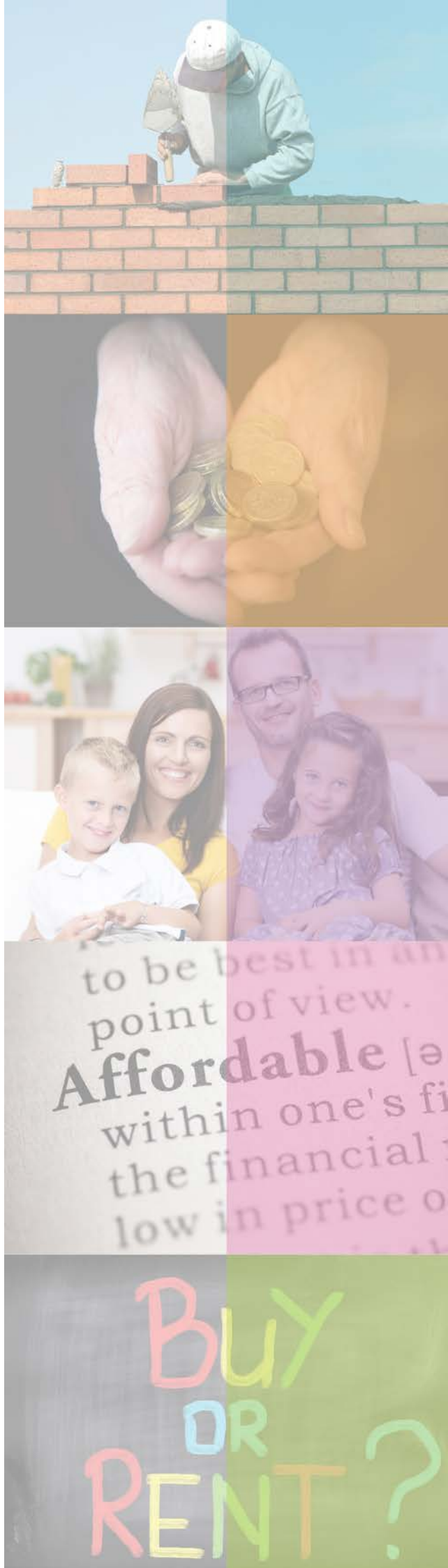


Northern Ireland
Housing Market

Review & Perspectives 2014-2017

Housing
Executive



Housing Executive

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Preface

“The next three year period will be one of significant change in the governance of social housing in Northern Ireland.”

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Preface



Once again we are pleased to present one of our most significant annual publications: *Northern Ireland Housing Market: Review and Perspectives, 2014-2017*.

At a time of significant change in the housing market, not least in its social sector, it is important that we understand its characteristics, the main drivers of change and the key trends which provide the context for change. This document provides a strategic overview of developments in the housing market, highlights key issues to be addressed and the perspective for each of the tenures over the coming three year period. It acts as a fundamental reference for our Corporate Plan, which now reflects the direction of travel implicit in the Minister for Social Development's Social Housing Reform Programme by having separate sections for Regional Services and Landlord Services.

The next three years will be challenging ones for all housing organisations. Northern Ireland's economy has begun to show signs of recovery, but public funds for housing will continue to be in short supply and the implementation of major organisational change and unpopular welfare reforms will provide ongoing challenges.

The 2011 House Condition Survey did provide some welcome news during 2012, including a reduction in the headline fuel poverty rate from 44 per cent in 2009 to 42 per cent in 2011 and a much lower proportion of homes failing the Decent Homes Standard (11 per cent in 2011 compared to 15 per cent in 2009). More detailed analysis of these improved figures bears out the hypothesis that well-targeted investment in housing can make a significant difference to the quality of the stock, to its energy efficiency in particular, and therefore to people's lives. In social housing in particular, where thermal comfort had been an issue in a significant number of dwellings, heating and insulation improvements to some 20,000 properties between 2009 and 2011 saw the proportion of homes failing the Decent Homes Standard fall from 15 per cent to only four per cent.

It is important, however, not to underestimate the need for ongoing investment in housing. The rate of unfitness in the stock rose for the first time in 2011 (to 4.6%), and although this is essentially now an issue associated with vacant stock in the private sector, the number of vacant properties is continuing to rise at a time when the demand for housing is also increasing. Vacancy is increasingly associated with isolated rural areas. One third of all vacant properties in Northern Ireland are in isolated rural areas and 17 per cent of all homes in these remoter areas are vacant. Given the ongoing rural-urban drift of population, this is a very difficult issue to address. A new Empty Homes Strategy is being developed by the Housing Executive.

The issue of affordability for first-time buyers continues to be of importance. The latest research produced in partnership with University of Ulster shows that although house price to income ratios are now at much more sustainable levels, and access to lending has become easier - often with the help of schemes providing 95 per cent loan to value mortgages which are similar to the Government's Help to Buy Scheme – ongoing labour market uncertainty and wage levels falling behind the cost of living have continued to make it difficult for young households to enter the market. Recent figures indicate that transaction levels are increasing and a growing proportion of sales are going to first time buyers, but high levels of negative equity in Northern Ireland have resulted in a sluggish second hand market.

Against this background the private rented sector will continue to play a very important role in Northern Ireland's housing market. There is now a substantial evidence base on how the changes to Housing Benefit have impacted on tenants and landlords. Recent research indicates that the impacts so far have been relatively small, but there is no doubt that the continuation of direct payment to landlords in Northern Ireland – an important modification compared to the rest of the UK – has helped sustain the private rented sector at a time when real household incomes are falling.

For the last two years housing associations, in partnership with the Housing Executive, have exceeded the targets for social housing starts. Social housing too is benefiting enormously from the continuation of direct payment to landlords, although the implementation of the under-occupation related reduction in Housing Benefit will, as in GB, undoubtedly result in more uncertainty for many working age tenants, who will find it almost impossible to find alternative suitable accommodation in the social sector in an area of their choice.

Depending on the outcomes of the Social Housing Reform Programme, the next three year period may signal change in the governance and structure of social housing in Northern Ireland. It is important, however, that during these challenging times we do not lose sight of the importance of making the best use of scarce public resources for housing; we hope that this *Review and Perspectives* will be of benefit to all housing decision makers.



A handwritten signature in black ink, appearing to read 'M. Lightbody'.

Mags Lightbody
Chief Executive (Acting)



A handwritten signature in black ink, appearing to read 'Donald Hoodless'.

Donald Hoodless
Chairman

Introduction

The “*Northern Ireland Housing Market: Review and Perspectives*” is one of a number of key strategic documents published each year by the Housing Executive in its role as the regional housing authority.



It provides a synthesis of recent housing research and market intelligence as the background and context for the development of housing strategies and housing policy as well as more operational matters. This is the eighteenth consecutive year that the “*Review and Perspectives*” has been published.

The “*Review and Perspectives*” draws together the latest statistics compiled by the Housing Executive, Government departments and the private sector. Summaries of the key findings of recently completed housing research undertaken or commissioned by the Housing Executive are also included. The document also provides a starting point for the Housing Executive’s Corporate Plans, thereby helping to guide the organisation’s intervention in the housing market and providing an important means of monitoring the strategic impact of this intervention.

