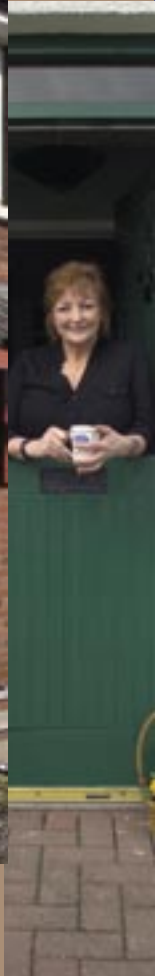


# Northern Ireland Housing Market Review and Perspectives



2007-2010

**Housing  
Executive**

The Regional Strategic Housing Authority

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## PREFACE

**We are pleased to present the  
“Northern Ireland Housing Market:  
Review and Perspectives 2007-2010”.**



Each year the “Review and Perspectives” brings together the most recent market intelligence, drawing on the latest statistics compiled by the Housing Executive, Government Departments and the private sector. Summaries of the key findings of housing research undertaken or commissioned by the Housing Executive are also included. The “Review and Perspectives” provides an insight into the housing market and sets out the Housing Executive’s response to trends within the market.

The Executive Summary brings together the key issues and trends within the Review. Chapter 1 provides the strategic context for Northern Ireland’s housing market. It begins by looking at the major developments in housing and planning policy and housing finance over the last year. It examines Northern Ireland’s economy in the context of international economic developments. It also 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 factors set out in Chapter 1.

The short conclusion summarises the key trends and factors which will help determine Northern Ireland’s housing market over the coming three years and highlights the housing priorities which emerge from the document as a whole.

This is the eleventh consecutive year that the “Review and Perspectives” has been published and it comes at a critical time for the housing market in Northern Ireland. The market is characterised by a combination of factors: rampant house prices; an extremely buoyant investor market; a growing affordability problem; lower rates of increase in public expenditure and a Comprehensive Spending Review, which involves a fundamental review of the role of the Housing Executive in the housing market.

The “2007-2010 Review and Perspectives” highlights the changing demography of Northern Ireland with a marked increase in the number of new households including a rising number of migrant workers. There is also a substantial increase in the number of single person and pensioner households, which has led to a demand for smaller housing units and supported housing.

The continuing growth in the number of applicants for social housing including those in “housing stress” indicates there is

an ongoing shortfall in the supply of social housing.

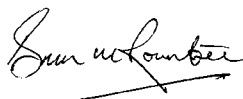
What is clear is that housing stress will continue to increase unless there is a significant increase in the construction of new social dwellings: the Housing Executive is making a strong case for an annual need for 2,500 new social dwellings.

Figures for 2006 indicate that affordability has become more significant for Northern Ireland as a whole particularly for first time buyers. The proportion of house sales to first time buyers is continuing to fall, in 2006 it was 33 per cent compared to 60 per cent in 2001.

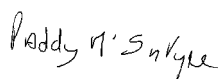
The Housing Executive has therefore welcomed Sir John Semple's Review of Affordable Housing which has looked at potential interventions in the housing market. The Interim Report was published for consultation in December 2006 and proposed 67 recommendations that focus on changing planning regulations, supporting co-ownership, delivering an adequate social newbuild programme and facilitating the private rented sector. The Housing Executive looks forward to the final report to be published in March 2007.

It is clear from the trends detailed in this Review that there are many issues which are presenting challenges to the Housing Executive and all those involved in the housing. It is also clear that these trends are having an impact across communities in Northern Ireland – those who find themselves homeless, migrant workers, landlords, homeowners or those trying to buy their first home.

As the strategic housing authority the Housing Executive will continue to promote and facilitate all housing tenures to ensure a balanced housing market.



**Brian Rowntree**  
**Chairman**



**Paddy McIntyre**  
**Chief Executive**

EXECUTIVE SUMMARY



## EXECUTIVE SUMMARY

### Introduction

The “Northern Ireland Housing Market: Review and Perspectives” is a key strategic document published by the Housing Executive in its role as the regional strategic housing authority and this is the eleventh year it has been produced. It provides a comprehensive insight into all sectors of the market and is the starting point for the Housing Executive’s Corporate Plan, which sets out its approach to intervening in the housing market over a three year period. It also provides a synthesis of key housing statistics and research.

### 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 developments in housing policy, planning and finance.

#### Housing Policy, Planning and Housing Finance

The most recent “Priorities and Budget” (2006-2008) was published in December 2005 and highlights the 50 per cent increase in public expenditure since May 1997. The Health Service is seen as the top spending priority, followed by education and economic competitiveness. The document, however, also reaffirms the Government’s ongoing commitment to giving everyone access to decent, affordable housing, despite the expected reductions in Government funding for housing.

The Comprehensive Spending Review 2007 is currently looking at the Social Housing Development Programme,

with a view to increasing the efficiency and effectiveness of its delivery, and undertaking a fundamental review of the Housing Executive, to determine the appropriateness and effectiveness of current structures, systems and procedures for delivering strategic policies.

In November 2006 the Department for Communities and Local Government in England and Wales published its Planning Policy Statement 3 (PPS3). This document aims to bring about “the necessary step-change in housing delivery, through a new, more responsive approach to land supply at the local level”. Local Planning Authorities should “have regard to housing market areas in developing their spatial plans” and work “closely with the private sector, particularly developers and housebuilders”. Based on Strategic Housing Market Assessments, Local Planning Authorities are to set out the likely proportions of households requiring affordable housing. This is defined as “social-rental and intermediate housing provided to specified eligible households, whose needs are not met by the market”.

The Final Report of the Barker Review of Land Use Planning was published in December 2006, with the aim of creating policy and processes that give appropriate weight to economic benefits, are more responsive to changing circumstances and deliver decisions in a more transparent and timely manner. Recommendations included streamlining policy and procedures, reviewing green belt boundaries, greater partnership working and improving the skills of planners.

#### The Regional Development Strategy

The Regional Development Strategy (2001) continues to play a fundamental role in shaping Northern Ireland’s housing market. A key element of this strategy



is the Housing Growth Indicators. The overall requirement for new dwellings for Northern Ireland in the period 1998-2015 was increased to 208,000 following the publication of the Report of the Panel appointed to conduct a Public Examination in March 2006. These are to be reviewed in 2007 following new household projections and housing stock information from the 2006 House Condition Survey.

Two key associated Planning Policy Statements exert considerable influence on the housing market. PPS12 - Housing in Settlements aims to manage housing growth in response to changing housing need. The Housing Executive is tasked with preparing Housing Need Assessments for future Development Plans. Under PPS12 land will, for the first time, be zoned for social housing, thus eliminating competition from the private sector in these areas. In addition, policy HS2 permits the Planning Service to grant planning permission for housing proposals subject to the provision of social housing, where there is a demonstrable need. The Housing Executive is currently working with the Planning Service on the implementation of HS2 at ten sites in Northern Ireland.

Draft PPS14 has introduced a presumption against development throughout the countryside with only a limited number of exceptions, including the provision of social housing where a demonstrable need identified by the Housing Executive cannot be met within an existing settlement.

### **Review of Affordable Housing**

Sir John Semple's Review of Affordable Housing was launched in September 2006 with the overall objective of considering the range of Government interventions in the housing market via the planning and housing systems that increase the supply of

social housing for rent, support the private rented sector and assist intermediate households into home ownership.

The Interim Report was published for consultation in December 2006 and proposed 67 recommendations. A number of these were of particular importance for the housing market:

- A definition of affordable housing is essential.
- The Department for Regional Development should review again the Housing Growth Indicators for Northern Ireland.
- A social house building programme of 2,000 completions per annum is required.
- The current Area Plan System is not delivering. Consideration should be given to moving to a more flexible system such as the English Local Development Framework.
- Mechanisms for capturing the full range of developer contributions under Article 40 of the 1991 Planning Order should be introduced.
- The duration of planning permissions for significant housing developments might be reduced to three years.
- Consideration should be given to establishing a Northern Ireland Land Assembly Agency.

The final report is due to be published in March 2007.

### **The World Economy**

Developments in the major economies of the world have an important indirect bearing on Northern Ireland's housing market. In the USA economic growth contracted sharply in quarter 3, 2006 as a result of a slump in the American housing market. In Japan the longstanding cycle of

deflation has proved difficult to overcome and economic growth has been erratic. In the Eurozone, economic indicators have been mixed with little economic growth in France and falling unemployment in Germany off set by weak domestic demand.

In the UK economic growth has accelerated over the past year. However, unemployment has risen too and interest rates have been increased three times to bring the base rate to 5.25 per cent. Both insolvencies and reposessions have risen sharply.

In the Republic of Ireland economic growth and the labour market remain robust, although there are growing inflationary signs.

### **The Northern Ireland Economy**

So far Northern Ireland's economy has generally performed well. Employees jobs rose to a new peak of 760,000 and unemployment declined to 34,000 (4.3%). However, economic inactivity has grown, 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 the introduction of rates and water charges based on new capital valuations will impact in a negative way on disposable incomes and economic growth, and in turn the housing market.

### **The Housing Stock**

The total housing stock in March 2006 was 702,400. The owner occupied sector continued to grow mainly due to new construction and the sale of Housing Executive dwellings: 483,700 dwellings (69% of the total stock) are now in owner occupation. The private rented sector has grown rapidly and in March 2006 there were an estimated 65,000 occupied privately rented dwellings. The social

sector overall is continuing to decline with the increase of approximately 800 in housing association dwellings in 2005/06, compensating for only one-quarter of the Housing Executive stock lost through house sales and demolitions. In March 2006, 93,600 dwellings were owned and managed by the Housing Executive and 21,700 by housing associations.

### **Demographic Profile**

In March 2001 there were some 1,686,000 people living in Northern Ireland; by 2004 this had risen to 1,710,000. The most recent population projections indicate two key trends:

- A declining number and proportion of inhabitants are children under 16: between 2004 and 2014 the number is expected to fall by 8.7 per cent from 357,000 to 326,000.
- A growing number and proportion of people of pensionable age: between 2004 and 2019 the number is expected to increase by 87,000 to 168,000.
- Between 2004 and 2019 the number of people aged 75 and over is projected to increase by 45,000 (43%), to 150,000.

Average household size has continued to fall over the last five years and in 2004, more than a quarter (29%) of all dwellings were occupied by single person households. This proportion is expected to grow to 34 per cent by 2019, (a 42 per cent growth in numbers).

International migration is also starting to have a significant impact, with a net figure of nearly 5,000 migrant workers in 2004/05.

This demographic profile has important implications not only for the number of new dwellings required but also their

design and the growing need for housing support services to help older people live independently in their own homes.

### **The 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 rapidly last year. In March 2006 the overall number of applicants stood at 32,215, an increase of 8 per cent on March 2005. The number in housing stress was 17,433, an increase of some 1,773 (11%) on the previous year and comprising more than 54 per cent of the total waiting list.

This rapid growth was to a considerable degree due to growing homelessness, associated with the increasing incidence of marital, relationship and sharing breakdown. In the year to March 2006 the numbers presenting as homeless increased by 16 per cent to 20,121, while the number awarded homeless status increased by 15 per cent to 9,749.

In recent years the growth in housing stress has been concentrated in and around Belfast. However, increasingly this indicator of demand for social housing has been rising throughout Northern Ireland, with Newry, Fermanagh and Dungannon all showing rapid increases in housing stress.

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 1500 additional social dwellings to meet the expected rate of household formation. In 2004 this figure was revised to 1,600 and 1,700 and, bearing in mind the backlog between 2001 and 2004, the needs figure was raised to 2000. In 2006 the Net Stock Model was revisited and the latest indications are that 2,200 new

social dwellings are required to meet the ongoing demographic demands, while an overall figure of 2,500 is required to allow for the growing backlog.

### **The Characteristics and Condition of the Stock**

The Interim 2004 House Condition Survey provided an update on key indicators of the condition of Northern Ireland's housing stock.

- **Unfitness**  
The headline unfitness rate for 2004 was 3.8 per cent (25,600 dwellings), a further reduction from 2001 when it was 4.9 per cent (31,600 dwellings). Unfitness remained higher in rural areas (6.8%) than in urban areas (2.5%) and higher in the private rented sector (5.4%) than in the owner occupied sector (1.6%). More than half (56%) of all unfit properties were vacant and more than two thirds (71%) were built prior to 1919.
- **Disrepair**  
Between 2001 and 2004 progress in relation to disrepair was slower. Surveyors recorded faults in almost three-fifths (58%) of all dwellings. This is only a small reduction since 2001 when the comparable figure was 59 per cent. Disrepair continued to be much higher in the private rented sector (71%) and in vacant properties (76%) than in other tenures.
- **Decent Homes**  
In 2001 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. The picture had improved considerably by 2004 when only (21%) failed the Decent Home Standard. Again the vast majority failed on the thermal comfort criterion.

### Energy Conservation and Fuel Poverty

The Housing Executive is continuing to make good progress towards its target of reducing energy consumption by 34 per cent. The 2004 House Condition Survey confirmed that between 1996 and 2004 energy efficiency for the pre-1996 stock improved by 17 per cent. It also confirmed the ongoing decline of solid fuel heating and the rapid growth of gas and oil driven central heating systems. By 2004 three-quarters (75%) dwellings had oil fired central heating and eight per cent were heated by gas.

### 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 on domestic energy costs. This compared 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.

Using the same methodology as in 2001 the Interim House Condition Survey estimated that in Northern Ireland in 2004 there were 153,500 (24%) households in fuel poverty, representing a considerable reduction (49,800; 25 per cent) in the number of fuel poor households over the three year period. Progress has been most marked in the Housing Executive's stock where the number of households in fuel poverty reduced from 70,500 (61%) to 25,300 (25%) mainly as a result of the introduction of new, more efficient oil or gas central heating systems.

BRE modelling of the potential impact of

income and fuel price increases based on 2004 figures indicated the following.

- Increasing household incomes by £2,500 per annum would nearly halve the rate of fuel poverty.
- An increase of 30 per cent in the price of all fuels (electricity, gas, oil and coal) would bring the rate of fuel poverty up to nearly 40 per cent.

### Key Issues and Strategic Perspective

- Overall Northern Ireland's economy has continued to perform well in 2005/6. However, a significant downturn in the American economy associated primarily with the recent slump in the US housing market does not bode well for the world economy. Locally there are indications that a combination of rising interest rates, lower increases in public expenditure, growing indebtedness and new capital valuation based rates and water charges will reduce purchasing power in the economy and the housing market.
- Northern Ireland's demography is continuing to change. New households are forming at a steady rate driven by population growth (including a substantial influx of migrant workers) and single living associated with marriage/relationship break up. The continuing trend towards more single person and 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 2,500 additional social dwellings for the period 2007-11.

- The housing stock has grown at an accelerated rate over the past five years and its condition has also improved markedly. The 2004 Interim House Condition Survey shows that between 2001 and 2004 the rate of unfitness fell from 4.9 per cent to 3.8 per cent and the proportion of homes failing the Decent Homes Standard fell from 32 per cent to 21 per cent, 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. Comparison of the 2001 and 2004 figures on fuel poverty shows considerable progress over these three years. However, these figures do not take account of the significant rises in fuel prices between 2004 and 2006<sup>1</sup>.

## Chapter 2: Owner Occupation

### New Housing

The owner occupied sector continued to grow steadily in the year to March 2006 with the construction of nearly 14,000 new private dwellings and some 2,500 Housing Executive sales. In March 2006 some 484,000 dwellings (69% of the total stock) were owner occupied. The number of new dwellings started also increased compared with the previous year by more than 700, indicating continued developer confidence and the booming buy-to-let market.

### House Prices

The downturn in house prices in Great Britain which was apparent in Autumn 2004 continued till early 2006, but since then prices have started to increase more rapidly, with the annual rate of increase exceeding 10 per cent in December 2006. In Northern Ireland house price increases have risen by more than 30 per cent, and for the first time average house prices in Northern Ireland were higher than for the UK as a whole.

### 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. Figures for 2006 indicate that affordability has become a significant problem for almost all areas in Northern Ireland. However, in Belfast and some surrounding areas (e.g. Lisburn), and in most peripheral areas, where demand for second homes has increased and incomes are lower, affordability has become a very significant problem for first time buyers. The proportion of house sales to first-time buyers is continuing to fall, in 2006 it was only 33 per cent compared to 60 per cent in 2001.

### Sale of Housing Executive Dwellings

Since 1979 the Housing Executive has sold approximately 115,000 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 (2005/6) some 2,500 Housing Executive dwellings were sold. As expected the total has reduced significantly following the implementation of the new house sales regulations in 2004.

*1. Fuel prices on international markets reduced significantly by the end of 2006, but these have not yet fed through to the consumers of heating oil.*

### 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. The Interim House Condition Survey was not designed to specifically assess the impact of grants on improving conditions, but it is clear the continued fall in unfitness is in no small measure due to the ongoing upgrading of the housing stock funded by a grants budget of more than £40m each year.

### Key Issues and Strategic Perspective

- The existing housing finance framework will ensure that owner occupation will continue to be financially the most attractive option for households who can afford it. However there are indications it will grow at a slower rate as the private rented sector continues to expand. In the next three year period it is expected that owner occupation will grow by around 8,000 dwellings annually.
- Between 2001 and 2004, Northern Ireland's house prices rose at a more sustainable rate than in many parts of the UK. During the two year period 2004-06 this relative position was reversed, due to the continuing

investor driven boom which saw house prices rise at an unprecedented rate. However, this rate of increase is seen as increasingly unsustainable and is expected to fall substantially by the end of 2007. However, for 2007 as a whole house prices are expected to increase by at least 10 per cent.

- New data for 2006 indicate that the affordability issue in Northern Ireland has become markedly more serious during the last two years. In Belfast and some surrounding areas, and in peripheral 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 continue to deteriorate over the next three years as prices continue to increase at a higher rate than incomes.
- Sold Housing Executive dwellings generally provide a good source of high quality affordable homes, particularly for first time buyers, but modified rules in terms of eligibility and discount have resulted in a significant reduction in the rate of house sales. This is expected to continue and poses a policy dilemma for Government trying to maintain the stock of social housing on the one hand and provide a ready source of low cost affordable dwellings for first time buyers on the other.
- 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 continues to be adequately funded.

### Chapter 3: The Private Rented Sector

The 2004 Interim House Condition Survey estimated that there were some 62,500 occupied dwellings in Northern Ireland's private rented sector (9.2% of total stock), a substantial increase over the 49,400 (7.6%) recorded in 2001. Indeed the rate of growth has accelerated considerably. Between 1996 and 2001 the number of dwellings in the private rented sector increased at an annual average rate of 2,000. Between 2001 and 2004, however, this had grown to 4,400 per annum reflecting the growing interest in buy to let during this period. If vacant dwellings, classified according to their previous occupancy, are included, the figure rises to approximately 74,000 (11%).

#### Characteristics and Condition

The 2004 House Condition Survey confirmed there are still significant concentrations of the private rented sector in its traditional locations in Belfast and Derry City. More than one third of the sector (35%) is located in these two council areas. However, other council areas, notably those in proximity to Belfast, have also shown rapid growth.

The profile of the sector is continuing to change. In 2004 the sector still had a high proportion of pre-1919 dwellings (37%) 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 has continued to reduce since 2001. In 2001 it stood at 8.7 per cent and by 2004 this had fallen to 5.4 per cent (3,350). However, this rate of unfitness is still significantly higher than for the stock as a whole.

#### A Profile of the Private Rented Sector

In 2003 the Housing Executive commissioned the University of Ulster to undertake a further phase of research into the private rented sector. Findings from this research project have shown that the Private Rented Sector:

- is experiencing much higher levels of turn over;
- is increasingly dominated by younger households;
- less than half of heads of households were employed and average incomes were much lower than in the owner occupied sector;
- while in Armagh there were indications of oversupply, in the other study areas (Belfast, Derry, Coleraine and Dungannon), demand had remained robust;
- most landlords (71%) had a maximum of five properties and just under half (48%) had entered the sector in the last five years;
- the vast majority of landlords (84%) borrowed to fund their purchase and more than half had loan to value ratios of over 75 per cent;
- almost one-half (49%) had experienced problems with rent arrears in the last 12 months;
- the majority of landlords (68%) were in favour of arbitration to deal with landlord/tenant disputes.

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

In May 2004 the Department for Social Development and the Housing Executive jointly launched their strategy for the private rented sector entitled "Renting Privately: A Strategic Framework".

The overall aim of the strategy is "to promote and sustain a healthy private rented sector, which offers choice and flexibility

by influencing supply and securing a better quality, better managed sector". The implementation plan which accompanied the strategy included six objectives:

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 whole and affordable housing options.

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.

Progress in implementing the strategy has been made in a number of ways, including:

- the publication of the draft Private Tenancies (NI) Order to be introduced in April 2007;
- the establishment of a multi-agency partnership (Legislative Implementation Group) forum with representation from the Housing Executive, Department for Social Development and the District Councils;

- a Landlord's Forum has been formed to help develop best practice and raise awareness of key issues in the sector;
- an Advice and Information Forum has been established.

### **Houses in Multiple Occupation**

Houses in Multiple Occupation (HMOs) have continued to play a vital role in providing accommodation for a more transient section of the population catering for young professionals and students. However, there are now indications that people are staying longer in HMOs as growing affordability problems make it more difficult to gain access to owner occupation. A survey undertaken in 2003 showed that the vast majority of HMOs met the Fitness Standard, but up to two-thirds were unfit for multiple occupation on the grounds of means of escape from fire.

This issue is being addressed with the aid of HMO grants. By March 2006 almost £35 million had been spent on HMO grants and it is anticipated that a budget of at least £4 million will be required annually.

Under the new grants legislation mandatory HMO grants are no longer available, but the discretionary system permits better targeting. These are only available if landlords register with the Housing Executive. The statutory Registration Scheme for HMOs was implemented in May 2004 and amended in 2006 to take into account landlord concerns over their responsibility for anti-social behaviour.

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

- The private rented sector has continued to expand and forms an increasingly significant proportion of the overall housing market. Changing lifestyles and labour markets, ease of access and the



- flexibility it provides will ensure that it will continue to grow. Housing Benefit plays a vital role in supporting this growth.
- Housing Executive dwellings resold on the open market to private landlords now form around 15 per cent of the total sector. Some of these are now occupied by the growing number of migrant workers who tend to occupy private rented accommodation and are seen in some parts of Northern Ireland as an important factor in the growth of the private rented sector.
  - The age profile of the stock is older than other tenures and there are higher levels of unfit, disrepair and homes which fail the Decent Home Standard underlining the need for further investment with the help of grant aid.
  - In 2004 approximately 28 per cent (17,200) 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, 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 person households including students and young professionals and those on low incomes. The statutory licensing of HMOs will help ensure management standards improve.
  - The new strategy for the private rented sector is continuing to address housing conditions and a range of legal and management issues. It is hoped that the new legislation to be introduced in April 2007 will target unfit in the sector and act as a framework which will provide clarification on the roles and responsibilities of both landlords and tenants in the sector.

## Chapter 4: Social Housing

### The Social Housing Stock

In March 2006 Northern Ireland's social housing sector comprised approximately 115,000 dwellings (16% of the total stock). The Housing Executive owned and managed some 94,000 dwellings and registered housing associations some 21,700. The social sector is contracting steadily. In the past five years the programme of new social dwellings has replaced less than one-quarter of those lost due to house sales and demolitions.

The condition of the stock is good with the 2004 Interim House Condition Survey confirming 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 number of Housing Executive homes failing the Decent Homes Standard has fallen dramatically from 50 per cent in 2001 to 31 per cent in 2004, due mainly to the introduction of new heating systems.

### 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, since then in the light of the latest trends in demography, the most up to date housing stock figures and the growing backlog in terms of delivery there is now an annual requirement for 2,500 new social dwellings.

### **Co-ownership Housing**

The Northern Ireland Co-ownership Housing Association continues to fulfil a key role in facilitating the access of low income households to owner occupancy. In 2005/06 a further 500 properties were bought through the co-ownership scheme. The introduction of a more flexible assessment of the financial circumstances of applicants (affordability model) and a revised rent calculation have made it easier for first time buyers to access co-ownership. However rapidly rising house prices continue to pose significant problems for the scheme in many areas.

### **Improvement and Maintenance Programmes**

There continues to be a need for adequate funds for maintenance and improvement of the social housing stock. Some 5,000 Housing Executive dwellings still require improvement works to bring them up to modern day standards. Some 25,000 dwellings still require heating conversions to ensure they meet the Decent Home Standard and although only very few Housing Executive dwellings fail this standard on the modernisation criteria, there is an ongoing need for kitchen and bathroom replacements to ensure that this position does not change. There is also an ongoing demand for adaptations for the elderly and people with a disability. Finally, there is also a growing need for major repairs schemes in the housing association sector.

### **Conclusion**

Over the past twelve months Northern Ireland's housing market has remained sound but there are growing signs of disequilibrium. Increasingly, unsustainable house price increases are reflected in a reduction in the proportion of sales to first time buyers and a rapid increase in buy-to-let. Northern Ireland's economy has generally performed well. However, the ongoing decline in Northern Ireland's manufacturing base, lower increases in public expenditure, higher fuel prices and rates bills and the introduction of rates and water charges based on capital valuations all indicate that pressures in the housing market in Northern Ireland will increase.

The concentration of new jobs in the service industry in Belfast and the concomitant ongoing demand for dwellings within commuting distance of Belfast will cause increasing difficulties for first time buyers trying to purchase their first home. The Semple Affordability Review is seeking to address this 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 2004 Interim House Condition Survey confirmed the steady progress made in improving housing conditions and energy efficiency over the previous three 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.



## CHAPTER 1

### Housing Policy, Planning and Housing Finance

#### Pre-Budget Report

The Chancellor of the Exchequer delivered his pre-budget speech on 6th December 2006. He gave a generally positive view of the British economy emphasising the important role that the strong flows of migrant workers had made in allowing the Treasury to raise its assessment of how fast the economy should grow in the medium term. Following a predicted 3 per cent growth in 2007, the Chancellor estimated that the economy would grow at a steady 2.75 per cent, both in 2008 and 2009, although some economists think this takes insufficient account of the downturn in the American economy and the growing tax burden on consumers.

