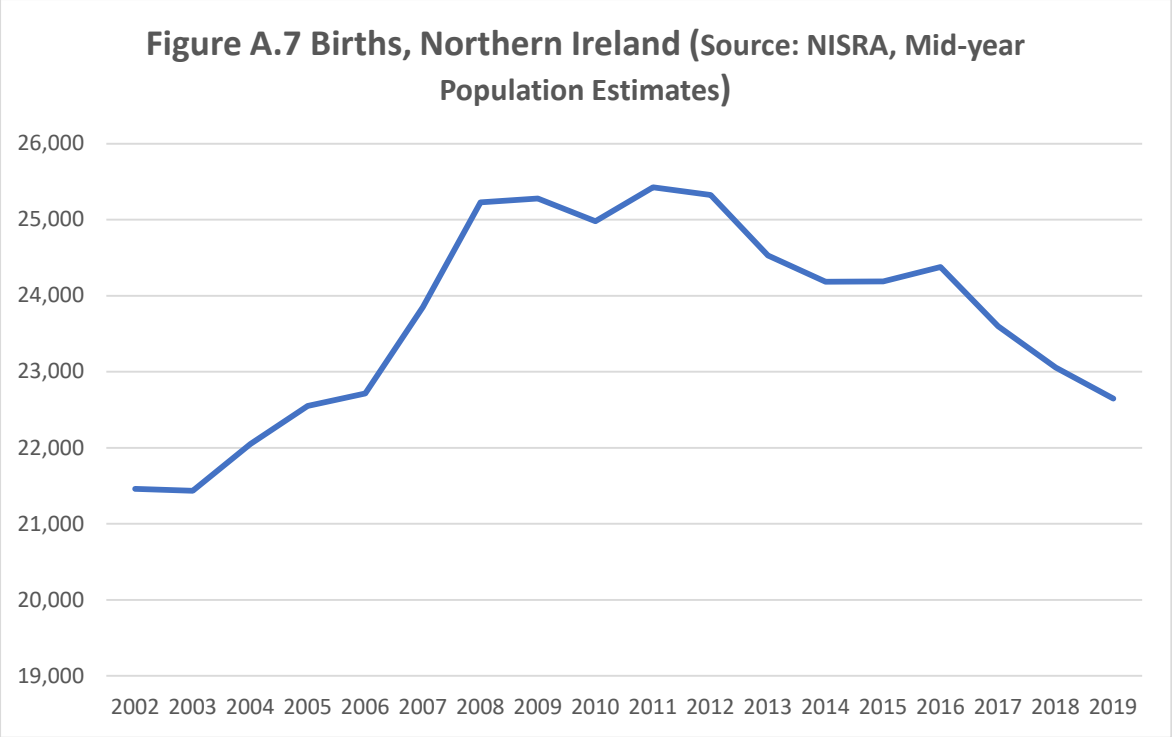


Figure A.7 Births, Northern Ireland (Source: NISRA, Mid-year Population Estimates)
26,000
25,000
24,000
23,000
22,000
21,000
20,000
19,000
2002 2003 2004 2005 2006 2007 2008 2009 2010 2011 2012 2013 2014 2015 2016 2017 2018 2019

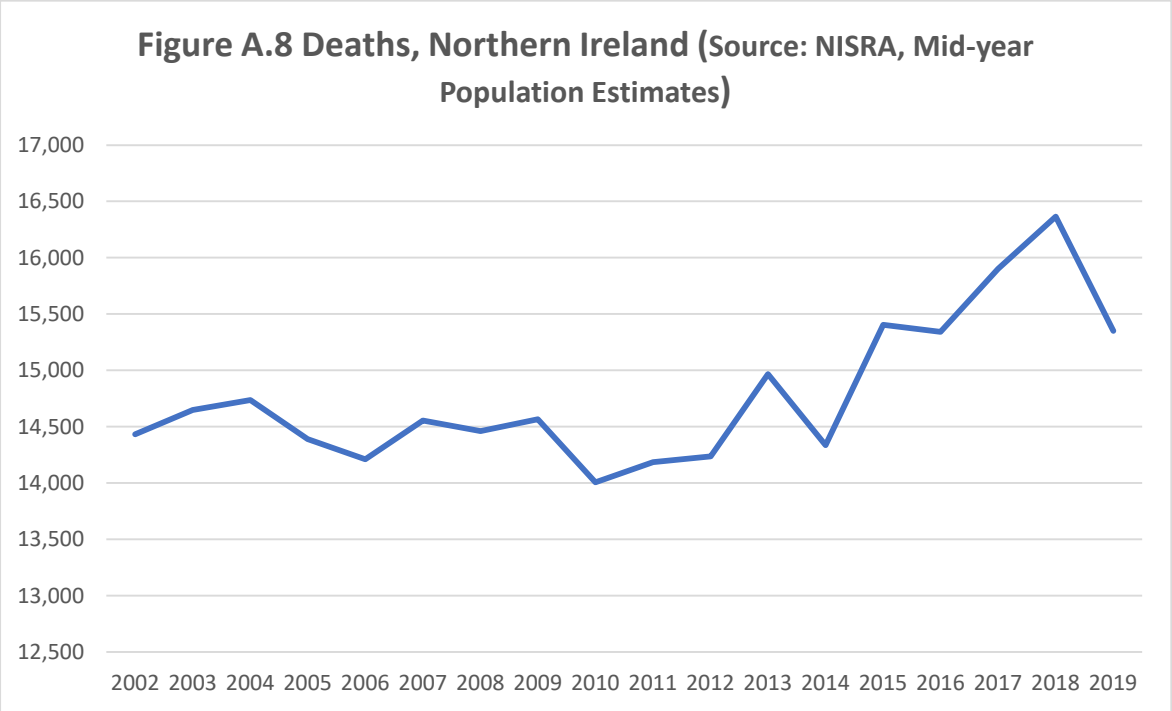
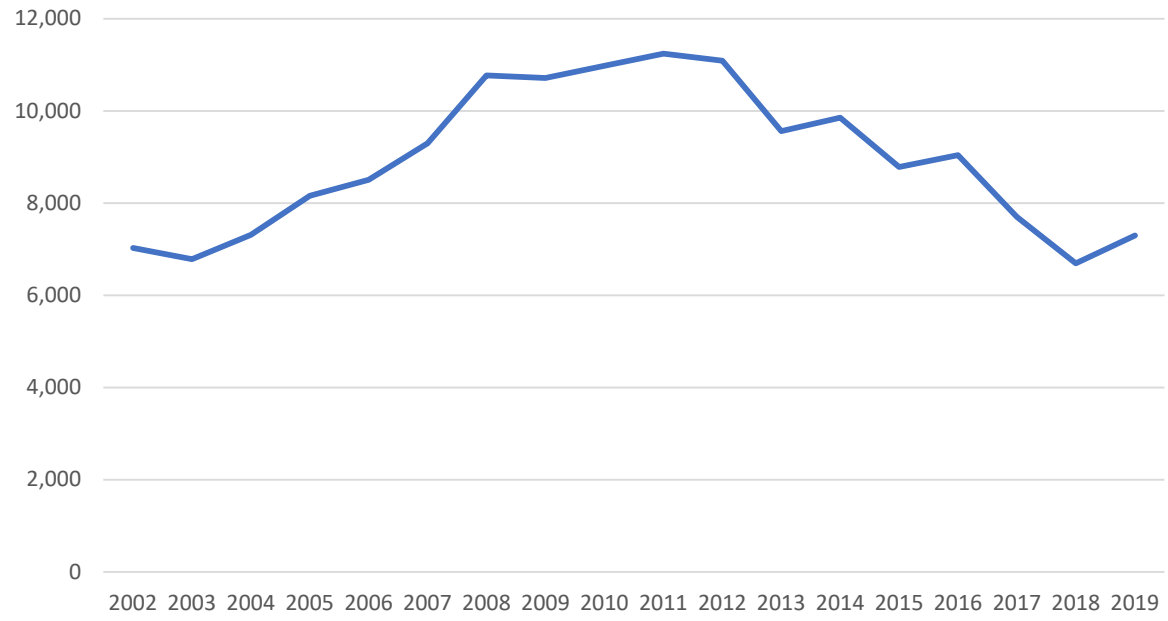


Figure A.8 Deaths, Northern Ireland (Source: NISRA, Mid-year Population Estimates)
17,000
16,500
16,000
15,500
15,000
14,500
14,000
13,500
13,000
12,500
2002 2003 2004 2005 2006 2007 2008 2009 2010 2011 2012 2013 2014 2015 2016 2017 2018 2019

Figure A.9 Natural change - births minus deaths, Northern Ireland (Source: NISRA, Mid-year Population Estimates)



Projections

The most recent 2018-based population projections for Northern Ireland show the total population rising from 1.88 million in 2018 to 1.96 million by 2030 (+4.1 per cent) and 1.972 million (+4.8 per cent) by 2035 (Figure A.10 and Table A.4).

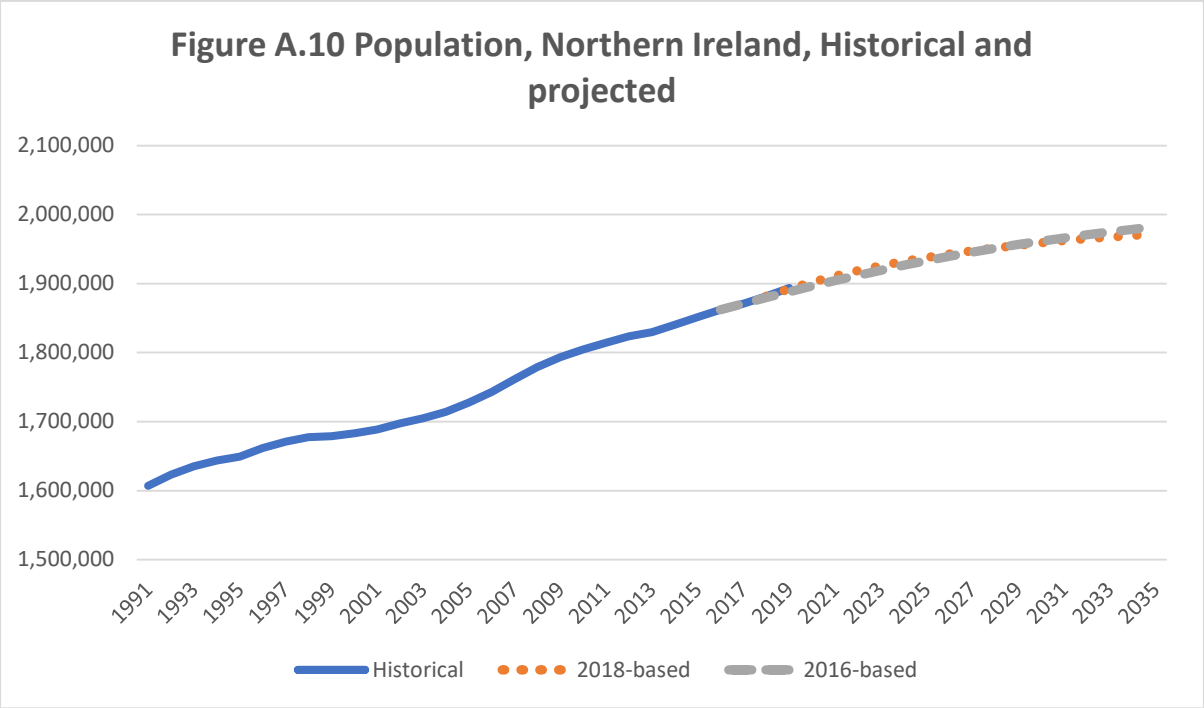


Table A.4 Northern Ireland population, historical and projected ('000s)

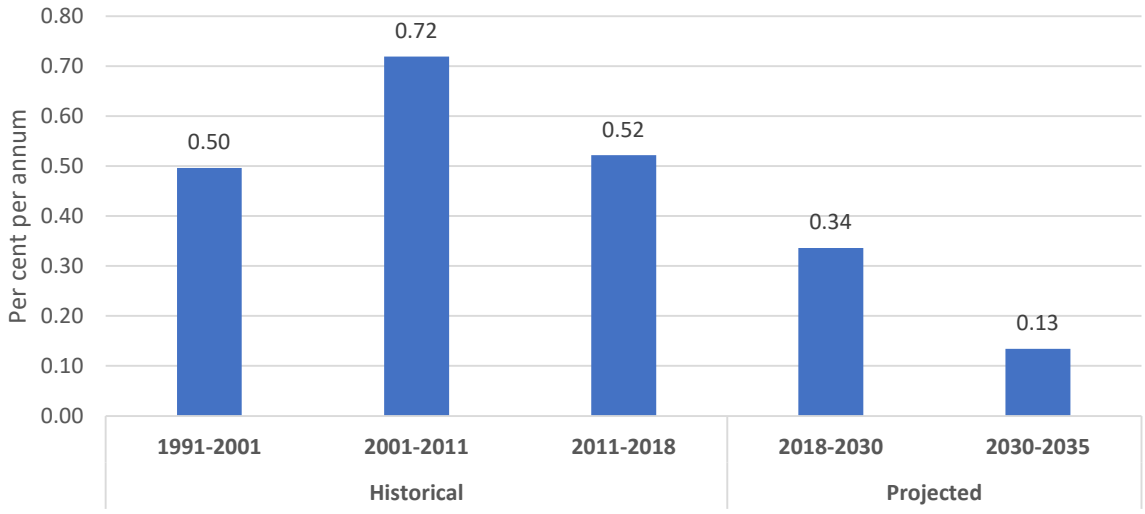
	1991	2001	2011	2018	2030	2035
2018-based	1,607	1,689	1,814	1,882	1,959	1,972
2016-based	1,607	1,689	1,814	1,880	1,962	1,982

Sources: NISRA, Mid-year Population Estimates and *Population Projections for Northern Ireland*, 2018-based, 2016-based.

The main feature of the 2018-based projections is therefore a slowing in the rate of population growth by comparison with the historical experience. That is strongly evident from Figure A.11, which shows average annual growth rates over the period 1991 to 2018 alongside the projected average annual rates.

One point to note is that the 2018-based projections are slightly lower than the 2016-based population projections (see Figure A.10), which underlie the official NISRA household projections (discussed later in this Appendix). In the 2016-based projections, the total population was expected to reach 1.982 million by 2035, compared to the 1.972 million anticipated by the 2018-based projections. The difference reflects changes to the underlying assumptions for births, deaths and net migration between the 2016 and 2018-based projection exercises.

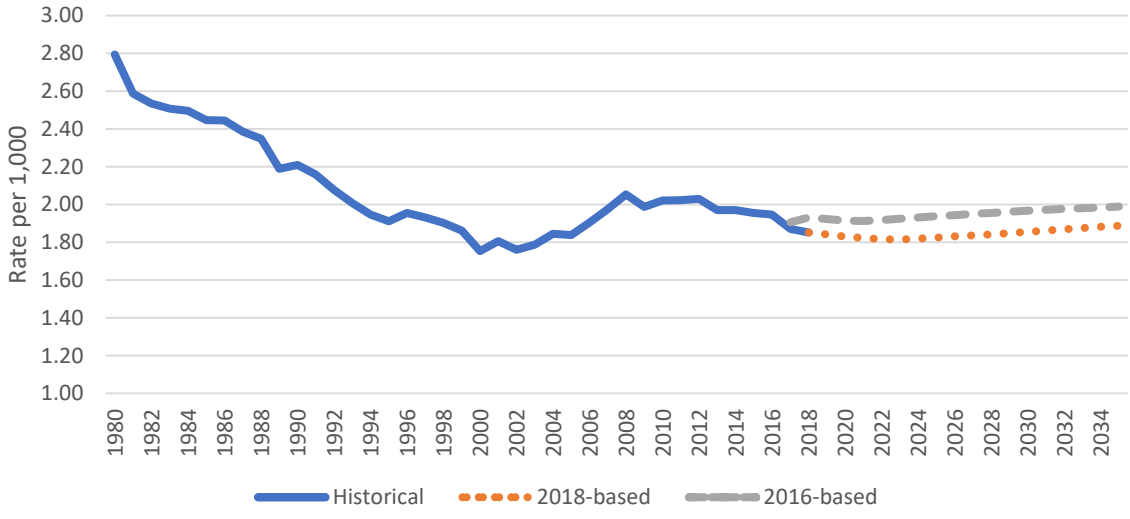
Figure A.11 N. Ireland: Population growth, per cent per annum, historical 1991 to 2018, projected 2018 to 2035 (Sources: NISRA Mid-year Population Estimates and 2018-based Projections)



Births

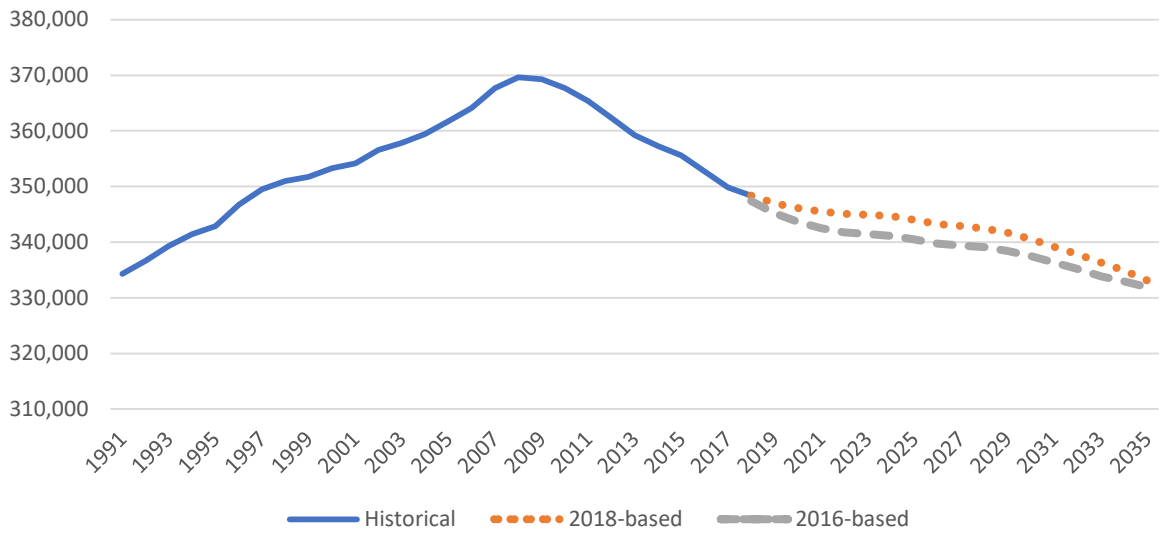
The projected number of births depends on the assumptions made in the extrapolation of trends in fertility rates combined with the female population of childbearing age (16 to 44 years). The assumptions can be summarised from the total period fertility rate, i.e. the expected number of births per woman of childbearing age (15-44 years). As can be seen from Figure A.12, the fertility rate has been on a slight downward trend since 2008 (Source: Registrar General Annual Report 2018 Births, Table 3.6). In the 2018-based projections, that extrapolation gives a lower fertility rate by comparison with the 2016-based projections.

Figure A.12 Total fertility rate, Northern Ireland, historical and projected (Sources: Registrar General Annual Report and NISRA Projections)



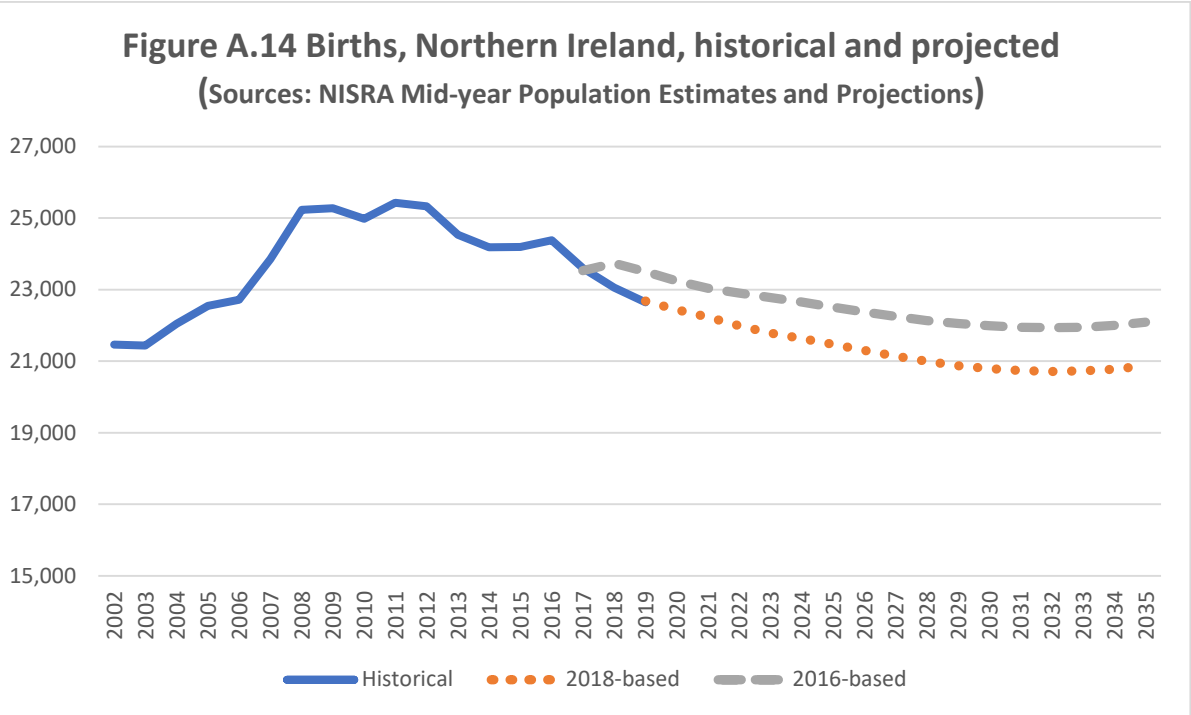
In addition, the female population of childbearing age has been on a downward trend since 2009 (Figure A.13). That trend is projected to continue, albeit the 2018-based projections show a slightly slower fall in the female population aged 16 to 44.

Figure A.13 Females aged 16-44, Northern Ireland, historical and projected (Sources: NISRA Mid-year Population Estimates and Projections)



Nonetheless, the lower fertility rates in the 2018-based projections mean that fewer births are projected in the 2018-based projections by comparison with the 2016-based projections; an annual average from 2018-19 to 2034-35 of 21,400 in the 2018-based projections compared with 22,400 in the 2016-based projections (Figure A.14). That is, 18,200 fewer births over the period 2018 to 2035.

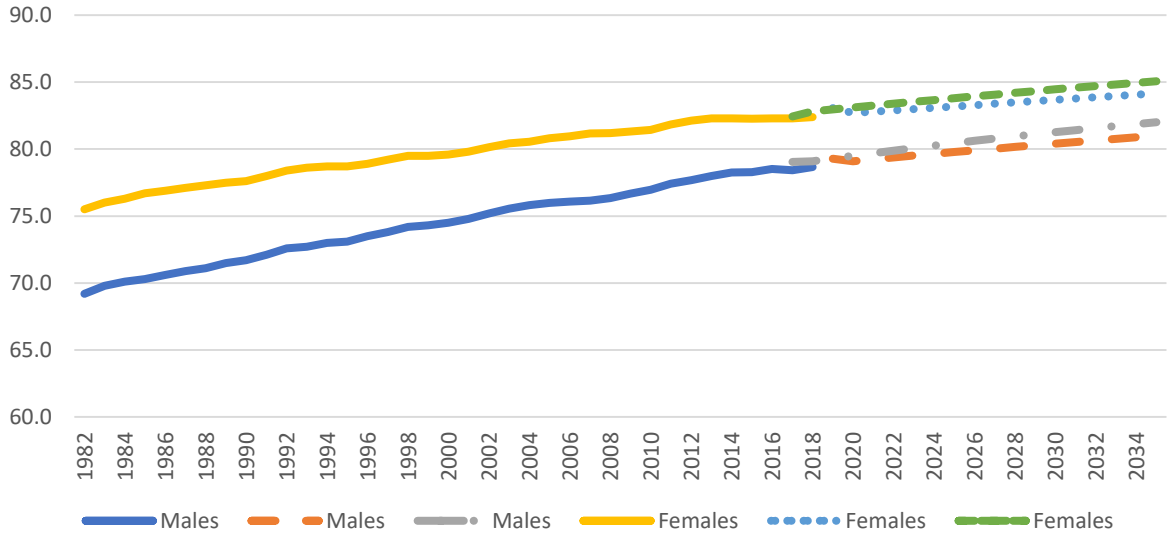
Figure A.14 Births, Northern Ireland, historical and projected (Sources: NISRA Mid-year Population Estimates and Projections)



Deaths

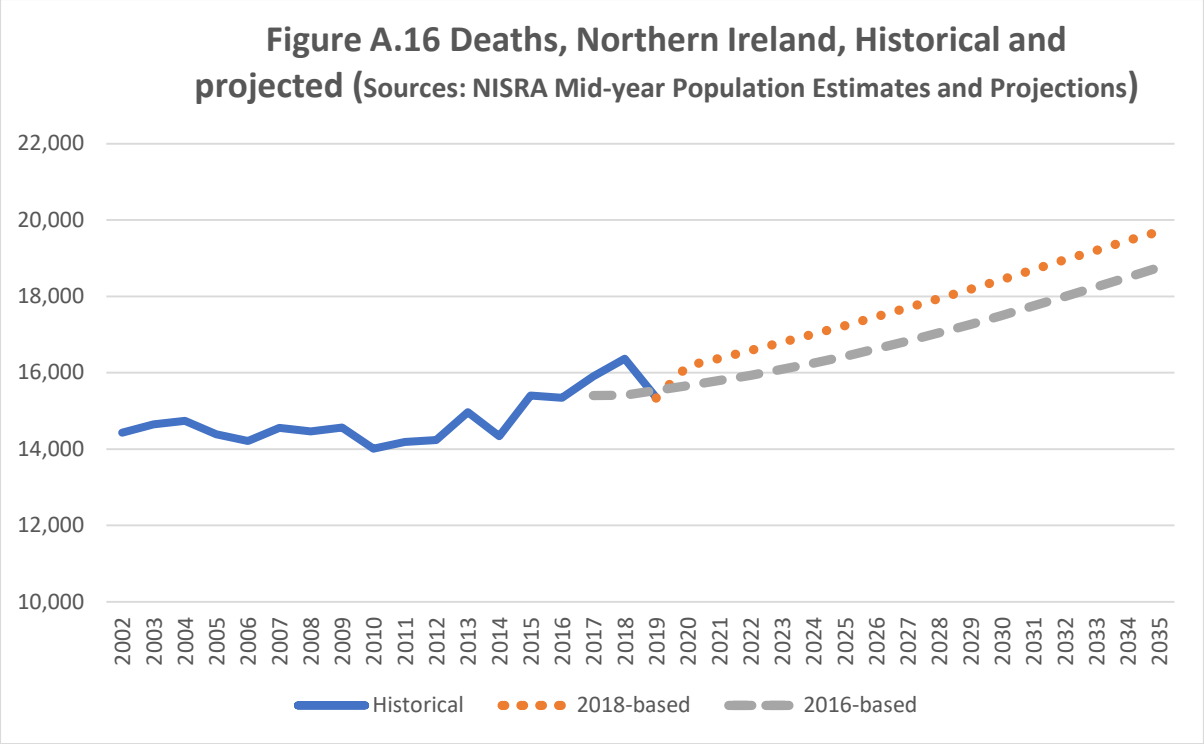
The 2018-based projections also assume that mortality improvements will accrue at a slower pace than was expected in the assumptions adopted for the 2016-based projections. The mortality assumptions can be summarised from the assumed trend in the expectation of life at birth[2]. In the 2018-based projections, it is assumed that both men and women will live slightly shorter lives than had been assumed previously (Figure A.15).

Figure A.15 Expectation of life at birth, N. Ireland, historical and projected (Sources: Registrar General Annual Report and NISRA Projections)

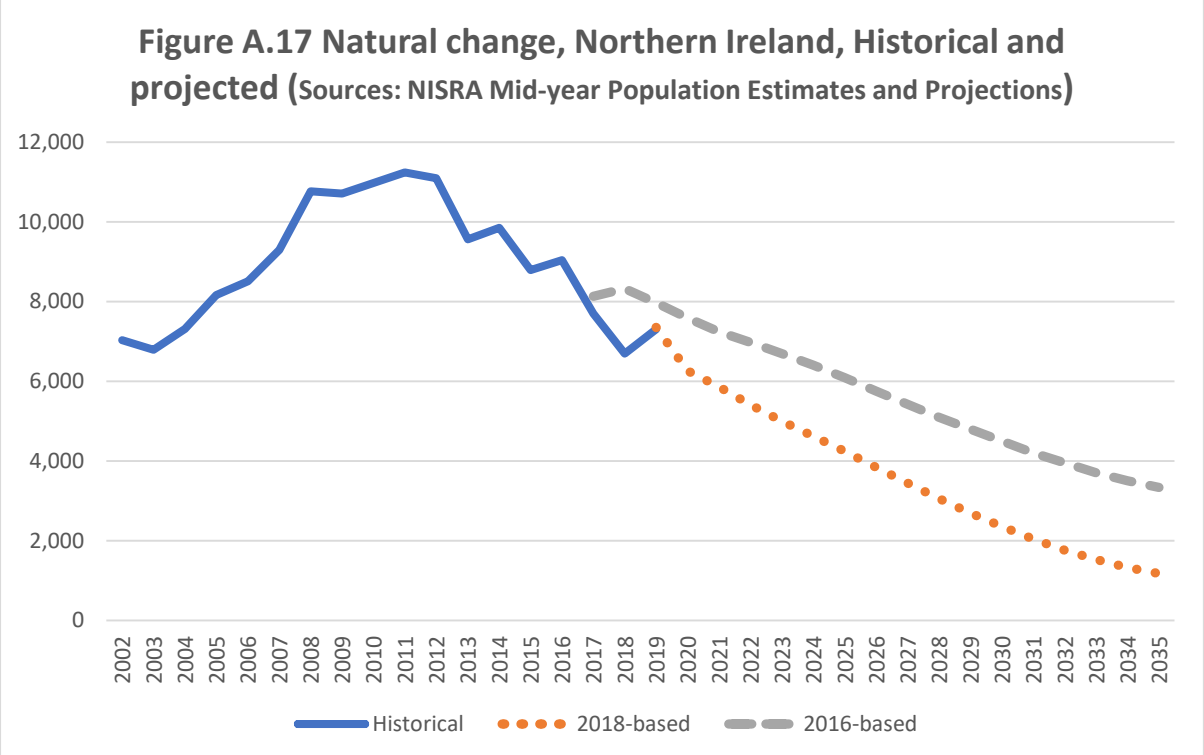


Consequently, the 2018-based projections anticipate a higher number of deaths over the period 2018-19 to 2034-35 by comparison with the 2016-based projections; an average of 17,700 compared with 17,000, giving 13,000 more deaths over that period (see Figure A.16).

[2] The historical data were sourced from the Registrar General Annual Report 2018 Deaths, Table 5.6.



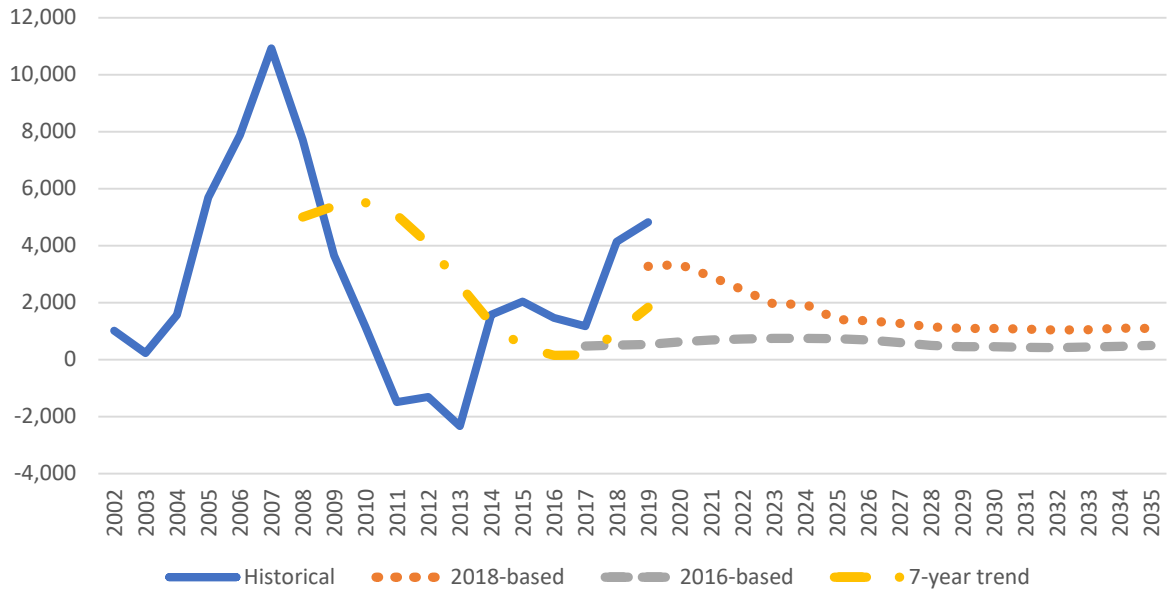
The difference between births and deaths gives the natural change in the population. With fewer births and more deaths, the projected natural increase is lower in the 2018-based projections, by a margin of 29,100 over the period 2018-19 to 2034-35 (see Figure A.17).



Migration

By contrast, the 2018-based projections take a more positive view on net migration, mainly reflecting the relatively high net in-migration levels between 2014-15 and 2017-18, which reduced the weight given to the net out-flows experienced between 2010-11 and 2012-13 (see the seven-year moving average trend in Figure A.18). Thus, in the 2018-based projections, net migration is assumed to add 27,500 to the population over the period 2018-19 to 2034-35 compared with 9,200 in the 2016-based projections. The higher in-migration flow in the 2018-based projections serves to partially offset the reduced level of natural increase.

Figure A.18 Net migration, Northern Ireland, historical and projected (Sources: NISRA Mid-year Population Estimates and Projections)



Age Composition

The changes to the assumptions between the 2016-based and 2018-based projections do not change the overall pattern in expected rates of change by broad age group. In both sets of projections, the fastest rates of growth are expected in the 65+ age groups accompanied by declines in the number of children aged under 16 (Table A.5).

There are, however, some contrasts in the details, which reflect the differences in assumptions. For example, the 2018-based projections anticipate a larger decline in the population aged under 16; -9.1 per cent compared to -6.2 per cent in the 2016-based projections, resulting in 14,300 fewer children projected for 2035 (Figure A.19).

Nonetheless, both sets of projections anticipate that the older age groups will have an expanding population share. Thus, the 2018-based projections expect that the

population aged 65+ will grow from 16 per cent of the total in 2018 to 23 per cent by 2035 (Figure A.20).