Chapter 1 provides the strategic context for Northern Ireland’s housing market. It examines the two most important drivers of the housing market: the economy and demography. It provides a summary of recent trends in the world economy, in the Eurozone and in the economies of the UK and Ireland as the broader context for understanding developments in Northern Ireland’s economy. It also examines the most recent socio-demographic trends emerging from the 2011 Census, trends which are often seen as having the most direct impact on developments in the housing market, and more direct indicators of housing need.

Chapters 2 – 4 look at developments in each of the three main housing tenures: owner occupation, the private rented sector and social housing. The most recent statistics and trends are summarised as a basis for estimating how each of the tenures will develop in the coming three year period, in the context of the strategic factors set out in Chapter 1. Each chapter ends by highlighting the key issues emerging from the analysis and the strategic perspective.

Finally, the short conclusion summarises the key trends and factors which will help determine Northern Ireland’s housing market over the coming three years and highlights a number of housing market priorities emerging from the ‘*Review and Perspectives*’ as a whole.

Executive Summary

The Northern Ireland Housing Market: Review and Perspectives is a research document which synthesises the most up-to-date research and market intelligence to inform the public, private and voluntary sectors on key trends and developments in the housing market over the past twelve months.

However, it is also a forward-looking document, in that it attempts to provide a guide to what is likely to happen in terms of the underlying drivers of the market and in each of its three sectors over the coming three year period. This summary section of the document draws out the key issues facing the housing sector and the prospects for each of the tenures.

The Strategic Context

The world economy appears to have entered a period of more stable growth. Global growth is projected to rise to 3.7 per cent in 2014 and 3.9 per cent in 2015, although downside risks remain. In the USA, there are signs that prospects for employment and output have improved over the last six months, although the workforce participation level has fallen to 63 per cent, its lowest since the 1970s. There are also indications that the euro area is turning the corner from recession to recovery, but the high levels of Government and household debt, as well as the failure to clean up the balance sheets of troubled European banks still pose significant risks to the economies of the UK and the Republic of Ireland.

In 2013, the UK economy recorded four consecutive quarters of growth for the first time since the "Great Recession" began in 2007. Overall GDP grew by 1.8 per cent in 2013 and is forecast to increase by 2.7 per cent in 2014. In March, against this background, the Chancellor presented a fiscally neutral budget and reaffirmed the Government's commitment to deficit reduction. The extension of the equity loan version of the Help to Buy scheme will undoubtedly continue to stimulate the housing market in Great Britain, but increases the risk of an unsustainable rise in house prices in London and the South East, as well as exacerbating regional economic disparities.

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Northern Ireland's economy is set to grow by 1.6 per cent in 2014, although recovery is lagging significantly behind other parts of the UK. During the first quarter of 2014, economic news was mixed. New car registrations rose five per cent in 2013 compared to 2012, but ongoing labour market weakness, lower levels of public expenditure and research showing that more than two-fifths (68,000) of all mortgages taken out since 2005 are in negative equity all confirm that significant challenges remain.

Northern Ireland's demography is continuing to change. Between 2001 and 2011, its population rose by 7.5 per cent to 1.8 million. Its age profile is becoming older: the number of people aged 65 and over increased by 40,400 (18%) and the number aged 85 and over rose by 35 per cent to 31,400. Average household size has continued to fall. However, although the number of households is continuing to rise, the rate of household formation has slowed a little – at least partly in response to the economic environment.

The continuing trend towards more single person households and a greater number of older person households will continue, resulting in a sustained demand for accommodation and particularly for smaller units of accommodation. There will also be ongoing demand for funding for supported housing and for support packages to help older people, or people with a disability, remain in their own homes.

The numbers of applicants on the waiting list (more than 41,000) and those in "housing stress" (more than 22,000) have risen over the past year. The number presenting annually as homeless fell a little in 2012/13 (to less than 20,000), but the number accepted as statutorily homeless rose by almost 10 per cent to approximately 10,000. The Net Stock Model indicates an ongoing annual requirement of 1,200 new social dwellings for the period 2008-2018 reflecting both lower expected levels of household formation and a lower rate of new construction for the private sector. However, the annual requirement has been set at 2,000 to reflect a significant backlog which has developed since 2001 and the very challenging market conditions, which make it unlikely that there will be a significant upturn in the rate of construction by the private sector in the near future.

Northern Ireland's housing stock continued to grow steadily between 2009 and 2011, with approximately 20,000 additional homes being added to the stock. However, for the first time, the rate of unfitness has increased: from 2.4 per cent in 2009 to 4.6 per cent in 2011. This increase is concentrated in private sector vacant stock, but reduced funding for improvement and replacement grants during these two years has impacted negatively on housing conditions.

Although the rate of fuel poverty in Northern Ireland reduced between 2009 and 2011 to 42 per cent, reducing it further remains a difficult challenge in the short term, given that energy prices are to remain high and real household incomes are falling. Improving the fabric of dwellings has helped ensure that despite significant rises in energy prices, the rate of fuel poverty did not increase, but while improving the fabric of the dwelling can ameliorate the impact of fuel poverty significantly, it cannot eradicate it altogether.

The owner occupied sector

Northern Ireland's owner occupied sector had continued to grow in the early years of the new millennium, with low interest rates helping to counteract the growing gap between the income of the typical first-time buyers and rising house prices. Since 2007, however, the combined effects of the 'credit crunch', a steep economic downturn and the concomitant growth of the private rented sector have ultimately led to a reversal of this long-term trend. Between 2006 and 2011, the proportion of the total housing stock in owner occupation fell from 66 to 62 per cent, although the number of dwellings in owner occupation remained approximately the same (almost 469,000). The relative decline of the sector was compounded by the sharp drop in the rate of construction of new dwellings for the private sector from 14,000 in 2006/07 to an average of little more than 5,000 per annum between 2008/09 and 2012/13.

During 2013, there were signs that the owner occupied sector was once again becoming more vibrant, with more first time buyers entering the market, assisted by the re-emergence of higher loan-to-value mortgages and most recently by the growing demand for Co-Ownership and Help to Buy (or equivalent schemes being run independently of Government by a number of lenders), but it is unlikely that the underlying patterns of tenure choice which have been established since 2007 will change over the next three year period.

The health of the economy will always be the single most important underlying determinant of the owner-occupied sector of the housing market. Northern Ireland's economy is likely to experience only limited growth over the coming three year period with the result that the labour market and any increases in household incomes will be subdued. This economic outlook will impact on the owner occupied sector over the coming three-year period in a number of ways:

- ➔ The number of new dwellings being constructed in the private sector will continue to remain low at around 5,000 per annum.
- ➔ The number of existing dwellings entering or re-entering the sector (via the House Sales Scheme or private landlords selling to owner occupiers) is also likely to remain low.
- ➔ The combined effect of these forecasts is that the proportion of dwellings in the owner occupied sector will continue to decline.

