



# northern ireland housing market review and perspectives

2005-2008



**Housing  
Executive**

the regional strategic housing authority for northern ireland

*good housing strengthens the community*

*strategies  
and policies for the  
residential sector*

*meeting  
housing  
need*

# **northern ireland housing market review and perspectives**

2005-2008

*improving  
housing  
conditions*

*ensuring decent  
affordable  
housing choice*

*regenerating urban  
and rural areas*

*improving  
energy efficiency  
and alleviating fuel poverty*

*creating a vibrant  
private rented sector*

*contributing to government's  
wider strategic objectives*

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# Chairman's Preface



## Chairman's Preface

I am pleased to present The Northern Ireland Housing Market Review and Perspectives which is published annually by the Housing Executive. Based on the latest statistical information and research the Review analyses the current dynamics of Northern Ireland's housing market. Importantly, it also identifies the major housing issues facing the private and public sectors. This is a key document in the strategic planning cycle and is used to guide decisions affecting the residential sector.

### Housing quality

A general improvement in housing quality has been and continues to be achieved which is clear evidence that the tools to tackle unfit and disrepair are working e.g. urban regeneration and private sector grants. This has been confirmed by an independent study into the effectiveness of past expenditure.

Although housing quality indicators have been primarily built around measures to tackle unfit and disrepair they have also taken account of market failure, Decent Home (adopted in Northern Ireland in 2004) and accessibility standards. Other indicators reflect the connections with other Government priorities including health, safety and fuel poverty.

The 2001 House Condition Survey shows much remains to be done.

As the patterns of need change investment targets to provide better quality housing and neighbourhoods continue to change.

In particular -

- a) Unfitness levels have reduced to 4.9% primarily through urban renewal and renovation grants, although rural unfitness remains high.
- b) While in absolute terms the greatest number of properties unfit or in disrepair are in the owner-occupied sector, in relative terms the problem is most acute in the private rented sector.
- c) Houses in Multiple Occupation raise issues around physical conditions, health and safety and management.
- d) Physical accessibility issues related to age and disability have grown in recent years across all tenures.
- e) Properties failing to meet the Decent Home Standard vary by tenure from 23% owner-occupied, 47% private rented to 50% NIHE stock.
- f) 88% of all properties which fail the Decent Home Standard do so on the basis of thermal comfort.

## Energy Efficiency and Fuel Poverty

Good progress continues to be made towards the target of improving energy efficiency by 34% and a range of policies and additional investment have been put in place.

Fuel switching (from coal to oil/gas) was introduced in 2000; a strategy for switching NIHE stock was simultaneously introduced and in the private sector the Warm Homes Scheme targets fuel switching for elderly households.

The DSD's 'Ending Fuel Poverty Strategy' emphasises the need for partnership working in order to achieve its aim of eliminating fuel poverty in vulnerable households and the social sector by 2010, and altogether by 2016.

Further analysis of fuel poverty carried out in 2004 showed that changing all homes from solid fuel or electricity to oil or gas would reduce the level of fuel poverty in Northern Ireland from 32% to 19%; combining this change with the provision of cavity wall and roof insulation would reduce the rate to 17%, and a £2,500 increase in annual household income would reduce the rate to 20%.

## Housing need

The spatial and structural change in the social housing market continues to reflect the demographic forces which have been driving the housing market generally including household growth, reductions in household size and social trends. These and other factors are, however, having a differential impact across Northern Ireland as different characteristics and dynamics emerge and social housing demand is segmented into sub-markets.



### *Rising waiting lists for social renting*

- At the end of September 2004 there were 28,247 applicants on the waiting list for social renting compared to 22,054 in 2001. 46% were single people and a further 20% were elderly applicants.
- 14,708 of applicants on the waiting list at the end of September 2004 were in 'housing stress' an increase of (7.6%) on the previous year.
- The number of people presenting as homeless continues to level off, while the number of homeless households has not changed in the past two financial years, at around 8,600.

### *In particular -*

- a) housing stress is no longer dominated by housing conditions but rather social factors (illustrated by a three fold increase in single homeless, related primarily to relationship breakdown).
- b) There is a clear east/west divide with housing stress heavily concentrated in the urban east; Derry City; and pockets of the rural west.
- c) Family demand is increasingly dominated by lone parents signalling a likely long term propensity to need social housing and raising issues around the concentration of deprived households in new developments.
- d) Low mobility rates characterise most sub-markets and are reinforced by segregation. Patterns of economic growth and changes in household type could change but this is likely to be slow.
- e) Demand for supported housing has switched from the elderly to other vulnerable groups and while the scale is small it represents a priority in health, social and resource terms.
- f) Elderly people on average wait twice as long (on the waiting list) as other households reflecting the strength of their local preferences and supply issues.
- g) The changing nature of demand presents challenges for the management of the social housing stock. Design, tenure integration and intensive management arrangements assist in meeting these.
- h) Applied research particularly around applicant behaviour (including homelessness) affordability, and mobility will continue.

## Housing Supply

Strategic planning models and local housing market assessment methods (including latent demand testing) continue to be refined to reflect changes in demand and associated house price and supply issues.

It is expected that PPS12 Planning and Settlements will be issued shortly by the Department for Regional Development. PPS12 will require the Housing Executive to carry out a Local Housing Needs Assessment for each Local Area Plan. The Needs Assessment will identify the requirement for social rented housing, supported housing, Travellers housing and other needs. This will enable the Area Plan to make provision to meet that need. We believe this is an important step forward in ensuring sufficient land is available for social housing.

A small number of mixed tenure models of provision have been successfully implemented by NIHE and housing associations. Further opportunities to apply such schemes will be created. In strategic locations we believe that partnering with specific housing associations could accelerate development. In addition we are monitoring closely progress in England with proposals for developers to construct social schemes with grant aid.

NIHE believes progress towards higher density development, particularly small units, will accelerate based on existing plans; and in conjunction with housing associations, we will continue to promote such developments within local communities.

#### *Increasing social housing*

The social housing sector is contracting steadily and the evidence is that Northern Ireland now needs at least 2,000 additional social dwellings to be provided annually. The delivery of the social new build programme is essential to reduce housing need. However in the past five years, the programme of new social dwellings has replaced less than one-fifth of the stock lost due to house sales and demolitions. Between 2001 and 2004, only 57% of the required minimum of 4,500 new social dwellings had been started.

The Housing Executive will continue and enhance its support role to housing associations through land identification, strategic acquisitions, land release and potentially as a procurement partner. We believe that partnering with specific housing associations in strategic locations has the potential to accelerate development.

Strategic planning for the social sector will continue to recognise its interaction with the rest of the market particularly in respect of affordability, house-builder behaviour and economic and social trends. Social new build investment requirements will continue to reflect the relative priorities of urban renewal, general needs, supported housing and rural need.

#### *Low cost home ownership - affordable housing*

The owner-occupied sector (almost 73% of Northern Ireland's total stock) continues to grow, with the construction of over 12,500 new dwellings and the ongoing sale of Housing Executive homes. Former NIHE properties (over 110,000 sold since 1979) now account for 22% of the owner-occupied sector and represent an affordable investment for first time buyers.

Co-ownership continues to operate as a cost efficient bridge between tenures for low cost housing while tenants of registered housing associations now also have the statutory Right to Buy.

The University of Ulster's house price index shows that the average price of a home in Northern Ireland for Quarter 3, 2004 was £114,150, an increase of £8,371 (7.9%) since the same period last year. As the proportion of house sales to first-time buyers continues to fall, evidence confirms that in Belfast and in some surrounding areas associated with second homes, first time buyers are experiencing increasing difficulties in gaining a foothold on the homeownership ladder.

NIHE, in conjunction with other stakeholders, has developed an affordability indicator at District Council level. The indicator will be included with Housing Need Assessments which the Housing Executive will be preparing as part of its technical advisor role to the Planning Service proposed under PPS12.

The outworkings of PPS12 (currently at draft stage) is critical in sustaining the supply of land for affordable housing and the mid-term review of the Regional Development Strategy affords the opportunity to influence future production targets for affordable housing.

*The Private Rented Sector*

In March 2004 the DSD and NIHE published a joint DSD/NIHE strategic framework for the private rented sector.

Figures show a rapid growth in the private rented sector between 1996 and 2001, with almost 50,000 properties, including several thousand vacant dwellings. The Belfast Urban Area, Derry City and Coleraine account for 43% of the sector, but other council areas have shown brisk growth.

The age profile of private rented properties has reduced as a result of new buy-to-let properties, and a decrease in unfitness in the sector was recorded between 1996 and 2001.

The affordable private renting market (measured by receipt of Housing Benefit) has been growing at the rate of 2,000 units each year since 1999. This growth has been primarily in areas with lower levels of housing demand. The relationship between Housing Benefit levels and expansion of the private rented sector is being researched.

The Statutory Registration Scheme for Houses in Multiple Occupation (HMOs) was implemented in May 2004. Only HMO landlords who register with the Housing Executive will be eligible to apply for discretionary grant funding. More than 200 such grants were approved in 2003/04, representing an investment of £4.5 million.

NIHE will continue to develop methods to use private renting to address housing stress.

The Housing Market Review and Perspectives 2005-2008 sets the context for the strategies, policies, plans and programmes for Northern Ireland's housing agenda. Good housing in a diverse and well-managed housing market has the power to deliver better health, improve educational attainment and create better employment opportunities. Good housing will build a stronger community.



Brian Rowntree  
Chairman



# Executive Summary

## Introduction

The “Northern Ireland Housing Market: Review and Perspectives” is published each year by the Housing Executive in its role as the Regional Strategic Housing Authority. It provides a comprehensive insight into all sectors of the housing market and is an important source of information for the Corporate Plan which sets out the Housing Executive’s intervention in the housing market over a three year period. It also provides a synthesis of key housing statistics and research. This year’s document provides further analysis from the 2001 House Condition Survey in relation to fuel poverty and the Housing Health and Safety Rating. It also sets out findings from key research projects on housing need and the impact of the House Sales Scheme on the housing market in Northern Ireland.

## Chapter 1: The Strategic Context

This chapter examines the key economic, social and demographic factors driving Northern Ireland’s housing market. It begins by giving an overview of political and policy developments.

### Developments in Housing Policy

The interim direct rule administration has continued to deliver the housing agenda launched by the Northern Ireland Assembly.

Many of the key developments relate to the implementation of the Housing (Northern Ireland) Order, February 2003, including:

- Measures to tackle anti-social behaviour in Northern Ireland.
- The introduction of the new discretionary grants scheme.
- The publication of a joint Department for Social Development - Housing Executive Strategic framework for the private rented sector.
- The statutory registration scheme for Houses in Multiple Occupation.
- The statutory right to buy for tenants of registered housing associations.

In addition there have been significant amendments to regulations governing the existing House Sales Scheme for Housing Executive tenants which should result in a significant reduction in the number of house sales. The Decent Home Standard has also been introduced to Northern Ireland, with the aim of bringing all social housing up to this standard by 2010.

Building on Progress: Priorities and Plans for 2005-2008 confirmed the ongoing commitment to housing and specifically in relation to housing for those on low incomes, those in fuel poverty, the homeless and, those requiring housing support services. However, it is also clear that health, education and infrastructure remain the key spending priorities.

The Department for Social Development’s strategic document “People and Place” launched in June 2003 sets out a framework for neighbourhood renewal across Northern Ireland. The Department outlined 28 indicative Neighbourhood Renewal Areas (NRAs). In January 2004 the Belfast Regeneration Office and Regional

Development Office launched their draft plans for Belfast and for Regional Towns and Cities respectively, providing more precise identification of the indicative NRAs and further clarification on local implementation structures. In December 2004, the Draft Implementation Plan for Neighbourhood Renewal in Londonderry was published.

Further progress has been made in relation to the Department for Regional Development's draft Planning Policy Statement PPS12. The Housing Executive has now provided the housing need assessments for the Belfast Metropolitan Area Plan and the Newry and Mourne, Banbridge and Armagh, Ballymena, Antrim and Larne and North Area Plans.

The Belfast Metropolitan Area Plan (BMAP) 2015 Draft Plan was launched in December 2004. The Plan makes provision for 63,000 new dwellings in the period to 2015 with over 70 per cent to be built within existing urban footprints. Approximately 1,780 hectares of land is zoned for housing, including for the first time some zones specifically for social housing.

## The Northern Ireland Economy

In 2003 and the early months of 2004 the world economy underwent a gradual recovery with forecasts of a 5.2 per cent growth in global GDP for 2004. However there were signs of a slowdown in Q2 2004, prompted by rising oil prices and a rapid slowdown in the US economy. In Japan the longstanding cycle of deflation has proved difficult to overcome and in the Eurozone, in Germany in particular, persistently high levels of unemployment and growing job insecurity have seen stagnant retail sales.

In the UK economic growth remained robust with an annual growth in GDP of 3.7% for the year to June 2004. However higher interest rates and a cooling housing market are dampening consumer demand.

So far Northern Ireland's economy has generally performed well with manufacturing output rising for four consecutive quarters. Consumer demand remained strong in the 12 months to 30th June sustained by high levels of employment, low interest rates and rising house prices.

However, manufacturing employment is continuing to decline, public expenditure is set to increase at a slower rate than in recent years and the combination of higher fuel prices, higher interest rates and lower house price increases will impact in a negative way on incomes, spending and economic growth and in turn the housing market.

## The Housing Stock

The total housing stock in March 2004 was 679,000, an increase of 6,000 on the previous year. The owner occupied sector continued to grow by a further 16,000 to 494,000 dwellings (73% of the total stock) mainly due to new construction and the sale of Housing Executive dwellings. The social sector is continuing to decline with the increase of approximately 500 in housing association dwellings in 2003/4, compensating for less than one-tenth of the Housing Executive stock lost through house sales and demolitions. The 2001 Housing Condition Survey estimated that the private rented sector (including vacant dwellings that were privately rented when last occupied) stood at nearly 50,000 dwellings, a figure which is broadly in line with the 2001 census. Early evidence from the 2004 Interim House Condition Survey indicates that this figure has continued to rise.

## Demographic Trends

In March 2001 there were some 1,686,000 people living in Northern Ireland. The 2001 Census and the most recent mid-year population estimates confirm that Northern Ireland's demographic structure is becoming more European in character.

- A declining number and proportion of its inhabitants are children under 16; between 2002 and 2003 the number fell by a further 5,000 to 388,000 (22.3%).
- A growing number and proportion of people of pensionable age: between 2002 and 2003 the number increased by more than 4,000 to 270,000 (15.9%). More than 100,000 people (6%) are over 75 years of age.

Between 2002 and 2017 the number of people aged 75-84 and 85+ are projected to increase by 18,000 (22%) and 13,000 (50%) respectively.

Average household size has fallen over the last five years and in 2003/4 stood at 2.61. More than a quarter of all dwellings are occupied by single person households.

These demographic trends will have important implications for the number of new dwellings required as well as their design and there will be a growing need for housing support services to help older people live independently.

## The Waiting List, Homelessness and the Need for Social Housing

The waiting list for social housing, including the number of applicants in housing stress continued to grow last year. In March 2004 the overall number of applicants stood at nearly 27,650, while the number in housing stress was 14,247 (an increase of 1,010 on the previous year) comprising more than 50 per cent of the total waiting list.

In recent years this growth was to a considerable degree due to growing homelessness associated with the increasing incidence of marital, relationship and sharing breakdown. Last year (2002/03) there was a 16 per cent increase in the number of households presenting as homeless. However, this year although the number presenting as homeless increased by 4 per cent to 17,150 the number awarded homeless status stayed static at around 8,600.

Growth has been concentrated in and around Belfast. Research has indicated that there are a number of interrelated factors encouraging this geographic concentration in the Belfast region:

- Job opportunities: Belfast is the main hub of Northern Ireland's economy.
- The difficulty in obtaining land for new low cost/affordable housing developments.
- An inadequate supply of new social housing in the Belfast region.
- The rising level of house prices in and around Belfast.

The revised 2001 census based housing need models run in 2003 estimated that between 2001 and 2011 there was an annual requirement for between 1400 and 1,500 additional social dwellings to meet the expected rate of household formation. However, bearing in mind the backlog which had built up since 2001 and the continuing local imbalance in housing supply and demand, there was actually from 2004 onwards an annual requirement for at least 2,000 additional dwellings. Between 2001 and 2004 only 2,600 (57%) of the required minimum of 4,500 new social dwellings have been started creating a growing backlog.

## The Characteristics and Condition of the Stock

The 2001 House Condition Survey provides an up-to-date profile of Northern Ireland's dwelling stock. Its key findings were as follows:

- There was an overall increase of 45,000 dwellings between 1996 and 2001 to bring the total stock to 647,500.
- The age profile of the stock changed with a declining number and proportion of pre-1919 stock and a substantial increase in the proportion of stock built after 1980.
- The proportion of detached houses increased by two per cent and this was balanced by a two per cent decline in the proportion of terraced dwellings. The number of flats/apartments increased but there was no commensurate increase as a proportion of the total stock.
- The proportion of the stock in urban and rural areas remained constant 1996-2001, but the proportion in isolated rural areas increased from 18 to 20 per cent.

### Unfitness

- The headline unfitness rate for 2001 was 4.9 per cent (31,600 dwellings), a considerable reduction from 1996 when it was 7.3 per cent (44,000 dwellings). Unfitness remained higher in rural areas (8.5%) than in urban areas (3.1%) and higher in the private rented sector (8.7%) than in the owner occupied sector (2.8%). Nearly half (44%) of all unfit properties were vacant and two thirds (62%) were built prior to 1919.

### Disrepair

Surveyors recorded faults in almost three-fifths (59%) of all dwellings. This is a considerable reduction since 1996 when the comparable figure was 73 per cent. Disrepair was much higher in the private rented sector (71%) and in vacant properties (83%) than in other tenures. The average basic repair cost for the stock as a whole was £1,427 (£1,934 in 1996) giving a total repairs bill of £924 million.

### Decent Home Standard

Almost one-third (32% 206,000) of all dwellings failed the Decent Home Standard. Almost nine-tenths of these (88%) failed on the basis of the thermal comfort criterion.

## Energy Conservation

The Housing Executive is continuing to make good progress towards its target of improving energy efficiency by 34 per cent. The 2001 House Condition Survey confirmed that between 1996 and 2001 energy efficiency for the pre 1996 stock improved by 13 per cent. It also confirmed the ongoing decline of solid fuel heating and the rapid growth of gas and oil driven central heating systems.

### Fuel Poverty

The 2001 House Condition Survey showed that 203,000 households (32% of the total) were in fuel poverty, i.e. had to spend more than 10 per cent of their income to heat their home to an adequate standard. This compares with only 9 per cent of households in England. The main factors in this were lower household incomes in Northern Ireland, higher dependency on benefits, much greater reliance on more expensive solid fuel and oil central heating and much higher electricity prices. If electricity prices in Northern Ireland were the same as the English average some, 43,000 households (over 20% of the total) would be removed from fuel poverty.



Further analysis completed in 2004 indicated the relative importance of the factors and the potential for addressing the issue of fuel poverty.

- Switching all homes heated by solid fuel or electricity to oil or gas would reduce the rate of fuel poverty to 19 per cent (117,000 households).
- An increase in annual household income by £2,500 would take 84,000 households out of fuel poverty reducing the rate to 20 per cent.
- Switching all households where appropriate to oil or gas and combining this with cavity wall and roof insulation where possible in all dwellings would reduce the rate of fuel poverty to 17 per cent (approximately 98,000 fewer households).

In November 2004, the Department for Social Development launched its strategy "Ending Fuel Poverty: A Strategy for Northern Ireland". It emphasises the need for partnership working and adequate funding to meet its stated aims of eliminating fuel poverty in vulnerable households and in the social sector by 2010, and altogether by 2016.

### **Key Issues and Strategic Perspective**

- Northern Ireland's economy has continued to perform well in 2003/4. However, there are strong indications that a combination of lower increases in public expenditure, higher fuel prices, the ongoing decline in manufacturing and higher interest rates will impact negatively on the economy and the housing market.
- Northern Ireland's demography is becoming more typical of most western European countries. The continuing trend towards more single person and pensioner households, will result in a sustained demand for accommodation and in particular for smaller units of accommodation and supported housing.
- The continuing growth in the number of applicants on the waiting list and those in "housing stress", indicates that despite sustained economic growth in Northern Ireland over the past five years and the construction of record numbers of new private dwellings, there is an ongoing shortfall in the supply of social housing. The latest analysis indicates that there is an annual requirement for at least 2000 additional social dwellings for the period from 2004 to 2011.
- The housing stock has grown at an accelerated rate over the past five years and its condition has also improved markedly. The rate of increase in the number of dwellings may well reduce in the coming years, but in order to ensure that current levels of fitness are maintained and improved, adequate public investment is required.
- Good progress has been made over the last five years in relation to increasing the energy efficiency of the stock. However in 2001 approximately one-third of all households were in fuel poverty. Raising the incomes of poorer households and improving energy efficiency through fuel switching and better insulation would both make a major contribution to taking households out of fuel poverty.

## Chapter 2 - Owner Occupation

### New Housing

The owner occupied sector continued to grow steadily in the year to March 2004 with the construction of over 12,500 new dwellings and more than 5,500 Housing Executive sales. In March 2004 some 494,000 dwellings (72.8% of the total stock) were owner occupied, a net growth of more than 16,000. The number of new dwellings started also increased compared with the previous year by more than 1,000 (almost 10%) indicating continued developer confidence in the market.

### House Prices

A combination of continuing low interest rates, subdued stock markets and economic growth stimulated by increased government spending and growing household debt has kept UK house price increases higher than expected 19.3% in the year to September 2004. However, this disguises a significant downturn since the summer. In August and September 2004 average prices rose only 0.1 and 0.2 per cent respectively and in October they fell by 0.4 per cent. In Northern Ireland house price increases over the last two years have been lower, rising at an average of less than 10 per cent over the past year. The average price for Quarter 3, 2004 was £114,150. Anecdotal evidence from estate agents suggests this will fall by December 2004.

### Affordability

The Housing Executive's affordability index is based on a typical annuity formula used by mortgage lenders and a combination of house prices, median household incomes and interest rates and is designed primarily to assess changes in affordability over time and by location. The application of the index confirms that while affordability is not increasing significantly for Northern Ireland as a whole, in Belfast and some surrounding areas (Lisburn, Antrim, Magherafelt, Cookstown) and in some remoter areas where demand for second homes has increased (Moyle and Fermanagh) affordability has become a significant problem, particularly for first time buyers. The proportion of house sales to first-time buyers is continuing to fall.

### Sale of Housing Executive Dwellings

Since 1979 the Housing Executive has sold more than 110,000 dwellings to sitting tenants. They now account for more than one-fifth of the owner-occupied sector and provide an affordable, sound investment for first-time buyers. Last year (2003/4) 5,652 Housing Executive dwellings were sold. It is expected that this may reduce significantly following the implementation of modified regulations from 2004 onwards.

### Condition of the Stock and Grant Aid

Although the 2001 House Condition Survey showed that unfitness had declined markedly since 1996 in the owner occupied sector, 70 per cent of all unfit dwellings in Northern Ireland (22,000) were in this sector. The House Condition Survey also demonstrated the importance of grant aid, particularly in rural areas such as Fermanagh. Almost one fifth of the 24,000 dwellings which were unfit in 1996 and made fit by 2001 received a home improvement grant - approximately four times the rate for the stock as a whole. The new discretionary grants scheme recognises this important role and will continue to target dwellings and households most in need of this form of housing subvention.

## Key Issues and Strategic Perspective

- The existing housing finance framework will ensure that owner occupation will continue to grow. In the next three year period it is expected that a minimum of 10,000 new private dwellings will be constructed annually.
- In the past two years, Northern Ireland's house prices have risen at a more sustainable rate than in many parts of the UK. The downturn in the market in Southern England will not be registered with such severity in Northern Ireland. If interest rates remain low, house prices will continue to rise relatively gently next year at an annual rate of around 5 per cent.
- Affordability problems are still not increasing significantly for Northern Ireland as a whole, compared to South East England, due primarily to the continuing low interest rate environment. However, the new affordability index confirms that in Belfast and some surrounding areas, and in some rural areas, first time buyers are experiencing increasing difficulty in gaining a foothold on the ladder of owner occupancy and it is expected that this situation will deteriorate over the next three years.
- Sold Housing Executive dwellings generally provide a good source of high quality affordable homes, particularly for first time buyers, although modified rules in terms of eligibility and discount may see a significant reduction in the rate of house sales in the coming years.
- The condition of the owner-occupied stock has improved markedly since 1996 and home improvement grants have played an important role in this. It is important that the new discretionary grants scheme is adequately funded.

## Chapter 3 - The Private Rented Sector

The 2001 House Condition Survey and the 2001 Census confirmed the rapid growth of the private rented sector over the previous five years. Some 41,500 dwellings (6.4% of the total stock) were rented privately. If vacant dwellings, classified according to their previous occupancy, are included, the figure rises to nearly 50,000. Early indications from the 2004 Interim House Condition Survey are that this sector has continued to grow.

### Characteristics and Condition

There are still significant concentrations of the private rented sector in its traditional locations in the Belfast Urban Area, Derry/Londonderry and Coleraine. More than two-fifths of the sector (43%) is located in these three council areas. However, other council areas, notably those in proximity to Belfast, have also shown rapid growth.

The profile of the sector is changing. The sector still had a high proportion of pre-1919 dwellings (38%) but this had fallen dramatically from 49 per cent in 1996, mainly as a result of the growth of newer buy-to-let properties. Unfitness also reduced over the previous five years. In 1996 it was 15 per cent while in 2001 it stood at 8.7 per cent, but the percentage reduction in the number of unfit dwellings was much less than for the stock as a whole. Nearly three quarters (71%) of all privately rented dwellings had at least one fault and almost one-half (47%) failed the Decent Home Standard.

## A Profile of the Private Rented Sector

Research completed in 2001 by the University of Ulster confirmed that the socio-demographic characteristics of the private rented sector's traditional profile are changing too. Between 1992/93 and 1999/00:

- the number of single (non-pensioner) person households increased from 28 per cent to 34 per cent;
- the mean age of head of household fell from 45 to 39;
- the number of households with children headed by a lone parent increased from 9 per cent to 18 per cent;
- the proportion of lone pensioner households decreased from 17 per cent to 10 per cent.
- there was a much lower turnover, with only 22 per cent of households staying in the same dwelling less than a year compared to nearly 40 per cent in the early 1990s;
- the proportion of tenants dependent on Housing Benefit grew from 36 per cent to 43 per cent.

The popularity of the sector has increased in response to a number of factors:

- the ease of access to private renting with no lengthy waiting list in areas of high demand;
- the more desirable location of and facilities in many of the properties and
- the desire to move away from some areas where anti-social behaviour is prevalent.

The research concluded by emphasising the importance of not viewing the private rented sector in isolation, as changes in other tenures will impact on the sector. Ongoing investment and a settled political situation will help continued growth. Rising property prices can have contradictory effects, but low interest rates are vital to ensuring a longer term viable investment for many landlords.

## A Strategy for the Private Rented Sector in Northern Ireland

In April 2003 the Housing Executive issued its strategy for the private rented sector for consultation. The main aim of the strategy was to promote a healthy private rented sector, which offers choice and flexibility by influencing supply and securing a better quality, better managed sector. The strategy recognised the complexity and diversity of the sector and its reciprocal relationship with other tenures. It seeks to build on the strengths of the sector, particularly its flexibility and ease of access and to continue to progressively tackle its weaknesses, particularly in relation to conditions and management. In parallel to this the Department for Social Development was completing its review of the 1978 Rent Order. One of its principal recommendations was to move away from the current system of control based on regulated or controlled tenancies to one based on a fitness assessment of the property.

The outcome of the parallel consultation processes was a document issued jointly by the Department for Social Development and the Housing Executive in March 2004 entitled "Renting Privately: A Strategic Framework".

The six objectives of the joint strategy are:

- Objective 1:** To create a legislative structure for the private rented sector, which addresses inequities and targets unfitness through repair enforcement and rent control.
- Objective 2:** To clarify and promote the rights and responsibilities of private rented sector landlords and tenants.
- Objective 3:** To improve housing conditions in the private rented sector.
- Objective 4:** To facilitate housing choice, by promoting the private rented sector as a viable and affordable housing option.
- Objective 5:** To influence the levels of supply of accommodation available for private renting.
- Objective 6:** To promote high standards of management within the private rented sector.

The strategy emphasised the need to encourage, support and enable effective partnership working with landlords, tenants and the statutory and voluntary agencies as the means to best achieve these objectives.

### Houses in Multiple Occupation

Houses in Multiple Occupation (HMOs) continue to play an important role in meeting the accommodation needs of a more transient section of the population catering for young professionals and students. The vast majority of HMOs meet the Fitness Standard but up to two thirds are not suitable for multiple occupation on the grounds of means of escape from fire.

This issue is being addressed with the aid of HMO grants (in 2003/4 more than 200 HMO grants were approved, representing an investment of £4.5million) and through the introduction of a mandatory registration scheme for HMOs under the 2003 Housing Order.

Under the new grants legislation mandatory HMO grants are no longer available, but the discretionary system will ensure better targeting. These will only be available if the landlords register with the Housing Executive. The Statutory Registration Scheme for HMOs was implemented in May 2004.

### Key Issues and Strategic Perspective

- The private rented sector will continue to form a small but significant part of the overall housing market. Changing lifestyles and labour markets, ease of access and its flexibility will ensure that it will continue to expand, underpinned by the Housing Benefit system.
- Approximately 15 per cent of the sector is comprised of sold Housing Executive dwellings, resold on the open market to private landlords who often draw in tenants on Housing Benefit.
- There are indications that the buy-to-let market is becoming saturated in some areas, although poor returns on stock markets still make property a safer investment.

- The age profile of the stock is older than other tenures and there are higher levels of unfitness, disrepair and homes which fail the Decent Home Standard underlining the need for further investment with the help of grant aid.
- In 2001 almost one-half (48%) of all households in the private rented sector were in fuel poverty reflecting both the characteristics and condition of the stock and the level of low income households in this sector.
- The age profile of households in the private rented sector is becoming younger, with fewer pensioner households, and more younger, more unemployed and more lone parent households.
- Houses in Multiple Occupation (HMOs) will continue to play an important role in housing single people, including students and young professionals and those on low incomes. The statutory registration of HMOs will help ensure management standards improve.
- The new strategy for the private rented sector will address housing conditions and a range of legal and management issues in the coming years. The speed at which they are addressed will reflect the availability and prioritisation of funding. New legislation, which is expected to focus on the level of fitness, will help to improve conditions in the sector.

## Chapter 4: Social Housing

### The Social Housing Stock

In March 2004 Northern Ireland's social housing sector comprised approximately 122,000 dwellings (18%) of the total stock. The Housing Executive owned and managed some 100,000 and 38 registered housing associations, excluding Northern Ireland Co-ownership Housing Association, owned and managed over 21,000 self contained units of accommodation. The size of the social sector is contracting steadily. In the past five years the programme of new social dwellings has replaced less than one-fifth of those lost due to house sales and demolitions.