Table A.5 Projected growth by age group, 2018 to 2035, per cent change		
	2016-based	**2018-based**
	%	*%*
Under 16	-6.2	-9.1
Aged 16-24	6.4	6.7
Aged 25-34	-3.3	-4.3
Aged 35-44	-5.7	-5.7
Aged 45-54	2.9	5.0
Aged 55-64	-8.1	-7.5
Aged 65-74	23.7	23.5
Aged 75-84	20.9	19.4
Aged 85+	51.4	42.1
All	**2.5**	**1.8**
Sources: NISRA, Population Projections for Northern Ireland, 2018-based, 2016-based.		

Figure A.19 Children aged under 16, Northern Ireland, historical and projected (Sources: NISRA Mid-year Population Estimates and Projections)

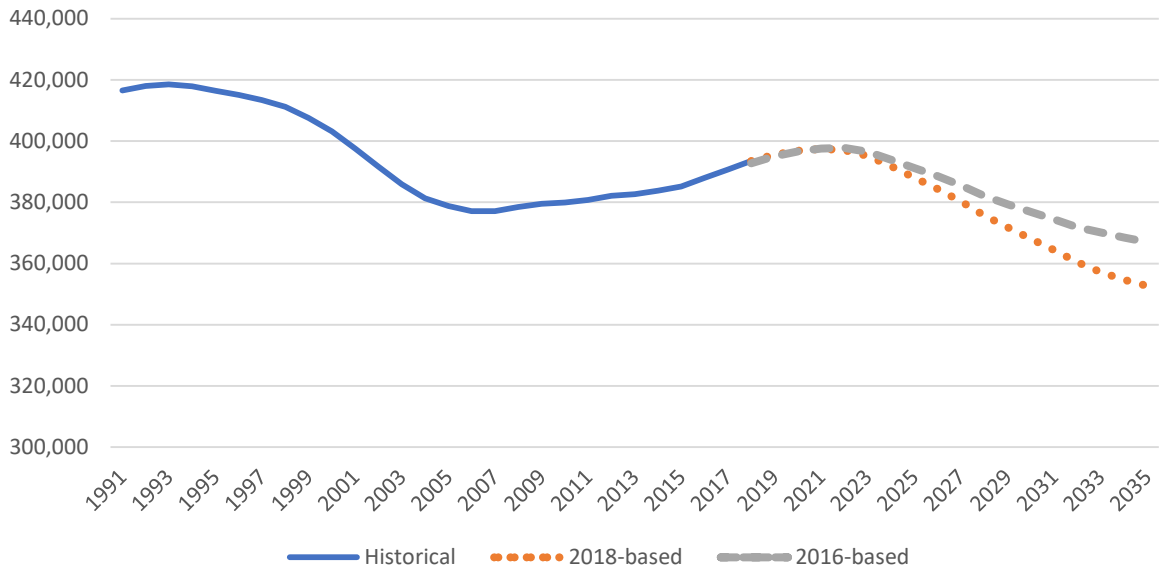
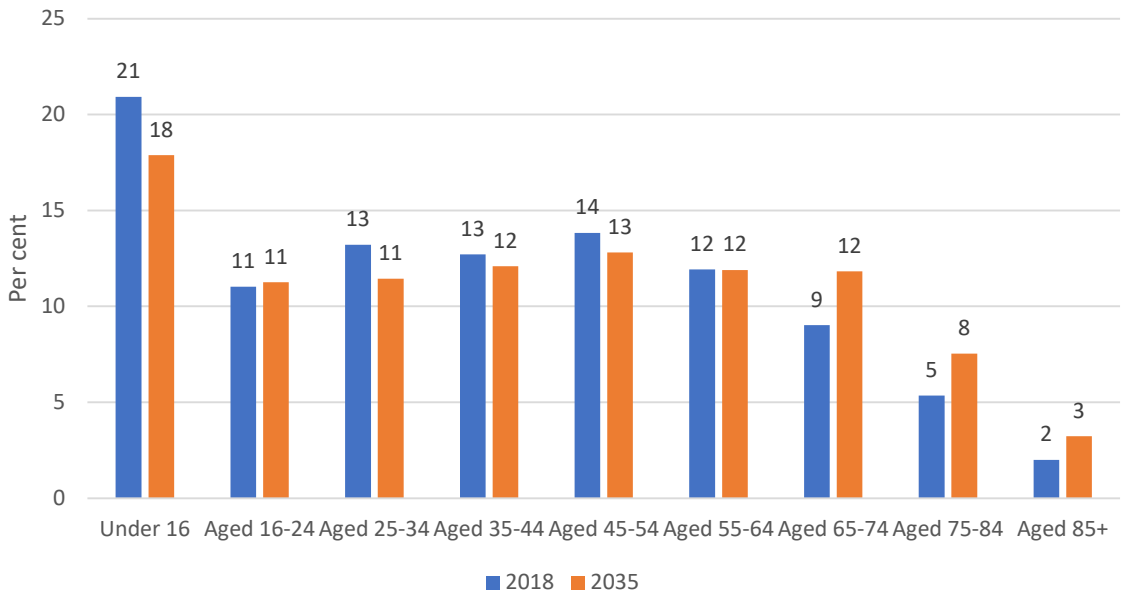


Figure A.20 Population age composition, 2018 and 2035, 2018-based projections (Source: NISRA 2018-based Projections)



The 2018-based and 2016-based LGD Projections Compared

The 2018-based projections for the Belfast Metropolitan HMA do not differ greatly from the 2016-based projections (Figure A.21). However, as can be seen from Charts A.22 to A.27, there are differences in the projections at LGD level. Those contrasts reflect variations in the effects by LGD of modifying the natural change and net migration assumptions discussed above. Thus, in each of the LGDs, the natural change contribution is lower in the 2018-based projections than in the 2016-based projections. In some LGDs, the higher assumed net in-migration serves to offset the reduction in natural change. That is the case for Ards and North Down, Lisburn and Castlereagh and the portion of the Newry, Mourne and Down LGD that is contained within the Belfast Metropolitan HMA.

For Antrim and Newtownabbey, the 2018-based projections assume net in-migration compared to net out-migration in the 2016-based projections. That switch in the net migration flow is sufficient to outweigh the reduced natural change projection.

For the part of Mid and East Antrim that lies within the Belfast Metropolitan HMA (the combined former Larne and Carrickfergus LGDs), the net migration assumption was raised from +6 per annum in the 2016-based projections to +38 per annum in the 2018-based projections. However, the main change is a reduction in natural change, from -25 per annum in the 2016-based projections to -99 per annum in the 2018-based projections, albeit the total population effect is small (0.8 per cent fewer by 2035 in the 2018-based projections compared to the 2016-based projections).

For the Belfast LGD, the net out-migration assumption is slightly lower than in the 2016-based projection. That does not offset the reduction in natural change, so the 2018-based projection for 2035 is 5,100 lower than the 2016-based projection (giving a difference of -1.4 per cent).

The suite of charts below also includes Derry City and Strabane District Council (Figure A.28). There, the 2018-based projection for 2035 is only fractionally lower than the 2016-based projection (by 0.2 per cent). However, the trajectory is quite different over the period 2018 to 2035. The change in trajectory is due to the reduction in natural increase between the two sets of projections. The marginal end-period (2035) population effect is due to a lower level of net out-migration in the 2018-based projections.

Figure A.21 Belfast Metropolitan HMA, 2016-based and 2018-based population projections (Source: NISRA)

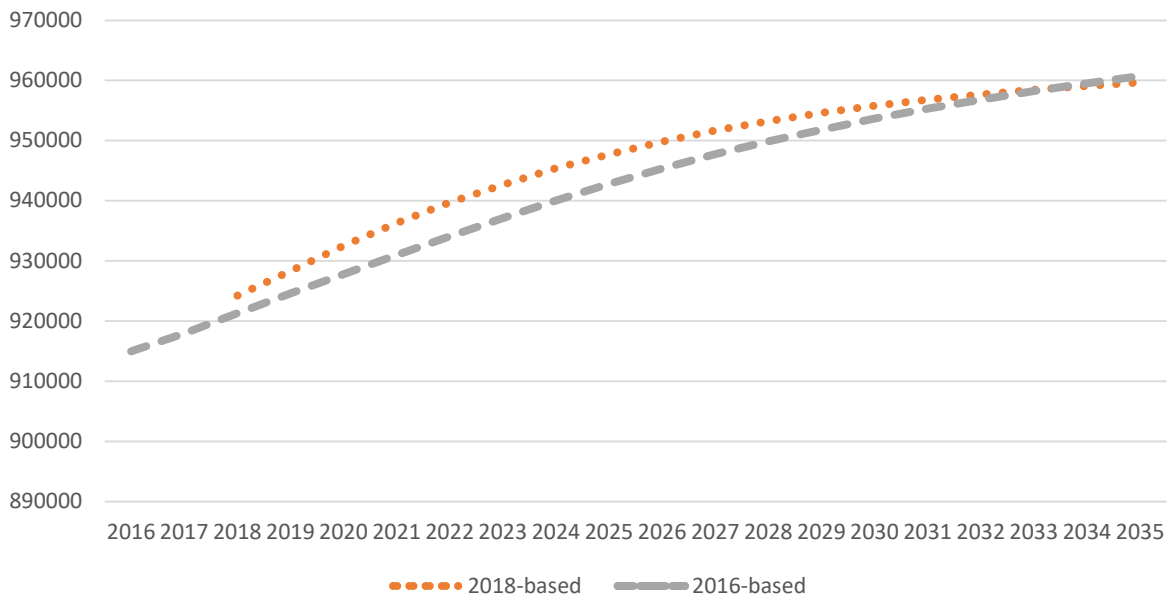


Table A.6 Belfast Metropolitan HMA population, historical and projected ('000s)

	1991	2001	2011	2018	2030	2035
2018-based	829.7	856.0	897.1	924.3	955.8	959.7
2016-based	829.7	856.0	897.1	921.3	953.6	960.8

Sources: Estimated from NISRA, Mid-year Population Estimates and *Population Projections for Northern Ireland*, 2018-based, 2016-based.

Figure A.22 Antrim & Newtownabbey, 2016-based and 2018-based population projections (Source: NISRA)

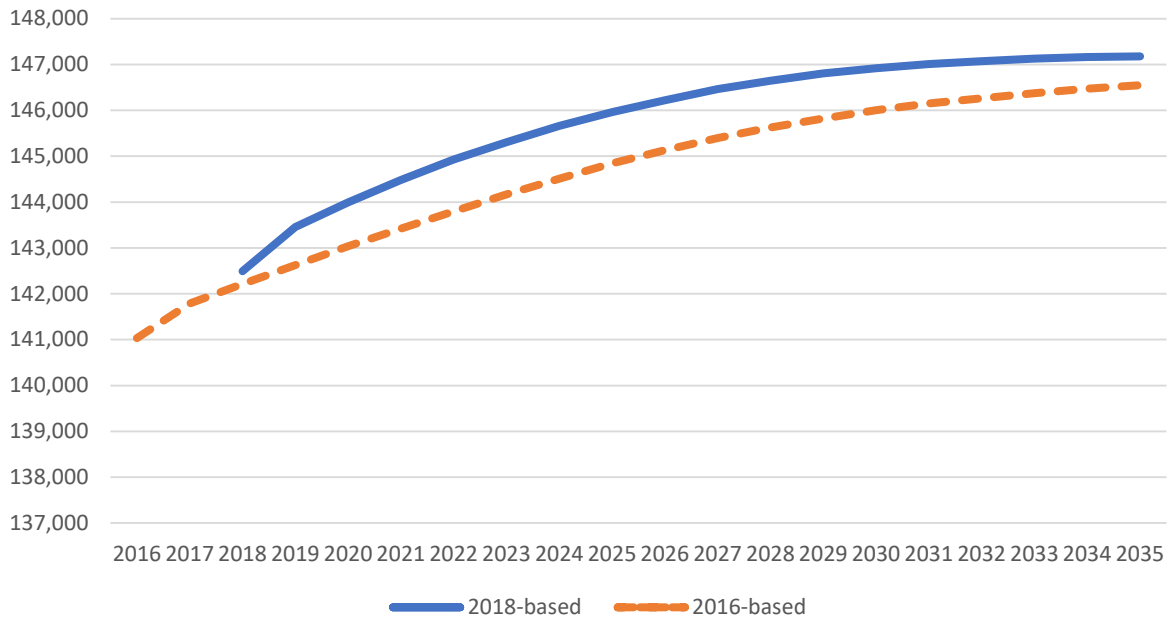


Table A.7 Antrim and Newtownabbey population, historical and projected ('000s)

	1991	2001	2011	2018	2030	2035
2018-based	121.7	128.8	138.7	142.5	146.9	147.2
2016-based	121.7	128.8	138.7	142.2	146.0	146.5

Sources: NISRA, Mid-year Population Estimates and *Population Projections for Northern Ireland*, 2018-based, 2016-based.

Figure A.23 Ards & North Down, 2016-based and 2018-based population projections (Source: NISRA)

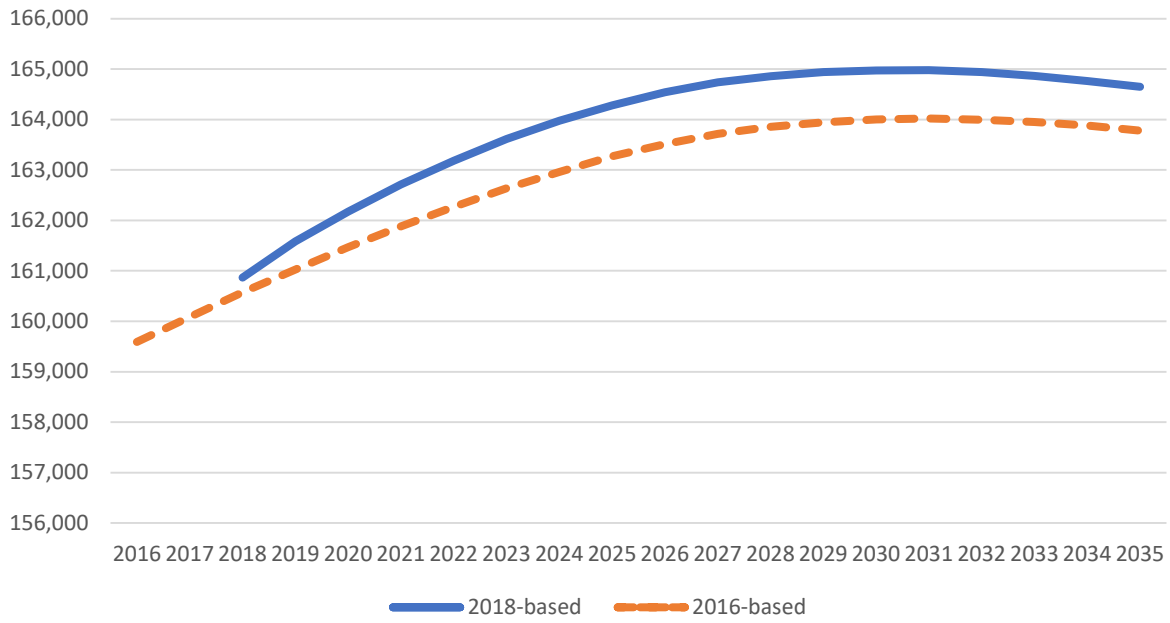


Table A.8 Ards and North Down population, historical and projected ('000s)

	1991	2001	2011	2018	2030	2035
2018-based	138.3	149.6	156.9	160.9	165.0	164.6
2016-based	138.3	149.6	156.9	160.6	164.0	163.8

Sources: NISRA, Mid-year Population Estimates and *Population Projections for Northern Ireland*, 2018-based, 2016-based.

Figure A.24 Belfast LGD, 2016-based and 2018-based population projections (Source: NISRA)

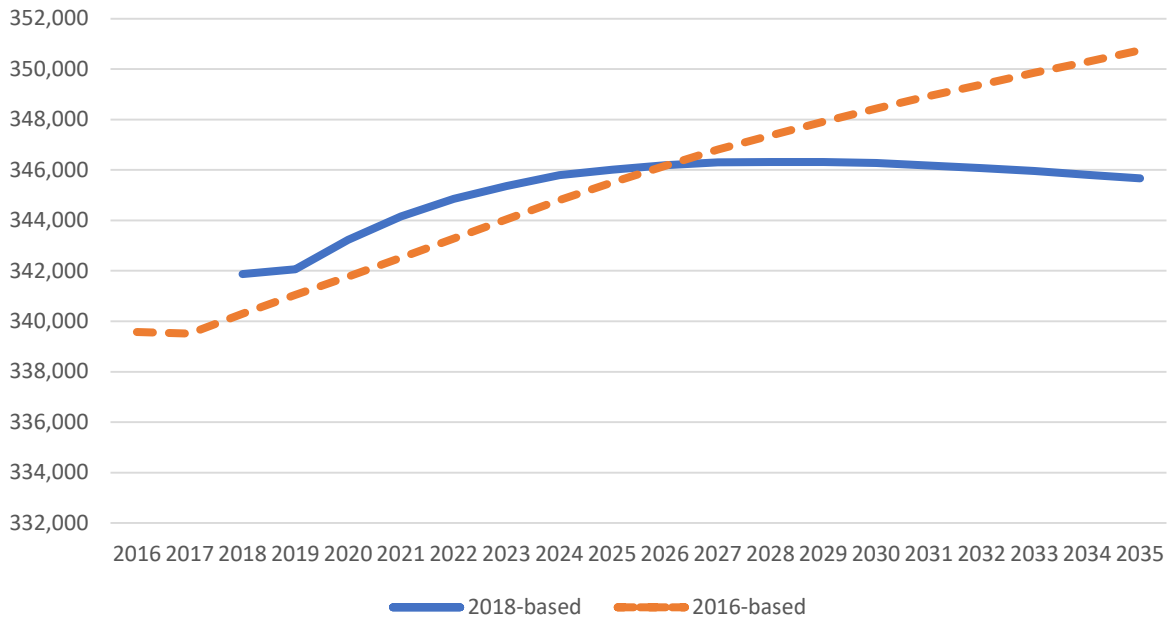


Table A.9 Belfast LGD population, historical and projected ('000s)

	1991	2001	2011	2018	2030	2035
2018-based	342.5	328.7	333.9	341.9	346.3	345.7
2016-based	342.5	328.7	333.9	340.3	348.4	350.7

Sources: NISRA, Mid-year Population Estimates and *Population Projections for Northern Ireland*, 2018-based, 2016-based.

Figure A.25 Lisburn and Castlereagh, 2016-based and 2018-based population projections (Source: NISRA)

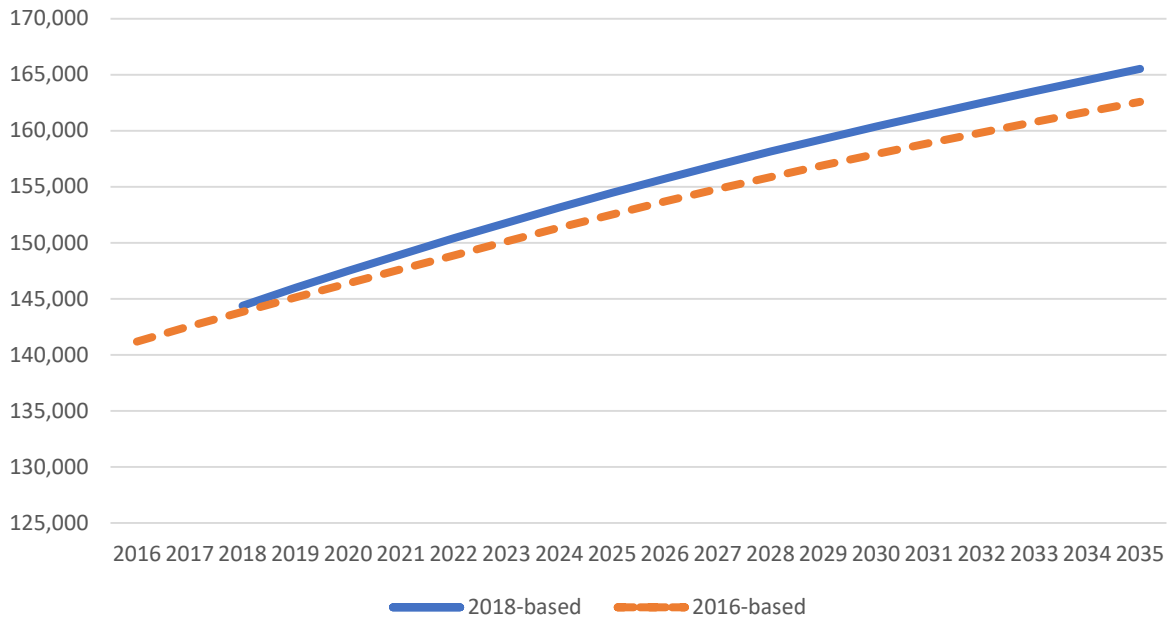


Table A.10 Lisburn and Castlereagh population, historical and projected ('000s)

	1991	2001	2011	2018	2030	2035
2018-based	113.2	124.6	135.3	144.4	160.4	165.5
2016-based	113.2	124.6	135.3	143.8	157.9	162.6

Sources: NISRA, Mid-year Population Estimates and *Population Projections for Northern Ireland*, 2018-based, 2016-based.

Figure A.26 Mid and East Antrim (part), 2016-based and 2018-based population projections (Source: Estimated from NISRA)

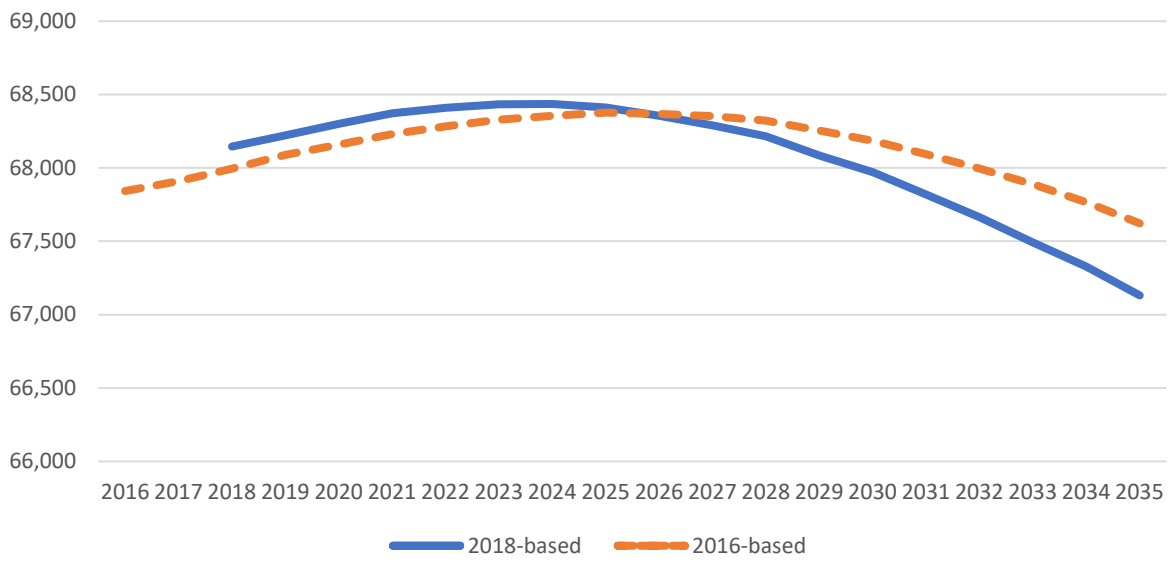


Table A.11 Mid and East Antrim (part) population, historical and projected ('000s)

	1991	2001	2011	2018	2030	2035
2018-based	58.9	64.7	67.4	68.1	68.0	67.1
2016-based	58.9	64.7	67.4	68.0	68.2	67.6

Sources: Estimated from NISRA, Mid-year Population Estimates and *Population Projections for Northern Ireland*, 2018-based, 2016-based.

Note: Mid and East Antrim (part) comprises all of the former Carrickfergus LGD and most (88 per cent) of the former Larne (LGD).

Figure A.27 Newry, Mourne and Down (part), 2016-based and 2018-based population projections (Source: Estimated from NISRA)

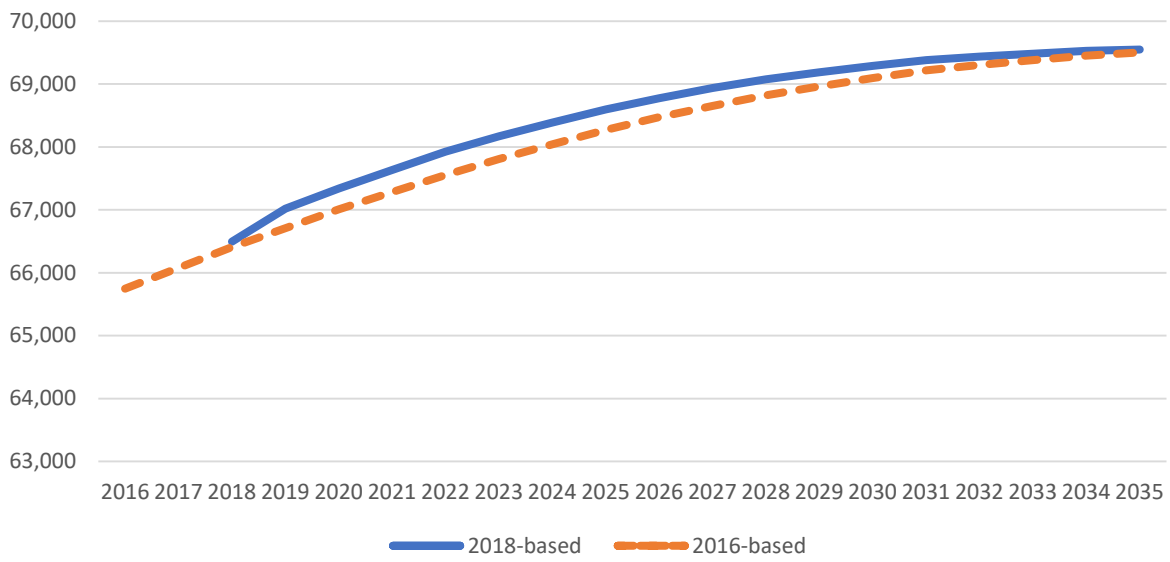


Table A.12 Newry, Mourne and Down (part) population, historical and projected ('000s)

	1991	2001	2011	2018	2030	2035
2018-based	55.1	59.7	64.9	66.5	69.3	69.6
2016-based	55.1	59.7	64.9	66.4	69.1	69.5

Sources: Estimated from NISRA, Mid-year Population Estimates and *Population Projections for Northern Ireland*, 2018-based, 2016-based.

Note: Newry, Mourne and Down (part) comprises most (90 per cent) of the former Down LGD.

Figure A.28 Derry City and Strabane District Council, 2016-based and 2018-based population projections (Source: NISRA)

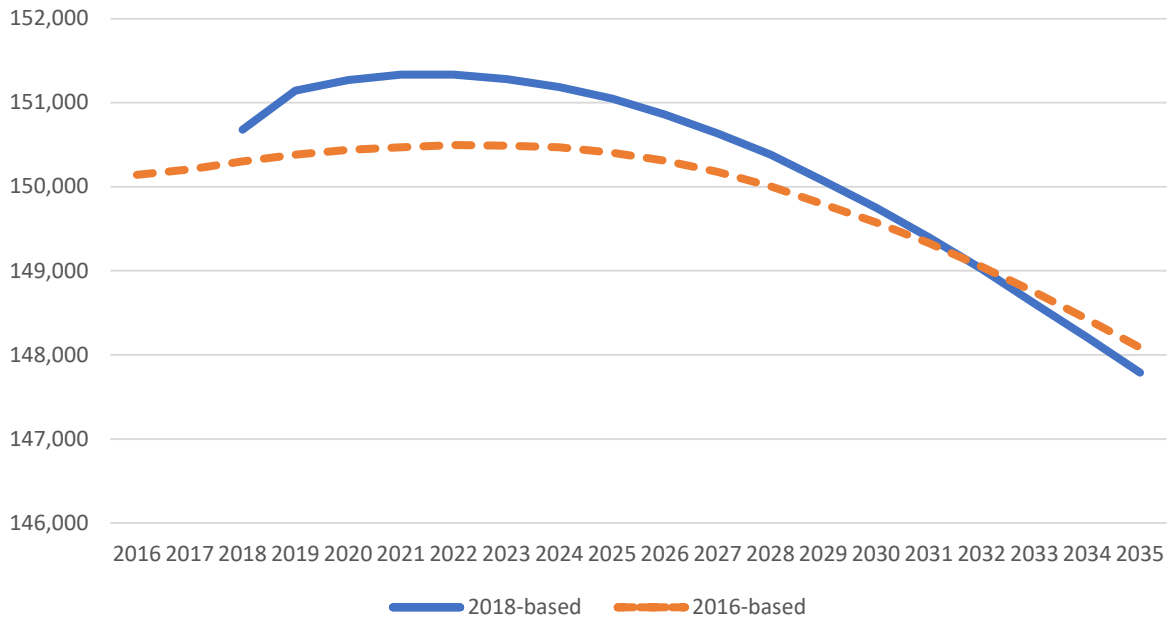


Table A.13 Derry City and Strabane District Council population, historical and projected ('000s)

	1991	2001	2011	2018	2030	2035
2018-based	133.8	143.8	148.2	150.7	149.8	147.8
2016-based	133.8	143.8	148.2	150.3	149.6	148.1

Sources: NISRA, Mid-year Population Estimates and *Population Projections for Northern Ireland*, 2018-based, 2016-based.

Households

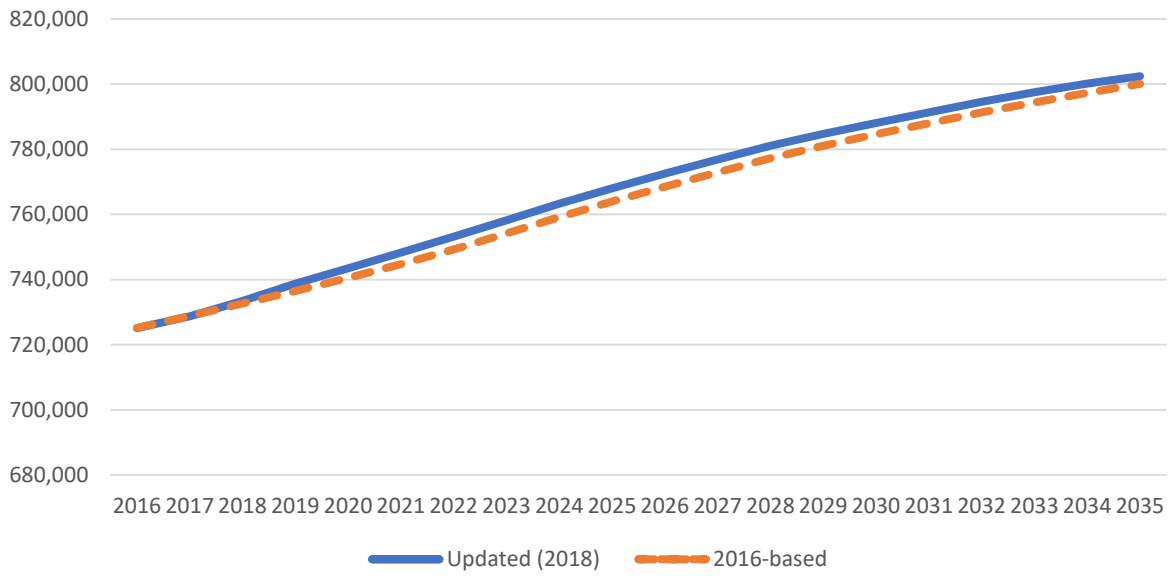
Projections

The most recent set of official Northern Ireland household projections, 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 linked to NISRA's 2016-based population projections for areas within Northern Ireland. Though, the household-based 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 projections, an updated set of household projections was prepared by the authors of this SHMA (see Box A.1). The updated projections have been prepared following the approach set out in the published NISRA methodology paper. 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 projections, as described above.

Figure A.29 provides a comparison between the NISRA 2016 and the updated projections. Beyond 2016, the updated projections result in a slightly larger number of households in each projection year. Between 2016 and 2035, the updated projections show 77,390 net new households compared with 74,930 in the NISRA 2016 projections, a difference of +2,460.

Figure A.29 Household projections, N. Ireland, 2016-2035, NISRA 2016-based compared with updated (2018)



Box A.1 Household projections: Methodology note

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 are given zero weight.

Furthermore, since the 2006-based projections, the household membership probabilities for children (aged 15 and under) have been held constant at their most recent Census of Population values (that is, 2011 for the NISRA 2016 projections). That serves to 'dampen' the projected growth in the number of children living in smaller households (mainly, lone adults with children aged under 16) and hence also the projected total number of households. The reason for the adjustment is stated in the Methodology paper accompanying the 2016-based projections in the following terms:

> "The 2002-based projected household membership probabilities for children tended towards children living in smaller households and more lone adult with children households in the future. This was based on the trend between the 1991 and 2001 Censuses. Recent demographic evidence suggests that these trends have not continued post the 2001 Census." (NISRA, 2018, p. 5).

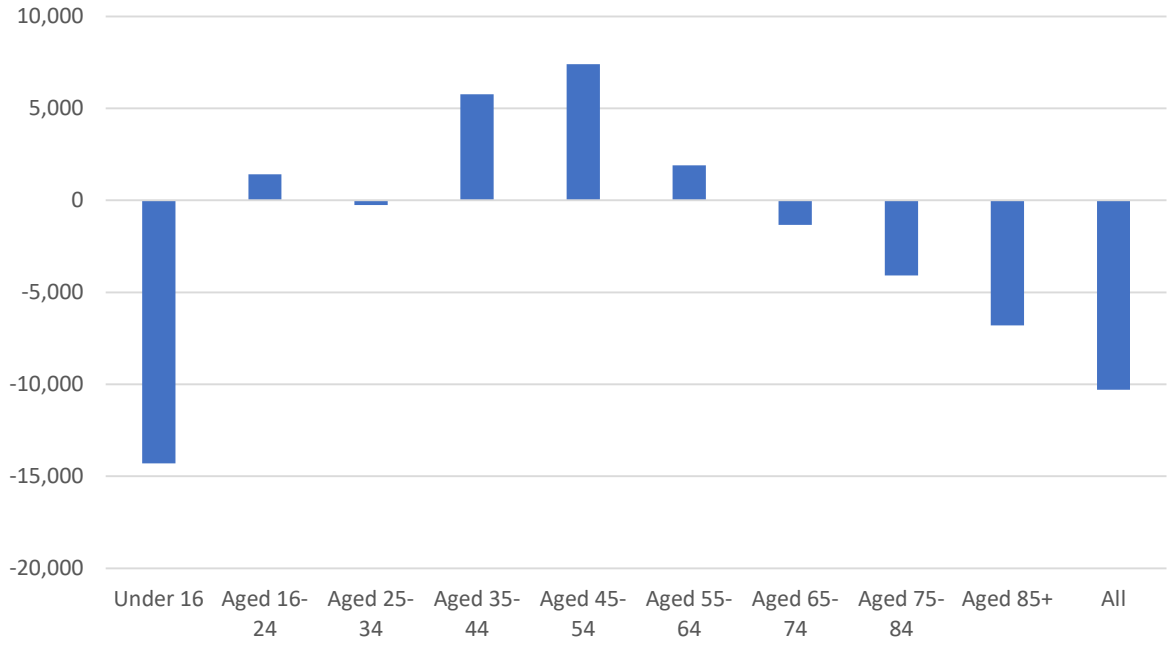
There are two further adjustments in the NISRA methodology:

- To complete households with children, adults are added to match the number of children.
- A correction for older two-adult households.