Average house prices in Northern Ireland are still almost 50 per cent lower than at their peak in 2007. However, figures from the leading house price indices for Northern Ireland all indicate that a significant increase in transaction rates has taken place during 2013 and the University of Ulster mix-adjusted House Price Index shows that house prices rose by 2.4 per cent in the second half of 2013. This combined with the brighter economic outlook and greater willingness on the part of lenders to provide higher loan-to-value mortgages for first time buyers would indicate that prices are likely to drift upwards by up to 5 per cent during 2014, although this rate will vary significantly between local housing markets.

The University of Ulster's new composite index of affordability combines house price to income ratio for first time buyers and access to deposits. It confirms that affordability has improved significantly in recent years across most housing market areas. However, in a number of key housing market areas (Belfast; Lisburn/Castlereagh; Derry/Strabane/Limavady) there remain strong affordability pressures, and it is in these areas that lack of housing supply can be an important factor. The Ministerial Housing Supply Forum is currently addressing housing supply issues in Northern Ireland.

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The private rented sector

The private rented sector grew rapidly between 2006 and 2009, driven by both supply side factors, such as the investor-driven construction boom, and demand side factors, such as the demand from first time buyers unable to access owner occupation. The sector has continued to grow, albeit at a slower rate; the most recent House Condition Survey (2011) estimates that if vacant properties, which were privately rented when last occupied, are included, almost a fifth (19%; 144,500) of all housing stock is in the private rented sector.

High levels of worklessness, rising numbers in part-time and temporary employment, growing waiting lists for social housing and affordability issues for first time buyers will ensure that the private rented sector continues to play an important role in Northern Ireland's housing market in the longer term.

The first private rental index for the whole of Northern Ireland shows an ongoing healthy demand for rental properties. The index shows that, in 2013, there were approximately 26,400 new lettings, and that the volume of transactions increased by 6 per cent between the first and second halves of the year. Average rent for the year for Northern Ireland as a whole was £538, although this varied significantly by location. Belfast accounted for approximately 40 per cent of the total new lettings and the average rent in 2013 was higher at £581.

Some landlords who have experienced mortgage repayment difficulties - particularly those who bought at the height of the boom with the help of a high loan-to-value mortgage, are leaving the sector. However, given the expected continued demand for private renting from first-time buyers unable to afford their first home, as well the continuing demand for social housing, the risk of large-scale disinvestment is seen as low, an estimate confirmed by research undertaken by Sheffield Hallam University.

Progress in implementing the Department for Social Development's strategy for the sector has continued. Early figures emerging from the Tenancy Deposit Scheme indicate a steady take up by private landlords and their tenants and in February 2014 another important element came into effect: the Landlord Registration Scheme. Both schemes will help contribute to a sector which is more attractive in the longer term for tenants and landlords.

Housing Benefit continues to play a vital role in supporting the sector. In 2012/13 more than 60,000 private tenants were in receipt of Housing Benefit and the total budget for the sector amounted to almost £300 million. Research completed by Sheffield Hallam University in 2013 indicates that, so far at least, the Housing Benefit Reforms have had a somewhat subdued impact, with little evidence of mass tenant/landlord movement out of the sector. Interim protections put in place and the decision to retain direct payment of Housing Benefit to landlords may have softened the impact of current reforms. However, there are signs that tenants on lower incomes are having greater difficulty in finding the money to bridge the gap between Housing Benefit and market rent.

Research undertaken by the University of Ulster confirms this growing affordability problem for tenants. In 2012, the average deposit was £415, much higher than in 2006 when the comparable figure was £348. In 2012, tenants had to pay an average shortfall between Housing Benefit and market rent of £29 per week, compared to only £20 in 2012. However, landlord-tenant relationships continue to remain generally positive with more than 90 per cent of respondents stating that they were on good terms with their landlord.

The social sector

In March 2013, there were approximately 118,600 occupied, self-contained social rented sector dwellings in Northern Ireland, accounting for around 16 per cent of the region's total occupied housing stock. The number of social dwellings in Northern Ireland is likely to continue to grow over the next three years, although planning constraints and difficulties in securing land in appropriate locations will combine to create a challenging environment as the Housing Executive and housing associations work, in partnership, towards a target of starting 2,000 new social dwellings in 2014/15.

Since 2001, the Social Housing Development Programme has not kept pace with the steadily rising need for social housing. The most recent model of future social housing need was produced in January 2013. It estimated that there is an annual requirement for at least 1,200 additional new social dwellings to meet ongoing need. An overall figure of a minimum of 2,000 new social dwellings is seen as being required to make significant inroads into the substantial backlog which has developed since 2001 and to take account of the relatively low rate of new private construction that is expected over the next three year period.

Welfare reforms that came into force in the rest of the UK during 2013 have yet to be fully implemented in Northern Ireland, but there is likely to be increased pressure for movement on this issue in 2014. The application of reduced Housing Benefit in cases of under-occupancy, in particular, is likely to affect a substantial number of social housing tenants, and lead to an increased demand for the limited stock of smaller properties.

Work on the Social Housing Reform Programme is now well under way, with the first phase – development and approval of strategic design requirements – due to be completed by spring 2014. It is likely that a more detailed picture of plans for the future of Northern Ireland's social housing sector will emerge later in the year.

The housing market and construction sector are still recovering from the property downturn in 2008. In these conditions, the introduction of a developer contributions policy would yield only very limited results and could impact negatively on any growth in housing construction. However, it is important that work continues to finalise a policy that will enable provision of social and affordable housing through developer contributions in the longer term.

The Co-Ownership scheme continues to play a very important bridging role in meeting the needs of lower income households wishing to access owner-occupancy. In 2012/13 almost 1,000 properties valued at a total of £105 million were bought under the scheme - at a cost of only £38 million to the public purse. The public and private funding that has been committed to the scheme will help the organisation continue to fulfil its invaluable role in a challenging housing market.

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Conclusion

Northern Ireland's housing market is still undergoing a period of stabilisation. The prospects for the world economy and the economy of the UK have become brighter. However, high levels of government and household debt in the euro area and a lengthy period of austerity provide the wider context for the next three year period. Northern Ireland's labour market remains uncertain and ongoing public expenditure constraints will impact in a disproportionate way in Northern Ireland, where approximately one third of all employment is in the public sector and two thirds of GDP is dependent on it.

During the next three years the number of new homes being completed for the private sector is likely to remain well below the recent historic trend. House prices are likely to drift upwards, reflecting substantial improvements in the affordability ratio of house prices to incomes, and improved access to higher loan-to-value mortgages. However, the high levels of negative equity in Northern Ireland will continue to hamper the process of market normalisation.

The private rented sector will continue to play a vital role in meeting the needs of younger households on lower incomes, who in previous decades would have more likely become first-time buyers. High levels of demand for social housing in some areas will also continue to underpin the demand for private rented accommodation, which will continue to be supported by a large Housing Benefit budget. The impact of changes to the Housing Benefit system have so far been muted, in particular due to the continuation of direct payments to landlords, although recently completed research indicates higher deposits and a growing gap between Housing Benefit and market rents.