The Chancellor confirmed that in 2006 the economy had grown by a higher than expected 2.75 per cent and that this had allowed him to spend more, particularly on schools. Education would continue to be the Government's top priority "now and into the future". However, he also signalled an increasing emphasis on the environment, partly in response to growing fears about the effects of climate change. The Chancellor announced that by 2016 he wanted all new houses built to be "zero-carbon", by using a variety of technologies (including photo voltaic cells, wind turbines and high levels of insulation) to enable them to be lived in without the use of conventional gas and electricity. As an incentive, zero-carbon homes are to be stamp duty exempt from 2007.

#### Priorities and Budget 2006-08

In Northern Ireland the most recent "Priorities and Budget" was published in December 2005 for the two year period 2006-08. The Chancellor had already announced that a Comprehensive Spending Review was to be undertaken leading to a statement in July 2007 to cover the three years 2008-09 to 2010-11.

The 2006-08 Priorities and Budget re-emphasises the Government's commitment to its strategic priorities of:

- economic growth
- public sector reform
- high quality public services; and
- a society based on partnership, equality, inclusion and mutual respect.

Providing a high quality Health Service is considered the top spending priority.

The document recognises the ongoing dependence of the Northern Ireland economy on public expenditure with 32 per cent of the Northern Ireland workforce employed in the public sector compared to 22 per cent in the UK. It highlights that although there has been steady economic growth in Northern Ireland since the 1990's there has been little convergence with the UK average, with Gross Value Added per capita in Northern Ireland still only 81 per cent of the UK average, and emphasises the need to invest more in infrastructure.

The document points out that public expenditure in Northern Ireland is some 29 per cent higher per person than the UK average and yet the contribution per head to public revenue is significantly smaller than elsewhere in the UK. In particular households in England and Wales contribute £1,275 on average for council tax and water charges, whereas

the comparable figure for Northern Ireland is only £546. The introduction of a capital valuation system on which to base rates and water charges from April 2007 into Northern Ireland is seen as addressing this issue on a more equitable basis.

The Government's spending priorities remain Health, Education and Economic Competitiveness, but one of its Strategic Priorities: "A society based on partnership, equality, inclusion and mutual respect", commits it to providing decent, affordable and energy efficient housing, primarily for those in housing stress".

Specifically:

- allow 12,000 households in 2006/07 and 11,300 in 2007/08 to access low cost housing (through a rolling programme of social housing development, co-ownership and re-lets of social housing);
- in the period to March 2008 have improved energy efficiency in 14,000 homes each year with a view to eradicating fuel poverty in vulnerable households and in all social housing by 2010.
- invest in the quality of housing stock to ensure a housing fitness level of at least 95 per cent as measured in the 2006 House Condition Survey; and
- in the period to March 2008 maintain a programme of housing support services that enables 12,000 people (including those in sheltered accommodation) to continue to live in their own homes.

Public expenditure in Northern Ireland has increased substantially since May 1997 and is now more than 50 per cent higher in real terms than it was then and will continue to grow over the next two years. Current expenditure by Government in Northern Ireland (Departmental Expenditure Limits) is scheduled to increase by 4.8 per cent

between 2005/06 and 2006/07 to £7.8 billion and by 4.8 per cent the following year to £8.2bn. Capital investment is scheduled to rise by 18 per cent over the two year period to £1.3 billion in 2007/08.

**Table 1:**  
*Government's Contribution to Housing Expenditure (Current) 2006-08*

	2006/07	2007/08	% Change
NIHE	233.0	230.0	-1.3%
Housing Associations	-1.4	-1.4	-
Total Housing	231.6	228.6	-1.3%

**Table 2:**  
*Government's Contribution to Housing Expenditure (Investment), 2006-08*

	2006/07	2007/08	% Change
NIHE	3.8	1.8	-53%
Housing Associations	124.6	103.4	-17%
Total Housing	128.5	105.2	-18%

The Government's contribution to current expenditure for housing between 2006/07 and 2007/08 is scheduled to fall marginally in terms of current expenditure (by 1.3%) and substantially (by 18%) in terms of investment expenditure to £105m in 2007/08.

**Comprehensive Spending Review 2007**

The Comprehensive Spending Review 2007 is considering two issues which are important for Northern Ireland's housing market:

- The Social Housing Development Programme.
- The functions of the Housing Executive.

The review of the Social Housing Development Programme has three key objectives:

- To review the efficiency and effectiveness of the current arrangements to determine need.
- To review programme delivery to identify opportunities for both income generation and cost reduction.
- To optimise the means of programme delivery to ensure that those who cannot buy a home have access to affordable housing.

An important element of the work involves the undertaking of a Rent Review to examine whether rents charged by the Housing Executive, housing associations and the private rented sector are consistent and appropriate. Glasgow University has been appointed to undertake the research which will inform this Rent Review. The researchers have been given the following objectives:

- To develop a definition of an affordable rent and, in this context, review the efficiency and effectiveness of the current arrangements to determine rent levels.
- To ensure that rents appropriately reflect the cost of production/delivery and the assets/resources of the housing associations.
- To establish the relationship between Housing Association Grant rates and rents and consider the scope of reducing grant available to developing registered housing associations.
- To consider the effect of rent controls on registered housing association reserves and the ability to lever in private finance.
- To consider the impact of choice-based lettings on rent levels and arrears levels across the social sector.

The research team is scheduled to produce a draft report for consultation in March 2007.

The Review of the Housing Executive is now also underway, which aims to determine the appropriateness and effectiveness of current structures, systems and procedures for delivering strategic policies. There are three key objectives:

- To evaluate the appropriateness of the Department for Social Development's Public Service Agreement objectives and consider the contribution the Housing Executive's corporate objectives make to the achievement of those objectives.
- To assess the appropriateness of the current arrangements for, and the financial implications associated with managing existing Housing Executive stock, including acquired land, stock improvement and stock maintenance activities.
- To consider the appropriateness and financial implications of non-stock related activities, including the administration of Housing Benefit, research and development, accommodation requirements and corporate services.

### **Planning Policy Statement 3 (PPS3)**

In November 2006, the Department for Communities and Local Government (DCLG) published the final version of Planning Policy Statement 3 (PPS3). This new document was developed in response to recommendations in the Barker Review of Housing (March 2004) and replaces the Planning Policy Guidance 3 (PPG3), which had been published in 2000. PPS3 aims to bring about the "necessary step-change in housing delivery, through a new, more responsive approach to land supply at the local level". It reflects the Government's

commitment to improving the affordability and supply of housing in all communities, including rural areas, informed by the findings of the Affordable Rural Housing Commission. The policies set out are to be taken into account by Local Planning Authorities (LPAs) and Regional Planning Bodies in the preparation of their Local Development Documents and Regional Spatial Strategies (RSSs). One of the key policy requirements is that LPAs “identify and maintain a rolling five-year supply of deliverable land for housing”.

PPS3 encapsulates the following concepts and principles: sustainable development, a visionary and strategic approach, market responsiveness, collaborative working, an evidence-based policy approach and a focus on outcome and delivery. In relation to market responsiveness in particular LPAs and Regional Planning Bodies should “take into account market information when developing planning for housing policies”. Specifically they should “have regard to housing market areas in developing their spatial plans”. In relation to collaboration, working “closely with the private sector, particularly developers and housebuilders” is seen as important to deliver the Government’s strategic housing objectives.

PPS3 identifies a number of specific outcomes that the planning system should deliver in relation to housing:

- High quality housing that is well-designed and built to a high standard.
- A mix of housing, both market and affordable, particularly in terms of tenure and price to support a wide variety of households in all areas, both urban and rural.
- A sufficient quantity of housing taking into account need and demand and seeking to improve choice.

- Housing developments in suitable locations, which offer a good range of community facilities and with good access to jobs, key services and infrastructure.
- A flexible, responsive supply of land - managed in a way that makes efficient and effective use of land, including re-use of previously-developed land, where appropriate.

Matters to consider in relation to design quality include ease of accessibility, being well-connected to public transport, amenity space, efficient use of resources, creating or enhancing a distinctive character that relates well to the surroundings and taking into account the needs of children when planning for family housing.

PPS3 sees the key characteristics of a mixed community as a variety of housing in terms of tenure and price and a mix of different households such as families with children, single person households and older people. Based upon strategic Housing Market Assessments, LPAs should set out the likely proportions of households that require either market housing or affordable housing. Affordable housing is defined as “social-rental and intermediate housing provided to specified eligible households, whose needs are not met by the market”. PPS3 specifically excludes “low cost market” housing. In Local Development Documents, LPAs are to set an overall (i.e. plan wide) target for the amount of affordable housing to be provided; this target should reflect the likely economic viability of land for housing and the likely levels of finance available for affordable housing, including public subsidy and the level of developer contribution.

Housing must be in suitable locations, but “the priority for development should be previously developed land, in particular vacant and derelict sites and buildings”. In addition to the 60 per cent national brownfield target, RSSs should set a regional target and LPAs should have a local target and trajectory. There must be both “effective” and “efficient” use of land. The more rigid approach of PPG3 has been superseded. Instead, LPAs should develop their own density policies, although they need to justify allowing densities below 30 units per hectare.

PPG3 contains a range of important policies to increase the supply of land for housing and to ensure supply is flexible and responsive. Within a planning horizon of 15 years, LPAs must identify sufficient deliverable sites for the first five years (sites must be available, suitable and achievable), along with further supply of specific deliverable sites for years 6-10 and where possible, for years 10-15. They must illustrate the expected rate of housing delivery, through a housing trajectory for the plan period. Houses must be “developable” and “deliverable”. Robust evidence is required if windfall sites are to be included.

LPAs must monitor the supply of deliverable sites annually to ensure there is a continuous five year supply and identify arrangements for managing the lease of land “having regard to market conditions”. In order to Plan, Monitor and Manage, LPAs should have an implementation strategy which includes scenario and contingency planning, risk assessments and an indication of management actions if delivery falls outside a defined range around planned provision. PPS3 states that it may be necessary to re-assess need and demand “in circumstances where market conditions have changed”.

### **Barker Review of Land Use Planning**

The Final Report of Kate Barker’s Review of Land Use Planning was published in December 2006. Its recommendations aim “to create planning policy and processes in England that give appropriate weight to economic benefits, are more responsive to changing circumstances (including environmental pressures) and deliver decisions in a more transparent and timely manner”.

The Interim Report had set out a number of challenges: “the rapid pace of structural economic change driven by the pace of globalisation; projections for increased population growth; and the need to consider the mitigation of, and adaptation to, climate change and the development of biodiversity policy”.

The terms of reference for the review were as follows:

To consider how, in the context of globalisation, and building on the reforms already put in place in England, planning policy and procedures can better deliver economic growth and prosperity alongside other sustainable development goals. In particular to assess:

- ways of further improving the efficiency and speed of the system;
- ways of increasing the flexibility, transparency and predictability that enterprise requires;
- the relationship between planning and productivity, and how the outcomes of the planning system can better deliver its sustainable economic objectives; and
- the relationship between economic and other sustainable development goals in the delivery of sustainable communities.

The final report reiterated that there were no “silver bullets” to resolve the weaknesses identified in the Interim Report.



The Barker report contains 15 key recommendations designed to make development plans and planning decisions more responsive to economic pressures, while still balancing social, economic and environmental objectives, better managing the growing demand for development land, delivering major infrastructure, streamlining the planning system and improving performance at the local authority level and the appeals system.

The most important of these key recommendations from a housing perspective are as follows:

- Streamlining policy and processes through reducing policy guidance, unifying consent regimes and reforming plan-making at the local level so that future development plan documents can be delivered in 18-24 months rather than three or more years.
- Ensuring that new development beyond towns and cities occurs in the most sustainable way, by encouraging planning bodies to review their green belt boundaries and take a more positive approach to applications that will enhance the quality of their green belts.
- A more risk-based and proportionate approach to regulation, with a reduction in form-filling, including the introduction of new proportionality thresholds, to reduce the transaction costs for business and to increase the speed of decision-making.
- Enhancing efficiencies in processing applications via greater use of partnership working with the private sector and joint-working with other local authorities to achieve efficiencies of scale and scope.

- Speeding up the appeals system, through the introduction of a Planning Mediation Service, better resourcing, and allowing Inspectors to determine the appeal route. From 2008/09 appeals should be completed in six months.
- Improving skills, including through raising the status of the Chief Planner, training for members and officers and wider use of business process reviews.

Barker concludes that although some recommendations require legislative change, a number could be implemented over the course of the next 18 months. The final recommendation is that the Government should publish a report by the end of 2009 setting out the action that has been taken against proposed recommendations, drawing on the views of key stakeholders and users of the planning system, including business applicants.

## The Regional Development Strategy

The Regional Development Strategy (2001) continues to play an important role in shaping Northern Ireland's housing market. Its overall purpose is to provide the spatial planning framework to guide physical development and in particular housing, in Northern Ireland to 2025, emphasising:

- the importance of decent housing, including the availability of affordable and special needs housing and the need for balanced and integrated development;
- the original Regional Development Strategy (RDS) envisaged a requirement for 160,000 additional dwellings during the period 1998-2015; 77,500 of these in

the Belfast Metropolitan Area (BMA) and its hinterland and the remaining 82,500 in the remainder of Northern Ireland;

- housing growth indicators (HGI) were set out which reflected demand and potential for growth for each of the district council areas outside the BMA;
- the strategy also set 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, the 2002-based population estimates by the Government Actuary's Department, although projecting a lower population figure for Northern Ireland in 2015 (1,776,000) than the original 1998-based projection of 1,794,000, suggested a more rapidly declining average household size. This together with more up-to-date information on the housing stock, in particular from the 2001 House Condition Survey, prompted the Department for Regional Development to undertake a fundamental review of the Housing Growth Indicators.

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. Average household size was newly estimated to be 2.34 persons in 2015, not 2.44, resulting in an increase of around 26,000 households.

In addition, it is estimated there will be a higher rate of vacancies leading to an additional requirement for 6,000 dwellings a higher rate of demolitions (an additional 7,000) and more second homes (an additional 1,000). In total this amounts to a requirement for an additional 40,000 homes in 2015 (a 25 per cent increase over the original estimate), bringing the overall total required to 200,000.

These 200,000 dwellings were then allocated to each District Council using the housing need estimates as a starting point and then adjusting the additional 40,000 to reflect the original goals of the RDS - in particular maintaining a strong economic heart around the BMA. All District Councils received an additional allocation compared to the original HGIs ranging from 500 in Antrim to 3,000 in Newry and Mourne and 11,500 in the BMA. In addition an equality impact assessment resulted in 200 dwellings in Derry and 300 in the BMA being reallocated to Magherafelt (100), Cookstown (200) and Omagh (200).

The formal consultation process ended on 25 March 2005. However, in the light of comments received during this process the Minister for Social Development decided to hold a Public Examination. This Examination was held in February 2006.

The independent panel appointed to conduct the Public Examination published its report in March 2006. The panel broadly endorsed the methodology used by the

Department for Regional Development to calculate the Housing Growth Indicators, including the estimates of the component parts (household formation, vacancies, demolitions and conversions and second homes), but recommended that the HGIs for Northern Ireland as a whole should be increased by 8,000 to 208,000 to take account of the most recent (2004 based) population projections. Appendix Table A5 shows the number of dwellings built in each District Council over the period 1988/99 to 2005/06 against the revised HGIs. The panel made a number of other important recommendations:

- PPS12 - Housing in Settlements should be revised to clarify and strengthen policies on affordable housing in order to facilitate their delivery through the development plan process.
- The continued development of single houses in the countryside should be curtailed as a matter of urgency through the review of rural planning policy.
- Future HGIs should be provided on a sub-regional basis to align geographically with new local government Districts arising from the Review of Public Administration.
- A Policy Statement should be issued with some urgency, which explains how the process of monitoring the HGIs is to work and how the results will feed into the development plan process.

In June 2006 the Department for Regional Development (DRD) issued its response to the Report of the Independent Panel which undertook the Public Examination. Most of the recommendations were accepted. DRD specifically committed itself to clarifying and strengthening policies on affordable housing. In addition the DRD has agreed with the Housing Executive to review the housing need projections in 2007

following the development of new 2006 based household projections, which will take account of the rapid influx of migrant workers to Northern Ireland, and new housing stock related figures emerging from the 2006 House Condition Survey.

### **PPS12 - Housing in Settlements**

In July 2005 the Department for Regional Development published Planning Policy Statement 12 (PPS12) - Housing in Settlements. Its purpose was "to provide strategic direction and guidance in the form of regional planning policy" to assist the implementation of the Regional Development Strategy. It is seen as a key mechanism for the implementation of the RDS.

The policy objectives of PPS12 are

- to manage housing growth in response to changing housing need;
- to direct and manage future housing growth to achieve more sustainable patterns of residential development;
- to promote a drive to provide more housing within existing urban areas;
- to encourage an increase in the density of urban housing appropriate to the scale and design of the cities and towns of Northern Ireland; and
- to encourage the development of balanced communities.

The development plan process is the main vehicle for assessing the requirement for housing land in the future. PPS12 focuses on three inter-related elements of the plan designed to meet its objectives and those of the RDS:

- processes for allocating housing land;
- measures to be contained in development plans; and
- implementing, monitoring and reviewing development plans.

Housing allocations in development plans are determined by the:

- application of the housing growth indicators (HGI);
- allowance for existing commitments (including dwellings already built);
- use of urban capacity studies;
- application of a sequential approach and identification of suitable sites for housing;
- housing need assessment;
- allowance for windfall housing sites; and
- residual housing need.

The Housing Executive is tasked with preparing the Housing Needs Assessments (HNAs) which are an important cornerstone of each Development Plan. The Housing Need Assessments:

- set the regional housing market context within which specific housing needs exist;
- highlight housing trends to provide a descriptive baseline and draw attention to any issues that are significant;
- analyse housing trends and the factors that are driving the housing market and give an indication of the relative importance of those drivers;
- assess the impacts of local housing needs on the wider housing market; and
- identify the range of housing needs.

The HNAs will consider and analyse data and trends for the following housing categories:

- Regeneration
- Social housing
- Affordable private rented
- Affordable owner occupied
- Empty homes
- Student accommodation
- Supported housing
- Travellers accommodation
- Second homes

### **Affordable Housing**

PPS12 states that “Affordable housing can be considered as housing within a range of tenures, which is of a reasonable standard and available to households at reasonable cost. What is reasonable cost is dependant upon a prevailing situation, economic conditions and levels of income for each particular area. The NIHE carries out a regular assessment of low cost affordable housing and compiles the affordability index which identifies the level of affordability in a particular area”.

PPS12 defines “affordable housing” as the “social rented sector, housing benefit funded private rented and (based on the Housing Executive’s research) that part of the low cost owner occupation market which can be purchased utilising 30% or less of gross household income”. Drawing on research completed in 2001, well before the recent price surge, PPS12 states that because there are “ample supplies of affordable houses available” within the wider area surrounding affordable housing hot spots, “it is considered that it is not appropriate at present, to impose an arbitrary level of affordable housing to be delivered by the private market”.

The reservation of land for social housing is to be achieved either through zoning of land or the outlining of key site requirements through the development plan process, thus for the first time eliminating competition from the private sector. Planning Control Principle 4: achieving balanced communities, contained in PPS12 (re-iterating the principles set out in the RDS) specifically states that “social housing should be provided by developers as an integral element of larger housing developments where a need is identified. It is supplemented by Policy HS2.

**Policy HS2: Social Housing**

In locations where a demonstrable housing need is identified by the Northern Ireland Housing Executive, planning permission for housing proposals will only be granted where provision is made for a suitable mix of housing types and tenures to meet the range of market and social housing needs identified. The proportion of land or units to be set aside for social housing will be determined as part of the development control process. This policy will be applied where a need for social housing is established through a local housing needs assessment and the development plan for the area has not provided for it.

HS2 is seen as a key development in addressing the ongoing need for social housing. It permits the Planning Service to grant planning provision for housing proposals subject to the provision of social housing where there is a demonstrable need. The Housing Executive and the Planning Service are currently working on the implementation of HS2 at ten sites in Northern Ireland.

**Draft Planning Policy Statement 14: Sustainable Development in the Countryside**

PPS12 only dealt with housing in settlements: in cities, towns, villages and small settlements. Housing in rural areas is dealt with by PPS14: Sustainable Development in the Countryside. The ministerial statement accompanying the publication of draft PPS14 in March 2006 indicates that it represents a clear sea change in Government and planners' attitude to developments in rural areas by proposing "a presumption against new development in the countryside" outside designated settlement limits with a limited number of exceptions.

The government sees the high rate of new buildings in the countryside as unsustainable and that it will lead to irreversible and unacceptable impacts on the environment. In order to prevent a large influx of planning applications particularly for single dwellings, before the final policy is published, the provisions of draft PPS14 immediately took precedence over the existing relevant policies.

The objectives of PPS14 are:

- to manage growth in the countryside to achieve appropriate and sustainable patterns of development that meet the essential needs of a vibrant rural community;
- to conserve the landscape and natural resources of the rural area and to protect it from excessive, inappropriate or obtrusive development and from the actual or potential effects of pollution;
- to facilitate development necessary to achieve a sustainable rural economy; and
- to promote high standards in the design, siting and landscaping of development in the countryside.

Policy CTY1 - Development in the Countryside clearly states that there will be a presumption against development throughout the countryside with the exception of a limited number of types of development which are considered in principle to be acceptable:

- A farm dwelling which is seen as essential to meet the needs of a viable farm.
- A dwelling for a retiring farmer and/or partner on the land farmed.

- A dwelling to meet the essential and site specific needs of a non-agricultural business enterprise.
- A replacement dwelling: a presumption in favour of the retention of listed and non-listed vernacular dwellings, will only be overridden in exceptional circumstances.
- For social housing (Policy CTY6) planning permission (subject to a sequential test) may be granted for a small group of dwellings (generally no more than 8) to provide social housing for the rural community where a demonstrable need has been identified by the Housing Executive which cannot be met within the existing settlement in the locality.

Consultation on PPS14 closed in June 2006. The final version has not yet been published and is indeed the subject of a Judicial Review, but has aroused considerable concern among elected representatives and key players in the housing market, particularly in the light of evidence from estate agents and developers that both the price of land with planning permission for housing and the price of existing dwellings in the countryside have risen significantly since this draft PPS14 was announced.

### **The Sir John Semple Review of Affordable Housing**

The Review of Affordable Housing was launched in September 2006 with very broad terms of reference. The overall objective of the Review is to consider the range of Government interventions in the housing market via the planning and housing systems that increase the supply of social housing for rent, support the private rented sector and assist intermediate households into home ownership.

The Review will:

- take account of the Shared Equity Taskforce's assessment of the benefits and risks, for individuals, the housing market, the mortgage market, and the wider economy of enabling home ownership for this group through the use of shared equity products and low cost home ownership schemes;
- identify whether there are market or state failures in Northern Ireland holding back development by the private sector of shared equity products for low-income households, together with options for reform if necessary;
- consider opportunities for further private sector involvement in delivery of social housing for rent and low cost home ownership schemes, making recommendation for reform if necessary;
- consider how the planning system can support the delivery of social and affordable housing;
- consider how existing assets can be harnessed to deliver social and affordable houses now and in the future;
- consider opportunities for strategic partnering;
- take proper account of the regulatory regime and anticipate how any proposed reforms might impact.

## Summary of Preliminary Proposals and Recommendations

### *Affordable Housing*

- A definition of affordable housing is essential and the Semple Review suggests that housing costs should not exceed 30-35 per cent of household income.
- The Department for Regional Development should now review again the Housing Growth Indicators for Northern Ireland currently set at 208,000 for 1998-2015.
- A social house building programme of 2,000 completions per annum is required. Additionally, more social housing opportunities could be provided through bringing back voids into the stock and by giving incentives to social tenants to move into private sector homes.

### *Planning*

- The current Area Plan system is not delivering. Consideration should be given to moving to a more flexible system such as the English Local Development Framework and to whether this could be introduced prior to the transfer of planning functions to new councils under the Review of Public Administration.
- Mechanisms for capturing the full range of developer contributions under Article 40 of the 1991 Planning Order should be introduced.
- Extension of Policy CTY6 (under PPS14) should provide for mixed social and affordable developments up to 12 properties in the countryside.

- Applications for significant housing developments might be fast tracked. A multi-skilled unit might be set up within the Planning Service to deal with significant housing applications.

### *Land and Building*

- In view of the extent of land banking and speculation, the Department of the Environment's Housing Land Availability Monitor should, if possible, be prepared annually on the basis of whether housing land is suitable, viable and actually available for building.
- The Department for Social Development should examine the scope for strengthening powers to vest land for housing purposes. The Northern Ireland Housing Executive should be proactive in the use of existing vesting powers.
- The duration of planning permissions for significant housing developments might be reduced to three years.
- Consideration should be given to establishing a Northern Ireland Land Assembly Agency along the lines of English Partnerships. With appropriate restructuring this role could be undertaken by the Northern Ireland Housing Executive, the proposed Land and Property Services Agency or the Strategic Investment Board.
- Provisions in Great Britain for Local Authorities to release land at less than market value, swap lands and hold land for periods of 5 years should be applied to the Northern Ireland Housing Executive.

### *Making Better Use of and Protecting our Assets*

- To deal with the high level of voids in Northern Ireland, a new system of rating to provide for a 100 per cent liability on properties vacant for 6 months or more rising to a 200 per cent liability if vacant for a year or more.
- Use should be made of existing powers to occupy and vest empty properties and legislation should be introduced to extend powers along the lines of the English Empty Homes Management Order.
- A scheme should be introduced to release social sector voids for purchasing by low income first time buyers.
- The Social House Sales Scheme discount might be capped at a lower level than £24,000. The London figure is £16,000.
- A forum of public sector organisations should be convened to consider how Article 40 of the Planning Order can be effectively administered.
- The Planning Service needs to extend its expertise in understanding housing markets and in negotiating commercially with developers.

The closing date for submissions to the Semple review was January 2007. The final report is scheduled to be published in March 2007.