The condition of the stock is good with the 2001 House Condition Survey indicating that only a small number of Housing Executive and housing association dwellings fail the Fitness Standard. Nevertheless there is a significant amount of improvement and replacement work to be carried out.

### The Social Housing Programme

Research on Future Housing Need in Northern Ireland published in January 2004 indicated that on the basis of the 2001 census data there was an annual need for some 1,500 new social dwellings. However in the three years 2001-2004 only a little over one-half of this requirement was met. In addition to meeting the backlog there is a need to allow for geographical mismatch in supply and demand. In 2003 the indicative requirement was set at 1,750. In 2004 a further review of the models was carried out in the light of the most recent population and household projections. This together with further analysis of local data indicates a need for at least 2,000 new social dwellings a year to arrest the upswing in housing stress.

## Improvement and Maintenance Programmes

There continues to be a need for adequate funds for maintenance and improvement of the social housing stock. Some 8,000 Housing Executive dwellings still require improvement works to bring them up to modern day standards; some 50,000 Housing Executive dwellings still require heating conversions to ensure they meet the Decent Home Standard, and the demand for adaptations for the elderly and those with a disability continues unabated. There is also a growing need for major repairs schemes in the housing association sector. The Housing Executive's draft maintenance strategy highlights the need to review the content and programme cycles of external cyclical maintenance programmes, focus resources on component replacement (initially kitchens) and operates cost controls over response maintenance. The strategy also highlights the need to prepare the programmes of work to ensure that all Housing Executive homes meet the Decent Home Standard which was introduced by the Minister for Social Development in July 2004. Indeed all social housing is to achieve this standard by 2010.

## Key Issues and Strategic Perspective

- Over the next three years social housing will continue to decline but at a slower rate as the new house sales scheme regulations take effect;
- Housing Stress will continue to increase unless there is a significant increase in the construction of new social dwellings. The Housing Executive estimates that there is an annual need for at least 2,000 new social dwellings;
- Sufficient expenditure on maintenance and improvement (including adaptation work for the elderly and people with disabilities) is required. The proportion of Housing Executive dwellings meeting the Decent Home Standard will rise as heating conversion programmes are implemented. Programmes will be tailored and prioritised to ensure that all social dwellings meet the Decent Home Standard by 2010.

## Conclusion

Over the past twelve months Northern Ireland's housing market has remained sound. House prices have continued to rise but at much more sustainable rates than in England. Northern Ireland's economy has performed well but despite the increase in the number of employee jobs, the number in employment has fallen significantly and the level of economic inactivity has risen. The ongoing decline in Northern Ireland's manufacturing base, lower increases in public expenditure, higher fuel prices and interest rates and lower levels of support from the EU, as well as signs of a downturn in the world economy all indicate that the housing market in Northern Ireland will be less buoyant than in recent years.

However, although house price increases will be lower, the ongoing demand for dwellings within commuting distance of Belfast will cause ongoing difficulties for first time buyers. The affordability issue needs to be addressed by a combination of policies in relation to planning regulations, support for co-ownership, an adequate social newbuild programme and facilitating the private rented sector.

The 2001 House Condition Survey confirmed the steady progress made in improving housing conditions and energy efficiency over the previous five years, but it also highlighted the need for adequate ongoing investment to ensure that the gains made are not undermined and the important social goals of alleviating fuel poverty and bringing all social dwellings up to the Decent Home Standard by 2010 can be successfully achieved.





# Introduction

The Northern Ireland Housing Market: Review and Perspectives is published every year by the Housing Executive in its role as the Regional Strategic Housing Authority. It is a key document reflecting the growing importance of the Housing Executive's strategic role which gives more emphasis to promoting and facilitating all housing tenures.

This year's "Review and Perspectives" once again provides an analysis of, and the perspective for, the housing market as a whole, as well as the underlying factors driving it. It provides a synthesis of the most recent market intelligence, highlighting the more important trends which emerge from the analysis of the latest statistics compiled by the Housing Executive, Government Departments and the private sector. It also provides summaries of the key findings of housing research carried out by the Housing Executive itself or commissioned from universities or other researchers with a track record of housing expertise.

On the basis of this information the document looks ahead over the coming three financial years (2005-2008) and provides some indications of where current trends are leading and what key issues remain to be addressed.

The "Review and Perspectives" sets the scene for the Housing Executive's Corporate/ Business Plan and guides the organisation's intervention in the housing market. In doing so, the document addresses an important Government objective for a strategic housing organisation: *to conduct regular assessments of current and future need and demand for housing in both the private and social sectors*. However, the document has traditionally served as a readily available synthesis of housing statistics and research for all organisations and individuals with an interest in the housing market, and as a vehicle for stimulating discussion on key housing issues.

Last year's "Review and Perspectives" contained detailed findings, from the 2001 House Condition Survey including those on unfitness, state of repair, the Decent Home Standard and fuel poverty. This year's document provides further analysis of 2001 House Condition Survey data in relation to fuel poverty and the Housing Health and Safety Rating.

Chapter 1 provides the strategic context for Northern Ireland's housing market. It begins by looking at the major developments in housing policy over the last year which have influenced housing. It puts economic developments in the context of international trends and reviews the social and demographic factors, which are, perhaps, the most direct influences on the changing housing market.

Chapters 2 - 4 analyse developments in each of the four main housing tenures:

Owner occupation, the private rented sector and Housing Executive and housing association dwellings. The most recent statistics and trends are examined as the basis for estimating how each of the tenures will develop in the coming three year period, in the context of the strategic forces set out in Chapter 1. Each chapter ends by highlighting the key issues emerging from the analysis and the strategic perspective.

Finally, the short conclusion summarises the key trends and factors which will help determine the development of Northern Ireland's housing market over the next three years and highlights the housing priorities which emerge from the document as a whole.

## **Chapter 1:**

### The Strategic Context

Most of the key developments in housing policy this year relate to the implementation of the Housing (Northern Ireland) Order, February 2003.

## Developments in Housing Policy

The interim direct rule administration has continued to deliver the housing agenda launched by the Northern Ireland Assembly.

Most of the key developments in housing policy this year relate to the implementation of the Housing (Northern Ireland) Order, February 2003:

- **Measures to Tackle Anti-Social Behaviour**

In December 2003 the Northern Ireland Office issued a consultative document seeking views on proposed measures to tackle anti-social behaviour. The document proposed the introduction of two specific measures:

- Acceptable Behaviour Contracts (ABCs): non statutory interventions based on a written agreement between a person involved in anti-social behaviour and one or more local agencies involved in preventing such behaviour.
- Anti-Social Behaviour Orders (ASBOs): civil orders made by the court to protect the public from behaviour which causes harassment, alarm and distress. They contain restrictions on the actions and behaviour of an individual.

Following the completion of the consultation exercise in April, the Anti-Social Behaviour (Northern Ireland) Order was made in July 2004, permitting the Housing Executive, PSNI and District Councils to use these new powers. The Housing Executive is taking a leading role through its Community Safety Team in establishing the partnership arrangements which will ensure that cases are dealt with efficiently and effectively.

- **Introduction of the New Discretionary Grants Scheme**

Following a period of consultation on the details, the Housing Executive implemented the new discretionary grants scheme in December 2003. Renovation and replacement grants and grants for Houses in Multiple Occupation were no longer mandatory, but are now awarded by the Housing Executive in line with agreed strategic priorities and the availability of funding. The Disabled Facilities Grant and Repairs Grants remain mandatory, and a new Home Repair Assistance Grant has replaced the old Minor Works grant (further details are contained in Chapter 2).

- **A Strategic Framework for the Private Rented Sector**

In March 2004 the Department for Social Development and the Housing Executive issued a joint strategy for the private rented sector entitled "Renting Privately: A Strategic Framework". This strategy (see Chapter 3) emphasises the need to encourage, support and enable effective partnership working with landlords, tenants and the statutory and voluntary agencies as the means to best achieve its objectives in relation to a new legislative structure, the rights of landlords and tenants, housing conditions and standards of management.

- **The Statutory Registration Scheme for Houses in Multiple Occupation**

Following consultation on its proposals the Housing Executive implemented its Statutory Registration Scheme for Houses in Multiple Occupation (HMOs) in May 2004. The scheme targets those properties deemed to represent the greatest risk to occupants in five areas of Belfast, Portstewart and Derry City (see Chapter 4) and makes registration a condition of HMO grant approvals after 1st May 2004.

- **Statutory Right to Buy for Housing Association Tenants**

The implementation of the statutory right to buy for housing association tenants recognises that the associations are only partly funded from the public purse and rely heavily on private finance to deliver the newbuild programme. The arrangements for dealing with housing association receipts from house sales are therefore to be amended to ensure that the receipts from house sales and discounts repaid through voluntary purchase grants are used to provide new social lettings within a rigorous timeframe, that properties purchased offer value for money and that houses are only purchased in areas where there is need.

Other significant developments in housing policy which are not directly related to the Housing (NI) Order 2003 have also taken place:

- In October 2004 the Minister for Social Development, John Spellar MP, confirmed that with effect from 18 May 2004 there would be significant amendments to the existing house sales scheme. Increasing the qualifying period for discount from two years to five years and capping discount at £24,000 instead of £34,000 are two key changes which should result in a significant reduction in the number of dwellings being sold. (See Chapter 2).
- The Minister John Spellar MP, introduced the Decent Home Standard into Northern Ireland and has set a key target: all social housing should achieve this standard by 2010. To meet the standard a dwelling must
  - meet the current statutory minimum standard for housing: the Unfitness Standard set out in the Housing (NI) Order 1992;
  - be in a reasonable state of repair;
  - have reasonably modern facilities and services;
  - provide a reasonable degree of thermal comfort through effective heating and insulation.
- The Department for Social Development's strategic document "People and Place" launched in June 2003 sets out a framework for neighbourhood renewal across Northern Ireland with the aim of helping to close the gap between the quality of life for people in the most deprived neighbourhoods and the remainder of society. The Department outlined 28 indicative Neighbourhood Renewal Areas (NRAs) which were to be refined through a process of consultation. A Neighbourhood Partnership Board was to be established in each of these as a vehicle for local planning and implementation. In January 2004 the Belfast Regeneration Office and Regional Development Office launched their draft plans for Belfast and for Regional Towns and Cities respectively, providing more precise identification of the indicative NRAs and further clarification on local implementation structures. In December 2004 the Department published the Draft Implemental Plan for Neighbourhood Renewal in Londonderry.
- Further progress has been made in relation to the Department for Regional Development's draft Planning Policy Statement PPS12 which seeks to address a number of housing and planning policy issues including the development process, housing need assessments, sustainable development and urban capacity studies. The Housing Executive has now provided the housing need assessments for the Belfast Metropolitan Area Plan and the Newry and Mourne and Banbridge and North Area Plans.

## Northern Ireland Affairs Committee Report

Finally, in October 2004 an important report was published by the House of Commons Northern Ireland Affairs Committee entitled "Social Housing Provision in Northern Ireland".

This Committee noted the "increasing signs of strain" in the housing market which "manifested themselves in increasing affordability problems for first-time buyers, a growing waiting list, rising numbers in urgent need of housing, and a declining supply of new social housing". The "Conclusions and Recommendations" in the report are reproduced below:

1. We welcome the valuable work being undertaken by the Promoting Social Inclusion (PSI) Working Group on Homelessness, particularly its engagement with voluntary groups working directly with homeless people. We urge the Minister to ensure that this report is published without further delay.
2. We are concerned at the evident confusion over the level of new social housing required in Northern Ireland and the annual target for new build housing. It is also wrong that the target has been arbitrarily reduced from 1,750 to 1,300 houses in the current year because funding has only been made available for the smaller number. This is particularly unfortunate when, despite strong evidence of escalating housing stress and homelessness, around £37 million annually from record levels of sales of existing Housing Executive stock is returned to the Treasury, when that could be used for the benefit of the homeless in Northern Ireland.
3. One of the conclusions of the recent Committee of Public Accounts report, *Housing the Homeless* was that "the Department must review urgently its projections for the number of new social housing units required, and the level of funding needed to provide them". We support that recommendation and urge the Minister to set clear and unequivocal targets for new social housing provision, and to ensure the provision of an appropriate level of funding to meet those targets.
4. The draft Policy and Planning Statement (PPS12) 'Housing in Settlements' has the potential to make a significant impact on the supply of land for social and affordable housing and was issued for a three-month consultation in November 2002. We are extremely concerned that, almost two years later, it has not been finalised. We urge John Spellar, Minister with responsibility for regional development, to explore the reasons for this unacceptable delay, and to ensure that it is finalised and issued without delay.
5. We recognise the potential for the planning system, through Article 40 agreements under the Planning (Northern Ireland) Order 1991, to contribute to the provision of social and affordable housing and to promote mixed tenure developments, and we urge that greater use of such agreements is made by Departments where appropriate.
6. We recognise the practical difficulties faced by the Department of the Environment in dealing with large numbers of objections to Area Plans, but are concerned that the 2006 target for completion of all Area Plans (itself a slipped deadline) is unlikely to be met. The establishment of Area Plans is of critical importance in identifying land for social and affordable housing against a background of growing need. We urge the Minister to review the current state of all

Area Plans and to take appropriate steps to ensure that the 2006 target is achieved. The prospect of new legislation to speed up the process of public inquiries in the longer term is welcome but will not address the short term difficulty.

7. We have noted with alarm the systemic failure of housing associations to meet the targets for new build social housing over recent years. The review undertaken by the Department for Social Development of the difficulties faced by housing associations will have a limited impact. It is our conviction that a root and branch review of the management of social housing in Northern Ireland is long overdue and we call on the Minister to initiate one.
8. We believe that there would be merit in giving the Northern Ireland Housing Executive (NIHE) oversight of the new build programme together with a greater role on land identification. We also call for serious consideration to be given to returning some responsibility for the new build programme to NIHE, with appropriate powers to raise private finance.
9. We are deeply disappointed that a major study into the future management of social housing in Northern Ireland, commissioned in October 2000, has been the subject of serious delay and has not yet been published. We call on the Minister to publish the HACAS Chapman Hendy Report as a matter of urgency to encourage wide public debate on the options for the future management of social housing.
10. The House Sales Scheme has been in operation for 25 years and has helped many people on low incomes to become homeowners. This is welcome. However, over the period the stock of social houses has shrunk alarmingly and more social houses have been sold than remain in NIHE ownership. We believe that the recent revision of elements of the House Sales Scheme was a missed opportunity to carry out a fundamental review of the entire Scheme. In particular, we are greatly concerned at the absence of any serious attempt to measure the likely impact of the sales policy on the future provision of social housing.
11. We also found no indication that in undertaking the review of the House Sales Scheme, the Department for Social Development has given consideration to the recent authoritative research commissioned by the NIHE and carried out by the University of Ulster and the University of Birmingham. That research had called for consideration of a range of alternative sales options.
12. We welcome the research being taken forward by NIHE of existing co-ownership participants to consider if alternative options were available to purchasing a home through the co-ownership scheme. This should provide evidence for the first time of the impact of the co-ownership scheme on social housing waiting lists.
13. We recommend that consideration is given to the merits of assessing all applicants for co-ownership under the common selection scheme to ensure that the scheme is addressing real need and having an impact on waiting lists.
14. We are concerned at the erratic and uncertain level of funding provided for co-ownership over recent years. In view of its success, and given the Northern Ireland Co-ownership Housing Association's contention that it is a net contributor to the social housing budget, we find this approach difficult to understand. We recommend that a realistic and sustained level of funding is provided to ensure that the co-ownership scheme can continue to develop.

15. The Northern Ireland Co-ownership Scheme, operated by the Northern Ireland Co-ownership Housing Association, has an impressive record having helped around 18,000 people into home ownership over the past 26 years. Its main strength is that there is a single scheme in Northern Ireland operated by a single organisation with a proven track record. We believe that the success of the Co-ownership Scheme in Northern Ireland provides a valuable example for the Housing Corporation in its consideration of how to improve the shared ownership scheme in England.
16. In view of the concerns expressed about the escalating cost of housing benefit in recent years, we welcome the Department's research into the relationship between housing benefit levels and expansion of private renting.
17. We recognise the increasingly important role played by the private rented sector in meeting housing need across Northern Ireland, and we particularly welcome the recent publication of the strategic framework for the sector by the Department for Social Development and NIHE. We were pleased to see that the strategy has been developed in consultation with relevant stakeholders and that there appears to be a high degree of commitment on the part of government to its implementation.
18. Some concerns have been expressed to us about the level of fitness standards to be used in the proposed new legislation to improve housing conditions in the private sector; and there was also a call for provision of rent guaranteed tenancy deposit schemes which could assist homeless people in gaining access to the private rented sector. We welcome the prospect of legislative proposals and will wish to scrutinise these in due course.
19. Fuel poverty is recognised as a major problem in Northern Ireland. The high level of Northern Ireland Housing Executive homes that would have failed to meet the Decent Homes Standard on thermal comfort grounds is a cause for considerable concern. We welcome the development of a Fuel Poverty Strategy and the ongoing action being taken to tackle the issue through fuel switching.
20. We call on the Minister to develop and introduce as a matter of urgency a comprehensive and challenging housing quality standard for Northern Ireland with appropriate targets and funding.
21. We recognise the substantial benefits for people with disabilities in having all new dwellings built to Lifetime Homes standard as well as the potential longer term savings on the cost of adaptations. We call on Ian Pearson, the Minister with responsibility for Finance and Personnel, to introduce the Lifetime Homes standard as soon as possible by amending the relevant building regulations.
22. We welcome the assurance that the work of the Sustainable Buildings Task Force in Great Britain is being monitored. We urge Angela Smith, the Minister with responsibility for the Environment, in consultation with other Departments, to consider making a public commitment to extend the Code for Sustainable Building to Northern Ireland at the earliest opportunity.
23. Our inquiry has shown the dedication and commitment of many in the housing sector. This has resulted in difficulties with the new build programme being tackled, innovative work by Northern Ireland Housing Executive to pilot integrated housing schemes and strategy development for the private rented sector, fuel poverty and other issues. But much more remains to be done.



24. If urgent action is not taken a crisis in the supply of social housing seems inevitable. The number of people on the Common Waiting List has increased significantly, particularly those who are in housing stress and those who are homeless. 26,700 people are currently seeking social housing, of whom nearly half are in housing stress. The number of homeless households increased by 16% last year to 16,426. At the same time, the supply of social housing is falling dramatically due mainly to house sales where the number sold exceeds the remaining NIHE stock. The present situation has been exacerbated through the failure over recent years to meet the targets for new building. A balance of supply and demand needs to be achieved as a matter of urgency.
25. The general perception that the overall quality of housing in Northern Ireland is good masks problems such as high levels of unfitness in the private rented sector and high levels of fuel poverty. The absence of a challenging quality standard in the social housing sector is a cause for concern.
26. Our greatest concern is that policies on many housing issues such as the house sales scheme, the co-ownership scheme and the private rented sector have been developed in isolation with insufficient assessment of their overall impact on the general provision of housing in Northern Ireland. In addition, responsibility for housing issues ranges across at least four departments which makes co-ordination across government difficult. The Social Development Minister indicated that a number of the issues we raised were the responsibility of Ministerial colleagues.
27. We call on the Government to develop a strong and inclusive regional housing strategy setting out a vision for housing in Northern Ireland along the lines for example, of the National Housing Strategy for Wales. The fundamental objective must be to ensure that housing strategy development and delivery is fully co-ordinated with all other key regional and local policies and strategies “.

### Draft Priorities and Budget 2005-08

This year's Draft Priorities and Budget (2005-08) was issued in September 2004 and sets out the Government's proposed priorities and spending plans for the coming three financial years, and reflects the outcome of the national Spending Review (SR 2004) announced in July 2004 which placed a high priority on securing greater efficiency in the delivery of public services, reflected in a UK wide target of 2.5 per cent efficiency savings.

Public expenditure will continue to grow at an annual rate of 3 per cent in real terms. This translates into an increase of £1.2bn in the overall Northern Ireland Department Expenditure Limits (DEL) between 2004/05 and 2007/08 bringing the total DEL to £8.4bn by 2007/08.

Chapter 3 of the document entitled "Priorities" does not specifically mention housing, although housing related expenditure is implicit in the commitment to Neighbourhood Renewal Areas.

The Department for Social Development's Public Service Agreement contains the housing objective: "To promote measurable improvements to housing in Northern Ireland".



The associated targets are:

In partnership with the Northern Ireland Housing Executive and registered housing associations make provision annually for the supply of housing that is affordable energy efficient and maintained to Decent Home Standard. Specifically:

- make available low cost housing for 12,000 households;
- improve the energy efficiency of 15,000 homes; and
- maintain housing fitness levels to at least 95 per cent.

**Table 1: Government's Contribution to Housing Expenditure 2005-2008**

	2004/5	2005/6		2006/7		2007/8	
DSD	443.8	449.5	1.3%	470.7	4.7%	482.3	2.5%
NIHE	172.8	174.3	0.9%	193.3	10.9%	197.3	2.1%
Housing Associations	-1.2	-1.2	0.0	-1.2	0.0	-1.2	0.0
Total Housing	171.5	173.1	0.9%	192.0	10.9%	196.0	2.1%

Source: *Draft Priorities and Budget 2005-08*

The planned Government contribution to the revenue income of the Housing Executive (see Table 1) shows little increase in real terms between 2004/05 and 2005/06, although a significant increase is planned for 2006/07. In the case of the housing associations, the Government's contribution is declining throughout the three year period.

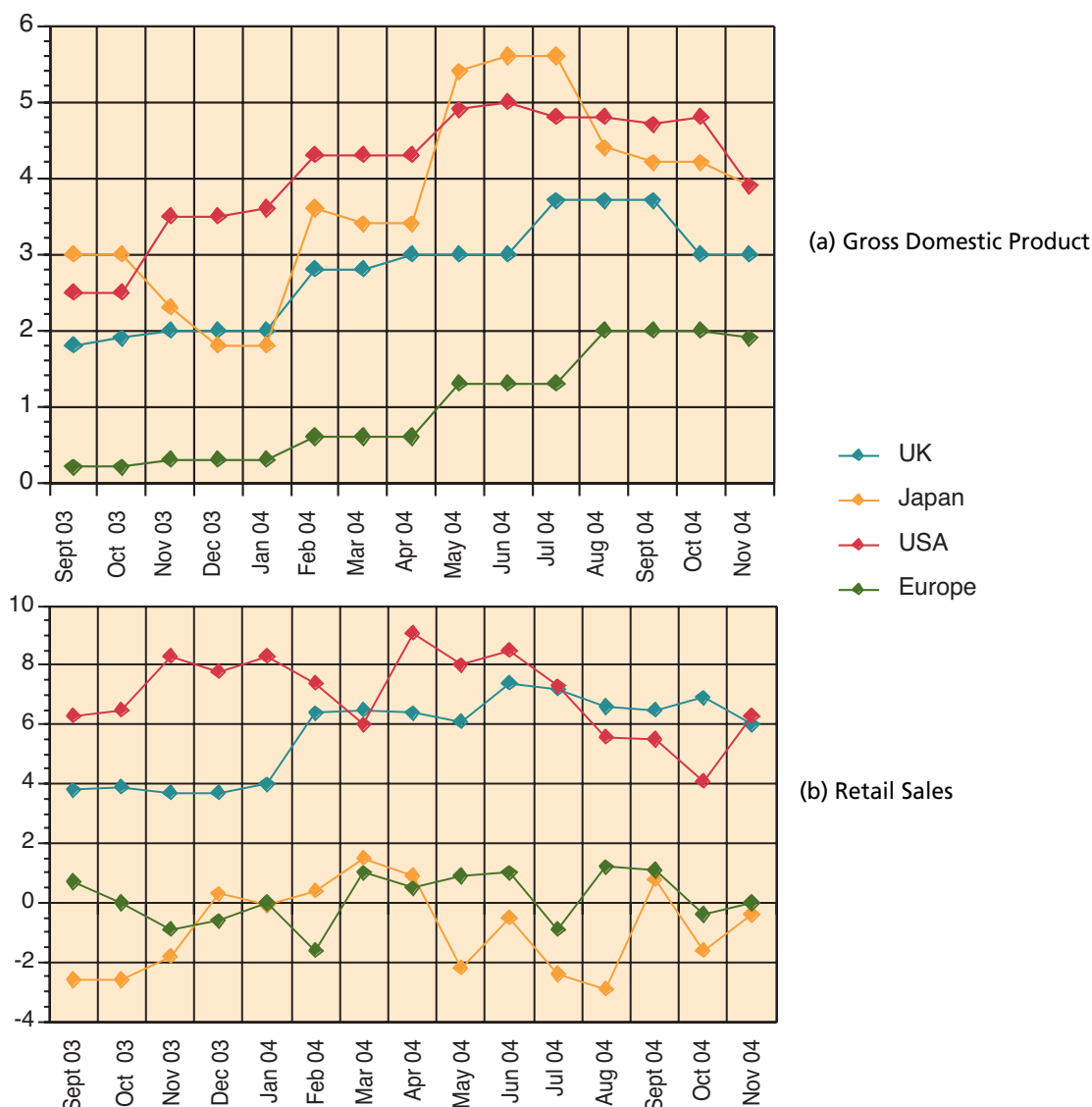
## The Northern Ireland Economy

The most recent publications on the Northern Ireland economy<sup>(1)</sup> indicate that it has continued to perform well compared to other parts of the United Kingdom over the past year:

- The Northern Ireland economy grew by 2.5 per cent in 2003 and is expected to grow by 3.0 per cent in 2004.
- The number of employee jobs<sup>(2)</sup> grew at 1.8 per cent between June 2003 and June 2004, to reach a new record of 683,000, the fastest rate of all regions in the United Kingdom. This includes high rates of growth in the service sector and public services, and also the sharp decline (4.1%) in manufacturing jobs.
- Manufacturing output in Northern Ireland rose in four consecutive quarters to Q1 2004 and was up by 3.8 per cent year on year, whereas in Great Britain output fell by 0.4 per cent in Q1. However, in Q2 2004 manufacturing output declined in Northern Ireland too.
- Consumer demand has remained strong, sustained by record levels of employment, low interest rates and rising house prices with consumer expenditure rising by 2.5 per cent in 2003 and is expected to rise by 3.0 per cent in 2004.

However, it is important to emphasise the growing dependency of Northern Ireland's economy on global economic factors, not only directly because of the importance of international markets for Northern Ireland's exports and of foreign direct investment for creating jobs, but also indirectly through the impact of international developments on the economies of Great Britain and the Republic of Ireland, both of which play an important role in determining the health of Northern Ireland's economy.

Figure 1: International Economic Trends, 2003-2004



Source: Economist

Figures 1 (a) and (b) show international trends in two important economic indicators over the last year: Gross Domestic Product and Retail Sales. The following picture emerges from this diagram and other supporting information:

- USA

The US economy has showed signs of a strong economic recovery since Autumn 2003 with the annualised increase in Gross Domestic Product doubling from 2.5 per cent in September 2003 to 5.0 per cent in June 2004. Retail sales too have remained buoyant, with the annual rate of increase reaching a peak of over 9.0 per cent in April 2004. Unemployment declined from 6.1 per cent to 5.5 per cent (October 2004) and the growth in industrial production remains robust at nearly 5.0 per cent a year.

However, economists also point to the American economy's growing dependency on household debt and the low level of job creation. Interest rates rose for the first time since before the recession in 2001 by 0.25 to 1.75%. The US current account deficit also jumped to a record \$166 billion underlining mounting imbalances in the global economy and the rate of growth of GDP dropped sharply in quarter 3 to 3.9 per cent.

- **Japan**  
The Japanese economy managed to grow more robustly during the first half of 2004 stimulated by a rapidly expanding Chinese economy, but the pace of growth has now started to decline once again. In eight of the twelve months to November 2004 the volume of retail sales declined, raising doubts about the sustainability of any recovery compounded by a government struggling with a burgeoning fiscal deficit and continuing deflation.
- **The Euro Area**  
In the Euro area, and in Germany in particular, the last year has been characterised by stagnation. Retail sales have declined in three out of twelve months. Persistently high levels of unemployment (10% in Germany) and growing job insecurity associated with the restructuring of manufacturing have both contributed to the sluggish domestic demand.
- **United Kingdom**  
In the United Kingdom, Gross Domestic Product has risen steadily for the most of the twelve month period to September 2004, but slowed sharply in Quarter 3 to an annualised rate of only 1.5 per cent. Retail sales have remained buoyant with an annualised increase of over 6 per cent in each of the six months to September 2004. However, it is important to remember that these figures are based on volume, (in September the cash spent on retail sales actually fell) and very dependent on increasing debt (household debt in the UK passed the £1 billion mark in June, equivalent to 135% of disposable income). Indeed, over the summer there were clear signs that the 5 quarter point interest rate increases (see Figure 2) between November 2003 and August 2004 were beginning to bring about a sharp slowdown in the economy. Manufacturing output contracted for a third consecutive month in August, the number of economically inactive has risen by 124,000 during the past year and now stands at almost 8 million, the highest for at least 12 years. Nationwide's house price index fell 0.4 per cent from September to October 2004, the first month on month drop for three years.
- **Republic of Ireland**  
The Republic's economy continued to grow steadily in 2003 at a rate of 3.7 per cent. A recent revision of statistics indicated that it had weathered the 2001-2003 downturn in the world economy better than initially thought, Q1 figures for 2004 indicate even higher rates of growth. It continues to benefit from low interest rates and low rates of corporate tax. House price inflation averaged 11.3 per cent in the 3 months to July 2004, compared to 14.3 per cent for 2003 as a whole. Employment has continued to rise (3% year on year to January 2004) accounted for mainly by the increase in public sector jobs.

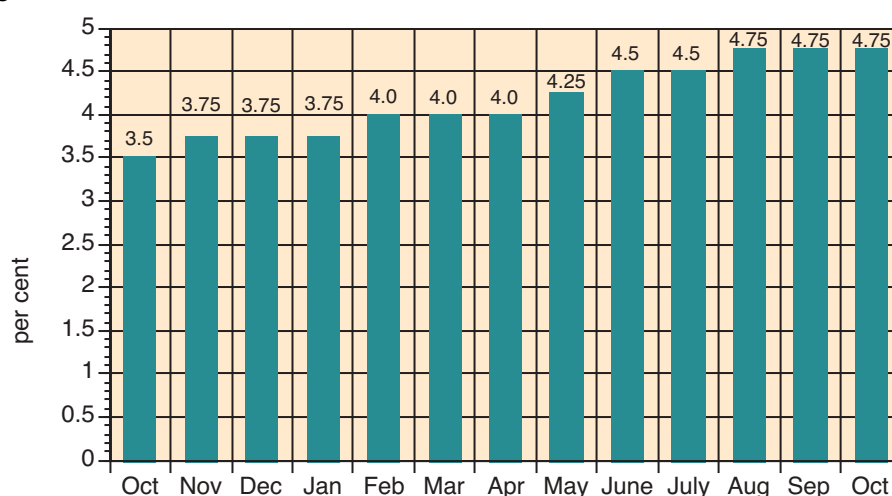
### **Northern Ireland**

The most recent forecasts for the Northern Ireland economy while acknowledging the positive developments over the last year paint a somewhat uncertain picture. GDP and consumer expenditure is expected to grow at 3.0 per cent, employment is to continue to rise and unemployment to decline in 2005 before starting to rise again. However there are a number of factors which would indicate caution is required over the next three year period:

- The number of economically inactive people of working age jumped by 19,000 (7%) between Quarter 3, 2003 and Quarter 3, 2004 to stand at 300,000.
- Public expenditure in Northern Ireland is set to increase by 3 per cent in real terms, the lowest rate of growth for many years.