Given the ongoing constraints on the public purse, resources for stimulating the housing market, for new social housing and undertaking improvements and repairs to existing social dwellings will be more limited, making it more difficult to implement effective policy interventions in the housing market. Nevertheless it is important that the impact of these resources is maximised to address the ongoing need for investment in new social housing and affordable housing through the Co-Ownership scheme, as well as improvement and maintenance of the existing stock and measures to address fuel poverty.



1

Chapter

The Strategic Context

“The trend towards more single person households and older households will continue...”

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Northern Ireland's Housing Market: Key Figures

	2001	2006	2011
TOTAL STOCK	647,500	705,000	760,000
Urban	434,600 (67%)	493,800 (70%)	530,000 (70%)
Rural	212,900 (33%)	211,200 (30%)	230,300 (30%)
TENURE			
Owner Occupied	432,300 (67%)	468,900 (66.5%)	469,100 (61.7%)
Private Rented	49,400 (7.6%)	80,900 (11.5%)	125,400 (16.5%)
Housing Executive	116,000(17.9%)	93,400 (13.3%)	85,900 (11.3%)
Housing Association	17,900 (2.8%)	21,500 (3.1%)	24,800 (3.3%)
Vacant	31,900 (4.9%)	40,300 (5.7%)	54,700 (7.2%)
DWELLING AGE			
Pre-1919	116,400 (18.0%)	113,800 (16.1%)	87,700 (11.5%)
1919-1980 ¹	356,800 (55.1%)	381,600 (54.2%)	371,600 (48.9%)
Post 1980	174,300 (27.0%)	209,600 (29.7%)	300,700 (39.6%)
HOUSING CONDITIONS			
Unfitness (rate)	31,600 (4.9%)	24,200 (3.4%)	35,200 (4.6%)
Non-Decent Home (rate)	205,800 (31.8%)	162,100 (23.0%)	86,600 (11.4%)
Fuel Poverty (rate)	167,100 (27.3%)	225,600 (34.2%)	294,200 (42%)
NEED FOR SOCIAL HOUSING			
	March 2001	March 2006	March 2011
Total Waiting List	22,054	32,215	39,891
Housing Stress	10,639	17,433	20,967
	April 2000-March2001	April 2005 – March 2006	April 2010 – March 2011
Homeless: Presented	14,164	21,013	20,158
Homeless: Accepted	7,374	9,744	10,443
New Social Housing Required	1,500	2,500	2,000

¹ The apparent increase in the number of dwellings constructed between 1919 and 1980 is essentially accounted for by sample error.

The Regional Development Strategy



The original *Regional Development Strategy* (RDS) for Northern Ireland, published in 2001, played an important role in determining the configuration of Northern Ireland's housing market.

It provided the overarching spatial planning framework which guided housing development and it emphasised the importance of decent housing, the availability of affordable and special needs housing as well as the need for balanced and integrated development. With hindsight it can also be seen as having mitigated the adverse effects of the unsustainable housing boom between 2005 and 2007.

This original Strategy envisaged a requirement for 160,000 additional dwellings during the period 1998-2015. This figure was increased to 200,000 following the publication of new demographic and housing stock figures from the 2001 Census and the 2001 House Condition Survey respectively. Housing Growth Indicators (HGIs) were set for each of the District Council areas outside the Belfast Metropolitan Area (BMA) and for the BMA as a whole. Following a Public Examination in February 2006 the overall Northern Ireland total was increased by 8,000 to 208,000 to take account of more recent population projections, and specifically the growing number of migrant workers.

In June 2008, a fundamental review of the RDS was launched in response, in particular, to criticism of the HGIs, which many commentators had seen as restrictive in terms of forward planning. The new *Regional Development Strategy – RDS 2035 – Building a Better Future* was published in January 2012. Its stated purpose is to provide “an overarching strategic planning framework to facilitate and guide the public and private sectors”². Strategic Guidance contained in the document emphasises the need to “manage housing growth to achieve sustainable patterns of residential development” (p.40). It requires the varied needs of the whole community to be met, including the provision of affordable and special needs housing. It emphasises the need to manage housing growth to ensure a continuing focus on high quality accessible housing within existing urban areas and sets a regional target of 60 per cent of new housing to be located in appropriate “brownfield” sites within the urban footprints of settlements greater than 5,000.

The overall requirement for new dwellings between 2008 and 2025 is seen as 190,000, an average annual figure of approximately 11,200, which is somewhat lower than the annual average of approximately 12,200 in the previous Regional Development Strategy. However, it is also important to note that the key figure of 190,000 dwellings was calculated using the 2008-based household projections, which – as became apparent following the publication of the Census 2011 figures – overestimated the actual number of households in Northern Ireland in 2011 by approximately 12,000.

² DRD (2012) *Regional Development Strategy – RDS 2035 – Building a Better Future*, Belfast: Department for Regional Development, p.10.

The Economic Context

The World Economy

The state of the economy is the key determinant of trends in any housing market. Globalisation, the growing integration and interdependence of economies, means that developments in the world economy have, in the last analysis, an increasingly important impact on developments in Northern Ireland's housing market. Future developments in the world economy will be key factor in influencing local labour markets, and therefore purchasing power and will impact on the financial system and the propensity of banks / building societies to lend to potential homebuyers and investors.

The International Monetary Fund's (IMF) *World Economic Outlook Update* (January 2014) notes that the world economy strengthened in the second half of 2013 and is expected to improve further in 2014 and 2015, due largely to economic recovery in the advanced economies. Global growth is projected to be 3.0 per cent in 2013, rising to 3.7 per cent in 2014 and 3.9 per cent in 2015. The IMF emphasises, however, that downside risks remain and has revised its forecasts for growth downwards for some economies which remain fragile.

In the **USA**, the supportive financial environment in 2013, including low rates of interest and monthly stimuli of \$85 billion by the US Federal Reserve, has helped sustain economic growth of 1.9 per cent for 2013 as a whole, although the annual rate declined from 4.1 per cent in Q3, 2013 to 2.4 per cent in Q4, 2013 as reductions in personal consumption, business investment and exports took their toll. The rate of unemployment has fallen from 7.7 per cent to 6.7 per cent between February 2013 and February 2014, although the overall workforce participation level has fallen to 63 per cent, the lowest since the 1970s. The housing market in the USA has become more buoyant: the Standard & Poor – Case-Shiller index shows that house prices rose 11.3 per cent over the year, although they declined by 0.3 per cent in the final quarter. In response to these generally more positive economic indicators, the US Federal Reserve announced, in December 2013, that it was to start "tapering" its Quantitative Easing and by February 2014 this had fallen from \$85 billion to \$60 billion a month, although the IMF notes the negative impacts on emerging economies, where as a result there is an increasing likelihood of a reversal of capital flows.