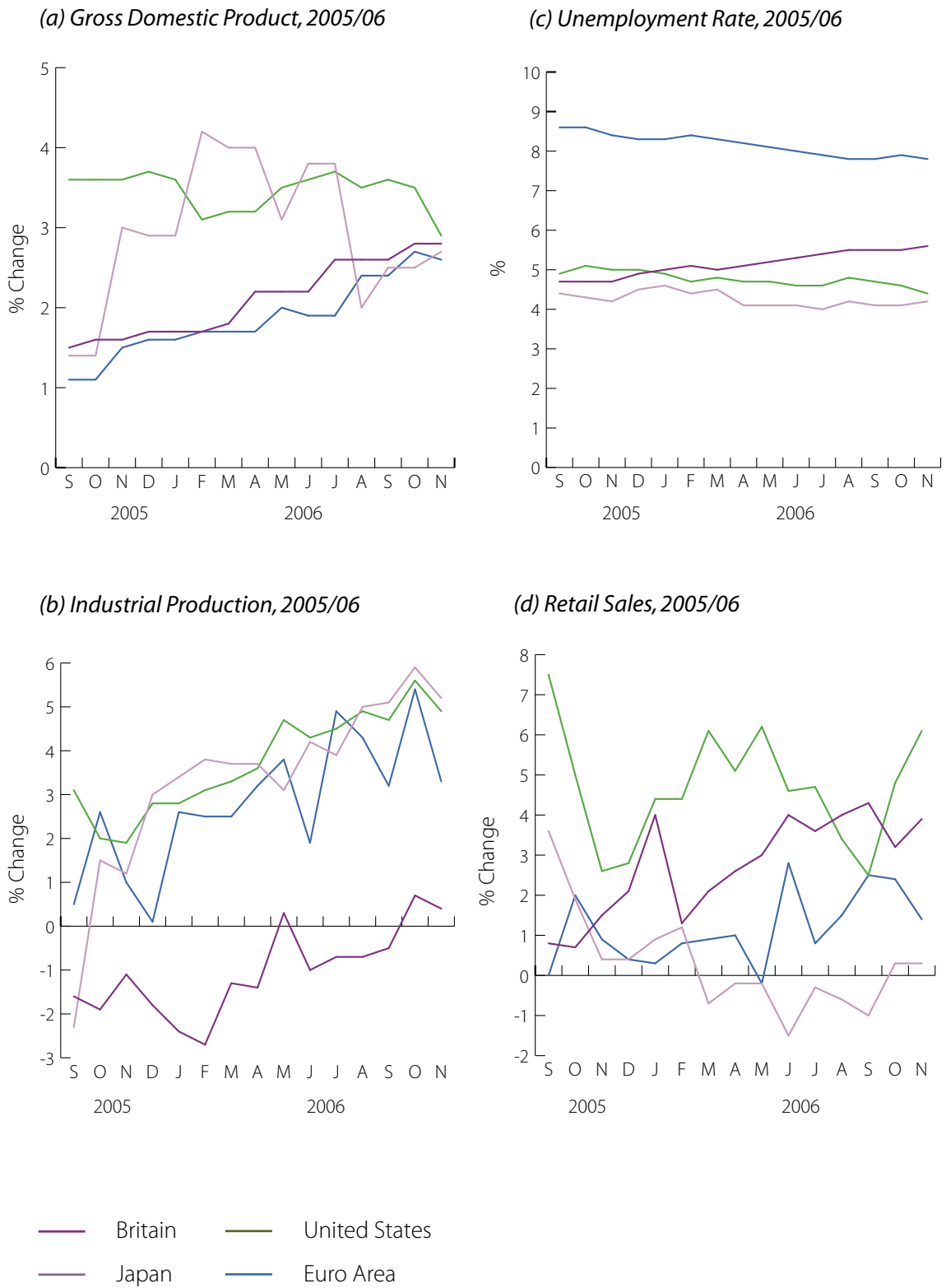
### **The World Economy**

Northern Ireland's economy is becoming more dependent on developments in the world economy, not only directly because of the importance of international markets for exports and of foreign direct investment for creating employment, but also indirectly, through the impact of global economic factors on the economies of Great Britain and the Republic of Ireland, both of which play a significant role in determining the performance of Northern Ireland's economy.

Overall the world economy is expected to grow by around 4 per cent in 2006. However, developments in the three major components of the world economy (USA, Japan and the Eurozone) would indicate that this growth will moderate in 2007. Figures 1(a) to (d) illustrate the trends in four leading economic indicators: GDP, industrial production, retail sales and unemployment.



Figure 1:  
International Economic Trends:



### **The USA**

Having grown at a steady rate of over three per cent since the Autumn of 2005, America's economy recorded a sharp contraction in quarter 3, 2006. The quarterly figures published in November showed that the growth rate had reduced from an annual rate of 3.5 per cent to 2.9 per cent (subsequently revised downwards to 2.0%) and to an annualised 1.6 per cent compared to the previous quarter. The decline was attributed partly to falling industrial orders, but in particular to the slump in America's housing market: housing starts fell at an annual rate of 14.6 per cent in October with the rate of residential construction now almost 30 per cent below its level of a year ago. Newbuild house prices in America fell 10 per cent in October and prices for existing homes fell 3.5 per cent compared to October 2005, the biggest year-on-year decline in nearly 40 years, in what economists see as a property market that was fundamentally over valued.

The Bush administration has now revised its forecast of American GDP downwards to 3.1 per cent in 2006 and 2.9 per cent in 2007. Nevertheless the November 2006 employment report indicated strong jobs growth in quarter 3, 2006 as the unemployment rate fell to 4.4 per cent, its lowest level in over five years and corporate profits are growing at their highest levels in many years. In quarter 3, 2006 profits grew at a rate of 13 per cent, the 13th consecutive quarter of higher than 10 per cent growth. Retail sales rose sharply in November 2006, despite the slowdown in the housing market. Meanwhile American interest rates are expected to remain at 5.25 per cent into 2007, as the Federal Reserve continues to balance concern about inflation against fears of slower economic growth.

### **Japan**

Japan's economic growth has been erratic over the past year with a sharp slowdown in the rate of growth in quarter 2, 2006 being followed by an increase in quarter 3, 2006 to 2.7 per cent. The growth was driven by increased business investment and a strong export performance, but masks growing concerns about the return of deflation with domestic consumption weakening as the level of wage increases fell from 1.2 per cent in July 2005 to zero in July 2006 and more than half of the past twelve months have shown declines in retail sales volumes. There are also ongoing concerns about the level of public debt: 170 per cent of GDP.

### **Eurozone**

Economic growth in the Eurozone has continued at below 2 per cent for most of last year. However, there was a sharp quarter on quarter reduction from an annualised 3.8 per cent in quarter 2, 2006 to 2.0 per cent in quarter 3, 2006, for although Germany and Spain recorded strong growth this was offset by stagnation in France. Nevertheless the annualised figure of 2.6 per cent for quarter 3, 2006 indicates a still positive outlook.

The European Central Bank maintained its interest rate at 3.25 per cent in November, although there are signs that this will be increased in 2007. The forecast for the Eurozone is mixed with lower energy prices and falling unemployment (in Germany in particular where it is below 4 million for the first time in four years) being offset by major tax increases and a persistent weakness in domestic consumption in Germany and Italy.

### Republic of Ireland

The Republic of Ireland's economy grew at an estimated 5.0 per cent in real terms in quarter 2, 2006 and has been running at this level for the past five quarters.

Consumer spending grew by 6.6 per cent in 2005 and this level of growth has continued into 2006 driven by domestic demand, although inflation has increased sharply. The labour market remains buoyant with the labour force growing by 4.6 per cent - more than half due to net inward migration in the year to quarter 4, 2006. Housing completions increased by 8.2 per cent year on year in the first half of 2006. For 2006 as a whole housing output is set to rise by 6.5 per cent with a record level of 88,000 housing units expected to be completed. House price inflation has moderated to around 15 per cent, but it still remains high: the 0.7 per cent growth recorded in September 2006 was the first month this year that the increase has been below 1 per cent, but prices are still expected to increase by over 10 per cent in 2006. The Republic of Ireland economy is expected to grow by 6 per cent in 2006, but is likely to slow somewhat in 2007.

Consumer spending is likely to accelerate to 7.5 per cent in 2007, but interest rates are to rise further as growth in the Eurozone economy continues.

### United Kingdom

The economy of the UK has grown at an accelerating rate over the past twelve months. In 2005 GDP rose by only 1.9 per cent, but by quarter 3, 2006, it had risen markedly by 2.8 per cent compared to the same quarter in 2005. However, the unemployment rate has also risen quite significantly from 4.7 per cent in September 2005 to 5.6 per cent in September 2006, and at 1.7 million it is the highest for six years. A small reduction (7,000) in unemployment in October 2006 was the first fall in eighteen months.

The Bank of England Monetary Policy Committee voted to raise the base rate from 4.5 to 4.75 per cent in August 2006 (the first increase in two years) and in November it was raised again to 5.0 per cent, in the face of rising inflation and burgeoning consumer debt. A further increase took place in January 2007, bringing the base rate up to 5.25 per cent and a further increase is anticipated in 2007 as inflationary pressures grow. By December 2006 Public Sector Net Debt had risen by almost £40 billion to £504 billion during the previous 12 months (38% of GDP).

The consumer boom, that had been such an important driver of the British economy, came to an abrupt end in 2005, in line with the much more subdued rises in house prices. In September 2004 retail sales had been rising at nearly 4.0 per cent per annum. By September 2005 this had fallen to under 1.0 per cent. However by the summer of 2006 it was back over 4.0 per cent per annum and since then the monthly figures have been somewhat erratic.

The number of insolvencies has risen to a new record over the summer (27,000 in quarter 3, 2006 and 55 per cent higher than in the corresponding period in 2005) and the number of court actions for home repossessions was at its highest for 14 years. Repossessions for the first six months of 2006 were 75 per cent higher than the corresponding period in 2005, with 35,000 more than 6 months in arrears. Economists have expressed concerns that the combination of higher interest rates, rising utility bills and council tax and soaring levels of consumer debt (now over £1.3 trillion), slowing wage growth and rising unemployment does not augur well for retail sales or economic growth which is estimated to decline after 2007.

## The Northern Ireland Economy

### Manufacturing Output and the Service Sector

The most recent comprehensive report on Northern Ireland's economy<sup>2</sup> indicates a somewhat mixed year for the local economy. Manufacturing output declined sharply in the final quarter of 2005 before rising again during the first two quarters of 2006. In quarter 2, 2006 output rose by 1.9 per cent to give an annual growth rate of 0.8 per cent (compared with an annual rate of 1.1 per cent for the UK as a whole). Northern Ireland's service sector performed much better, with the value of services increasing by 4.7 per cent in quarter 2, 2006 compared to quarter 2, 2005, higher than the national increase of 3.7 per cent.

However, there is also evidence to suggest that consumer confidence has been adversely affected by rising interest rates, fuel prices and the potentially large increases in property related taxes: domestic rates, water and sewerage. There was a marked decline in new car registrations in Northern Ireland in 2005 although they have increased again in 2006: by 3.6 per cent in quarter 2 compared to quarter 2, 2005.

Overall GDP in Northern Ireland grew by 2.0 per cent in 2005, but it remains to be seen to what extent a further rise in interest rates in November 2006 will affect purchasing power.

### Economic Outlook for Northern Ireland

Northern Ireland's economic outlook remains generally positive. The expansion in GDP is expected to continue at the rate of 2.5 per cent in 2007, and although the slowdown in domestic demand in Great Britain has had an adverse impact, the recovery in manufacturing output in 2006,

continuing strong growth in the service sector, higher levels of employment and much lower oil prices on the international market, indicate that there will be no abrupt downturn. However, in the medium term there are also a number of worrying signs: there are very mixed signals from the world economy and in particular from the USA, where the slump in the housing market may adversely affect consumer confidence and consumption. Much will once again depend on the rate of growth of public expenditure, which accounts for two thirds of Northern Ireland's GDP and on the performance of the UK economy as a whole.

### 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 3 sets out the most recent labour market statistics.

- ILO employment (including employees, self employed and government programmes) has remained stable at around 760,000.
- The level of ILO unemployment has increased (by 3,000) over the year and now stands at 36,000 (4.6%).
- The number of working age people who are economically inactive has increased by 6,000 and the proportion of economically inactive has increased from 27.4 per cent to 27.7 per cent (compared to a UK average of 21.0%). There has also been an increase

2. *First Trust Bank, Economic Outlook and Business Review, Volume 21.4 November/December 2006*

**Table 3:**  
**Key Labour Market Statistics for Northern Ireland, 2005/06**

	Aug - Oct 2005		Aug – Oct 2006		YoY Change
ILO Employment	758,000		759,000		+1,000
ILO Unemployment	33,000	(4.1%)	36,000	(4.6%)	+3,000
Economically Inactive (Working Age)	289,000	(27.4%)	295,000	(27.7%)	+6,000
Economically Inactive (Wanting a Job)	36,000		44,000		+8,000
Employment Rate (Working Age)	734,000	(69.6%)	733,000	(68.9%)	-1,000
<i>Source: DETNI, December 2006 (Seasonally adjusted)</i>					

in the number of people who are economically inactive but want a job from 36,000 to 44,000. It is also important to note that the number of 18 – 24 year olds who are economically inactive has risen markedly over the last year from 49,000 to 58,000.

- Northern Ireland's employment rate is 68.9 per cent compared to a figure of 74.5 for the UK as a whole.

### Earnings and Benefits

Northern Ireland continues to show a 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 (2002/05) was £482, the third lowest of any region of the UK. The average for the UK as a whole was £574.
- In Northern Ireland, Social Security benefits (excluding Housing Benefit and pensions) form 19 per cent of average gross weekly household income. This is the highest figure for any region in the UK. The comparable figure for the UK as a whole is 12 per cent. In Scotland, the figure is 14 per cent and in Wales it is 17 per cent.

### The Housing Stock

The most recent figures for Northern Ireland's total housing stock were published in September 2006 by the Department for Social Development.

The key figures are set out below.

- In March 2006 there were 702,400 dwellings in Northern Ireland.
- The owner occupied sector comprised a total of 483,700 dwellings (69% of the total stock, the same proportion as in 2005).
- The Housing Executive's share of the stock has continued to decline - in March 2006 it owned some 93,600 tenanted dwellings (13% of the total stock).
- Housing association stock continued to expand and now comprises 21,700<sup>3</sup> occupied homes (3% of the total stock).
- There are now 65,300 occupied privately rented dwellings, 9.3 per cent of the stock.
- The number of vacant dwellings, increased by 4,000 to 38,100 (5.4%), although for the past 10 years the proportion of vacant dwellings has remained fairly constant at around 5.0 per cent.

*3. This figure excludes bedspaces in hostels and other shared accommodation.*

## Demographic Profile

Northern Ireland continues to maintain a distinctive demographic profile in the context of the European Union, for although the differences in key statistics are becoming gradually smaller, there are still some significant differences (see Table 4). In particular the proportion of the population under 15 in Northern Ireland (21.6%) is the highest of any region of the (EUR15) European Union and its rate of natural increase in 2002 was more than 5 times the EU average.

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

- There were 1,685, 627 people living in Northern Ireland (2.87 per cent of the total UK population)
- 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 had 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 per cent). 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%).

Research commissioned by the Housing Executive in 2003<sup>4</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 accounted for about 37 per cent of the increase in household

**Table 4: Key Demographic Statistics - International Comparisons 2002/03**

	% Pop <15	% Pop <65	Birth Rate (per 1,000)	Death Rate (per 1,000)	Natural Increase (per 1,000)
NI	21.6	13.4	13.0	8.6	4.4
UK	19.9	18.4	11.4	10.2	1.2
Rol	21.3	11.2	15.1	7.8	8.3
France	18.8	16.2	13.0	8.9	4.1
Germany	15.4	16.9	9.4	10.3	-0.9
EU15	16.9	16.3	10.7	9.9	0.8

*Source: National Statistics, Regional Trends 39, 2006 and 38, 2004*

4. Paris C, et al (2004) *Demographic Trends and Future Housing Need in Northern Ireland, Belfast*

numbers, 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 from 6.1 per cent to 8.7 per cent, 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.

### 2004 Based Population Projections

The Government Actuary's Department published its 2004 based population projections for Northern Ireland in August 2005.

The projections indicate a number of important changes in Northern Ireland's demography over the 15 year period to 2019:

- The population is projected to increase to 1,819,000 from 1,710,000 in 2004. This is equivalent to an average annual rate of growth of 0.42 per cent, significantly higher than the 0.35 per cent projected in 2002.
- The net projected increase of 109,000 people between 2004 and 2019 is attributable to a natural increase (the difference between the numbers of births and deaths) of 100,000, partially counterbalanced by 4,000 net outward migration.
- The number of children aged under 16 is projected to fall by 8.7 per cent from 357,000 in 2004 to 326,000 in 2019 and continue to decrease gradually thereafter.
- The number of adults aged 16-64 is projected to increase from 1,121,000 in 2004 to 1,175,000 by 2019, an increase of about 54,000 (4.8 per cent). The numbers in this age group will decline thereafter.
- The number of people aged between 65 and 74 is projected to increase from 128,000 in 2004 to 170,000 by 2019, an increase of 32.8 per cent.
- The number of people aged 75 and over is projected to increase by 45,000 (42.8%) by 2019.

Table 5 summarises key information from the 2004 population projections up to 2019.

**Table 5: Population Projections by Age-Band 2004-19**

Age Band	2004	2009	2014	2019
	000's	000's	000's	000's
Children (0-15)	357	340	327	326
Adults (16-64)	1,121	1,158	1,173	1,175
Adults (75+)	105	116	129	150
All Persons	1,710	1,754	1,787	1,819

Source: NISRA

**Household Projections and International Migration**

From the point of view of understanding the housing market, the rate of household formation is of more significance than population growth. In January 2005 NISRA published household projections which were to be used as the starting point for a review of the Housing Growth Indicators previously calculated for the Regional Development Strategy. Key figures for the fifteen year period 2004-2019 from this publication are shown in Table 6.

They show large increases in the number and proportion of one and two person households and, conversely a significant

fall in the number and proportion of households and with four and five or more persons.

It is important to remember however, that these population projections do not take account of the rapid rise in international migration into Northern Ireland following the accession of eight Central and Eastern European countries ("A8" countries) to the European Union in May 2004. NISRA has recently published its long-term International Migration Estimates for Northern Ireland (2004/05). Using a range of administrative and statistical sources, NISRA estimates that between 2002 and 2005 28,897 international migrants arrived in Northern Ireland and only 24,912 left, giving an estimated net international in-migration of 3,985. Most of this was concentrated in the period mid 2004 - mid 2005 when the net international migration was estimated to have resulted in an additional 4,671 foreign nationals in Northern Ireland. NISRA is now in the process of revisiting its household projections model in line with the most recent population estimates, which include estimates of the net flow of migrant workers to Northern Ireland since the 2001 Census.

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

**Table 6: Household Projections by Size of Household, 2004-19**

	2004		2019		Percentage increase/ decrease in number +/-%
	No + % of Total		No + % of Total		
1 Person	186,700	(29%)	264,500	(34%)	+42%
2 Person	188,300	(29%)	249,300	(32%)	+32%
3 Person	107,100	(16%)	118,400	(16%)	+11%
4 Person	95,300	(15%)	89,000	(11%)	-7%
5+ Person	75,700	(12%)	55,000	(7%)	-27%
TOTAL	653,000	100%	776,100	100%	+19%

Source: NISRA



- The increasing number and proportion of one and two person households and the declining proportion of children in the population may have some impact on the size and design of dwellings. However, market intelligence indicates that there is no direct relationship between these indicators and the number of bedrooms, as more, for example younger children, now like to occupy a bedroom on their own, or adults use an extra bedroom as a place of work or recreation.
- The steady rise in the number and proportion of pensioners, and in particular the rapid growth in the number of people aged 75 or more, undoubtedly has important implications for not only the design of dwellings, but also the support funding and care packages required to enable these pensioners to live independently and comfortably in their own homes.

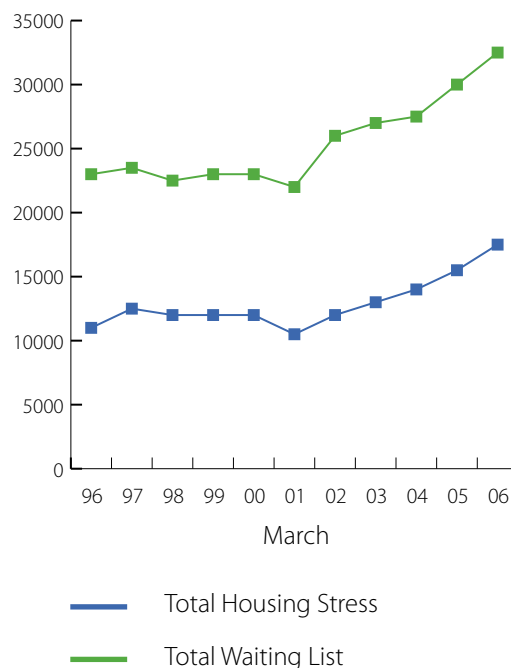
### The Waiting List for Social Housing

The Common Waiting List for social housing remains a key source of information for understanding the dynamics of Northern Ireland’s housing market.

Figure 2 illustrates trends in the waiting list between 1996 and 2006. The actual figures are set out in Appendix Table A2. An analysis of these figures shows that:

- Between March 1996 and March 2000 the overall number of applicants remained fairly stable at a little over 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.

Figure 2: Trends in the Waiting List, 1996-06



- However, by March 2002 the waiting list had jumped significantly to nearly 26,000, and since then it has continued to rise steadily. In March 2006 it reached 32,215, an 8.0 per cent increase on March 2005.
- Between March 1996 and March 2000 the number of applicants in housing stress (referred to as urgent need until March 2001) rose gradually from around 11,150 to 11,700. The number fell in March 2001 (following the re-assessment exercise), but subsequently the number in housing stress rose rapidly to reach 15,660 in March 2005. In the twelve months to March 2006 the rate of increase has accelerated compared to the previous year: In March 2006, a total of 17,433 households were in housing stress, an increase of 1,773 (11%) over the March 2005 figure.
- The proportion of those on the waiting list in housing stress has also continued

to rise over the past year. In March 2002, 48.1 per cent of the total number of applicants were in housing stress. This proportion rose steadily over the next few years to reach 54.1 per cent in March 2006.

### Geography of the Demand for Social Housing

Analysis of the geographic distribution of the increases in the waiting list shows that the pattern of growth is by no means uniform. Table 7 shows the 9 housing management districts with the highest absolute increases (at least 200) in housing stress over the four year period from March 2002 to March 2006. Many of these districts also tend to have the highest proportional increases - particularly Fermanagh (126%) and Newry (108%). Indeed these top 9 districts account for 50 per cent of the overall increase in housing stress. It is interesting to note that these districts also tend to be those which have recorded the highest rates of increases in house prices in the last two years.

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

On the demand side:

- 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 of households in housing stress is accounted for by single person households. Indeed the number of single people on the overall waiting list has continued to grow and in March 2006 accounted for 46 per cent of the waiting list;
- proximity to Belfast - the main hub of the Northern Ireland economy and where many of the newly created jobs in service industries are concentrated;
- the level of house prices in Belfast and surrounding district council areas.

On the supply side:

- the difficulty in obtaining land for new low cost/affordable housing developments in and around Belfast and the lack of new social housing in these areas (this pattern is reflected in the affordability index - see chapter 2);

**Table 7: Housing Stress, Change 2002-06**

Housing Management District	Housing Stress 3/02	Housing Stress 3/06	Change 3/02 – 3/06	% Change 3/02 – 3/06
Newry	445	924	479	108
Bangor	535	842	307	57
Newtownards	439	740	301	69
Fermanagh	229	517	288	126
Lisburn 1 & 2	682	934	252	37
Coleraine	279	525	246	88
Dungannon	242	464	222	92
Belfast 3	545	747	202	37
Ballymena	446	646	200	45
Northern Ireland	12,449	17,433	4,984	40

**Table 8: The Common Waiting List: Household Composition 2002-06**

Household Type	March 02 (%)	March 03 (%)	March 04 (%)	March 05 (%)	March 06 (%)
Singles	40	44	46	46	46
Small Adult	5	5	6	6	6
Small Families	26	26	23	23	23
Large Families	5	5	5	5	5
Large Adult	1	1	1	1	1
Elderly	20	19	19	19	18

*Source: NIHE*

- the growth of second homes in some remoter rural areas making it more difficult for housing associations to compete for available housing land and for local people to access the private sector with inflated house prices and rents.

Analysis of the waiting list by household composition over the period 2002 to 2006 confirms the continuing dominance of singles (46%) (See Table 8). Small families also continued to be the next largest component of the waiting list (23%) followed by the elderly (18%).

This analysis of the waiting list trends by district council and household type provides a useful indication of future concentrations in the demand for social housing, for co-ownership and for low cost affordable homes in the private sector:

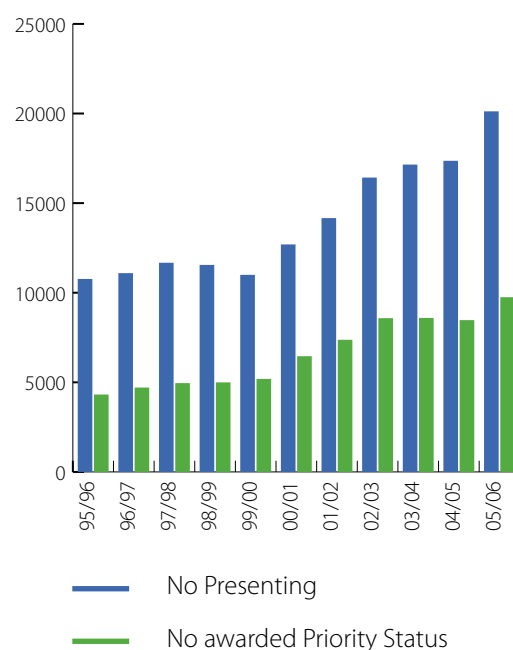
- it will be concentrated in parts of Belfast and in areas within easy commuting distance from the city;
- it will come from singles, small families and the elderly.