- The successive rise in interest rates (see Figure 2) have already taken their toll in Northern Ireland. However, home owners with “Annual Review” mortgages and those whose low interest fixed rate mortgages are still coming to an end will see substantial increases in their monthly payments in 2005
- Interest rates may have peaked, but more stable house prices, a greater reluctance to take on more consumer debt, higher fuel prices and the expectation of higher capital value based rates and water charges will all dampen consumer demand and the housing market.

Figure 2: Interest Rates: Increases in Bank Base Rate, 2003-04



Source: Economist

## Employment and Unemployment

Employment and unemployment are two important indicators of economic well-being and therefore of the future health of the housing market. Increasing levels of employment and a decline in the number of unemployed have been seen as key factors in the buoyancy of Northern Ireland’s housing market since 1996.

Table 2 sets out the most recent labour market statistics:

Table 2: Key Labour Market statistics for Northern Ireland, 2003-2004

	May – July 2003	May-July 2004	YoY Change
ILO Employment <sup>(3)</sup>	734,000	718,000	-16,000
Part Time Workers	162,000	150,000	-12,000
ILO Unemployment <sup>(4)</sup>	41,000 (5.3%)	39,000 (5.1%)	-2,000
Economically Inactive	294,000 (27.3%)	306,000 (29.2%)	+22,000
Economically Inactive (Wanting a Job)	54,000	44,000	-10,000
Economic Activity (Working Age)	751,000 (72.7%)	736,000 (70.8%)	-15,000
Unemployment Claimant Count (Aug)	34,300 (4.3%)	29,400 (4.3%)	-4,900

Source: Northern Ireland Labour Market statistics, September 2004

- ILO employment (including employees, self employed and government programmes) has fallen by 14,000, mainly due to the 20,000 fall in the number of employees which was only partly compensated by the rise in the number of self employed. Although the most recent figures on employees jobs (June 2004) indicated an annual increase of 12,000.

- The number of part time workers has fallen substantially by 12,000 to 150,000, the level it was at in 2001. The proportion of the total in part-time employment has also fallen a little over the previous twelve months to 21 per cent. The number of workers with second jobs has also fallen significantly from 28,000 to 20,000.
- The level of ILO unemployment has continued to decrease (by 0.2 percentage points) over the year and now stands at 39,000 (5.1%).
- The number and proportion of working age population who are economically inactive has risen sharply by 15,000. The proportion of economically inactive has jumped from 27.3 to 29.3 per cent, although there has been a decline in those who are economically inactive but want a job from 54,000 to 44,000. The seasonally adjusted activity rate for working age population continues to be the lowest of any region of the UK. The next lowest is for North East England (74.4%) while the average for the UK is 78.7 per cent.

### **Earnings and Benefits**

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

- Average gross weekly household income in Northern Ireland (2002/03) was £439, the lowest of any region of the UK; the comparable figure for the UK as a whole was £546<sup>(5)</sup>.
- In Northern Ireland, Social Security benefits (excluding Housing Benefit and pensions) form 21 per cent of average gross weekly household income<sup>(6)</sup>, whereas the comparable figure for the UK as a whole is 12 per cent. Even for Scotland, a more comparable region, the figure is only 14 per cent, confirming the continued high level of benefit dependency in Northern Ireland.

### **The Regional Development Strategy**

The Regional Development Strategy (2001) has important implications for Northern Ireland's housing market. Its overall purpose is to provide a spatial planning framework to guide physical development in Northern Ireland to 2025. It emphasises the following key housing related issues:

- The importance of decent housing, including the availability of affordable and special needs housing.
- The need for balanced and integrated development, specifically in relation to the development of town, village and countryside, in order to sustain a strong and vibrant rural community.
- The requirement for 160,000 additional dwellings during the period 1998-2015.
- The regional allocation of new housing in the period to 2015 on the basis of 77,500 in the Belfast Metropolitan Area (BMA) and its hinterland and the remaining 82,500 in the North, South and West of Northern Ireland, reflecting the objective of maintaining a strong economic heart in the BMA and its growth potential.
- Housing growth indicators reflecting demand and potential for growth for district council areas outside the BMA. These indicators include 12,700 for Derry and 8,500 each for Craigavon and Newry and Mourne.

- A regional target of 60 per cent for the location of urban housing growth within existing urban areas (settlements over 5,000) for the period 2010, in order to achieve more sustainable forms of development and reduce greenfield developments.

In 2003 as part of its ongoing monitoring of the implementation of the Regional Development Strategy, the Department for Regional Development examined its estimates for new housing in the period to 2015 taking into account new figures emerging from the 2001 census of population. This initial revision resulted in a new target of 166,354 (an additional 6,454 houses) for the period 1998-2015.

However, following the publication of the 2002 based population estimates by the Government Actuary's Department, which although projecting a lower population figure for Northern Ireland in 2015 (1,776,000) than the original 1998-based projection of 1,794,000, also indicated a more rapidly declining average household size. This as well as more up-to-date information on the housing stock, and the demand for new housing, has led the Department for Regional Development to undertake a more fundamental revision to the Housing Growth Indicators (see Appendix Table A4). Drawing on the experience from the rest of the United Kingdom and other countries the first important step in this has now been completed, namely the development of new household projections for Northern Ireland. The revised household projection model developed by NISRA's demographic experts envisages that by 2015 Northern Ireland will have almost 745,000 households, a huge increase from the 719,000 households projected by the original RDS figure. This increase of around 26,000 households has serious ramifications for housing need and demand. Early indications are that there will be an increase around 25 per cent in the estimated need for additional housing in 2015 to around 200,000. The Department for Regional Development is launching a consultation process on the figures in January 2005.

The Belfast Metropolitan Area Plan (BMAP) 2015 Draft Plan was launched in December 2004. The overarching purpose of BMAP is to inform the general public, statutory authorities, developers and other interested bodies of the policy framework and land use proposals that will be used to guide development decisions within the BMA over the plan period.

The Draft Plan aims to:

- provide an essential framework for guiding investment by public, private and community sectors and help harness additional resources through collaboration in tackling problems;
- provide confidence and context for those wishing to develop and those affected by development proposals;
- establish a framework for positive co-ordination of public policies in joined-up government at both regional and local levels;
- support the life of the local community and social and economic progress; and
- interpret at a local level strategic guidance set out in the RDS and other regional planning policies.

In relation to housing, the plan makes provision for 63,000 new dwellings up to 2015. More than 70 percent of these will be within the existing urban footprint. Approximately 1,780 hectares of land are zoned for housing, including for the first time, land zoned specifically for social housing.

## The Housing Stock

The most recent figures for Northern Ireland's total housing stock were published in September 2004 by the Department for Social Development<sup>(7)</sup>. Based on Rates Collection Agency data for March 2004, the DSD estimates that:

- there were 679,000 dwellings in Northern Ireland - an increase of 6,000 on the previous year;
- the owner occupied sector comprised a total of 494,000 dwellings (72.8% of the total stock) an increase of 16,000 on March 2003;
- the Housing Executive's share of the stock continued to decline - in March 2004 it owned some 95,000 tenanted dwellings<sup>(8)</sup>, (14% of the total stock);
- housing association stock, continued to expand with the completion of a further 500 dwellings in the twelve months to March 2004 bringing this sector to over 21,000 self contained units of accommodation (more than 3.0% of the total stock) excluding Northern Ireland Co-ownership Housing Association.
- the number of vacant dwellings, having risen last year by nearly 3,000 to stand at 36,200 (5.4% of the stock) fell back this year by 1,400 to stand at 34,800 (5.1%). For the past 10 years the proportion of vacant dwellings has remained fairly constant at around 5.0 per cent.
- the private rented sector increased over the twelve month period to 34,600 units of accommodation (5.1% of the total stock). However, these figures have consistently underestimated the size of this sector. The 2001 House Condition Survey estimated a much higher figure of 41,500 occupied privately rented dwellings, an estimate which was subsequently confirmed by the 2001 Census figures published earlier this year. A further robust estimate will be produced by the 2004 Interim House Condition Survey.

## Northern Ireland's Demography

### In the Context of the European Union

Northern Ireland has traditionally had a distinctive demographic structure in the context of the European Union. The most recent international comparisons (see Table 3) confirm that it still maintains a certain distinctiveness. However, there is no doubt that Northern Ireland's demography is becoming more European. For example, its key statistics are very similar to those of France - with the exception of the proportion of the population under 15. This figure of 23.2 per cent is the highest of any region of the (EUR15) European Union and its rate of natural increase in 2003 was still more than 5 times the EU average.

**Table 3: Key Demographic Statistics – International Comparisons, 2003**

	% Pop <15	% Pop >65	Birth Rate (per 1,000)	Death Rate (per 1,000)	Natural Increase (per 1,000)
NI	23.2	15.7	12.7	8.5	4.2
UK	19.9	18.4	11.7	10.3	1.4
RoI	21.9	11.2	15.5	7.2	8.3
France	18.9	16.0	12.7	9.2	3.5
Germany	15.7	16.2	8.9	10.1	-1.2
EU	16.9	16.3	10.7	9.9	0.8

Source: *National Statistics, Regional Trends 38 2004; Registrar General, NI, Annual Report, 2003*



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

- In March 2001 there were 1,685, 627 people living in Northern Ireland constituting 2.87 per cent of the total UK population of 58,789 million.
- The age structure of the population is the youngest of all regions of the UK with 398,000 children (23.6%) under the age of 16 compared to 20.1 per cent in the UK as a whole. In 1991 the proportion of the population less than 16 in Northern Ireland was 26.0 per cent.
- Conversely Northern Ireland has a smaller percentage of people of pensionable age (65+ for male/60+ for female) than the rest of the UK. Some 261,500 people (15.5%) of pensionable age live in Northern Ireland compared to around 18 per cent in the UK as a whole. Since 1991 the number of people of pensionable age has grown by around 25,000 (an increase of 11%).
- In Northern Ireland there were over 100,000 people aged 75 or more (a total of 6%). This compares with 7.5 per cent for the UK as a whole. Since 1991 the number of people aged 75 and over has increased by 18,000 (22%).

The research carried out in 2003 by the University of Ulster<sup>(9)</sup> identified a number of other significant demographic changes between 1991 and 2001.

- Northern Ireland's population grew by 6.8 per cent between 1991 and 2001, but the number of households grew by 18.2% (96,000 households) to 626,700. This is almost three times as fast as the overall population.
- This household growth was a function of population growth and a changing pattern of living arrangements. Population growth accounts for about 37 per cent of the growth in household number, changing living arrangements (especially more single person households, including the elderly) for about 63 per cent of household growth.
- Average household size fell from 2.93 in 1991 to 2.65 in 2001.
- Other trends which had already become apparent during the previous decade (1981 - 1991) continued between 1991 and 2001, although some at a different rate:
  - the continued growth in the number and proportion of single person households: from 120,000 (22.8%) in 1991 to 172,000 (27.3%) in 2001;
  - a large fall in the proportion of married couples with at least one dependent child from 31.7 per cent to 24.3 per cent in 2001;
  - the overall proportion of lone parent households with dependent children rose a little (6.1% to 8.7%), but these lone parent households represented a greater proportion of all households with dependent children (15% in 1991 to 22% in 2001);
  - a substantial fall in the proportion of all households with dependent children; from 41.5 per cent in 1991 to 36.5 per cent in 2001;
  - the average age at which people married continued to rise: (from 28 in 1991 to 31 in 2001 for males and from 26 in 1991 to 29 in 2001 for females);
  - the birth rate per 1,000 population continued to fall from (16.2 in 1991 to 13.0 in 2001);
  - the death rate also fell from 9.5 (1991) to 8.6 (2001);
  - the rate of natural increase therefore fell significantly (from 7.7 per 1000 in 1991 to 4.4 in 2001).



## Mid Year Population Estimates (2003)

The most recent mid year population estimates for Northern Ireland published by NISRA in August 2004, and using the 2001 Census as a base, confirm the continuation of a number of predicted trends:

- The population of Northern Ireland has continued to grow. On 30 June 2002 Northern Ireland had an estimated population of 1,702,600, an increase of 67,100 (4.1%) on the 1993 population and an increase of 6,000 (0.4%) on the 2001 population, a little less than the 10 year average.
- The 6,000 increase between 2002 and 2003 was the result of the following components of change: 21,500 births, 14,500 deaths and a net outward migration of 1,000 people.
- The number of children (aged under 16 years) in Northern Ireland has continued to decline from 393,000 to 388,100 (1.2%) between 2002 and 2003, reflecting the falling birth rate since the mid 1980s.
- Conversely the number of people in Northern Ireland of working age and pensionable age has continued to grow, by 0.6 per cent (from 1,037,400 to 1,043,900) and 1.7 per cent from (266,200 to 270,600) respectively between 2002 and 2003.

## 2002 Based Population Projections

In December 2003 the Government Actuary's Department produced its 2002 based population projections for Northern Ireland. These projections were based on a small rise in fertility, a significant increase in estimated life expectancy (by 2 years by 2041) and a lower rate of net out migration than for the 2001 census based projections.

The main points with respect to the Northern Ireland projections are as follows:

- By 2017, the population is projected to have increased to 1.788 million from 1.697 million in 2002. This is equivalent to an average annual rate of growth of 0.35 per cent.
- Projections beyond 2017 suggest the population will peak around 1.840 million in the early 2030s and then start to fall gradually.
- The net projected increase of 92,000 people between 2002 and 2017 is attributable to a natural increase (the difference between the numbers of births and deaths) of 100,000, partially counterbalanced by 8,000 net outward migration.
- In 2002 there were 166,000 more children aged under 16 than adults aged 65 or over. The number of older people is projected to exceed the number of children from 2024 onwards.
- The number of children aged under 16 is projected to fall by 12.3 per cent from 393,000 in 2002 to 345,000 in 2017 and continue to decrease gradually thereafter.
- The number of males aged 16-64 and females aged 16-59 (the current definition of working age) is projected to increase from 1,037,000 in 2002 to 1,093,000 by 2017, an increase of about 56,000 (5.4 per cent). The numbers in this age group will decline thereafter.
- The number of people of pensionable age (as currently defined, aged 60+ for females, 65+ for males) is projected to increase from 266,000 in 2002 to 350,000 by 2017, an increase of 31.6 per cent.
- The numbers of people aged 75-84 and 85+ are projected to increase by 22 per cent and 50 per cent respectively by 2017.

Table 4 summarises key information from the 2002 population projections up to 2017<sup>(10)</sup>.

**Table 4: Population Projections by Age-Band, 2002-2017**

Age Band	2002	2007	2012	2017
	000's	000's	000's	000's
0-4	113	106	106	108
5-11	174	162	151	150
12-15	107	100	94	87
<b>Children (0-15)</b>	<b>393</b>	<b>368</b>	<b>352</b>	<b>345</b>
16-29	327	342	349	332
30-49	483	486	475	471
50-64	266	289	311	340
<b>Adults (16-64)</b>	<b>1076</b>	<b>1117</b>	<b>1135</b>	<b>1143</b>
65-74	125	131	149	165
75-84	79	83	89	97
85+	24	27	32	37
<b>Adults (65+)</b>	<b>227</b>	<b>242</b>	<b>270</b>	<b>300</b>
<b>All Persons</b>	<b>1697</b>	<b>1726</b>	<b>1757</b>	<b>1788</b>

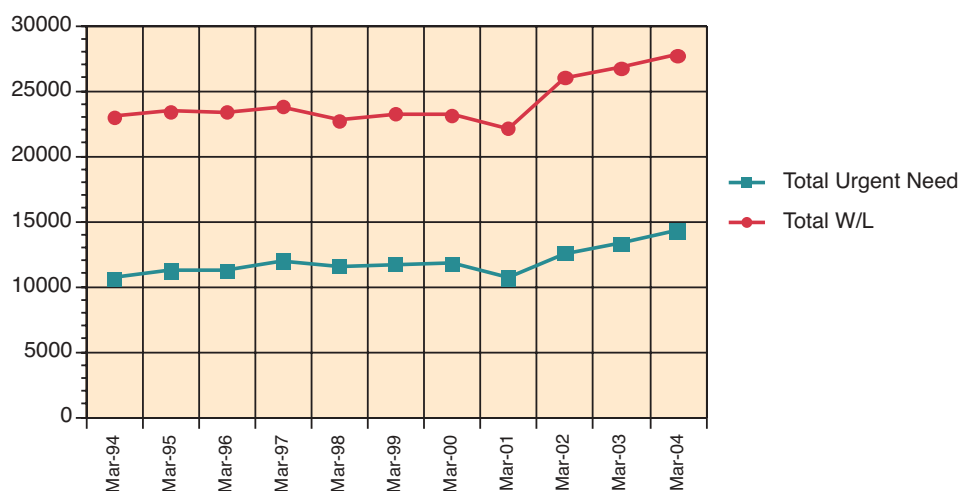
Source: NISRA

For housing the key implications are as follows:

- The declining proportion of children which may have an impact on the size and design of and the number of bedrooms in dwellings.
- The steady rise in the number and proportion of pensioners, and in particular the rapid rise in the 75+ age, which undoubtedly has important implications for not only the design of dwellings, but also the support funding and care packages required to enable these pensioners to live in comfort.

## The Waiting List for Social Housing

**Figure 3: Trends in the Waiting List, 1994-2004**



Source: NIHE

The waiting list for social housing is a key source of information for understanding developments taking place in Northern Ireland's housing market.

Figure 3 illustrates overall trends in the waiting list over a 10 year period. Actual figures can be found in Appendix Table A2. An analysis of these figures shows that:

- Between March 1994 and March 2000 the overall number of applications remained stable at approximately 23,000. The re-assessment exercise associated with the implementation of the new Common Selection Scheme (November 2000) resulted in a temporary reduction in the number on the waiting list in March 2001.
- However, by March 2002 the waiting list had jumped to nearly 26,000 well above levels typical of the 1990s and since then it has continued to rise. In March 2004 it stood at 27,656 a 2.6 per cent increase on March 2003.
- Between March 1994 and March 2000 the number of applicants in housing stress (referred to as urgent need until March 2001) rose gradually from around 10,500 to 11,700. Following a dip in March 2001 (paralleling the decline in the overall number of applicants) the number in housing stress increased to reach 13,237 in March 2003. In the twelve months to March 2004 the pace of increase has accelerated compared to the previous year. In March 2004, a total of 14,247 households were in housing stress an increase of 1,010 (7.6%) over the March 2003 figure.
- The proportion of those on the waiting list in housing stress has also increased over the past year. In March 2003, 49.6 per cent were in housing stress; by March 2004 this figure had risen to 51.5 per cent.

Analysis of the geographic distribution of the increases in the waiting list shows that the pattern of growth is by no means uniform. Table 5 shows the 12 housing management districts with the highest absolute increases in housing stress over the two year period - September 2001 to September 2004. Most tend to be in and around Belfast, on main commuting routes to Belfast or have experienced a significant growth in the number of second homes. Many of these districts also have the highest proportionate increases - particularly Dungannon (79%) where the growth is linked to the increase in the number of migrant workers. Indeed these top twelve districts account for nearly two thirds of the overall increase in housing stress.

**Table 5: Housing Stress, Change 2001-2004**

Housing Management District	Housing Stress 9/01	Housing Stress 9/04	Change 9/01-9/04	% Change 9/01-9/04
Lisburn 1 & 2	561	844	283	50
Newtownards	385	620	235	61
Newry	411	635	224	55
Bangor	479	696	217	45
Dungannon	203	364	161	79
Fermanagh	241	392	151	63
Belfast 3	537	683	146	27
Lisburn 3	205	341	136	66
Coleraine	265	395	130	49
Londonderry 1	344	473	129	38
Antrim	260	387	127	49
Castlereagh	414	528	114	28
Northern Ireland	11,383	14,628	3,245	29

Source: NIHE

It is difficult to identify the relative importance of the contributory factors but the following are certainly of importance:

- proximity to Belfast – the main hub of the Northern Ireland economy;
- the level of house prices in Belfast and surrounding district council areas;
- difficulty in obtaining land for new low cost/affordable housing developments in and around Belfast and insufficient new social housing in these areas; (this pattern is reflected in the affordability index – see chapter 2).
- social and demographic forces, including higher rates of marriage/relationship breakdown and the increasing propensity for single living;
- much of the increase in the total number in housing stress is accounted for by single person households. Indeed the number of single people on the overall waiting list had grown by 40 per cent and in March 2003 account for 44 per cent of the waiting list;
- the growth of second homes in some remoter rural areas.

Analysis of the waiting list by household composition over the period 2001 to 2004 confirms the growing importance of singles (46%) on the waiting list (See Table 6). The importance of small families appears to be declining, while that of the elderly remains constant at around one-fifth.

**Table 6: The Common Waiting List: Household Composition, 2001-2004**

Household Type	March 2001 (%)	March 2002 (%)	March 2003 (%)	March 2004 (%)
Singles	41	40	44	46
Small Adult	4	5	5	6
Small Families	28	26	26	22
Large Families	5	5	5	5
Large Adult	1	1	1	1
Elderly	20	20	19	20

Source: NIHE

The analysis of waiting list trends by geography and household type provides important indicators for the future demand for social housing, for co-ownership and for low cost affordable homes in the private sector:

- it will be concentrated in parts of Belfast and in areas within easy commuting distance from the city;
- it will come from singles, small families and the elderly.

In the six month period from the end of March to the end of September 2004 the demand for social housing has continued to rise. At the end of September there were over 28,240 applicants on the Common Waiting List; more than 14,700 of these were in housing stress.

In view of the growing importance of the singles on the waiting list and the concern expressed by elected representatives on this issue in relation to the small proportion of new social dwellings for single people, the Housing Executive has launched a key strategic research project entitled "Housing Needs of the Singles". Using Derry City Council area as a case study, the research is examining the extent to which the needs of single people aged 16-59 are being met within the existing housing market.

The objectives of the project are:

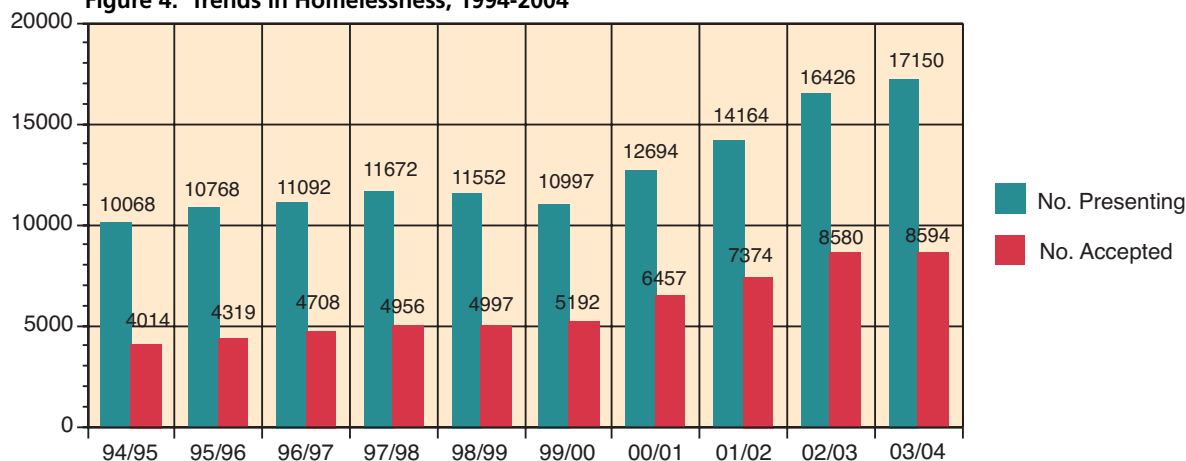
- to analyse the waiting list over the period 1999-2004 with specific reference to single person households;
- to provide an analysis of the housing history of single people on the waiting list with specific reference to their reasons for applying for social housing;
- to assess the length of time that single people remain on the waiting list;
- to give an insight into the level of housing need of single people on the waiting list in comparison to other groups;
- to provide a socio economic and demographic profile of those on the waiting list;
- to assess the housing preferences and intentions of single people on the waiting list;
- to trace the housing history of a sample of those who have left the waiting list and their reason for doing so;
- to compare the profiles of those who have been housed in the private sector and those who have been housed in the social sector;
- to assess the views on social housing held by single people who are on the waiting list or who have now left it in terms of its location, quality, amenities, affordability, etc;
- to assess variations in housing intentions and perceptions according to age, gender and socio-economic background;
- to highlight any discrepancies in housing supply for and housing demand by single people in terms of type, location etc;
- to provide an insight into the scale of need for housing support among single person households on the waiting list.

The core of the research methodology will be a household survey of single person applicants who were on the waiting list for Derry City Council area in September 2003. Interviews will be carried out with a sample of those still on the waiting list and those who have been allocated accommodation in the social sector or have found accommodation in the private sector.

The findings from the research will be published in March 2005.

## Homelessness

Figure 4: Trends in Homelessness, 1994-2004



Source: NIHE

The three year period from April 2000 to March 2003 saw a steady and rapid increase in both the number presenting as homeless and the number accepted (see Figure 4). However, in the twelve month period to March 2004 the pattern changed:

- In 2003/4 a total of 17,150 households presented as homeless - a 4 per cent increase on the previous year, a much lower rate of increase compared to the 16 per cent increase between 2001/02 and 2002/03.
- The number of presenters accepted as being statutorily homeless remained static. In 2003/04, 8,594 households were accepted as homeless compared to 8,580 in 2002/3 (an increase of only 14 households).
- For the first time since the new Common Selection Scheme was introduced in November 2000, the proportion of presenters accepted as homeless has fallen from 53 per cent (2002/03) to 50 per cent (2003/04).
- The pattern of homelessness in relation to the causal factors has also changed to a certain extent. Almost one quarter (4,080; 24%) of those presenting as homeless did so on the basis of sharing breakdown/family dispute (the comparable figures for 2002/03 were 3,600; 22%).
- The absolute number of those presenting as homeless on the basis of marital/relationship breakdown increased from 2,496 (in 2002/03) to 2,543 in 2003/04. However the proportion of those presenting as homeless for this reason remained approximately the same at 15 per cent.

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

- The biggest single cause remains sharing breakdown/family dispute 1,781 in 2003/04 (21% of the total). However this figure has risen both absolutely and proportionately over the figures for 2002/03 (1,544; 18%).
- In contrast to those presenting as homeless, marital/relationship breakdown is not the second most important cause for those accepted as homeless. In 2003/04 only 986 (11%) households were accepted on this basis, a figure which remained almost static compared to 2002/03.
- Accommodation not reasonable accounted for 1,438 households (17% of the total accepted in 2003/04) and a 14 per cent increase over 2002/03. This category is continuing to increase as the population ages – many are elderly people now finding it increasingly difficult to live independently in their current home.
- Over the five year period 1999-2004 there have also been steady increases in the number awarded homeless status due to loss of (private) rented accommodation (897 in 2003/04 compared to 586 in 1990/00) The increase in the former is of particular interest in understanding the inter tenure flows in the market and forms part of a major research project on the private rented sector commissioned by the Housing Executive and being undertaken by the University of Ulster. Early evidence suggests it is related to many tenants accepting private rented accommodation, then finding that housing benefit does not cover the full rent, leaving them unable to meet the difference.

More than one-half (52%) of all households who presented in 2002/03 were single people of whom 3,917 (23%) were single males aged 26-59 years of age. Indeed this latter category showed a 7 per cent increase on the previous year. Families with children were the next biggest category of presenters 5,924 (35 per cent) of those presenting, a marginal increase over the previous year.

Figures for the first six months of the current financial year indicate that the incidence of homelessness has stabilised. Between April and September 2004 a total of 8,524 households presented as homeless and of these 3,196 were some 3 per cent lower respectively than the comparable six months in 2003, although the cumulative figure for homeless households on the waiting list has continued to rise, and in September 2004 stood at 5,000.

### Homelessness Strategy

In September 2002 the Housing Executive published its Homelessness Strategy. It included a number of recommendations which impact on the housing market.

- The need to remove land cost constraints in areas of acute need for homeless households and the need for a special acquisition policy to deal with homeless households with special needs.
- An additional 250 temporary accommodation units and an additional 180 units of move on/supported accommodation through the housing association programme.
- A reduction in the use of private shared accommodation (B+Bs and Houses in Multiple Occupation) by 50 per cent by March 2005.
- Research into homelessness among older people, rural homelessness, and ex-offenders.

Since the publication of the Homelessness Strategy in September 2002 there has been significant progress in implementing these recommendations.

- The Department for Social Development has agreed to the removal of land cost constraints for new social dwellings on a scheme by scheme basis in Belfast.
- Homeless Action Plans have been produced which contain a district by district analysis of homelessness and identify the need for supported and unsupported temporary accommodation. These are reviewed on an ongoing basis and the 2004/05 social new build programme includes 116 supported temporary units of accommodation and a further 136 unsupported temporary units of accommodation.
- The use of private shared accommodation has decreased significantly by 44 per cent.

The three homeless research projects have now been completed. The key findings of the first two projects undertaken in partnership with the Simon Community and Council for the Homeless respectively, were published as part of last year's document.

- The Face of Older Homelessness: Research on homelessness among older people in Northern Ireland.
- Rural Homelessness: Advice, Accommodation and Support Options for Homeless People living in Rural Northern Ireland.

This year saw the completion of a complex research project entitled "Accommodation, Advice and Support Options for Ex-offenders". The final report is due for publication early in 2005.

In view of the Public Accounts Committees' report on Homelessness in Northern Ireland, the Housing Executive asked Professor Chris Paris, University of Ulster to carry out an independent review of the Housing Executive's performance on homelessness in Northern Ireland.



The key findings of his research were as follows:

#### Homelessness in Comparative Perspective (2004)

- The Housing Executive began consulting on homelessness in September 2001 and launched its Homelessness Strategy in September 2002. Much progress has been made since in researching the causes of homelessness and the needs of different groups.
- There has been much progress in developing and implementing the strategy:
  - strong movement towards a homelessness prevention approach.
  - reduced use of private shared accommodation.
  - increased inter-agency working and innovative use of private sector lettings.
  - much use of long-term secure accommodation for those accepted as homeless.
- A lack of comparative statistics makes it hard to fully compare homelessness performance across the UK.
- Other fundamental reviews of homelessness carried out by equivalent large housing authorities were similar in approach and philosophy, but the Housing Executive's strategic review was published before those of Glasgow, Birmingham and Hackney.
- Unlike other UK housing authorities, the Housing Executive often had to deal with the effects of intimidation and civil disorder, which have added 10-15% to the number of homeless households.