In **Japan**, annual growth is expected to remain broadly unchanged at 1.7 per cent as a further fiscal stimulus is expected to offset the increase in consumption tax in early 2014. Overall growth in emerging market and developing economies is expected to increase to above 5 per cent in both 2014 and 2015. **China**, now the second largest economy in the world, grew strongly in the second half of 2013, largely due to an acceleration in investment, although the IMF expects this to be temporary, in part because policy measures have been put in place to curtail the growth of credit and raise the cost of capital. The announcement by China's premier in March 2014 that future defaults on bonds and other financial products are "unavoidable" underlines the wider concerns that bad debts could reduce growth in China's increasingly debt dependent economy.

The high levels of government and household debt continue to give cause for concern in the **euro area**, although there are signs that it is in the process of turning the corner from recession to recovery. The IMF estimates that the euro area's economy shrank by 0.4 per cent in 2013, but will expand by a modest one per cent in 2014,

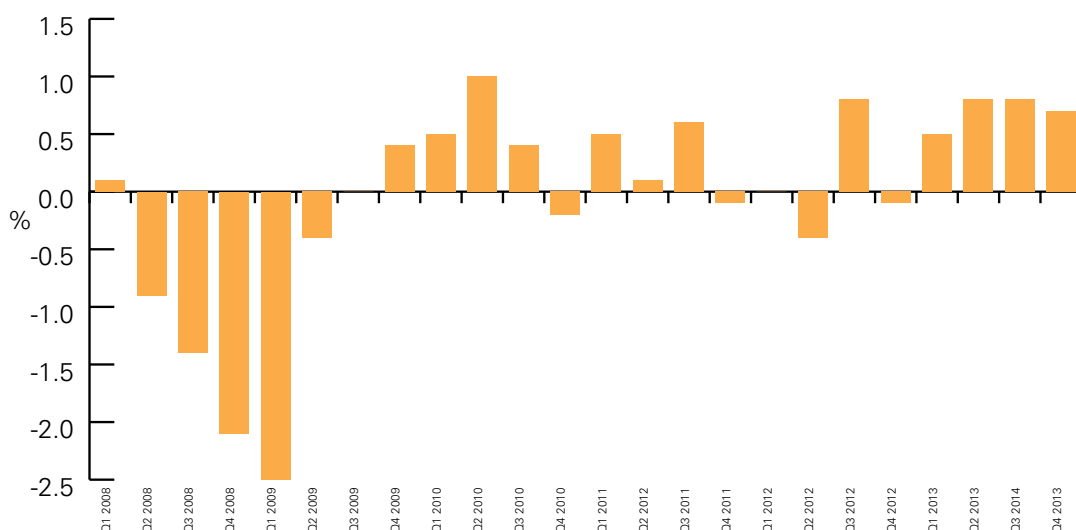
followed by 1.5 per cent in 2015. However, it emphasises that this recovery will be uneven as household debt levels undermine the attempts to raise domestic demand. In **Spain** the unemployment rate rose above 26 per cent in January 2014, while almost 200,000 jobs were lost in 2013 and more than 250,000 have left the country looking for work. Youth unemployment remains at 55 per cent. In **Greece**, too, unemployment has hit an all-time high of 28 per cent. In **Germany** the economic indicators are much more positive with relatively low unemployment (less than 7 per cent) and the economy growing at 1.5 per cent in Q4, 2013. However, with no Quantitative Easing and no serious attempt to clean up the balance sheets of troubled European banks, limited credit growth and ongoing austerity means there is a risk the nascent recovery will not be sustained.

In the **Republic of Ireland**, where Europe’s economic crisis first became apparent, the economy continued to recover during 2013. The rate of unemployment fell from approximately 15 per cent in early 2012 to 12 per cent in at the end of 2013. Ireland had been forced to accept a €65 billion bailout in November 2010 following the property crash, but has now become the first country to exit the programme (December 2013). However, leading Irish banks are struggling to deal with growing mortgage losses and latest figures show that 14 per cent of mortgages are more than 3 months in arrears, while in addition a large number of SME’s are experiencing difficulty in repaying their loans. With approximately 1.2 million (70% of the workforce) employed by SMEs this must be regarded as a major risk to the Irish economy. Although the headline unemployment figures are improving, the subdued labour market remains a significant issue, with continuing high levels of out migration in search of work. An estimated 75,000 people aged 15-44 emigrated in 2012 and one in four under 25s are unemployed. The housing market in Ireland, however, does show signs of recovery with rising house prices in the Dublin area now giving rise once again to affordability issues in parts of the city.

The UK economy

The **United Kingdom** has experienced the slowest post-recession recovery in its economy since the nineteenth century. Although the UK officially emerged from recession in Q4, 2009, economic growth continued to be erratic and punctuated by quarters of contraction (see figure 1). However, four consecutive quarters of economic growth were recorded in 2013, for the first time since before the “Great Recession”.

Figure 1: Quarter-on-Quarter Change in UK GDP, 2008-2013



Source: ONS

Housing Executive

It was against this background and in the context of a continued Government commitment to achieve ongoing deficit reduction that the Chancellor announced his budget on 19th March 2014. *Budget 2014* acknowledged that the “UK economy has been hit by the most damaging financial UK crisis in generations” but that since *Budget 2013* “economic growth has exceeded forecasts, inflation is below target, and the deficit has been reduced year on year” (p.1). Annual growth in GDP in 2013 was 1.8 per cent, exceeding the 0.6 per cent forecast in *Budget 2013*. The Office for Budgetary Responsibility (OBR) has revised its forecast for GDP growth in 2014 upwards from the 2.4 per cent (in the November 2013 Autumn Statement) to 2.7 per cent and from 2.2 per cent to 2.3 per cent for 2015. It expects GDP to return to its pre-crisis level in Q3, 2014. Public sector net debt is forecast to peak at 78.7 per cent of GDP in 2015/16, 1.2 per cent lower than forecast in the *Autumn Statement* and falling to 74 per cent in 2018/19. The annual deficit as a percentage of GDP is forecast to have fallen by half in 2014/15 compared to 2009/10 and OBR estimates that there will be a surplus by 2018/19.

In terms of its impact on effective demand, the Budget is seen as fiscally neutral, with the overall reduction in taxation balanced by a reduction in spending by Government departments and a new cap on welfare spending (including non-Job Seekers Allowance related Housing Benefit). The rise in the personal income tax threshold to £10,500 in 2015 will provide a reduction in income tax for an estimated 25 million and lift 3.2 million low earners out of direct taxation altogether.

Budget 2014 sets out a number of measures to further increase the housing supply:

- The Help to Buy scheme: the equity loan scheme which has already helped in the purchase of 17,000 new homes is expected to help at least 74,000 households by March 2016. The Government is to extend this to March 2020 to support a further 120,000 households. The mortgage guarantee scheme will continue until the scheme ends in December 2016.
- In order to support SMEs, a £500m Builders Finance Fund will provide loans to unlock 15,000 housing units which have stalled due to difficulties in accessing finance.
- For people wanting to build their own home, the Government will consult on a new “Right to Build”, giving custom builders a right to a plot from councils and a £50m repayable loan fund, to help provide up to 10,000 serviced plots for custom build.
- An Urban Development Corporation will be established to lead the development of a new garden city at Ebbsfleet in Kent for up to 15,000 homes.
- A £150m fund to kickstart the regeneration of large housing estates through repayable loans.