In the nine month period from the end of March to the end of December 2006 the demand for social housing has continued

to rise. At the end of December 2006 there were over 34,600 applicants on the Common Waiting List; some 18,900 (53%) of these were in housing stress.

### Homelessness

**Figure 3: Trends in Homelessness 1995-06**



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 3). In the year to March 2005 the rate

of growth appeared to have stabilised, but since then the number of households both presenting as homeless and being awarded priority status has risen considerably.

- In 2004/05 a total of 17,362 households presented as homeless. In 2005/06, however, the comparable figure was 20,121, an increase of 16 per cent.
- Likewise the number of presenters accepted as being statutorily homeless increased from 8,470 in 2004/05 to 9,749 in 2005/06 (a 15% increase).
- The proportion of presenters accepted as homeless, however, has continued to fall from 53 per cent in 2002/03 to 48 per cent in 2005/06.
- The relative importance of the causal factors has changed little. The dominant factor in relation to those presenting as homeless remains sharing breakdown/family dispute: 4,799 (24%) of those presenting did so for this reason.
- The other key factors remain marital/relationship breakdown (2,706; 13%), loss of rented accommodation (2,705; 13%) and accommodation not reasonable (2,901; 14%).
- Indeed 70 per cent of the increase in homelessness presenters is accounted for by these four reasons.

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

- The biggest single cause remains sharing breakdown/family dispute: 2,010 in 2005/06 (21% of the total) a slightly larger proportion than in 2004/05, when it was 19 per cent.

- However, in the case of those accepted as homeless, marital/relationship breakdown is not the second most important cause. In 2005/06 only 931 (10%) households were accepted on this basis.
- "Accommodation not reasonable" accounted for 2,334 households (24% of the total accepted in 2005/06) and a 27 per cent increase over 2004/05. 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 2001-2006 there have also been steady increases in the number awarded homeless status due to loss of (private) rented accommodation (1,230 in 2005/06 compared to 755 in 1999/00). Even over the period of a year, the number of households awarded priority status for this reason has jumped by 220 (22%) indicating that the private rented sector does not provide suitable housing circumstances for a significant proportion of low income households.

Approximately 50 per cent all households who presented in 2005/06 were single people of whom 6,709 (33% of the total) were single males aged 16-59 years of age. Families with children accounted for a little over one third (6,805; 34%) of those presenting.

Figures for the first six months of the current financial year (2006/07) indicate a further increase in homelessness. Between April and September 2006, a total of 10,462 households presented as homeless and of these, 4,907 were awarded priority status, 3 per cent higher than the number accepted in the comparable six months in 2005.

## 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. Since 1994 the Housing Executive has used a Net Stock Model as the basis for its assessment of the need for new social housing at the Northern Ireland level. This model has utilised a residual approach to estimating the need for social housing. Using demographic information from the Census, population projections and projected average household size as well as a number of housing stock indicators (e.g. demolitions and second homes) it has estimated the total extra number of dwellings required over a 10 year period. The model assumed that over a ten year period the private sector will continue to build dwellings at a rate which equates to the average number of dwellings built by it in the most recent five years, with the residual requirement being met by social housing.

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 develop 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 allowed for vacancies, second homes, demolitions and replacement dwellings. Both models estimated 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 2001-11. 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 1400 and 1500 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 the original target (1,500) and what actual was delivered 2001-04.
- local imbalances in supply and demand: oversupply in some areas cannot simply be transferred into areas of high demand.

In November 2004 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 (2004) indicated there was an underlying demographically driven need for 1,600 new social dwellings. The Cambridge Model (2004) estimated an annual need for 1700 dwellings. However, taking into account the backlog which had developed 2001-04 and ongoing supply/demand imbalances the Housing Executive last year estimated an annual average need for 2000 dwellings 2004-11. Between 2001 and 2006 only 4,582 (57%) dwellings were completed against a four year target of 8,500<sup>5</sup>.

In November 2006 the Housing Executive once again asked the University of Ulster to update its Net Stock Model in the light of the most recent demographic projections and housing figures, as well as some changed assumptions about the dynamics of Northern Ireland's housing market, in particular evidence of a higher rate of demolition, a higher number of households in temporary accommodation and higher proportions of vacancies and second homes in the private sector (see Table 9).

The Net Stock Model (2006) therefore estimates that a total of 2,200 new social dwellings is required per annum in order that the Waiting List for social housing does not continue to rise. However, given the need to address the growing backlog it is proposed that 2,500 new social dwellings should be constructed each year.

### The Characteristics and Condition of the Stock

The 2004 Interim House Condition Survey provides the most recent picture of the characteristics and condition of Northern

**Table 9: Net Stock Model, 2001-11, (2006 Update)**

	Projected Households (000)
<b>Extra Demand 2001-2011</b>	
New Households	82.5
Concealed Households	5.0
Temporary Accommodation	1.0
Total Extra Demand	88.5
<b>Extra Supply 2001-2011</b>	
New Private Output	109.8
Less Net Demolitions, Conversions and Closures	(25.0)
Less 5% Second Homes	(5.5)
Less 11% Vacancy in New Private Housing	(12.0)
Total Extra Supply	67.3
<b>Social Housing Needed</b>	
Deficit	21.2
Plus 2% Vacancy in New Social	0.4
Total Needed	21.6
Total Rounded and Allowance for Other Factors	22.0
<b>Total Per Annum</b>	2.2
<i>Source: University of Ulster, December 2006</i>	

Ireland's housing stock. In 2004 there were 680,000 dwellings in Northern Ireland - an increase of 32,500 (5%) over the period since 2001.

### Dwelling Age

The 2004 House Condition Survey indicates that the age profile of the housing stock has continued to change as a result of declining numbers and proportions of dwellings in the older age categories (mainly as a result of demolition) and 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).

*5. This assumes an annual target of 1500 for the first 3 years followed by 2,000 for each of the two following years. However the completions figures do underestimate the actual number of households accommodated - a further 530 bedspaces were completed over this 5 year period.*

- In 2004 one third (33%) of all dwellings were constructed since 1980, and indeed, 18 per cent of the total stock has been built since 1990.
- Only 16 per cent of all dwellings were built prior to 1919, compared to 18 per cent in 2001.

### Dwelling Type

Northern Ireland's dwelling stock has traditionally been dominated by houses and bungalows. The 2004 House Condition Survey confirmed that despite the greater number of flats/apartments built in recent years, this picture has not really changed, except that a smaller proportion of the stock is bungalows.

- One fifth of all dwellings (20%) were bungalows, compared to 24 per cent in 2001.
- Terraced houses accounted for almost one-third (30%) of the stock.
- Semi-detached houses and detached houses each accounted for a little over one-fifth of the stock (21%).
- Flats/apartments accounted for eight per cent of the total stock (57,000 dwellings), most of them (44,000) purpose built. Overall there has been a small increase since 1996, but the increase of nearly 6,000 converted flats 2001-2004 reflects the growing interest in the investment market.

### Distribution of Dwellings

Dwellings in Northern Ireland are located primarily in urban areas (71% of all dwellings) with the remainder (29%) in rural areas. In 2001 only 67 per cent were in urban areas, confirming the growing

pattern of urbanisation. In rural areas, the proportion of dwellings in isolated rural areas fell from 20 per cent in 2001 to 16 per cent in 2001<sup>6</sup>.

### Unfitness

In 2004 there were 25,600 unfit dwellings in Northern Ireland. This represents a headline rate of 3.8 per cent. This compares to an unfitness rate of 4.9 per cent in 2001.

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 2004 the three most important reasons for failing the fitness standard were:

- serious disrepair (19,800; 77% of all unfits);
- unsatisfactory facilities for the preparation and cooking of food (17,700; 69% of all unfits);
- kitchen: space, layout and cleanability (17,700, 69%)

### The geography of unfitness

- Unfitness remained higher in rural than urban areas, although there was a reduction in both. In 2001 urban unfitness had been 3.1 per cent; by 2004 this had reduced to 2.5 per cent. In rural areas the proportion of unfit dwellings in 2001 had been 8.5 per cent, compared to 6.8 per cent in 2004. The greatest incidence of unfit dwellings in 2001 occurred in isolated rural areas where 13,500 (52.7% of the total unfits) were located. This compares with a figure of 14,000 (44.3%) in 2004.

*6. This may exaggerate the level of decline and may reflect a number of factors: a different sample design than in the 2001 survey, sample error and the absorption of isolated dwellings into existing towns or villages.*

- Analysis of unfitness by region confirms the traditional correlation between unfitness and peripherality. In the Belfast Metropolitan Area unfitness is 2.8 per cent whereas in the West and South NUTS area<sup>7</sup>, the rate of unfitness is 7.5 per cent.

#### ***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: more than half (14,400; 56%) of all unfit properties were vacant and 40 per cent of all vacant properties were unfit. The rate of unfitness for occupied properties was only 1.7 per cent.

Within the occupied stock in 2001, the highest rate of unfitness was found in the private rented sector where 3,400 dwellings (5.4 per cent of the sector) were unfit, compared to 9 per cent in 2001. In the owner occupied sector some 7,300 dwellings (1.6% of this sector) were unfit compared to 2.8 per cent in 2001. In the social sector unfitness continues to be minimal. In 2004 it was less than one per cent).

There was a clear correlation between unfitness and dwelling age. More than two-thirds of all unfit dwellings (18,200; 71%) had been built prior to 1919.

#### ***Unfitness - household characteristics***

Low income households and very elderly households were more likely to live in unfit dwellings.

The average rate of unfitness for occupied dwellings was 1.7 per cent, but

- 3.8 per cent of elderly heads of household aged at least 75 lived in unfit dwellings;
- 2.5 per cent of households had an annual income of less than £7,000.

#### **Disrepair and the Decent Home Standard**

In 2004 almost three-fifths (58%) of all dwellings had at least one fault. This is a marginal reduction since 2001 when the comparable figure was 59 per cent. Dwellings were much more likely to have faults to their exterior fabric (50%) than their interior fabric (27%) or to amenities and services (18%).

Disrepair was more prevalent in some tenures than in others. Faults were recorded in 71 per cent of privately rented properties compared to only 55 per cent of owner occupied properties. More than three quarters (76%) of vacant dwellings had faults.

There was a clear relationship between dwelling age and disrepair. More than three quarters (79%) of dwellings built before 1945 had faults.

The average cost of repairs had increased since 2001, reflecting mainly the increase in building costs. The average cost of urgent repairs in 2004 for the dwelling stock as a whole was £1,340 (£1,124 in 2001) and the average basic repair cost was £1,695 (£1,427 in 2001). In 2004 the total repairs bill was estimated to be £911 million for urgent repairs and £1,153 million for basic repairs.

In 2004, 21 per cent (141,500) of all dwellings failed the Decent Home Standard. This represents a marked improvement from the 32 per cent (206,000) which failed in 2001 and again mainly reflects the large numbers of dwellings receiving more efficient oil or gas central heating. Four fifths (81%) of these failed on the basis of the thermal comfort criterion, 28 per cent on the basis of disrepair and 12 per cent on the basis of lacking modern facilities and services.

7. *Nomenclature of Units for Territorial Statistics*



By comparison 31 per cent of all dwellings failed the Decent Home Standard. The rate of failure in England was higher in the social sector where 35 per cent failed compared to only 30 per cent in the private.

In Northern Ireland the rate of non-decency varied considerably by tenure:

- it was highest among vacant dwellings (58%; 71% in 2001)
- Almost one third (31%) of Housing Executive properties and more than one quarter of privately rented properties (28%) failed the Decent Home Standard (compared to 71% and 47% respectively in 2001).

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

- almost two fifths 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 more likely to live in non-decent homes (28% compared to an overall average of 19% for all households).

Approximately one quarter (26%) of all heads of household who were unemployed lived in homes that failed the Decent Home Standard and 25 per cent of those who were retired, both significantly higher than the average rate of 19 per cent.

There was a clear relationship between annual income and living in non-decent housing: 29 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 6 per cent for households with £30,000 or more.

### **Housing Health and Safety Rating System**

The Housing and 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. The HHSRS places the emphasis on the effect of hazards rather than the existence of faults. Therefore it is the potential for harm which is significant. In England this standard will replace the current unfitness standard from 2007. In Northern Ireland this decision has not yet been made but for the purposes of comparison the 2001 House Condition Survey included a HSSRS assessment. It showed that in 2001, 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 dwellings (36%) followed by dwellings in the private rented sector (14%);
- older dwellings built before 1919 (23%) and 1919 to 1944 (20%);
- dwellings located in rural areas Fermanagh (19%), Newry and Mourne (13%) and Dungannon (13%).

The HHSRS was not included in the 2004 Interim House Condition Survey as the basis for measurement was being reviewed. It has however been included once again in the 2006 survey.

## Energy Conservation and Fuel Poverty

As Northern Ireland's Home Energy Conservation Authority (HECA), the Housing Executive is responsible for identifying practicable, cost-effective measures to improve the energy efficiency of Northern Ireland's homes. In working towards this objective, activities have centred on reducing the energy consumption of the dwelling stock in existence on 1 April 1996<sup>8</sup> by 34 per cent. While there was no deadline for achieving this target, substantial progress was expected by 2006.

The Northern Ireland House Condition Survey, normally carried out every five years, provides the most comprehensive information available on measuring progress towards the target. A major House Condition Survey was carried out in 2006, but although the field work is now complete, the analysis of the data, including energy modelling, will not be available until the Autumn of 2007.

The latest information on the energy efficiency of the housing stock is therefore drawn from the findings of the 2004 Interim House Condition Survey.

### 2004 Interim House Condition Survey - Energy Efficiency

The 2004 Interim House Condition Survey showed that good progress has already been made.

- The overall energy efficiency of the housing stock improved by 17.2 per cent between 1996 and 2004.

- The average Standard Assessment Procedure (SAP) rating for the housing stock increased from 44 in 1996 to 55 in 2004, and rises to 57 if vacant dwellings are excluded.
- The baseline figure for domestic energy consumption in Northern Ireland in 1996 was 79,600 terajoules. By 2004, reduction to 65,900 terajoules had been achieved.
- Three quarters (75 per cent) of dwellings had oil fired central heating in 2004, compared with 68 per cent in 2001. By 2004, natural gas, which was not available in 1996, had gained an 8 per cent share in the domestic heating market.
- There has been a commensurate decline in the use of solid fuel as the main heating source, from 19 per cent in 2001 to 8 per cent in 2004.
- Ninety-five per cent of dwellings with lofts have loft insulation, and 60 per cent of homes now have full cavity wall insulation, compared with 50 per cent in 2001. Many of those without are of solid wall construction.
- The proportion of homes with either full or partial double glazing doubled between 1996 and 2004, rising from 40 per cent to 80 per cent.

The combined effect of these improvements means recurrent annual savings of 2.26 million tonnes of carbon dioxide per year from the domestic sector over 1996 levels. In relation to individual dwellings, this means that the average emission of carbon dioxide has reduced from 10.7 to 7.5 tonnes per year since 1996.

*8. The target applies to existing stock as at 1 April 1996 as building regulations are deemed to ensure that new housing built after that date meets energy efficiency standards.*

## The Housing Executive's Energy Strategy

### *Heating Policy*

The Housing Executive's heating policy aims to improve the energy efficiency of its stock by converting existing coal or electric heating systems to natural gas where available, and to oil elsewhere.

Following a recommendation from the Northern Ireland Audit Office, and given the substantial price rises for all fuels experienced over the last two years, the Housing Executive is currently reviewing its heating policy. The economic appraisal upon which the heating policy was based has been re-examined in light of these developments and a report has been passed to the Department for Social Development (DSD) for consideration.

Almost 5,400 heating conversions were carried out in Housing Executive dwellings during 2005/06 - a slight increase on the 2004/05 figure of around 5,300. Approximately 23,000 Housing Executive properties currently use natural gas and 33,000 use oil. Over the years the Housing Executive has undertaken over 70,000 natural gas or oil installations, but more than 14,000 of these houses have since been sold to sitting tenants. The natural gas network has now become available in some of the towns along the route of the recently developed North-West gas pipeline. The Housing Executive's heating policy of installing natural gas heating, where available, will apply in these areas. This will also be the case along the route of the South-North gas pipeline.

The Housing Executive has been involved in a number of partnership projects

to demonstrate new and innovative technologies. The projects are designed to prove the effectiveness of the technology and provide case studies to promote the systems within other tenures, and include:

- solar water heating (Bangor);
- solar photovoltaic (PV) (Castlereagh);
- energy efficient window system (Tandragee);
- micro-Combined Heat and Power field trial;
- Hard to Heat Homes project (aimed at rural solid wall dwellings);
- CLEVER Homes (solar air heating and ventilation systems in Housing Executive stock).

The Housing Executive is to receive £1.8 million towards a solar panel programme through the Environment and Renewable Energy Fund, which was set up in spring 2006. The Fund is part of the Northern Ireland Priorities and Budget 2006-08 and will make £60 million of funding available through a range of schemes for renewable energy.

### *Warm Homes Grants*

Introduced in July 2001, the Warm Homes Scheme provides the main source of grants for low income households in the private sector. The Scheme is funded by DSD and managed by Eaga Partnership, and grant aids a range of insulation and other energy efficiency measures for eligible households (those in receipt of qualifying benefits). Where additional funds - above the maximum grant level - are needed to complete the package of measures, top-up is available from the Energy Efficiency Fund managed by NIE Supply. The range of measures provided includes:

- loft insulation;
- cavity wall insulation;
- draughtproofing; and
- central heating for people aged 60 or more (including new natural gas or oil system, whether a first time installation or conversion from solid fuel or Economy 7 and, where appropriate, an upgrade or repair to an existing oil system).

Almost 8,000 owner occupiers received Warm Homes grants for insulation in 2005/06, and nearly 2,800 had a change of heating under the Scheme. Both figures represent an increase in Warm Homes activity levels by comparison with previous years. In all, around 10,500 elderly owner occupiers have had central heating installed with the assistance of a Warm Homes Grant, 14,700 have received cavity wall insulation, and 17,100 loft insulation. The Environment and Renewable Energy Fund, developed during 2005/06, has made available an additional £9.2 million to increase the number of households benefiting from Warm Homes grants.

### **Fuel Poverty**

The 2001 Northern Ireland House Condition Survey provided the first reliable assessment of fuel poverty in Northern Ireland, allowing comparisons to be drawn with the rest of the United Kingdom. A household is considered to be in fuel poverty if, in order to maintain an acceptable temperature throughout the home (21°C in the living room and 18°C in other occupied rooms), it would have to spend more than 10 per cent of its income on all household fuel. The fuel poverty model therefore includes the costs for lighting, cooking and household appliances.

Fuel poverty has three main causes:

- Poor thermal efficiency in dwellings;
- Low household income; and
- High fuel prices.

The 2004 Interim House Condition Survey gathered data on the energy efficiency of the housing stock and the income levels of households. The Building Research Establishment (BRE) used this data in its Fuel Poverty Model, which was first used in 2001 when the baseline figure for fuel poverty in Northern Ireland was found to be 203,250 households, or 33 per cent of all households. In 2004, the BRE Model estimated that fuel poverty had reduced to 153,500 households, representing a considerable reduction in the number of fuel poor households over the three year period. Progress was most marked in the Housing Executive's stock, where the number of households in fuel poverty decreased from 70,500 (61%) to 25,300 (25%), mainly as a result of the introduction of new, more efficient oil or gas central heating systems.

### ***Fuel Poverty - Tenure***

The tenure with the highest proportion of households in fuel poverty in 2004 was the private rented sector (28%; 17,200 households). In the owner occupied sector, 24 per cent of households (109,100) were in fuel poverty. The lowest rate was found in housing association dwellings (10%; 2,000 households), reflecting the much newer, more energy efficient stock.

### ***Fuel Poverty - Dwelling Age***

As with unfitness and the Decent Homes Standard, the findings show an association between dwelling age and fuel poverty;

households living in older dwellings experienced higher rates of fuel poverty.

Almost one half (47%) of households living in dwellings built before 1919 were fuel poor. The rate of fuel poverty was lower for households living in dwellings built between 1919 and 1980 (ranging between 20% and 30%), and the rate among households living in new, post-1980 stock was only ten per cent. Of all households living in fuel poverty, 29 per cent lived in dwellings constructed prior to 1919.

#### ***Fuel Poverty - Age of Household Reference Person***

In 2004, households headed by older people were most likely to be living in fuel poverty. Forty-two per cent of household reference persons aged 75 plus and 39 per cent of those aged between 60 and 74 were in fuel poverty, compared with only 11 per cent of household reference persons aged between 25 and 39.

#### ***Fuel Poverty - Income***

The clear relationship between income and fuel poverty continued in 2004. Low income households were much more likely to be living in fuel poverty, supporting the hypothesis that the most important underlying cause of fuel poverty is a low income.

As income increases, the proportion of households in fuel poverty declines. In 2004, 68 per cent of households with an annual income of less than £7,000 were in fuel poverty. The rate of fuel poverty for households with an annual income of between £15,000 and £19,999 was ten per cent, and was negligible for those with an annual income of £30,000 or more.

#### ***Fuel Poverty - Modelling***

Using a base position of the 2004 Interim House Condition Survey data, the Building Research Establishment recently carried out a modelling exercise, based on hypothetical increases in income and fuel prices, to look at how these factors would influence the number of households in fuel poverty.

#### ***Income***

Seven income scenarios were created and applied to the published 2004 Northern Ireland fuel poverty data. The scenarios included percentage increases (5 and 10%) and monetary increases of between £500 and £2,500. The values were chosen to represent a range of possible income changes so that the effect of actual income changes on the number of households in fuel poverty could be estimated.

Table 10 overleaf shows the outcome of the modelling exercise based on results of income scenarios applied to 2004 Interim House Condition Survey data for all households and vulnerable households only. Mean income after the scenario has been applied is also shown. The number of households is rounded to the nearest 1,000. The effects on fuel poverty levels from these scenarios must be considered as a best case scenario, as in reality fuel price increases have counteracted any reduction in the number of fuel poor due to income increases alone.

- The results show a clear general trend: that increases in household income act to reduce fuel poverty levels.
- Increasing incomes by £2,500 results in the greatest reduction in fuel poverty; 12.8 per cent of all households and

Table 10: Modelled Number and Percentage of Households in Fuel Poverty, 2004

Scenario	Mean Income	All Households		Vulnerable Households	
		Fuel Poverty	FP %	Fuel Poverty	FP %
Base Case 2004	£16,661	154,000	23.9	126,000	26.0
1. Increase all household income by 5%	£17,494	141,000	21.9	116,000	24.0
2. Increase all household income by 10%	£18,327	126,000	19.6	105,000	21.6
3. Increase all household income by £500	£17,161	139,000	21.6	115,000	23.7
4. Increase all household income by £1,000	£17,661	120,000	18.6	100,000	20.7
5. Increase all household income by £1,500	£18,161	107,000	16.6	90,000	18.6
6. Increase all household income by £2,000	£18,661	92,000	14.3	79,000	16.3
7. Increase all household income by £2,500	£19,161	82,000	12.8	70,000	14.5

*Source: NIHE*

14.5 per cent of vulnerable households remain fuel poor. However, even this large level of income increase still does not come close to eradicating fuel poverty.

- Scenarios two and five, an increase of 10 per cent and £1,500 respectively, lead to a fairly similar mean income, but the number of resultant fuel poor under each scenario differs quite significantly. This is because a specific cash increase will always be a greater percentage of a low income household's income than that of a better-off household.

### Fuel Price

A total of 30 fuel price scenarios were created and applied to the published 2004 Northern Ireland fuel poverty data. The scenarios included percentage changes ranging from -10 per cent to +30 per cent in electricity, oil, mains gas, solid fuel and all fuel prices. The higher level increases were included because it was felt that fuel price rises of more than 10 per cent were very possible and may already have

occurred since 2004 for some fuels. None of the scenarios include less common fuels such as communal heating and non-mains gas, which do not have a large effect on fuel poverty due to their limited use across Northern Ireland.

The outcome was that:

- The individual fuel causing the most variability in the number of fuel poor households is electricity. A decrease of 10 per cent on the 2004 base electricity price would result in fuel poverty levels of 22.0 per cent, while 25.5 per cent of all households would be fuel poor as a result of a 10 per cent increase, and 29.8 per cent as a result of a 30 per cent increase, in electricity prices. The main reason for this variability is that virtually all dwellings have an electricity supply, and so all would be affected by price changes.
- Changes to the price of mains gas were found to have a minimal effect on fuel poverty numbers due to the

low proportion of dwellings currently using this fuel. The modelling exercise estimated that a 10 per cent decrease in the price of mains gas would leave 23.5 per cent of all households in fuel poverty, but a 30 per cent increase in the gas price, all other things being equal, would have only a marginal impact, with overall fuel poverty rising to 24.8 per cent .

- When price changes were applied to all fuels, a 10 per cent reduction in fuel price was found to result in an estimated fuel poverty level of 19.3 per cent - a reduction of 30,000 households. The potential impact of a 30 per cent increase in all fuel prices would be to bring the fuel poverty rate to 38.9 per cent (up by 97,000 households). Based on the same range of price changes, the minimum level of fuel poverty among vulnerable households was estimated at 21.3 per cent, with a potential maximum of 43.1 per cent of vulnerable households likely to experience fuel poverty if the price of all fuels increased by 30 per cent.

The research was also used to produce a 'ready reckoner', which estimated that, broadly speaking, a 10 per cent rise in fuel prices implies a rise of 32,500 in the number of households in fuel poverty. The calculation is based on all fuel prices rising by one tenth, but this is considered to represent a 'worst case scenario', as all fuel prices are unlikely to rise at the same rate, and increased incomes and energy efficiency should also help to mitigate the effect of fuel price changes.

The results of the BRE modelling exercise demonstrate the potential impact of both

changes in incomes and fuel prices on the overall level of fuel poverty in Northern Ireland. Whilst there were reductions in fuel poverty between 2001 and 2004 - largely due to substantial investment in energy efficiency works in dwellings - these improvements have been undermined by escalating fuel prices over the past two years<sup>9</sup>. This underscores the importance of tackling all three causes of fuel poverty, namely fuel prices, low incomes and poor energy efficiency standards. Tackling one cause on its own is insufficient in eradicating the problem.