Overall the research concludes that the Housing Executive has performed well in comparison with equivalent agencies in Great Britain.

- The shift away from temporary accommodation and the pattern of allocating tenancies to homeless acceptances are similar to developments in Great Britain.
- The Housing Executive's review of homelessness preceded reviews in comparable authorities in Great Britain.

#### The Need for New Social Housing

Although most of the newly arising demand for social housing is met through relets there is an ongoing need for new social dwellings. New social housing is the outcome of a partnership between:

- the Housing Executive which assesses the need for social housing by means of its strategic modelling process and local waiting list information and on this basis draws up a draft programme;
- the Department for Social Development which approves and issues the final programmes, allocates schemes to individual housing associations and is responsible for ongoing programme management; and
- the housing associations who build and manage the new social housing.



Since 1994 the Housing Executive has used a census based Net Stock Model as the foundation for its assessment of the need for new social housing at the Northern Ireland level. Following the publication of the 2001 Census data in 2003 the Housing Executive commissioned the University of Ulster and University of Cambridge to revisit the Net Stock Model and in the light of the new Census data developed an updated and more sophisticated approach to assessing future housing need in Northern Ireland.

The most important outputs of this research, published in January 2004, were two housing need models:

- an updated Net Stock Model which took into account the most recent 2001 Census data and information from the 2001 House Condition Survey.
- a new model (referred to as the Cambridge Model) based on demographic and housing projections, including estimates of future household formation, household headship, age profile and tenure split.

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

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

The research noted that dwellings already in existence, whether refurbished or not, which are drawn into the social housing stock through, for example the acquisition of "existing satisfactory" dwellings do not help meet these targets as they reduce the number of private sector dwellings which are assumed to exist in both these models. For every 100 existing dwellings drawn into the social sector, these targets of 1,400 and 1,500 would have to be increased by a compensating 100 dwellings.

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

- the growing backlog between what should be delivered (1,500) and what actually was delivered 2001-2004.
- local imbalances in supply and demand: oversupply in some areas cannot simply be transferred into areas of high demand.

This already last year resulted in the Housing Executive estimating that there was an annual requirement for 1,750 new social dwellings 2004-2011. This year the Housing Executive asked the Universities of Ulster and Cambridge to revisit their models in the light of new population and household projections and newer housing supply data.

The revised Net Stock model indicates there is an underlying demographically driven need for 1,600 new social dwellings (see Table 7). The Cambridge Model estimates an annual need for 1,700 dwellings. Taking into account the backlog which has developed 2001-2004 and ongoing supply/demand imbalances the Housing Executive estimates an annual average need for at least 2,000 dwellings 2004-2011.

Table 7: Net Stock Model, 2001-2011

	Projected Households (000)
<b>Extra Demand 2001-2011</b>	
New Households	84.0
Concealed Households	5.0
Temporary Accommodation	0.5
Total Extra Demand	89.5
<b>Extra Supply 2001-2011</b>	
New Private Output	106.2
Less Net Demolitions, Conversions and Closures	(20.0)
Less 3% Second Homes	(3.2)
Less 9% Vacancy in New Private Housing	(9.6)
Total Extra Supply	73.4
<b>Social Housing Needed</b>	
Deficit	16.1
Plus 2% Vacancy in New Social	0.3
Total Needed	16.4
Total Rounded	16.0
<b>Total Per Annum (Rounded)</b>	<b>1.6</b>

Source: UUI-NIHE

## The Characteristics and Condition of the Stock

The 2001 House Condition Survey provides a comprehensive insight into the characteristics and condition of Northern Ireland's housing stock. The main report was published in April 2003.

### Additions to and Deletions from Stock

In 2001 there were 647,500 dwellings in Northern Ireland - an increase of 45,000 (7%) over the period since 1996.

The overall increase of 45,000 dwellings over the period 1996-2001 was the result of a combination of additions to and deletions from the housing stock. Some 55,000 new dwellings were constructed and the subdivision of existing dwellings and changes of use created a further 2,500 dwellings. This gross increase of 57,500 was off-set by 12,300 deletions from stock, mainly through demolition, dereliction and change of use. The number of demolitions between 1996 and 2001 was 6,700 (over 1,300 per annum). This is a significant increase over the 1,000 per annum estimated by the 1996 House Condition Survey.

### Dwelling Age

The 2001 House Condition Survey indicates a gradual change in the age profile of the housing stock as a result of:

- Declining numbers and proportions of dwellings in the older categories, mainly as a result of demolition;
- A substantial increase in the proportion of newer dwellings mainly as a result of the accelerated rate of construction of new dwellings over the past five years.

- More than a quarter of all dwellings were constructed post 1980, and indeed, nearly 15% of the total stock has been built since 1990.
- Approximately 18 per cent of all dwellings were built prior to 1919, compared to 20 per cent in 1996, reflecting in particular the ongoing demolition of older stock, mainly in areas of Belfast subject to regeneration.

### Dwelling Type

Northern Ireland's dwelling stock has traditionally been dominated by houses and bungalows. The 2001 House Condition Survey confirmed that there has been no real change in this picture despite the greater number of flats/apartments built in recent years:

- Nearly a quarter of all dwellings (24%) were bungalows, the same proportion as in 1996.
- Terraced houses accounted for almost one-third (31%) of the stock.
- Semi-detached houses and detached houses accounted for nearly one-fifth of the stock.
- Flats accounted for eight per cent of the total stock (52,000 dwellings), most of them purpose built flats/apartments. There has been no appreciable change in the proportion since 1996 but the net increase of over 4,000 purpose built flats 1996-2001 reflects the growing interest in apartment living.

### Distribution of Dwellings

Dwellings in Northern Ireland are located primarily in urban areas (67% of all dwellings) with the remainder (33%) in rural areas. These proportions are the same as in 1996.

In rural areas, however, although the overall proportion remained constant at 33 per cent, there was an increase in the proportion of dwellings in isolated rural areas from 18 per cent in 1996 to 20 per cent in 2001.

### Unfitness

The 1992 Housing Order defines fitness on the basis of nine factors (one of these comprises three separate factors). Where a dwelling fails on one or more of these factors it is deemed to be unfit.

In 2001 the three most important reasons for failing the fitness standard were:

- unsatisfactory facilities for the preparation and cooking of food (19,600; 63% of all unfits);
- serious disrepair (19,600; 63% of all unfits);
- dampness prejudicial to the health of the occupants (16,300; 52% of all unfits).

This overall pattern was similar to that recorded in 1996, when poor facilities for food preparation and disrepair had also been the most common reasons for unfitness.

In 2001 there were 31,600 unfit dwellings in Northern Ireland. This represents a headline rate of 4.9 per cent. This compares to an unfitness rate of 7.3 per cent in 1996.

Political progress and greater economic stability have combined to accelerate the rate of new housing construction and improvements to the existing stock. Ongoing regeneration activity and the number of private sector grants (in particular replacement grants) undoubtedly have also made an important contribution to this rapid improvement in stock condition.

The 2001 English House Condition Survey reported a similar decline in the rate of unfitness - from 7.5 per cent to 4.2 per cent.

The net change in unfitness between 1996 and 2001 is the result of two much larger flows: the "deterioration flow" comprising dwellings which were fit in 1996 but which by 2001 were unfit and the "improvement flow" where dwellings which were unfit in 1996 were either made fit or lost from stock through demolition, dereliction or change of use.

The survey shows that, of the 44,000 dwellings which had been unfit in 1996, 26,300 were made fit, 4,800 were lost from stock and a further 14,900 remained unfit. In addition, 16,700 dwellings which had been fit in 1996 were unfit by 2001. The net effect of these flows is the 31,600 unfit dwellings recorded by the 2001 survey.

#### The Geography of Unfitness

- Unfitness remained higher in rural than urban areas, although there was a substantial reduction in both. In 1996 urban unfitness had been 5.2 per cent; by 2001 this had reduced to 3.1 per cent. In rural areas the proportion of unfit dwellings in 1996 had been 11.3 per cent, compared to 8.5 per cent in 2001. The greatest incidence of unfit dwellings in 2001 occurred in isolated rural areas where 14,000 (11.1%) of all unfit dwellings (44.3% of the total unfitness) were located. This compares with a figure of 16,500 (15.3%) in 1996.
- Analysis of unfitness by district council for 1996 and 2001 shows that the general pattern has remained the same, with a close correlation between unfitness and peripherality. District councils surrounding Belfast have the lowest levels of unfitness as affordability and land availability issues have encouraged many to move outside Belfast and buy new or improve existing homes and travel to work in Belfast.
- As in 1996, Fermanagh continued in 2001 to have the highest rate of unfitness. Nearly 13 per cent (almost 3,000 dwellings) of Fermanagh stock failed the Fitness Standard, although this still represents a large reduction from the 17.5 per cent recorded in 1996.
- Belfast still had the highest number of unfit dwellings (7,000; 5.9%) in 2001, reflecting the concentration of dwellings built before 1919.

#### Unfitness - Tenure and Dwelling Age

There is a clear link between unfitness and tenure, with the highest rates of unfitness being found in vacant dwellings: nearly half (14,000; 44%) of all unfit properties were vacant and a similar percentage of all vacant properties were unfit. The rate of unfitness for occupied properties was only 2.9 per cent.

Within the occupied stock in 2001, the highest rate of unfitness was found in the private rented sector where 4,300 dwellings (9 per cent of the sector) were unfit, compared to 15 per cent in 1996. In the owner occupied sector some 12,000 dwellings (2.8% of this sector) were unfit compared to 5.8 per cent in 1996. In the social sector unfitness continues to be very low (in 2001 it was less than one per cent).

Finally there was a clear correlation between unfitness and dwelling age. Almost two-thirds of all unfit dwellings (19,300; 62%) had been built prior to 1919.

The household characteristics of those living in unfit dwellings tended to be age and income related. The average rate of unfitness for occupied dwellings was 2.9 per cent, but the following groups had rates above this average:

- Elderly heads of household aged at least 75 (6.0% lived in unfit dwellings);
- Lone older households (6.2% in unfit dwellings);
- Heads of household who were unemployed (4.2%) and permanently sick or with a disability (4.1%)
- Households with an annual income of less than £7,000 (5.9%).

### Disrepair and the Decent Home Standard

In 2001 almost three-fifths (59%) of all dwellings had at least one fault. This is a considerable reduction since 1996 when the comparable figure was 73 per cent. Dwellings were much more likely to have faults to their exterior fabric (54%) than their interior fabric (22%) or to amenities and services (8%).

Disrepair was more prevalent in some tenures than in others. Faults were recorded in 71 per cent of privately rented properties compared to only 56 per cent of owner occupied properties. More than four-fifths (83%) of vacant dwellings had faults.

There was a clear relationship between dwelling age and disrepair. More than three quarters of dwellings built before 1945 had faults.

The average cost of repairs had reduced since 1996, reflecting the overall improvement in the state of repair of the dwelling stock. The average cost of urgent repairs in 2001 for the dwelling stock as a whole was £1,124 (£1,296 in 1996) and the average basic repair cost was £1,427 (£1,934 in 1996). In 2001 the total repairs bill was estimated to be £728 million for urgent repairs and £924 million for basic repairs.

Almost one third (32%; 206,000) of all dwellings failed the Decent Home Standard. Almost nine-tenths (88%) of these failed on the basis of the thermal comfort criterion, less than one-fifth on the basis of disrepair and 10 per cent on the basis of lacking modern facilities and sources.

The rate of dwellings not meeting the Decent Home Standard (non-decency) varied considerably by tenure:

- it was highest among vacant dwellings (71%).
- one half (50%) of Housing Executive properties and almost one half of privately rented properties (47%) failed the Decent Home Standard.

There was a clear association between failing the Decent Home Standard and dwelling age:

- one half of all dwellings built before 1919 were non-decent.
- this proportion fell steadily until it was minimal for dwellings built after 1980.

Elderly heads of household over the age of 75 were much more likely to live in non-decent homes (46% compared to an overall average of 30% for all households).

Almost half (48%) of all heads of household who were unemployed lived in homes that failed the Decent Home Standard.

There was a clear relationship between annual income and living in non-decent housing: 43 per cent of those households with an annual income of less than £7,000 lived in homes which failed the decency standard, but the figure fell to 16 per cent for households with £30,000 or more.

## Housing Health and Safety Rating

The Housing Health and Safety Rating System (HHSRS) is a means of evaluating the potential effect of any faults on the health and safety of occupants, visitors or neighbours. DETR (now The Office of the Deputy Prime Minister (ODPM)) commissioned Warwick University and the Building Research Establishment to develop the Rating System, as a replacement for the current fitness standard. The first version was released in July 2000. Version 2 of the HHSRS was released, with full guidance, in November 2004 and is to be enforced in the autumn of 2005.

The Rating System places the emphasis on the effect of hazards rather than the existence of faults. Therefore it is the potential for harm which is the significant factor.

The measure differentiates between minor hazards and those where there is a high risk of serious harm or even death. The HHSRS is assessed against vulnerable people for e.g. the young and old and focuses on the physical rather than the behavioural causes of accidents.

## Northern Ireland: Housing Health and Safety Rating (2001)

### Key Findings

The 2001 House Condition Survey data was modeled to provide the following information:

Overall eight per cent of all dwellings in Northern Ireland were considered to have unacceptable HHSRS risks. More common risks in dwellings in Northern Ireland were dampness, lead and excess cold.

The types of dwellings most likely to fail the HHSRS were:

- vacant (36%) followed by dwellings in the private rented sector (14%);
- older dwellings pre-1919 (23%) and 1919 to 1944 (20%);
- located in rural areas Fermanagh (19%), Newry and Mourne (13%) and Dungannon (13%).

Two-thirds (67%) of unfit dwellings, in Northern Ireland in 2001, failed the HHSRS and 17 per cent of dwellings which failed the Decent Home Standard also failed the HHSRS.

Overall seven per cent of occupied dwellings were considered to have unacceptable HHSRS risks. Older heads of household (9%) and lone older household types (10%) were slightly more likely to live in dwellings which failed the System. A similar proportion (9%) of households with less than £7,000 per annum failed the HHSRS. There was not much variation across other key social groups.

## Energy Conservation and Fuel Poverty

The Housing Executive is Northern Ireland's Home Energy Conservation Authority (HECA). In this capacity it is responsible for identifying practicable, cost-effective measures to increase the energy efficiency of Northern Ireland's homes. Its key objective in this sphere has been to increase the energy efficiency of the stock by reducing energy consumption of the dwelling stock in existence on 1 April 1996<sup>(11)</sup> by 34 per cent. No deadline has been set for achieving this target, but substantial progress is expected by 2006.

### 2001 House Condition Survey - Energy Efficiency

The 2001 House Condition Survey confirmed the substantial progress which had already been made since 1996:

- The baseline figure for domestic energy consumption in Northern Ireland in 1996 was 79,600 terajoules. By 2001 this had reduced substantially by 13 per cent for stock built prior to 1 April 1996 to 69,000 terajoules.
- The average Standard Assessment Procedure (SAP) rating for the housing stock had increased substantially from 41 in 1996 to 52 in 2001.
- In 1996, 87 per cent of the stock had central heating; by 2001 this had increased to 95 per cent, and nearly half of those without central heating were vacant properties.
- Since 1996 the popularity of oil fired central heating has continued to rise dramatically. In 1996, 36 per cent of dwellings had oil fired central heating but by 2001 it was 58 per cent. In addition, by 2001 a further 62,000 dwellings (10%) relied on dual systems, the vast majority of which included oil as one of the fuel sources.
- There has been a commensurate decline in the use of solid fuel as the main heating source from 41 per cent in 1996 to only 19 per cent in 2001.
- Between 1996 and 2001 the contribution of mains gas to heating Northern Ireland's dwelling stock grew steadily; in 1996 there had been no mains gas in Northern Ireland, but by 2001 more than 20,000 (over 3%) dwellings were heated this way.
- In 1996 only 36 per cent of dwellings had full cavity wall insulation; by 2001 this had risen to 50 per cent. A further 6 per cent had partial cavity wall insulation. Around half of those with no cavity wall insulation were of solid wall construction.
- In 2001 nearly one-half (47%) of all dwellings had full double glazing, compared to less than one-quarter in 1996.



## The Housing Executive's Energy Strategy

### Heating Policy

The Housing Executive's heating policy is designed to improve energy efficiency. Housing Executive dwellings within the gas licence area have their heating systems replaced by high efficiency gas systems. In other areas new central heating systems are oil-fired where technically possible.

In 2003/04 a further 8,700 heating conversions were carried out in Housing Executive dwellings so that by March 2004 more than 18,000 dwellings had gas fired central heating and 27,000 had oil fired central heating. This excludes a further 10,000 former Housing Executive properties with gas or oil heating which have now been sold to sitting tenants. The number of Housing Executive homes using gas may expand at an accelerated rate now that the construction of the new pipeline to the North West is completed.

In 2002/03 the Housing Executive received £6m from the Reform and Reinvestment Initiative to bring forward an Economy 7 replacement programme for its stock (just over 20,000 Housing Executive properties had Economy 7 heating). In 2003/04 the Housing Executive received confirmation that a further £6m per year for two years was being made available for this programme.

The Housing Executive is currently reviewing its heating policy in the light of a recommendation from the Northern Ireland Audit Office. A secondary reason for this review arose in March 2004 with the announcement by Phoenix Natural Gas of a proposed 20 per cent increase in the price of natural gas. The Housing Executive agreed to re-examine the economic appraisal on which its heating policy was based. The proposed gas price increase was initially suspended but from October 2004 Phoenix announced that there would be a price increase of 11.3 per cent. The heating policy review is ongoing against a background of price increases for all of the main domestic heating fuels.

### Warm Homes Grants

The Warm Homes Scheme which was introduced in July 2001 is designed to improve the energy efficiency of dwellings thereby helping reduce energy consumption and alleviate fuel poverty. It provides a range of insulation related measures for eligible households and provides for energy efficient central heating installations, or conversions for elderly households who meet certain eligibility criteria.

The insulation related measures include: loft insulation, draught proofing doors and windows, cavity wall insulation, hot water tank insulation and radiator foils. For elderly (over 60) households the scheme provides funding for the installation of natural gas or oil fired central heating where no central heating currently exists, or the conversion of existing solid fuel or electric central heating to natural gas or oil fired central heating.

The scheme focuses on those households at greatest risk of ill health (the elderly, families with young children, people with disabilities or the chronically sick) and who are in receipt of at least one of a range of benefits. A grant of up to £2,700 is available where central heating is required.

In 2003/04 a further 4,500 owner occupiers received Warm Homes Grants for insulation at a cost of £1.75m and 1,600 received grants for central heating at a cost of £4.5 million. In all over 5,200 elderly owner occupiers have had central heating installed with the assistance of a Warm Homes Grant, 8,600 homes have received cavity wall insulation and 8,300 loft insulation.



## Fuel Poverty

The 2001 Northern Ireland House Condition Survey provided the first reliable assessment of fuel poverty in Northern Ireland on a comparable basis with the rest of the United Kingdom. Fuel poverty is defined as a situation where a household needs to spend more than 10 per cent of its income in order to achieve an adequate standard of warmth (21°C in the living room and 18°C in other occupied rooms). Although it should be noted that the Fuel Poverty model used by the Housing Executive and the Office of the Deputy Prime Minister includes the costs for lighting, cooking and household appliances as well.

- The main causes of fuel poverty are
  - poor thermal efficiency of the dwelling
  - low household income
  - high fuel prices

The key findings emerging from the 2001 House Condition Survey were as follows:

- Some 203,000 households, one-third (33%) of all households in Northern Ireland, were in fuel poverty. The comparative figure for England was 9 per cent. The main reasons for this differential are lower incomes and greater benefit dependency in Northern Ireland, higher fuel prices and a much greater reliance on solid fuel and electric heating. Further analysis and modelling work is being undertaken with the Building Research Establishment to ascertain the relative importance of each of these factors. However, preliminary findings indicated that, for example, if the average price of electricity in England is used in the Northern Ireland model a total of 43,000 households (more than one-fifth of the total) would be removed from fuel poverty.
- The rate of fuel poverty varied considerably by tenure. It was highest among Housing Executive tenants (61%, 70,500) where there are considerable concentrations of deprivation, and where a considerable number of dwellings still have solid fuel and electric central heating. However, almost one-half (48%; 23,000) of households in the private rented sector were in fuel poverty. In the owner occupied and housing association sectors the proportions were much lower - 24 per cent and 27 per cent respectively, although more than half (52%; 105,000) of all households in fuel poverty were in owner occupation.
- There was a clear link between fuel poverty and age of dwelling: almost half (46%) of all households living in dwellings built before 1919 were classified as fuel poor.
- Almost nine out of ten households (87%) in fuel poverty had an annual income of less than £10,000. Indeed 95 per cent of all households with an annual income of less than £7,000 were fuel poor.
- High rates of fuel poverty were found among lone parents (68%) and the unemployed 65%.
- High rates of fuel poverty were found among households with solid fuel glass fronted fires (67%) and electric heating (67% for non storage and 47% for storage heaters). However, it is important to note that 23 per cent of those with oil fired central heating and 39 per cent of those with mains gas heating were in fuel poverty.

In September 2004 the Housing Executive completed a thematic report based on more detailed modelling of the 2001 fuel poverty figures by the Building Research Establishment. The overall objective of this modelling exercise was to ascertain the relative importance of each of the key factors in fuel poverty - thermal efficiency of the dwelling, low household income and high fuel prices. The key findings of this research are as follows:

#### Thematic Report on Fuel Poverty in 2001

- Increasing annual household income by £2,500 took 84,300 households out of fuel poverty, thereby reducing the rate of fuel poverty to 20 per cent (119,000 households). An increase of £1,000 reduced the rate to 28 per cent (170,300 households).
- Realistic fuel price reductions had a smaller impact on reducing fuel poverty. If the price of all four fuels (oil, gas, electricity and solid fuel) is reduced by 10 per cent the rate of fuel poverty reduced to 29 per cent. Within this electricity prices played the most important role. If electricity prices were reduced by 10 per cent and the price of other fuels held constant, the rate of fuel poverty dropped to 31 per cent (190,500 households).
- Conversely a 10 per cent increase in the price of all four fuels would increase the rate of fuel poverty to 38 per cent (233,600 households).
- Fuel switching from solid fuel or electric heating to gas or oil (in the gas licence area) resulted in a very considerable reduction in fuel poverty to 19 per cent (116,900).
- When this is combined with upgrades to cavity wall and roof insulation where technically possible, the rate of fuel poverty falls even further to 17 per cent (104,400 households).

Overall the study concluded that although low income and high prices are very important causes of fuel poverty, there would need to be substantial changes in incomes or prices to make a major difference. Major inroads could be achieved by fuel switching to oil and gas and putting in place the associated insulation measures. These on their own however, will not eliminate fuel poverty - the estimated 17 per cent of households still in fuel poverty, if all energy efficiencies were to be carried out, is caused by low incomes and/or high fuel prices.

In October 2003 the Department for Social Development launched a consultation paper: "Towards a Fuel Poverty Strategy for Northern Ireland". Drawing on the findings of the 2001 House Condition Survey the consultation document described the adverse effects of fuel poverty on people's health and social well being. It discussed current activity to tackle fuel poverty across the different housing sectors, including actions to minimise fuel costs, maximise household income and raise energy standards. It emphasised the Department's commitment to working in partnership with the public, private, voluntary and community sectors to tackle fuel poverty. Subject to securing the necessary funding it commits the Department to:

- eliminating fuel poverty in vulnerable households and in the social rented sector by 2010; and
- eliminating fuel poverty altogether by 2016.

In November 2004 the Department for Social Development launched its actual strategy: "Ending Fuel Poverty: A Strategy for Northern Ireland". It reiterates the key targets set out in the consultation document, and sets out a range of activities and delivery mechanisms that will be used to eradicate fuel poverty.

### **Key Issues and Strategic Perspective**

- Northern Ireland's economy has continued to perform well in 2003/4. However, there are strong indications that a combination of lower increases in public expenditure, higher fuel prices, the ongoing decline in manufacturing and higher interest rates will impact negatively on the economy and the housing market.
- Northern Ireland's demography is becoming more typical of most western European countries. The continuing trend towards more single person and pensioner households will result in a sustained demand for accommodation and in particular for smaller units of accommodation and supported housing.
- The continuing rapid growth in the number of applicants on the waiting list and those in "housing stress", indicates that despite sustained economic growth in Northern Ireland over the past five years and the construction of record numbers of new private dwellings, there is an ongoing shortfall in the supply of social housing. The latest analysis indicates that there is an annual requirement for at least 2,000 additional social dwellings for the remainder of the period 2001-11.
- The housing stock has grown at an accelerated rate over the past five years and its condition has also improved markedly. The rate of increase in the number of dwellings may well reduce in the coming years, but in order to ensure that current levels of fitness are maintained and improved, adequate public funding is required.
- Good progress has been made over the last five years in relation to increasing the energy efficiency of the stock. However in 2001 approximately one-third of all households were in fuel poverty. Raising the incomes of poorer households and improving energy efficiency through fuel switching and better insulation would together make a major contribution to taking households out of fuel poverty.

## **Chapter 2:**

### The Owner Occupied Sector

The owner occupied sector of the housing market has grown rapidly in the last 10 years not only in absolute terms but also as a proportion of the overall market.

## The Growth of Owner Occupation

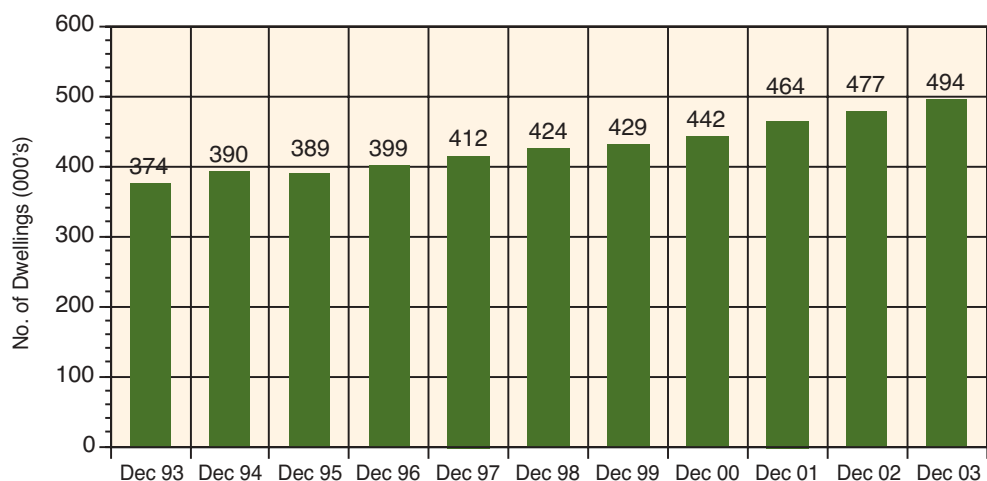
The owner occupied sector of the housing market has grown rapidly in the last 10 years not only in absolute terms but also as a proportion of the overall market. This growth was encouraged by government policies which included tax relief on mortgage interest (until April 2000), reductions in “bricks and mortar subsidies” for the construction of new social housing, ongoing rent increases for social sector dwellings which were above the GDP deflator and generous discounts to tenants in the social sector wishing to purchase their home. There is no doubt that the current housing finance regime and the low interest rates, which have prevailed since the mid 1990s, have combined to make owner occupation the most attractive long term way for households who can afford it to meet their housing requirements.

Figure 4 shows that in December 1993 there were some 374,000 dwellings (63.5% of the total stock) in owner occupation. Ten years later in March 2004 this had increased by more than 100,000 to 494,000 (72.8% of the total stock). In the twelve months April 2003 to March 2004 the owner occupied stock grew by more than 16,000, largely as a result of the construction of new dwellings and the sale of Housing Executive properties.

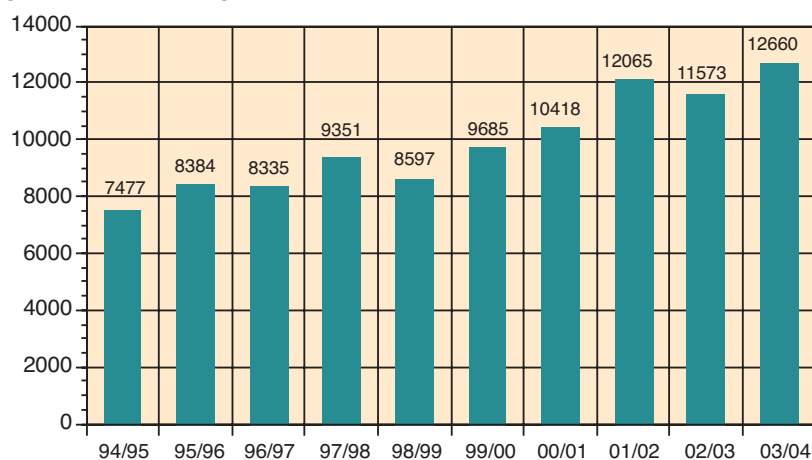
## New Housing

In the twelve month period to March 2004 a total of 12,660 new private sector dwellings were started. This represents an increase of more than 1,000 (8%) over 2002/03, partly reflecting the ongoing buoyancy of the economy and housing markets in Northern Ireland, but also the weakness of the stock markets, where investors, including those saving for their pensions, see property as a more secure investment rather than shares.

Figure 5: The Growth of Owner Occupancy, 1994-2004



Source: DSD Housing Statistics 2003/4

**Figure 6: New Housing Construction in the Private Sector, 1994- 2004**

Source: DSD, *Housing Statistics 2003-4*

Figure 6 shows that this figure of 12,660 dwellings not only represents a record output for the last 10 years (and indeed an all time record for private sector construction in Northern Ireland), it is well above the average rate of 11,300 for the last five years. The most recent figures<sup>(1)</sup> indicate that the high level of new dwelling construction is being sustained. In the first six months of 2004 over 7,000 dwellings were started, an increase of nearly 600 (9%) compared to the first six months of 2003.

The location of the new properties is concentrated in Belfast and its commuting hinterland and in some more tourist-oriented scenic council areas associated with the growth of second homes. More than 500 dwellings were started in twelve district council areas:

Ards, Banbridge, Belfast, Coleraine, Craigavon, Derry, Down, Fermanagh, Lisburn, Newry and Mourne, Newtownabbey and Omagh. More than 1,000 dwellings were started in Belfast, Craigavon and Lisburn representing substantial increases in the numbers started the previous year in these council areas (emphasising the high demand for living in Belfast and its south westerly Lagan corridor).

The trends in the types of new dwellings being constructed in recent years have continued in 2003/4. Table 8 shows that the proportion of detached houses (34%) and detached bungalows (5%) has continued to fall. The proportion of semi detached (31%) and terraced properties (19%) (including town houses) typically found in urban Brownfield sites is continuing to grow. The appetite for apartment living shows signs of waning: for the third year in a row the proportion of flats/maisonettes (including apartments) fell from 19% in 2000/01 at the height of the apartment boom to only 13% in 2003/4.