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, completed by scaling to the published household projections by LGD.

The increase in the number of households in the updated projections occurs despite the 2018-based total population projection for 2035 being 10,300 less than the 2016-based projection (see Table A.4). The reason for the higher number of households in the updated projections lies in the differences by age group between the 2016 and 2018-based population projections. As illustrated in Figure A.30, compared with the 2016-based projections, there are more working age adults in the 2018-based population projections available to form new households[3].

Figure A.30 Year 2035 differences by age group between 2016 and 2018-based NISRA population projections



The differences in the household projections at LGD level are shown in Table A.14 for the period 2016 to 2030 and in Table A.15 for the period 2016 to 2035. The differences reflect the contrasts between the 2016-based and 2018-based population projections as discussed above.

For example, population growth in Lisburn and Castlereagh is projected to be faster in the 2018-based than in the 2016-based population projections and that is reflected in an increase in the projected number of households when the NISRA 2016 household projections are updated. Conversely, Mid and East Antrim is projected to grow more slowly in the 2018-based than in the 2016-based projections.

The updated household projections also result in a larger number of households in Derry and Strabane by comparison with the NISRA 2016 projections. That is due to the age composition effect noted above. That same effect is also apparent in the updated projections for the Belfast LGD, albeit the updated household projection for 2035 is not greatly different from the NISRA 2016 projection (Table A.15).

[3] A further, more technical reason is that, with fewer children aged under 16 projected in the 2018-based population projections, fewer adults are required to be 're-assigned' from childless households to complete households with children.

The comparison for the Belfast Metropolitan HMA is shown in Figure A.31. By 2035, the updated projections result in 3,560 more households than in the NISRA 2016 projections.

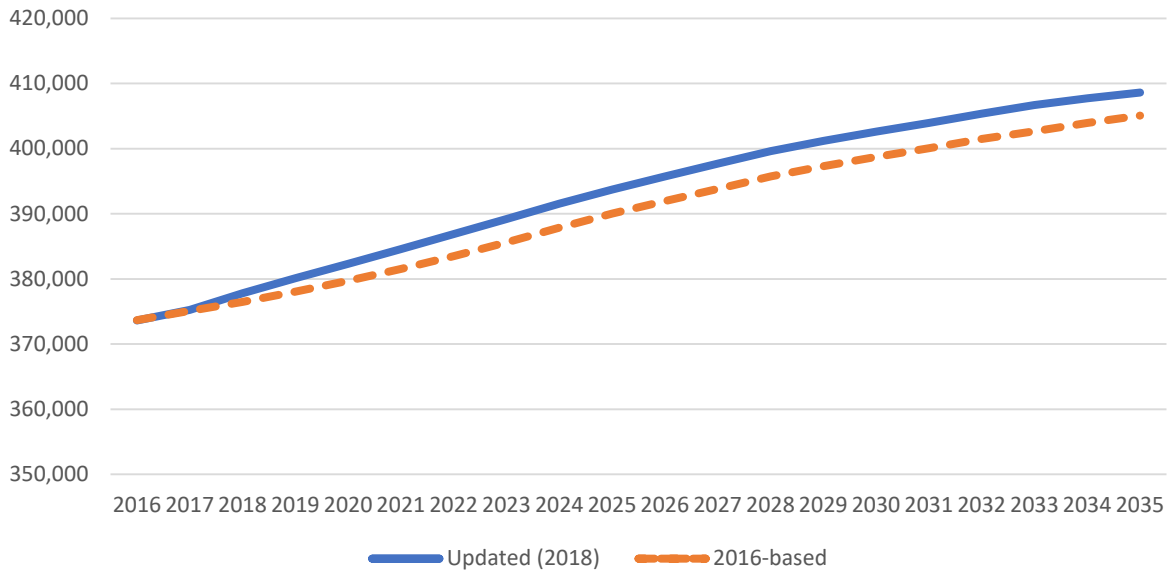
Table A.14 Household projections, 2016 to 2030, NISRA 2016 compared with updated, by LGD

	Projected net new households 2016-2030:		
	2016-based	**Updated (2018)**	***Difference***
Antrim and Newtownabbey	4,090	4,840	*750*
Ards and North Down	4,190	5,150	*960*
Armagh City, Banbridge and Craigavon	11,250	11,440	*190*
Belfast	4,660	5,620	*960*
Causeway Coast and Glens	3,060	3,300	*240*
Derry City and Strabane	2,480	2,820	*340*
Fermanagh and Omagh	3,390	3,340	*-50*
Lisburn and Castlereagh	8,200	9,220	*1,020*
Mid and East Antrim	3,580	3,340	*-240*
Mid Ulster	6,870	6,260	*-610*
Newry, Mourne and Down	7,690	7,700	*10*
N. Ireland	**59,450**	**63,040**	***3,590***

Sources: NISRA, 2016-based household projections; Author's estimates, 2018-based household projections.

Table A.15 Household projections, 2016 to 2035, NISRA 2016 compared with updated, by LGD			
	Projected net new households 2016-2035:		
	2016-based	**Updated (2018)**	***Difference***
Antrim and Newtownabbey	4,970	5,770	*800*
Ards and North Down	4,560	5,650	*1,090*
Armagh City, Banbridge and Craigavon	14,650	14,730	*80*
Belfast	6,730	6,920	*190*
Causeway Coast and Glens	3,530	3,650	*120*
Derry City and Strabane	2,770	3,050	*280*
Fermanagh and Omagh	4,140	4,050	*-90*
Lisburn and Castlereagh	10,630	11,980	*1,350*
Mid and East Antrim	4,150	3,770	*-380*
Mid Ulster	8,930	8,110	*-820*
Newry, Mourne and Down	9,880	9,720	*-160*
N. Ireland	**74,930**	**77,390**	***2,460***
Sources: NISRA, 2016-based household projections; Author's estimates, 2018-based household projections.			

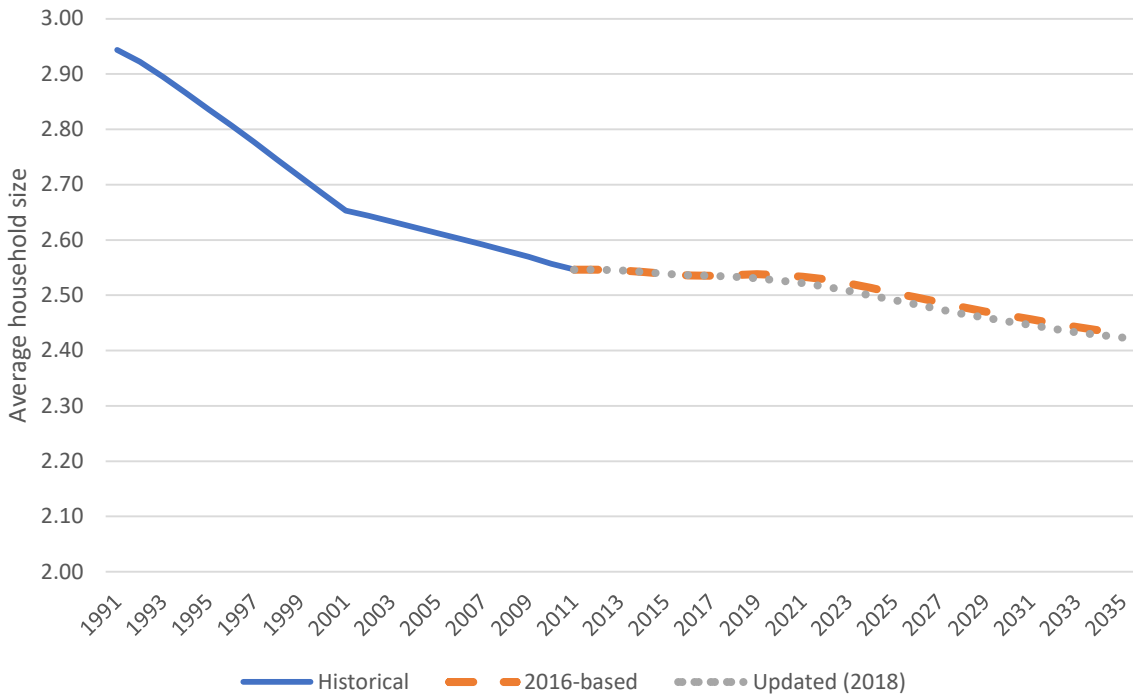
Figure A.31 Household projections, 2016-2035, NISRA 2016 compared with updated, Belfast Metropolitan HMA



Scenarios

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 A.32). Average household size falls at a faster rate than in the 2016-based projections, but only fractionally.

Figure A.32 Average household size, Northern Ireland, NISRA 2016-based compared with updated (2018)



Nonetheless, the flat trajectory of projected average household size over the period from 2011 to 2021 stands in contrast to the preceding two decades[4]. From 1991 to 2001, average household size fell by 0.3 persons and a further 0.1 persons between 2001 and 2011. In both the 2016-based and updated household projections, average household size falls by just 0.02 persons between 2011 and 2021. That is, the household projections for that period are almost entirely driven by population change. It is not possible from the available evidence to say whether average household size has remained more or less constant since 2011. The true picture will not be known until the 2021 Census of population results are published. However, if average household size has been declining more quickly than projected, there is a risk of under-estimating the future growth in the number of households.

[4] Note that in Figure A.32 the historical average household size estimates were prepared by interpolating between Census of Population years, i.e. between 1991 and 2001 and 2001 to 2011. NISRA does not publish historical estimates for household numbers in non-Census years. As the household projections are based on the extrapolation of trends between the 2001 and 2011 Censuses, the figures from 2012 onwards are shown as projections in Figure A.32 to reflect that the household baseline is 2011.

From that perspective, it is interesting to note that, between 2016 and 2020, the Northern Ireland housing stock increased by 31,300[5]. Over that same period, the 2016-based projections show a net increase in households of 15,400, i.e. less than half (49 per cent) of the growth in the housing stock. Similarly, the updated projections show a net increase of 18,400 households, representing 59 per cent of the change in the housing stock.

Within that context, and to manage the uncertainties around projecting new dwelling requirements, a number of alternative household projection scenarios have been prepared for this SHMA. The scenarios are based on varying the main assumptions underpinning the NISRA 2016 projections, 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 to the 2001 to 2011 trends[6].

- **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[7].

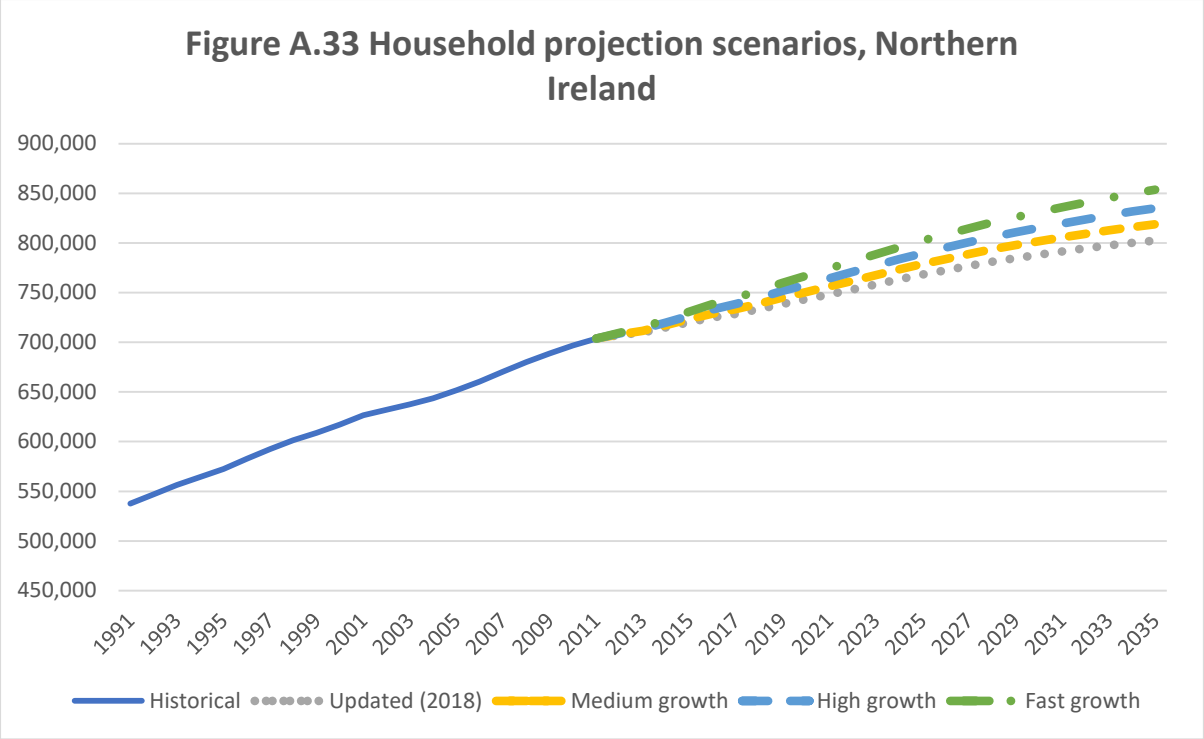
- **Fast growth scenario**. Household trends extrapolated forward based on the 1991 to 2001 trends only, i.e. the period when average household size fell more rapidly than in the subsequent decade 2001 to 2011[8].

The projection scenarios are summarised in Table A.16. Figure A.33 shows the projected numbers of households.

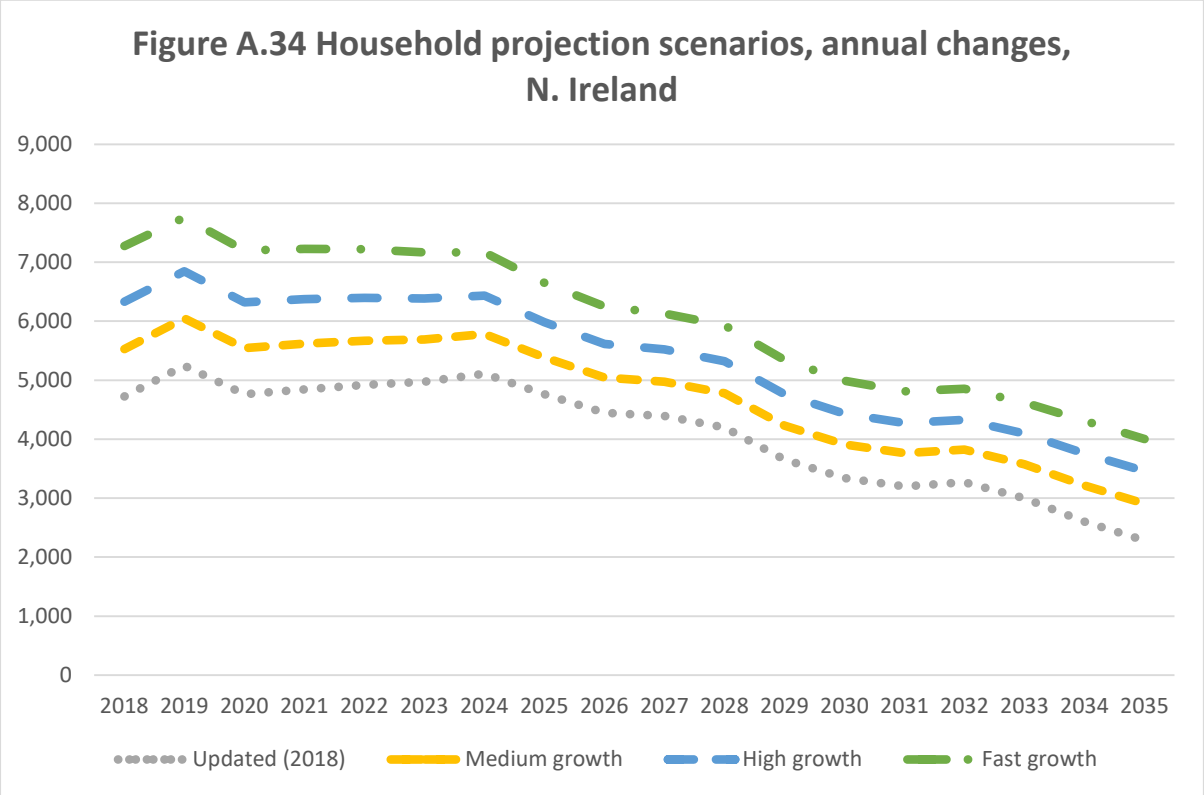
Table A.16 Household projection scenarios, summary, N. Ireland

	2018	2035	Change	
	No.	*No.*	*No.*	*%*
Updated (2018)	733,400	802,400	69,000	9.4
Scenario:				
Medium growth	739,000	818,900	79,900	10.8
High growth	744,800	835,000	90,200	12.1
Fast growth	752,000	853,600	101,600	13.5
Source: Author's estimates.				

[5] Source: LPS, Housing Stock Statistics 2008-2020, 2 June 2020.
[6] In the terms of the NISRA methodology (see Box A.1), a weighted average of trends in household membership probabilities. In addition, in the NISRA methodology, household membership probabilities for children under 16 are fixed at their 2011 values; for the medium growth scenario, the probabilities are projected forward with an equally weighted average of the fixed 2011 probabilities and the trend extrapolation.
[7] The trend extrapolation was applied to all age groups for this scenario, including children aged under 16.
[8] Similar to the high growth scenario, the trend extrapolation was applied to all age groups for this scenario, including children aged under 16.



The projected annual changes for the household scenarios are presented in Figure A.34. The influence of the slower population growth anticipated from the mid-2020s onwards is evident.

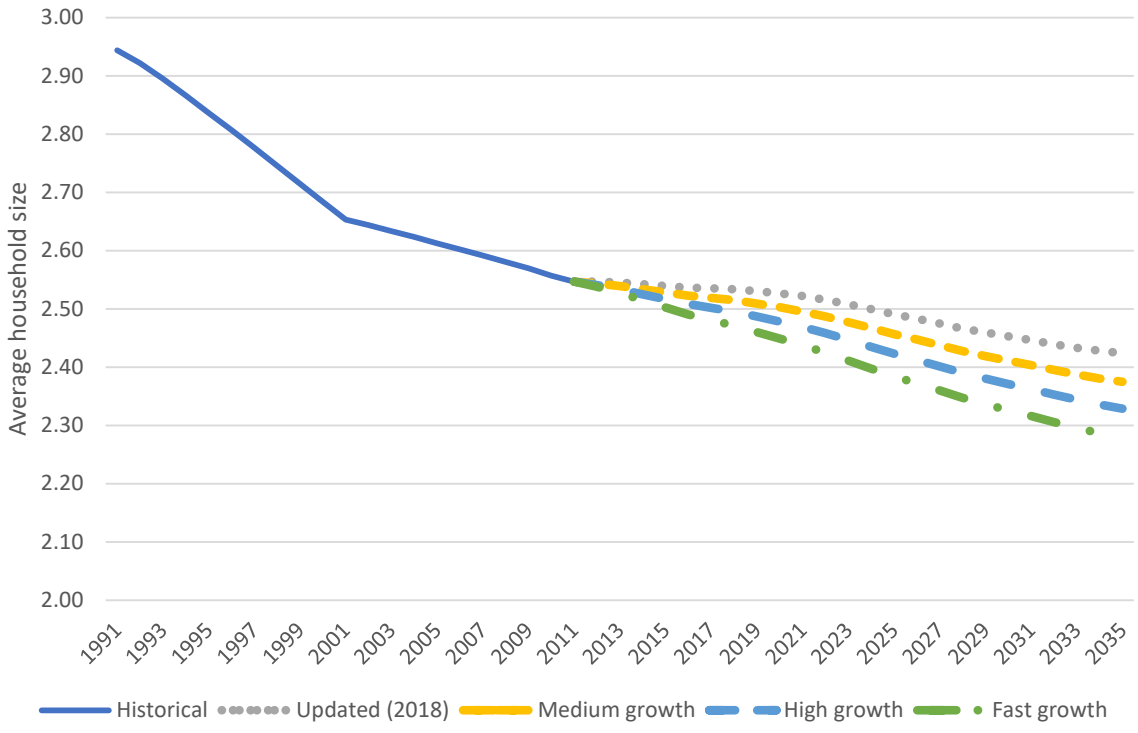


The scenarios result in a range of average household size (AHS) projections which are summarised in Table A.17 and shown graphically in Figure A.35. The updated projection and the medium and high growth scenarios would result in average household size remaining comparatively high in a UK context. The most recent projections for England (2018-based) anticipate AHS falling to 2.28 by 2035 with Scotland (2016-based) projecting 2.05 and Wales (2018-based) projecting 2.20. The fast growth scenario for Northern Ireland would see AHS fall to 2.28 by 2035, on a par with the projection for England.

Table A.17 Household projection scenarios, average household size, N. Ireland

	2011	2018	2035	*Change, 2018-2035*
	Persons	*Persons*	*Persons*	*Persons*
Updated (2018)	2.55	2.53	2.42	*-0.11*
Medium growth	2.55	2.51	2.37	*-0.14*
High growth	2.55	2.50	2.33	*-0.17*
Fast growth	2.55	2.47	2.28	*-0.19*

Figure A.35 Household projection scenarios, average household size, Northern Ireland



Assessment

The household projections and scenarios presented above are strictly trend-based, varying according to the weight given to historical trends in extrapolating forward from the 2011 baseline[9]. It is not therefore possible to say definitively which set of projections provides the 'best' representation of the likely future evolution of household growth for projecting forward new dwelling requirements. However, some assessment can be undertaken by comparing the projections from each scenario with supply-side changes in the housing market, notably the housing stock and new dwelling completions. 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[10] provide a direct supply side measure, i.e. the total number of dwellings available for occupation. From the LPS data, 31,290 dwellings were added to the stock between 2016 and 2020 (Table A.18). Expressed as a proportion of the change in the dwelling stock, the projected numbers of new households over that same period range from 49 per cent in the 2016-based projections to 91 per cent in the fast growth scenario. Thus, from 2016 to 2020, each of the household projection scenarios suggests a rise in the proportion of dwellings that are not occupied by a household.

Table A.18 Change in projected total households, 2016-2020, compared to net change in housing stock, Northern Ireland

	Change 2016-2020	Per cent of housing stock
Housing stock	**31,290**	**100**
Household projections		
2016-based	15,400	49
Updated (2018)	18,410	59
Scenario:		
Medium	21,590	69
High	24,780	79
Fast	28,480	91

Figure A.36 and the accompanying Table A.19 show the estimated proportion of the dwelling stock that is unoccupied, when the household projections are compared with the LPS housing stock counts. The estimates for unoccupied properties can be viewed as proxies for the trend in the proportion of the dwelling stock that is vacant. The estimates are not strictly dwelling vacancy rates since the housing stock figures do not distinguish second homes or properties that are used as holiday lets.

[9] 2011 is the baseline year for household projections since that is the base year for historical data pertaining to households.
[10] Land and Property Services (LPS) publish annual data giving a count of properties which are 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".

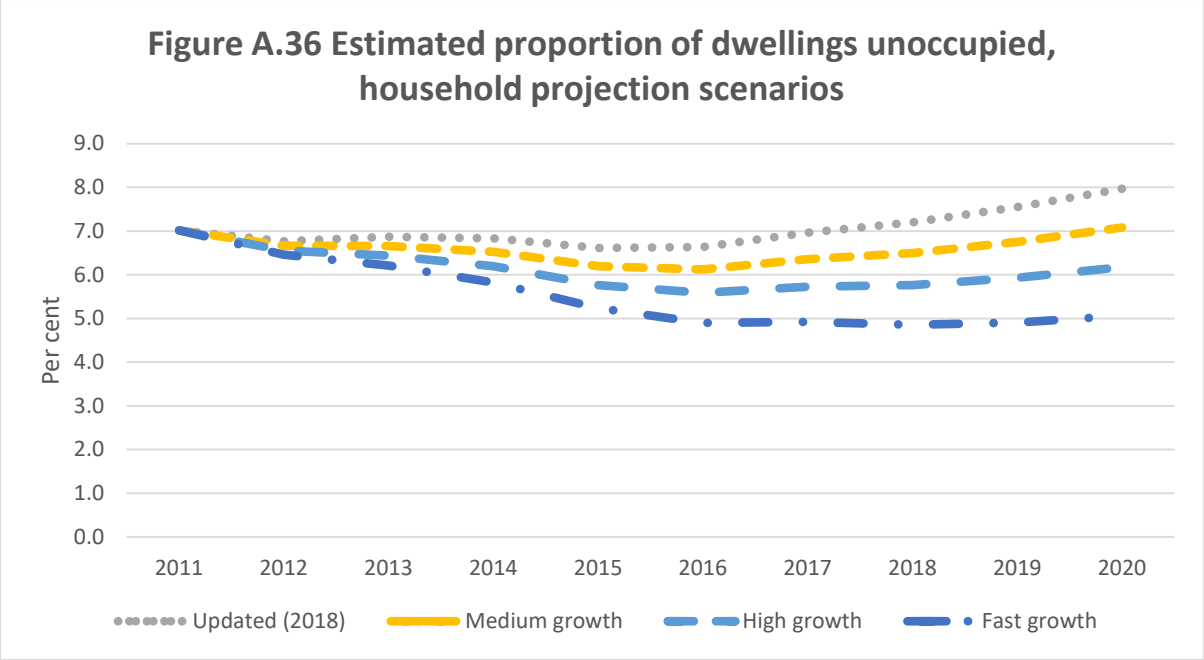


Table A.19 Estimated proportion of dwellings unoccupied, household projection scenarios, Northern Ireland

	2011	2016	2020
2016-based	7.0	6.6	8.3
Updated (2018)	7.0	6.6	8.0
Scenario:			
Medium	7.0	6.1	7.1
High	7.0	5.6	6.2
Fast	7.0	4.9	5.1

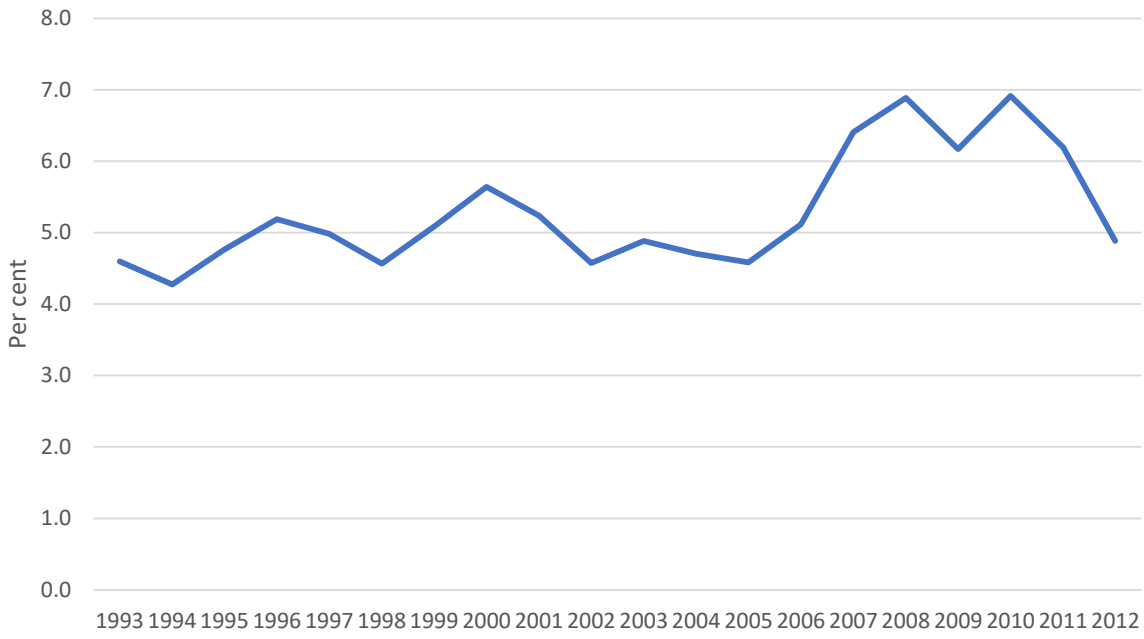
Sources: Author's estimates.

When the household totals are compared with the LPS dwelling stock counts, an estimated seven per cent of dwellings were unoccupied in 2011. That estimate differs from the Census of Population, which found that six per cent of dwellings were unoccupied in 2011. However, the discrepancy is relatively small in magnitude and likely to reflect differences in data collection procedures, i.e. the LPS data are collated through administrative procedures around the valuation of properties for rating purposes.

In the present context, the point of interest is the trend in the proportion of dwellings which are unoccupied post-2011. Each of the household projections shown in Figure A.37 points to a fall in the unoccupied proportion between 2011 and 2016 followed by a slight rise between 2016 and 2020. The available data points would suggest that pattern is broadly reflective of housing market trends over the period since 2011.

A time series showing the distribution of the LPS dwelling stock between vacant and occupied properties had been published on an annual basis[11]. That series was discontinued in 2012 due to a change in the rating of unoccupied dwellings. Nonetheless, according to the discontinued series, vacant dwellings as a proportion of the housing stock rose sharply in the aftermath of the 2006-2007 housing boom, peaking at a little under seven per cent between 2008 and 2010 before falling back to five per cent by 2012 (Figure A.37).

Figure A.37 Vacant dwellings, 1993-2012, Northern Ireland, per cent of domestic properties (Source: LPS)



The Housing Executive's Northern Ireland House Condition Surveys (HCS) suggest that the dwelling vacancy rate continued to fall at least through 2016. The 2011 HCS reported a Northern Ireland vacancy rate of 7.2 per cent while the 2016 Survey estimated the vacancy rate at 3.7 per cent. The 2011 HCS report placed a caveat around the estimated vacancy rate, considering that it may have been overstated. Whether that was the case, the point of interest here is the trend in the vacancy rate between 2011 and 2016, which was clearly downward.

The trend in the vacant dwellings rate post-2016 is more difficult to assess. Since 2016, and prior to the coronavirus pandemic, the housing market was showing strong signs of recovery on indicators such as new dwelling completions. Between 2016 and 2020, the annual average rate of new dwelling completions was 7,170, up by 29 per cent from an annual average of 5,570 between 2011 and 2016. Allowing for a lag between dwelling completions and occupancy, the pick-up in supply may reasonably be expected to have been accompanied by an uptick in the proportion of dwellings that are unoccupied.

[11] LPS, Housing Stock (Administrative geographies) 1993-2012.

Each of the household projections results in a trajectory for the unoccupied proportion of the dwelling stock that is broadly consistent with the available data points regarding supply-side trends. It is not possible to say definitively which of the scenarios presents the most plausible trajectory on that indicator. Though, the implied vacancy rate in the updated (2018) projections would seem to result in higher rates of unoccupied dwellings than would seem warranted by the available data points. That is, the updated projections yield a slower pace of household growth than would seem consistent with supply side trends.

Taking the period 2011 to 2020 in its entirety, the fast growth scenario would seem to result in too large an increase in projected households when compared with the change in the housing stock. As shown in Table A.20, the projected change in the number of households in that scenario is 24 per cent in excess of the net change in the dwelling stock, which would seem implausible. Over that same period, the high growth scenario also yields a projected change in the number of households that is in excess of the net change in the dwelling stock, by a margin of six per cent. The medium growth scenario gives a more plausible change in the number of households by comparison with the net change in the dwelling stock.

Table A.20 Change in projected total households, 2011-2020, compared to net change in housing stock, Northern Ireland

	Change 2011-2020	Per cent of housing stock
Housing stock	**51,160**	**100**
Household projections		
2016-based	36,940	72
Updated (2018)	39,850	78
Scenario:		
Medium	46,990	92
High	54,340	106
Fast	63,360	124

The second ‘supply-side’ test undertaken was to run each household growth scenario through a net stock model with a 2016 baseline to compare the projected new dwelling requirements for the years 2017 to 2020 with the published data for completions[12]. The results of that exercise are shown in the charts below, for Northern Ireland (Figure A.38) as well as the Belfast Metropolitan HMA (Figure A.39) and Derry and Strabane (Figure A.40).

Focusing on the Northern Ireland projections (Figure A.38), the following are the main points of note:

[12] The set-up for the net stock model projections reported here is the same as outlined in Section 8 of the main report, but with a baseline of 2016 rather than 2020.

- The updated (2018) projections result in new dwelling requirement projections that 'under-predict' the actual level of new house completions, by an average of around -1,500 over the period 2016 to 2020, a variation of -21 per cent.

- Over the same period, the new dwelling requirement projections from the medium growth scenario under-predicts the actual pace of new dwelling completions by an annual average of -710 (-10 per cent).

- The high growth scenario gives projected new dwelling requirements which are most closely aligned with the actual out-turn, differing by an annual average of +110 (two per cent).

- The fast growth scenario over-predicts actual new dwelling completions over the period 2016 to 2020, by an annual average of +1,040 (15 per cent).

- Note also that, looking beyond 2020, the time paths in the dwelling requirements across each scenario from the mid-2020s onwards reflect the trajectory of the population projections discussed previously.

Overall, for the period 2016 to 2020, the medium and high growth scenarios yield projected new dwelling requirements that provide the closest 'fit' to the observed levels of new dwelling completions. When considered in tandem with the dwelling stock comparisons shown in Table A.20, the 'under-projection' by the medium growth scenario would seem more acceptable as a central scenario. Nonetheless, the high growth scenario would seem useful in considering upside risks to new dwelling requirement projections for the period beyond 2020. By the same reasoning, the updated (2018) projections would seem suited to providing an indication of slower than expected growth.

The fast growth scenario both over-predicts new dwelling requirements for the period 2016 to 2020 and produces household growth projections that are well in excess of the change in the dwelling stock 2011 to 2020 (Table A.20). On those grounds, it may be concluded that the assumption that household growth would revert to the 1991-2001 trends is not sustainable. The fast growth scenario is not considered in the main report.

The net stock model projections for the Belfast Metropolitan HMA follow a similar pattern to the Northern Ireland projections (Figure A.39).

As can be seen from Figure A.40, each of the household projection scenarios under-predicts the level of new dwelling completions in Derry and Strabane over the period 2016 to 2020. Though, if only private sector completions were modelled, the medium household growth scenario would yield a reasonably close fit for the period 2016 to 2020. In that regard, it can be noted that the period 2016 to 2020 saw a relatively high level of social sector completions in Derry and Strabane. That is within the context of a comparatively large social housing waiting list; but the net stock model deployed for Figure A.41 does not include a backlog allowance.