### Key Issues and Strategic Perspective

- Overall Northern Ireland's economy has continued to perform well in 2005/06. However, a significant downturn in the American economy associated primarily with the recent slump in the US housing market does not bode well for the world economy. Locally there are indications that a combination of rising interest rates, lower increases in public expenditure, growing indebtedness and new capital valuation based rates and water charges will reduce purchasing power in the economy and the housing market.
- Northern Ireland's demography is continuing to change. New households are forming at a steady rate driven by population growth (including a substantial influx of migrant workers) and single living associated with marriage/relationship break up. The continuing trend towards more single person and pensioner households, will result in a sustained demand for accommodation and in particular for

*9. Fuel prices on international markets reduced significantly by the end of 2006, but these have not yet fed through to the consumers of heating oil.*

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 2,500 additional social dwellings for the period 2007-11.
- The housing stock has grown at an accelerated rate over the past five years and its condition has also improved markedly. The 2004 Interim House Condition Survey shows that between 2001 and 2004 the rate of unfitness fell from 4.9 per cent to 3.8 per cent and the proportion of homes failing the Decent Homes Standard fell from 32 per cent to 21 per cent, 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. Comparison of the 2001 and 2004 figures on fuel poverty shows considerable progress over these three years. However, these figures do not take account of the significant rises in fuel prices between 2004 and 2006.





## CHAPTER 2

### The Growth of Owner Occupation

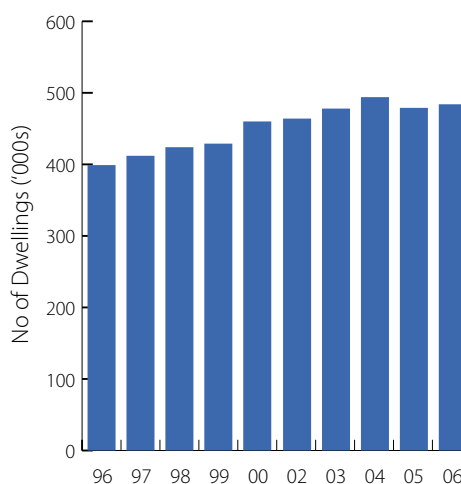
The growth of owner occupation has been one of the key characteristics of the United Kingdom's housing market in the twentieth century. This growth was encouraged by government policy, including tax relief on mortgage interest, reductions in "bricks and mortar" subsidies for the construction of new social housing, ongoing rent increases for social sector dwellings and generous discounts to tenants in the social sector wishing to purchase their home in Northern Ireland. The owner occupied sector has continued to grow since the start of the new millennium and there is no doubt that the current housing finance regime and the low interest rates compared to the 1980s and 1990s will continue to make owner occupation the most attractive longer term housing option for households, who can afford it.

Figure 4 shows that in December 1996 in Northern Ireland there were some 399,000 dwellings (65.7% of the total stock) in owner occupation. Ten years later in March 2006, this had increased substantially to 483,700 (68.9% of the total stock). In the twelve months April 2005 to March 2006 the owner occupied stock grew by an estimated 5,000, largely as a result of the construction of new dwellings and the sale of Housing Executive properties<sup>10</sup> However, it is also important to note that a growing proportion of newly constructed private sector dwellings are entering the private rented sector, a trend, which if it continues, will reduce the longer term rate of growth of owner occupation.

### New Housing

Between April 2005 and March 2006 a total of almost 14,000 new private sector dwellings were started. This represents an increase of approximately 750 (6%) over 2004/05, reflecting not only the continued low interest rate environment and ongoing buoyancy of the housing market in Northern Ireland, but also the volatility of stock markets, where investors, including those saving for their pensions, see property as a more secure investment rather than shares.

**Figure 4: The Growth of Owner Occupation, 1996-2006**

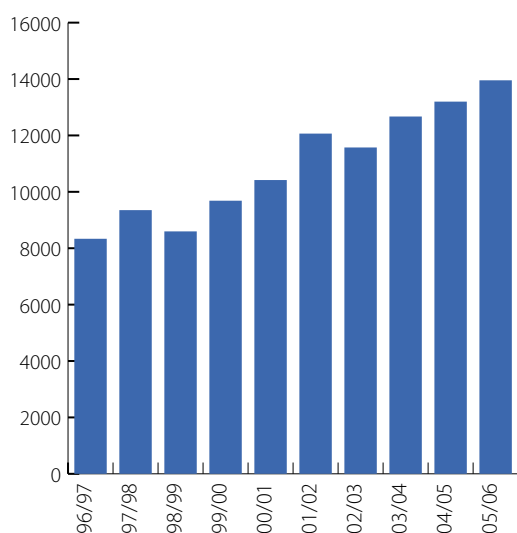


*Source: DSD Housing Statistics 2005/06.*

Figure 5 shows that this figure of nearly 14,000 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 approximately 12,700 for the last five years. The most recent figures<sup>11</sup> indicate that the high level of new dwelling construction is being sustained. In the first six months of 2006, 6,882 private dwellings were started, only a small decline compared to the first six months of 2005.

<sup>10</sup> - The apparent decline in the owner occupied sector reflects a major statistical adjustment to reflect the growing proportion of private sector dwellings which have entered the private rented sector  
<sup>11</sup> DSD, NI Housing Bulletin, 1 April-30 June 2006.

**Figure 5: New Housing Construction in the Private Sector, 1996- 2006**



Source: DSD, Housing Statistics 2005/06

There are additional signs that this growth in the construction of new dwellings will continue. Table 11 shows the number of residential planning decisions granted in Northern Ireland.

In 2005/06 there were 15,635 residential planning applications granted, an increase of 2,119 (14%) on the previous year. It is interesting to note the huge increase in planning applications for new rural developments: from 6,256 in 2003/04 to 11,503 in 2005/06 (84%). Indeed rural planning applications now account for 83 per cent of all residential planning applications granted. Some of this growth is

undoubtedly due to attempts by developers to submit applications before the much tighter restrictions being prepared under PPS14 (See chapter 1). However, it must also be seen as an indication that, barring a major economic downturn, the rate of new build construction in Northern Ireland will remain high over the next three year period.

The location of the new properties is concentrated in Belfast and its commuting hinterland along the M1 and M2 corridors. In some more tourist-oriented council areas (Fermanagh, Coleraine and Down), traditionally associated with the growth of second homes, the number of dwellings constructed, although still high has dropped since 2003/04.

More than 500 dwellings were started in fourteen district council areas: Antrim, Ards, Armagh, Banbridge, Belfast, Craigavon, Derry, Down, Dungannon, Fermanagh, Lisburn, Newry and Mourne, Newtownabbey and Omagh. More than 1,000 dwellings were started in Craigavon and almost 1,000 in Lisburn reflecting the high demand for living in Belfast’s south westerly Lagan corridor. In Belfast 1,350 were started, a 39% increase on 2004/05. It is interesting to note that only 26 percent of new dwellings started were in Belfast Metropolitan Area - compared to the 40 percent target under the Regional Development Strategy.

Table 12 indicates the trends in the types of

**Table 11: Residential Planning Decisions, 2002-2006**

	Rural (New)	Rural (Rep)	Urban (New)	Urban (Rep)	Total
2002/03	5,628	1,283	2,002	175	9,088
2003/04	6,256	1,370	1,762	114	9,502
2004/05	9,693	1,464	2,226	133	13,516
2005/06	11,503	1,521	2,457	154	15,635

**Table 12: NHBC Registered Starts by House Type, 2001-2006**

	Detached Houses %	Detached Bungalows %	Semi Det Properties %	Terraced Properties %	Flats and Maisonettes %	Total Numbers %
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
2004/05	35	4	30	18	14	10,191
2005/06	28	3	29	21	18	10,409

*Source: DSD, NI Housing Bulletin, 1 January – 31 March 2006*

new dwellings being constructed over the past five years. The proportion of detached houses has fallen markedly from 37 to 28 per cent and detached bungalows to only 3 per cent. The proportion of semi detached (29%) and terraced properties (21%) (including town houses) often found in urban Brownfield sites has grown. The proportion of flats/maisonettes (including apartments) fell from 17 per cent in 2001/02 following a downturn in demand for apartments to only 13 per cent in 2003/04. However, since then there was an increase to 18 per cent in 2005/06.

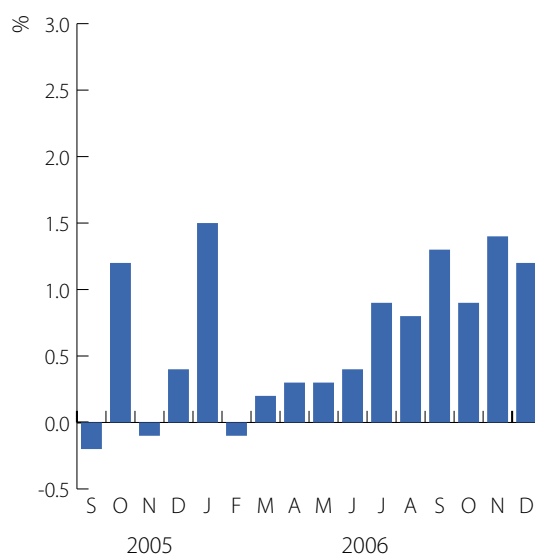
## House Prices

### House Prices in the UK

Monthly house price figures for the period since September 2005 (see Figure 6) confirm that the UK housing market emerged from an eighteen month period of stagnation in early 2006, when the rate of annual price increase once again rose above the increase in the Retail Price Index. The last decline in month on month house prices was recorded in February 2006. By November 2006 the monthly figure had risen to 1.4 per cent and the annual figure to 9.6 per cent. The most recent figure (for December 2006) confirms further increases in average house prices, with the annual rate of increase reaching 10.5 per cent for

December 2006 (see Figure 8).

This upward trend in average house prices at the national level reflects a combination of trends at the regional level (see Table 13). In the more northern regions of England house price increases have tended to be more subdued. Indeed in the North and North West the annual increase in average house prices (Q3 2005/06) is lower than it was a year ago (Q3 2004/05). Whereas in the most southern five regions of England and in Wales there have been significant rises: the highest of these was 7.3 per cent

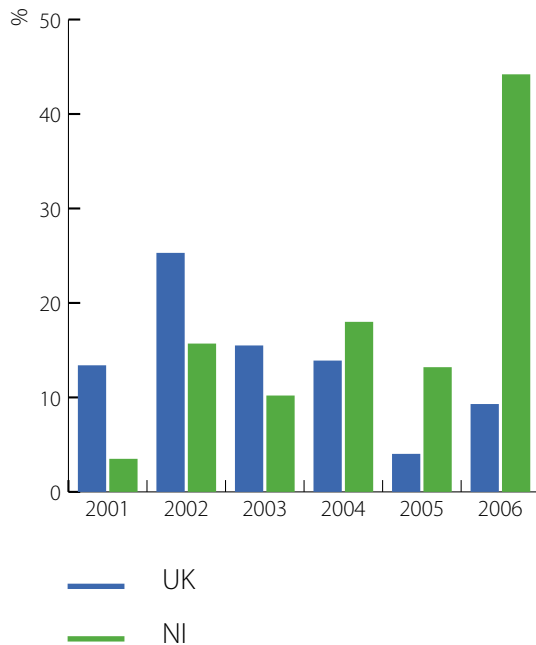
**Figure 6: Monthly House Price Changes in the UK, 2005/06**


*Source: Nationwide*

in London, compared with only 1.7 per cent the previous year. In both Scotland and in Northern Ireland, however, the rate of increase in annual average house prices has more than doubled from 7.1 per cent to 15.2 in Scotland and from 11.4 per cent to 33.4 per cent in Northern Ireland.

Last year Scotland and Northern Ireland had the two lowest average house prices for all UK regions. This year they occupy fourteenth and sixth positions respectively. It is important, however, to put the exceptional increases in Northern Ireland in a more historical context. Figure 7 shows that in the early years of the new millennium, price increases in Northern Ireland were running at a much more subdued level, compared to the UK as a whole and indeed the Nationwide average house price for Northern Ireland for quarter Q3, 2006 is £159,859, compared to a UK average of £168,460, with the five southern

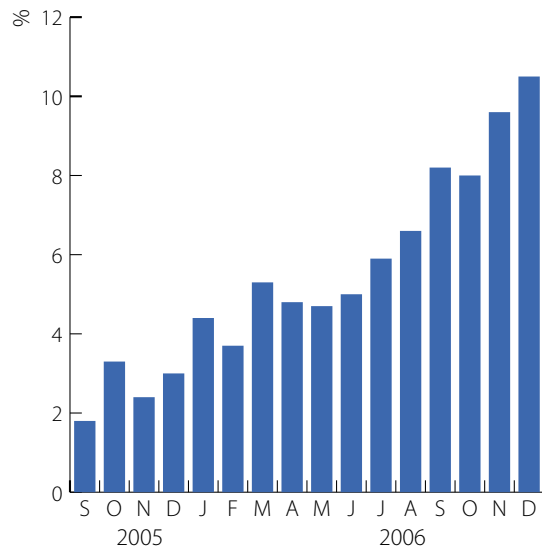
**Figure 7: Annual UK and NI House Price Increases 2001 - 2006**



*Source: Nationwide*

regions of England all having significantly higher average house prices. However, another rapid rise in the last quarter 2006 (13.2 per cent quarter on quarter) has for the first time meant that the average house price in Northern Ireland (£181,031) is higher than for the UK as a whole (£172,065) according to the Nationwide's index.

**Figure 8: Annual House Price Change in the UK, 2005/06**



*Source: Nationwide*

**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 some 10,000 open market transactions gathered from a network of estate agents throughout Northern Ireland.

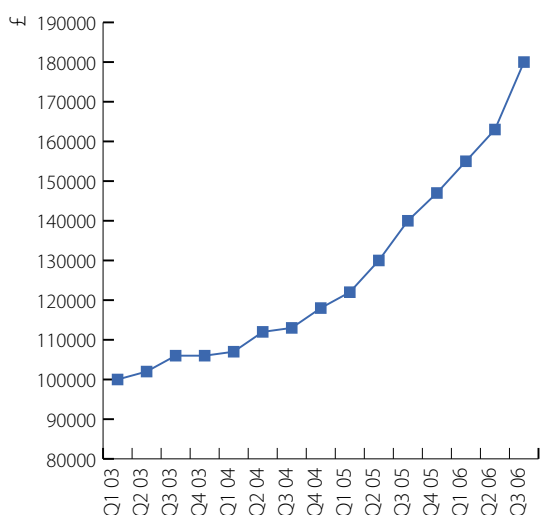
Last year (2004/05) saw the average price of dwellings in Northern Ireland rise by 22.2 per cent, a rate of increase which was seen as unsustainable by many commentators. Last year's review envisaged house price increases in Northern Ireland falling back to under 10 per cent - more in line with the UK average. The statistics for 2006, however, have confounded these predictions, with

Table 13: UK Regional House Price Change Q3, 2005 – Q3 2006

Region	Annual % Change	Average Price £ All Properties	Annual	Average price £ all properties
	Q3 2004 - Q3 2005	Q3 2005	Q3 2005 – Q3 2006	Q3 2006
North	2.6	124,488	0.8	125,495
Yorks/Humberside	4.6	139,585	6.4	148,585
North West	4.8	146,045	3.5	151,198
East Midlands	2.2	144,764	3.5	149,783
West Midlands	1.3	152,666	3.4	157,896
East Anglia	1.1	161,258	6.7	172,002
Outer South East	-0.2	185,965	5.2	195,555
Outer Metropolitan	0.4	220,037	5.8	232,894
London	1.7	241,898	7.3	259,646
South West	0.4	176,909	5.6	186,824
Wales	3.0	139,212	4.6	145,672
Scotland	7.1	117,915	15.2	135,846
Northern Ireland	11.4	119,795	33.4	159,859
UK	2.7	158,987	6.0	168,460

Source: Nationwide

Figure 9: Average House Price for Northern Ireland 2003-06



Source: University of Ulster, House Price Index

the weighted average house price in Northern Ireland having increased by 32 per cent between quarter 3, 2005 and quarter 3, 2006. Figure 9 provides a visual impression of the accelerating rate of house price increases in Northern Ireland over the past two years.

Other key findings include:

- The average price of a dwelling was £180,128, compared to £139,520 in quarter 3, 2005 an unweighted increase of 29 per cent, or more than £40,000.
- Analysis by house type shows that all property types recorded increases of more than 25 per cent (see Table 14) with semi-detached houses recording the highest rate of increase (37 per cent).

**Table 14: Average House Price in Northern Ireland by Property Type Q3, 2005-2006**

Property Type	Q3, 2005 (£)	Q3, 2006 (£)	% Change (YoY)
All Properties	139,520	180,128	29.1
Terraced Houses	105,048	142,406	35.6
SD Houses	125,563	172,179	37.1
Detached Houses	214,834	273,970	27.5
SD Bungalows	121,737	161,108	32.3
Detached Bungalows	182,578	231,251	26.7
Apartments	110,988	143,348	29.2

*Source: University of Ulster, Quarterly House Price Index*

Analysis by geographic region shows that average house prices have increased substantially in all eleven regions. In all but one (Coleraine/Limavady/North Coast, 17.8%) the average price has risen by more than one fifth. Indeed three regions recorded more than 40 per cent increases: Lisburn, Mid and South Down and Craigavon/Armagh. The highest average

regional house price continues to be in Lisburn (£226,983) and the lowest in East Antrim (£140,882).

### Affordability in Northern Ireland

In the late 1990s economic growth and greater political stability combined to cause a substantial rise in house prices in Northern Ireland. Between 1995 and 2000 the average price of a dwelling rose from £47,661 to £82,816 (an increase of 74%). Earnings on the other hand rose only 20 per cent over this five year period.

Research published by the Housing Executive against this background in 2001 showed that affordability at that time 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 in 2001 affordability was already an emerging problem for first time buyers, particularly in Belfast and its commuter belt.

**Table 15: Regional House Prices in Northern Ireland Q3, 2005/06**

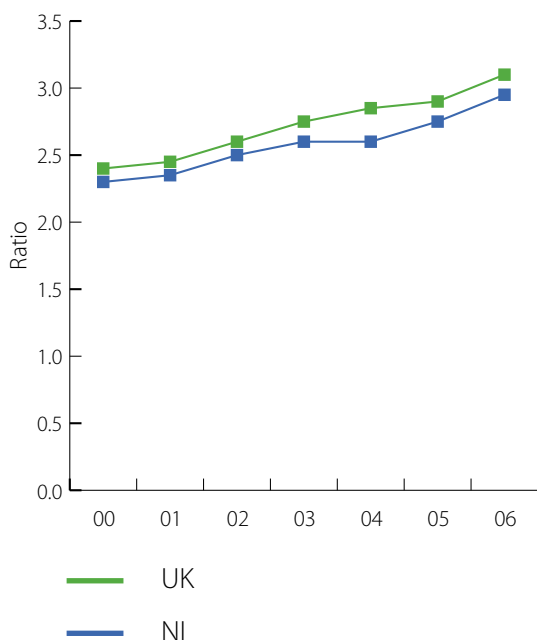
	Average Price Q3 2005 (£)	Average Price Q3 2006 (£)	% Change (YoY)
Belfast	133,359	172,209	29.1
North Down	157,940	193,197	22.3
Lisburn	158,988	226,983	42.8
Mid and South Down	143,102	207,506	45.0
Craigavon/Armagh	118,252	176,147	48.9
Mid Ulster	143,364	181,078	26.3
Enniskillen/Fermanagh/S Tyrone	161,496	202,265	25.7
Londonderry/Strabane	119,319	147,053	23.2
Coleraine/Limavady/North Coast	170,191	200,550	17.8
Antrim/Ballymena	140,945	171,248	21.5
East Antrim	109,312	140,882	28.8
Northern Ireland	139,520	180,128	29.1

*Source: University of Ulster, Quarterly House Price Index*

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.

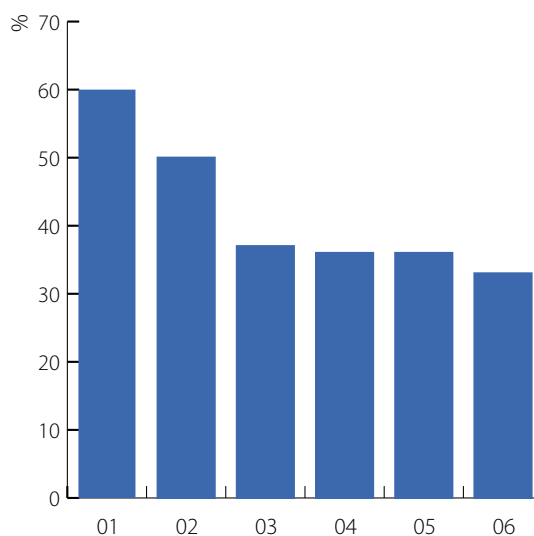
- In 2000 Northern Ireland's median ratio of income to advance for all buyers was 2.29 whereas in 2006 the figure was significantly higher at 2.96. In 2000 the gap between the ratio for Northern Ireland and for the UK as a whole was 0.11; by 2005, however, this gap had more than doubled to 0.24, indicating that while affordability problems had increased in Northern Ireland over the five year period this was at a slower rate than for UK as a whole. However, the gap closed from 0.24 to 0.10 between 2005 and quarter 3, 2006 as house prices in Northern Ireland grew at a much faster rate than in the UK as a whole (See Figure 10).

**Figure 10: Affordability: Advance to Income Ratio 2000-2006**



Source: Council of Mortgage Lenders

**Figure 11: Proportion of House Sales to First-Time Buyers, 2001 - 2006**



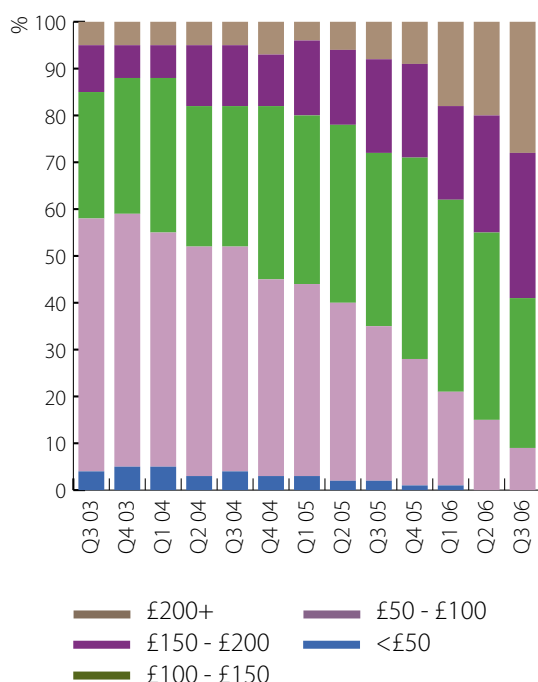
Source: Council of Mortgage Lenders

- The declining number and proportion of first-time buyers (see Figure 11). In 2001 there were 18,200 first time buyers in Northern Ireland and 60 per cent of house sales went to first time buyers. By 2005 this had fallen to 9,200 and 36 per cent and then fell to 33 per cent based on data for the first nine months of 2006. For the UK as a whole the corresponding figures are 43 per cent in 2001 and 36 per cent in 2005. For the UK as a whole, the proportion of first time buyers had actually risen again (from 29 per cent in 2004) partly reflecting a waning interest in buy-to-let.

Figure 12 also shows the declining number and proportion of properties sold on the open market for less than £100,000. In mid 2004 around 50 per cent were selling for less than £100,000 but in quarter 3, 2006 this proportion fell to 9 per cent.



**Figure 12: Proportion of transactions by price band in Northern Ireland, 2003-06**



Source: University of Ulster, HPI

**Modelling Affordability**

In response to the recommendations of the research on affordability the Housing Executive asked the Universities of Ulster and Birmingham to develop a simple model for monitoring and maintaining an awareness of affordability issues in Northern Ireland.

The research confirmed that there is no single “correct” measure of affordability and the model developed was designed to establish a baseline of affordability indicators based on three key variables: house prices, incomes and interest rates, which monitor changes over time and geographical differences between district council areas.

The outcome was an affordability index which uses a typical Bank/Building Society annuity formula to calculate the maximum

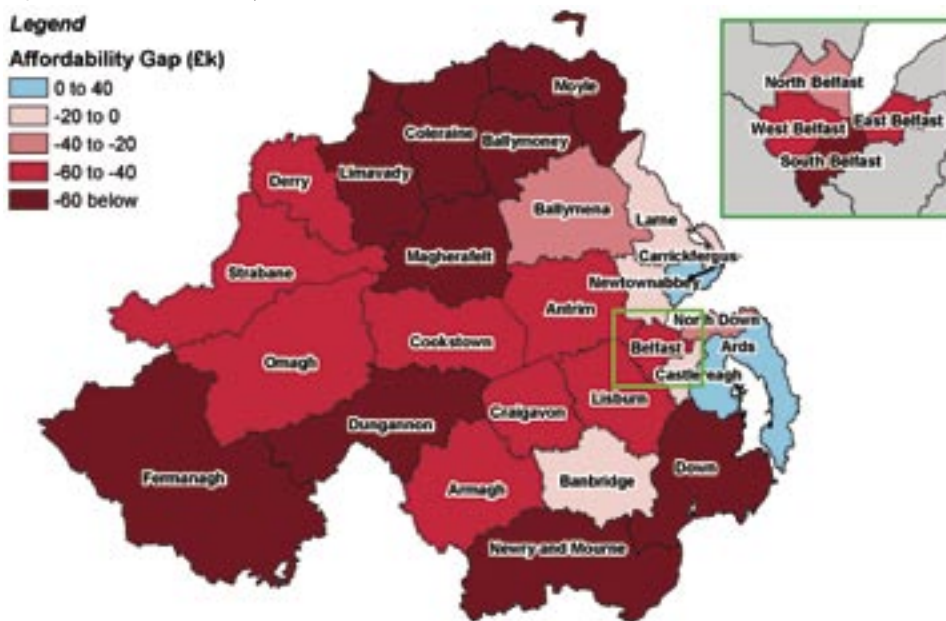
price a household with a median household income can afford to pay, assuming a typical interest rate, a 95% mortgage (loan to value ratio) and a 25 year repayment period. 30 per cent of household income is considered the maximum reasonable proportion of income which can be used to service mortgage payments. 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 council area. The resultant model therefore provides a useful indicator of the degree of difficulty experienced by first time buyers purchasing a property with a five per cent deposit.