**Table 8: NHBC Registered Starts by House Type, 1998-2004**

	Detached Houses %	Detached Bungalows %	Semi Det Properties %	Terraced Properties %	Flats and Maisonettes %	Total Numbers
1998/99	34	18	32	6	10	8288
1999/00	33	15	30	6	16	9695
2000/01	37	9	24	10	19	6953
2001/02	37	9	25	13	17	8923
2002/03	36	6	29	15	15	9725
2003/04	34	5	31	19	13	10,178

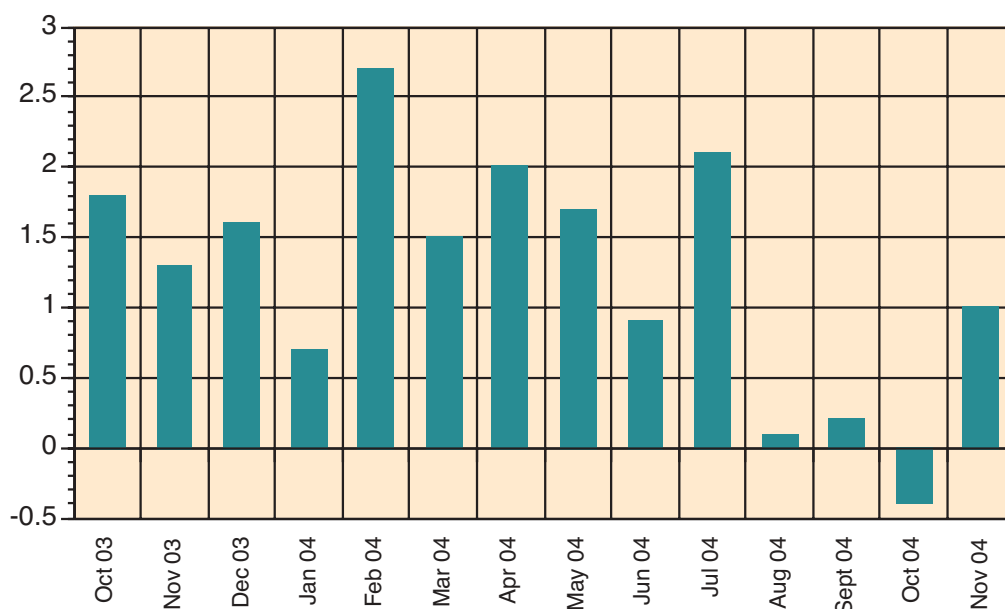
Source: DSD, *NI Housing Bulletin, 1 January – 31 March 2004*

## House Prices

### House Prices in the UK

The most recent house price figures for the UK indicate that the long expected downturn in the housing market arrived over the summer months, as successive interest rate increases implemented by the Bank of England since November 2003, started to take effect. In September 2004 the Nationwide's annual average rate of increase still remained quite high at 17.8 per cent; a figure which is indeed higher than the figure for the same period last year (15.5 per cent in September 2003). However, Figure 7 clearly shows that this annual average masks an important step change.

Figure 7: Monthly House Price Changes in the UK, 2003-2004



Source: Nationwide

The two most recent quarter point increases in interest rates in June and August 2004 - undoubtedly an important factor in purchaser decisions - appear to have been the catalyst for the sudden change in house price trends. The monthly rate of increase in house prices dropped dramatically from 2.1 per cent in July to 0.1 per cent in August and 0.2 per cent in September. "Bank of England data confirmed that the level of housing market activity was subdued in August with the number of house purchase mortgages approved (seasonally adjusted) falling to 96,000 from around 125,000 per month over the spring period". (Nationwide Quarterly House Price Review, September 2004). Finally in October 2004 Nationwide reported the first month-on-month decline (of -0.4%) since September 2001. Halifax also recorded a sharp fall of 1.1 per cent; in November Nationwide showed an increase of 1.0 per cent while Halifax recorded a further decline.

These average increases in the price of dwellings mask important regional variations.

**Table 9: UK Regional House Price Change, Q3, 2003-2004**

Region	Annual % Change	Average Price £ All Properties
	2003 Q3 - 2004 Q3	2004 Q3
North	30.0	121,378
Yorkshire and Humberside	25.9	133,494
North West	27.9	139,407
East Midlands	20.0	141,625
West Midlands	18.8	150,770
East Anglia	16.0	159,466
Outer South East	14.3	186,295
Outer Metropolitan	10.2	219,065
London	11.4	237,818
South West	18.3	176,181
Wales	33.5	135,206
Scotland	24.0	110,118
Northern Ireland	15.6	107,509
UK	19.3	154,805

Source: Nationwide

Table 9 shows that while the Q3 figure for 2004 (£154,805) was 19.3 per cent higher than the comparable 2003 figure, there were much higher annual rates of increase in some of the lower priced regions such as Wales (33.5%; £135,206) and North of England (30.0%; £121,378). Whereas the highest price regions of London (11.4%; £237,818) and Outer Metropolitan (10.2%; £219,065) recorded much lower increases. During the two previous years Northern Ireland had recorded the lowest rates of price increase. This year the Northern Ireland rate (15.6%; £107,509) was higher than in London, Outer Metropolitan and Outer South East but in absolute terms Northern Ireland still had the lowest average house price, with the next lowest being Scotland (£110,118).

Other house price indices are showing a broadly similar pattern. The Office of the Deputy Prime Minister issues an index based on completions data from 50 mortgage lenders. For statistical reasons the ODPM shows lower year-on-year house price increases. The most recent figures for July 2004 show the annual rate of increase for the UK to be 13.4 per cent; the mix adjusted average house price was £177,474. These statistics are based on completions for July 2004 and not on mortgage approvals (Nationwide, Halifax) and are therefore not directly comparable, nevertheless they confirm the regional variations outlined above with much lower rates of increase in London and its immediate surroundings and higher rates of increase in the more northerly regions of England.



## House Prices in Northern Ireland

The most comprehensive picture of house price trends in Northern Ireland is provided by the University of Ulster's analysis of approximately 10,000 open market transactions submitted by a network of estate agents throughout Northern Ireland.

Last year's "Review and Perspectives" estimated that house prices in Northern Ireland would continue to rise gently at an annual rate of around 5 per cent. However, the latest figures (for quarter 3, 2004) show an annualised increase in the weighted average of nearly twice that (9.85%). It is difficult to isolate the factors behind this, but continuing weak returns on the stock market and low interest rates still make property an attractive investment, while prices in areas close to Belfast continue to command premiums.

Key findings from the analysis of the figures for the Quarter 3, 2004 are as follows:

- the average price of a dwelling was £114,150, compared to £105,779 in Q3, 2003 an unweighted increase of 8 per cent.
- the rate of price increase is slowing from a figure of 4.7 per cent in Q2 to only 3 per cent in Quarter 3.
- Analysis by house type shows that semi detached houses and bungalows and detached houses recorded increases which were close to the overall average. However as Table 10 shows terraced houses increased at a higher rate (13.2%) and detached bungalows at nearly twice the average (17.5%). Conversely the average price of apartments dropped by 2.1 per cent.

**Table 10: Average House Price in Northern Ireland by Property Type, Q3, 2003-2004**

Property Type	Q3, 2003 (£)	Q3, 2004 (£)	% Change (YoY)
All Properties	105,770	114,150	8.0
Terraced Houses	77,802	88,048	13.2
SD Houses	97,459	106,401	9.2
Detached Houses	156,730	170,291	8.7
SD Bungalows	89,581	99,653	11.2
Detached Bungalows	130,052	152,857	17.5
Apartments	101,691	99,543	-2.1

Source: University of Ulster, Quarterly House Price Index

Analysis by geographical location shows that average house prices have increased in nine of the eleven regions (see Table 11) but there were considerable variations in the rate of increase. In two areas (North Down and Antrim/Ballymena) average prices declined.

- In Belfast dwelling prices increased at an annual rate of 8 per cent with terraced houses recording the highest rate of increase (16%). In contrast to the Northern Ireland average for apartments the price of apartments in Belfast increased by 2 per cent. The highest priced location within the city remains South Belfast where prices grew 12 per cent over the year. In other parts of Belfast house prices increased more slowly: East Belfast (7%), West Belfast (7%) and North Belfast (10%).

- North Down experienced a modest decline in house prices (4%). The price of apartments declined by 7 per cent following a 22 per cent increase last year. However, the price of semi-detached bungalows rose by 19 per cent.
- Lisburn recorded an average increase in prices of 5 per cent but this disguises an 8 per cent decline in the price of apartments outweighed by a 28 per cent increase in the price of terraced houses and a 21 per cent increase in the price of semi-detached houses.
- Mid and South Down experienced the highest rate of price increases of all eleven regions (21%) with the average price of a dwelling in Quarter 3 standing at £130,771. Semi detached houses (19%) detached houses (21%) and bungalows (42%) experienced particularly sharp price increases.
- In Craigavon and Armagh there was an increase of 12 per cent in average house prices. The average price of a detached house jumped by 34 per cent to £172,796.
- The average price of a house in Mid Ulster is now £116,785, representing an annual rate of growth of 17 per cent. The most significant increases were for semi-detached houses (30%), detached bungalows (28%) and terraced houses (23%).
- In Enniskillen/Fermanagh/South Tyrone prices rose by an average 10 per cent, a little higher than the unweighted average for Northern Ireland. Semi detached houses (23%) and detached bungalows (23%) recorded the highest increases.
- In the Derry/Strabane market the average price of a dwelling was £100,606, an increase of 14 per cent on Q3, 2003. The region is now no longer the cheapest place to buy a home in Northern Ireland. Particularly high rates of growth were recorded for detached houses (16%) bringing their average price to £147,386 and detached bungalows (13%) bringing their average price to £113,450.
- House prices in Coleraine/Limavady/North Coast rose by only 8 per cent rise last year compared to 30 per cent the previous year. There is considerable variation by house type, with large increases being recorded for detached houses (25%), detached bungalows (26%) and terraced houses (25%). The average price of apartments on the other hand, which form a major part of the second hand market, fell significantly, by (24%) bringing the average price down to £98,474.
- Following rapid price growth last year of 21%, the average price for the Antrim/Ballymena area fell marginally by 0.6%. Semi detached houses (9%) and detached bungalows (13%), however, still recorded significant increases, while the average price of detached houses declined by 12 per cent.
- East Antrim is now the region where average house prices are at their lowest, (£97,461) and the only region where the average price remains less than £100,000. Nevertheless prices increased by an average of 9 per cent last year. All property types recorded significant price increases with the exception of apartments which declined by an average of 8 per cent.

**Table 11: Regional House Prices in Northern Ireland Q3, 2004**

Northern Ireland	Average Price (£)	% Change (YoY)
Belfast	113,902	8
North Down	120,892	-4
Lisburn	127,354	5
Mid and South Down	130,771	21
Craigavon/Armagh	108,582	12
Mid Ulster	116,785	17
Enniskillen/Fermanagh/S Tyrone	116,851	10
Londonderry/Strabane	100,606	14
Coleraine/Limavady/North Coast	117,354	8
Antrim/Ballymena	104,900	-0.6
East Antrim	97,461	9
<b>Northern Ireland</b>	<b>114,150</b>	<b>8</b>

Source: *University of Ulster House Price Index, Q3, 2004*

## Affordability

### Research on Affordability

In the late 1990s a combination of greater political stability and economic growth in Northern Ireland resulted in substantial rises in house prices. Between 1995 and 2000 the average house price for Northern Ireland rose from £47,661 to £82,816 (an increase of 74%). In the Belfast Metropolitan Area the average price of a dwelling increased by 90 per cent and in the four sectors of Belfast (North, South, East and West) prices increased by over 100 per cent. The highest rate of increase was recorded in East Belfast (142%). Earnings on the other hand rose only 20 per cent over this five year period.

It was against this background that in October 2000 the Housing Executive, in partnership with the Council of Mortgage Lenders, commissioned a study entitled "Affordable Housing in the Private Sector in Northern Ireland". The research was undertaken by the Universities of Ulster and Birmingham.

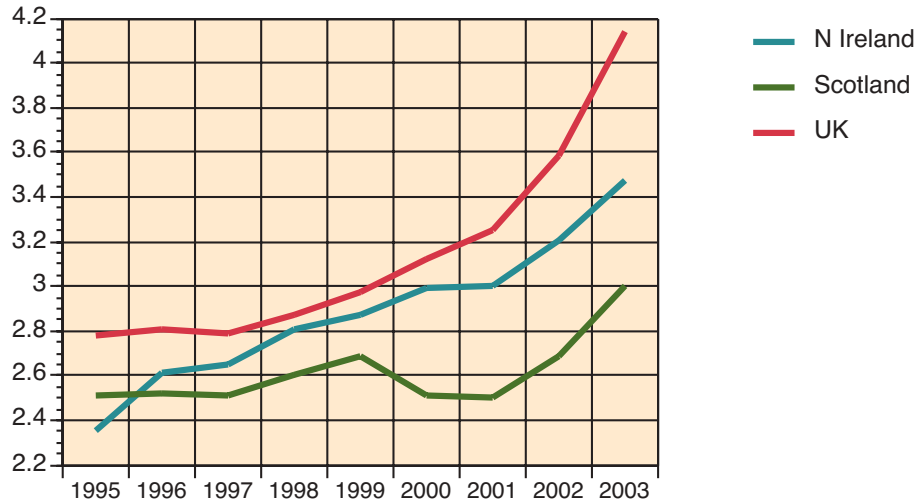
The key finding of this research which was published in 2001 was at that time affordability was not an immediate or widespread problem, due primarily to the low interest rate environment, but also to the availability of a more flexible range of mortgage products. These factors combined to ensure that debt servicing costs generally remained at manageable levels. However, the research indicated that already in 2001 affordability was an emerging problem for first time buyers, particularly in Belfast and its commuter belt. The research noted that a rise in interest rates of even 1 - 2% could pose major difficulties, notably for first time buyers and recommended that the Housing Executive, in its role as the regional strategic housing authority, continue to track affordability.

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

- In 1995 Northern Ireland's house price to income ratio was 2.35 whereas in 2003 the figure was 3.47. In 2002 the gap between the ratio for Northern Ireland (3.21) and for the UK as a whole was (3.59) was 0.38; by 2003, however, this gap had widened quite considerably to 0.67 as the ratio for the UK jumped to 4.14. In Scotland on the

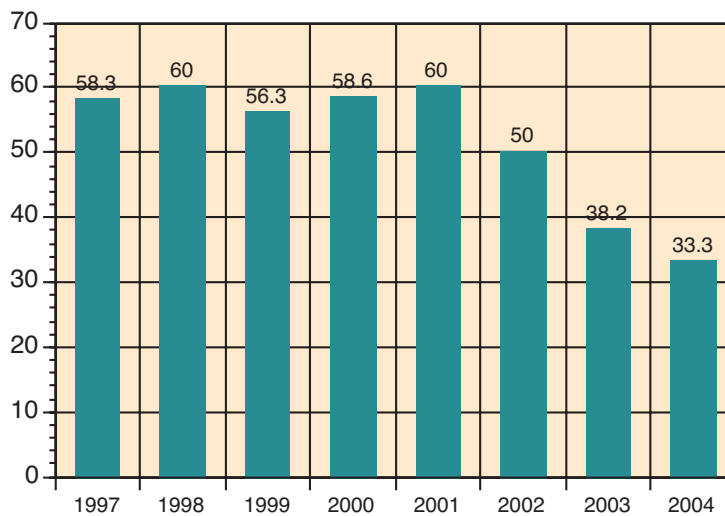
other hand the house price to income ratio has remained consistently lower than in Northern Ireland since 1996 (see Figure 8).

**Figure 8: Affordability: House Price to Income Ratio 1995-2003**



Source: Council of Mortgage Lenders

**Figure 9: Proportion of House Sales to First-Time Buyers, 1997-2004**



Source: Council of Mortgage Lenders

- The rapidly declining proportion of first-time buyers (see Figure 9). In 2001, 60 per cent of house sales went to first time buyers in Northern Ireland, but by 2003 this had fallen to 38% and has continued to fall to an annualised 33 per cent based on data for the first 6 months of 2004.

### Modelling Affordability

In response to the recommendations of the affordability research the Housing Executive asked the researchers at the Universities of Ulster and Birmingham to develop a working model for monitoring and maintaining an awareness of affordability issues in Northern Ireland. The researchers emphasised the need for simplicity with a model based on a limited number of variables that are easily obtainable on a regular basis and are defensible.

The research confirms that there is no single "correct" measure of affordability and the model developed is designed to establish a baseline of affordability indicators based on key variables: house prices, incomes and interest rates, which will monitor

1. changes over time
2. differences between district councils and the four sectors of Belfast.

The model recognises that as data sources and quality improve (in relation to prices and incomes) the model can be applied at a lower level and the Housing Executive is proposing to carry out some preliminary analysis on this in relation to "hot spots".

The actual affordability model uses a typical Bank/Building Society annuity formula to calculate the *maximum price* a household with a *median household income* can afford to pay, assuming a *typical interest rate*, a *95 per cent mortgage* (loan to value ratio) and a *25 year repayment period*. *30 per cent of household income* is considered the maximum reasonable proportion of income which can be used to service mortgage payments. This figure is compared with what is considered to be a *typical affordable house*: a house priced at the upper boundary of the first quartile of house prices (25th percentile) in that district or sector.

There was considerable consultation on the actual values picked, and while there was no universal agreement (for example, on the 30% of household income being the most appropriate measure) there was general confidence in the principles and methodology expressed by lenders and other key players in the housing market. It is important to reiterate therefore that the model established a 2001 baseline to measure change over time and geographically rather than attempting to provide an absolute measure of affordability.

### The Outcome of the Modelling Exercise

The modelling exercise was carried out for 2001 and 2003. A further update will be carried out in 2005 when a full year's data on incomes and house prices becomes available for 2004. The average house price for Northern Ireland as a whole rose by nearly 20 per cent between 2001 and 2003, from £86,754 to £103,719, however household incomes also rose by an estimated 18% indicating that the overall position did not change significantly. The analysis below however, shows that the overall picture conceals different trends in different geographical locations.

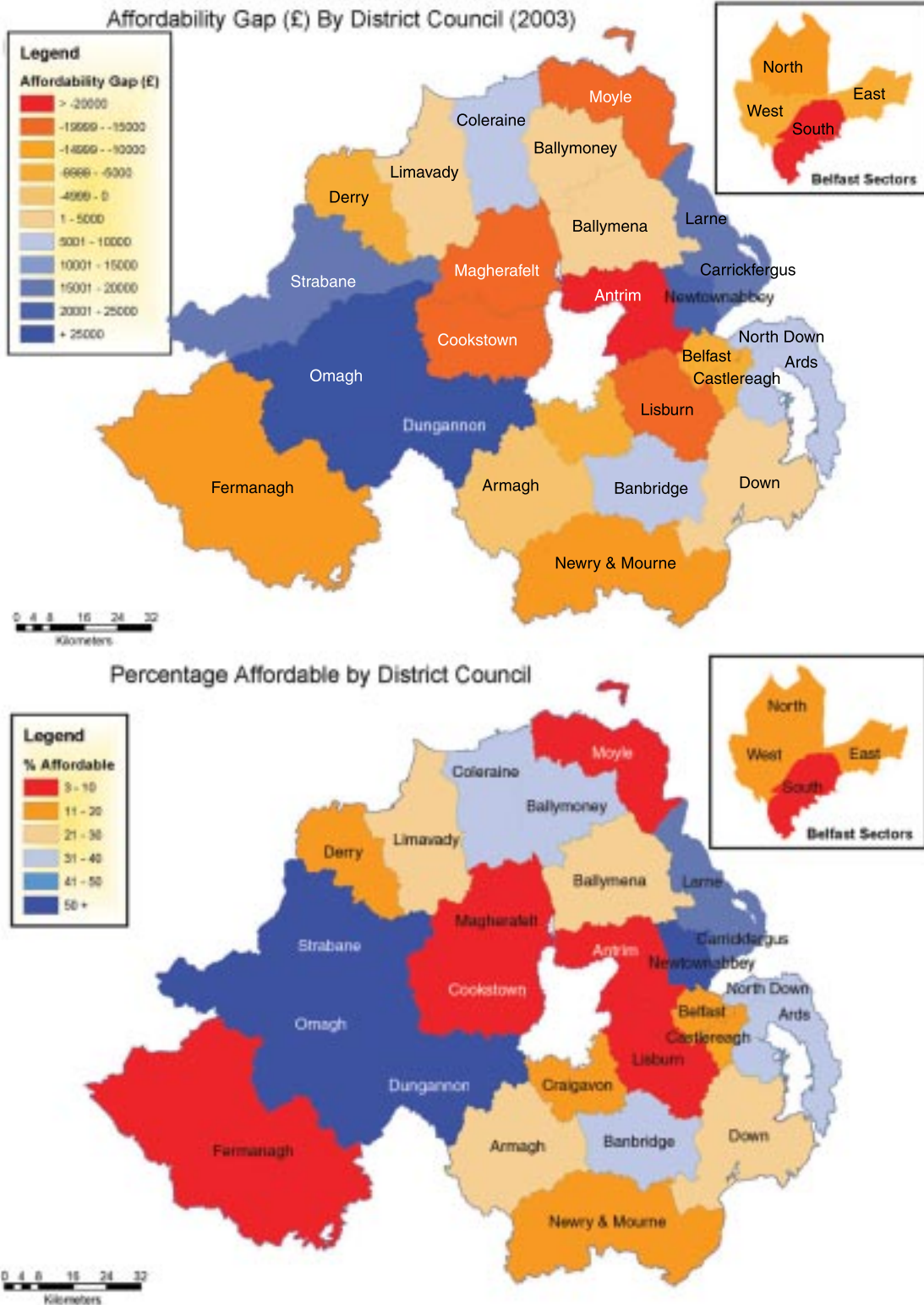
Figure 10 shows the model applied for 2003 for each District Council in Northern Ireland and for each of the four sectors of Belfast. (Detailed figures for 2001 and 2003 are contained in the Appendix A5).

Comparison of these figures shows a number of key points.

- A significant exacerbation of the affordability problem in some areas of Northern Ireland between 2001 and 2003. In 2001, 12 district councils had an affordability gap. By 2003 there were still only 12, but the affordability gap - the difference between the affordable price on median household income (See Appendix Table A5, col 4) and the price of a typical (25th percentile) affordable dwelling (see Appendix Table A5, col. 5) had grown in 8 of these district councils, often by a substantial amount. In addition Craigavon developed a significant affordability gap by 2003.
- This pattern is confirmed by examining the proportion of dwellings considered affordable (see Appendix Table A5, col.6) i.e. at below the affordable price (see Table A5, col.4). In Northern Ireland the unweighted district council average for the percentage affordable only declined a little - from 30 per cent to 29 per cent between 2001 and 2003. However in 2001 only two districts had less than 10 per cent of dwellings affordable, by 2003 there were five.

This analysis confirms the view that although the affordability is not increasing significantly for Northern Ireland as a whole, affordability issues are becoming more critical in Belfast and surrounding areas and in some remoter rural districts: Lisburn, Antrim, Magherafelt, Cookstown, Moyle and Fermanagh (see Figure 8). There are considered to be two factors in this (a) proximity to good roads leading to Belfast; (b) demand for second homes in remoter rural areas.

Figure 10: Affordability Index: District Councils, 2003





## Affordability in the Belfast Metropolitan Area

Closer analysis of the Belfast Metropolitan Area (BMA) shows that here too the pattern is not uniform. The affordability model would indicate the following pattern for the BMA (see Appendix Table A5). Housing became less affordable in four out of six district council areas (Carrickfergus, Castlereagh, Lisburn and Newtownabbey). However, in only two of these are there signs of a more serious affordability problem: in Castlereagh where the affordability gap jumped from -£3,797 in 2001 to -£8,620 in 2003 and the proportion of affordable dwellings fell from 23 per cent to 17 per cent and in particular in Lisburn where the affordability gap grew from -£13,712 (2001) to -£15,250 (2003) and the proportion of affordable dwellings remained very low (8% in 2003).

In the other two district councils (Carrickfergus, Newtownabbey) the model indicates that there is no affordability problem. In Carrickfergus in 2003 the median household income was £15,380 in excess of what was required to buy an affordable home and 50 per cent of all dwellings sold were below the affordable price of £86,380. Similarly in Newtownabbey in 2003 median household income was £21,280 more than required to purchase an affordable home and 60 per cent of dwellings were priced below the affordable price of £86,380.

Within Belfast the analysis shows that in North Belfast affordability became a much more serious problem. The "affordability gap" by 2003 had increased by a further £4,100 to become -£11,044, although 13 per cent of dwellings were affordable in both 2001 and 2003. This development reflects the particularly low average price of dwellings in North Belfast in 2001 and their rapid increase in this two year period. The price of the 25th percentile grew by 25 per cent in North Belfast, more than double the figure for South Belfast - 12 per cent. In West Belfast and East Belfast the comparable figures were 8 per cent in both cases.

In South Belfast, traditionally the least affordable area of Belfast, the affordability gap grew a little to £30,550 in 2003 and only 4 per cent of dwellings were affordable to a household with median income.

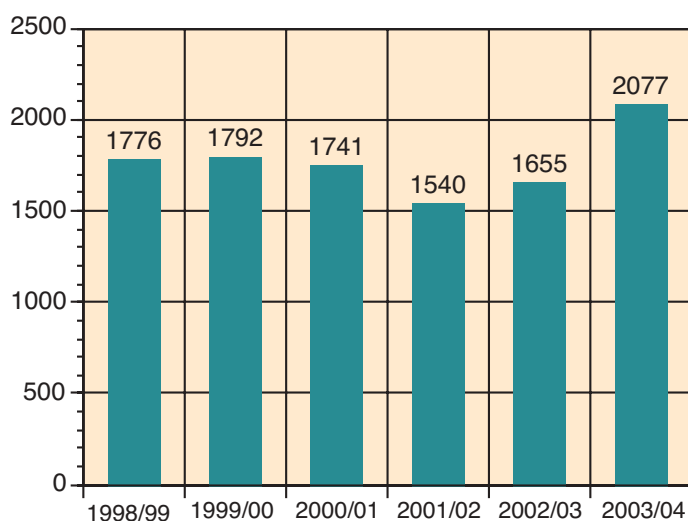
In West and East Belfast the affordability gaps actually closed between 2001 and 2003 at -£5,550 and -£8,288 respectively. In both sectors 15 per cent of houses were considered affordable in 2003.

## Repossessions

The most recent statistics on repossessions (see Figure 11) suggest that affordability is becoming a more serious problem. The number of actions for repossession of owner-occupied dwellings has jumped significantly. In 2003/04 there were a total of 2,077, a 25 per cent increase on 2002/03 and the highest figure recorded since the early 1990s when the last major downturn in the housing market occurred.

It is important to stress that the vast majority of actions for possession do not lead to actual repossession of the dwelling, but the figures nevertheless provide an important signal, particularly when the full effects of the interest rate increases have not yet taken effect, and unfortunately no statistics are as yet available on the location of and circumstances surrounding these dwellings subject to action.

Figure 11: Actions for Repossession in Northern Ireland, 1998-2004



Source: DSD, Housing Statistics 2003-04

### The Sale of Housing Executive Dwellings

Since 1979 the Housing Executive has sold more than 110,000 dwellings to sitting tenants. They now account for more than one-fifth (22%) of the owner occupied sector and 16 per cent of the housing market as a whole. The 2001 House Condition Survey provided the first reliable estimate of what proportion of these had been resold on the open market. In March 2001, some 94,000 dwellings had been sold and approximately 18,000 (19%) of these had been resold on the open market: two thirds to new owner occupiers and the remaining one-third to private landlords, reflecting the fact that they generally provide a good source of high quality affordable homes, particularly for first time buyers and landlords who see them as a sound investment.

This year the Housing Executive has commissioned more detailed House Condition Survey based research from the University of Birmingham to examine a number of issues in relation to this sector of the market:

- the types of properties being sold/resold;
- the condition of the sold and resold properties in relation to unfitness, disrepair and the Decent Home Standard;
- the energy efficiency of the properties;
- the profile of their occupants.

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



## Resale of Former Housing Executive Property on the Open Market (2003)

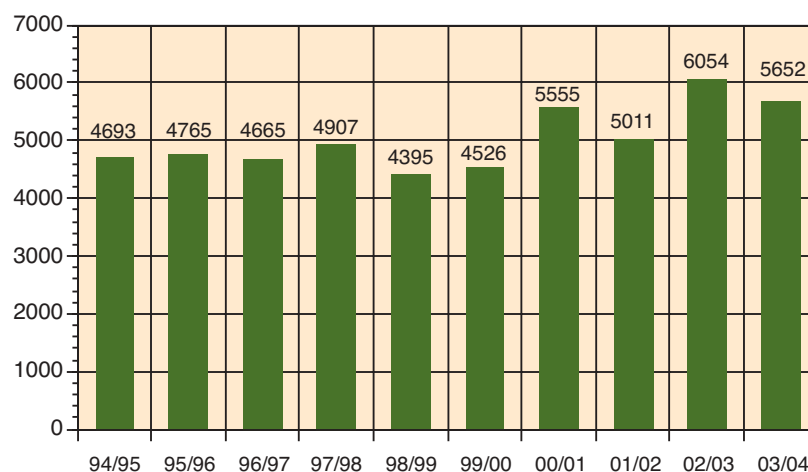
### Key findings

- Resold former Housing Executive dwellings make up approximately 10 per cent of all existing dwellings sold annually.
- The spatial pattern of sales across the province is highly consistent with previous surveys with a high representation occurring in Carrickfergus, Newtownards, Lisburn and Newtownabbey. There is some evidence of a changing pattern: Bangor, Newry and Mourne and to a lesser extent Derry and Craigavon now have a significant number of resales.
- In Belfast the highest concentrations of resales are in the west and southwest of the city notably in postal districts BT11 to BT13 and BT17 (Dunmurry). There is also evidence of growing activity in the north of the city. In east Belfast there is a lower volume of resales and in south Belfast where there have traditionally been fewer Housing Executive dwellings little evidence of activity in this sector.
- The resold properties are typically terraced houses and dwellings constructed in the period from 1960 to 1980, although there is evidence of an increasing number of newer Housing Executive properties being resold.
- The average price of former Housing Executive properties has increased to £61,378, representing an annual rate of increase of 20 per cent. This is significantly higher than for the residential market as a whole, which saw an increase of 7 per cent for 2003.
- The average price of terraced property has increased to £60,043 or by 17.8% over the year. The average resale price for former Housing Executive flats (£55,881) continues to lag behind the price for terraced houses although there was a 23 per cent increase in 2003.
- Longer term trends indicate a nominal price increase of 164 per cent (or 12.6% per annum) for former Housing Executive property over the period 1990-2003 compared to an increase of 206 per cent (or 15.8% per annum) in the overall housing market. Clearly there has been significant capital appreciation in the resold stock, but at a rate of increase below that of the wider private market.
- The highest priced locations for former Housing Executive properties are in the Belfast Metropolitan Area, including Belfast, Lisburn and North Down though the price level is significantly lower in the East Antrim area. Outside of the BMA, the highest priced location is Mid and South Down with price levels similar to those in the BMA. The pattern is consistent with that from previous years.
- The lowest priced locations for former Housing Executive property are Craigavon/Armagh, Coleraine/Limavady/North Coast and Antrim/Ballymena. This picture is again consistent with previous surveys.
- All market areas show significant rates of annual increase for former Housing Executive property. For this survey the highest rates of price increase are in the lower priced market areas with the higher priced locations now seeking comparatively lower growth rates. This pattern contrasts with the situation in 2002.