Figure A.38 Completions, historical and projected from alternative household projections, net stock model, 2016 baseline, N. Ireland

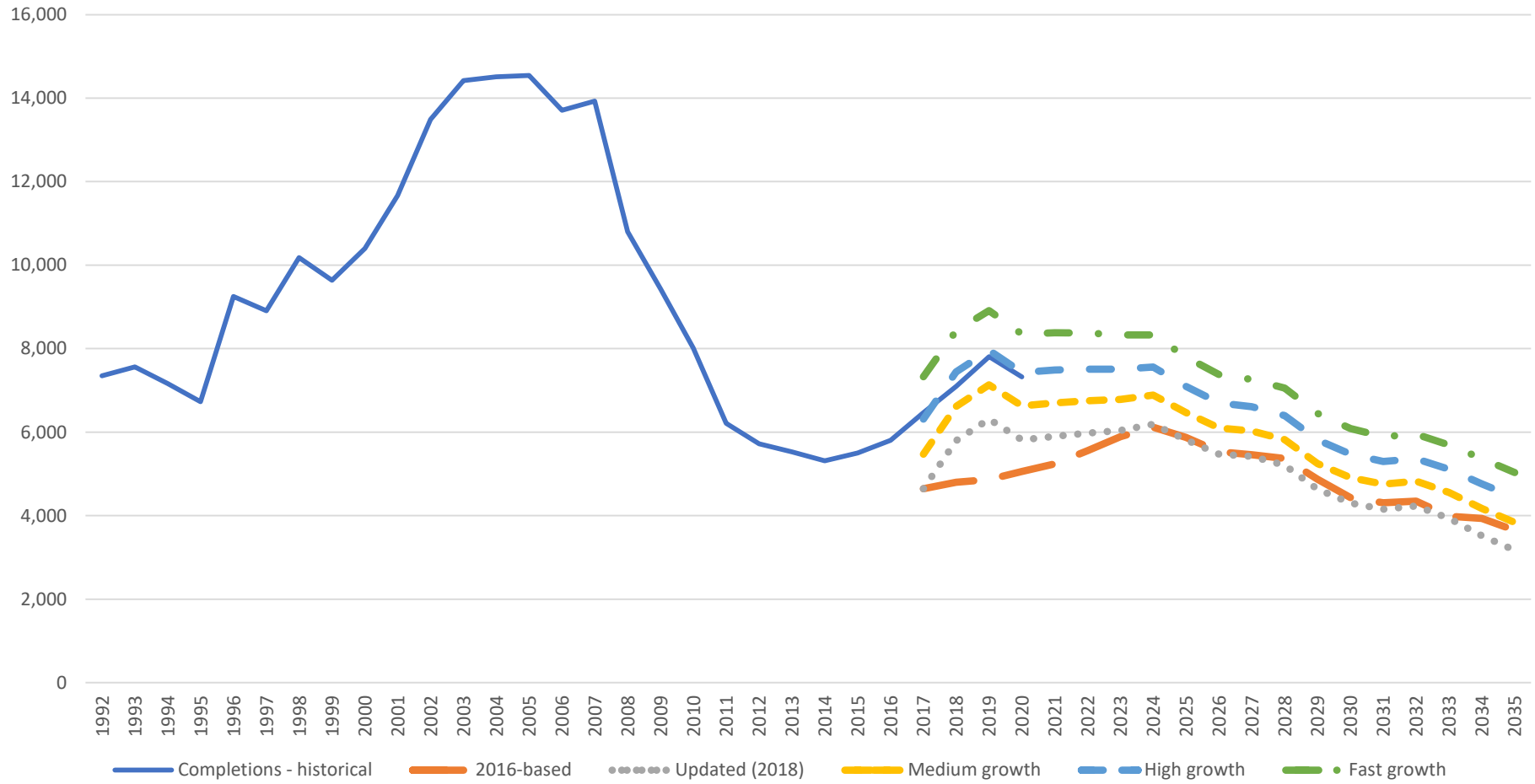


Figure A.39 Completions, historical and projected from alternative household projections, net stock model, 2016 baseline, Belfast Metropolitan HMA

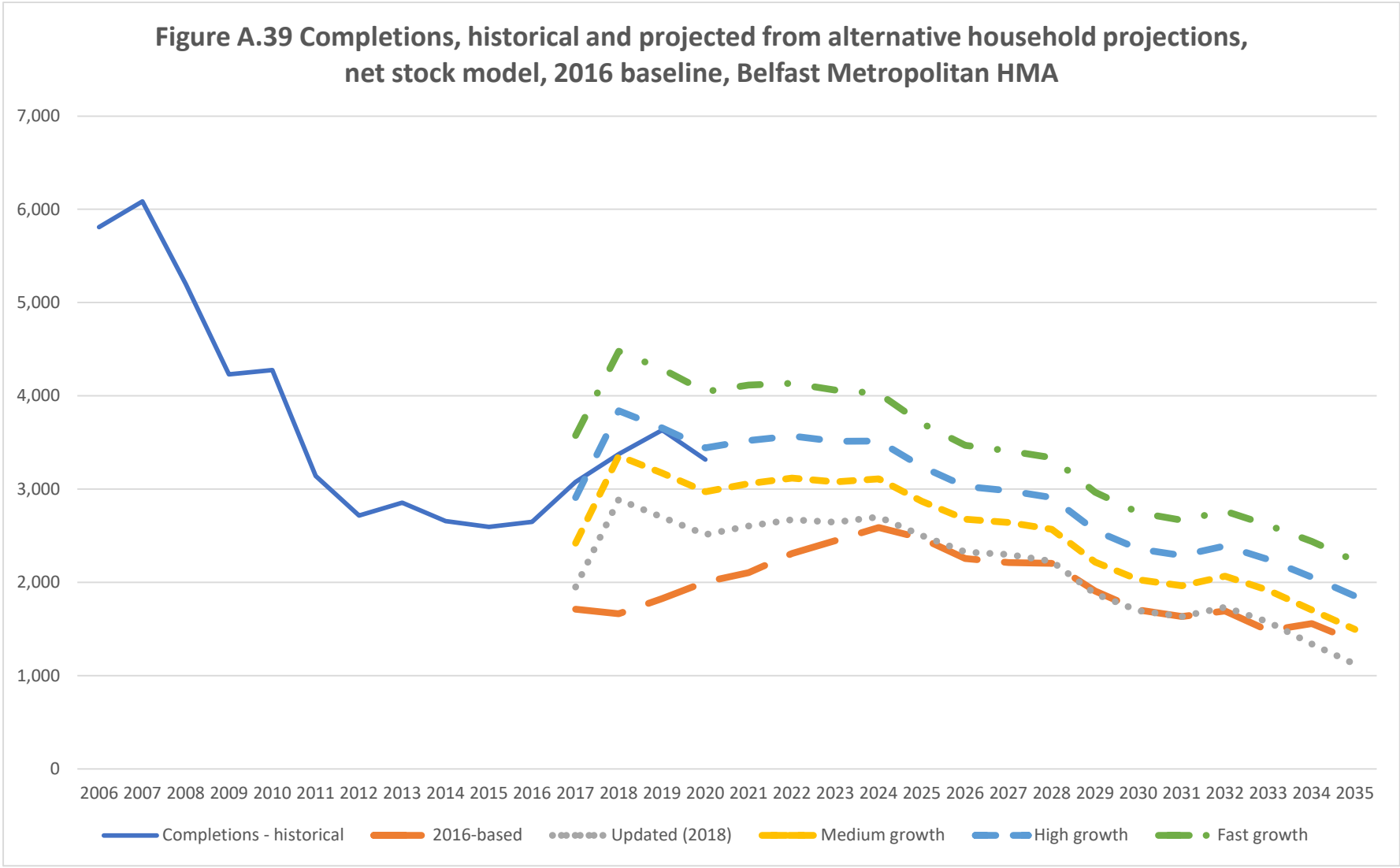
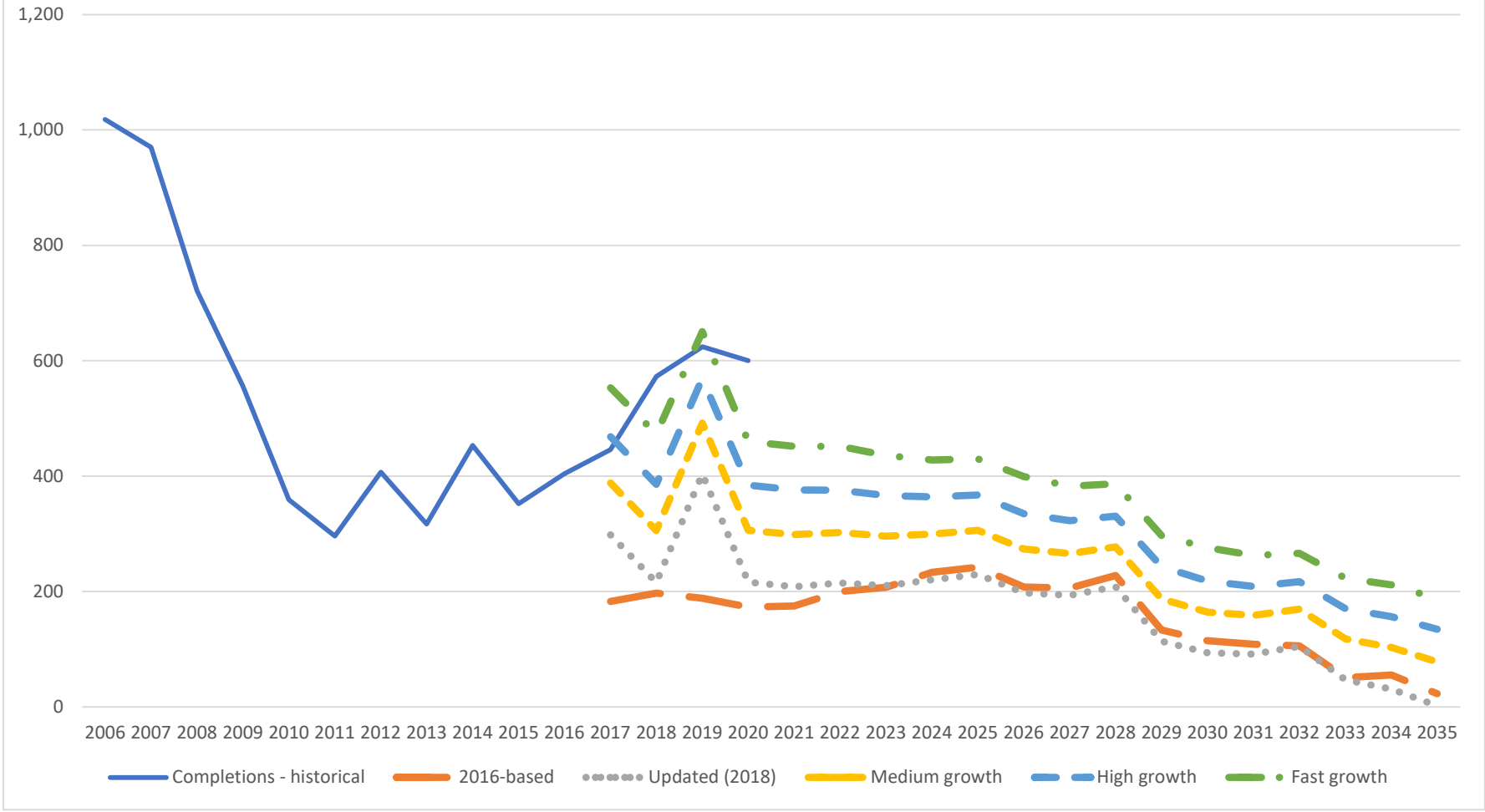


Figure A.40 Completions, historical and projected from alternative household projections, net stock model, 2016 baseline, Derry and Strabane



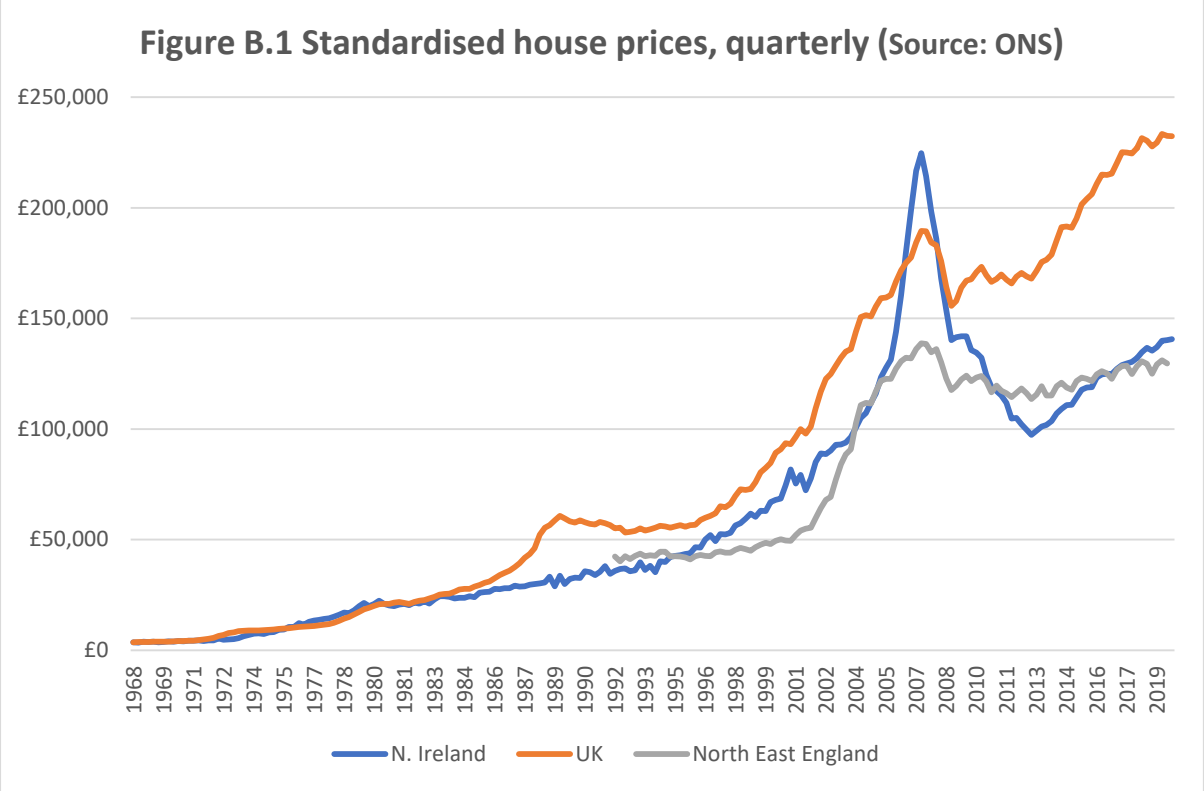
Appendix B Housing Market: Northern Ireland

Introduction

This Appendix examines housing market trends at the Northern Ireland level, both in the residential property market and the private rented sector. In reviewing the residential property market, the key issue of interest is the extent to which, by end 2019/spring 2020, the market had recovered from the severe and protracted downturn which followed the 2005-2007 house price boom. The main conclusion drawn is that the sharp price adjustment that lasted until spring 2013 has led to improved affordability and a return to more sustainable and balanced levels of activity in the mortgage market and residential property transactions. That conclusion is based on data through spring 2020 that pre-date the onset of the coronavirus pandemic, which introduces a new element of uncertainty.

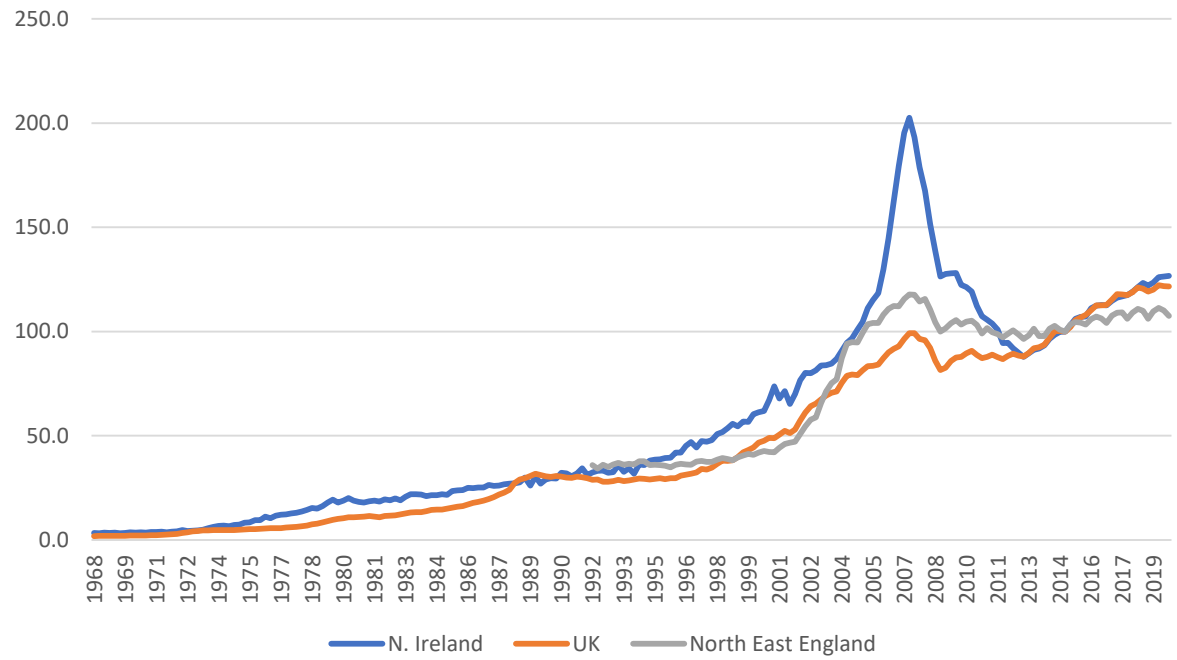
House Prices

Between mid-2004 and autumn 2007, Northern Ireland experienced an unprecedented house price boom. The average (standardised) price of a house more than doubled, from £100,736 to £224,670 (+123 per cent), almost 20 per cent above the overall UK average (£189,503 in autumn 2007) (Figure B.1, data sourced from ONS, UK House Price Index). The initial stages of the housing boom were stoked by a buoyant labour market, with rising jobs and incomes, accompanied by population and household growth, and fuelled by relatively low interest rates allied to easy access to credit finance. However, the Northern Ireland housing market boom evolved into a house price bubble, i.e. the expectation that prices would continue to rise.



Consequently, although prices had started to tick downwards in late-2007, the Northern Ireland housing market was heavily exposed when the global financial recession struck in 2008. House prices tumbled sharply throughout 2008 and 2009 and continued dropping through the first quarter of 2013. By that time, house prices had more than halved (-57 per cent) from their autumn 2007 peak (Figure B.2).

Figure B.2 House price index, 2015Q1 = 100 (Source: ONS)



The severity and duration of the downturn in the Northern Ireland housing market is evident from a comparison with the overall UK experience, where the fall in house prices was shallower and shorter. Across the UK as a whole house prices declined from the third quarter of 2007 to the first quarter of 2009, falling by 18 per cent over that period. Since then, and through the first quarter of 2020, the average UK house price has climbed by 49 per cent. The 2007 peak was passed in the second half of 2014. By spring 2020, the average UK house price was 23 per cent above the 2007 peak. Though, it is useful to bear in mind that the UK housing market is not at all uniform, with regions such as the North East of England continuing to lag the national average.

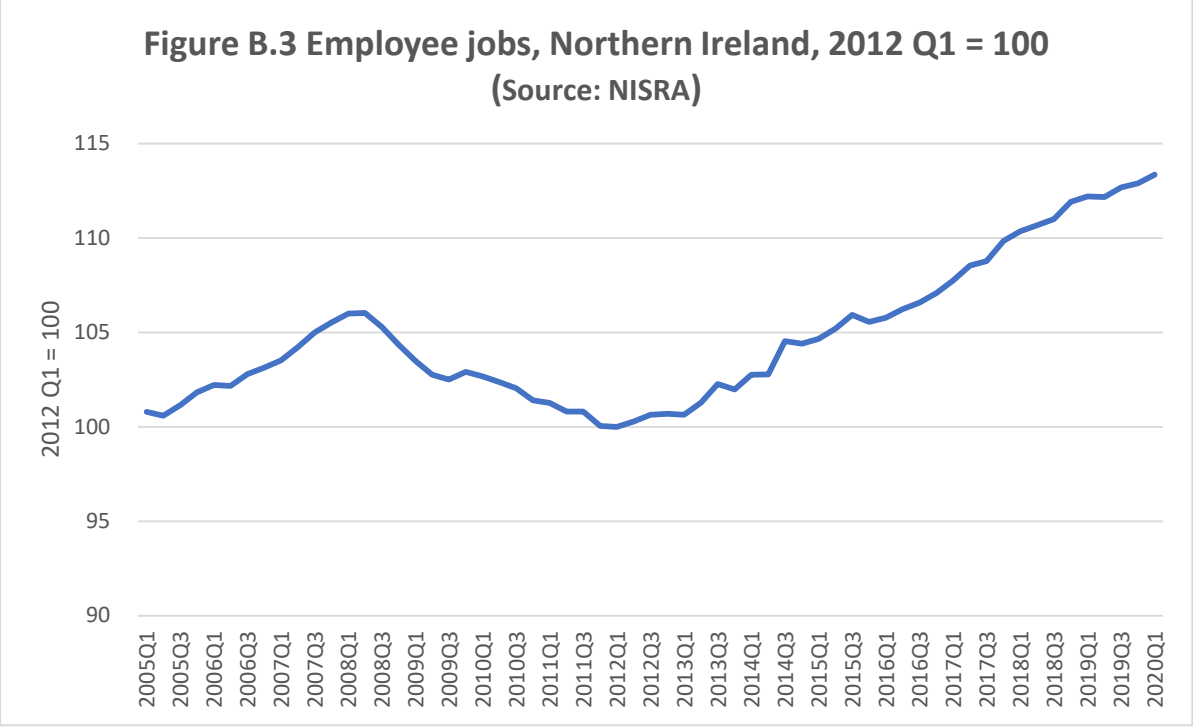
In Northern Ireland, house prices have been rising since the first quarter of 2013. Since then, and through spring 2020, the average standardised house price has increased by 44 per cent. Over that same period, the NI house price index has tracked the overall UK index.

The recovery since 2013 has brought Northern Ireland house prices back to 63 per cent of their autumn 2007 peak. However, the bubble which emerged between, roughly, mid-2005 and which peaked in the third quarter of 2007 had no sustainable basis. Therefore, the autumn 2007 peak is not an appropriate comparator for the house price level as at spring 2020.

There are still echoes of the bubble, notably the persistence of a higher rate of low or negative equity among mortgage-holders in Northern Ireland[13]. Nonetheless, the most recent data would suggest that, at least prior to the coronavirus pandemic, the NI housing market had returned to a more sustainable path, consistent with the longer-term trajectory of house prices. That has primarily been driven by the very sharp house price reductions during the downturn years 2007-2013, allied to the recovery in jobs and incomes from the Great Recession and a low interest rate environment. All of those factors have combined to underpin a housing market rebound led by improved affordability.

Jobs and Incomes

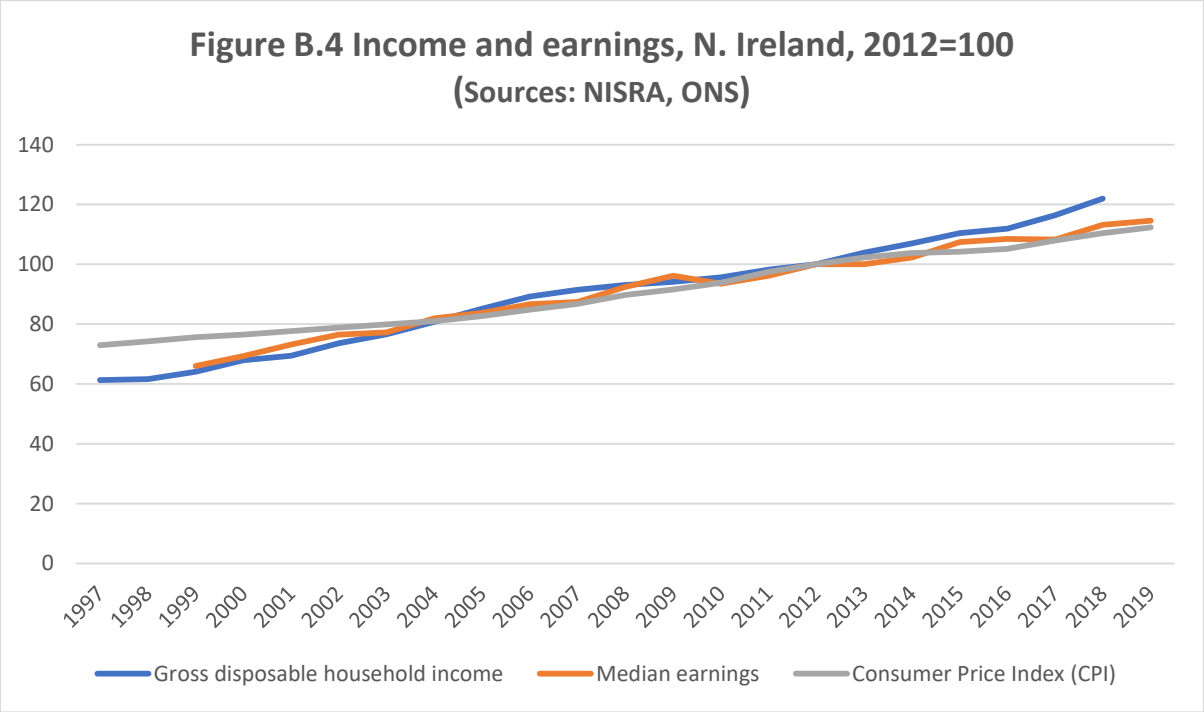
The Great Recession, which accompanied the housing market crash, was similarly deep and protracted. Following a period of robust growth, employee jobs in Northern Ireland reached a peak in the second quarter of 2008 (Figure B.3, sourced from NISRA, Quarterly Employment Survey Historical Tables, Table 5.13). From then until the trough in the first quarter of 2012, the number of jobs fell by 5.7 per cent. Since then, employment has steadily recovered, climbing by 13 per cent through the first quarter of 2020.



The improving jobs market has been accompanied by growth in earnings and incomes. Between 2012 and 2019, median earnings of adult full-time workers rose by 15 per cent (Figure B.4, sourced from NISRA, Annual Survey of Hours and Earnings (ASHE)). That translates into a modest annual average growth of two per cent, albeit ahead of the growth rate in consumer prices; +12 per cent over the period 2012 to 2019, an annual rate of 1.7 per cent (Source: ONS, Consumer Price Index).

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

Household incomes have grown more strongly. Between 2012 and 2018, gross disposable household income (GDHI) per capita rose by 22 per cent, an annual rate of increase of 3.4 per cent (Source: ONS, Regional Gross Disposable Household Income).



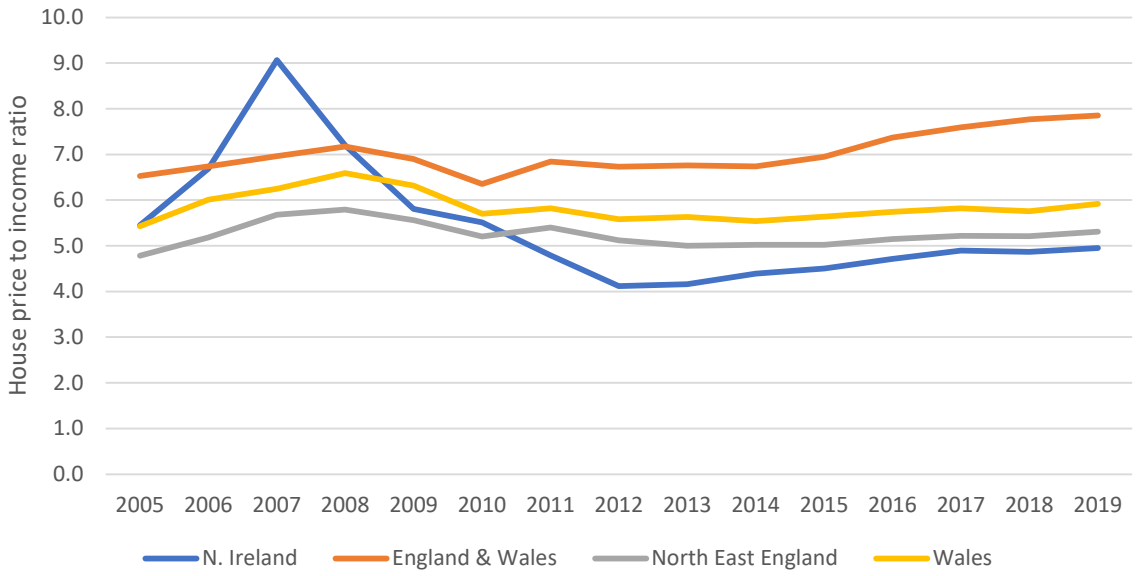
Affordability

The large house price falls that occurred between 2007 and through to 2012 resulted in substantial improvements in affordability. One measure of that improvement is the ratio of median house prices to median annual earnings, which fell from 9.1 at the peak of the boom in 2007 to 4.1 in 2012 (Figure B.5).

Between 2012 and 2017, with house prices growing at close to seven per cent per annum, the ratio edged back to 4.9. However, the house price to earnings ratio has remained steady at around five since 2017, as the rate of increase in house prices abated to around four per cent per annum.

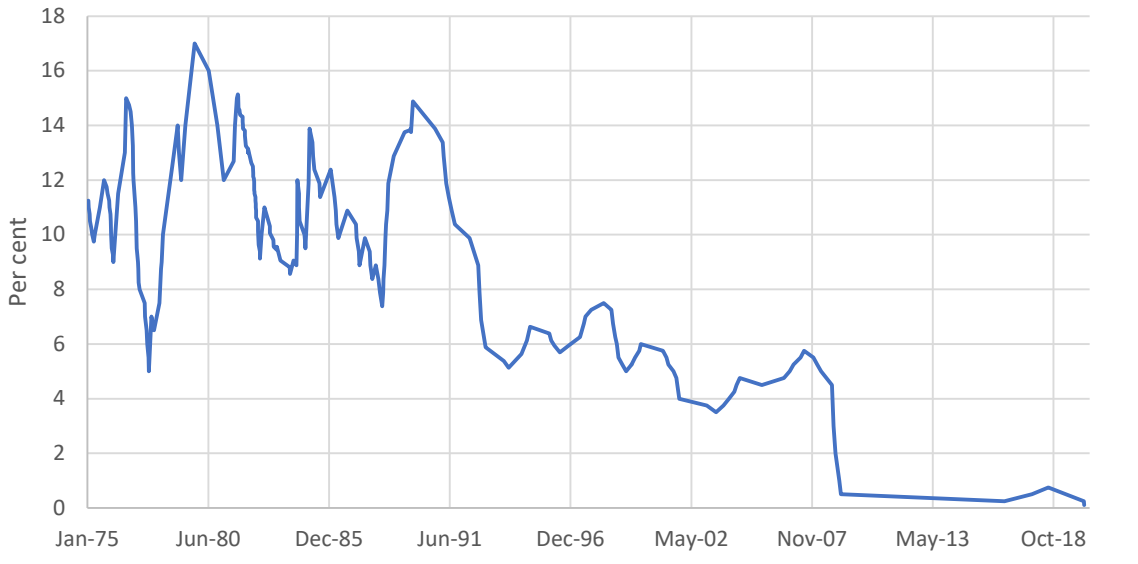
Thus, by 2019, affordability in Northern Ireland had been restored to the pre-boom level. As measured by the ratio of house prices to earnings, house prices in Northern Ireland are now more affordable than any region in England and Wales (the North East ratio is the lowest across the English and Welsh regions and is shown in Figure B.5 for that reason).

Figure B.5 Median house prices to median annual earnings
(Sources: NISRA, ONS)



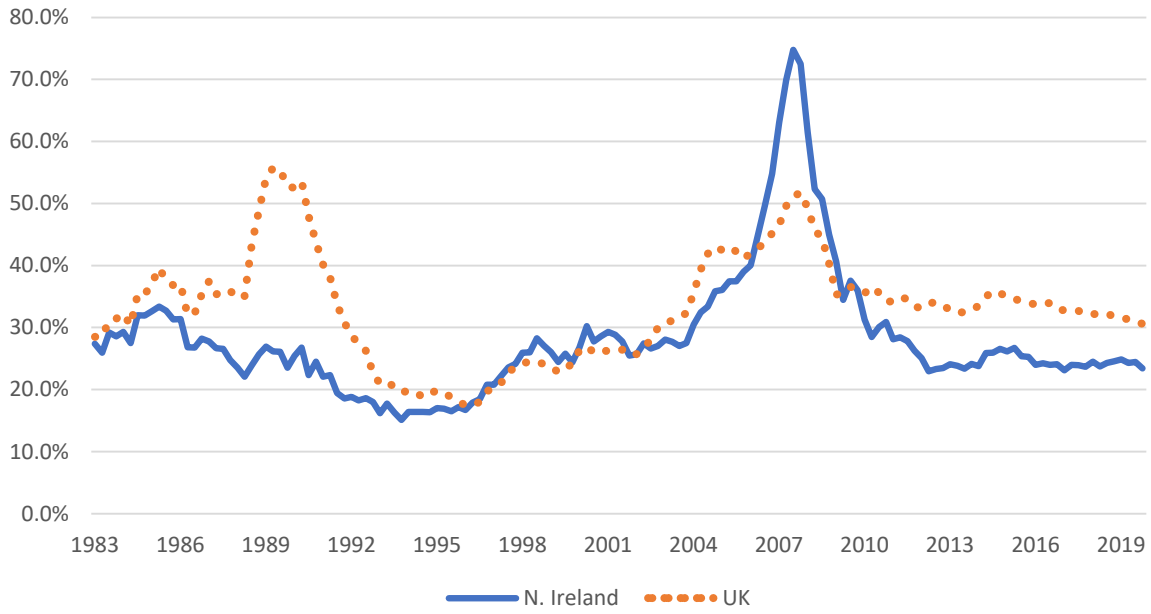
House purchase affordability has also been assisted by the sustained period of low interest rates following the Great Recession. Bank base rate has been held at or below one per cent since February 2009. (Source: Bank of England, Bank Rate history). At spring 2020, the base rate was 0.1 per cent.