**The Outcome of the Modelling Exercise**

The original modelling exercise was carried out for 2001 and was then updated for 2004. The median house price for Northern Ireland as a whole rose by 31 per cent between 2001 and 2004, from £86,754 to £113,325. However, household incomes only rose by approximately 15 per cent indicating that the overall position had deteriorated.

In 2001 median household income was £12,500 and a “typical” affordable house cost £59,950. At that time a first time buyer with a median household income could only afford a dwelling costing £52,288 giving an “affordability gap” of £-7,662. By 2004 the picture had deteriorated markedly. Median income for Northern Ireland as a whole had risen to £13,500, but the affordable price had actually dropped to £50,999, because of the effects of five successive increases in interest rates. The price of the typical affordable house had risen to £79,000 giving an affordability gap of £-28,001. In 2004 only 5 per cent of dwellings sold in Northern Ireland were affordable to first time buyers with a median household income.

Figure 13: Affordability Index: District Councils, 2006



Source: NIHE GIS

Figure 13 shows the model applied for 2006 for each District Council in Northern Ireland and for each of the four sectors of Belfast. (Detailed figures are contained in Appendix 4).

It shows that the overall picture for Northern Ireland conceals some significant geographical variations with first time buyers in some areas having much greater difficulty than in others. As would be expected the situation is serious in and around Belfast, in the commuter corridors along the M1 and M2. However, in the commuter belt stretching northwards through Newtownabbey and Carrickfergus to Larne there is much less of an affordability problem, as house prices have remained lower. However, the most serious difficulties are now experienced in the peripheral rural areas of Northern Ireland, where a combination of falling farm incomes, a decline in manufacturing, the concentration of new jobs in the service industries in Belfast and a rise in the demand for second homes has resulted in huge affordability gaps for first time buyers

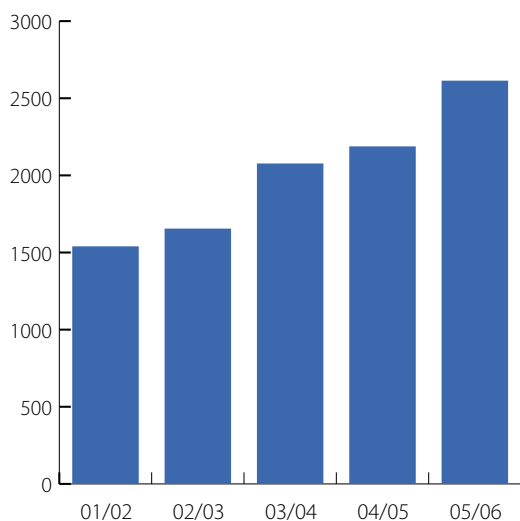
in places like Moyle (£-92,000), Ballymoney (£-78,000), Dungannon (£-77,000) where there is the added issue of migrant workers, and in Newry and Mourne (£-81,000) where the influence of Dublin is becoming more apparent.

**Repossessions**

The most recent statistics on repossessions suggest that affordability is becoming a more serious problem. The number of actions for repossession of owner-occupied dwellings has jumped significantly over the last year (see Figure 14). In 2004/05 there were a total of 2,188 actions for repossession. By 2005/06 this had jumped to 2,614, a 19 per cent increase on 2004/05, and the highest figure recorded since the early 1990s when the last major downturn in the housing market occurred.

It is important to stress, however, that the vast majority of actions for possession do not lead to actual repossession of the dwelling. The figures nevertheless provide a further important signal, that affordability is becoming a more serious issue in Northern Ireland.

**Figure 14: Actions for Repossession in Northern Ireland, 2001-2006**



Source: DSD, *Housing Statistics 2005/06*

### 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 almost a quarter (24%) 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.

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.

Figure 15 shows that in the late 1990s the number of Housing Executive dwellings sold annually had been consistently around 4,500. Between 2000 and 2004 the figure remained at over 5,000. A peak was reached in 2002/03 when 6,054 dwellings were sold. In 2003/04 the number fell to 5,652, but in 2004/05 there was a huge reduction in the number of dwellings sold (24%) to 3135. These reductions reflected the introduction of major revisions to the House Sales Scheme. In September 2002 the maximum discount had been capped at £34,000 and a residency rule, whereby applicants to buy their home were required to have been tenants for at least two years before being eligible, was introduced. In 2004 against a background of growing waiting lists and homelessness and a growing awareness that such a generous house sales scheme militated against the capability of housing organisations to meet urgent housing need, there was a major tightening of the rules in relation to eligibility, discount and repayment:

- The eligibility period was to be extended from 2 years to 5 years.
- The discount calculation was to 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.
- The maximum discount cap was reduced from £34,000 to £24,000.
- The historic cost rule was increased from 8 years to 10 years.
- The repayment of discount period, in the event of a resale, was extended from 3 years to 5 years.
- The repurchase option was extended from 5 years to 10 years so that in areas of housing need a social landlord, has the option to repurchase.

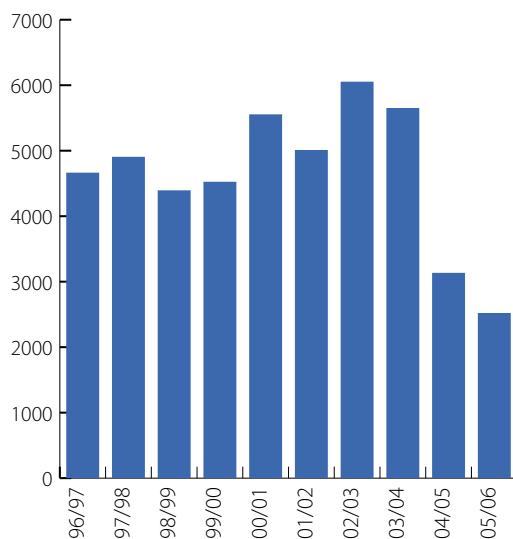
*Resale of Former Housing Executive Property on the Open Market (2005)*

## Key findings

- Resold former Housing Executive dwellings made up approximately 12 per cent of all existing dwellings sold in 2005, a slightly lower proportion than the 15 per cent sold in 2004.
- The spatial pattern of sales across the province was consistent with previous surveys with a high representation occurring in Carrickfergus, Newtownards, Lisburn and Newtownabbey. There were also significant clusters of sales in Bangor, Antrim, Ballymena and Magherafelt and to a lesser extent Newtownards and Larne.
- In Belfast the highest concentrations of resales were in the west and southwest of the city notably in postal districts BT11 to BT13 and BT17 (Dunmurry). There was also evidence of growing activity in the north of the city. In east Belfast there was a lower volume of resales and in south Belfast where there have traditionally been fewer Housing Executive dwellings there was little evidence of activity in this sector.
- The resold properties were typically terraced houses and dwellings constructed in the period from 1960 to 1980, although there was evidence of an increasing number of newer Housing Executive properties being resold.
- Between 2004 and 2005 the average price of former Housing Executive properties increased to £74,504, representing an annual rate of increase of 12 per cent, somewhat higher than the 8 per cent recorded between 2003 and 2004, but significantly lower than for the market as a whole.
- The average price of terraced property increased to £74,720 (12%) over the year. The average resale price for former Housing Executive flats (£63,082) continued to lag behind the price for terraced houses.
- Longer term trends indicate a nominal price increase of 220 per cent (or 14.7% per annum) for former Housing Executive property over the period 1990 – 2005 compared to an increase of 295 per cent (or 19.7% 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 were no longer confined to the Belfast Metropolitan Area, but were found in Mid and South Down, and Mid Ulster and in Enniskillen/Fermanagh/South Tyrone.
- The lowest priced locations for former Housing Executive property were East Antrim and Craigavon/Armagh.

The effects of these new regulations continue to be felt. In 2005/06 only 2522 dwellings were sold, and in the first nine months of 2006/07 only 1,700, an annualised rate of 2,266. The Semple Review of Affordability has suggested that the House Sales Scheme discount may be capped at a lower level than £24,000, noting that in London the figure is £16,000. This would undoubtedly reduce the level of house sales further, but also raises the issue of reducing the number of dwellings traditionally available to first time buyers upon resale.

**Figure 15: Housing Executive Sales Completed, 1996-2006**



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 Centre for Urban and Regional Studies (University of Birmingham).

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

## 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 capital investment by the Housing Executive in its remaining stock.
- 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.

### 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 included:

- 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
- the 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 showed that second wave effects included:

- over the last 10 years an estimated one in six properties may have been lost from the potential pool of housing available for re-letting.
- a change of 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.

## Owner Occupied Stock - Characteristics and Condition

The 2004 Interim House Condition Survey provides a comprehensive insight into the characteristics and condition of the owner-occupied stock.

### Dwelling Age

In 2004, more than a third (37%) of the stock had been built since 1980. Indeed 20 per cent of all owner occupied dwellings had been built since 1990, including more than 30,000 in the previous three years.

The number and proportion of properties built before 1919 is continuing to decline. In 2004, some 15 per cent had been built prior to 1919 compared to 18 per cent in 2001.

### Dwelling Type

The owner occupied sector was dominated by houses (77%). Nearly one quarter (24%) of the owner occupied stock was terraced houses, a further 26 per cent semi detached and 28 per cent detached. Bungalows accounted for more than one fifth (22%) 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 (26%), 40 per cent were to be found in district and other towns and 14 per cent were in small settlements. Finally, a further 20 per cent were in isolated rural areas. Indeed owner occupation accounted for 84 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 2004 there were approximately 7,300 unfit properties that were owner occupied, representing an unfitness rate of 1.6 per

cent. While this is significantly lower than the rate for the stock as a whole (3.8%) it must be emphasised that nearly 30 per cent of all unfit properties are owner-occupied. Indeed if vacant properties are classified according to their tenure when last occupied, 69 per cent of all unfit properties would have been owner occupied, giving an unfitness rate of 3.7 per cent.

### Disrepair and the Decent Home Standard

The 2004 Interim House Condition Survey found that 55 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 (58%). The main type of disrepair was to the external fabric (48% of the total owner occupied stock). The average basic repair cost was £1,090, a similar figure to that in 2001, but well below the £1,695 for the stock as a whole.

Fifteen per cent (70,800 dwellings) of all owner occupied homes failed the decent home standard (compared to 21% for the stock as a whole) and these made up fifty per cent of all homes failing this standard in Northern Ireland.

### 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 unfit or disrepair is more than outweighed by the number of dwellings being brought up to modern standards. The 2006 House Condition Survey will provide a more up to date picture of the impact of home improvement grants between 2001 and 2006 and in particular will provide a first insight into the impact of the new discretionary scheme implemented in December 2003.

Table 16 shows the level of grants activity and associated expenditure over the past five years.

The following key points emerge:

- Between April 2001 and March 2006 grants expenditure has remained at over £40 million. Over the past year it has risen significantly to nearly £46m. The number of grants also increased by nearly 200 to 7,194.
- The number of renovation grants approved in 2005/06 (1,143) fell a little compared to the previous year's figure, as did the number of replacement grants. The 2001 House Condition Survey demonstrated the important role that these grants have, in reducing unfit, particularly in rural areas such as Fermanagh where unfit fell from 17.5 per cent in 1996 to 12.9 per cent in 2001.
- The number of Repairs Grants approved in 2005/06 declined significantly compared to the previous year. However, this is because they are no longer available to owner occupiers under the new discretionary grants schemes.
- The number of Disabled Facilities Grants approved increased significantly in

**Table 16: Grants Activity 2001-2006: Number of Grants Approved and Approved Expenditure**

Year	Renovation	Replacement Facilities	Disabled	Repairs	Minor Works	HRA	HMO	Total Grants	Approved Expend. (£)
01/02	1,435	340	1,600	3,382	2,413		183	9,353	42.6M
02/03	1,497	277	1,564	3,758	2,973		178	10,247	43.0M
03/04	1,420	209	1,579	3,337	2,763	78	214	9,600	41.6M
04/05	1,206	185	1,416	2,809	37	1,847	229	7,009	41.7M
05/06	1,143	170	1,667	854	-	3,151	209	7,194	45.7M

*Source: NIHE*

2005 to 1,667 reflecting the ongoing importance of this investment in the housing stock.

- The amount of investment in Houses in Multiple Occupation (HMOs) has continued in line with the Housing Executive's HMO Strategy. In 2005/06 209 grants were approved at a cost of approximately £5 million.
- Finally, Table 11 shows the impact of the introduction of the new Home Repair Assistance (HRA) Grant which replaced the Minor Works Assistance Grant. This new grant is directed towards dwellings with moderate disrepair where the owner occupiers or private tenants are on means tested benefits or have a disability. In 2005/06, 3,151 HRA grants were approved at a cost of over £5 million.

For the current financial year (2006/07) a total of £44 million has been allocated to the Housing Executive's grants budget. This will finance 1,200 renovation grants, 200 Replacement Grants 2,650, Home Repairs Assistance Grants and 1,700 Disabled Facilities Grants.

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

- The existing housing finance framework will ensure that owner occupation will continue to be financially the most attractive option for households who can afford it. However there are indications it will grow at a slower rate, as the private rented sector continues to expand. In the next three year period it is expected that owner occupation will grow by around 8,000 dwellings annually.
- Between 2001 and 2004, Northern Ireland's house prices rose at a more sustainable rate than in many parts of the UK. During the two year period 2004-06 this relative position was reversed, due primarily to a sustained investor driven boom which saw house prices rise at an unprecedented rate. However, this rate of increase is seen as increasingly unsustainable and is expected to fall by the end of 2007. However, for 2007 as a whole house prices are expected to increase by at least 10 per cent.
- New data for 2006 indicate that the affordability issue in Northern Ireland has become markedly more serious during the last two years. In most areas of Northern Ireland, 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 continue to deteriorate over the next three years as prices continue to increase at a higher rate than incomes.
- Sold Housing Executive dwellings generally provide a good source of high quality affordable homes, particularly for first time buyers, but modified rules in terms of eligibility and discount have resulted in a significant reduction in the rate of house sales. This is expected to continue and poses a policy dilemma for Government trying to maintain the stock of social housing on the one hand and provide a ready source of low cost affordable dwellings for first time buyers on the other.
- The condition of the owner-occupied stock has improved markedly since 1996 and home improvement grants have played an important role in this.



## CHAPTER 3

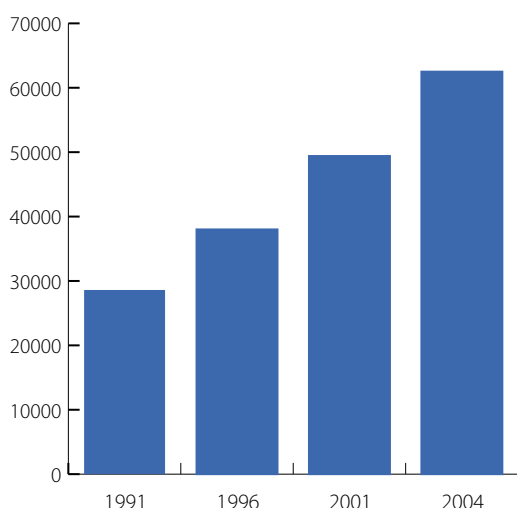
### The Private Rented Sector

#### Background

The private rented sector in Northern Ireland has witnessed a decline for most of the twentieth century, due to the combined effect of rent control, the growth of owner occupation and large scale redevelopment. By 1991 only 5.5 per cent of the stock was privately rented, representing fewer than 30,000 dwellings. However, since 1991 there has been considerable growth in the sector, and by 2004 there were over 60,000 occupied dwellings in the private rented sector (see Figure 16), representing 9.2 per cent of the total stock.

The Department for Social Development's annual statistics confirms this recent rise in the sector and estimates that in March 2006 there were 65,300 privately rented dwellings.

*Figure 16: The Growth of the Private Rented Sector 1991-04*



Source: NIHE, House Condition Surveys, 1991-04

<sup>12</sup> Nomenclature of Units for Territorial Statistics (NUTS)

Although the 2004 House Condition Survey estimated that there were 62,500 occupied dwellings in the private rented sector, if vacant dwellings, which were privately rented when last occupied, are counted as well, the figure rises to 74,000 dwellings (11% of total stock). The rate of growth in private rented dwellings has accelerated: the number of dwellings increased at an annual average rate of 2,000 between 1996 and 2001. However, between 2001 and 2004 this had grown to almost 4,400 per annum, reflecting the growing interest in buy-to-let during this period. There are early indications from the 2006 House Condition Survey that the private rented sector has continued to grow rapidly.

Figure 17 shows the proportion of properties which were privately rented in each of the survey areas in 2004. South Belfast had the highest concentration, with one quarter of all dwellings in the private rented sector. North NUTS<sup>12</sup> (13.1%), East Belfast (11.9%) and Derry City (11.4%) also had above average (9.2%) proportions of occupied privately rented dwellings.

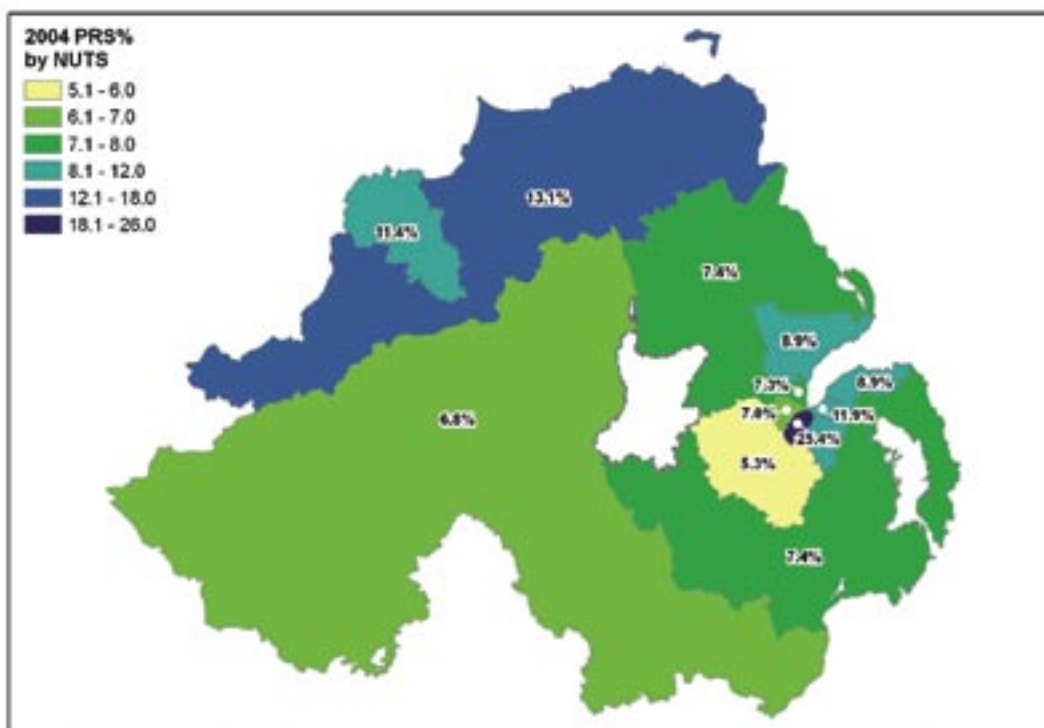
#### The Role of Housing Benefit

Housing Benefit plays a vital role in supporting the private rented sector and enabling its expansion. Approximately 40,000 tenants in the private rented sector are on Housing Benefit and the annual budget for this is approaching £140 million.

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

The 2004 Interim House Condition Survey provided a substantial amount of information on the characteristics and condition of the private rented sector.

Figure 17: Proportion of Private Rented Dwellings by Area, 2004



Source: NIHE

### Dwelling Age

The proportion of pre 1919 stock in the private rented sector had decreased from 49 per cent in 1996 to 37 per cent in 2004. Conversely, the proportion of properties built post 1980 had increased significantly, from 5 per cent in 1996 to 19 per cent in 2004, reflecting the interest in newer buy-to-let properties.

### Dwelling Type

Terraced houses were the most prevalent dwelling type in the private rented sector in 2004, although the proportion of terraced properties in the sector had fallen slightly, from 40 per cent in 2001 to 36 per cent in 2004. Flats were the second most common dwelling type, representing 23 per cent of dwellings in the private rented sector and showing a rapid increase from 2001, when flats represented 15 per cent of privately rented dwellings.

### Unfitness

The level of unfitness in the private rented sector had decreased substantially, from 15 per cent in 1996 to 8.7 per cent in 2001, and in 2004 this fell again to 5.4 per cent (3,350 dwellings). However, this was still substantially higher than the 1.7 per cent for the occupied stock as a whole. Unfitness in the private rented sector is clearly linked to dwelling age. Nearly two-thirds of unfit privately rented dwellings were built before 1919.

### Repairs and the Decent Home Standard

In 2004, 71 per cent of dwellings in the private rented sector had at least one fault, similar to the level in 2001 (71%), but a reduction since 1996 when the comparable figure was 87 per cent. Again, however, it was still well above the 2004 figure of 58 per cent for the stock as a whole.

In 2004 the average repair cost for the private rented sector was also much higher (£1,877 for urgent repairs and £2,178 for basic repairs) than for the occupied stock as a whole (£778 and £1,082).

### **Decent Homes**

In 2004 more than one quarter (28%) of privately rented dwellings failed the Decent Homes Standard, a reduction from 47 per cent in 2001, although slightly more than for the occupied stock as a whole (21%).

### **Fuel poverty**

In 2001 48 per cent of households in the private rented sector were in fuel poverty, and by 2004 this had decreased considerably to 28 per cent. However, this was still higher than the comparable figure for the stock as a whole (24%), reflecting both the characteristics of the stock and the concentrations of low-income households in the sector.

### **A Comprehensive Profile of the Private Rented Sector**

In 1999 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 to the right.

### **The Private Rented Sector in Northern Ireland: Phase 1 (2001)**

#### Key Findings

Using data from the Continuous Household Surveys carried out in 1992/03 and 1999/00 the research indicated 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 for 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 research also produced more detailed information on a number of distinct segments of the private rented market, and using a case study

approach highlighted 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)

The analysis of the three case study areas of the sub-markets in the sector produced a number of important findings:

- There had been an influx of new landlords in the sector: four out of ten landlords surveyed had entered the sector in the last five years.
- A significant proportion of the private rented properties were formerly Housing Executive properties, which had been purchased through the House Sales Scheme. In the Armagh study for example, one third of the sample of private rented properties were formerly Housing Executive properties.
- The absence of a selection scheme allowed prospective tenants to access an area of choice with relative ease.
- The availability of Housing Benefit enabled tenants to move between sectors.

In 2003, the Housing Executive commissioned the University of Ulster to undertake a further phase of research into the private rented sector. This was designed to update the previous research and examined the changing nature of both the private rented stock and the tenants who use it. In addition, it sought to analyse the relationship between landlords and tenants and to examine Best Practice, which could aid the promoting of the sector as a viable housing choice.

### **The Private Rented Sector: Phase 2 (2005)**

#### Key Findings

#### *Profile of the Occupants of the PRS*

- The PRS generally caters for a much younger population, reflecting the traditional transitional role that the sector has played. In 2001 over 4 times as many dwellings in the private rented sector were headed by young people aged 18-24 (13%) compared to the proportion found in the stock as a whole (3%). There was also an over-representation of those aged between 25-39 in the private rented sector (35%) than that found in the stock as whole (24%).
- Older heads of household in the private rented sector were more likely to live in older stock; around 70 per cent of those aged 60 or more lived in dwellings built before 1945.
- In 2001 nearly half of heads of households in the private rented sector were employed (47%), less

than found in the owner occupied sector (56%), but considerably higher than the proportion of employed heads of households in Housing Executive (17%) and Housing Association (7%) dwellings. The 2004 Interim House Condition Survey found that the proportion of employed heads of household in the private rented sector had decreased to 35%, although numerically the numbers had only decreased slightly (from 22,800 in 2001 to 21,600 in 2004).

- In 2001, 16 per cent of heads of households in the private rented sector were unemployed, more than double that found in the stock as a whole (7%). The 2004 Interim House Condition Survey found that the proportion of unemployed heads of household in the private rented sector had increased to 22 per cent.
- Over one third (37%) of heads of household in the private rented sector were in receipt of Housing Benefit in 2001, and by 2004 this had increased slightly to 41 per cent.
- Low-income tenants were disproportionately represented in the private rented sector. The proportion of households in the private rented sector with annual incomes of less than £5,000 in 2001 was twice the proportion found in the stock as a whole (19% compared to 10%).
- Nineteen per cent of households in the private rented sector had incomes over £20,000 per year, although this is less than the 29 per cent found in the stock as a whole.

### *Landlords*

- Most landlords operated on a small scale: 71 per cent had five properties or less.
- Just under half (48%) of landlords had entered the sector within the last five years.
- For most landlords (80%) renting out property was not their main job.
- Capital appreciation was the most common reason (44%) for becoming a landlord.
- The vast majority of landlords (94%) borrowed money to fund the purchase of a property.
- Landlords that used loans/mortgages had relatively high loan-to-value ratios. Half (51%) of these landlords had loan-to-value ratios of 76 per cent or over.
- For one quarter of landlords (26%) the rental income did not cover all costs and for a further third (35%), the rental income just covered the costs.
- The majority of landlords (71%) stated that if a property was making a loss, they would rely on the capital appreciation of a property rather than sell it.
- Half of landlords (49%) had problems with rent arrears in the previous 12 months
- One third (35%) of landlords stated that they usually or frequently withheld a tenant's deposit.
- Nearly one-third (30%) of landlords stated that their rental income does not cover routine maintenance.