Figure 12 shows that since the mid 1990s the number of Housing Executive dwellings sold annually has been consistently above 4,500. Since 2000 the figure has remained at over 5,000. A peak was reached in 2002/3 when 6,054 dwellings were sold and last year 2003/4 a total of 5,652. This drop was not unexpected following changes to the House

Sales Scheme introduced in September 2002 which included capping the maximum discount level to £34,000 and the introduction of a residency rule whereby applicants to buy their home are required to have been tenants for at least two years before being eligible. In the six months to 30 September 2004 only 1,788 dwellings were sold, reflecting, to a large extent, the impact of new regulations and it is expected that the level of house sales will in future years be 3,000-4,000 as the provisions of new House Sales Scheme (see below) take effect.

Figure 12: Housing Executive Sales Completed, 1994-2004



Source: NIHE

## The House Sales Scheme and the Housing Market

The growing importance of the sale of Housing Executive dwellings in the housing market and the concomitant decline in the social housing sector prompted the Housing Executive to commission a major research project in 2002 which aimed to provide up to date research evidence about the operation of the House Sales Scheme in Northern Ireland and to contribute to discussions taking place about the future of the scheme.

The research was commissioned from the School of the Built Environment (University of Ulster) and the Centre for Urban and Regional Studies (University of Birmingham). The researchers were asked to examine and report on:

- The effect of the House Sales Scheme on the nature and supply of Housing Executive properties and their ability to meet housing need, including any impact on waiting lists at local level;
- The movement of tenants into/out of public sector housing from/into other tenures, including the private rented sector, and to assess the possible effects of these flows on the house sales programme;
- The type and nature of households purchasing Housing Executive properties, with particular emphasis on any changes in composition over time;
- Purchasers' views of the House Sales Scheme and home ownership as a tenure, their motives for purchasing and their long term housing plans;
- The reasons for "drop out" (i.e. tenants who applied to buy but did not proceed to complete the sale);
- The role of house sales in promoting tenure choice and addressing concerns about affordability;

- The level of interest in the House Sales Scheme among tenants who have not applied to purchase their property and assess the effects of reducing discount levels;
- Specific issues in relation to the impact of house sales in rural areas;
- The continuing demand for the purchase of dwellings by tenants and the long term implications for Housing Executive policy.

The final report was published in July 2004. Its key findings are set out below:

## The House Sales Scheme and the Housing Market

### Key Findings

#### Achievements of the Scheme:

- The Scheme has directly contributed to the widening of home ownership and promoting tenure choice amongst households that otherwise would have had little opportunity to purchase.
- The Scheme has generated considerable capital receipts to support other important Housing Executive capital investment.
- Purchasers have experienced an appreciable uplift in the value of their property, gaining from the wider increases in capital values in the housing market in general and more specifically the narrowing of the price gap between former Housing Executive and private property on the open market.
- In the re-sale market former Housing Executive properties often provide an affordable option particularly for first-time buyers.
- The Scheme achieves high satisfaction ratings among different stakeholders and in particular those who have purchased their property under the Scheme; from the tenant perspective there is little evidence of administrative complexity reducing the efficiency of the Scheme.
- The House Sales Scheme has promoted major social – and in some instances physical - change as particular housing estates have altered in character. The shift in tenure from public to mixed estates has improved the image of many housing estates.
- There is little evidence of former tenants not being able to sustain home ownership or maintain their properties.
- A shift in geographical pattern, notably increasing sales within the major urban areas of Belfast and Derry/Londonderry which were under-represented in the early years of the Scheme, compared with provincial towns and rural locations; in contrast there is evidence of reduced sales activity in commuter towns and districts close to Belfast in the later period of the Scheme.
- A difference in the type of household buying under the Scheme with more recent purchasers being younger, having weaker economic status in terms of income potential and a much higher proportion not in employment.
- Little change in the type of property sold under the Scheme is apparent with sales of houses dominant throughout, suggesting that irrespective of Housing Executive district or socio-economic status of the purchaser the more popular dwelling types are the first to be sold.

## Impact of the House Sales Scheme

The relationship between house sales and housing need is complex. There is no simple causation or statistical link. Housing stress is a function of wider social and economic issues rather than the direct outcome of the House Sales Scheme. The immediate impact of the sale of properties under the House Sales Scheme on housing need is negligible, as sales are to sitting tenants who probably would not have vacated their properties if they had not bought them. Speculation in the literature about the extent to which the availability of the Right to Buy in Great Britain reduced the propensity of people to move from rented housing in order to buy is not supported by this study with very little evidence in the data to support this view. The vast majority of purchasers have not considered buying anywhere else, and the ability to purchase elsewhere is also limited in many cases. This does not mean that there is no impact on housing need, but rather that the impact is lagged and as a result is likely to be contingent upon a number of other factors rather than an automatic consequence of sales.

The research distinguishes between the first wave effects and the second wave effects. The first wave effects of the House Sales Scheme include:

- the positive effects experienced by purchasers and their households;
- the capital receipts received by the Housing Executive following sales and the ability to reinvest this in housing activity; and
- lack of evidence of households over-extending themselves, getting into difficulties with mortgage repayments or repossession or failing to maintain their property.

The second wave effects are much more complex. These are effects that emerge over a more extended period and alter the trajectory of neighbourhoods or the resources available to those in housing need. The analysis of second wave effects includes:

- an estimate that over the last 10 years some one in six properties may have been lost from the potential pool of housing available for re-letting.
- a change in the tenure structure may have positive effects by introducing greater dynamism into the housing market, though in other cases it may have a negative effect with the less attractive estates, where few properties have been sold, not benefiting from a new dynamism, indeed being damaged by the funnelling of those with least choice into these estates, resulting in a greater concentration of deprivation than otherwise would be the case.
- the residualisation of the existing stock which has an appreciably lower representation of houses and a relatively higher percentage of flats/maisonettes compared to the sold stock.

The research draws attention to the importance of seeing the House Sales Scheme as operating alongside other policies. Its impact on housing need is neither automatic nor inevitable. It is contingent upon other policies that are carried out and what is done with any capital receipts generated.

At a more detailed level, the connection between specific aspects of housing stress and house sales is more evident. The best examples of this are particular local shortages of three and four bed houses in popular areas where there is a high demand from families, and more general shortages in some rural areas. In both of these cases the impact of sales and the loss of re-lets are not offset locally by other factors. While the aggregate picture suggests that the impact of re-sales is moderated by other changes, this

may not apply locally and, where housing need cannot reasonably be met in adjacent areas, the loss of re-lets locally has a direct impact which is understated by the aggregate analysis. The converse of this is that in some localities, in spite of the House Sales Scheme, problems associated with housing need and stress have become less severe.

This research has added to the existing evidence about open market purchasers and the general implication is that, when they are re-sold, these properties do form a good quality, affordable stock that is within the reach of first-time buyers. They provide opportunity and choice to households which otherwise would find fewer housing options within their purchasing capacity.

Evidence shows that if the House Sales Scheme continued to operate and if the capital receipts were used to add more than one property for every five sold, the net effect would be positive in terms of the impact on housing need. If additions to the stock are achieved by acquiring previously sold properties, as long as the ratio of acquisition to sale is at least equal to 1 in 5, there is no net loss in the provision of housing to those who are on the waiting list or seeking rented housing. However, this is contingent upon what is done with and the level of capital receipts generated and whether alongside the House Sales Scheme there is a scheme to address housing need issues - for example, problems experienced in rural areas or by households in the most unattractive estates. The option of not operating the House Sales Scheme will not necessarily have a very positive impact on any of these problems.

The analysis shows that the characteristics of tenants in Housing Executive properties are different in 2004 from what they were 25 years previously. The characteristics of households exercising their opportunity to buy under the Sales Scheme reflect this change. Demand still exists to purchase under the Scheme but a greater proportion of these households is likely to experience difficulties with maintaining mortgage payments, especially if interest rates rise or if the economy dips. Perhaps more importantly a greater proportion may experience difficulties with maintenance.

Future policy may give some consideration to whether an alternative House Sales Scheme could provide opportunities for shared ownership or, in exchange for a lower rate of discount or a continuing rate of service, households could buy into a form of partnership housing in which they would have an equity stake but also have the benefit of maintenance and repair programmes or other schemes. The change in the characteristics of tenants, the nature of the housing stock, as well as the concern about lower discounts squeezing out particular sections of the community, make it imperative that consideration is given to developing a range of alternative sales options, rather than being restricted to those currently on offer. This kind of option should also be considered alongside agendas about neighbourhood renewal and stabilising estates and making them more attractive places to live. A wider range of tenure arrangements could contribute to positive interventions in relation to the least attractive estates. These steps along with active policies to address particular problem areas, are likely to prove a more effective response than simply altering the House Sales Scheme.

## Proposals to Amend the House Sales Scheme

In May 2004 the Department for Social Development launched a consultation document which included proposals to amend the existing House Sales Scheme and extend the statutory Right to Buy to housing association tenants. The effective date for the new proposals following consultation was to be 19th May 2004.

The consultation proposals were made in response to growing concerns that at a time of growing waiting lists and homelessness such a generous house sales scheme militated against the capability of housing organisations to meet urgent housing need. Furthermore, that the growing popularity of the Housing Executive properties re-emerging in the buy-to-let sector is undermining the aim of producing sustainable mixed tenure estates and a stock of affordable houses for first time buyers.

The overall aim of the proposals, therefore was to introduce stricter criteria in order to curtail the number of dwellings sold.

In summary the main proposals are:

- the eligibility period will be extended from 2 years to 5 years.
- the discount calculation will be determined on the basis of 20 per cent after 5 years, rising by 1 per cent each year to a maximum of 60 per cent; this will apply to flats and houses.
- the maximum discount cap will be reduced from £34,000 to £24,000.
- the historic cost rule will be increased from 8 years to 10 years.
- the repayment of discount period, in the event of a resale, will be extended from 3 years to 5 years.
- the repurchase option will be extended from 5 years to 10 years so that in areas of need any social landlord, and not only the social landlord that originally sold the property, will have the option to repurchase.
- house sale applications from tenants under investigation for anti-social behaviour will be suspended until such investigations are completed.
- arrangements for dealing with housing association receipts from house sales will be amended to ensure that the receipts from house sales and discounts repaid through voluntary purchase grant are used to provide new social lettings within a rigorous timeframe, that properties purchased offer value for money and are only in areas of housing need.

In October 2004 following the consultation process the Minister approved these proposals, subject to only one amendment: the annual discount increase is to be 2 per cent per annum instead of the proposed 1 per cent.

### **Owner Occupied Stock - Characteristics and Condition**

The 2001 House Condition Survey provides a comprehensive insight into the characteristics and condition of the owner-occupied stock.

#### **Dwelling Age**

In 2001, more than a quarter (28%) of the stock had been built since 1980. Indeed 16 per cent of all owner occupied dwellings had been built since 1990, including more than 40,000 in the previous years.

The number and proportion of pre 1919 properties is continuing to decline. In 2001, some 18 per cent had been built prior to 1919 compared to 23 per cent in 1991.

#### **Dwelling Type**

The owner occupied sector was dominated by houses (72%).



One quarter (25%) of the owner occupied stock was terraced houses and a further 23 per cent semi detached and 24 per cent detached. This represented a two per cent increase in detached, balanced by a two per cent decline in terraced houses since 1996. Bungalows accounted for more than a quarter (26%) of all owner occupation while flats/apartments constituted only a very small proportion (2%) of this sector.

#### Dwelling Location

More than a quarter of all owner occupied dwellings were located in the Belfast Urban Area (29%), 35 per cent were to be found in district and other towns and 14 per cent were in small settlements. Finally, a further 23 per cent were in isolated rural areas. Indeed owner occupation accounted for 80 per cent of all dwellings in isolated rural areas, reflecting the rural way of life and the lack of social housing in these parts.

#### Unfitness

In 2001 there were approximately 12,000 unfit properties that were owner occupied, representing an unfitness rate of 2.8 per cent. While this is significantly lower than the rate for the stock as a whole (4.9%) it must be emphasised that nearly 40 per cent of all unfit properties are owner-occupied. Indeed if vacant properties are classified according to their tenure when last occupied, 70 per cent of all unfit properties would have been owner occupied, giving an unfitness rate of five per cent.

#### Disrepair and the Decent Home Standard

The 2001 House Condition Survey found that 56 per cent of owner occupied dwellings had some element of fabric disrepair. This was a similar proportion to that for the stock as a whole (59%). The main type of disrepair was to the external fabric (53%) of the total owner occupied stock. The average basic repair cost was £1,107, a significant reduction from the figure of £1,848 for 1996 and well below the £1,427 for the stock as a whole.

Nearly one-quarter (23%; 101,000 dwellings) of all owner occupied homes failed the Decent Home Standard, and these made up nearly one-half (49%) of all homes failing this standard in Northern Ireland. However, the proportion of owner occupied homes failing the standard was much smaller than for the stock as a whole (32%).

#### Grant Aid for the Owner Occupied Sector

The 2001 House Condition Survey confirmed the positive role that home improvement grants have played in improving the condition of Northern Ireland's owner occupied stock - particularly in rural areas.

It showed that

- more than 24,000 dwellings that were unfit in 1996 were made fit by 2001. Almost one-fifth (18%) of these received a home improvement grant - approximately four times the rate for the stock as a whole.
- more than 60,000 dwellings that were unfit or defective on the grounds of disrepair in 1996 were categorised as acceptable or satisfactory by 2001. Again almost one-fifth (18%) of these dwellings received grant aid - a rate which was almost four times the rate for the stock as a whole.

The 2001 House Condition Survey, however, also showed that there was no room for complacency. Approximately 3,300 dwellings were becoming unfit each year and almost 5,000 undergo a marked deterioration in their state of repair, underlining the

need for ongoing grant-aided investment in the owner occupied stock. This investment continues to be underpinned by the Housing Executive's grants strategy which targets grants towards properties most in need of improvement and repair, thus ensuring that the "deterioration flow" into unfitness or disrepair is more than outweighed by the number of dwellings being brought up to modern standards.

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

**Table 12: Grants Activity 1999-2004: Number of Grants Approved and Approved Expenditure**

Year	Renovation	Replacement Facilities	Disabled	Repairs	Minor	HMO	Total Grants	Approved Expenditure
1999/0	1,369	351	1,386	3,509	1,944	146	8,705	38.5M
2000/1	1,584	373	1,564	3,820	2,378	174	9,893	43.9M
2001/2	1,435	340	1,600	3,382	2,413	183	9,353	42.6M
2002/3	1,497	277	1,564	3,758	2,973	178	10,247	43.0M
2003/4	1,420	209	1,579	3,337	2,763	214	9,600	41.6M

Source: NIHE

The following key points emerge:

- Overall both the number of grants approved and the associated grants expenditure have remained fairly constant between April 1999 and March 2004. An average of 9,600 grants were approved annually together with an average annual approved expenditure of £42 million.
- The number of renovation grants approved in 2003/4 (1,420) remained similar to the previous year's figure, although the number of replacement grants fell by a quarter to 209. The 2001 House Condition Survey demonstrated the important role that these grants have, in reducing unfitness, particularly in rural areas such as Fermanagh where unfitness fell from 17.5 per cent in 1996 to 12.9 per cent in 2001.
- The number of Repairs Grants approved in 2003/4 declined by more than 10 per cent, in comparison to the previous year to 3,337, and it is envisaged that this trend will continue as they will no longer be available to owner occupiers under the new discretionary grants scheme (see below).
- The number of Disabled Facilities Grants approved has remained constant at over 1,500 for the last four years, although the associated expenditure committed has increased steadily from less than £7m in 1999/2000 to more than £10 million in 2003/04.
- Finally the amount of grant investment in Houses in Multiple Occupation (HMOs) has continued to increase in line with the Housing Executive's HMO Strategy. In 2002/03 178 grants were approved at a cost of £3.7 million. In 2003/4 this rose to 214 grants at a cost of £4.5 million.

For the current financial year (2004/05) a total of £41 million has been allocated to the Housing Executives' grants budget. This will finance 1,250 renovation grants, 220 Replacement Grants, 1,000, Home Repairs Assistance Grants and 1,575 Disabled Facilities Grants.

It is important that this level of expenditure continues to be made available to ensure that the significant improvements to the quality of the owner occupied stock that have taken place in recent years are not undermined.



## Targeting Grant Aid

The Housing (NI) Order 2003 changed the Housing Executive's Grant Scheme from an essentially mandatory one to one that is mainly discretionary. Following a period of consultation on the details of the new discretionary approach the Housing Executive implemented the new grants scheme in December 2003.

The key changes in respect of the main types of grant are as follows:

- **Renovation Grants:** These grants will continue to be directed at addressing unfitness and in certain circumstances tackling serious disrepair. However, they are no longer mandatory, but are now issued at the discretion of the Housing Executive. A simplified approach to the "test of resources" is being considered for the private rented sector, where in future the landlords' rental assessment may be replaced by a straight percentage contribution. Grant aid is now available for the installation of central heating and insulation.
- **Replacement Grants:** These will continue to tackle unfit properties where renovation is not economically feasible. They are now discretionary, but are now available in all rural areas (not just in isolated rural areas as at present), available for vacant properties and on an exceptional basis in urban areas. These proposed changes make Replacement Grants more widely available.
- **Houses in Multiple Occupation (HMO) Grants:** These grants will continue to be directed at making HMOs fit for habitation and fit for the number of occupants living in the HMO. They are no longer mandatory and are only available for:
  - existing HMO properties within designated HMO Action areas, or
  - properties capable of housing ten or more people in any area, or
  - properties within Town Centre Living Areas (TCLAs) and Urban Renewal Areas

The HMO grant will be available only where the owner agrees to register the property with the Housing Executive. Overall the proposed changes will reduce the availability of HMO grants, targeting them to designated areas and to larger properties where the perceived health and safety risks are higher.

- **Disabled Facilities Grant:** This grant will continue to be available on the recommendation of an Occupational Therapist. The maximum amount payable has increased from £20,000 to £25,000, reflecting the Housing Executive's growing emphasis on providing support to people with disabilities.
- **Home Repair Assistance (HRA) Grant:** This new grant has replaced the Minor Works Assistance Grant and is directed towards dwellings with moderate disrepair. Although not subject to a test of resources it is targeted at vulnerable and economically disadvantaged households. The maximum grant is £5,000, and is available to owner occupiers and private sector tenants on means tested benefits or who have a disability. It is intended that this new grant will help prevent a dwelling in disrepair deteriorating to the extent that it becomes unfit.
- **Repair Grants:** These grants will continue to be available to help with the costs of repairs following the service of Certificates of Disrepair or Public Health Notices. They remain mandatory with a maximum grant limit of £7,500 but are available only to landlords and certain private sector tenants. They are no longer available to owner occupiers.

The new Grants Strategy (December 2003) has a priority for approving the following grants:

1. Mandatory Grants – Disabled Facilities Grants and Repairs Grants.
2. Replacement Grants and Renovation Grants for unfit property in designated Rural Priority Areas, Grants Urban Priority Areas and following Group Repair schemes.
3. Replacement and Renovation Grants outside designated Rural Priority Areas and Urban Priority Areas.
4. HRA Grants for external or health and safety work in designated Rural Priority Areas, Grants Urban Priority Areas and (for health and safety work only) following Group Repair schemes and Renovation Grants for fit properties in designated Rural Priority Areas, Grants Urban Priority Areas and following Group Repair schemes.
5. HMO Grants in designated HMO Priority Areas.
6. Other HRA Grants for external or health and safety works.
7. Other HMO Grants.
8. HRA Grants for other works.

### Targeting

Targeting of grant aid is an essential element of the new discretionary scheme. The overall objective of targeting is to concentrate scarce resources on dwellings and households in greatest need and is achieved by means of three types of targeting:

- Condition based targeting: tackling existing and future unfit housing regardless of location.
- Household characteristic based targeting: with emphasis on the elderly, those on low incomes and households with a person with a disability.
- Geographically based targeting: supporting local strategies and initiatives (e.g. Urban Renewal Areas or rural areas with significant numbers of unfit dwellings).

In February 2004 the Housing Executive put these criteria into practice through its designation of Rural Priority Areas (RPAs). Using a combination of 2001 House Condition Survey data, 2001 Census data, benefits data and accessibility measures, and with the help of the Noble team from Oxford University, the Housing Executive developed a comprehensive needs based index which highlighted the 142 wards (25%) where there is the greatest combination of need in housing and socio-economic terms. In relation to private sector grants it is envisaged that the ten peripheral rural wards with the highest RPA scores (16-20) are targeted first: Glendun, Derrylin, Derrygonnelly, Belleek and Boa, Belcoo and Garrison, Pomeroy, Rosslea, Newtownstewart, Newtownbutler and Bonamargy and Rathlin. The operation of the targeted grants scheme in these 10 RPA wards will be monitored and evaluated with a view to expanding the programme to a further tranche of wards based on ranked RPA scores.

Within these selected RPA wards grant aid will be more widely available although the precise details of the availability are currently under review.

- Renovation Grants will be available for properties which are fit but in disrepair.
- Home Repair Assistance Grants will be available for all owner occupiers and tenants aged 60 and over and for all properties in disrepair, regardless of whether they are fit or unfit.

- In areas where there is evidence of local housing need, replacement grants will be available to landlords provided they agree to make the property available for renting to applicants in housing need for a period of five years.

The advantages of the new discretionary grants system were also demonstrated in May 2004 when the Board adopted a policy to manage the demand for home improvement grants. The demand for grants under the new discretionary scheme had been running at a very high level with preliminary enquiries being submitted at least 50 per cent higher than the 2003/4 levels. Demand for the new Home Repair Assistance Grant had been particularly high. The priorities set out in the Grants Strategy place Home Repair Assistance Grants for work other than external works and health and safety works lowest on the list of eight priorities. From the 1st June 2004 Home Repair Assistance Grants will only be approved for:

- external repairs
- electrical rewiring where required for health and safety
- basic security measures for eligible applicants aged 60 or over

HRA Grants for central heating and insulation had already been excluded earlier in anticipation of high demand.

### **Key Issues and Strategic Perspective**

- The existing housing finance framework will ensure that owner occupation will continue to grow. In the next three year period it is expected that a minimum of 10,000 new private dwellings will be constructed annually.
- In the past two years Northern Ireland's house prices have risen at a more sustainable rate than in many parts of the UK. The downturn in the market in Southern England will not be registered with any comparable severity in Northern Ireland, where if interest rates remain low at around 5 per cent house prices will continue to rise gently at an annual rate of around 5 per cent.
- Affordability problems are still not increasing significantly for Northern Ireland as a whole, due primarily to the continuing low interest rate environment. However, the new affordability index confirms that in Belfast and some surrounding areas and in some rural areas associated with second homes, first time buyers are experiencing increasing difficulty in gaining a foothold on the ladder of owner occupancy.
- Sold Housing Executive dwellings generally provide a good source of high quality affordable homes, particularly for first time buyers. The proposed amendments to the House Sales Scheme will ensure that the numbers sold will decline over the next three years, but there will still be around 3,000 sold annually.
- The condition of the owner occupied stock has improved markedly since 1996 and home improvement grants have played an important role in this. It is important that the new discretionary grants scheme which allows grants to be targeted to homes and households in most need continues to be adequately funded.

## **Chapter 3:**

### The Private Rented Sector

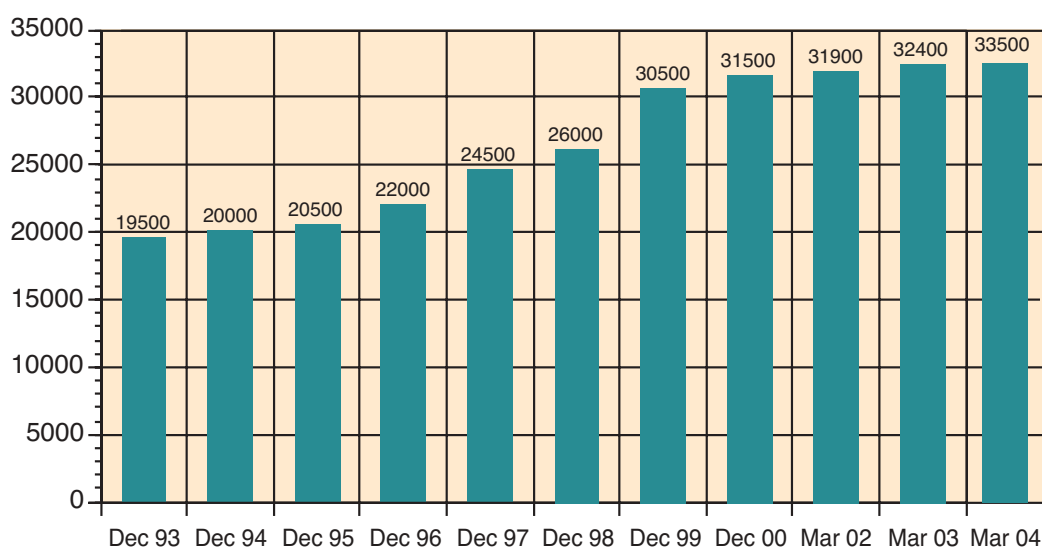
For most of the twentieth century the private rented sector declined as the combined effect of rent controls, the growth of owner occupation and large scale redevelopment, particularly in Belfast, took their toll.

## Background

For most of the twentieth century the private rented sector declined as the combined effect of rent controls, the growth of owner occupation and large scale redevelopment, particularly in Belfast, took their toll. In 1990 there were fewer than 20,000 (3.5%) privately rented dwellings in Northern Ireland. The 1990s, however, witnessed a steady recovery in this sector of the housing market, and since 1996 in particular there has been significant year on year growth (see Figure 13).

The Department for Social Development's annual statistics confirm this recent rise in the private rented sector and estimate that in March 2004 there were 34,600 privately rented dwellings. However, the Rates Collection Agency database, the source of these figures has traditionally underestimated the size of the private rented sector.

**Figure 13: The Growth of the Private Rented Sector, 1993 - 2004**

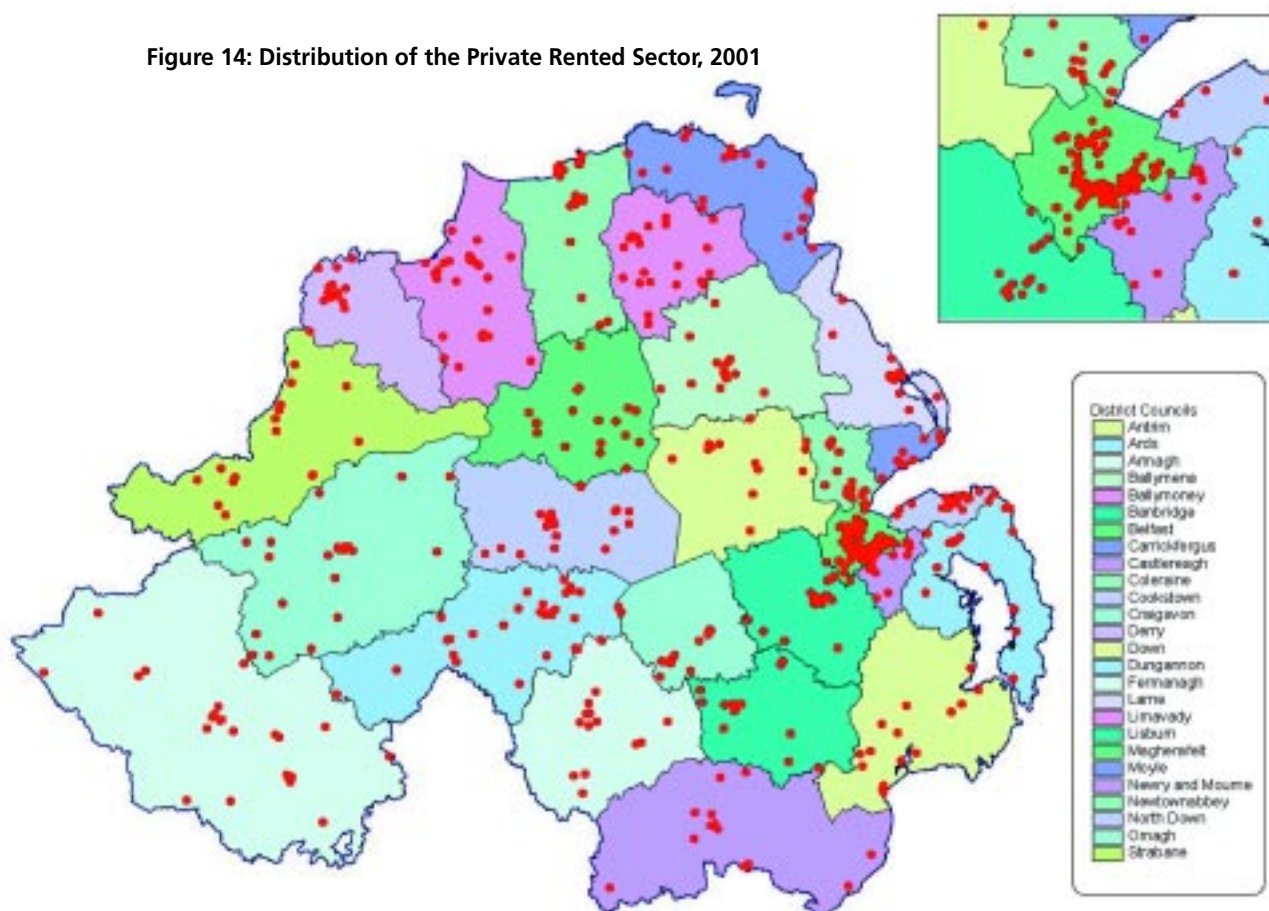


Source: DSD: Housing Statistics

The 2001 House Condition Survey estimated that there were 41,500 occupied dwellings in the private rented sector, a sharp increase from the 32,000 recorded in the 1996 survey. However, this figure rises to 49,000 if vacant dwellings which were privately rented when last occupied are counted as well. The 2001 Census showed that there was nearly 42,000 households living in privately rented accommodation confirming the validity of the 2001 House Condition Survey. Preliminary estimates from the 2004 Interim House Condition Survey confirm anecdotal evidence that the sector continues to grow.