Budget 2014 recognises that although economic recovery is taking place there is still a considerable way to go: “more work is needed to tackle historic weaknesses, including low productivity, poor skills and inadequate infrastructure” (p.1). In addition there are ongoing regional disparities, with much of the growth being concentrated in London and the South East, with the Help to Buy scheme actually helping to fuel house price increases and unsustainably high levels of household debt in these regions.

Economic indicators published in the early months of 2014 have been mixed. Retail sales fell by 2 per cent in January, but recovered to increase by 1.7 per cent in February. In March, the Bank of England warned that one in ten home buyers are now borrowing more than four times their income and warned of the possibility of another unsustainable housing bubble. The proportion of home loans classified as “high income-

multiple" (3.5 times a single income and 2.75 times a joint income) is greater than at any time since records began. In London almost one in five buyers are taking out high income-multiple loans. The number of mortgage approvals granted to home buyers increased to a six-year high in January (almost 77,000).

In January, exports fell to their lowest level in 18 months and were down almost 4 per cent to other EU countries. In the three months to January 2014, the number classified as out of work fell 63,000 to 2.33 million, although the unemployment rate stayed the same at 7.2 per cent. Employment climbed to over 30 million, but self employment has risen sharply to 4.5 million, the highest level on record.

Effective demand continues to be a problem. ONS statistics show that real wages have been falling consistently since 2010 (by 2.2 per cent since Q1, 2010) while household debt in the UK totals £1.43 trillion (£29,000 per head), although the headline rate of inflation (CPI) fell in February 2014 to 1.9 per cent – its lowest since October 2009.

Northern Ireland's Economy

In **Northern Ireland** the economic outlook has improved. *The Northern Ireland Composite Economic Index* for Q4, 2013 recorded an increase of 0.6 per cent compared to Q3, 2013. The most recent overview of Northern Ireland's economy from PwC (*Northern Ireland Economic Outlook*, April 2014) estimates that the economy is set to grow by around 2.0 per cent in 2014 and 2015. However, it notes that while the region's manufacturing and services sector have shown nine months of continuous improvement, construction and retail remain depressed. The report indicates there may be a two stage recovery "where the unskilled and low-paid may not experience the full benefits of recovery."

This analysis was also broadly in line with the Ulster Bank's *Economic Outlook for 2014* (January 2014), which expects the local economy to expand by 1.5 per cent, but highlights the "cost of living crisis" which will see "a growing number of households in work finding it increasingly difficult to make ends meet".

During the early months of 2014 economic news has been mixed. New car registrations in Northern Ireland in 2013 (52,460) – often considered to be a bellwether of purchasing power – rose by almost 5.0 per cent compared to 2012. However, this was tempered by the announcement of a series of job losses at a number of well established firms such as Mivan (100) and KPL (200), but most significantly for the housing market, 300 jobs to be lost at the Driver and Vehicle Agency, more than two-thirds of them in Coleraine. However, the announcement of 500 new jobs in the IT sector in Newtownabbey over a three year period would indicate renewed confidence in Northern Ireland as a place to invest.

One of the most worrying statistics to emerge was from the mortgage administration company HML¹, which estimated that in Q4, 2013 more than 68,000 mortgages advanced since 2005 (41% of the total) were now in negative equity, an increase from 44,000 (28%) in 2011 - a reflection of the fall in house prices since then.

Following the March budget, Northern Ireland's Finance Minister, also sounded a cautionary note when he noted that the increase in the capital budget to above £1 billion for the first time in three years would mean a reduction in day-to-day spending on wages and services. "The change in current expenditure between this financial year and 2015-16 is a 2.1% reduction, something between £200 million and £300 million which will have to be saved".

¹ <http://www.hml.co.uk/latest-thinking/2014/03bbc-negative-equity-report/>

Northern Ireland's labour market

The health of the labour market is a key determinant of the housing market. Key indicators include: employment, unemployment and economic inactivity. Rising levels of employment and increases in household income were key factors driving the buoyancy of Northern Ireland's housing market between the mid-1990s and the mid-2000s. Since 2007, however, the significant downturn in Northern Ireland's economy was accompanied by a significant increase in unemployment and worklessness.

Table 1: Key Labour Market Statistics for Northern Ireland, 2013-2014

	Q4, 2012 (%16-64) (000's)		Q4, 2013 (%16-64) (000's)		YoY Change
Employment (16+)	799	(67.0%)	807	(67.6%)	+8,000
Unemployment (16+)	68	(7.8%)	64	(7.4%)	-4,000
Economic Inactivity(16-64)	316	(27.2%)	313	(26.9%)	-3,000
Worklessness (16-64)	384	(33.0%)	377	(32.4%)	-7,000

Source: NISRA, *Labour Market Statistics – February 2014 (Seasonally adjusted)*

Table 1 compares the key labour market statistics for Q4, 2012 and Q4, 2013:

- ➔ Employment (including employees, self-employed and those on government programmes) has increased by 8,000 to 807,000. However, it is important to note that this includes 199,000 (25%) part-time workers, an increase of 7,000 since Q4, 2012, and an increase of 23,000 since Q4, 2010. Similarly, there has been a significant increase in temporary workers over the latest four quarters, from 41,000 to 49,000.
- ➔ Unemployment decreased (-4,000) to 64,000 (7.4%), although it rose marginally between Q3, 2013 and Q4, 2013. A total of 30,000 (47%) have been unemployed for more than a year.
- ➔ The number of people who were aged 16-64, but were economically inactive fell by 3,000 to 313,000. The rate of working age activity reflected this, rising from 72.8 per cent to 73.1 per cent. The inactivity rate in Northern Ireland (26.9%) remains the highest of all UK regions. The UK average is 22.1 per cent.
- ➔ The number of people of working age who are workless (economically inactive plus unemployed) declined by 7,000 to 377,000 in Q4, 2013, bringing the proportion of the working population classified as workless to approximately 32 per cent.

Earnings

Northern Ireland continues to have a lower level of earnings than the UK as a whole. In April 2013 median gross weekly earnings for full-time employees was £460, approximately 90 per cent of the comparable figure for the UK as a whole (£518)³. Full-time earnings increased by 0.5 per cent over the year, compared to 2.2 per cent in the UK as a whole.

³ Annual Survey of Hours and Earnings (ASHE), :NISRA, Monthly Labour Market Report – February 2014

Demographic Trends

Census 2011

The 2011 Census is a vital source of information on recent demographic trends. Key statistics from the Census have been emerging since July 2012, providing the building blocks for a comprehensive insight into Northern Ireland's changing demography (2001-2011). Demographic trends are a key driver of the housing market and population and household projections are the starting point for estimating the future need and demand for housing in Northern Ireland.