Figure B.6 Bank base rate, January 1975 to March 2020
(Source: Bank of England)



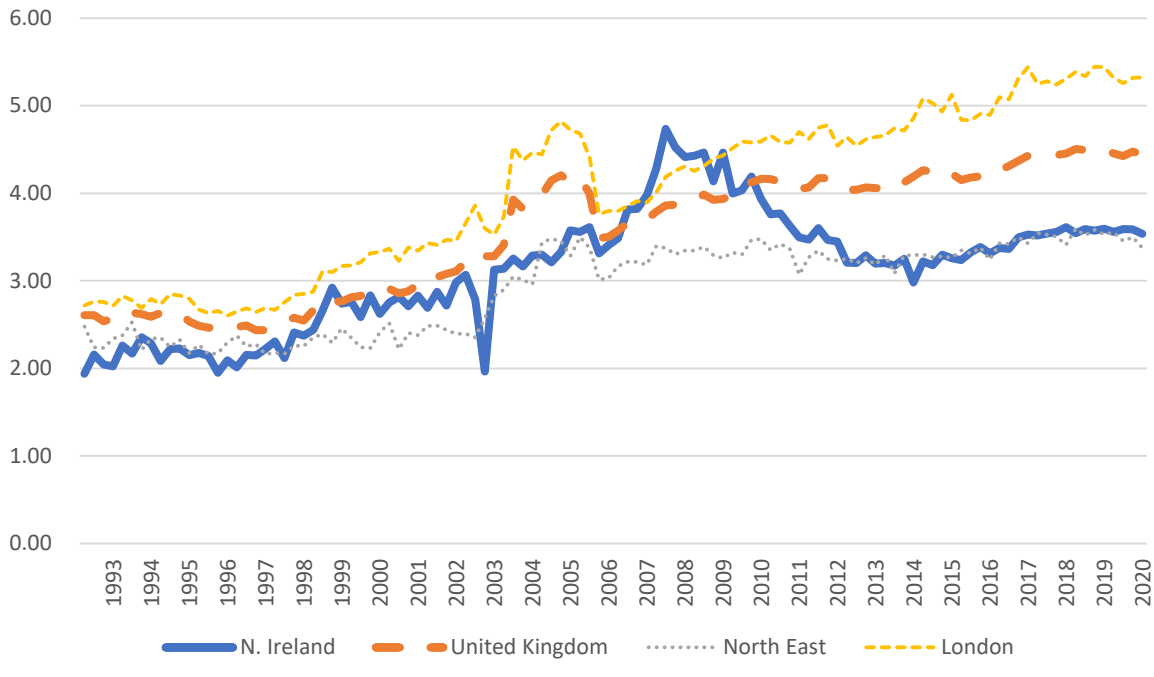
The affordability effects of low interest rates combined with falling house prices and an improving labour market are clearly illustrated in the Nationwide modelled measure for mortgage payments as a per cent of average take home pay (Figure B.7).

Figure B.7 Mortgage payments as per cent of mean take home pay, Nationwide modelled affordability measure



The affordability trends in the ratio of house prices to earnings are also reflected in the mortgage market. The price to income multiple facing first time buyers rose sharply during the boom years 2005 to 2007, peaking at 4.73 in the third quarter of 2007 (Figure B.8, sourced from ONS, House price data: quarterly tables, Table 15).

Figure B.8 Price-to-income multiple - First-time Buyers (Source: ONS)



The post-2007 house price decline was sufficient to drive the multiple down to 3.17 by the third quarter of 2013. The subsequent recovery in house prices saw the multiple edge upwards to 3.53 in early 2017. However, since then, the multiple has been relatively stable.

The experience in Northern Ireland post-2013 has been mirrored in the North East of England but stands in contrast with the overall UK multiple, which has trended steadily upwards since 2013. That largely reflects the south of England regions, notably London.

The latest position regarding first-time buyer affordability, from UK Finance data for the third quarter of 2019, is summarised in Table B.1. As can be seen, for first-time buyers, loan-to-value ratios are about on a par with the UK average. However, the loan-to-income multiple and repayments as a percentage of income are both below the UK average, as well as the averages for both Scotland and Wales. Those comparisons in turn reflect the lower average property values for Northern Ireland shown in Table B.1; 61 per cent of the UK average, 92 per cent of Scotland and 90 per cent of Wales.

A further point to note is that the implied average first-time buyer income in Northern Ireland (£35,840) was 73 per cent of the UK average (£49,190). Partly, that reflects the fact that household income per capita in Northern Ireland is 18 per cent below the UK average. However, from an affordability perspective, the income gap is more than offset by the house price differential of close to 40 per cent.

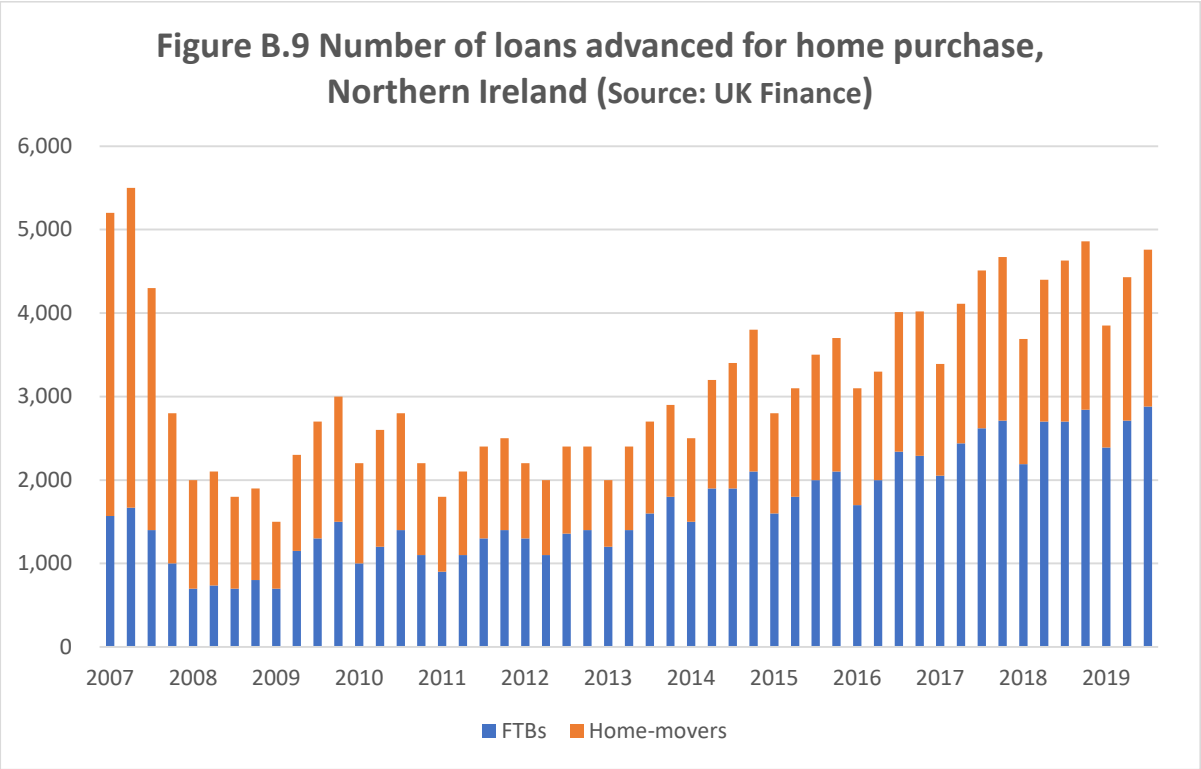
The position as at the third quarter of 2019 was similar for home mover affordability (Table B.2). For home movers, both the loan-to-income multiple and repayments as a percentage of income were lower in Northern Ireland than the UK average, as well as Scotland and Wales.

Table B.1 First-time buyer affordability, 2019 Q3				
	Northern Ireland	**Scotland**	**Wales**	**UK**
Loan to value (%)	80.0	82.8	83.2	78.2
Loan to income multiple	3.04	3.16	3.34	3.54
Repayments as % of income	15.3	16.2	16.6	17.2
Loan size	£108,876	£122,510	£125,956	£174,133
Property value	£136,200	£148,000	£151,400	£222,700
Average income	£35,840	£38,800	£37,770	£49,190
Deposit	£27,324	£25,490	£25,444	£48,567
Monthly repayments	£456	£524	£524	£705
Property value to income	3.8	3.8	4.0	4.5
Note: Shaded values are calculated from the UK Finance affordability indicators. Source: UK Finance, Regional Mortgage Trends.				

Table B.2 Home mover affordability, 2019 Q3				
	Northern Ireland	**Scotland**	**Wales**	**UK**
Loan to value (%)	70.4	71.3	70.1	67.3
Loan to income multiple	2.73	2.85	3.06	3.32
Repayments as % of income	15.5	16.1	17.0	17.6
Loan size	£138,050	£166,819	£160,886	£228,162
Property value	£196,000	£234,100	£229,700	£339,000
Average income	£50,520	£58,550	£52,560	£68,720
Deposit	£57,950	£67,281	£68,814	£110,838
Monthly repayments	£655	£786	£746	£1,008
Property value to income	3.9	4.0	4.4	4.9
Note: Shaded values are calculated from the UK Finance affordability indicators. Source: UK Finance, Regional Mortgage Trends.				

Mortgages

The improvement in affordability has underpinned the recovery in loans made for house purchase. Between 2013 and 2019, the number of such loans steadily increased, from 10,000 in 2013 to 17,580 in 2019 (Figure B.9). A key element in that recovery has been the return of the first-time buyer (FTB).

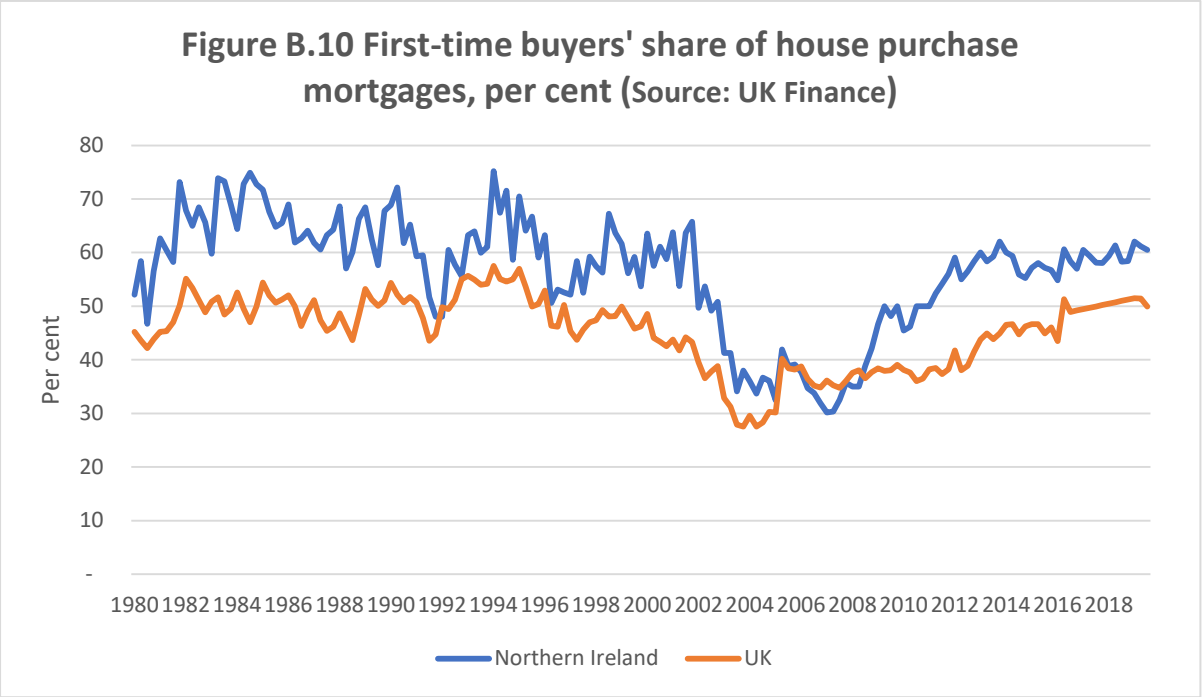


Historically, FTBs have accounted for about 60 per cent of house purchase mortgages in Northern Ireland. That proportion fell as low as 30 per cent during the boom years 2005-2007 but has since fully recovered, returning to the 60 per cent level by 2012, where it remained through at least 2018 (Figure B.10).

FTB numbers have increased from a low of 2,935 in 2008 to 6,000 by 2013 and almost 11,000 in the final quarter of 2018 and the first three quarters of 2019. That has happened with a modest degree of Government support.

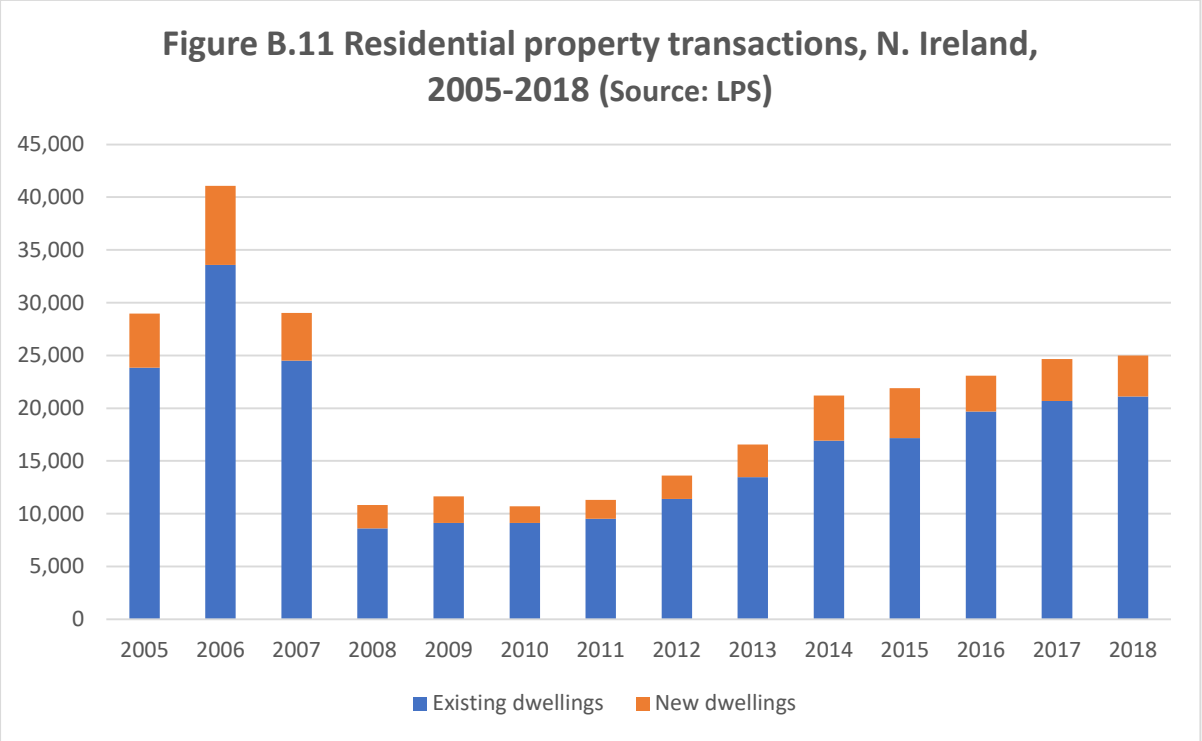
According to UK Finance, over the three years to September 2016, 1,600 households in Northern Ireland, of whom 86 per cent were FTBs, obtained mortgages with the support of the UK-wide Help to Buy mortgage guarantee scheme. Help to Buy is now closed. Northern Ireland did not, however, have an equivalent to the UK Government's Help to Buy equity loan scheme.

The main support for house purchase by FTBs in Northern Ireland remains the Co-Ownership scheme, which is further discussed in Appendix C. In 2018-19, Co-Ownership helped 1,015 households into homeownership, of whom 95 per cent were FTBs. Over the 2018-19 financial year, 10,600 loans were advanced to FTBs, indicating that the Co-Ownership scheme helped about one in 10 FTBs over that time period.



Transactions

The recovery in the mortgage market has been accompanied by a rebound in the number of residential property transactions. After falling below 11,000 in 2011, the number of transactions rose to almost 25,000 in 2018 (Figure B.11). The 2018 level was still 39 per cent below the 41,000 transactions seen in 2006, at the height of the house price boom. However, the 2006 level is not an appropriate comparator, as it was undoubtedly inflated during the period when the house price bubble was under way.



In the absence of a longer time series, it is difficult to judge whether the 25,000 sales recorded in 2018 signals a balance between buyers and sellers. The main caveat to such a conclusion is that the sharp downturn in house prices following the 2005-07 boom resulted in a high incidence of negative equity among those who bought a house from around 2002 onwards.

By mid-2013, house prices had fallen back to 2004 levels and were just 10 per cent above the mid-2002 level. House price falls on that scale will lead to negative equity among some fraction of mortgage holders. By 2010-11, according to UK Finance, around half of the outstanding mortgages in Northern Ireland had negative or less than five per cent equity (Tatch, 2020).

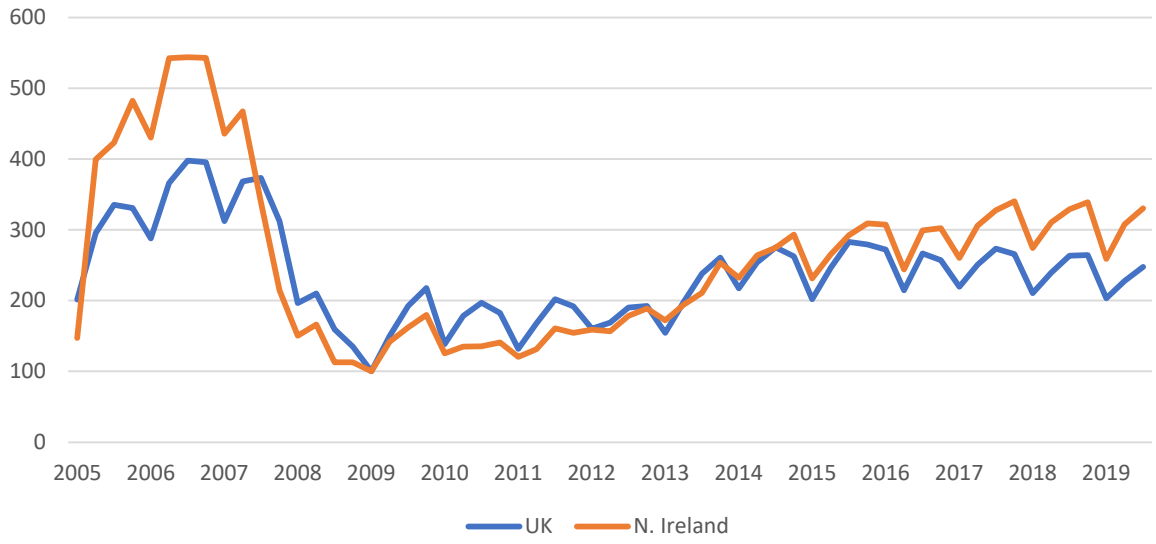
So long as the mortgage holder can keep up with the payments on the loan, negative equity is not a problem unless and until the mortgage holder needs to transact. The problem also diminishes over time when house prices are increasing. In that regard, the recovery in house prices has eased the negative equity problem. According to UK Finance, by December 2018, approximately six per cent of residential mortgages in Northern Ireland had negative or less than five per cent equity.

It is plausible that negative equity was one of the factors damping down property transactions between 2008 and 2012. However, home mover mortgages rose from an annual 4,000 in 2013 to 7,150 in 2018 (+79 per cent), which would suggest that negative equity is not now acting as a significant constraint on residential property transactions.

Transactions may also be depressed when there is a lack of effective demand on the buyer side. On that issue, the foregoing review of affordability trends, and notably the return of first-time buyers, would suggest that demand has not been a constraint on transactions over the period 2017-18.

Finally, it can be observed that, since the first quarter of 2009, the growth in residential property transactions in Northern Ireland has out-paced the UK average (Figure B.12). That is despite the fact that, in late 2018, the incidence of low or negative equity in Northern Ireland (six per cent) was still well above the UK average (0.6 per cent). Indeed, it is possible that the stronger growth in transactions in Northern Ireland reflects the positive affordability trends discussed above when compared with other parts of the UK.

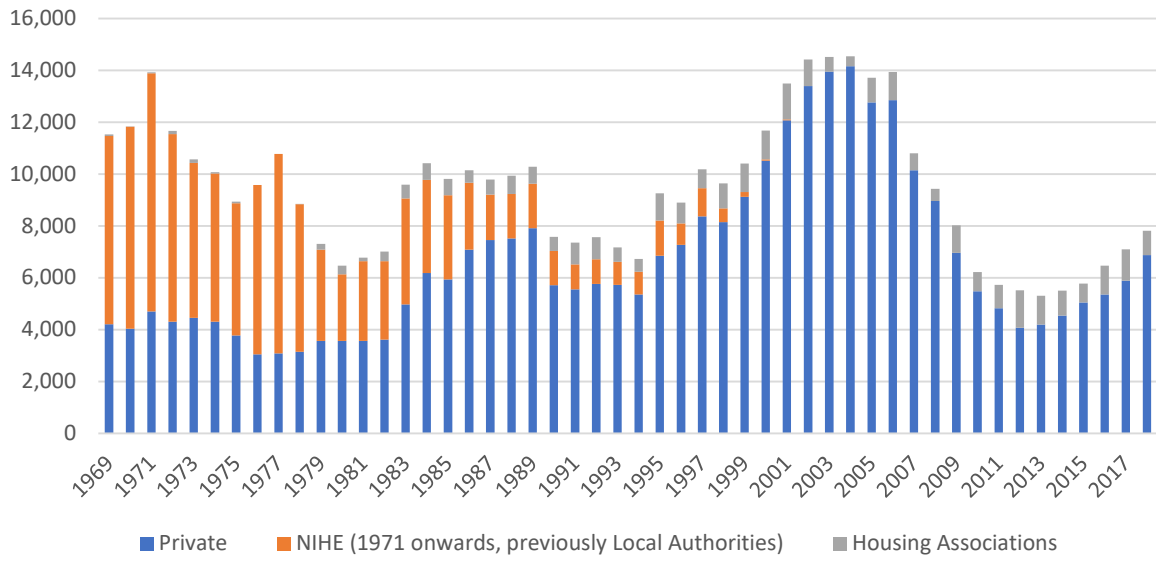
Figure B.12 Residential property transactions, Q1 2009=100 (Sources: ONS, LPS)



Completions

The profile of new dwelling completions since the mid-2000's has closely tracked the house price cycle (Figure B.13). Thus, the number of completions fell sharply in the wake of the housing market downturn, bottoming out at 5,310 in 2013-14. That was entirely due to the collapse in dwellings completed by the private sector, which fell by over two-thirds between 2005-06 and 2013-14. Since then, private sector completions have been steadily recovering, rising to 6,870 in 2018-19. Combined with 940 dwellings added by the Housing Associations, the 2018-19 output totalled 7,810.

Figure B.13 Permanent dwellings completed, by tenure, N. Ireland, 1969/70 to 2018/19 (Source: ONS)



Property Type

The early years of the recovery, from 2013 to 2016, saw more rapid house price increases for apartments and terraced properties (Figure B.14). However, since 2016, and prior to the coronavirus pandemic, property types were growing within a relatively narrow range, between 3.5 and five per cent per annum (Figure B.15).

Figure B.14 House price index by type of property, N. Ireland, 2013 Q1 = 100 (Source: LPS)

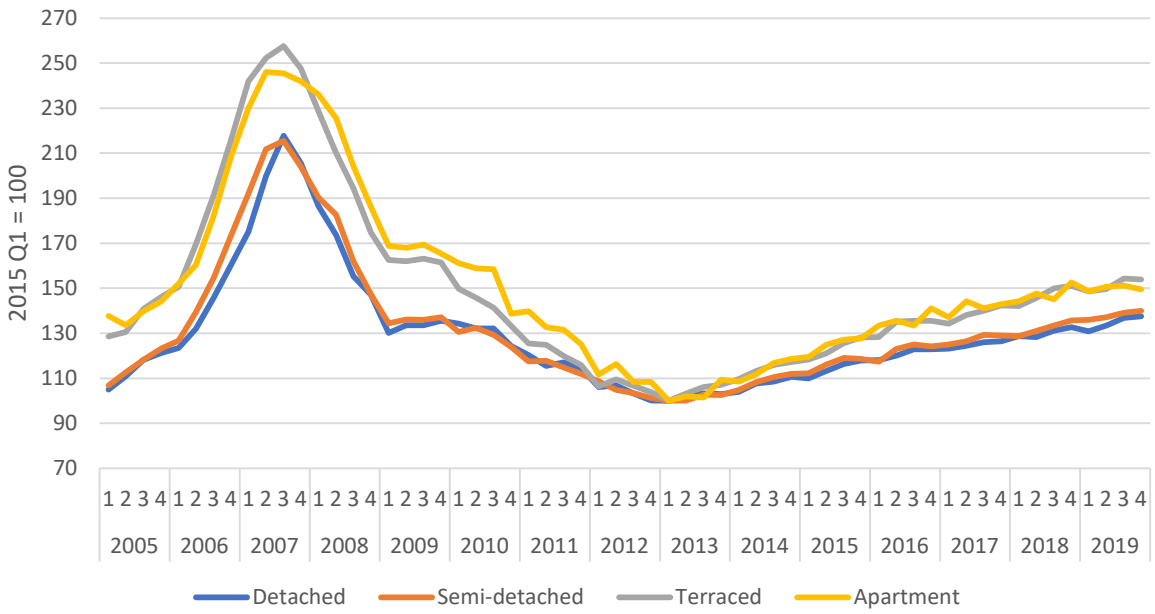
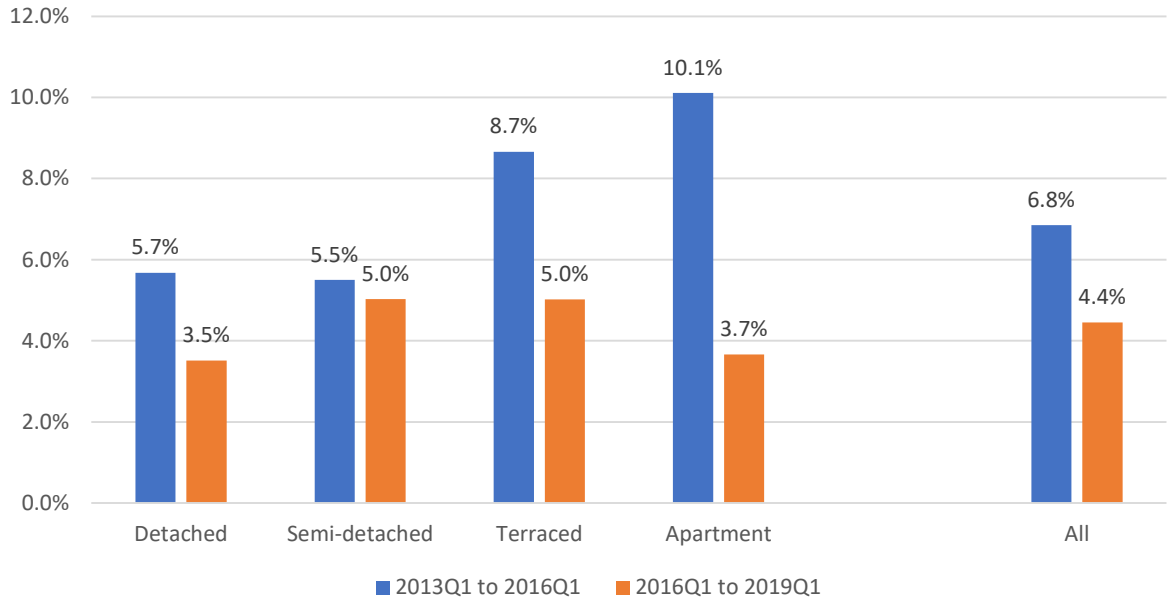
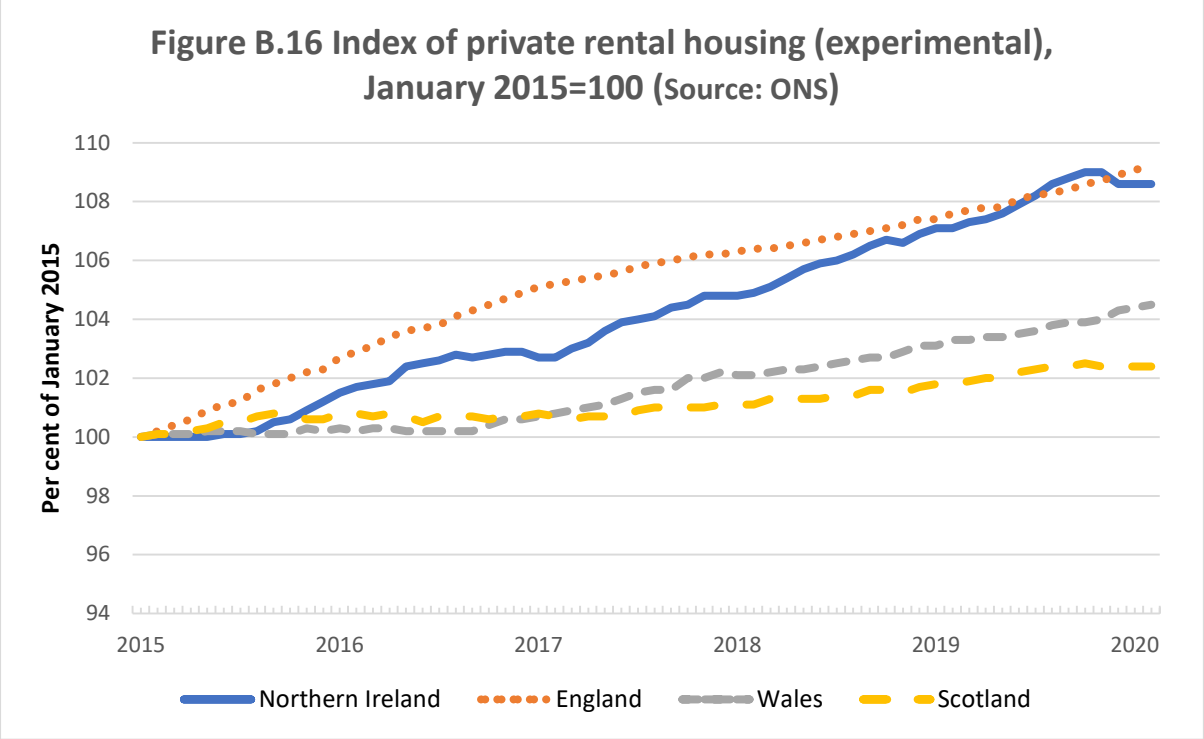


Figure B.15 House prices by property type, 2013 Q1 to 2019 Q1, annual per cent change (Source: LPS)



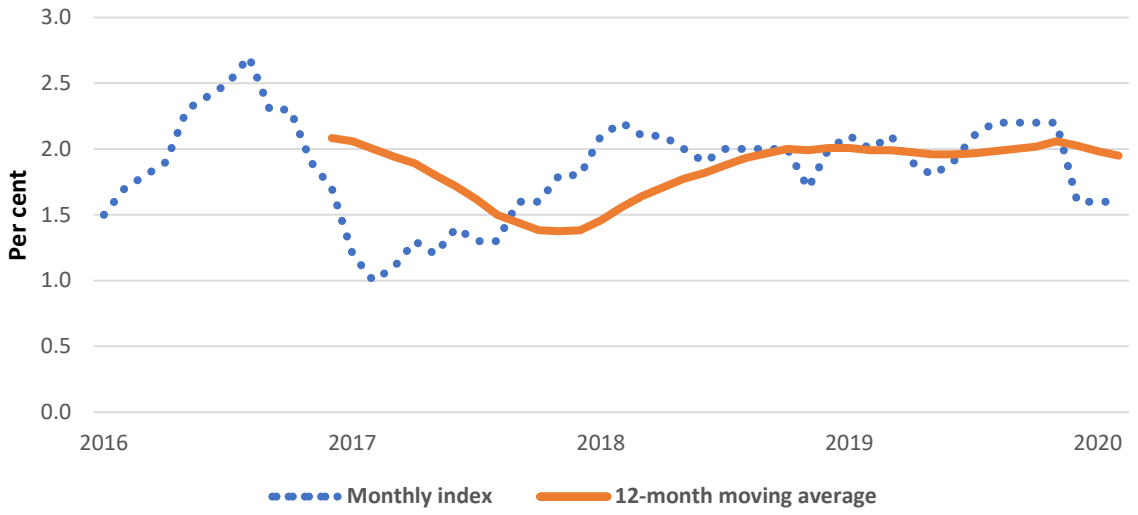
Private Sector Rents

According to the experimental index of private housing rental prices, produced by the Office for National Statistics (ONS), the average rent paid in Northern Ireland increased by almost nine per cent between January 2015 and January 2020 (Figure B.16). That equates to a 1.7 per cent per annum annual rate of increase, in line with England (+1.8 per cent per annum) and faster than Wales (0.9 per cent per annum) and Scotland (0.5 per cent per annum).



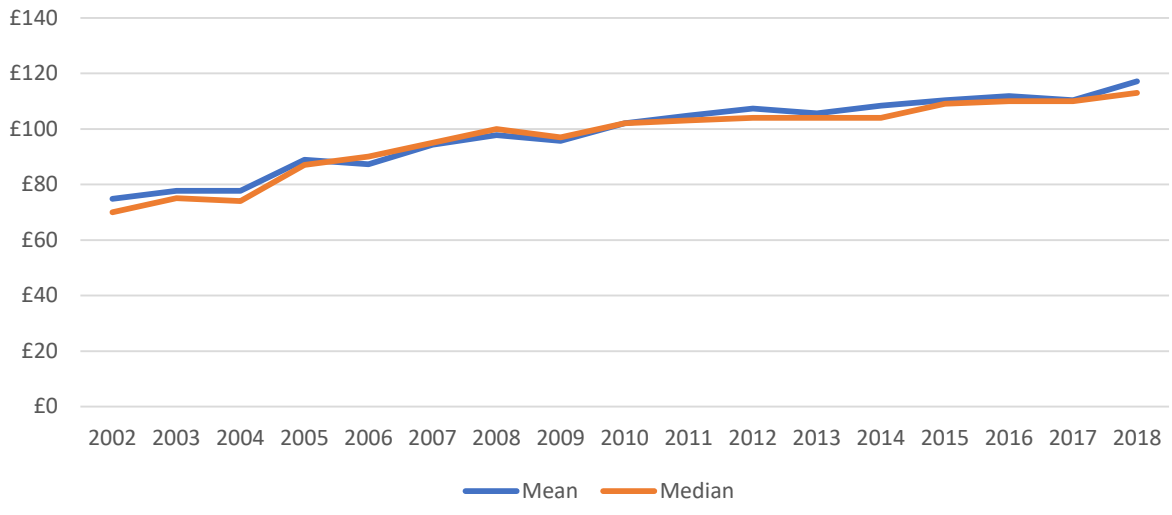
Over the past five years, the Northern Ireland rent index has been growing in line with the rate of inflation in consumer prices (1.8 per cent between January 2015 and January 2020). Thus, the average rent has been stable in real terms over that period. Looking at the most recent data, through 2019 and spring 2020, the rent index has been growing at a constant two per cent per annum rate of change (Figure B.17).

Figure B.17 Index of private housing rental prices, percentage change over 12 months, N. Ireland (Source: ONS)



For a longer-term perspective, and to gain some insight into affordability trends in the private rented sector, it is useful to examine the results from the Family Resources Survey (FRS)[14]. The mean and median private sector rents reported by FRS respondents over the period 2002-02 to 2018-19 are shown in Figure B.18. It should be noted that the rents shown are averages, which have not been standardised or adjusted in any way. Though, over a comparable time period, the rate of increase in the FRS average rents is broadly consistent with the ONS index of rental prices. Thus, in the five-year period 2013-14 to 2018-19, the mean FRS rent rose at an annual average rate of 2.1 per cent while the median grew by 1.7 per cent per annum, in line with the ONS.