Figure 14 shows the distribution of privately rented dwellings across Northern Ireland. More than one-quarter are situated in Belfast. Other concentrations include Derry City and Coleraine. However, a number of council areas within commuting distance of Belfast have also seen rapid increases in the number and proportion of privately rented dwellings.

Figure 14: Distribution of the Private Rented Sector, 2001



Source: NIHE GIS Unit/2001 House Condition Survey

### The Characteristics and Condition of the Private Rented Sector

The 2001 House Condition Survey provided a wealth of information on the characteristics and condition of the private rented sector:

#### Dwelling Age

A substantial proportion of privately rented dwellings (38%) were built before 1919 (compared to 18 per cent for the stock as a whole). This proportion, however, has decreased significantly since 1996 (49%) mainly as a result of the demand for newer buy-to-let properties.

Only 15 per cent of properties had been built since 1980 compared to 27 per cent for the stock as a whole.

#### Dwelling Type

A large proportion of the private rented sector consisted of terraced houses, 40 per cent compared to 31 per cent for the stock as a whole. Fourteen per cent of this sector were flats, compared to eight per cent for the stock as a whole.

#### Unfitness

The level of unfitness in the private rented sector declined significantly from 15 per cent in 1996 to only 8.7 per cent in 2001. Nevertheless this was significantly higher than the rate of 4.9 per cent for the stock as a whole and 2.9 per cent for the occupied stock.

Some 4,300 tenanted dwellings are statutorily unfit, almost 14 per cent of all unfit dwellings. This compares with a figure of 5,250 in 1996, indicating that progress in reducing unfitness in this sector has been slower (an 18 per cent reduction) than in the stock as a whole where there was a reduction of 28 per cent in the number of unfit dwellings between 1996 and 2001.

### Repairs and the Decent Home Standard

More than 70 per cent of all privately rented dwellings had at least one fault. This is a reduction since 1996 when the comparable figure was 87 per cent, but is nevertheless well above the figure of 59 per cent for the stock as a whole.

The average repair cost for the private rented sector is also much higher (£1,292 for urgent repairs and £1,675 for basic) than for the occupied stock as a whole (£706 and £980).

### Decent Homes

Nearly one half (47%) of all privately rented dwellings failed the Decent Home Standard compared to 32 per cent for the stock as a whole. Nearly 85 per cent of these failed on the thermal comfort criterion.

## A Comprehensive Profile of the Private Rented Sector

In 1999, against a background of growing interest in the private rented sector, the Housing Executive commissioned the University of Ulster to undertake a major piece of research with the aim of providing a comprehensive profile of the sector and identifying the factors behind its growth.

The report on the first phase of the research project was published in December 2001. Its key findings are set out below:

### The Private Rented Sector in Northern Ireland (2001)

#### Key Findings

Using data from the Continuous Household Surveys carried out in 1992/3 and 1999/00 the research indicates that:

- the number of single (non-pensioner) person households increased from 28 per cent to 34 per cent;
- the mean age of head of household fell from 45 to 39;
- the number of households with children headed by a lone parent increased from 9 per cent to 18 per cent;
- the proportion of lone pensioner households decreased from 17 per cent to 10 per cent;
- there was a much lower turnover in 1999/00, with only 22 per cent of households staying in the same dwelling less than a year compared to nearly 40 per cent in the early 1990s;
- the proportion of tenants dependent on Housing Benefit grew from 36 per cent to 43 per cent;



- the popularity of the sector has increased in response to a number of factors;
  - the ease of access to private renting with no lengthy waiting list in areas of high demand;
  - the more desirable location of and facilities in many of the properties and
  - the desire to escape from some areas where anti-social behaviour is prevalent.

Using a case study approach the research also produced more detailed information on a number of distinct segments of the private rented market; highlighting the factors which encouraged a growing number of households to choose this tenure.

- Lower cost buy-to-let (Armagh City and hinterland)
- Older more traditional stock (Derry City)
- Regulated and restricted properties (North Belfast)

Key findings are set out below:

### Lower Cost Buy-to-Let Properties in Armagh

The case study of Armagh City and its hinterland was based largely on a household survey of a sample of those in the private rented sector who were in receipt of housing benefit in 2001:

- one third (34%) of respondents chose to live in the sector because of the lengthy waiting list for Housing Executive/housing association accommodation;
- over half (54%) of respondents chose their present home because of its location;
- almost half (48%) of respondents' last homes were in the private rented sector whilst nearly one quarter (23%) had moved from Housing Executive accommodation;
- tenants that left Housing Executive accommodation were most concerned with the size of their previous home (20%) or its location (20%);
- almost three quarters (74%) had lived in their present home for less than 5 years, 56 per cent for 3 years or less, 20 per cent for one year or less;
- just over half (52%) of respondents were in receipt of full Housing Benefit;
- lone parent households accounted for 43 per cent of households in the survey, much higher than the 15 per cent in Housing Executive accommodation;
- the majority of tenants (64%) were unemployed;
- Housing Benefit, low interest rates, high property prices in the Republic of Ireland and the expansion of Queen's University Belfast (Armagh Campus), were seen as contributory factors to the growth of private renting in Armagh.
- The evidence also suggests that significant numbers of Housing Executive properties sold to tenants are re-emerging in the private rented sector. In the survey, 30 per cent of dwellings were formerly owned by the Housing Executive.



- Factors attracting people to the private rented sector included higher standards in private rented accommodation in Armagh (including many new properties), easy access, the anti social behaviour sometimes associated with some areas and the social stigma attached to living in them.

### The Private Rented Sector in Derry City

The study of the private rented sector in the university area of Derry City based on a survey of 80 households revealed the following:

- A significant proportion of tenants (70%) who lived in the area surrounding the university were not students.
- The area was typified by high turnover: 76 per cent had lived in their present home for less than one year, whilst 50 per cent had moved two or three times in the previous five years. The majority (62.5%) stated that they would not be staying in the property for the next five years.
- The most important single reason for choosing a property was location (38%).
- Most who were not students chose to live in the private rented sector and not in Housing Executive/housing association accommodation because of the difficulties in securing this type of accommodation (64%). The majority (61%) were in receipt of Housing Benefit.
- Households were generally headed by younger persons (41% were aged 16-24 and 49% 25-39).
- A little over a third (35%) of respondents were in full time employment and 26 per cent were unemployed in addition to the 30 per cent who were students.
- Semi-structured interviews with landlords and other key players revealed that:
  - increasing numbers of new landlords were entering the market with some evidence of an oversupply in the apartment sector and student market.
  - increasing numbers of private sector tenants in the university area had behaved in an anti-social way causing some families to move out.

### The Controlled Sector - North Belfast

The case study in North Belfast used the Rent Register as a sample frame. The Rent Register, held by the Department for Social Development for properties controlled under the 1978 Rent Order, at that time recorded a total of some 6,000 properties. Several hundreds of these were restricted tenancies and the remainder regulated. However, there is no compulsion for landlords to register their properties and field-work carried out in 2001, (by the Housing Executive's Research Unit), indicated that less than one half of these properties were still in the private rented sector. The remainder were in owner occupancy, were vacant or had been demolished. The following findings were based on a survey of 80 households:

- More than half (54%) of households were headed by retired persons.
- Generally the tenants were long-term tenants, 72 per cent having lived in their present home for more than five years.
- Two thirds (67%) had regulated tenancies, less than 2 per cent had restricted tenancies, whilst the remaining respondents did not know what type of tenancy was in place.

- The majority of tenants (66%) were in receipt of Housing Benefit.
- In 43 per cent of cases where repairs had been reported to the landlord, the landlord had not yet carried out the repairs.
- One quarter of properties (25%) had no fire safety measures implemented in their home.

#### North Belfast Private Rented Sector House Condition Survey 2003/4

Following the Northern Ireland Housing Executive assuming responsibility for administering the Rent Register for Restricted and Registered Tenancies under the provisions of the Rent Order 1978 in July 2003, a survey of these properties was carried out in North Belfast during 2003/4. The aim of this survey was to provide up to date and more robust information on the physical conditions of controlled privately rented housing in that area. Of particular interest was the compliance of these properties with the fitness standard laid down in the Housing (Northern Ireland) Order 1992 and the socio-economic circumstances of the occupants.

The survey involved a full internal and external inspection of the property and a household interview. The physical survey was identical to that carried out in the 2001 House Condition Survey.

#### Key Findings

- More than half (55%) of households were aged 60 and over and 68 per cent had an annual income of less than £10,000. Almost all (95%) occupiers were in receipt of state benefits.
- The proportion of low-income families was nearly double the average for all households in Northern Ireland, confirming the important role that the private rented sector performs in accommodating low-income households. In North Belfast, the proportion of low income households was 50 per cent higher than for the private rented sector as a whole.
- One third (34%) of properties surveyed was found to be unfit for habitation and a further 15 per cent was found to be defective but did not fail the fitness standard. This indicates an unfitness rate in this area which is nearly four times higher than for private rented properties throughout Northern Ireland and almost seven times greater than the unfitness rate for the stock as a whole.
- The most common reason for unfitness was unsatisfactory facilities for the preparation and cooking of food and the disposal of waste water. Two-thirds of unfit dwellings failed on this criterion. Nearly two-fifths of properties failed the fitness standard due to unsatisfactory personal washing facilities and over a quarter failed on the disrepair criteria.

## **A Strategy for the Private Rented Sector in Northern Ireland**

In June 2003 the Housing Executive issued for consultation a Draft Strategy for the private rented sector in Northern Ireland. The main aim of the strategy was to promote a healthy private rented sector, which offers choice and flexibility by influencing supply and securing a better quality, better managed sector. The strategy recognised the complexity and diversity of the sector and its reciprocal relationship with other tenures. It sought to build on the strengths of the sector, particularly in relation to conditions and management. In parallel to this the Department for Social Development was consulting on proposals for a new legislative framework to replace Northern Ireland's existing outdated private sector legislation (Rent (NI) Order 1978). One of its principal recommendations was to move away from the current system of control, based on regulated or controlled tenancies, to one based on a fitness assessment of the property.

The outcome of the parallel consultation processes was a document issued jointly by the Department for Social Development and the Housing Executive in May 2004 entitled "Renting Privately: A Strategic Framework".

The six objectives and associated action points of the joint strategy are:

*Objective 1: To create a legislative structure for the private rented sector, which addresses inequities and targets unfitness through repair enforcement and rent control;*

Key Tasks:

- Introduce new legislation in accordance with Departmental policy.
- Convene the multi agency partnership to bring forward comprehensive information and guidance for all interest groups.
- Arrange information seminars for all interest groups.
- Produce and disseminate information materials.

*Objective 2: To clarify and promote the rights and responsibilities of private rented sector landlords and tenants;*

Key Tasks:

- Establish a forum for agencies providing advice and assistance to private rented tenants and landlords.
- Co-ordinate and conduct an advertising and awareness campaign on rights and responsibilities for private rented tenants and landlords.
- Co-ordinate an improved multi-agency service of advice, assistance and support for private rented tenants and landlords.
- Produce best practice standard documentation which may be used by private sector tenants and landlords, including model tenancy agreements.
- Research and evaluate the need and desire for the provision of an arbitration service and possible options for delivery.

*Objective 3: To improve housing conditions in the private rented sector;*

Key Tasks:

- Introduce new legislation capable of tackling unfitness and disrepair more effectively.
- Determine the current nature and condition of stock in the private rented sector.
- Implement a co-ordinated approach to addressing unfitness and determining priorities, to ensure the most appropriate action is taken in instances where unfit properties are identified.
- Develop, in consultation with District Council Environmental Health Officers, a system for enforcing repairing obligations.
- Determine the potential for targeting grants under the Discretionary Grants System when priorities have been identified.
- Examine how fuel poverty in the private rented sector can be addressed and energy efficiency improved.

*Objective 4: To facilitate housing choice, by promoting the private rented sector as a viable and affordable housing option;*

Key Tasks:

- Assess demand for and interest in private rented sector accommodation when assessments for housing are carried out under the Common Selection Scheme.
- Assess demand for and interest in the private rented sector through rural latent demand testing.
- Increase awareness of the private rented sector among applicants for housing and the general public.
- Research the dynamics of the private rented sector in relation to inter-tenure flow of stock and tenants.
- Research how the Housing Executive, in partnership with other bodies, could promote the private rented sector.
- Evaluate existing access schemes (Rent Guarantee Scheme, Smartmove), to determine their effectiveness and make recommendations for the development and/or expansion of such schemes, taking account of affordability issues.
- Explore the potential for alternative models of temporary accommodation for homeless applicants within the private rented sector accommodation.
- Research issues of affordability in the private rented sector, including housing benefit.

*Objective 5: To influence the levels of supply of accommodation available for private renting;*

Key Tasks:

- Carry out a review of the existing Rent Register to update and validate the number and location of private rented properties currently subject to control by the Rent (NI) Order 1978.
- Map, using the Geographical Information System (GIS), existing private rented sector properties.
- Further develop District Housing Plans to monitor existing local housing markets, in association with Planning Policy Statement 12, Housing in Settlements.
- Influence the supply of private rented accommodation through sectoral studies.
- Influence the supply of private rented accommodation through regeneration initiatives.
- Investigate the need and potential to target Grant Aid to private sector landlords in areas of high housing stress through the Discretionary Grants System.
- Examine and explore the scope for increased investment by landlords in the private rented sector in areas of high housing stress.

*Objective 6: To promote high standards of management within the private rented sector;*

Key Tasks:

- Develop a Northern Ireland 'Best Practice Guide to Letting and Renting Property' for use by all landlords.
- Develop and improve relations and communication with landlords.
- Assess the support and education needs of landlords and develop a programme for meeting those needs.
- Expand management standards to be introduced as part of Registration under the Houses in Multiple Occupation (HMO) Strategy.
- Develop and improve communications with universities in areas of high HMO concentration.
- Assess the benefits of extending the licensing of landlords beyond that of HMOs.
- Determine the benefits of introducing 'accreditation' of landlords.

The strategy concludes by emphasising the need to encourage, support and enable effective partnership working with landlords, tenants and the statutory and voluntary agencies as the means to best achieve these objectives.

## Houses in Multiple Occupation (HMOs)

Houses in Multiple Occupation are an important element of the private rented sector. They are defined as houses occupied by persons who do not form a single household. The Housing Order (NI) 2003 changed the detailed definition of what constitutes an HMO. It is now defined as a dwelling “occupied by more than two qualifying persons, being persons who are not all members of the same family”. The most recent figures suggest that there are more than 10,000 HMOs in Northern Ireland, more than one-fifth of the entire private rented sector. HMOs have an important role to play in meeting the housing needs of people who are single, who have temporary employment, students and those on low incomes.

In November 2004, following concern over the proliferation of HMOs in certain areas, the Planning Use Classes Order (NI) 1989 and Planning (General Development) Order (NI), 1993 were amended. Under the new legislation the planning definition of an HMO was brought into line with the Housing (Northern Ireland) Order 2003 and landlords converting a family dwelling to a house in multiple occupation are now required to seek planning permission.

### Survey of HMOs 2003

As part of its ongoing drive to improve the condition and standards of management in HMOs the Housing Executive surveyed a random sample of more than 200 HMOs in Belfast, Derry City and the Coleraine triangle. The key findings are set out below:

#### Key Research Findings

- Of the 214 properties surveyed, 21 (10%) were classified as unfit for human habitation.
- In terms of fitness for multiple occupation, however, almost two-thirds (64%) failed to comply with one or more of the 5 criteria.
- With respect to fire safety, 109 properties (51%) were unfit on the basis of means of escape from fire (this compared to 65% in 1999) and 116 (54%) on the basis of inadequate other fire precautions.
- Nearly one-third (32%) failed the standard due to inadequate sanitary conveniences and 23 per cent due to inadequate kitchen facilities.

Overall, the survey showed that, whilst the vast majority of properties were considered fit for human habitation, i.e. they would be adequate as single family dwellings, they were not fit for multiple occupation.

This research underlines the need to continue to focus resources on this sector using a combination of methods - inspection, grant aid and enforcement in order - to raise standards in HMOs. Since the introduction of the Housing (NI) Order 1992 and the Housing Management of Houses in Multiple Occupation (NI) Regulations, 1993, the Housing Executive has completed the following:

- 2,635 full inspections of HMO properties, an increase of 630 during the year 2003/04;
- More than 2,000 statutory notices served as a result of these inspections, an increase of 450 during the year 2003/04;
- The issue of 1,325 approvals for grant aid for works to bring HMOs up to the necessary standards, an increase of 214 in the year 2003/04.

By the end of March 2004 a total of £27.4 million had been spent on HMOs, and it is anticipated that a budget of at least £4 million will be required annually.

### Statutory Registration Scheme for HMOs

The Housing (NI) Order 2003 required the Housing Executive to introduce a registration scheme for houses in multiple occupation (HMOs). Proposals for such a scheme were issued in November 2003 for consultation. Following the conclusion of consultation in January 2004 the Housing Executive implemented its statutory registration scheme in May 2004. The scheme is designed to target properties deemed to represent the greatest risk to occupants.

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

### Key Issues and Strategic Perspective

- The private rented sector will continue to form a small but significant part of the overall housing market. Changing lifestyles and labour markets, ease of access and its flexibility will ensure that it will continue to expand, underpinned by a relatively generous Housing Benefit System.
- Approximately 15 per cent of the sector is comprised of sold Housing Executive dwellings resold on the open market to private landlords who often draw in tenants on housing benefit.
- There are indications that the buy-to-let market is becoming saturated in some areas, although continuing low returns on stock markets still tend to make property a safer investment.
- The age profile of the stock is older than in other tenures and there are higher levels of unfitness, disrepair and homes which fail the Decent Home Standard, underlining the need for further investment with the help of grant aid.
- In 2001 almost one-half (48%) of all households in the private rented sector were in fuel poverty, reflecting both the characteristics and condition of the stock and the concentrations of low income households in this sector.
- The age profile of households in the private rented sector is becoming younger, with fewer pensioner households. There are more younger, more unemployed and more lone parent households.
- Houses in Multiple Occupation (HMOs) will continue to play an important role in housing single people, including students and young professionals and those on low incomes.
- The new strategy for the private rented sector will address housing conditions and a range of legal and management issues in the private rented sector in the coming years. The speed at which they are addressed will reflect the availability and prioritisation of funding. New legislation, which is expected to focus on the level of unfitness, will help to improve housing conditions.

## **Chapter 4:** Social Housing

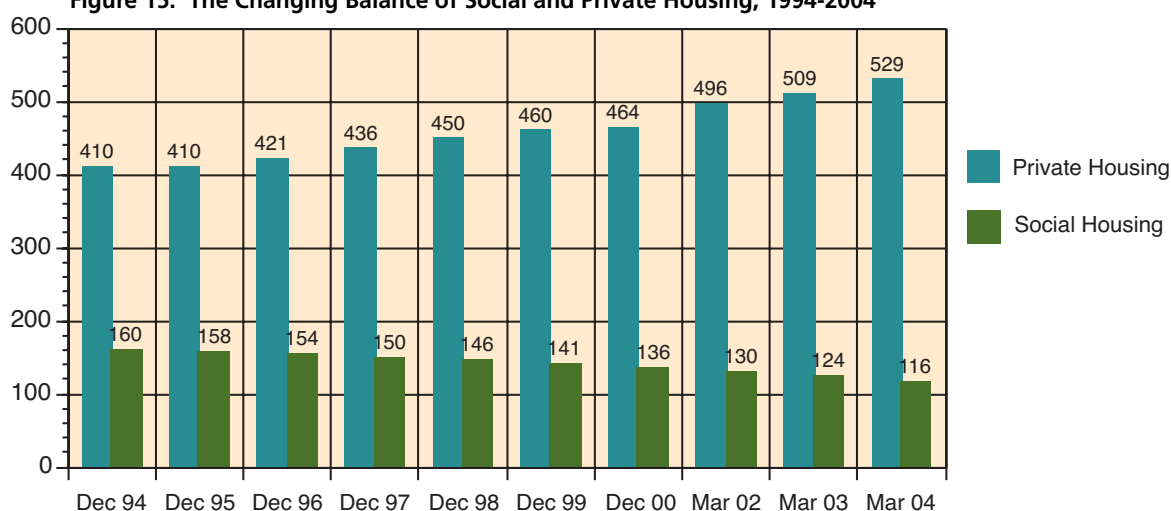
The steady increase in owner-occupation and private renting and the progressive contraction in the size of the Housing Executive stock has resulted in a reduction in both the absolute number of social dwellings and the proportion of social homes relative to the private sector.



## Introduction

In March 2004, Northern Ireland's social housing sector comprised approximately 122,000 dwellings (18% of the total stock). Some 102,000<sup>(1)</sup> of these are owned and managed by the Housing Executive and over 21,000 self contained units of accommodation are owned and managed by the housing associations (excluding Northern Ireland Co-ownership Housing Association). The steady increase in owner-occupation and private renting and the progressive contraction in the size of the Housing Executive stock has resulted in a reduction in both the absolute number of social dwellings and the proportion of social homes relative to the private sector (see Figure 15).

Figure 15: The Changing Balance of Social and Private Housing, 1994-2004



Source: DSD, Housing Statistics 2003/4

Within the social sector itself the balance between Housing Executive and housing association stock is also changing. In the last five years the annual new social housing programme has compensated for less than one-fifth of the annual reduction in Housing Executive stock as a result of house sales and demolitions.

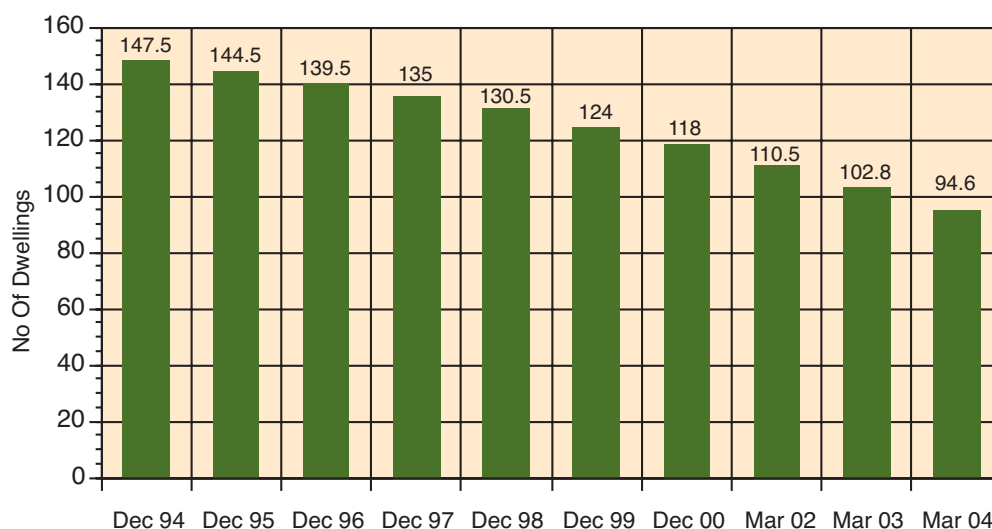
## The Housing Executive

The Housing Executive is Northern Ireland's regional strategic housing authority. It is a Non-Departmental Public Body reporting to the Department for Social Development. In 2003/4 it managed a gross budget of £630 million. Almost £200m of this was invested directly on improvements and repairs to Housing Executive stock.

Between 1971 and 2001 the Housing Executive built more than 90,000 new dwellings.

As a result of the 1996 Housing Policy Review, the responsibility for the building of new social dwellings was gradually transferred to housing associations. In 2002/3 for the first time since its formation, there were no new Housing Executive dwellings constructed. The Housing Executive has now sold more than 110,000 dwellings since 1979. Since 2000/1 more than 5,000 dwellings have been sold each year and an average of more than 1,000 dwellings have been demolished annually. Figure 16 illustrates the effect of these on the (occupied) Housing Executive stock<sup>(2)</sup>. The reduction in Housing Executive stock is equivalent to a large housing management district each year, a trend which has accelerated over the last five years, both in terms of absolute numbers and as a proportion of the remaining stock.

Figure 16: Housing Executive Stock, 1994-2004



Source: DSD Housing Statistics 2003/04

### The Characteristics and Condition of Housing Executive Stock

An analysis of the property database held by the Housing Executive (at the end of March 2004) showed the following:

#### Dwelling Age

Some 52,000 dwellings (51% of current stock) had been built after 1970, 25 per cent had been built in the 1960s and only 6 per cent had been built before 1945, although in Belfast this percentage was much higher (16%).

#### Dwelling Type

Some 59,000 properties (58% of the total stock) were traditional terraced or semi-detached houses, 19 per cent were bungalows and 20 per cent were flats, with cottages, maisonettes and split level dwellings making up the remainder. This year again, the great majority of dwellings sold were houses. This is reflected in the gradual increase in the proportions of flats and bungalows in the Housing Executive's stock.

#### Dwelling Size

Nearly half (46%) of the stock comprised three bedroom accommodation. Two bedroom accommodation accounted for a little over one third (37%) of all dwellings. Dwellings for larger families with four or more bedrooms accounted for 5 per cent of the stock.

#### Heating

Since last year further progress has been made in upgrading the heating in Housing Executive dwellings. In March 2004 approximately 96 per cent of dwellings had full central heating and a further 2 per cent had partial central heating, leaving some 2,000 dwellings with only basic heating. However, 37,000 dwellings still had solid fuel as their principal heat source and a further 20,000 electricity. Both these are considered inefficient heat sources.

The 2001 Northern Ireland House Condition provided the following additional information:

### Unfitness

Fewer than 1,000 dwellings (0.8%) were classified as unfit, reflecting the considerable investment in maintenance and improvement over the last three decades. If vacant Housing Executive dwellings are included, the level of unfitness in Housing Executive stock rises to nearly 3,000 (2.4%).

### Repair Costs and the Decent Home Standard

Nearly two thirds (59%) of Housing Executive properties required some repair compared with 75 per cent in 1996. This was the same proportion as for the stock as a whole. However the average cost of the repairs (£304 for urgent need and £398 for basic repairs) is much lower than for the Northern Ireland housing stock as a whole (£1,124 and £1,427 respectively) reflecting the substantial resources invested in improvement and maintenance by the Housing Executive. One half of all occupied Housing Executive homes fail the Decent Home Standard, and the overwhelming majority (97 per cent) of these fail the thermal comfort criterion, because of the presence of solid fuel or electric heating. Ongoing heating replacement programmes will steadily address this over the coming years.

### Household Profile

The Housing Executive's Continuous Tenant Omnibus Survey is based on an annual survey of some 4,000 tenants. It provides an invaluable source of information in relation to the socio-economic and demographic profiles of Housing Executive tenants. The key findings for 2003/4 are set out below:

#### Continuous Tenant Omnibus Survey 2003/2004

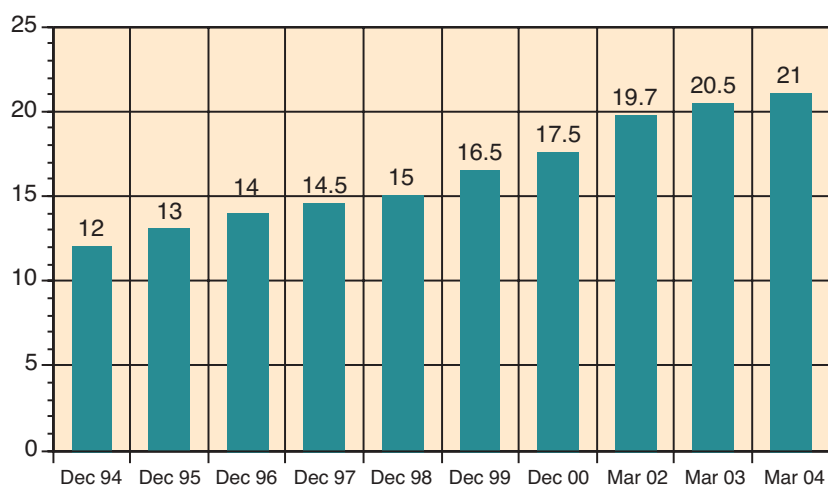
##### Key Research Findings

- Average household size continued to decline marginally to 2.16 persons (2.22 in 2002/03) and continued to be significantly lower than for the Northern Ireland housing stock as a whole (2.61), reflecting the growing proportion of single person and elderly households in Housing Executive stock. More than two-fifths (42%) of all Housing Executive dwellings were occupied by single person households. More than one-third (38%) of all heads of households were over 60. Fourteen per cent of households were lone parents. Less than one-fifth of households (17%) had a home computer.
- Less than one-fifth (16%) of heads of household were working (full time, part time or self employed), with consequent high levels of benefit dependency in Housing Executive estates: 56 per cent of heads of household were on Income Support/Job Seekers Allowance. More than one-quarter (29%) of heads of household were retired.
- Almost three-fifths (58%) of households had a gross income of £10,400 or less per annum and almost one-fifth (17%) had a household income of £5,200 or less illustrating the concentration of deprivation on Housing Executive estates.
- Almost one-fifth (18%) per cent of households contained at least one person who required some form of mobility aid (including a wheelchair). More than one-third (35%) of heads of household were in receipt of a disability benefit.

## The Housing Associations

Housing associations are independent social housing organisations providing good quality, affordable housing on a not-for-profit basis, for households in housing need. There are at present 39 registered housing associations in Northern Ireland (including the Northern Ireland Co-ownership Housing Association (NICHA)). Figure 17 shows how the rented stock owned and managed by housing associations has increased steadily over the past 10 years to 21,000 dwellings excluding NICHA.

Figure 17: Housing Association Stock, 1994-2004



Source: DSD, Housing Statistics 2003-04

New housing association developments were traditionally fully funded by means of the Housing Association Grant. However, in the early 1990s this changed with the introduction of a "mixed funding" regime. Housing associations had to raise approximately one-third of the cost of most schemes from private lenders. Less than one-fifth of new schemes are now 100 per cent funded – mainly schemes for people with learning disabilities or mental health problems, or very specialised schemes such as those for the Traveller Community.

Since 1991 housing associations have borrowed more than £230 million from banks and building societies: a major private sector contribution to the funding of social housing.

Table 13: Housing Associations with more than 500 units of Accommodation, March 2004

	Self Contained	Bed Spaces	Total Units
BIH	3,377	418	3,795
Fold	3,292	216	3,508
Oaklee	2,719	671	3,390
North and West	1,850	450	2,300
Clanmil	1,522	58	1,580
Habinteg	1,265	259	1,524
SHAC	163	882	1,045
South Ulster	662	-	662
Presbyterian	635	-	635
Ulidia	280	281	561
Total	15,765	3,235	19,000
<b>Total Housing Association Stock</b>	<b>21,067</b>	<b>4,575</b>	<b>25,642</b>

Source: DSD, Housing Associations Branch

## Housing Association Stock

In March 2004 registered housing associations (excluding NICHA) had a rented stock of 25,600 units of accommodation (see Table 13). Some 21,000 (82%) of these were self contained, the rest were bed spaces in shared accommodation. Three-quarters (74%) of the total units were owned by the ten largest housing associations, which had more than 500 units each.