- Nearly half (46%) of landlords had not received any information on their rights and responsibilities as a landlord.
- Nearly two-thirds (61%) of landlords felt that they do not have enough information on their rights and responsibilities as a landlord. The most common issue which landlords felt they needed more information on was how to deal with problem tenants (80%).
- Most landlords (86%) felt that the Housing Executive should provide more information for landlords.
- Nearly two-thirds of landlords (60%) stated that they have had experience of anti-social behaviour in the past five years.
- Nearly half (45%) of landlords believed that a multi-agency approach should be taken to tackle anti-social behaviour, this would include: landlords, the police, District Councils and the Housing Executive. However, one third of landlords believed that the police should be solely responsible for tenants that behave in an anti-social manner.
- The majority (68%) of landlords were in favour of an arbitration body to deal with landlord/tenant disputes.
- Half (48%) of landlords intend to keep their portfolio size the same over the next two years, whilst 31 per cent intend to increase their portfolio and 14 per cent plan to decrease their portfolio.

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 2003/04. 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.

#### **North Belfast Private Rented Sector House Condition Survey (2003/04)**

##### Key Findings

- Over half (55%) of heads of household were aged 60 and over and 68 per cent had an annual income of less than £10,000, and 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 were found to be unfit for habitation and a further 15 per cent were 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 that 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.

### **The Private Rented Sector: Phase 3 (2006)**

In 2006, the Housing Executive launched a further phase of research into the private rented sector. This builds on phases one and two of the research. Phase three concentrates on tenants in the private rented sector; both housing benefit and non-housing benefit recipients. A tenant

survey is being undertaken in parallel with the 2006 House Condition Survey as well as an analysis of the private sector housing benefit database.

#### ***Tenant Survey***

The tenant survey examines the housing experiences and future intentions of those living in the private rented sector. It is generally acknowledged that collecting information on those living in privately rented accommodation is more difficult than for those living in other tenures. Phase 2 of the research had included a tenant survey, using the 2004 Interim House Condition Survey as a sample frame. However, the survey produced a poor response rate.

The 2006 House Condition Survey, as the only reliable source of tenure information, again provides the sample frame for the tenant survey in Phase 3 of the research. However, in order to improve the poor response rate in Phase 2, and given the importance of research into the private rented sector, Phase 3 of the research introduced an incentivised approach to the tenant survey, in the form of DIY vouchers for tenants who completed the survey. This has substantially improved the response rate and will provide a sample of 300 respondents, enabling for the first time the provision of robust quantitative information on the experiences of private tenants in Northern Ireland.

#### ***Housing Benefit***

Phase 3 will also provide an analysis of the private sector housing benefit database. The focus of the housing benefit element of phase 3 is on the origins and characteristics of households on the private sector housing benefit database.

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

The joint Department for Social Development/Housing Executive (DSD/NIHE) Strategy for the Private Rented Sector in Northern Ireland "Renting Privately - A Strategic Framework" was launched in May 2004. The overall aim of the Strategy is: 'To promote and sustain a healthy private rented sector, which offers choice and flexibility by influencing supply and securing a better quality, better managed sector.'

The Implementation Plan which accompanied the joint DSD/NIHE Strategy for the Private Rented Sector in Northern Ireland set out six key objectives:

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.

Progress has been made on a number of the most important tasks associated with achieving these objectives.

### **The Private Tenancies (Northern Ireland) Order 2006**

Key to the progress of the Strategy is the Private Tenancies (Northern Ireland) Order 2006 which addresses inequities and targets unfitness through repair enforcement and rent control.

The Private Tenancies (Northern Ireland) Order 2006, to be introduced in April 2007, will provide a new structure for the private rented sector in Northern Ireland. It marks the culmination of the review of the Rent (Northern Ireland) Order 1978, which was widely agreed to be cumbersome and out-dated.

The policy objectives of the Order are:

- to target unfitness and disrepair through repair enforcement and rent control;
- to reduce inequities between tenure types;
- to simplify, clarify and raise awareness of landlord and tenant obligations.

The main features of the Private Tenancies (Northern Ireland) Order 2006 are:

- The landlord must provide the tenant with a written statement of the main terms of the tenancy, free of charge.
- It restates and clarifies the existing requirement that the landlord is to provide a rent book free of charge to the tenant.
- Where there is no tenancy agreement or where any agreement fails to clarify repairing obligations, the Order provides default terms.

- District Councils are empowered to serve a notice of unfitness if the dwelling is unfit for human habitation or a notice of disrepair where it is not unfit but is in need of substantial repairs. District Councils are given the right to enforce these notices. A mandatory repairs grant will only be payable where a notice of disrepair is served in relation to a dwelling-house let under a protected or statutory tenancy.
- A fitness inspection, carried out by the District Council, will be required for all new lettings of pre 1945 dwellings. A dwelling which does not obtain a certificate of fitness will be subject to rent control. A dwelling granted a certificate of fitness will only be subject to rent control if it is let under a protected or statutory tenancy.
- The Rent Officer will be responsible for determining an appropriate controlled rent. Controlled rents will be based on a number of factors, including the state of repair, the equivalent Housing Executive rent for a similar dwelling and the local reference rent used by the Housing Executive for housing benefit determinations.
- Tenancies which are currently protected under the Rent Order will retain that protection. Existing tenants will have a tenancy for life, but there will only be one further succession possible rather than two as at present.
- There will be no more protected tenancies. On vacancy, all currently protected tenancies will be decontrolled. If the property is rented out, the rent will not be subject to rent control as long as the property is fit.

The new system encourages landlords to improve unfit properties with the prospect of a more viable return on their investment.

Partnership working is a common thread throughout the strategy and a number of groups have been established. A multi agency partnership forum, the Legislative Implementation Group, consisting of the Housing Executive, Department for Social Development and District Council Environmental Health Officers meets regularly to develop joint protocols and guidelines. It will have an important role in ensuring that the new legislation is smoothly and effectively implemented. The group has now produced draft guidance booklets on the Private Tenancies Order for landlords and tenants and the regulations and prescribed forms for notices, certificates and other documents required under the Order.

Grant aid continues to be targeted at reducing unfitness. The Department for Social Development has given approval to proposals that will simplify the landlord's contribution under the Private Sector Grants Scheme. The landlords' contribution will now be assessed as a percentage of the eligible cost of works. It is hoped that this will encourage the improvement of properties which might otherwise have remained vacant and unfit.

A Landlords' Forum has been established and will have a key role in developing best practice and raising awareness of important issues within the sector. The input of landlords into how best the improvement in management standards throughout the sector might be facilitated will be crucial in developing the sector as a viable housing option, particularly in areas of housing stress. It is anticipated that awareness training for the new legislation

will take place in 2007 prior to the introduction of the Private Tenancies Order.

The identification of the most effective method of providing relevant and targeted information on the private rented sector, to both those working in and using the sector to secure accommodation, is underway and along with a forum of statutory and voluntary advice groups will have a key role to play in making progress in the Strategy. To this end an Advice and Information Forum has been established. Its key tasks are:

- to assist the Department for Social Development in the production of information materials on the rights and responsibilities of private landlords and tenants;
- to assess the need for advice, assistance and training for private landlords and tenants;
- to develop protocols for the delivery of advice, assistance and training in relation to the private rented sector;
- to develop and produce model tenancy agreements for private sector tenancies;
- to develop a "Best Practice" guide for landlords and tenants in the private rented sector.

As more information on the private rented sector becomes available as a result of ongoing research and effective partnership working develops, it will become easier to identify the best methods and make the most appropriate plans to help to continue to achieve the strategic 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 a 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 from the 2004 House Condition Survey suggest that there are more than 14,000 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. Increasingly too, HMOs have become home to a large number of the migrant workers who have come to Northern Ireland since 2004.

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.

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 overleaf.

### Survey of HMOs, 2003

#### 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:

- 3,318 full inspections of HMO properties, an increase of 428 during the year 2005/06;
- 2585 statutory notices served as a result of these inspections, an increase of 65 during the year 2005/06;
- 1,700 approvals for grant aid for works to bring HMOs up to the necessary standards, an increase of 212 in the year 2005/06.

By the end of March 2006 a total of £34.8 million had been spent on HMOs, and it is anticipated that a budget of at least £4 million will be required annually.

### Landlord Grant Aid

During 2005 the Housing Executive reviewed its methodology for providing grant aid to private sector landlords. The main aim of the review was to ensure that landlords were given sufficient help to enable them to improve conditions in properties where occupants were perceived as being particularly at risk, for example, in HMOs and where conditions were particularly poor. A further aim was to ensure that grant aid would be used to improve the maximum number of properties.

The revised scheme introduced from September 2005 reduced the maximum grant for HMO properties to £25,000, where the property is unfit for human habitation and £10,000 where it is fit. The method of calculating the landlord's contribution to grant aided works was also changed from a formula based on rental income of the property to a straightforward percentage of eligible expense. Landlord grant aid is paid at a rate of 50 per cent of eligible expenditure except in Rural Priority Areas, Grants Urban Priority Areas, and Town Centre Living Initiative Areas where it is paid at a rate of 75 per cent of eligible expenditure.

### Statutory Registration Scheme for HMOs

The Housing (NI) Order 2003 required the Housing Executive to introduce a registration scheme for 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 (amended in 2006 to take into account landlord concerns over their responsibility for anti-social behaviour). 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 scarce resources. The five areas chosen are the Fitzroy and Eglantine areas of South Belfast, the Waterworks area in North Belfast, Portstewart and the Magee College area in Derry City. Within these 5 action areas specific landlords are required to register specific HMOs.

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 has continued to expand and forms an increasingly significant proportion of the overall housing market. Changing lifestyles and labour markets, ease of access and the flexibility it provides will ensure that it will continue to grow. Housing Benefit

plays a vital role in supporting this growth.

- Housing Executive dwellings resold on the open market to private landlords now form around 15 per cent of the total sector. Some of these are now occupied by the growing number of migrant workers who tend to occupy private rented accommodation and are seen in some parts of Northern Ireland as an important factor in the growth of the private rented sector.
- 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 2004 approximately 28 per cent (17,200) 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, 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 person households including students and young professionals and those on low incomes. The statutory licensing of HMOs will help ensure management standards improve.

- The new strategy for the private rented sector is continuing to address housing conditions and a range of legal and management issues. It is hoped that the new legislation to be introduced in April 2007 will target unfitness in the sector and act as a framework which will provide clarification on the roles and responsibilities of both landlords and tenants in the sector.



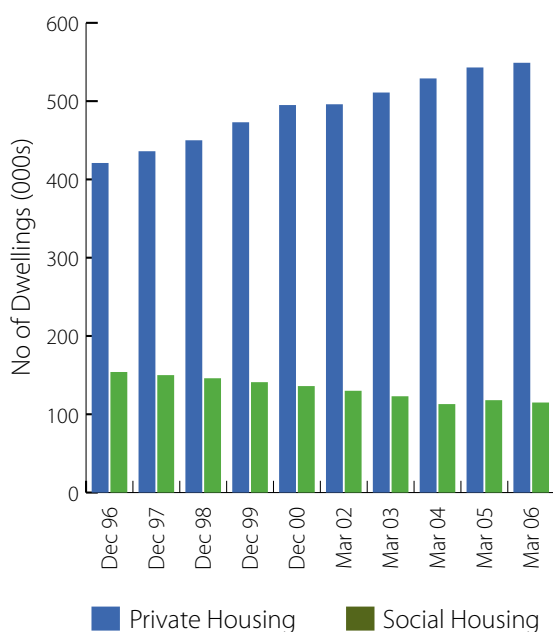


## CHAPTER 4

### Social Housing

In March 2006, the social housing sector in Northern Ireland comprised approximately 115,300 dwellings (16% of the total stock), of which 93,600 were owned and managed by the Northern Ireland Housing Executive, and 21,700 by the housing associations. Although the reduction in Housing Executive stock through house sales and demolitions was considerably less in 2005/06 than in previous years, the continuing steady growth of owner-occupation and the private rented sector, along with the decline in total Housing Executive stock, continues to contribute to a reduction in both the absolute number and the proportion of social homes. Figure 18 illustrates this changing balance between social and private housing in Northern Ireland's housing market.

**Figure 18: The Changing Balance of Social and Private Housing, 1996-2006**



Source: DSD, Housing Statistics, 2005/06

Within the social sector, the balance between Housing Executive and housing association stock has also continued to change. The number and proportion owned and managed by housing associations is continuing to grow, but the stock added to the social rented sector by the annual social housing programme continues to be substantially outweighed by the reduction in social housing stock as a result of ongoing sales and demolitions.

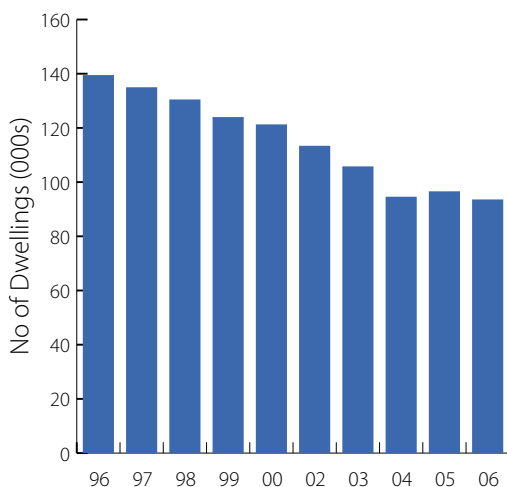
### The Housing Executive

The Housing Executive is Northern Ireland's regional strategic housing authority. It is a Non-Departmental Public Body, and reports to the Department for Social Development. In 2005/06 it managed a gross budget of £626 million, of which £205 million was invested in improvements and repairs to Housing Executive stock.

From its formation in 1971 until 2002, the Housing Executive constructed more than 90,000 dwellings. As a result of the 1996 Housing Policy Review, responsibility for delivery of new social dwellings was gradually transferred to housing associations; since 2002/03 no new Housing Executive dwellings have been built.

The House Sales Scheme was put in place in 1979 and by March 2006 the Housing Executive had sold some 114,000 dwellings. Between 2000/01 and 2003/04, annual sales averaged 5,500, but in 2004/05 house sales fell to around 3,000 and the figure decreased further in 2005/06, to around 2,500. The number of demolitions carried out also declined; at around 700, 2005/06 was the first year since 2000/01 when the total fell below 1,000. Figure 19 illustrates the effect of these trends on the (occupied) Housing Executive stock.

**Figure 19: Housing Executive Stock, 1996-2006**



Source: DSD Housing Statistics, 2005/06

### The Characteristics and Condition of Housing Executive Stock

The Housing Executive's property database (at the end of March 2006) showed the following:

#### Dwelling Age

Some 48,600 dwellings (51% of current stock) had been built after 1970, 25 per cent between 1961 and 1970, and 18 per cent between 1945 and 1960. Only six per cent had been built before 1945, although in Belfast Area the proportion was much higher (15%).

#### Dwelling Type

Just over 53,600 properties (57% of the total stock) were traditional terraced or semi-detached houses; 20 per cent were bungalows and 20 per cent were flats. Cottages, maisonettes and split level dwellings made up the remaining three per cent. While the numbers have decreased, the proportions remain virtually identical to the previous year's figures and reflect similar trends in dwelling sales, which again consisted mainly of houses.

#### Dwelling Size

Forty-five per cent of the stock was in the form of three-bedroom accommodation, while two-bedroom dwellings accounted for 37 per cent and homes for larger families requiring four or more bedrooms for five per cent.

#### Heating

Further progress on upgrading the heating in Housing Executive dwellings has again led to an increase in the proportion with full central heating, which in March 2006 stood at 98 per cent. A further one per cent had partial central heating, leaving fewer than 1,200 with only basic heating. The comparative figure at March 2005 was just over 1,500. However, 23,000 dwellings still had solid fuel as their principal heat source (a reduction from 30,000 in March 2005) and a further 16,000 (18,000 in 2004) had electricity; both are considered inefficient heat sources.

The number of Housing Executive homes heated by natural gas has risen to 23,000, the majority of which are in Belfast, where natural gas is now the main heat source in 60 per cent of Housing Executive of dwellings.

The full report on the 2004 Northern Ireland Interim House Condition Survey was published in June 2006, providing the following information in relation to the Housing Executive's stock:

#### Unfitness

Approximately 600 dwellings (0.6%) were estimated to be unfit. If vacant dwellings are included, the level of unfitness in Housing Executive stock is 1.7% (1,700 dwellings) compared with 2.4% (3,000) in 2001.

### Repair Costs and the Decent Homes Standard

The 2001 House Condition Survey indicated that 68,000 dwellings (59% of the stock) required some repair. By 2004, the absolute number had decreased to 61,200, although the ongoing reduction in stock meant that the proportion remained almost unchanged at 60 per cent.

The average estimated cost of repairs (£352 for urgent need and £534 for basic repairs), while slightly higher than in 2001, remains substantially lower than the corresponding average figures for the Northern Ireland stock as a whole (£1,340 and £1,695 respectively).

The survey also monitors compliance with the Decent Homes Standard, and shows a substantial improvement since 2001. The proportion of occupied Housing Executive dwellings which failed to meet the Standard fell from 50 per cent in 2001 to 31 per cent in 2004.

The vast majority (97%) of Housing Executive dwellings that did not meet the Standard failed on the thermal comfort criterion, essentially due to the presence of inefficient solid fuel or electrical heating. Only three per cent of Housing Executive properties failed to meet the Decent Homes Standard on the basis of disrepair - this was much lower than the overall average of 28 per cent of dwellings.

### Household Profile

The Housing Executive's Continuous Tenant Omnibus Survey - an annual survey of some 4,000 tenants - provides an invaluable source of information on the socio-economic and demographic profiles of Housing Executive tenants. Key findings for the calendar year 2005 are set out below:

### Continuous Tenant Omnibus Survey 2005

#### Key Research Findings

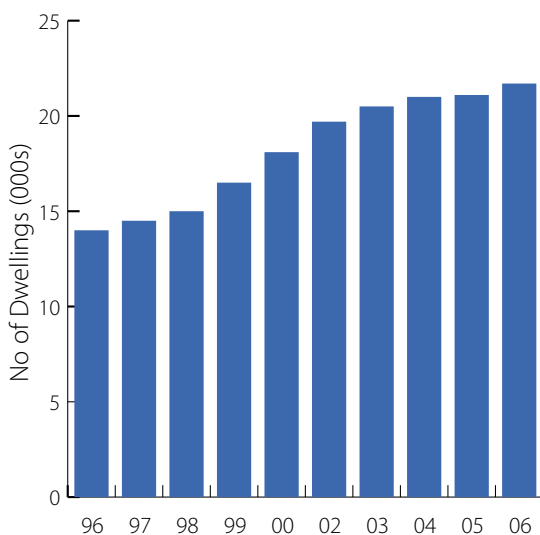
- The average number of people per household for 2005 (2.17) remains the same as for 2004. This figure continues to be significantly lower than for the Northern Ireland housing stock as a whole (2.69), reflecting the proportion of single person and elderly households in Housing Executive stock. More than two-fifths (41%) of Housing Executive dwellings were occupied by single person households and 'Lone Older' was the most common household type (22%).
- Less than one-sixth (15%; 17% in 2004) of household reference persons were working (full time, part time or self employed), with consequent high levels of benefit dependency in Housing Executive estates: 47 per cent of household reference persons were in receipt of Income Support or Job Seekers Allowance. More than one quarter (27%) of household reference persons were retired - a slight increase on the 2004 figure of 25 per cent.
- There has been a small but steady increase in the proportion of households with gross income of £10,400 or less per annum; in 2005 the figure stood at almost two-thirds (64%), up from 61 per cent in 2004 and 58 per cent in 2003. More than one-tenth (11%) of all households had a gross income of £5,200 or less - a decrease from 2004 (16%).
- Of all household members, 11 per cent required some form of mobility aid (including a wheelchair) and 29 per cent of household reference persons were in receipt of a disability benefit.

**The Housing Associations**

Housing associations - independent social housing organisations - provide good quality, affordable dwellings to meet housing need on a not-for-profit basis. There are currently 38 registered housing associations in Northern Ireland, including the Northern Ireland Co-Ownership Housing Association (NICHHA).

Figure 20 shows the steady increase in the occupied rented stock owned and managed by registered housing associations during the past 10 years, to 21,700 self-contained rented dwellings in March 2006. In addition, housing associations own around 4,600 bedspaces in non self-contained accommodation, and NICHHA has 3,700 dwellings in equity sharing tenure.

*Figure 20: Rented Stock, Registered Housing Association, 1996-2006*



Source: DSD Housing Statistics, 2005/06

Prior to 1992, housing association development was financed by grants and loans from the Government. Since then, however, Government has implemented a 'mixed funding' regime, requiring associations to obtain their loans from the private market. The private finance component represents over a third of the cost of general-purpose housing. Since 1991, housing associations have borrowed £317 million from private sources (mainly banks, building societies and their own reserves). This represents a major contribution to the funding of social housing.

Until 2006, housing associations did not usually need to borrow for supported housing schemes because grant was paid at 100 per cent of the cost estimate approved by the Department for Social Development. 'Supported housing' provides supportive services as well as suitable accommodation for people who, for example, have a learning disability or are recovering from mental illness.

**Housing Association Stock**

At March 2006, registered housing associations (not including NICHHA) had a rented stock of around 27,300 units of accommodation (see Table 17). Of these, some 22,700 were self-contained and the remainder were bed spaces in shared accommodation. Three quarters (75%) of the total units were owned by the ten largest housing associations which had more than 600 units each.

1,750 housing association dwellings (1,041 self-contained units and 709 bedspaces in shared accommodation) were suitable for tenants who were wheelchair users and 9,800 units of housing association accommodation (36%) were for elderly people. Housing association stock is found

in all District Council areas, but there are relatively high concentrations in Belfast (38% of all housing association stock), Derry (13%), and Craigavon and Lisburn (both 5%).

**Table 17: Housing Associations with more than 600 Units of Rented Accommodation<sup>13</sup>, March 2006**

	Self Contained Units	Bed Spaces	Total Units
BIH	3,580	507	4,087
Fold	3,750	286	4,036
Oaklee	3,100	681	3,781
North & West	2,003	437	2,440
Clanmil	1,752	15	1,767
Habinteg	1,328	258	1,586
SHAC	163	882	1,045
South Ulster	694	-	694
Presbyterian	647	-	647
Ulidia	326	281	607
Total	17,343	3,347	20,690
Total Stock	22,700	4,600	27,300

*Source: DSD, Housing Associations Branch*

### The Characteristics and Condition of Housing Association Stock

Although the sample of housing association properties included in the Interim House Condition Survey was relatively small, it was possible to identify a number of key characteristics in relation to the homes and households in this sector:

- the vast majority (86%) of housing association dwellings were constructed since 1980; around half (51%) were built after 1990;
- slightly more than half (54%) of dwellings were purpose-built flats, reflecting the fact that many housing associations initially concentrated on

provision of sheltered accommodation for older people and other specific needs groups;

- a negligible number of housing association dwellings failed to meet the fitness standard;
- two thirds (67%) of housing association households were headed by a person aged 60 or more, and 51 per cent of all household reference persons were in the 'lone older' group;
- more than one third of all household reference persons (35%) were aged 75 or over. The equivalent Housing Executive figure was 15 per cent;
- single person households account for 62 per cent of all housing association tenants - slightly more than the comparable Housing Executive figure;
- two thirds (65%) of household reference persons were classified as retired; and
- more than one third (39%) of housing association households had annual incomes of less than £7,000.

### Co-Ownership Housing

By enabling households on lower incomes to enter the owner occupied sector, the Northern Ireland Co-Ownership Housing Association (NICHA) plays an important bridging role in the local housing market. NICHA's Do-It-Yourself-Shared-Ownership (DIYSO) scheme allows purchasers whose applications meet certain criteria to acquire a property from the open market on the basis of shared ownership with NICHA.

The Co-Ownership Scheme, established in 1978 as a form of equity sharing, enables households with modest resources to take

<sup>13</sup>: A 'unit of accommodation' means either a self-contained dwelling or a bedspace in shared housing

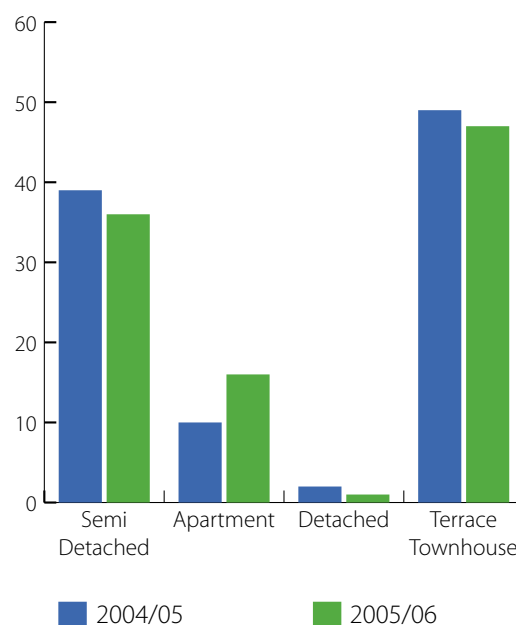
the important first step on the ladder of owner occupancy, by purchasing between 40 per cent and 75 per cent of the equity and paying rent on the remaining equity. Their monthly outgoings are tailored to their ability to pay. Almost all shared owners go on to achieve full ownership by purchasing the outstanding equity or selling and moving to another owner-occupied property.

In March 2006, the Co-Ownership Housing Association managed a total of 3,721 properties. During the year to 31 March 2006, it acquired 504 properties, approximately the same as in the previous financial year, at a total value of £43.6 million with the assistance of £7.2 million in Housing Association Grant. The grant received was a substantial reduction on the previous year's amount, £12.6 million.

The average price of the properties acquired by NICHA during 2005/06 rose by 13.4 per cent to £86,581, but this was well below the average for the housing market as a whole (£139,520 for quarter 3, 2005). Just under half (47%) of Co-Ownership purchases during the year were terrace/townhouses - a slight decrease on the 2004/05 figure of 49 per cent; there was an increase in the proportion of apartments, from 10 per cent in 2004/05 to 16 per cent in 2005/06. The figures suggest a trend for purchasers to buy smaller properties in order to stay within Government cost indicators for Co-Ownership. Figure 21 illustrates this point.