Figure B.18 Private sector tenants, weekly rent (Source: Family Resources Survey)



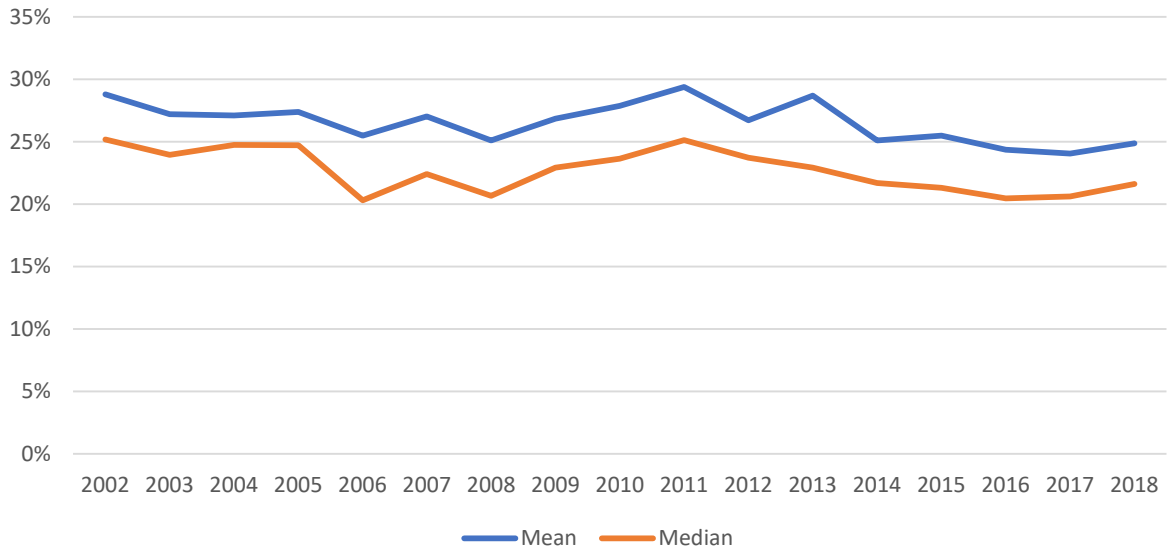
[14] The public use version of the FRS does not include any geography lower than the whole of Northern Ireland.

The FRS is a sample survey and average figures will tend to fluctuate from one year to the next due to sampling variability. Further, the number of private rented sector respondents in any single year is not large, albeit in the region of 300 to 350 over each of the past 10 years. Bearing those caveats in mind, it is still interesting to observe the relatively steady trajectory in both mean and median private sector rents over the period since 2002-03 shown in Figure B.18. That would suggest that, at the overall Northern Ireland level, there has been a degree of balance between demand and supply in the private rented sector.

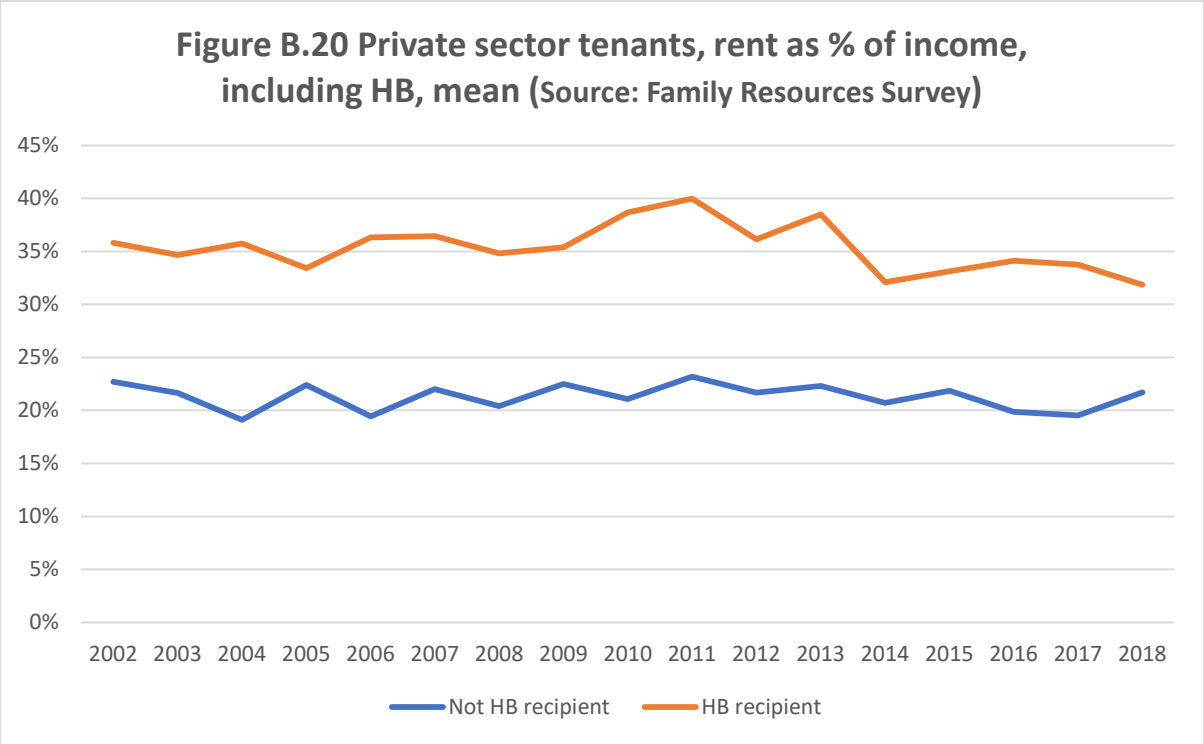
That conclusion is bolstered by the historical data for average rent to income ratios. Across all tenants, the mean rent to income ratio has varied within the range 25 to 30 per cent, remaining close to 25 per cent over the period 2014-15 through 2018-19 (Figure B.19). The median ratio has varied between 20 and 25 per cent since 2002-03.

The ratios shown in Figure B.19 are inclusive of Housing Benefit (HB), which is paid to households who would not be able to afford their rent without financial assistance. That is, on the income side, HB amounts are included as part of the resources available to the household to pay the full contract rent.

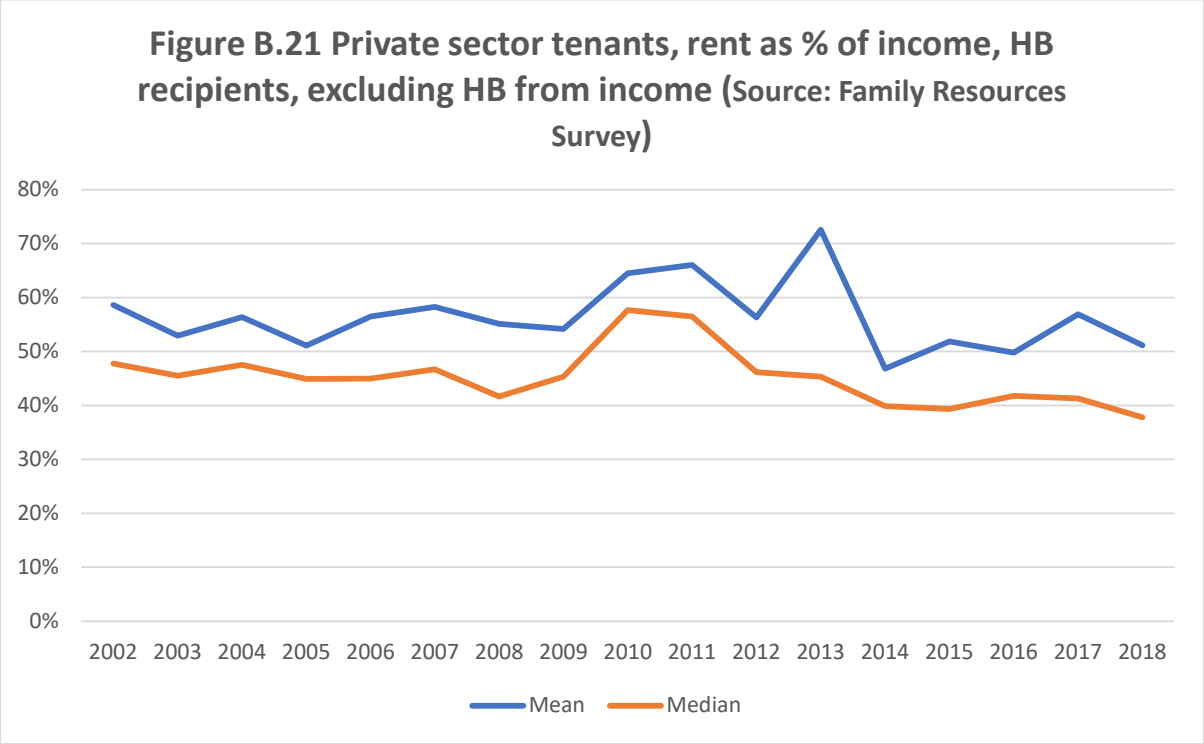
Figure B.19 Private sector tenants, rent as per cent of income, including Housing Benefit (Source: Family Resources Survey)



Housing Benefit (which is being replaced by the housing support element of Universal Credit) is an important component of the private rented sector. In April 2019, over 62,000 private rented sector tenants received HB (including almost 18,000 households receiving the housing support element of Universal Credit). According to the FRS data, on average, among those receiving HB, the full rent accounts for about 35 per cent of income when HB is included compared with 20 per cent for non-HB recipients (Figure B.20).

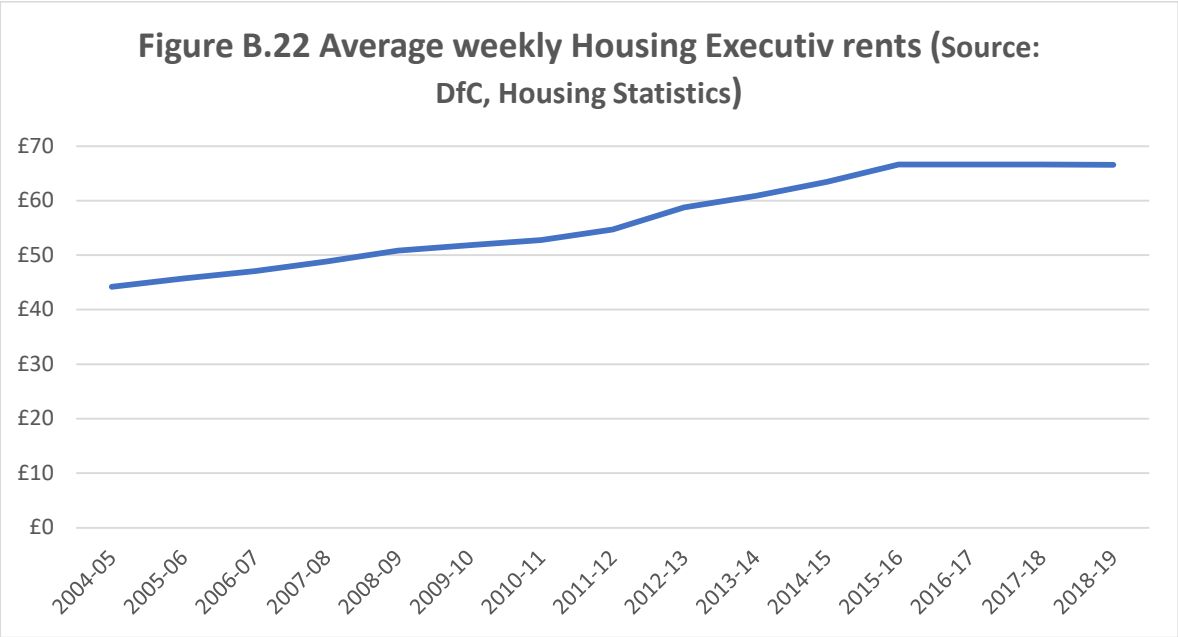


The importance of HB in helping tenants to sustain their accommodation is evident from the average ratios of rents to incomes with HB amounts excluded. When that is done, the mean rent to income ratios rise above 50 per cent, while the median rent to income ratio increases to 40 per cent (Figure B.21).



Social Sector Rents

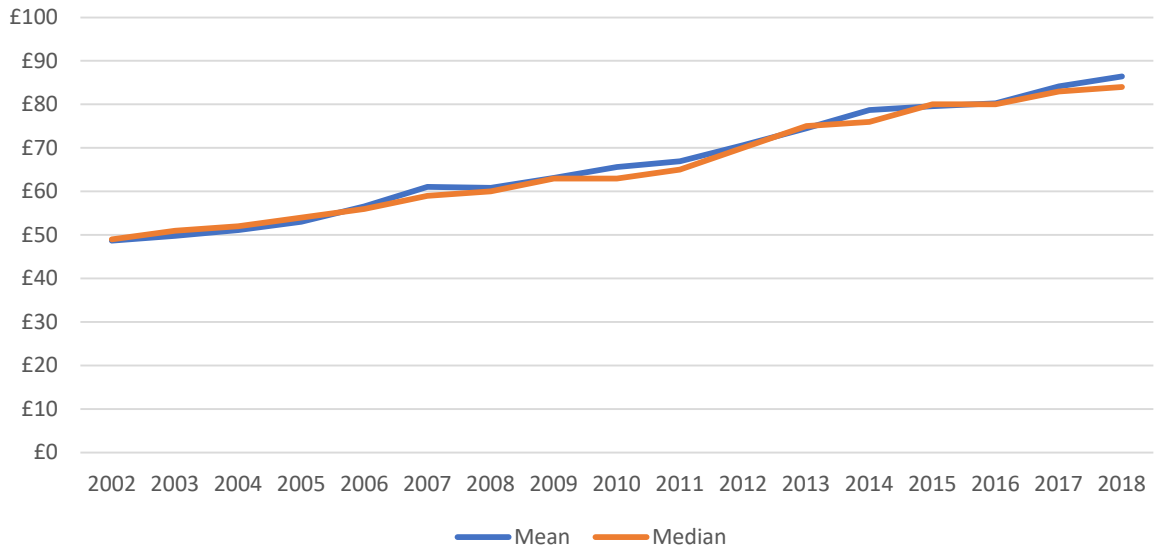
For the social sector, time series data on average rents are available for Housing Executive tenancies (Figure B.22). As discussed in Section 2 of the main SHMA report, Housing Executive rents were frozen in 2015. The freeze was lifted in October 2020, with a rent increase of 2.7 per cent.



Time series data are not available for Housing Association rents. However, for the social sector as a whole, an indication of trends can be obtained from FRS data (the FRS public use dataset does not separately distinguish Housing Executive and Housing Association tenants within the social rented sector tenure classification). The mean and median social rented sector rents from 2002-03 to 2018-19 are shown in Figure B.23.

As with the private rented series discussed above, the rents shown are averages, which have not been standardised or adjusted in any way. Notwithstanding the freeze in Housing Executive rents, according to the FRS data, social sector rents have been rising at a faster pace than private sector rents in recent years. For example, between 2013-14 and 2018-19, the mean social sector rent rose by three per cent per annum, compared with 1.7 per cent per annum in the private rented sector (on the FRS data).

Figure B.23 Social rented sector tenants, weekly rent (Source: Family Resources Survey)



Nonetheless, the ratio of rents to incomes within the social sector has been relatively stable, at about 25 per cent for the mean ratio and around 22-23 per cent for the median (Figure B.24).

A large majority of social sector tenants are in receipt of Housing Benefit (75-77 per cent on the FRS[15]). For those tenants, when the amount of Housing Benefit received is included on the income side, the mean ratio of rents to incomes has been consistent at 25 per cent (Figure B.25). When the Housing Benefit payment is excluded from income, the ratio rises to between 35 and 40 per cent, underlining the importance of Housing Benefit in supporting affordability within the social sector.

[15] The FRS tends to understate receipt of State benefits, including Housing Benefit. Administrative data for receipt of Housing Benefit, presented in Appendix C, indicates the proportion of social tenants receiving Housing Benefit is over 80 per cent.

Figure B.24 Social sector tenants, rent as per cent of income, including Housing Benefit (Source: Family Resources Survey)

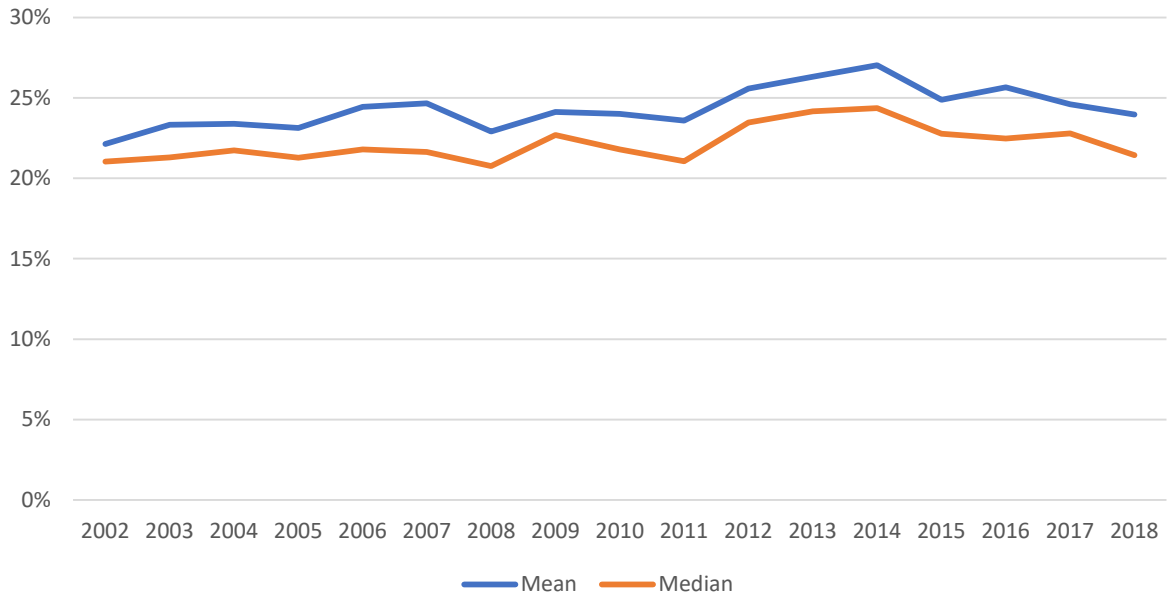
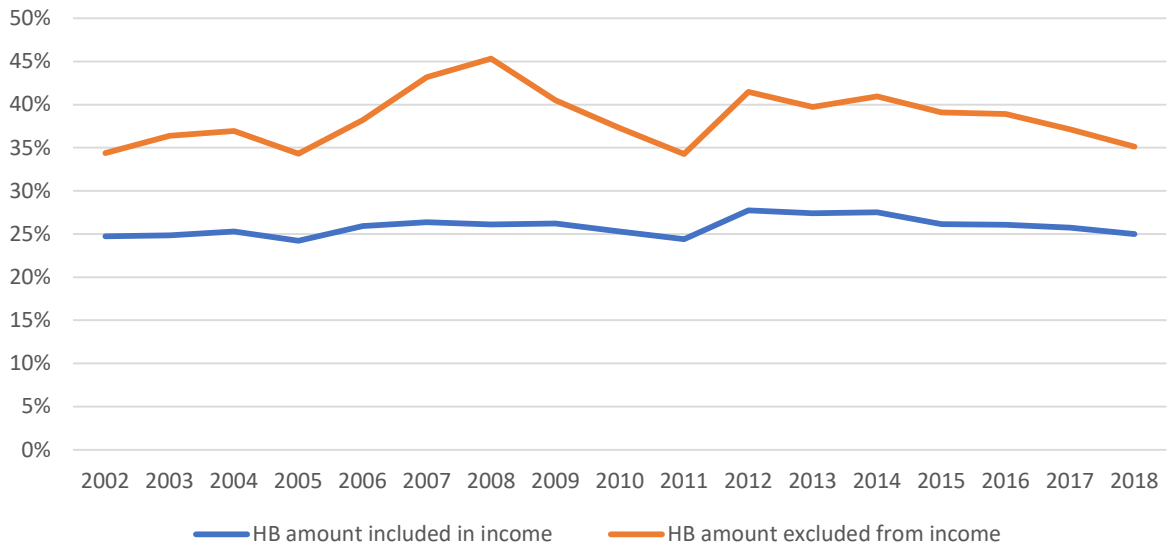


Figure B.25 Social rented sector tenants in receipt of Housing Benefit, rent as % of income, mean (Source: Family Resources Survey)



Key Points Summary

The most recent data would suggest that, at least prior to the coronavirus pandemic, by late 2019/spring 2020, the Northern Ireland housing market had returned to a more sustainable path following the severe and protracted housing market downturn following the crash of 2007.

The recovery has primarily been driven by the very sharp house price reductions during the downturn years 2007-2013, allied to the recovery in jobs and incomes from the Great Recession and a low interest rate environment. All of those factors have combined to underpin a housing market rebound led by improved affordability.

By 2019, as measured by the ratio of house prices to earnings, house prices in Northern Ireland are now more affordable than any region in England and Wales.

The improvement in affordability has underpinned a strong recovery in loans made for house purchase. A key element in that recovery has been the return of the first-time buyer (FTB).

FTB numbers have increased from a low of 2,935 in 2008 to 6,000 by 2013 and almost 11,000 in the final quarter of 2018 and the first three quarters of 2019. That has happened with a modest degree of Government support.

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[16]. Other banks are changing their rules around deposits[17]. These developments may act as barriers to 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 FTBs are evolving and will require monitoring.

The recovery in the mortgage market has been accompanied by a rebound in the number of residential property transactions. At 25,000 in 2018, the volume of residential transactions would seem to reflect a balance between demand and supply.

Coming out of the house price boom 2005-2007, the incidence of negative equity was much higher in Northern Ireland than in the rest of the UK. However, over time, and with rising house prices, the constraining effect of negative equity on housing market activity is dissipating.

Rents in the private sector have been growing at 1.7 per cent per annum over the five-year period 2013 to 2018, in line with the overall rate of inflation as measured by the Consumer Price Index. Thus, the average rent has been stable in real terms over that period.

[16] 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.
[17] 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?.

Average rent to income ratios (including Housing Benefit) have been relatively stable over the past 15 years, within the range 25 to 30 per cent.

The steady trajectory of average rentals, combined with steady rent to income ratios, indicate that, at the overall Northern Ireland level, there has been a degree of balance between demand and supply in the private rented sector.

Nonetheless, it is important to appreciate the role that Housing Benefit plays in supporting affordability within the private rented sector. According to the FRS data, on average, the full rent accounts for about 35 per cent of income when HB is included, compared with 20 per cent for non-HB recipients.

Appendix C Tenure and Affordability Trends: Northern Ireland

Introduction

This Appendix focuses on tenure and affordability at Northern Ireland level. The main purpose is to set out a base case set of demographic tenure projections. The tenures for which projections are made are owner-occupation, private rented, and social rented. The rationale for making those projections is two-fold.

First, establishing the baseline household tenure proportions provides a platform for assessing the effects of recent housing market trends, as discussed in Appendix B, and how those trends may affect the tenure split in future years.

Second, property size and type vary by tenure, over and above variations by household size. That is a factor to be considered in projecting bedroom sizes in Section 7 of the main SHMA report.

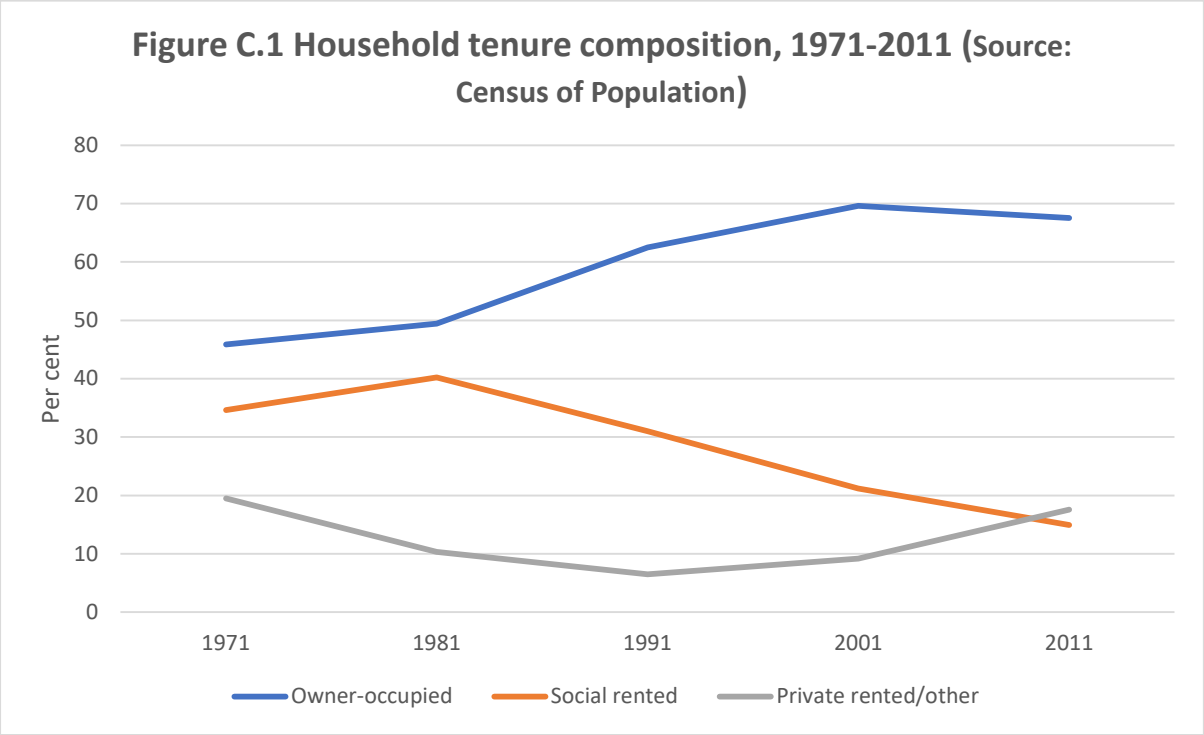
The demographic method is based on projecting household tenures from the baseline proportions by age and sex of the Household Reference Person (HRP) (The HRP concept was introduced for the 2001 Census of Population to replace the former 'head of household' measure. There is one HRP per household.)

The predictor variables do not include economic variables such as house prices, rents, and incomes. Nor do they include indicators for household preferences, such as the desire to enter homeownership. The demographic method therefore carries the risk of projecting forward affordability problems that may exist in the baseline household population. For that reason, this Appendix also includes a suite of analyses to test for the extent of affordability problems in the population that may warrant modification of the base case tenure projections.

The Appendix commences with an overview on tenure trends as measured from Census of Population data through to 2011. The 2011 benchmark proportions are then updated through to 2018, from which projections to 2035 are made. The discussion of the baseline and projections pays particular attention to the recent trends in owner-occupation and private renting. The remainder of the Appendix is devoted to an assessment of affordability problems within the baseline household population, separately for the rented and owner-occupation sectors.

Trends

In the three decades prior to 2001, the main trend in tenure composition was the increasing share of households owning their dwelling, from 46 per cent in 1971 to 70 per cent by 2001 (Figure C.1). The very sharp rise in owner-occupation between 1981 and 2001 was partly due to the introduction of the House Sales Scheme in 1979, whereby sitting Housing Executive tenants could purchase their dwelling. During the 1990s, Housing Executive sales to sitting tenants averaged close to 5,000 per annum. The resulting decline in the social rented sector share is clear from Figure C.1 (also see Table C.1). In addition, during the 1990s, the private rented sector share edged upwards, reversing a long-term decline.



Between 2001 and 2011, the trend to increasing homeownership was reversed while the rise in the share in private rented accommodation accelerated. The main effects can be seen in Table C.1, as follows:

- The decline in the proportion owning with a mortgage, which fell by almost five percentage points.
- The rise in the share of households living in private rented accommodation, up by over eight percentage points.

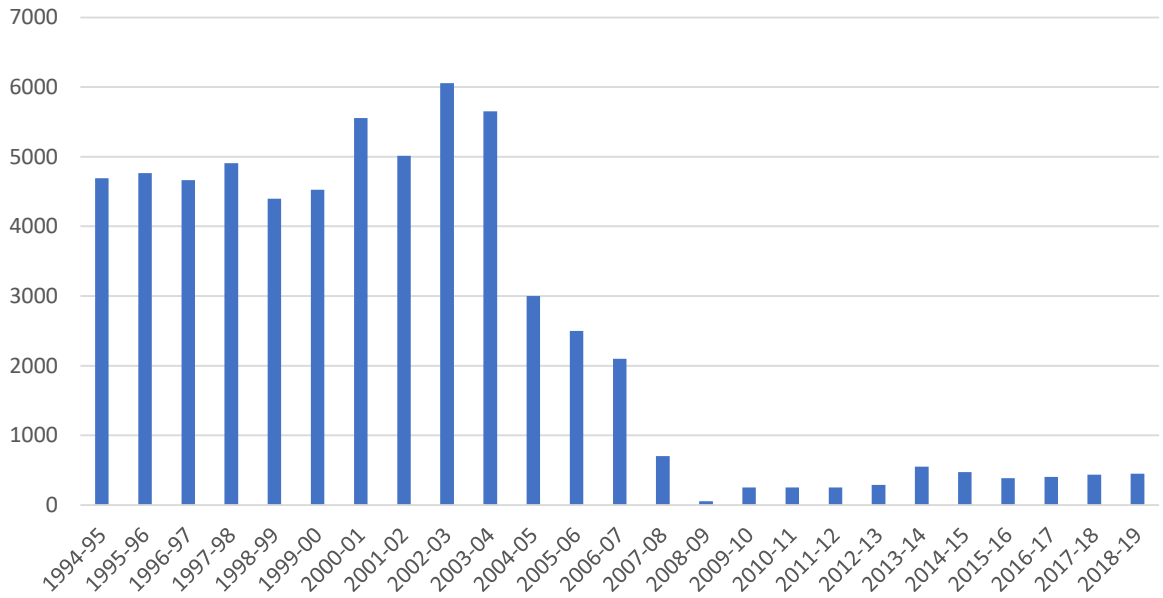
Those effects would seem to reflect the housing market trends outlined in Appendix B. For example, the sharp fall in mortgages to first-time buyers from 2002 through the rest of that decade is likely to have reduced the proportion of households owning with a mortgage. Further, the bulk of the rise in the private rented sector share was due to households finding accommodation through private landlords/letting agencies.

Table C.1 Tenure shares, 1991-2011, Northern Ireland					
	Shares:			**Shift in share:**	
	1991	**2001**	**2011**	**1991-2001**	**2001-2011**
	%	%	%	pps	pps
Owner-occupied	62.5	69.6	67.5	7.1	-2.1
Owned outright	26.1	29.4	32.1	3.3	2.7
Owned with mortgage	36.4	39.4	34.8	3.0	-4.7
Shared ownership	-	0.8	0.6	-	-0.2
Social rented	31.0	21.2	14.9	-9.8	-6.3
NIHE	29.4	18.6	11.5	-10.8	-7.1
Housing Associations	1.6	2.6	3.4	1.1	0.8
Private rented	6.5	9.2	17.6	2.7	8.4
Private landlord/letting agency	5.1	6.7	13.5	1.6	6.9
Employer/relative/friend	0.4	2.0	1.5	1.6	-0.5
Rent-free	1.0	0.5	2.5	-0.5	2.0
All	**100**	**100**	**100**		
Source: Census of Population.					

Sales of Housing Executive dwellings to sitting tenants served to further reduce the social rented share between 2001 and 2011. About 25,000 dwellings were sold to sitting tenants between 2001 and 2011 and the direct effect on household tenure composition is evident from the seven percentage points drop in the share of households renting from the Housing Executive. Not all dwellings sold under the House Sales Scheme will have remained in owner-occupation as some may subsequently have been used for letting to private tenants. However, the main effect sought by the Scheme was to enable sitting tenants to become owner-occupiers. In all likelihood, therefore, the drop in the owner occupied share over the 2001-2011 period would have been larger in the absence of transfers to owner-occupation under the House Sales Scheme.

Though, there was a sharp fall in Housing Executive sales to sitting tenants from 2003-04 onwards. That was due to the introduction of major revisions to the Scheme, notably the reduction of the maximum discount to £24,000. Those changes coincided with the house price boom and were accompanied by a very large fall-off in sales to sitting tenants, which can be seen from Figure C.2.

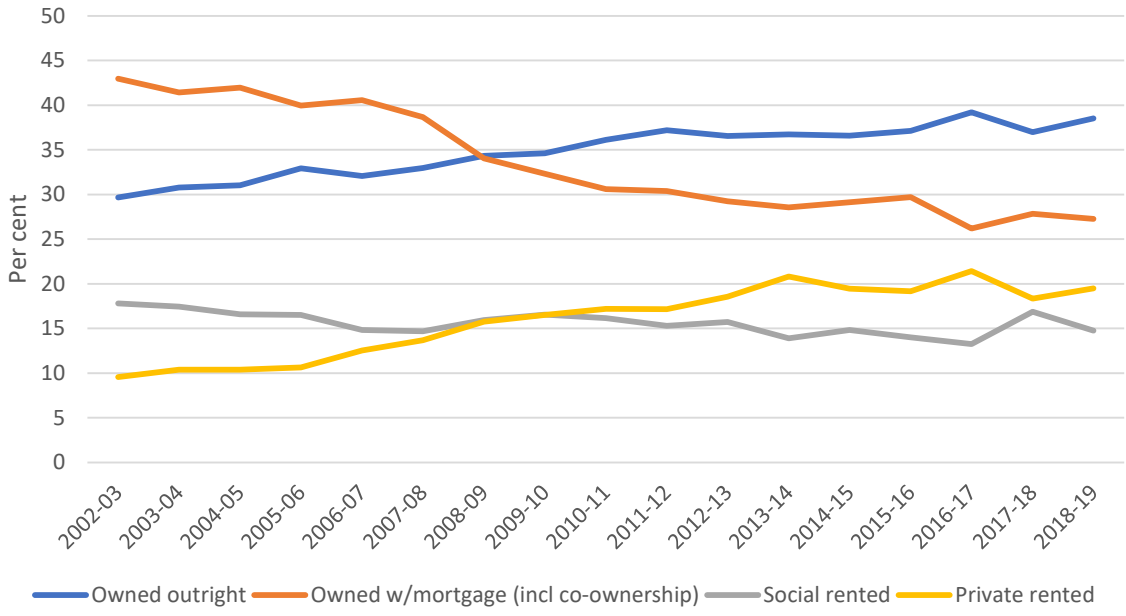
Figure C.2 Housing Executive sales, 1994-95 to 2018-19
(Source: NIHE)



Baseline

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. Instead, reliance must be placed on trend data from household surveys. From the Family Resources Survey (FRS) results through 2018-19, it would appear that the main tenure trends of 2001 to 2011 continued through to 2018-19 but at a reduced pace.