Key points which have emerged from a comparative analysis of the 2001 and 2011 Census figures include:

- ➔ In 2011, Northern Ireland's total population was approximately 1,811,000. Since 2001 the population has increased by 125,600 (7.5%), representing the fastest growth in population between consecutive Censuses since the 1960s.
- ➔ The age structure of the population has continued to become older since 2001 and the median age has increased from 34 to 37 years.
- ➔ The number of people aged 65 and over increased by 40,400 (18%) and the proportion of the total population aged 65 and over increased from 13 to 15 per cent; the number of people aged 85 and over has risen from 23,300 to 31,400 – an increase of 35 per cent.
- ➔ Conversely the number of children (people aged under 16) has declined from 398,100 to 379,300 (-5%). In 2011, children aged under 16 constituted 21 per cent of the population – a reduction from 24 per cent in 2001.

The demographic structure of the population continued to change between 2001 and 2011:

- ➔ Average household size fell from 2.65 in 2001 to 2.54 in 2011.
- ➔ The number of households grew from 628,400 in 2001 to 703,300 in 2011.
- ➔ The number of single person households grew from 172,000 (27%) to 196,400 (28%).
- ➔ The number of lone parent households with dependent children increased by 27 per cent from 50,500 in 2001 to 63,900 in 2011.

Regional Differences

Demographic trends at the Northern Ireland level are important for understanding the dynamics of the housing market as a whole, but for the purposes of planning for housing, analysis of local trends is important. Key statistics for each of the 26 Local Government Districts (LGDs) provide an indication of the importance of modifying the Northern Ireland picture to take account of local developments.

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While the population of every LGD increased in the decade to 2011, the rate of growth varied considerably. It was greatest in Dungannon (21%), Banbridge (17%) and Ballymoney (16%) and lowest in Belfast (1.3%) and Castlereagh (1.1%).

The overall fall in the number of children between 2001 and 2011 (4.7%) masks significant differences between LGDs. Some of the largest proportionate reductions are in the main urban centres (Belfast City, Castlereagh and Derry City all experienced reductions of more than 10 per cent), but there were also significant declines in Limavady (-13%) and Strabane (-11%). However, seven LGDs recorded more children in 2011 than in 2001; the largest proportionate increases were in Banbridge (11%) and Dungannon (9%).

Similarly, there were significant local differences in the proportionate increases in the number of people aged 65 and over. The overall increase for Northern Ireland was 18 per cent, but some LGDs recorded much higher rates of increase: Antrim (38%) and Limavady (34%). The smallest increase was recorded in Castlereagh (8%) while Belfast City actually experienced a decline (-3%). In terms of the proportion of the population of each LGD aged 65 and over, North Down and Castlereagh had the highest (18%). The lowest proportions were in Derry City, Dungannon, Magherafelt and Newry & Mourne (all 12%).

Population Projections

NISRA produced its first population projections based on the 2011 Census in June 2013. It estimated that between July 2011 and June 2012, the number of people living in Northern Ireland increased by 9,300 (0.5%). This was due to a natural growth of 11,100, offset by net out migration of 1,800 (including 500 members of the armed forces stationed in Northern Ireland). The size of Northern Ireland's resident population in June 2012 was estimated to be 1,824,000. Between 2011 and 2012 the number of persons aged 65 and over continued to increase (by 2.7%), while the number aged 85 and over increased by 3 per cent to 32,700.

Household Projections

Population projections provide a very important source of information on the level and location of future housing requirements. However, the rate of household formation is more important than the rate of increase in the overall population. The most recent household projections were published in 2010. They were based on estimates of the number of households in Northern Ireland in 2008 and estimated that the overall number of households would increase by 83,000 (12%) between 2008 and 2018, with average household size falling from 2.53 to 2.41 persons per household. However, the 2008-based projections proved to be an overestimate: the number of households recorded in the 2011 Census was approximately 12,000 lower than estimated by the 2008-based projections. Nevertheless, the trends shown by these projections are still broadly valid, although the projected numbers of households will change in the light of the new projections to be undertaken by NISRA statisticians in 2014, using the 2011 Census as a starting point.

The 2008-based figures available at the time of writing suggest that in the longer term, over the period 2008 to 2023, household numbers are projected to increase

by approximately 122,000 (18%), driven primarily by population growth (50%), but also by changing age structure (27%) and the trend towards smaller households (23%). The number of single person households in particular is set to increase significantly by 34 per cent. Indeed by 2023, 34 per cent of the total number of households will be single person (compared to 30 per cent in 2008). Conversely, the number and proportion of households with five or more persons will reduce considerably.

Key Implications

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

The increasing number and proportion of one and two person households will have a limited impact on the size and design of dwellings in the private sector as households often require an extra bedroom as a place of work or recreation. However, there are signs that the ongoing programme of Welfare Reform and in particular the removal of the "spare room subsidy" (the so called "bedroom tax") will lead to an increase in the rate of growth of demand for smaller accommodation in the social sector, although the significant increase in the number of concealed households indicated by the recently published ONS report² acts as a countervailing force.

The ongoing increase in the number and proportion of people aged 65 or more, and in particular the rapid growth in the number of people aged 85 or more, undoubtedly will have a significant impact not only on the design of dwellings, but also on the need for housing support funding and care packages which enable older people to live independently in their own homes.

Ongoing research

In September 2013, the Housing Executive commissioned research on *Demographic Trends and Future Housing Need in Northern Ireland*. Key objectives of the research study include:

- ➔ Reviewing the main demographic trends in Northern Ireland in the context of the UK, the island of Ireland and the European Union, with particular reference to the economic and social factors affecting trends.
- ➔ Exploring the attitudes of housing experts to demographically driven models of housing need assessment and evaluating methodologies for assessing housing need and demand in other parts of the UK.
- ➔ Providing an estimate of the requirements for social and private housing in Northern Ireland over a ten year period (2011-2021).

Findings from the research are due to be published in the autumn of 2014 and will help determine the future size and composition of the Social Housing Development Programme.

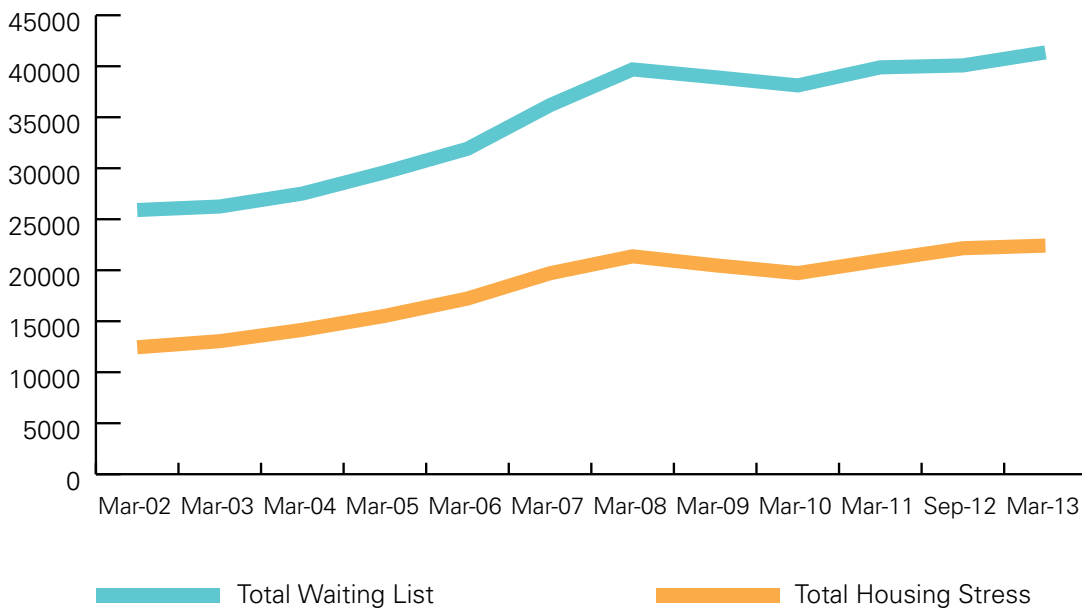
² Office for National Statistics (2014) *What does the 2011 Census tell us about concealed families living in multi-family households in England and Wales?*
Found at www.ons.gov.uk/ons/dcp171776_350282.pdf