Since 1978, almost 19,000 households have been able to purchase their home with the help of the Co-Ownership scheme, and of these over 15,200 have "staircased" out of the scheme to become full owners. In 2005/06, a total of 686 households bought out the interest in their properties,

**Figure 21: Co-ownership Properties by Dwelling Type, 2004/5 and 2005/6**



Source: NICHA

and the average return for clients at staircasing rose again, by 14.5 per cent, to £19,208. The buoyant market saw £27.7 million generated through sales, of which £10.2 million (37%) was returned to the Department for Social Development. The remainder was spent on acquiring properties for new leaseholders.

Data collected by NICHA shows the profile of co-ownership purchasers during 2005/06:

- In total almost two-thirds of households had only one earner, with single people the most popular household group (45%) and lone parents accounting for 18 per cent of purchasers. One fifth (20%) of purchasers were couples, and 17 per cent were couples with children.
- The vast majority of purchasers were aged under 50: two-thirds (66%) were

in their 20s, and one-third (33%) were aged 30-49. However, the age of purchasers in 2005/06 ranged from 18 to 81.

- The average single income of those purchasing through Co-Ownership was £14,349, and average combined household income stood at £18,705. With an average purchase price of £86,580, the average price to income ratio stood at 5.0.

Rapidly rising house prices presented challenges for the Co-Ownership Scheme during 2005/06. The supply of affordable properties has been declining steadily each year, and during 2005/06 the pace of this reduction escalated dramatically. The Northern Ireland Quarterly House Price Index indicated that only 9 per cent of properties were selling below £100,000, compared to 21 per cent in quarter 1, 2006. For quarter 3, 2006, a further 32 per cent sold at between £100,000 and £150,000. Increased levels of investment activity in this segment of the property market have placed additional pressure on low income households and first time buyers by creating more competition for the limited number of properties available, and there is some research evidence to show that potential co-owners are being gazumped by investors or purchasers who can arrange finance more quickly.

In April 2005, for the first time in three years, property value limits for Co-Ownership purchases were raised in a bid to allow the association to operate more freely in the market place. The new limits of £102,000 or £115,000 depending on council area were, however, unable to keep pace with the booming housing market, and 2006 saw two further uplifts agreed, to £115,000 or £135,000 in April

and subsequently to £130,000 or £150,000 in October.

Along with the most recent value uplift, Co-Ownership announced that buyers could start off with a 40 per cent share in their property. Prior to this, Co-Ownership clients had been required to purchase at least half of the value of the property through a conventional mortgage, and there were concerns that this was pricing some potential clients out of the market. The value limits are to be monitored closely in light of ongoing market trends to ensure that Co-Ownership remains in a position to assist its target market.

In addition to the uplifted property value limits agreed by Government, NICHA has also put in place a number of other policy recommendations to help remove financial obstacles to home ownership and maximise customers' buying capacity. They include:

- reduced upfront fees for Co-Ownership applicants;
- a revised rent calculation system to deliver a typical monthly saving of £40 (enhancing the amount of mortgage finance available to both applicants and existing leaseholders - borrowing capacity has increased, although incomes have not); and
- application of a rent freeze for 2006/07.

Changes in the lending market have also made some contribution to easing the difficulties faced by low income households in a booming property market. Mortgage lending has been regulated by the Financial Services Authority since 2004, and lenders are now required to assess mortgage applicants' ability to repay. This change has encouraged lenders to look beyond the traditional income multiple



approach and develop affordability models and more flexible financial assessments.

Based on consideration of mortgage applicants' main income and expenditure components, an affordability model calculates the amount that an applicant can afford to repay. While their introduction was largely the result of regulatory changes, many lenders appreciate that affordability models enable them to offer higher value mortgages where applicants' incomes have not kept pace with property prices. Nearly half of lenders had an affordability model in place in 2005 and the proportion is expected to increase towards 70 per cent in the next couple of years. Lenders have incorporated income from tax credits into their assessment of mortgage applications, and this has been beneficial to substantial numbers of Co-Ownership clients who are able to avail of tax credits in some form.

These more flexible approaches should permit more low income households to access Co-Ownership, but NICHA is also mindful of the need to ensure that mortgage applicants do not borrow beyond their capacity, taking on an unsustainable level of debt. There are already signs that the benefits of the affordability model approach for lower income buyers may have been maximised.

While the property boom and upward price trend has made it difficult for Co-Ownership purchasers to find suitable properties, they have had a more positive impact for households staircasing out of the scheme. The sellers' market has helped increase the pace of staircasing activity and resulted in the highest ever average returns per property. Traditionally, the Co-Ownership clients most likely to staircase were on an upward trajectory

in terms of occupation and income. Cheaper borrowing and a range of flexible mortgage products open to borrowers with a track record mean that this is no longer the case.

At the time of writing, a series of policy proposals from NICHA are being considered by the Department for Social Development. If implemented and funded, these policy proposals may have a material impact on Co-Ownership activity over the next three year planning period. They relate to issues of purchaser affordability and accessing affordable properties and include measures enhancing operational flexibility in relation to:

- arrangements for equity shares on entry and at subsequent staircasing;
- approaches to facilitate the availability of affordable properties for Co-ownership purchasers;
- keeping rent levels down.

### **New Social Housing**

Housing need in the social sector is primarily met by letting existing dwellings. Housing Executive re-lets totalled just under 7,400 during 2005/06 - a slight decrease on the previous year's figure of 7,600. Housing association allocations and re-lets through the Common Selection Scheme increased to almost 3,200, but the combined figures are still insufficient to meet the growing demand for social housing.

The two models of future housing need developed for the Housing Executive (see Chapter 1), demonstrated an annual requirement between 2001 and 2011 for around 1,500 new social dwellings. Bearing in mind the backlog that had developed since 2001, along with local imbalances in supply and demand, it was subsequently

estimated that a minimum of 2,000 new social dwellings would be needed each year between 2004 and 2011. The Net Stock Model was updated in December 2006 and now shows a requirement for 2,500 new social dwellings annually.

During 2005/06, work started on 1,229<sup>14</sup> new self contained social dwellings – an increase of almost one fifth (19%) on the previous year's figure (1,029). Work also commenced on 45 bed spaces in hostels and other communal establishments. The number of completions of new self-contained accommodation decreased slightly, from 828 in 2004/05 to 782 in 2005/06. However, the number of new bedspaces increased from 60 in 2004/05 to 191 in 2005/06. Contract starts for new dwellings in 2005/06 were recorded as 1,315, including 90 'off the shelf' and 157 "package deal" properties. A further 90 'existing satisfactory' properties were acquired during the year. In addition, work started on the rehabilitation/re-improvement of 62 properties, but it is important to emphasise that neither these nor the 'existing satisfactory' acquisitions contribute to addressing the overall social housing need estimated by the Net Stock or Cambridge Models.

The majority (81%) of the 2005/06 housing programme was for general needs, including schemes in North and West Belfast, Derry City and rural areas. Six per cent was designed to meet the needs of the elderly and the remaining 13 per cent of the programme were built to meet more specialist needs such as those for people with a physical or learning disability, homeless people, or young people leaving care.

### **The New Build Programme from 2006/07 Onwards**

The Department for Social Development has estimated that the funding for 2006/07 will be sufficient to build or acquire 1,500 units of new housing association accommodation, and anticipates starting a further 1,500 in each subsequent year. However, the University of Ulster's Net Stock Model and the strategic guidelines developed by the Housing Executive envisage an annual need for 2,500 dwellings, and during the past year, housing stress has continued to grow throughout Northern Ireland, and particularly outside the traditional high demand areas in parts of Belfast and Derry City.

While continuing to meet the ring-fenced numbers for key strategy-driven areas, the Housing Executive will therefore channel any additional resources to other localities on the basis of identified housing stress. It is envisaged that 10 per cent of the programme would be for rural housing and up to 10 per cent for supported accommodation.

The 2006/07 Social Housing Development Programme is currently underway, and at the end of December 2006, nearly some 300 dwellings had been started. In previous years about three-quarters of starts were achieved in the final quarter of the financial year, and this trend is likely to continue in 2006/07. Future levels of social new build provision are likely to be influenced by the outcomes of the Comprehensive Spending Review (see Chapter one).

### **Management of the Social Development Programme**

Following a period of consultation, Ministerial approval was given (in principle) in 2005 to transfer responsibility for the management of the Social Housing

*14. Source: DSD Housing Statistics, 2005/06. A dwelling is considered to have "started" on the date work begins on the laying of foundations.*

Development Programme (SHDP) to the Housing Executive. A joint Department for Social Development (DSD)/Housing Executive project team was established to take forward the transfer, and a project board with representatives from DSD, Housing Executive and housing associations was also set up.

Following the required amendment to legislation which received final approval from the privy council in December 2006, responsibility for the management of the programme will formally transfer in April 2007.

In order to ensure a smooth transition at handover, a project board meets regularly and engages with stakeholders to progress the new arrangements. Housing Executive staff have shadowed staff in DSD Housing Division to map processes and the range of activities involved in delivering the programme, and staff have been recruited for the new SHDP management unit within the Housing Executive.

#### **Review of Public Administration**

The long-awaited decision on the Review of Public Administration was announced in March 2006, and resulted in much speculation about the future of the Housing Executive.

The Secretary of State commented: 'We [Government] believe that housing is essentially a local issue, and for that reason we will consider the transfer of housing to local government at a future date, once the new Councils are in place, fully operational and bedded in'. With new Councils due to be established by 2009, press coverage suggested that the Housing Executive might be abolished in five years' time.

The DSD Minister, David Hanson, MP, later

described the press coverage as 'unhelpful and unnecessary' and added that it did not reflect the Government's stated intention at the time of the RPA announcement. For the foreseeable future, the Housing Executive will remain the strategic housing authority, a key partner in policy development and implementation. Functions such as housing allocations, waiting lists, homelessness, anti-social behaviour, community development and cohesion, mixed community housing, maintenance and improvements, research, housing benefit administration, strategic planning and the management of the new build programme will all remain with the Housing Executive.

However, the announcement paved the way for a number of 'non-core' functions to be transferred once the new Councils have been established in 2009. These include:

- Supporting People, which is not a housing function in the rest of the UK;
- Urban Renewal, which will tie in with Councils' new role in Urban Regeneration.
- Grants, which will tie in with the new Councils' environmental health function.
- Unfitness, which links to the Councils' environmental health function.
- HMO licensing which will link with new Councils' broad licensing regulation and enforcement role.
- Travellers role, which is the responsibility of local authorities in the rest of the UK;
- Home Energy Conservation role, which is a local authority function in the rest of the UK.

A Public Service Commission has been established to consider the personnel issues around all new arrangements, and the Housing Executive is represented on the DSD Programme Board which has been set up to help facilitate arrangements for transfer of housing-related functions.

## Improving and Maintaining Social Housing

The 2004 Interim 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 level of resources devoted to the maintenance and improvement of the social stock over a thirty year period. The proportion of social housing in Northern Ireland which fails the Decent Homes Standard is 27 per cent. Initial findings from the continuous English House Condition Survey, based on the position in April 2004, published in early 2006, showed that the proportion of dwellings in the English social sector classified as non-decent stands at 31 per cent. Field work for the latest full House Condition Survey in Northern Ireland was completed in November 2006, and preliminary findings available in May 2007 are expected to show further improvement in the quality of the stock.

### Improving the Housing Executive's Stock

The Housing Executive uses two approaches to improve its dwellings:

- policy-based schemes relating to health and safety, welfare or statutory requirements; and
- upgrade schemes ranging from single element work, such as the installation of full central heating, to comprehensive improvements which bring dwellings up to modern standards.

### Policy-Based Schemes

During the financial year 2005/06, some 2,000 major welfare adaptations were completed - only slightly fewer than the previous year's total of 2,100. Almost 1,600 (80%) of these adaptations took the form of new heating systems, while approximately

200 were extensions and around 170 lifts were provided. The prevalence of heating adaptations helps to accelerate the move towards the greater energy efficiency of the stock.

It appears that demand for heating adaptations has now peaked, and the rate of expenditure on adaptations is expected to level off. During 2006/07, work is expected to commence on a further 3,000 dwellings.

### 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. The original programme has been completed, but further survey work and increasing standards - particularly fire safety standards - have resulted in additional dwellings being identified for improvement. Last year's '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 2005/06 a total of almost 2,100 were started; around 1,600 of which were multi-element improvements, with the remainder for single element upgrading or special schemes.

Heating replacement schemes, which were previously recorded as part of revenue replacement maintenance expenditure, are now counted under improvement activity. During 2005/06, approximately 4,300 heating replacements were completed; the figure in 2004/05 was almost identical. Heating installations to 2,800 dwellings are planned for 2006/07, as the Housing Executive implements its preferred fuel policy through the removal of inefficient solid fuel and electric heating systems.

The Housing Executive is committed to making sure that all its dwellings meet the Decent Homes Standard by March 2010. In order to achieve this, it was estimated that 9,120 multi-element improvement starts would be required between April 2003 and the target date. According to the programme, work to 3,900 dwellings was to be completed by March 2006, and the outturn was only slightly below this figure, at 3,809. Between April 2006 and March 2010, 1,300 starts annually will be required to complete the work programme. The 2001 Housing Condition Survey estimated that more than 57,000 Housing Executive dwellings failed the Decent Homes Standard on the basis of solid fuel and electric heating. The findings of the 2004 Interim survey suggest that this figure has now reduced significantly, and stands at around 35,000. Overall, the programme for Housing Executive properties to meet Decent Homes Standard by 2010 is well ahead of target.

An important element of the Housing Executive's improvement strategy is its commitment to improve rural dwellings. The Housing Executive owns around 900 rural cottages, and the majority of these have been improved; those remaining are 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' requests for repairs (response maintenance).

Planned maintenance comprises two main types of work:

- external cyclical maintenance (ECM), which involves work to the external fabric of the dwelling and its immediate surroundings, carried out in a five-year cycle; and
- revenue replacement, which involves the replacement of any internal elements that 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. Budgetary constraints have impacted on the number of ECMs carried out in recent years; the total fell from 16,200 in 2003/04 to 14,300 in 2004/05, and further reduced to around 12,400 in 2005/06. In line with these trends, the target for ECM starts in 2006/07 has fallen again, to 10,600. It is important that a suitable level of funding for this activity is made available to ensure the external fabric of Housing Executive dwellings does not deteriorate.

#### *Revenue Replacement Schemes*

During 2005/06, resources enabled almost 2,000 revenue replacement starts (mainly kitchen replacements) - an increase on the previous year's figure of 1,600. The kitchen replacement programme is, however, behind schedule, with 3,092 completions against a target of 7,200. Future programme levels have been increased to address the backlog and around 4,300 kitchen replacement starts are planned for 2006/07. This year's 'Review and Perspectives' confirms the ongoing need for revenue replacement work to be carried out to address the need for heating replacement and kitchen and bathroom modernisation schemes to meet the target for ensuring all Housing Executive dwellings achieve the Decent Homes Standard by 2010.

### Response Maintenance

A total of 415,700 works orders were raised in 2005/06, a slight increase on the 2004/05 figure of 413,400. Rising expectations and modern standards in heating and amenities have meant that, despite the ongoing decline in the Housing Executive's stock, there has not been a commensurate decline in the demand for response maintenance.

In 2004, the Continuous Tenant Omnibus Survey (CTOS) showed that 65 per cent of tenants who had used the repair service within the previous 12 months were either 'satisfied' or 'very satisfied'. In 2005, the comparable figure increased to 70 per cent, indicating an ongoing rise in tenant satisfaction with the repairs service. There is no doubt that the Egan-based approach to response maintenance which has been introduced, emphasising quality, partnership and customer satisfaction, has had a significant impact on raising levels of satisfaction.

### 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. The Strategy, which used 2003-10 as the time frame to achieve alignment with the target for meeting the Decent Homes Standard in England and Wales, was approved by the Housing Executive's Board in June 2004 and highlighted a number of immediate priorities:

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

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

Progress against the strategy, and Decent Homes targets, is monitored on a regular basis. The most recent report showed that all programmes to meet Decent Homes Standard are on target with the exception of kitchens, for which the starts programme has been increased.

### Major Repairs to Housing Association Dwellings

A combination of factors including the younger age profile of housing association stock (by comparison with that of the Housing Executive) and the fact that major improvement/rehabilitation works are financed from the budget for capital expenditure or association reserves, means 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. The Government expects those associations with sufficient reserves to pay for their own major repairs on those homes that are still not covered by these 'major repairs sinking funds'.

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, it is anticipated that the level of social housing will continue to decline, but on a reduced scale of around 2,500 dwellings annually. House sales and demolitions have both peaked, and a decrease in these activities, complemented by the ongoing new social housing programme, should contribute to a slightly lower – but still ongoing – rate of decline in the social sector.
- In a growing number of areas, the supply of social housing is clearly inadequate to meet rising housing stress. The social new build programme has not kept pace with the estimates of need predicted by the new 2001 Census-based models, and there is an annual requirement for at least 2,500 additional social dwellings. In its role under PPS12, the Housing Executive will endeavour to ensure sufficient land is zoned for social housing, but this needs to 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 Homes Standard will continue to rise as multi-element improvement and heating conversion programmes are implemented, but despite the reduced number of dwellings heated by solid fuel and electricity, rising fuel costs are likely to have a negative impact on fuel poverty.
- There will be ongoing demand for adaptations for people with disabilities. It is very important that adequate funding is made available to facilitate this work.





## CONCLUSION



## CONCLUSION

Over the past twelve months Northern Ireland's housing market has remained sound but there are growing signs of disequilibrium. Increasingly, unsustainable house price increases reflect a reduction in the proportion of sales to first time buyers and a rapid increase in buy-to-let. Northern Ireland's economy has generally performed well. However, the ongoing decline in Northern Ireland's manufacturing base, lower increases in public expenditure, higher interest rates, higher fuel prices, the introduction of capital valuation based rates and water charges all indicate pressures in the housing market in Northern Ireland will increase.

The concentration of new jobs in the service industry in Belfast and the concomitant ongoing demand for dwellings within commuting distance of Belfast will cause increasing difficulties for first time buyers trying to purchase their first home. The Semple Affordability Review is seeking to address this 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 2004 Interim House Condition Survey confirmed the steady progress made in improving housing conditions and energy efficiency over the previous three 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.

APPENDIX



Table A1: Basic Housing Statistics by Tenure (000's (%))1994-2006

	Owner Occupied	NIHE	Housing Association	Private Rented	Vacant	Total
Dec 94	390 (65.0)	147 (24.6)	12.0 (2.0)	20.0 (3.3)	30.5 (5.1)	600.0
Dec 95	389 (65.2)	144 (24.2)	13.0 (2.2)	20.5 (3.4)	29.5 (5.0)	598.5
Dec 96	399 (65.7)	139 (23.0)	14.0 (2.3)	22.0 (3.6)	33.0 (5.4)	607.5
Dec 97	412 (66.7)	135 (21.8)	14.5 (2.3)	24.5 (4.0)	32.0 (5.2)	618.0
Dec 98	424 (67.8)	130 (20.8)	15.0 (2.4)	26.0 (4.2)	30.0 (4.8)	626.0
Dec 99	429 (67.6)	124 (19.5)	16.5 (2.6)	30.5 (4.8)	35.0 (5.5)	636.0
Dec 00	442 (68.2)	118 (18.2)	17.5 (2.7)	31.5 (4.8)	39.5 (6.1)	649.0
March 02	464 (70.4)	111 (16.7)	19.7 (3.0)	31.0 (4.8)	33.6 (5.0)	660.2
March 03	477 (71.4)	102 (15.4)	20.9 (3.1)	32.4 (4.8)	36.2 (5.4)	669.1
March 04	494 (72.8)	94.6 (13.9)	21.0 (3.1)	34.6 (5.1)	34.8 (5.1)	679.2
March 05	478 (68.9)	96.6 (13.9)	21.1 (3.1)	64.2 (9.2)	34.1 (4.9)	694.7
March 06	484 (68.9)	93.6 (13.3)	21.7 (3.1)	65.3 (9.3)	38.1 (5.4)	702.4

Table A2: Trends in Waiting List 1996-2006

	Total Waiting List	Total "Urgent Need"	% "Urgent Need"
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
March 2005	29,819	15,660	52.5
March 2006	32,215	17,433	54.1

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

Table A3: Trends in Homelessness 1996-2006

	96/97	97/98	98/99	99/00	00/01	01/02	02/03	03/04	04/05	05/06
Number Presenting	11,092	11,672	11,552	10,997	12,694	14,164	16,426	17,150	17,362	20,121
Number Accepted	4,708	4,956	4,997	5,192	6,457	7,374	8,580	8,594	8,470	9,749

<b>Table A4: Affordability Calculation 2006 based on median income</b>					
mortgage interest rate	6.75				
term of mortgage in years	25				
afford % gross monthly income	30				
loan to value ratio	95				
district council	median income 2006 (£)	price quartile 1	affordable price (£)	affordability gap	% dwellings affordable
Derry	15433	117,250	58782	-£58,468	0
Limavady	14669	131,500	55872	-£75,628	0
Coleraine	18117	142,500	69005	-£73,495	0
Ballymoney	13690	130,000	52143	-£77,857	0
Moyle	13860	145,000	52791	-£92,209	0
Larne	16572	81,975	63120	-£18,855	6
Ballymena	19454	110,000	74097	-£35,903	7
Magherafelt	20196	141,000	76924	-£64,076	0
Cookstown	24156	139,000	92007	-£46,993	1
Strabane	13690	100,000	52143	-£47,857	0
Omagh	20196	123,000	76924	-£46,576	18
Fermanagh	18860	140,000	71835	-£68,165	1
Dungannon	15147	135,000	57693	-£77,307	0
Craigavon	16500	115,000	62846	-£52,154	0
Armagh	20460	129,000	77929	-£51,071	2
Newry & Mourne	18860	153,250	71835	-£81,415	0
Banbridge	24156	110,875	92007	-£18,868	6
Down	15433	129,975	58782	-£71,193	0
Lisburn	20416	126,000	77761	-£48,239	1
Antrim	24156	140,000	92007	-£47,993	5
Newtownabbey	24156	96,500	92007	-£4,493	22
Carrickfergus	25146	90,000	95777	£5,777	33
North Down	24156	120,000	92007	-£27,993	7
Ards	39270	109,950	149574	£39,624	56
Castlereagh	33550	138,000	127787	-£10,213	18
Belfast	13690	107,500	52143	-£55,357	0
North Belfast	13690	82,500	52143	-£30,357	1
South Belfast	16775	136,500	63893	-£72,607	0
West Belfast	13745	107,000	52353	-£54,647	1
East Belfast	20801	123,500	79228	-£44,272	1

**Notes**

Median Income	District Council baseline is drawn from the 2004 Interim HCS - banded figures for household income (Household Reference Person and partner where applicable). Actual figure is the midpoint of the median band for each district. This has been adjusted to take account of rising earnings and reconciliation with the Family Resources Survey.
Price (25th percentile)	District Council figure for 2006 (quarters 1-3) from UU House Price 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 (quartile 1)
% Affordable	Proportion of housing stock in district sold at below affordable price during 2006 (quarters 1-3)

**Figures used for calculation in 2006 were:**

Mortgage interest rate	6.75
Term of mortgage in years	25
Afford % gross monthly income	30
Loan to value ratio	95

Table A5: New Build Stats against Housing Growth Indicator 1998-2000.

DCA	98/99	99/00	00/01	01/02	02/03	03/04	04/05	05/06	Total	HGIS (2006)	% of HGI
Antrim	143	76	301	425	336	392	505	619	2797	8,000	35
Ards	607	709	544	633	435	622	530	652	4732	10,500	45
Armagh	500	311	380	384	390	497	575	535	3572	6,000	60
Ballymena	392	414	352	326	383	477	397	425	3166	7,000	45
Ballymoney	199	217	332	364	336	395	395	292	2530	3,800	67
Banbridge	451	374	521	529	518	615	585	629	4222	6,000	70
Belfast	1,013	1,287	889	1,258	987	1,198	1,596	2,228	10,456		
Carrickfergus	304	431	341	244	204	235	125	250	2134		
Castlereagh	214	240	202	135	94	208	161	236	1490		
Lisburn	431	608	443	737	781	1,026	1,099	1,088	6,213		
Newtownabbey	454	722	523	621	539	550	605	538	4552		
North Down	304	361	423	483	505	402	586	397	3461		
<b>Total BMA</b>	<b>2720</b>	<b>3649</b>	<b>2821</b>	<b>3478</b>	<b>3110</b>	<b>3619</b>	<b>4172</b>	<b>4737</b>	<b>28,306</b>	<b>66,500</b>	<b>47</b>
Coleraine	504	689	415	588	617	566	429	457	4265	7,600	56
Cookstown	201	238	195	249	369	348	395	332	2327	4,100	57
Craigavon	491	382	720	798	1,050	1,175	1,039	1453	7108	11,250	63
Derry	634	707	923	655	491	615	604	531	5160	15,000	34
Down	592	422	511	700	636	708	559	612	4740	10,500	45
Dungannon	347	248	387	501	384	492	632	773	3764	5,500	68
Fermanagh	586	543	548	458	521	694	679	633	4662	7,400	63
Larne	157	286	215	208	205	220	223	199	1713	4,300	40
Limavady	244	348	255	244	333	281	299	240	2244	4,300	52
Magherafelt	294	246	303	359	328	300	379	451	2660	5,000	53
Moyle	195	155	156	175	165	153	175	147	1321	2,000	66
Newry & Mourne	620	634	792	997	1,032	775	730	652	6232	12,250	51
Omagh	490	440	414	445	360	564	494	501	3708	6,700	55
Strabane	281	180	241	346	243	303	432	314	2340	4,300	54
<b>Total</b>	<b>10,648</b>	<b>11,268</b>	<b>11,326</b>	<b>12,862</b>	<b>12,242</b>	<b>13,811</b>	<b>14,228</b>	<b>15,184</b>	<b>101,569</b>	<b>208,000</b>	<b>49</b>

Source: DSD Housing Statistics

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February 2007  
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