Figure C.3 Household tenure composition, Northern Ireland, Family Resources Survey, 2002-03 to 2018-19



As it is a sample survey, the FRS data tend to fluctuate from one year to the next, which hampers the measurement of shifts in tenure shares. However, when the FRS data are pooled for the three years 2010-2013 and compared with the three years 2016-2019, the following are the main results:

- The owner-occupied share fell by 1.4 percentage points, from 66.7 per cent over the 2010-2013 period to 65.3 per cent over the 2016-2019 period.
- The drop in the owner-occupied share was comprised of a 1.6 percentage point increase in the proportion owning outright alongside a three percentage point fall in the proportion owning with a mortgage.
- The private rented share rose by 2.1 percentage points.
- The social rented share fell by 0.7 percentage points.

The FRS trends can be compared with the findings from a comparison of the 2011 and 2016 Northern Ireland House Condition Survey (HCS), which indicate:

- A reduction in the owner-occupied share of 0.7 percentage points.
- An increase in the private rented sector share of 0.3 percentage points.
- An increase in the social rented sector share of 0.4 percentage points.

With estimated changes of less than one percentage point in each sector, the NIHCS results are more suggestive of little or no change in the main tenure shares.

Nonetheless, the NIHCS and FRS estimates for the trend in the social rented share are of particular note. Both sources show an estimated change of less than one percentage point, which stands in sharp contrast to the very large drops in the sector's share between 1991 and 2001 (-10 percentage points) and again from 2001 to 2011 (-6 percentage points). Sales to sitting tenants are presently running at about 400 per annum, compared with around 5,000-6,000 per annum during the 1990s and into the early 2000s. The large reduction in sales to sitting tenants will have served to stabilise the social sector share over the period since 2011, by comparison with previous decades.

A second factor acting to stabilise the social sector's share is that, since 2011, there have been over 9,000 new dwellings completed for rent by Housing Associations. While private sector completions have been through a very severe cyclical downturn, the social sector completion rate has remained relatively stable (see Figure B.13 in Appendix B). When the 9,000 new dwellings are compared with the much reduced level of house sales in recent years (about 3,200 between 2011 and 2019), the result is a net addition of about 6,000 to the social sector stock.

Prior to drawing conclusions on the change in tenure shares between 2011 and 2018 it is useful to consider also the FRS results by age of the Household Reference Person (HRP – see Box C.1). The FRS trends by age of the HRP are shown in Figures C.4 to C.7 and can be summarised as follows.

Box C.1 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.

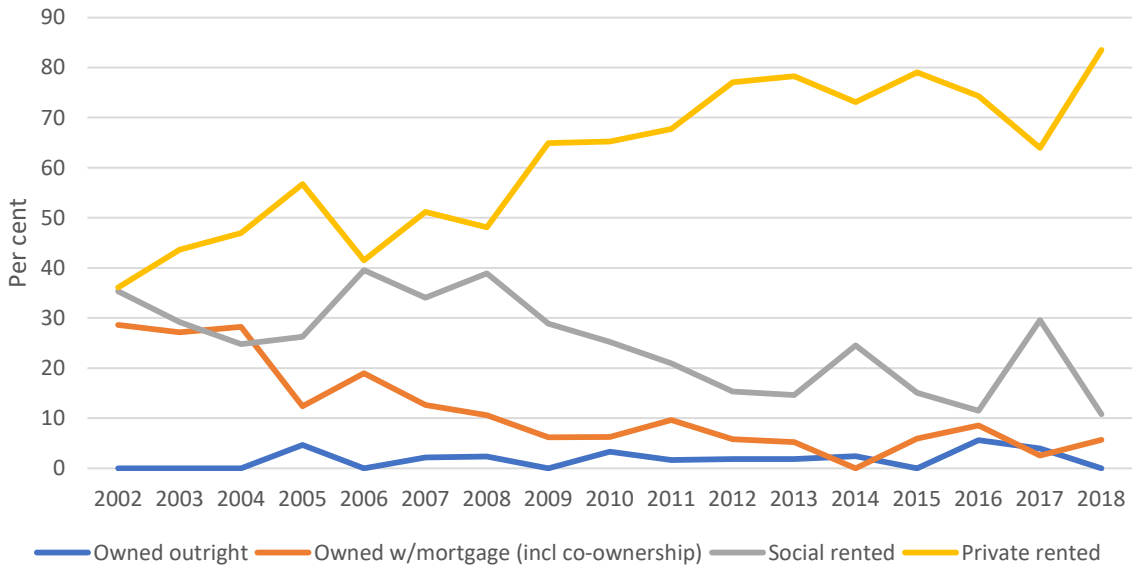
If there is no family the HRP is chosen from the individuals within the household using the same criteria as for the FRP, i.e. economic activity status, age and order in which listed on the form.

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.

Since 2012-13, households with HRPs aged 16-24 have mostly (circa 80 per cent) found accommodation in the private rented sector (Figure C.4). That was not always the case. Between 2002-03 and 2004-05, prior to the housing boom years from 2005 to 1007, almost one in three (circa 30 per cent) owned with a mortgage. That proportion has been consistently below 10 per cent since 2009-10.

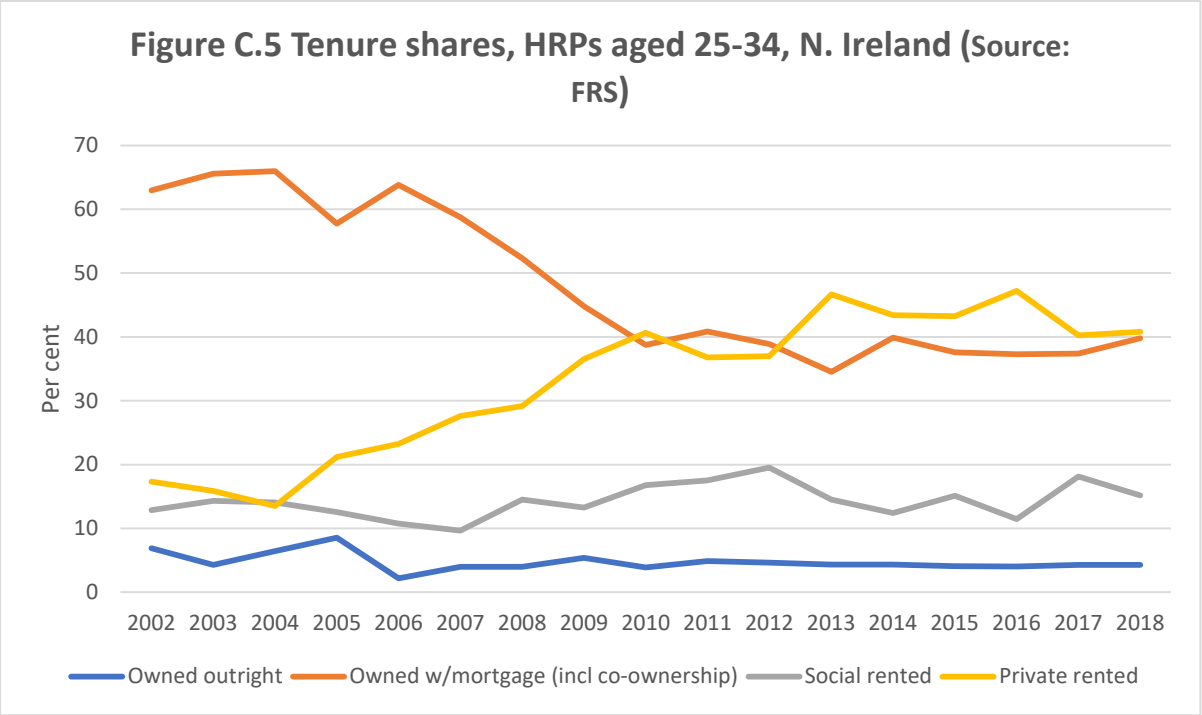
Figure C.4 Tenure shares - HRPs aged 16-24, N. Ireland
(Source: FRS)



Households where the HRP is aged 25-34 were perhaps the most strongly affected during the housing boom and bust of the 2000s. The boom made house purchase unaffordable while the bust was accompanied by a form of credit rationing, which made mortgages harder to get.

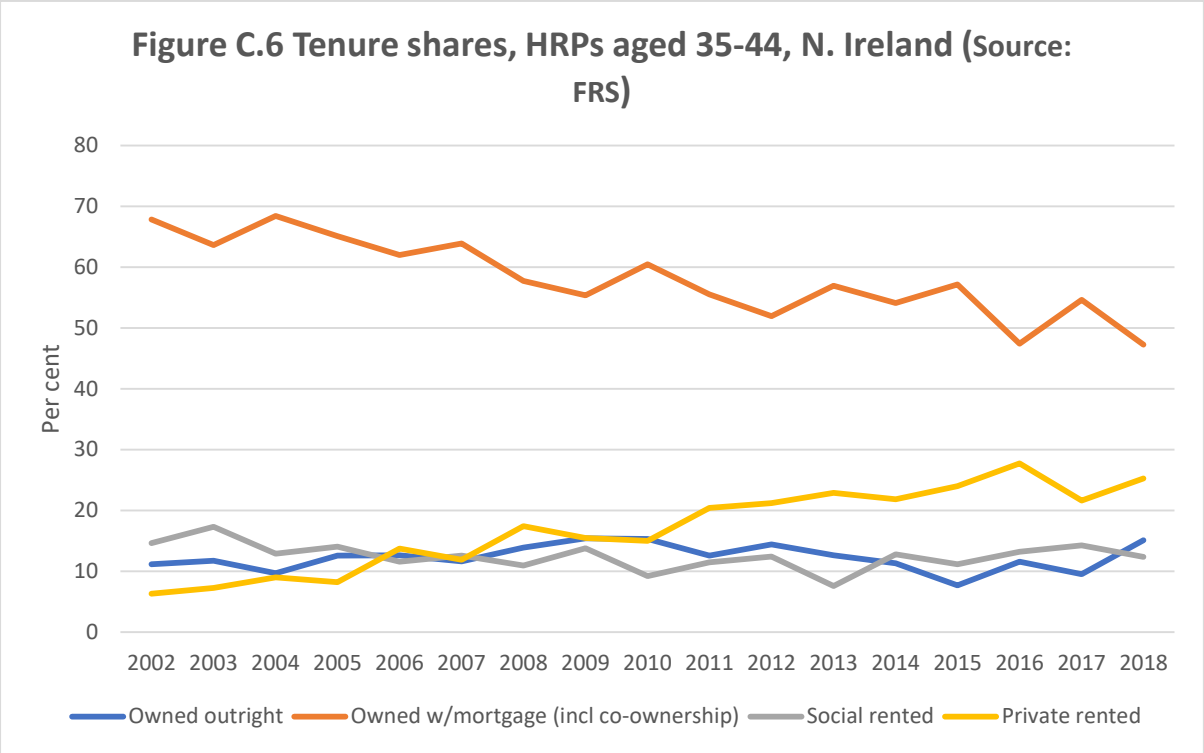
Prior to the boom, the majority of 25-34 year olds (circa 65 per cent) owned with a mortgage (Figure C.5). Between 2006-07 and 2010-11, the proportion owning with a mortgage fell sharply, to around 40 per cent. Over the same period, the proportion in the private rented sector climbed from under 20 per cent to 40 per cent, on a par with the proportion owning with a mortgage. Since 2010-11, the tenure split within this age group has remained unchanged.

It can also be noted that the Northern Ireland tenure trends among those aged 25-34 are quite similar to the tenure trends shown for households in that age group in England, according to the English Housing Survey 2018 to 2019 headline report; Figure 1.4 in that report shows the same 'scissors-shaped' pattern as in Figure C.5 below.

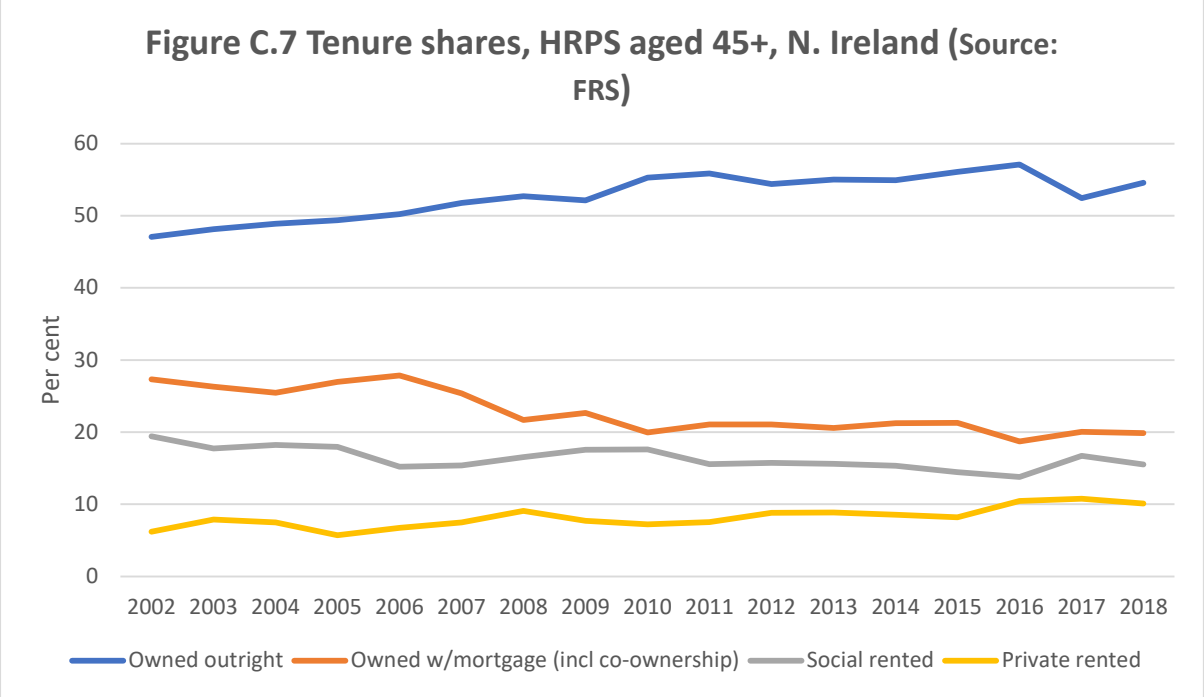


Among households where the HRP is aged 35 to 44, the proportion owning with a mortgage has been trending steadily downwards while the proportion in the private rented sector has been edging upwards (Figure C.6). It is not possible to say, from the available data, whether those trends pre-date the boom. However, the tenure split as at 2018-19 may partly reflect the affordability problems that emerged during the housing boom/bust period. Those who were aged 25-34 during the 2000's are now aged 35-44 and the chart suggests that at least some of those who may have been unable to enter home ownership in the 2000s remain in the private rented sector.

Again, the same broad trends can be seen for English households aged 35-44 in the 2018-19 English Housing Survey report.



Among households where the HRP is aged 45 and over, the proportion owning their properties outright has been steadily increasing over the past decade and a half (Figure C.7). That trend can be expected to continue as households owning with a mortgage pay the loan down. For example, a household buying a property on a 25-year mortgage in 1993 will have paid the loan down in 2018. The proportion owning with a mortgage increased during the 1990s and, as those mortgages are paid down over the next decade or so, the proportion owning outright can be expected to rise.



In combination, the foregoing trends provide a basis for estimating the main tenure shares as at 2018. The results are shown in Figure C.8 in their historical context and can be summarised as follows (Table C.2):

- Owner-occupied, including both owned outright and owned with mortgage – the share at Northern Ireland level is estimated to have fallen by 1.4 percentage points.
- Social rented – the share of all households is estimated to have remained constant between 2011 and 2018. Mainly, that reflects the sharp reduction in house sales compared with previous decades. In addition, over the period 2011-2018, the social sector accounted for 17 per cent of new dwelling completions, which is in excess of its 15 per cent tenure share.
- Private rented sector – the share is estimated to have risen by 1.4 percentage points.

Figure C.8 Household tenure composition, 1971 to 2011 historical, 2018 estimated baseline

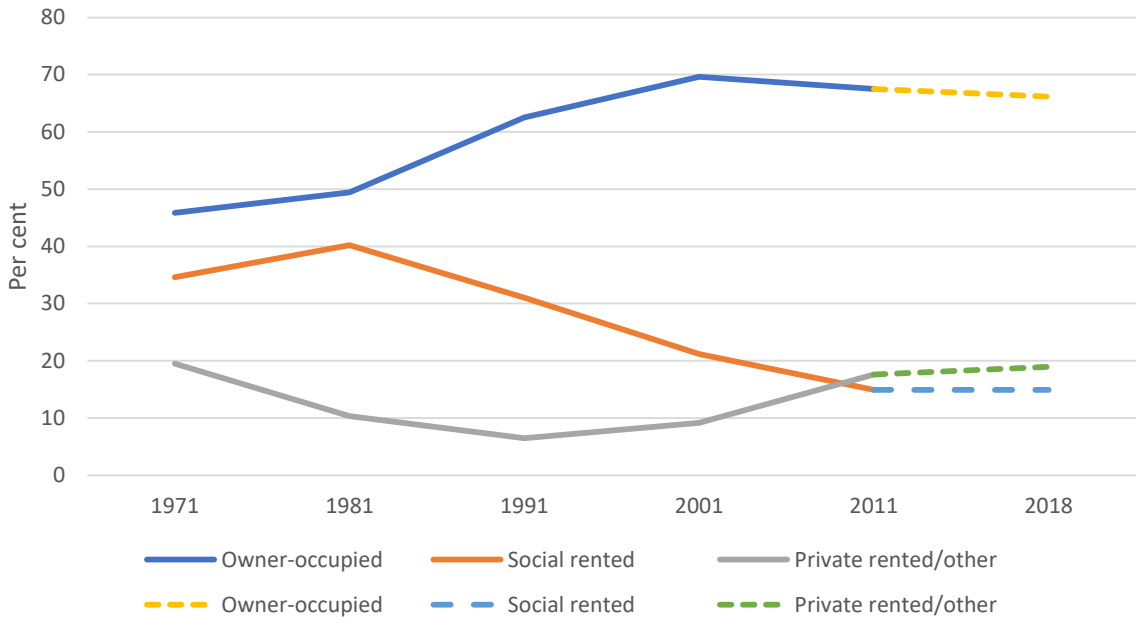
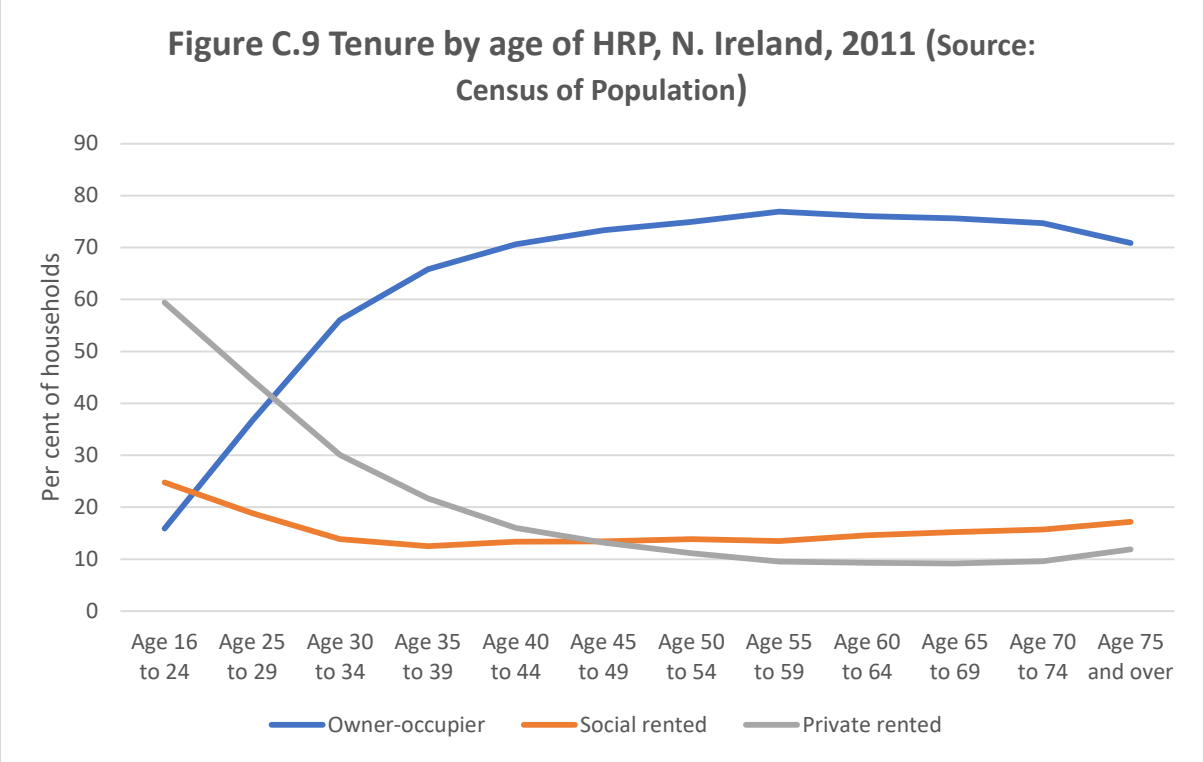


Table C.2 Tenure shares, 1971-2011 historical, 2018 estimated baseline						
	1971	**1981**	**1991**	**2001**	**2011**	**2018**
Owner-occupied	45.9	49.4	62.5	69.6	67.5	66.1
Social rented	34.6	40.2	31.0	21.2	14.9	14.9
Private rented	19.5	10.3	6.5	9.2	17.6	19.0
Sources: Historical - Census of Population; Estimated – author's estimates.						

Projections

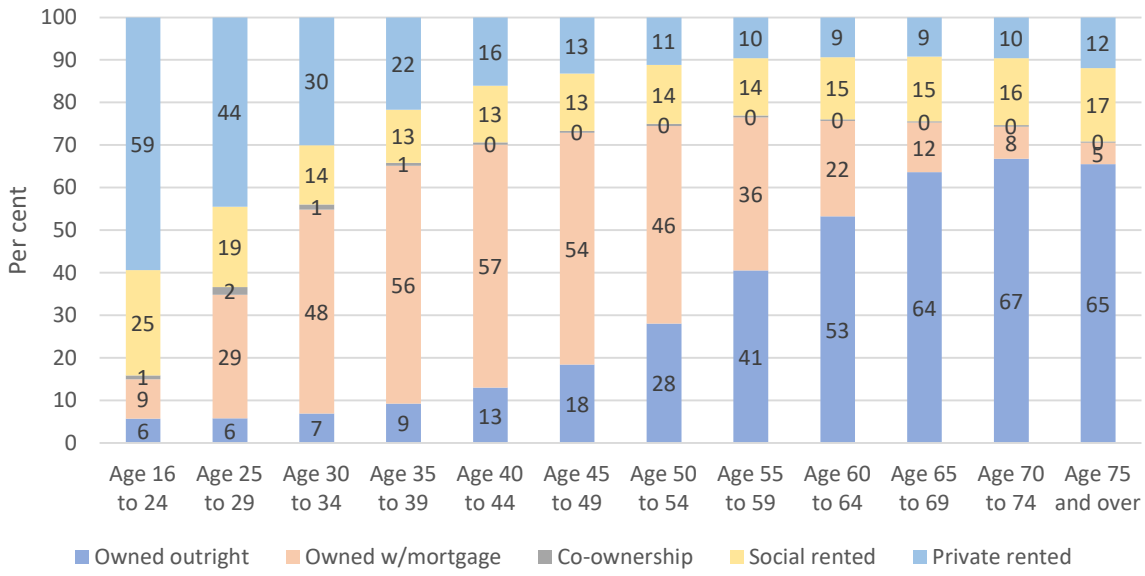
The baseline 2018 tenure shares have been projected forward to 2035 using an adaptation of the demographic method developed by Holmans, which was employed in the *Homes for the Future* study[18]. The implementation of the method for this project relies on projecting forward tenure propensities by age and sex of the Household Reference Person (HRP). For the population aged 45 and over, the base year proportions by age and sex of the HRP are rolled forward in five-year 'cohorts'. For example, the base year split between owner-occupied, social rented and private rented housing among 45-49 year-olds is applied to the projected numbers in the 50-54 age band in year five of the projection period, the 55-59 age band in year 10, and so on. The rationale is that HRPs change tenure infrequently once they turn 45. That is evident from the stability of the tenure composition of households where the HRP is aged 45 and over (Figure C.9).



For HRPs aged under 45, the proportions in each tenure category are held constant at their base year rates and applied to the projected household numbers within those age groups. That is to reflect the 'staircase' pattern in the tenure composition of HRPs aged under 45. As shown in Figure C.10, the vast majority of younger households, with HRPs aged 20-24, are in the rented sector (whether private or social). That proportion steadily shrinks as households transition over time from renting to owning, which can be seen in the steadily rising owner-occupation share among HRPs aged 25 to 45. In the Holmans approach that 'staircase' effect is replicated in the projections by holding the base year tenure composition shares constant over the projection period.

[18] **Holmans, A. E., 2008**. Homes for the Future: A New Analysis of Housing Need and Demand in England - Technical Report. Cambridge Centre for Housing and Planning Research (CCHPR).

Figure C.10 Tenure by age of HRP, N. Ireland, 2011 (Source: Census of Population)



The tenure projections are summarised in Figure C.11 and Table C.3. The Holmans demographic method does not carry forward any historic trends. Consequently, for the three broad tenures, the share projections show very little change between 2018 and 2035. The owner-occupied share is projected to increase, but only very slightly, from 66.1 per cent in 2018 to 66.5 per cent in 2035 (+0.4 percentage points). The social rented sector share is projected to also rise by +0.4 percentage points with the private rented sector share falling by 0.8 percentage points.

Figure C.11 Household tenure composition, 1971 to 2011 historical, 2018 estimated, projected to 2035

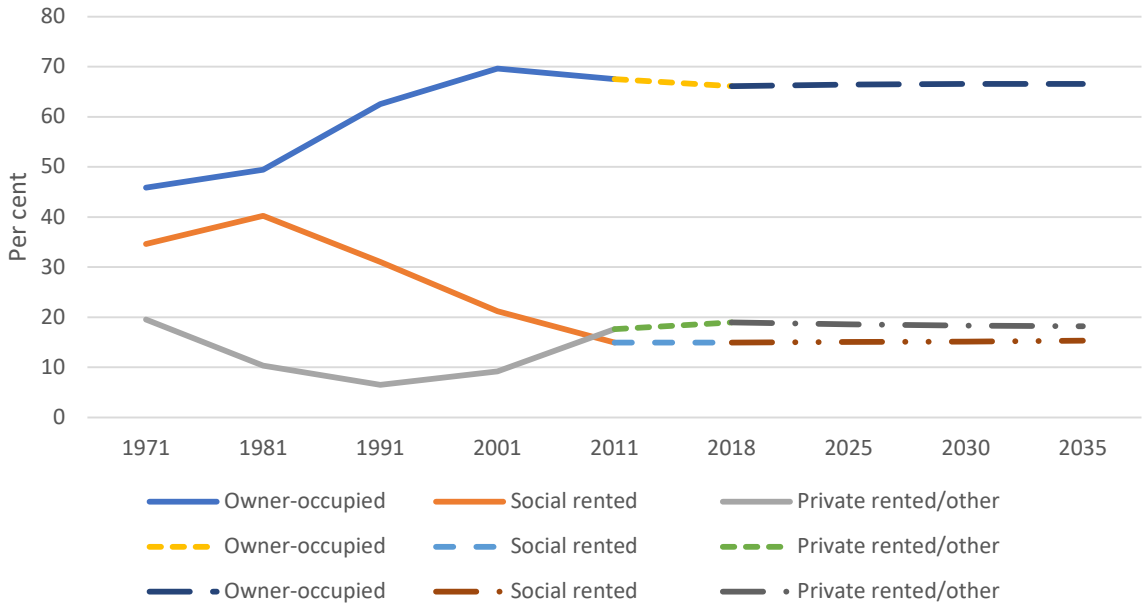


Table C.3 Household tenure composition: Projections to 2035, N. Ireland, Holmans demographic method

	2011	2018	2030	2035
Owner-occupied	67.7	66.1	66.5	66.5
Social rented	14.9	14.9	15.1	15.3
Private rented	17.5	19.0	18.3	18.2
All	**100.0**	**100.0**	**100.0**	**100.0**

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

The projected shifts in tenure share are due to the projected ageing of the population. From Figures C.9 and C.10 owner-occupation is clearly the predominant tenure among HRPs aged 60 and over; the projected increase in the population aged 60+ introduces a slight skew towards owner-occupation in the tenure share projections. That slight skewing effect also pulls up the social sector share compared to the private rented sector share, as HRPs aged 60+ in the social sector out-number those in the private rented sector.

It should be noted, however, that the Holmans method actually moderates the ageing population skew towards owner-occupation. To illustrate, in a demographic model where the tenure projections are made by holding constant the baseline tenure shares by HRP age and sex (including for those aged 45+), the owner-occupied share would be projected to rise by +1.2 percentage points between 2018 and 2035. The Holmans method reduces that ageing population skew because HRPs aged 45-59 have a (slightly) lower owner-occupation share than those aged 60-75 (see Figure C.9) and those lower shares are successively rolled forward into the 60-75 population over the projection period. The Holmans model can be considered to produce a reasonable base case projection, for the following reasons.

- Between 2010-11 and 2018-19, Housing Executive sales to sitting tenants averaged about 400 per annum, down from 2,550 between 2001 and 2011. That serves to substantially reduce the impact of Housing Executive sales on the social sector share.

- The reduction in Housing Executive sales will also act to reduce the volume of transfers into owner-occupied sector. However, the housing market analysis in Appendix B shows that, from about 2017-18 onwards, the number of loans advanced for home purchase by first-time buyers had returned to pre-2004 levels, that is, before the very damaging effects of the housing boom and bust on the FTB share of mortgages. It was also concluded that, with caveats around the effects of the pandemic, the recent levels of FTB activity are sustainable in light of affordability conditions in the owner-occupied market.

- It is therefore reasonable to expect that the downward trend in the owner-occupied share will stabilise over the projection period.

Nonetheless, there is uncertainty around the extent to which the foregoing considerations serve to have offsetting effects such that the decline in the owner-occupation share might be stabilised. An alternative scenario is one in which the owner-occupied share continues to decline, but at a reduced rate to reflect the recent housing market developments reviewed in Appendix A. Such a scenario is summarised in Figure C.12, where the estimated trends between 2011 and 2018 are projected forward but with a damping factor of 0.5.

In the trend-based scenario, the owner-occupied proportion falls by -0.8 percentage points between 2018 and 2035. Over the same period, the private rented sector is projected to rise by 0.6 percentage points along with a 0.2 percentage points rise in the social sector share.

Figure C.12 Household tenure composition, 1971 to 2011 historical, 2018 estimated, projected to 2035, FRS trend-based

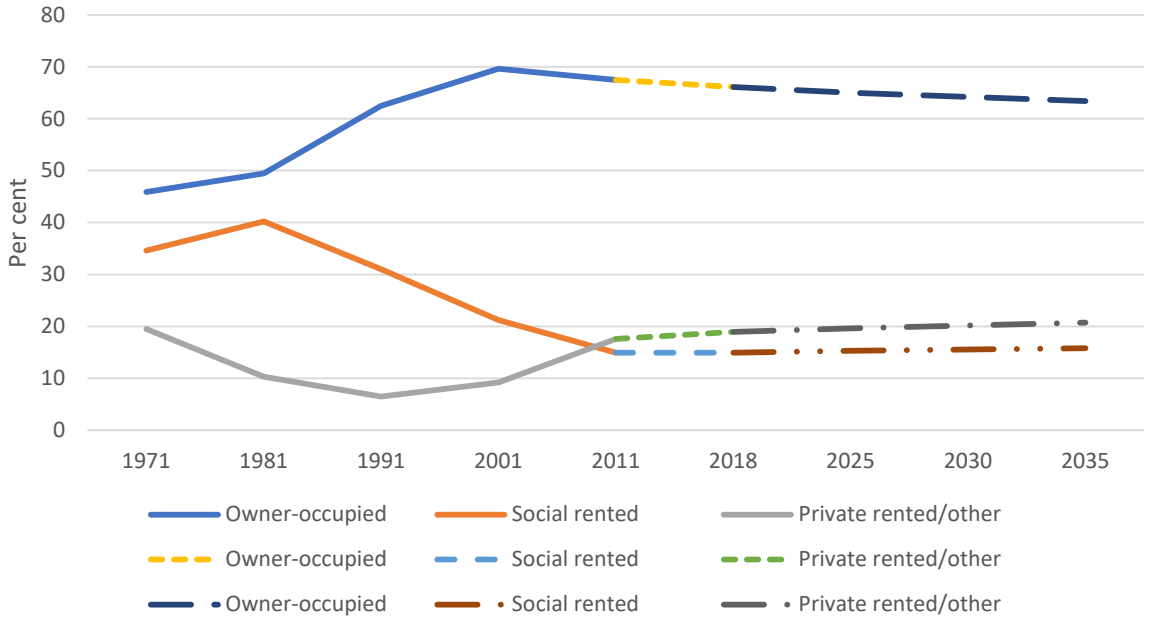


Table C.4 Household tenure composition: Projections to 2035, N. Ireland, FRS trends with dampening factor (0.5)

	2011	2018	2030	2035
Owner-occupied	67.7	66.1	64.2	63.4
Social rented	14.9	14.9	15.6	15.8
Private rented	17.5	19.0	20.2	20.8
All	**100.0**	**100.0**	**100.0**	**100.0**

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

In the trend-based scenario, the projected rise in the private rented sector, from 19 per cent in 2018 to 20.8 per cent in 2035, would have to be considered in light of the recent recovery in the owner-occupied market outlined above.

In addition, it should be noted that a large number of private rented sector tenants (over 62,000) are in receipt of Housing Benefit or the housing element of Universal Credit. As discussed in Appendix B, the affordability of their current accommodation is highly dependent on the HB contribution to their rent payments. But, like other Government benefit programmes, Housing Benefit has been subject to austerity measures that have squeezed the amounts payable to private sector recipients (e.g. the benefit freeze of 2016). It is plausible that the austerity regime may have the effect of constraining entry to the private rented sector.

For those reasons, the Holmans demographic projections are the preferred base case for tenure projections in this SHMA. Though, it bears repeating that any projection is fraught with uncertainty, especially in the current situation where the effects of the coronavirus pandemic are simply not yet known.

Affordability

The demographic method is based on projecting forward current tenure propensities by age and sex of the HRP. The method does not therefore take into account affordability problems that may exist within the baseline households.

The current definition of affordable housing is set out in the 2015 Strategic Planning Policy Statement (SPPS) in the following terms:

> "Affordable housing relates to **social rented housing** and **intermediate housing**, which are defined as follows:
>
> **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[19] 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".

[19] 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.

The Department for Communities (DfC) have proposed a new definition of affordable housing, as follows (DfC, 2020):

> "Affordable housing is either:
>
> 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".