In 2004 some 1,400 dwellings (6% of the stock) were suitable for tenants confined to a wheelchair and some 9,500 (45%) were for elderly people. All district council areas contained housing association stock, but significant concentrations were in Belfast (38%), Derry (13%); Lisburn (5%) and Craigavon (5%), reflecting both population distribution and the history of the housing association movement. In the last three years the concentration of new housing association developments in areas of highest need in Belfast and Derry is reflected in the proportional increase in both these council areas.

## The Characteristics and Condition of Housing Association Stock

The 2001 House Condition Survey shows the following:

### Dwelling Age

Two-thirds of housing association properties had been built since 1980, reflecting the recent history of the movement. However, 26 per cent had been built before 1945 – older properties which had been taken over by associations and renovated.

### Dwelling Type

A little over half (51%) of dwellings were purpose built flats - a number of housing associations had concentrated their efforts on building sheltered accommodation for older people. Terraced houses accounted for 30 per cent of the stock, reflecting the associations' contribution to urban renewal and their growing involvement in general needs family housing. A further 10 per cent of stock were bungalows.

### Dwelling Location

Forty per cent of housing association stock was located in Belfast. Fifty-seven per cent was located in the Belfast Urban Area, with a further 31% in district towns, reflecting the predominantly urban location of housing association stock.

### Unfitness

Less than 400 housing association dwellings (2.1%) were considered unfit, reflecting mainly the age of the stock, although if vacants are included, this rises a little to 500 (2.7%).

### Profile of Housing Association Tenants

The 2001 House Condition Survey provides a profile of the households living in housing association accommodation:

- Two thirds (67%) were elderly households and the vast majority of these (88%) were lone older households.
- Nearly one-half (44%) of all heads of households were aged at least 75. The comparable figure for the Housing Executive was 15 per cent, confirming the important role that housing association properties play in housing this age group.
- Less than one per cent of heads of household were employed, with the vast majority being classified as retired (64%) or permanently sick/disabled (14%).
- A considerable proportion (38%) of housing association households had annual incomes of less than £7,000 and only 18 per cent had incomes of at least £15,000.

## Co-ownership Housing

The Northern Ireland Co-ownership Housing Association (NICHA) plays an important bridging role in the housing market by enabling households on lower incomes to enter the owner occupied sector. It operates a Do-It-Yourself Shared Ownership (DIYSO) scheme, with purchasers, whose applications meet certain criteria, bidding on a property on the open market to acquire it on the basis of shared ownership with NICHA. The Co-ownership Scheme was established in 1978 as a form of equity sharing. It enabled households with insufficient resources to take the important first step on the ladder of owner occupancy by purchasing between 50 per cent and 75 per cent of the equity, and having their monthly outgoings tailored to their ability to pay. The vast majority of shared owners later achieve full ownership by purchasing the outstanding equity or by selling and moving to another owner occupied property.

In March 2004 the Co-ownership Housing Association managed a total of 4,146 properties. During the year to 31 March 2004 it acquired 463 properties (a 42 per cent decrease on the previous year) at a total value of nearly £33 million with the assistance of £7.9 million in Housing Association Grant (a substantial reduction of £5.1 million on the previous year). This covered only approximately one-fifth of purchase costs.

The average price of properties acquired during 2003/4 was £70,600, a 4 per cent increase on the previous year and a little lower than for the housing market as a whole. The majority of the properties constructed were built between 1945 and 1980 and fourteen per cent were newly constructed. Almost three quarters of new leaseholders joined the scheme with a 50 per cent share.

Since 1978 more than 18,000 households have been able to purchase their home with the help of the co-ownership scheme and of these more than 14,000 have "staircased" out of the scheme to become full owners. In 2003/4 a total of 775 households bought out the interest in their properties and with an average sale price of around £68,800, this equated to an average increase of around £22,000 against the initial purchase price, a substantial capital gain for the leaseholder and NICHA. Proceeds from the sale generated over £23.9 million of which £10.2 million (41%) was returned to the Department for Social Development. The remainder was spent on acquiring properties for new leaseholders.

Over the next 3 year period NICHA intends to purchase a minimum of an additional 500 properties a year. However the actual number will reflect the annual grant allocation from the Department for Social Development.

NICHA itself has already started to keep useful data which gives an initial profile of co-ownership purchasers for 2003:

- Some 31 per cent were households with dependent children and approximately half of these were headed by lone parents.
- The average household income was nearly £13,500, significantly lower than the Northern Ireland average income of over £20,000.

In 2003 two important pieces of research were completed for the Department for Social Development. The first of these was carried out by the University of Ulster's School of the Built Environment entitled "Assessing Value for Money: The Northern Ireland Co-ownership Scheme."

The study aimed to examine the role of co-ownership in the Northern Ireland housing market through the use of value for money indicators. The final report showed:

- NICHHA had demonstrated the ability to bring appreciable numbers of households into the owner occupied sector over a twenty five year period and sustain them in this tenure.
- From the standpoint of the public purse, co-ownership has proved to be highly cost effective. It is relatively low cost (in 2003 circa £33,300 per property) in terms of bringing new entrants into the scheme. This compared favourably with the costs of providing new social housing which on average costs government more than twice this.
- In seven of the last ten years, the co-ownership scheme has been a net donor to government with grants and loan repayments being greater than the level of new grant received.
- NICHHA has the potential to make a profit on each equity purchase. Over the past ten years, NICHHA has gained an average of around £5,000 per property, equivalent to some £3.5 million per annum. These amounts are recycled to support further households purchasing through co-ownership.
- The demand for co-ownership purchase is on an upward curve reflecting growing concerns about the affordability of housing, notably for first time buyers.
- A high rate of equity buy out highlights that NICHHA is achieving its objective of staircasing householders to full ownership and a range of socio-economic and property price indicators confirm that co-ownership is targeting a market dominated by young, often single, purchasers with limited resources who would otherwise have more restricted housing options.

The second of the two research projects was carried out by the Chartered Institute for Housing (NI) and was entitled Do-It-Yourself Shared Ownership. This study examined the role that co-ownership plays in facilitating entry into the owner occupied sector in Northern Ireland compared to the different Low Cost Home Ownership Schemes operating elsewhere in the UK and in the Republic of Ireland. Central to this research was a series of semi-structured interviews with key players involved in the policy and practice of facilitating low cost home ownership in Northern Ireland. These interviews indicated:

- that the NICHHA scheme is valued by applicants and funders alike, primarily as NICHHA has a proven track record and it is recognised that there is undoubted strength in having one organisation administering the scheme.
- that co-ownership plays a valuable role, particularly for first time buyers in accessing home ownership and is seen as particularly relevant and effective at a time when there is a growing gap between house prices and incomes: a mortgage multiple of nearly five would be required to enable someone on average earnings to buy an average priced property in Northern Ireland.
- that the Co-ownership scheme is rated very highly in comparison to those operating in the rest of the UK and the Republic of Ireland.

This year the Housing Executive, in partnership with NICHHA and the Department for Social Development, has commissioned a complementary piece of research entitled "Co-ownership - the Experience of the Customer".

The overall aim of the research will be to provide a client-based perspective on the Co-ownership scheme and its role in enabling lower income families achieve home ownership.

The following objectives have been agreed:

- To determine the housing history of recent users of the Co-ownership scheme: whether they had evaluated alternative tenures in the social or private rented sectors prior to becoming shared owners and the decision making process which led them into Co-ownership.



- To describe the socio-economic profile of applicants who enter the Co-ownership sector of the market and determine to what extent Government's stated policy in relation to TSN is being addressed.
- To assess to what extent the Co-ownership scheme is simply enabling householders who would have bought anyway to buy bigger and better.
- To establish levels of customer satisfaction with the process of becoming co-owners, and the experience of living as a co-owner.
- To elicit the future housing intentions and options of existing co-owners - in particular in relation to staircasing and how this may be affected as interest rates increase and house price increases moderate.
- To establish whether there are significant attitudinal differences in rural and urban areas and whether geographical differences in financial limits are facilitating or hindering entry to the scheme in different locations.

### New Social Housing

Housing need in the social sector is primarily met through the letting of existing dwellings. More than 8,000 dwellings are re-let annually. However, as the two models of future housing need developed for the Housing Executive by the Universities of Ulster and Cambridge showed (see Chapter 1) there was an annual requirement between 2001 and 2011 of around 1,500 new social dwellings and that bearing in mind the backlog which had already developed since 2001 and local imbalances of supply and demand, at least 2,000 new social dwellings were needed between 2004 and 2011.

Last year (2003/04) a total of 1,140 new social dwellings were started, a substantial increase (70%) over last year's figure of 669<sup>(3)</sup>. However, the number of completions fell from 1,028 to 560. Contract starts for new build were recorded as being 1,264 and a further 69 "off the shelf" new dwellings were acquired. In addition a further 89 "existing satisfactory" properties were acquired and 104 properties were rehabilitated or re-improved. These 193 properties, however, do not address the overall social housing need identified by the Net Stock or Cambridge Models (see Chapter 1).

The vast majority of the 2003/04 housing programme was for general needs (approximately 80 per cent) including general needs in North and West Belfast, Derry City and in rural areas. A little less than 10 per cent was designed to meet the needs of the elderly and the remainder being built to meet more specialist needs such as those for people with a physical or learning disability, young people leaving care, or the homeless.

### The New Build Programme from 2004/05 Onwards

The Department for Social Development estimates that the funding for 2004/05 will be sufficient to build or acquire 1,315 new housing association dwellings and anticipates starting 1,500 in subsequent years. However, the strategic guidelines developed by the Housing Executive envisage an annual need of at least 2,000 dwellings. During the past year housing stress has continued to grow outside the traditional high demand areas in North and West Belfast and Derry City.

In view of this the Housing Executive proposes to continue to meet the ring-fenced numbers for these three strategy-driven areas but also to channel any additional resources to other areas on the basis of identified housing stress. In addition it is envisaged that up to 10 per cent of the programme would be for rural housing and 15 per cent for supported housing.

This year's 2004/05 programme is now underway and at the end of September 2004 a total of 278 new dwellings had been started, although experience from previous years indicates that the majority of the starts are delivered in the final quarter of the financial year. In recent years housing associations have encountered a number of difficulties delivering new housing projects in areas of high demand partly due to problems encountered when trying to acquire land in advance of a scheme and gaining the necessary planning approvals in time.

In order to address this, the Housing Executive has recently produced a draft New Build Investment Strategy in partnership with the Department for Social Development and the housing associations.

The aim of the investment strategy is to ensure that:

- an annual programme of high quality social new build provision is developed to meet identified housing needs (including supported housing needs) and delivered in a cost efficient and effective manner. It focuses in a single strategic document the range of disparate processes which currently operate to facilitate the construction and delivery of the social housing development programme. The strategy sets out three objectives and a number of associated recommendations:
  - Objective 1: to develop a robust methodology for the assessment of Housing Need which will be expressed as an annual Social Housing Capital Development programme. Recommendations include reviewing the housing need assessment models on a biannual basis, ensuring backlog and supply/demand imbalances are taken into account and reviewing strategic guidelines annually to re-assess priorities.
  - Objective 2: To develop processes to ensure the effective delivery of the Development Programme. Recommendations include incentivising delivery by housing associations of new build developments in isolated rural areas, reviewing the basis on which schemes are included in the Development Programme (pre-qualification milestones) and subsequently managed and ensuring PPS12 is used as an effective planning tool to identify adequate land for affordable and social housing.
  - Objective 3: To develop procedures to ensure that schemes included in the Development Programme are designed to modern standards and delivered in a cost effective manner, providing value for money. Recommendations include reviewing that Housing Association Guide and the selection processes for schemes to promote quality and reduce costs, to promote housing solutions where appropriate through mixed tenure housing developments and to implement the Private Rented Sector Strategy Action Plan.

### **Improving and Maintaining Social Housing**

The 2001 House Condition Survey confirmed that the quality of social housing in Northern Ireland is significantly higher than in England as a result of the higher levels of resources devoted to the improvement and maintenance of the social stock in Northern Ireland over a thirty year period.

#### **Improving the Housing Executive's Stock**

The Housing Executive approaches the improvement of its dwellings in two ways:

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

- through schemes to upgrade dwellings, ranging from single element schemes, such as the installation of full central heating, to comprehensive improvements to bring dwellings up to modern standards.

### Policy Based Schemes

During the financial year 2003/4 some 3,200 major welfare adaptations were completed, a reflection of the Housing Executive's ongoing commitment to this programme. The vast majority of these adaptations, more than 2,800, were for new heating systems, thereby also accelerating the move towards the greater energy efficiency of the stock. The remaining 400 adaptations were for extensions, lifts and ground floor toilets.

In the past five years resources committed to adaptations to Housing Executive dwellings have risen. However, the demand for heating adaptations has now peaked and it is envisaged the rate of expenditure will flatten out at around £17 million. During 2004/05 adaptation work is due to start on a further 2,400 dwellings, more than four fifths of these are heating adaptations.

### Improvement Programmes

In 1988 the Housing Executive began a 10 year programme to improve 100,000 of its dwellings which had been identified as requiring modernisation. Since then considerable progress has been made. The original programme has been completed, although as further survey work was carried out and as standards – and in particular fire safety standards - were increased, additional dwellings have been identified for improvement. In April 2004 it was estimated that some 10,000 dwellings still required upgrading. Last years' "Review and Perspectives" identified an ongoing annual need for some 2,500 improvements in order to complete the programme over a five to seven year period. During the financial year 2003/4 a total of nearly 2,600 were started, a little higher than the needs based estimate. Almost 1,600 of these were multi element improvements and a further 600 were for single element upgrading. This year's assessment reaffirms the need for improvements to 2,500 dwellings and the associated funding.

An important element of the Housing Executive's improvement strategy is its commitment to improve rural dwellings. The Housing Executive currently owns some 1,200 rural cottages: more than 70 per cent (855) of these have been improved and most of the rest are now included in an improvement scheme to be carried out over the next 3-5 years.

### Maintaining the Housing Executive's Stock

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

Planned maintenance comprises two main types of work:

- external cyclical maintenance (ECM) involving maintenance to the external fabric of the dwelling and its immediate surroundings carried out on a five year cycle;
- revenue replacement, involving the replacement of any internal elements which have reached the end of their expected useful life, such as sanitary ware, room heaters and kitchen units.

## External Cyclical Maintenance

The Housing Executive tries to ensure that each dwelling is included in an ECM scheme once every five years. Last year's "Review and Perspectives" envisaged the need for work to more than 20,000 dwellings to be carried out. However, due to budgetary constraints only 16,200 ECMs were completed in the year 2003/4 and it is important that adequate funding for this activity is made available to ensure the external fabric of Housing Executive dwellings does not deteriorate. However, in 2004/05 resources have only been made available for 8,000 dwellings, less than half the required number.

## Revenue Replacement Schemes

Last year's "Review and Perspectives" estimated an ongoing need for 8,000 dwellings to be subject to revenue replacement schemes. During the financial year 2003/04, however, resources were only available to carry out the following: 3,850 dwellings had their heating replaced and 1,200 dwellings had replacement kitchens or bathrooms.

This year's "Review and Perspectives" confirms the ongoing need for revenue replacement work to be carried out to 8,000 dwellings annually. Most of this work will again be in relation to heating replacement, as the Housing Executive's preferred fuel policy ensures the ongoing removal of inefficient solid fuel and electric heating systems. The 2001 House Condition Survey estimated that more than 70,000 Housing Executive dwellings failed the Decent Home Standard primarily on the basis of solid fuel heating and electric. Three years later this figure is now estimated to be around 45,000. It is estimated that if this rate of progress continues, by 2010 all Housing Executive properties will meet the Decent Home Standard.

## Response Maintenance

Despite the decline in the Housing Executive's stock, rising expectations and modern standards in terms of heating and amenities have meant that there has not been a commensurate decline in the demand for response maintenance. In 2003/4 some 412,000 works orders were raised and it is envisaged that this will decrease slightly over the next three years.

The 2003/04 Continuous Tenant Omnibus Survey (CTOS) indicated that 64 per cent of tenants with experience of the repair service within the previous 12 months were "satisfied" or "very satisfied". This was an increase of 6 per cent on the previous year. The introduction of an Egan based response maintenance approach in a number of districts emphasising quality, partnership and customer satisfaction has resulted in increased tenant satisfaction with the Housing Executive's response maintenance system.

## Maintenance Investment Strategy

The Fundamental Review of Maintenance undertaken by the Housing Executive in 2002 recommended the formulation of a maintenance investment strategy set against proposed standards. A draft strategy was produced in 2003 and sent to the Department for Social Development in December 2003 for consideration. The strategy used 2003-2010 as the time frame to achieve alignment with the target for achieving the Decent Home Standard in England and Wales and was approved by the Board of the Housing Executive in June 2004.

The strategy highlights a number of immediate priorities:

- review the work content and programme cycles of external cyclical maintenance programmes;
- redirect resources to component replacement (initially toward kitchens);

- operate cost controls over response maintenance, particularly change of tenancy (COT) expenditure;

Within the context of the draft strategy a short term programme of work has been set:

- redefine work content in ECM schemes on the basis of repair rather than replacement of low priority items and limiting 'environmental works';
- review the economic appraisal of ECMs on the basis of various programme cycles (5, 6 and 7 years) and work content;
- review the work content and appraisal methods for multi-element improvements and component replacement schemes;
- impose strict budgetary control over maintenance expenditure, particularly COT;
- assess the potential for savings in heating, security and routine repairs;
- review procurement methods in relation to 'aggregation';
- prepare for Decent Homes by way of work programmes, performance management and reporting systems.

### Major Repairs to Housing Association Dwellings

The younger age profile of housing association stock compared to the Housing Executive's and the fact that major improvement/rehabilitation works are financed from the budget for capital expenditure or association reserves has meant that the need for major repair works can be difficult to estimate.

Since the introduction of the mixed funding regime, the Government has required housing associations to make their own financial provision for major repairs over the entire lifespan of an increasing proportion of their dwellings. As regards those homes which are still not covered by these "major repairs sinking funds", the Government expects those with sufficient reserves to pay for their own major repairs. Relatively few major repair schemes therefore, qualify for Housing Association Grant.

Recent estimates by the Northern Ireland Federation of Housing Associations indicate that, together with the cost of adapting dwellings for tenants with a disability, housing associations are likely to require at least £2 million in grant aid for major repairs and adaptations work each year.

### Key Issues and Strategic Perspective

- Over the next three years social housing will continue to decline by around 5,000 annually, as house sales and demolitions are only partially compensated for by the new social housing programme and a small programme of acquisitions. In some areas the supply of social housing is clearly inadequate to meet rising housing stress.
- The social new build programme is not keeping pace with the estimates of need predicted by the new 2001 Census based models. There is an annual requirement for at least 2,000 additional social dwellings. The Housing Executive in its role under PPS12 will endeavour to ensure sufficient land is zoned for social housing. This should be complemented by adequate levels of low cost affordable housing, including co-ownership.
- Sufficient expenditure on maintenance and improvement is vital to ensure that stock condition is maintained. The proportion of dwellings meeting the Decent Home Standard will continue to rise as heating conversion programmes are implemented.
- There will be ongoing demand for adaptations for people with disabilities. Adequate funding will be required to accommodate this.



## Footnotes



## FOOTNOTES

### **Chapter 1: The Strategic Context**

- (1) First Trust Bank: Economic Outlook and Business Review, September 2004 and November/December 2004.  
Regional Forecasts and Oxford Economic Forecasting: Regional Economic Outlook, Autumn 2004.
- (2) It should be noted that the Quarterly Employment Survey on which this figure is based counts the number of jobs rather than the number of persons with jobs. A person holding both a full-time and part-time job, or someone with two part-time jobs will be counted twice.
- (3) A person who has done at least one hour of work in the reference week is counted as in employment. The figures in this row are seasonally adjusted.
- (4) ILO unemployment - The ILO measure of employment refers to people without a job who were available to start work in the two weeks following their LFS interview and had either looked for work in the four weeks prior to interview or were waiting to start a job they had already obtained. The unemployment rate is the percentage of economically active people who are unemployed.
- (5) NISRA, Expenditure and Food Survey in Housing Statistics 2003-04.
- (6) ONS, Regional Trends, 38 (2004 edition), Table 8.1.
- (7) DSD, Housing Statistics, 2003-04.
- (8) This figure excludes all vacant properties owned by the Housing Executive, See Chapter 4.
- (9) Paris, C., Holmans, A. and Lloyd, K. (2004) "Demographic Trends and Future Housing Need in Northern Ireland, Belfast.
- (10) In September 2004, in the interests of consistency with the rest of the UK some revisions to these Northern Ireland figures were made. However for practical purposes these were not significant.
- (11) New housing built since 1996 does not come within the remit of the Act.

### **Chapter 2: Owner occupation**

- (1) DSD, NI Housing and Construction Bulletin, 1 April - 30 June 2004.

### **Chapter 4: Social Housing**

- (1) This figure includes vacant properties.
- (2) DSD, Housing Statistics, 2003-04.

**Appendices -**  
Additional Statistical Information

Table A1: Basic Housing Statistics by Tenure (000's (%)) 1993-2004

	Owner Occupied	Housing Executive	Housing Association	Private Rented	Vacant	Total
Dec 1993	374 (63.5)	153 (26.0)	11.5 (2.0)	19.5 (3.3)	31.0 (5.3)	589.5
Dec 1994	390 (65.0)	147 (24.6)	12.0 (2.0)	20.0 (3.3)	30.5 (5.1)	600.0
Dec 1995	389 (65.2)	144 (24.2)	13.0 (2.2)	20.5 (3.4)	29.5 (5.0)	598.5
Dec 1996	399 (65.7)	139 (23.0)	14.0 (2.3)	22.0 (3.6)	33.0 (5.4)	607.5
Dec 1997	412 (66.7)	135 (21.8)	14.5 (2.3)	24.5 (4.0)	32.0 (5.2)	618.0
Dec 1998	424 (67.8)	130 (20.8)	15.0 (2.4)	26.0 (4.2)	30.0 (4.8)	626.0
Dec 1999	429 (67.6)	124 (19.5)	16.5 (2.6)	30.5 (4.8)	35.0 (5.5)	636.0
Dec 2000	442 (68.2)	118 (18.2)	17.5 (2.7)	31.5 (4.8)	39.5 (6.1)	649.0
March 2002	464 (70.4)	111 (16.7)	19.7 (3.0)	31.0 (4.8)	33.6 (5.0)	660 .2
March 2003	477 (71.4)	102 (15.4)	20.9 (3.1)	32.4 (4.8)	36.2 (5.4)	669.1
March 2004	494 (72.8)	94.6 (13.9)	21.0 (3.1)	34.6 (5.1)	34.8 (5.1)	679.2

Table A2: Trends in Waiting List 1994-2004

	Total Waiting List	Total "Urgent Need"	% "Urgent Need"
March 1994	22,962	10,579	46.1
March 1995	23,355	11,196	47.9
March 1996	23,349	11,148	47.7
March 1997	23,759	11,895	50.1
March 1998	22,691	11,510	50.7
March 1999	23,193	11,678	50.4
March 2000	23,084	11,732	50.8
March 2001*	22,054	10,639	48.2
March 2002	25,983	12,486	48.1
March 2003	26,700	13,237	49.6
March 2004	27,656	14,247	51.5
Change 94/04	+4,694 (20.4%)	+3,668 (34.7%)	+5.4 (11.7%)
Change 03/04	+956 (3.6%)	+1,010 (7.6%)	+1.9 (3.8%)

\*From March 2001 Urgent Need was redefined as Housing Stress

Table A3: Trends in Homelessness 1994-2005

	94/95	95/96	96/97	97/98	98/99	99/00	00/01	01/02	02/03	03/04
No Presenting	10,068	10,768	11,092	11,672	11,552	10,997	12,694	14,164	16,426	17,150
No Awarded A1/ Housing Stress	4,014	4,319	4,708	4,956	4,997	5,192	6,457	7,374	8,580	8,594

Table A4: New Housing Construction 1998-2004 and Regional Development Strategy  
Housing Growth Indicators

D.C.A.	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	Total	H.G.I.
Antrim	143	76	301	425	336	392	1673	7500
Ards	607	709	544	633	435	622	3550	7750
Armagh	500	311	380	384	390	497	2462	4800
Ballymena	392	414	352	326	383	477	2344	5900
Ballymoney	199	217	332	364	336	395	1843	2400
Banbridge	451	374	521	529	518	615	3008	4000
Belfast	1013	1287	889	1258	987	1198	6632	*51000
Carrickfergus	304	431	341	244	204	235	1759	
Castlereagh	214	240	202	135	94	208	1093	
Lisburn	431	608	443	737	781	1026	4026	
Newtownabbey	454	722	523	621	539	550	3409	
North Down	304	361	423	483	505	402	2478	
Coleraine	504	689	415	588	617	566	3379	5800
Cookstown	201	238	195	249	369	348	1600	3300
Craigavon	491	382	720	798	1050	1175	4616	8500
Derry	634	707	923	655	491	615	4025	12700
Down	592	422	511	700	636	708	3569	7750
Dungannon	347	248	387	501	384	492	2359	4400
Fermanagh	586	543	548	458	521	694	3350	5400
Larne	157	286	215	208	205	220	1291	3500
Limavady	244	348	255	244	333	281	1705	3100
Magherafelt	294	246	303	359	328	300	1830	3600
Moyle	195	155	156	175	165	153	999	1400
Newry & Mourne	620	634	792	997	1032	775	4850	8500
Omagh	490	440	414	445	360	564	2713	5200
Strabane	281	180	241	346	243	303	1594	3500
<b>Total</b>	<b>10648</b>	<b>11268</b>	<b>11326</b>	<b>12862</b>	<b>12242</b>	<b>13811</b>	<b>72157</b>	<b>160000</b>
* Belfast Metropolitan Area Districts								
Belfast								
Carrickfergus								
Castlereagh								
Lisburn								
Newtownabbey								
North Down								
Total	51000							

Table A5 (1): Affordability Index: District Council Calculations 2001

District Council	Median Income £	Price (25th percentile) £	Affordable Price £	Affordability Gap £	% Affordable
Derry	12500	55,000	52,288	-2,712	22
Limavady	12500	54,000	52,288	-1712	20
Coleraine	17,500	53,000	73,203	20,203	49
Ballymoney	12500	49,500	52,288	2,788	41
Moyle	12500	56,000	52,288	-3,712	10
Larne	12500	40,000	52,288	12,288	41
Ballymena	12500	52,000	52,288	288	25
Magherafelt	12500	59,500	52,288	-7,212	15
Cookstown	12500	59,000	52,288	-6,712	15
Strabane	12500	37,000	52,288	15,288	42
Omagh	17500	48,000	73,203	25,203	63
Fermanagh	12500	58,000	52,288	-5,712	16
Dungannon	17500	45,000	73,203	28,203	60
Craigavon	12500	41,500	52,288	10,788	37
Armagh	12500	54,950	52,288	-2,662	24
Newry and Mourne	12500	73,000	52,288	-20,712	7
Banbridge	17500	70,000	73,203	3,203	31
Down	17500	66,000	73,203	7,203	37
Lisburn	12500	66,000	52,288	-13,712	7
Antrim	12500	61,250	52,288	-8,962	13
Newtownabbey	17500	50,500	73,203	22,703	54
Carrickfergus	17500	55,000	73,203	18,203	50
North Down	17500	71,000	73,203	2,203	28
Ards	17500	68,500	73,203	4,703	31
Castlereagh	17500	77,000	73,203	-3,797	23
Belfast	12500	61,950	52,288	-9,662	15
North Belfast	8500	42,500	35,556	-6,944	13
West Belfast	12500	62,500	52,288	-10,212	12
East Belfast	12500	64,950	52,288	-12,662	9
South Belfast	12500	82,250	52,288	-29,962	3

## NOTES

Median Income	District Council baseline is drawn from the 2001 HCS – banded figures for household income (HoH and partner where applicable). Actual figure is midpoint of median band for each district.
Price (25th percentile)	District Council figure for 2001 as a whole from UUI Survey – 25th percentile (upper boundary quartile 1)
Affordable Price	Using annuity formula – what price of house can a household afford to buy
Affordability Gap	Measures income gap between Affordable Price and House Price (Q1)
% Affordable	Proportion of housing stock in district sold at below affordable price during 2001

Figures used for calculation in 2001 were:

Mortgage interest rate	5.75
Term of mortgage in years	25
Afford % gross monthly income	30
Loan to value ratio	95

Table A5 (2): Affordability Index: District Council Calculations 2003

District Council	Median Income £	Price (25th percentile) £	Affordable Price £	Affordability Gap £	% Affordable
Derry	14,750	68,000	61,700	-6,300	19
Limavady	14,750	60,750	61,700	950	26
Coleraine	20,650	80,000	86,380	6,380	34
Ballymoney	14,750	60,000	61,700	1,700	31
Moyle	14,750	80,000	61,700	-18,300	7
Larne	14,750	46,500	61,700	15,200	41
Ballymena	14,750	60,000	61,700	1,700	28
Magherafelt	14,750	79,950	61,700	-18,250	9
Cookstown	14,750	78,750	61,700	-17,050	10
Strabane	14,750	43,000	61,700	18,700	69
Omagh	20,650	56,000	86,380	30,380	55
Fermanagh	14,750	75,000	61,700	-13,300	9
Dungannon	20,650	60,000	86,380	26,380	70
Craigavon	14,750	69,250	61,700	-7,550	16
Armagh	14,750	62,088	61,700	-388	25
Newry and Mourne	14,750	72,750	61,700	-11,050	14
Banbridge	20,650	77,625	86,380	8,755	39
Down	20,650	84,500	86,380	1,880	28
Lisburn	14,750	76,950	61,700	-15,250	8
Antrim	14,750	90,000	61,700	-28,300	3
Newtownabbey	20,650	65,000	86,380	21,380	60
Carrickfergus	20,650	71,000	86,380	15,380	50
North Down	20,650	80,000	86,380	6,380	32
Ards	20,650	77,975	86,380	8,405	37
Castlereagh	20,650	95,000	86,380	-8,620	17
Belfast	14,750	69,950	61,700	-8,250	16
North Belfast	10,030	53,000	41,956	-11,044	13
West Belfast	14,750	67,250	61,700	-5,550	15
East Belfast	14,750	69,988	61,700	-8,288	15
South Belfast	14,750	92,250	61,700	-30,550	4

## NOTES

Median Income	District Council figures based on 2001 HCS for household income – uplifted by 18% based on NISRA estimate. Actual figure is midpoint of median band for each district.
Price (25th percentile)	District Council figure for 2003 as a whole from UUJ Survey – 25th percentile (upper boundary quartile 1)
Affordable Price	Using annuity formula – what price of house can a household afford to buy
Affordability Gap	Measures income gap between Affordable Price and House Price (Q1)
% Affordable	Proportion of housing stock in district sold at below affordable price during 2003

Figures used for the calculation for 2003 were:

## Affordability Calculation 2003

Mortgage interest rate	5.75
Term of mortgage in years	25
Afford % gross monthly income	30
Loan to value ratio	95