Examples of affordable housing products listed by DfC include:

- Social rented housing.
- Shared ownership.
- Rent to buy or rent to own.
- Shared equity.
- Discounted market sales housing.
- Affordable rent products, e.g. mid-market rent.

The first three products listed above are available in Northern Ireland. The demographic method does provide a projection for social rented housing, based on the assumption that the need for social rented housing will continue to vary in future years in line with the baseline proportions by HRP age and sex. However, the method does not project intermediate housing demand, that is, "households who can afford more than social sector rents but cannot afford full owner-occupation or market rents" (Holmans *et al*, 2008). The next part of this Appendix discusses affordability in the rental sector, followed by affordability and owner-occupation.

Affordability and Rented Housing

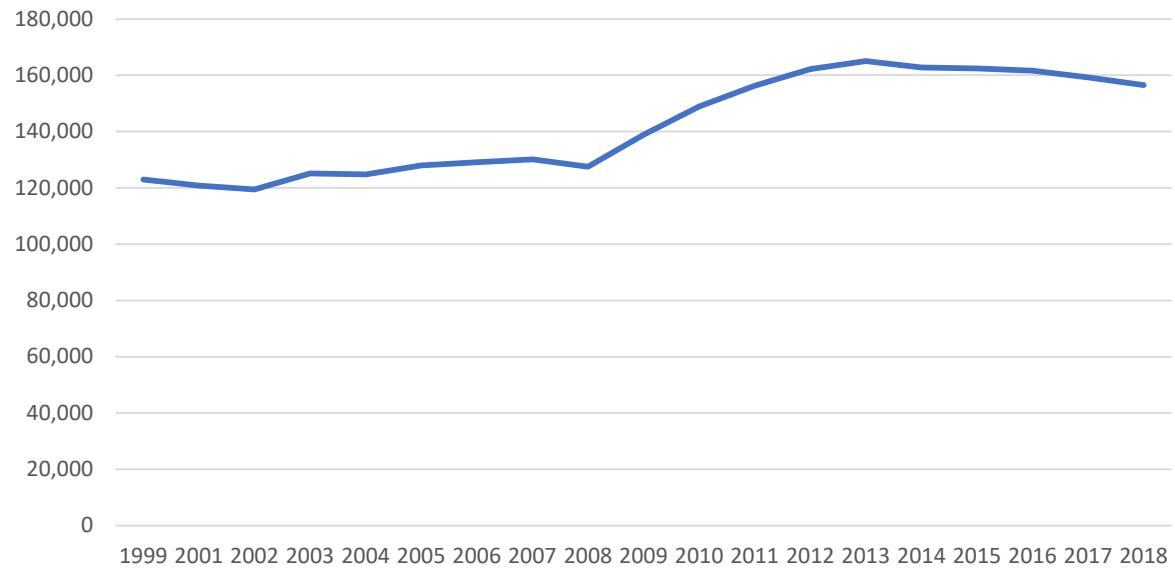
Receipt of Housing Benefit[20] provides a direct indicator of affordability problems within the private rented market. That is because Housing Benefit is awarded on a means-tested basis. As at April 2019, there were over 153,000 families in receipt of Housing Benefit (Table C.5). Housing Benefit plays a large role in the private rented sector, comprising an estimated 42 per cent of all tenants in that sector as at April 2019. The benefit is even more prominent in the social sector, where an estimated 84 per cent of Housing Executive and Housing Association tenants are in receipt. Overall, 60 per cent of households that rent their accommodation receive Housing Benefit. They comprise a little over one in five of all households.

[20] 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 a shorthand for all recipients of help with housing costs.

Table C.5 Receipt of Housing Benefit[1], N. Ireland				
	2018		2019	
	No.	*%*	*No.*	*%*
Private rented	62,400	*44*	59,100	*42*
Social rented	95,300	*86*	94,200	*84*
All	**157,700**	***63***	**153,200**	***60***
Per cent of all households		*21*		*21*
1 Sourced from NIHE, Single Housing Benefit Extract (SHBE), adjusted to include receipt of housing element of Universal Credit, April of each year shown.				

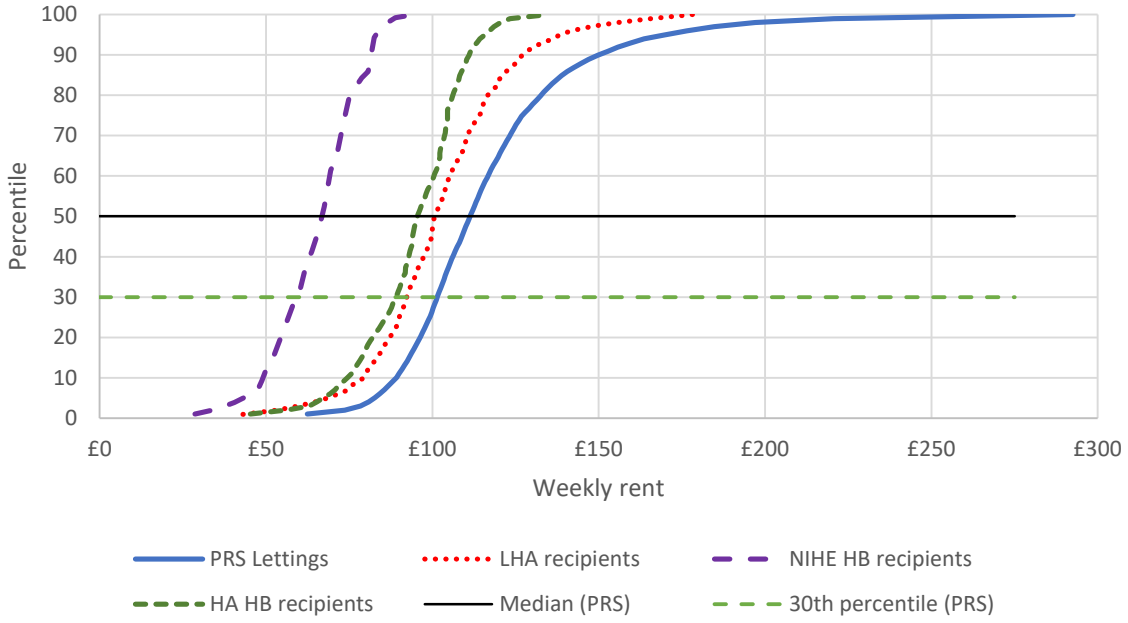
Time series data on recipients by sector are not published. However, the total number of recipients is available back to 1999 (Figure C.13). The number of recipients increased following the introduction of the Local Housing Allowance (LHA) for private rented sector tenants in 2008. The 2008 reform set the maximum LHA rate at the median rent, with reference to the Broad Rental Market Area (BRMA) within which the applicant was resident. The median was replaced by the 30th percentile of rents in determining the maximum LHA rate following the June 2010 Budget. Subsequent changes had the effect of further reducing the amounts that could be paid, including a freeze on LHA rates from 2016 onwards. From 2013 onwards, the number of recipients has been in decline.

Figure C.13 Housing Benefit recipients - Per cent of households (Source: Author's estimates)



In the assessment of affordability within the rented sector, it is useful to consider the distribution of rents paid by households in receipt of Housing Benefit with the distribution across the private rented sector (PRS) as a whole. The distribution of rents for private rented sector (PRS) lettings is shown in Figure C.14, along with the distributions for LHA recipients and social sector HB recipients. The PRS rents are pooled 2018-19 values while the LHA and HB values are for April 2019. Across the distribution shown in Figure C.14, the median PRS rent was £112 while the 30th percentile was £102, a nine per cent difference (£10 per week).

Figure C.14 Percentiles of weekly rents: Private rented sector (PRS) lettings compared to Housing Benefit recipients, excl. Shared Rooms (Source: NIHE)



The overall PRS distribution is shaped by a range of factors, including the size of the accommodation. As measured by the number of bedrooms, the median weekly rent ranges from £91 for a one-bedroom unit to £136 for a four-bedroom unit (Table C.6). Similar to the overall average, the 30th percentile by bedroom size is within eight to 10 per cent of the median.

Table C.6 Private rented sector lettings: Median and 30th percentile rents by number of rooms

	One room	Two rooms	Three rooms	Four rooms	All[1]
Median	£91	£107	£114	£136	£112
30th percentile	£84	£99	£105	£122	£102

1 Excluding shared accommodation lettings
Source: Calculated from advertised lettings data supplied by NIHE.

The rents paid by Housing Benefit/LHA recipients also vary with the size of the accommodation (Table C.7). LHA recipients, in the private rented sector, pay an average rent which is within two per cent of the 30th percentile for the PRS as a whole[21]. Housing Executive rents are about one-third below the 30th percentile, albeit those rents were frozen between 2015 and October 2020. Housing Association rents sit between the average rents paid by LHA recipients and Housing Executive tenants.

Table C.7 Mean rents paid by Housing Benefit recipients

	One room	Two rooms	Three rooms	Four rooms	All[1]
Private rented/LHA	£76	£97	£104	£115	£100
Housing Associations	£78	£93	£104	£110	£93
NIHE	£51	£62	£75	£83	£68
Per cent of PRS 30th percentile					
Private rented/LHA	91%	98%	99%	94%	98%
Housing Associations	93%	94%	99%	90%	91%
NIHE	61%	63%	71%	68%	66%

1 Excluding shared accommodation lettings.
Source: Estimates made from data supplied by NIHE (SHBE and private sector lettings).

The rents paid by Housing Benefit/LHA recipients can be further compared with the overall PRS distribution by calculating the proportions with rents lying below the 30th percentile; between the 30th percentile; and, above the PRS median. The results are shown in Table C.8, with proportions adjusted for bedroom size. As expected from the distribution shown in Figure C.16, all Housing Executive tenants pay rents that are below the 30th percentile of PRS rents. Three in four Housing Association tenants are similarly situated, i.e. they pay a rent that is below the 30th percentile.

The majority of LHA recipients pay a rent which is below the 30th percentile. However, almost one in five pay between the 30th percentile and the median while close to one in three (30 per cent) pay above the median. Following the freeze introduced in 2016, almost all LHA recipients pay a weekly rent in excess of their applicable LHA rate, making up the shortfall from their own resources[22].

[21] Note that the LHA rents shown in Table C.7 are the amounts actually paid, which are typically greater than the LHA rate that is payable as a contribution towards their rents.
[22] The Broad Rental Market Areas Scoping Study (NIHE, 2019) reported that 88 per cent of LHA recipients had a shortfall between their average weekly rent and their applicable LHA rate, given the BRMA in which they reside and their assessed bedroom entitlement.

Table C.8 Housing Benefit recipients[1]: Rents[2] relative to private rented sector median and 30th percentile			
	Above PRS median	**Between 30th percentile and median**	**Below 30th percentile**
	%	*%*	*%*
LHA\Private rented	29.6	17.4	52.9
Housing Associations	10.4	14.7	74.9
NIHE	0.0	0.0	100.0
All	**14.3**	**10.0**	**75.7**
1 Working age recipients with bedroom entitlement (73 per cent of total claimants on SHBE). 2 Adjusted for number of bedrooms.			

The relationship between rents paid by HB/LHA recipients and the distribution of rents across the PRS illustrates the range of rents that households with entitlement to assistance with their housing costs are able to afford, from a combination of their own resources and the amount paid as Housing Benefit. For over three in four of those households (76 per cent), the weekly rent that they can afford is below the 30th percentile. Nonetheless, it is interesting to note the proportion of HB/LHA recipients that were able to pay rents above the PRS median (14 per cent overall, including 30 per cent of LHA/private rented sector recipients). Partly, that is a reflection of the steepness of the PRS rent distribution between the 30th percentile and the median; as noted in relation to Table C.6 above, a gap of 8-10 per cent by bedroom size. While the strain that paying rents above the median may place on household finances is not known, the incidence of HB-assisted rents above the PRS median would suggest there is not at this time an acute affordability problem within the private rented sector, on the average across Northern Ireland as a whole. That conclusion is predicated on the continuing availability of Housing Benefit/LHA.

The affordability of private sector rents can also be examined by comparing the rent distribution (summarised in Figure C.14 and Table C.6) with the household income distribution. In the absence of sufficiently detailed household survey data below the Northern Ireland level, the following reports the results of an affordability test designed along the lines of the Scottish Centre for Housing Market Analysis and Statistics for Wales approaches. The test is constructed to identify the proportions within the household population with sufficient income to afford:

- The median rent without spending more than 25 per cent of income on annual rent payments.

- The 30th percentile rent without spending more than 35 per cent of income on rent payments.

Following the Scottish and Welsh approaches, the median rent is chosen as the market rent threshold while the 30th percentile is specified as the social rent threshold. The 25 per cent income threshold for market rent affordability is standard practice in such affordability tests. The 35 per cent threshold for social rents is intended to identify those households that cannot afford even the 30th percentile without substantial stress being placed on household finances, to the point where sustaining a tenancy may be problematic.

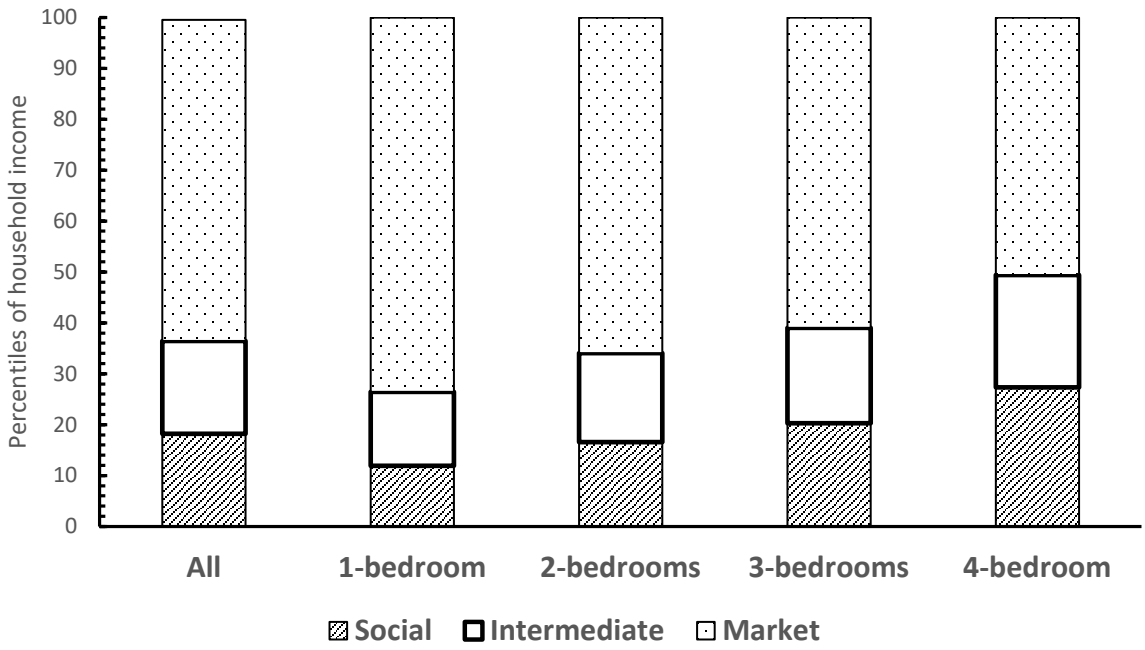
The results are summarised in Table C.9 and Figure C.15, for all households and by bedroom size. It is important to note that, as applied here, the test is strictly a comparison between the rent distribution and the household income distribution. It is not intended as a method for assigning households by tenure; that is done for newly arising households in assessing new housing requirements in Section 8 of the main SHMA report. Within the present context, the point of interest is to assess the potential for affordability problems within the household population.

As can be seen from Table C.9, when rents are compared with the overall household income distribution, 63 per cent of households have sufficient income to afford the median rent without spending more than 25 per cent of income on housing. Almost one in five (19 per cent) have incomes that are insufficient to pay rents at the 30th percentile without spending more than 35 per cent of income on housing. The remaining 18 per cent of households have an income that is too low for renting at the median, but who could afford social rents; that is, their income lies between £15,200 and £23,200.

Table C.9 Private sector rent distribution compared to household income distribution (including HB)

	All	1-bedroom	2-bedrooms	3-bedrooms	4-bedroom
Rent can afford (per cent of households):					
Social	19	12	17	20	27
Intermediate	18	15	17	19	22
Market	63	74	66	61	51
All	100	100	100	100	100
Annual household income requirement					
Market	£23,200	£18,600	£21,900	£24,300	£30,100
Social	£15,200	£12,300	£14,400	£16,000	£19,000
Source: Author's estimates.					

Figure C.15 Private sector rent distribution compared to household income distribution (including HB)



As the household income distribution is for all households, the calculated affordability proportions vary with the size of accommodation; for market rent affordability from 74 per cent for one-bedroom accommodation to 51 per cent for four bedrooms. Though, the affordability proportions for all rents lie between the proportions for two and three bedroom dwellings. Almost four in five rented sector tenants (78 per cent) occupy 2-3 bedrooms (Figure C.16). Hence, the all-sizes rents can be taken as reasonably representative of the sector.

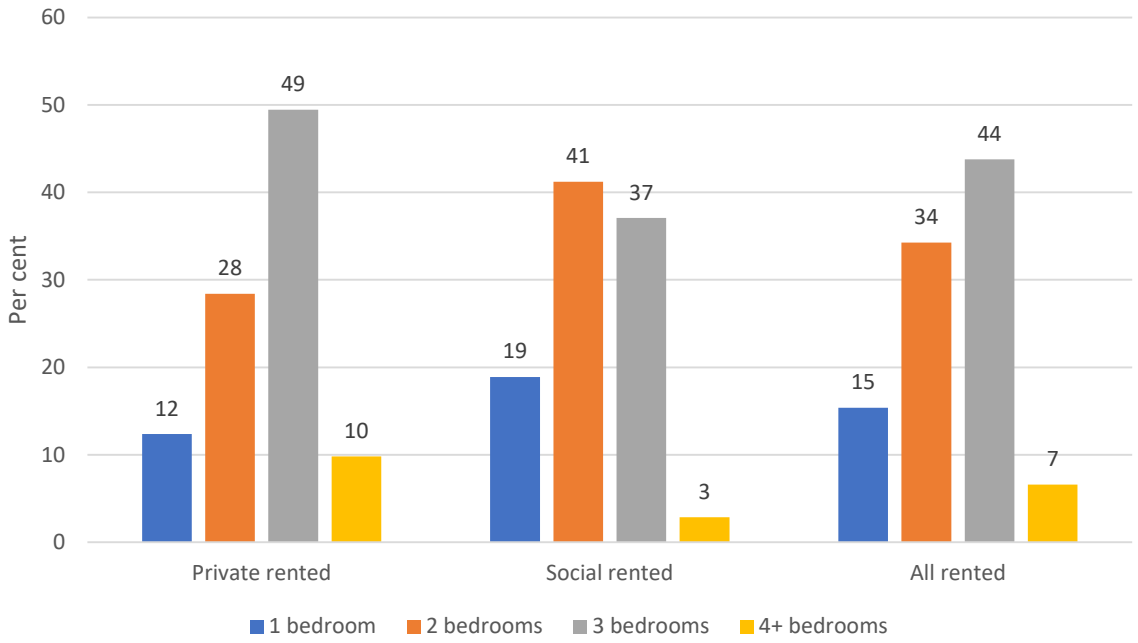
The affordability tests reported above have been run with Housing Benefit included on the income side. When HB is excluded from household income, the following are the calculated proportions for median and 30th percentile rents estimated across all bedroom sizes:

- Social – 22 per cent.
- Intermediate – 17 per cent.
- Market – 61 per cent.

Thus, when HB is excluded, the proportion unable to afford the 30th percentile increases from 18 per cent to 22 per cent. Interestingly, that is approximately the same as the proportion of households currently in receipt of HB or LHA (21 per cent).

Overall, when the distribution of rents is compared with the distribution of household incomes, there is clearly potential for affordability problems, but the present position would not seem acute, on the average across Northern Ireland.

Figure C.16 Bedroom sizes in the rented sector, 2011 (Source: Census of Population)



Affordability and Homeownership

Shared or co-ownership housing has been available in Northern Ireland since 1978, when the Northern Ireland Co-Ownership Housing Association (Co-Ownership) was established. Since then, Co-Ownership has assisted over 29,000 households into homeownership. Annex A provides an overview on the intermediate affordable housing products offered by Co-Ownership and, more recently, the FairShare scheme.

As at 2019, based on the number of properties on Co-Ownership's books, there were about 9,000 co-owners across Northern Ireland (Source: Co-Ownership Annual Report, 2018-19). That equates to about 1.2 per cent of all households, up from 0.6 per cent in 2011 (see Table C.1 above). The Co-Ownership share has been rising because acquisitions (to assist customers into homeownership) have been outpacing the numbers staircasing out of shared ownership. In 2018-19, Co-Ownership accepted 1,152 properties for purchase compared with 654 buying out their properties.

In the present context, and looking ahead over the next 15 years, it is useful to consider the potential scale of demand for shared ownership from an affordability perspective. In designing an appropriate test for that purpose, the following points may be noted regarding co-ownership/shared housing as it presently operates in Northern Ireland.

The current products are mainly directed towards helping first-time buyers to enter homeownership; 95 per cent of those assisted by Co-Ownership in 2018-19 were first-time buyers. Reflecting that focus, over nine in ten Co-Ownership customers in 2018-19 were aged under 43.

In 2018-19, Co-Ownership customers were about equally split between those who had previously been renting in the private sector (49 per cent) and new households comprised of one or more persons who had previously been living with family/friends (50 per cent). Just one per cent came from the social sector.

It is not known whether the previous tenure split in Co-Ownership customers mirrors the wider Northern Ireland market. In England, new households comprise about one in three households entering home ownership with the remaining two thirds coming from the private rented sector (English Housing Survey, 2018-19, Figure 1.10).

Nonetheless, the previous tenure of Co-Ownership customers highlights an important aspect of the first-time buyer market, i.e. the role of the private rented sector as a 'stepping-stone' into home ownership.

Lack of sufficient savings for a deposit is the main constraint that shared ownership addresses. In 2018-19, almost two in three Co-Ownership customers (64 per cent) were able to enter homeownership without a deposit.

The maximum price that can be paid for a co-own property is £165,000. For comparison, the median price of a house in Northern Ireland in the third quarter of 2018 was £132,950. The lower quartile in the Belfast HMA was £97,000. In practice, however, shared housing operates mainly at or below the median house

price. In 2018-19, the average price of a co-own property was £126,000, while around one in four properties were registered for a price of more than £140,000.

In 2018-19, median gross earnings of Co-Ownership customers were £21,800. In testing affordability, Co-Ownership applies a price to income multiple of three. Combining the multiple and the average earnings, and comparing with the average purchase price, indicates that the typical share taken by co-owners is in the range 50 to 55 per cent.

In light of the above, the affordability test has been designed as follows:

- **House price reference.** Typically, in first-time buyer affordability tests, the lower quartile house price is taken as the reference point against which income is to be compared. However, it is useful also to consider affordability against the median, given the reach of the Co-Ownership scheme in house price terms.

- **Income multiple.** Set at three to replicate the Co-Ownership test.

- **Households**. The population of interest comprises HRPs in the age range 25-44 in private rented accommodation. Obviously, households already in owner-occupation are not relevant to first-time buyer affordability. Households in the social sector form a very small proportion of those accessing shared housing.

The house price and income requirements in the test specification are summarised in Table C.10. For example, for a property at the lower quartile (£96,000), with an income multiple of three, an annual income of £32,000 is required to pass the income test for full ownership, i.e. the household income is sufficient to be considered for a house purchase loan without any assistance. An annual income of £28,800 is required for 90 per cent of full ownership, the maximum share permitted; and, £16,000 is the income required for a 50 per cent share, the minimum permitted under the Co-Ownership scheme.

Table C.10 First-time buyer affordability test: House price points and income requirements

Reference price:	**Median**	**Lower quartile**
House price	£131,900	£96,000
Income required (multiple of 3) for:		
Not shared - Full ownership requirement	£44,000	£32,000
Shared ownership maximum – income is 90% of full ownership requirement	£39,600	£28,800
Shared ownership minimum – income is 50% of full ownership requirement	£22,000	£16,000

As specified, the test is solely on income affordability. As noted above, the majority of those assisted by the Co-Ownership scheme did not require a deposit. That does not mean an absence of savings (the scheme requires savings over £10,000 to be put towards a deposit). However, the majority of households with a HRP aged 25-44 in the private rented sector have no savings and, among those that do have savings, the value is typically below £5,000 (Figure C.17). The savings constraint is part of the rationale for a shared ownership scheme.

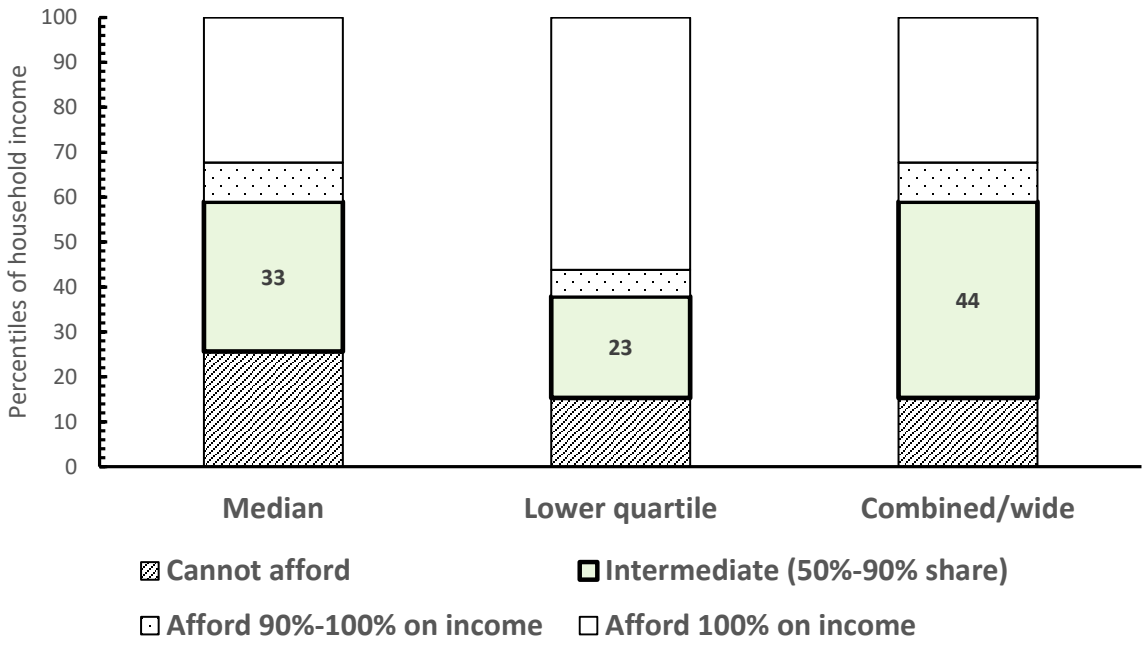
Figure C.17 Household savings, private rented sector tenants, per cent of household income (Source: FRS)

The test results are summarised in Table C.11 and Figure C.18. The results are shown separately for the median and lower quartile house price reference points. According to the median house price test, one in three households with a HRP aged 25-44 in the private rented sector have sufficient income for a 50 to 90 per cent share; household income is between £22,000 and £39,600. Intermediate affordability at the lower quartile is 23 per cent; household income is between £16,000 and £28,800.

Table C.11 House purchase – Income affordability: Private rental sector tenants aged 25-44

	Median	Lower quartile	Combined / wider
Cannot afford 50% share	26	15	15
Intermediate (50%-90% share)	33	23	44
Afford 90%-100% on income	9	6	9
Afford 100% on income	32	56	32
Source: Author's estimates.			

Figure C.18 House purchase - Income affordability: Private rental sector households aged 25-44



Also shown is intermediate affordability on a 'wider' definition which combines the results of the median and lower quartile tests, i.e. the sum of the median (33 per cent) and lower quartile (23 per cent) estimates minus the overlap between the two (12 per cent)[23]. That is to reflect the reach of the Co-Ownership scheme across the house price spectrum. In that regard, note that the lower threshold for median affordability is £22,000, which is almost identical to the average household income of Co-Ownership customers in 2018-19.

When converted to shares of <u>all</u> households, the following are the results for <u>potential</u> intermediate affordability:

- Median house price threshold – 3.1 per cent (22,500 households aged 25-44 in the private rented sector).
- Lower quartile price threshold – 2.1 per cent (15,300 households).
- Combined/wider measure – four per cent (29,500 households).

However, the simple affordability tests undoubtedly over-estimate the intermediate demand for shared ownership or rent-to-own.

First, not all households would be capable of meeting the criteria for a shared ownership or rent-to-own product. For example, the Co-Ownership criteria include credit assessment, debt management, and bank account management. Information

[23] Calculated as the difference between: all who can afford at least a 50 per cent share at the median house price, i.e. 33+9+32=74 per cent; and the proportion who can afford the lower quartile with a share above 90 per cent, i.e. 62 per cent = 56 per cent can afford 100 per cent share plus six per cent can afford 90-100 per cent share.

on those criteria is not available from the FRS. It can also be noted that 44 per cent of Co-Ownership applications were not accepted in 2018-19.

Second, it is not necessarily the case that all households in the private rented sector will want to enter homeownership.

Third, the intermediate affordability estimates are at a point in time. Some of the households included within that category may well progress to home ownership at some future date once they have accumulated sufficient savings for a deposit and their incomes have grown to the meet a mortgage provider's income multiple requirements.

Ultimately, shared ownership is a subsidised route to homeownership and that requires careful attention to the additionality requirement in public funding, i.e. to focus assistance on those who would not otherwise be able to buy their own home and whose housing requirements can best be met through that means. Taking account of the caveats listed above, and the current FTB volumes in the mortgage market, as documented in Appendix B, it would seem reasonable to conclude that the current volumes of shared housing assistance to FTBs are broadly consistent with the need.

The current level of assistance to shared ownership is factored into the estimates for tenure shifts between 2011 and 2018, i.e. sitting within the owner-occupied tenure, shared ownership has grown to about 1.2 per cent of households by 2018, up from 0.6 per cent in 2011. It is very difficult to say how that share might evolve into the future. If the take-up levels seen in 2018-19 were to continue (circa 1,100 per annum) and the 2018-19 buy-back rate (654) was to also remain constant, shared ownership as a percentage of total households would rise to 1.8 per cent by 2030 and 2.1 per cent by 2035. Conversely, if the buy-back rate was to continue increasing (up 19 per cent in 2018-19), so that it became more closely aligned with acceptances, the shared ownership rate would remain closer to the estimated 2018 baseline of 1.2 per cent.

Annex A Intermediate Housing Products: Northern Ireland

The Northern Ireland Co-Ownership Housing Association (Co-Ownership) offers two products, i.e. co-own and rent to buy. Under the co-own scheme, the household buys the share that it can afford and Co-Ownership covers the remaining purchase amount[24]. The household pays for its share (between 50 and 90 per cent) by taking out a mortgage. Savings over £10,000 must be put towards a deposit. Where the household does not have sufficient savings for a deposit, the lender may take the Co-Ownership share instead of a deposit. The household pays rent, at a below-market rate, on the Co-Ownership share of the purchase price. The rent is currently set at an annual rate of 2.5 per cent of the Co-Ownership share.

Applicants can choose a new build or existing property anywhere in Northern Ireland (subject to various requirements, e.g. new properties must have a 10-year structural warranty). The maximum price of a property that can be considered is £165,000, albeit that will depend on the applicant's financial position. Co-Ownership applies an income multiple of three in assessing how much an applicant can afford. All sources of income may be considered, except Housing Benefit. Starter shares are typically in the 50 to 60 per cent range. Co-owners can 'staircase' to full ownership by buying more shares in five per cent tranches. Though, with a 99 year lease, co-owners are not required to staircase.

With the rent-to-own product, the household rents the property for three years with an option to purchase at the end of that period, either by taking out a mortgage or via the co-own product. At the end of the tenancy, the household receives a 20 per cent refund of the rent paid, which may be used as a deposit for a mortgage on the property, should the household proceed to purchase. The rent-to-own product is for those who are not able to fully meet the co-own criteria and who need some time to address their eligibility issues. Under the scheme, Co-Ownership will consider buying a new build property with a purchase price under £165,000. The property cannot be an apartment or a one-bedroom unit. Applicants must not be entitled to Housing Benefit. The rent-to-own product is at an early stage, with 55 acceptances as of early 2020.

In the financial year 2018-19, as set out in the Co-Ownership Annual Report:

- Out of 2,046 applications, 1,152 homes were accepted for purchase on behalf of Co-Ownership customers, an acceptance rate of 56 per cent.
- At the end of the 2018-19 financial year, Co-Ownership had a stock of 8,766 properties.
- The average purchase price was £126,000. For comparison, the median price of a house in Northern Ireland in the third quarter of 2018 was £132,950. The lower quartile in the Belfast HMA was £97,000.
- Around one in four Co-Ownership properties registered a price of more than £140,000.

[24] Information for this Annex sourced from Co-Ownership Annual Report 2018-19 and products descriptions and the FairShare website.

- New build dwellings accounted for 42 per cent of acceptances.
- Semi-detached dwellings accounted for 66 per cent of properties purchased, followed by terrace/townhouse (21 per cent), detached (nine per cent) and apartment (four per cent).
- The number fully buying out the Co-Ownership shares in their properties rose to 654 in 2018-19, a 19 per cent increase on the previous year.
- Similar to previous years, 95 per cent of customers were first-time buyers. The remaining five per cent were returning homeowners.
- Almost two in three customers (64 per cent) were able to access homeownership without a deposit. Of those who were able to raise a deposit, the median amount was £6,000.
- Median gross annual earnings for Co-Ownership customers were £21,800.
- Customers were about equally split between those who had previously been renting in the private sector (49 per cent) and living with family/friends (50 per cent). Just one per cent came from the social sector.
- The household composition of customers was as follows: 42 per cent single; 29 per cent couples with children; 21 per cent couples without children; and, nine per cent lone parents.

The average age of the head of household was 32. By age group, the split was as follows:

- Aged 22 or under – five per cent.
- 23 to 27 – 28 per cent.
- 28 to 32 – 30 per cent.
- 33-37 – 19 per cent.
- 38 to 42 – 10 per cent.
- 43 and over – nine per cent.

Co-Ownership is looking to develop a shared ownership product for the over-55s. For example, those who live in relatively large houses and are looking to move but who do not have sufficient equity to afford a new build.

In addition to the Co-Ownership product, shared housing is available through the FairShare scheme, which is offered by Apex and Clanmil Housing Associations. The FairShare product is very similar to the Co-Ownership scheme. For example, the minimum starter share is 50 per cent; households can staircase to full ownership; applicants cannot currently own their own home; co-owners pay rent at 2.5 per cent on the share of the property held by FairShare; etc. There are some differences.

Only new-build properties are eligible, and the income multiple is four for a single applicant and 3.5 for a joint application. The targeting in the scheme is also slightly different, as one of the eligibility criteria is that, the applicant cannot afford to buy a 100 per cent share of a property or rent a property suited to their needs within a reasonable distance of their place of work. In 2018-19, sixty households were assisted in accessing homeownership.