The Need for Social Housing

The Waiting List for Social Housing

The Waiting List for social housing continues to be an important source of information for understanding developing pressures in Northern Ireland’s housing market. It forms a vital part of the evidence base which guides the Social Housing Development Programme in terms of the number of new social dwellings to be constructed and their location.

Figure 2: Trends in the Waiting List, 2003-2013



Source: NIHE

Figure 2 illustrates the trends in the overall waiting list for social housing between 2003 and 2013. An analysis of the underlying figures shows that:

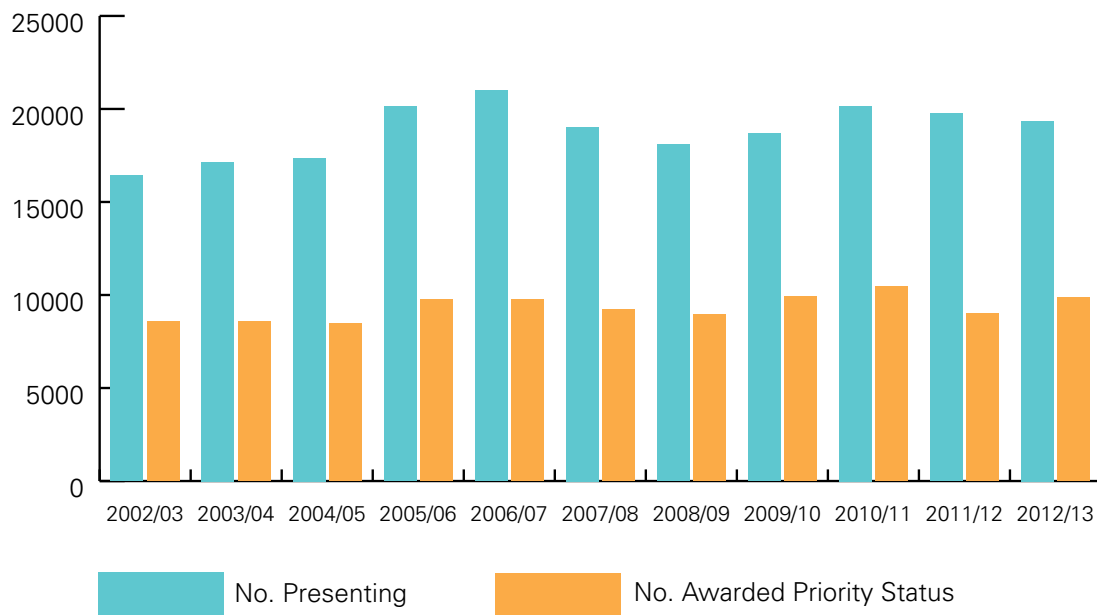
The overall number of applicants increased substantially between March 2003, when it was approximately 26,250, and March 2008, when it reached almost 39,700. Between March 2008 and March 2010 the number of applicants decreased a little to 38,100 – linked to a lower rate of household formation brought on by the sharp economic downturn and an increase in the availability of dwellings in the private rented sector – before rising to an all-time peak of approximately 41,350 in March 2013.

A similar pattern is evident in the number of households in housing stress. Between March 2003 and March 2008 the number of applicants in housing stress rose from around 13,400 to 21,400. By March 2011, however, this number fell to approximately 19,700, before rising again to more than 22,400 in March 2013. Preliminary figures for March 2014 indicate that the overall waiting list has fallen somewhat to approximately 40,000, while housing stress has fallen to 21,600.

The household composition of the waiting list has changed little in recent years. Single person households continue to be the single largest group (46%). Small families continue to be the next largest component of the waiting list (26%), followed by older households (16%). It is expected that future demand will come predominantly from these types of households.

Homelessness

Figure 3: Trends in Homelessness, 2002/03-2012/13



Source: NIHE

Figure 3 illustrates the fact that between 2002/03 and 2006/07, there was a substantial increase (28%) in the number of households presenting as homeless. However, by 2008/09 the number of households presenting had fallen from a peak of more than 21,000 to around 18,000. As in the case of the waiting list as a whole, qualitative evidence would indicate that the two main reasons for this downward trend were: the impact of the deep economic recession on household formation and the availability of a growing number of good quality private rented sector dwellings. This overall trend was mirrored in the gradual increase and then reduction in the number of households accepted as statutorily homeless.

However, this reduction was reversed over the next two years: the number of households presenting as homeless rose to approximately 20,150 in 2010/11 (a 12 per cent increase over two years) and the number accepted rose to almost 10,450 (17 per cent over the same period). It is very probable that as with the overall waiting list, pent-up demand could only be contained for so long and in the end found its expression in a rapid rise in homelessness. Since then the pattern has become somewhat more erratic. In 2011/12 there was a reduction in the numbers presenting and being accepted, and in 2012/13 the number of households presenting continued to fall (to 19,354), but the number accepted as statutorily homeless rose by almost 10 per cent to 9,878. Preliminary figures for 2013/14 indicate that while the number presenting as homeless has risen again (to 19,737), the number accepted fell to 9,021.

The importance of the causal factors in homelessness has changed little in terms of their rank order. For those households accepted as statutorily homeless during 2012/13, the biggest single cause – as in 2011/12 – was ‘accommodation not reasonable’ (2,556; 26%), which reflects the ongoing ageing of the tenant population. Sharing breakdown/family dispute was the second most important cause: 1,783 (18% of the total). The third largest category continued to be loss of rented accommodation:

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1,299 (13%). However, the relative importance of the causes of homelessness changed significantly. The number accepted because of sharing breakdown/family dispute dropped by 17 per cent – linked to a certain extent at least to the greater difficulties faced by households trying to split during a recession. The number accepted because of unreasonable accommodation rose by 15 per cent. However, perhaps the most significant change is the increase of 31 per cent in the number of households accepted as homeless due to loss of private rental accommodation. Discussions with key players in the housing market indicate that this is linked both to financial difficulties experienced by landlords as a result of the delayed effects of the housing crash, and in the case of some tenants, to Housing Benefit reforms. (see Chapter 3).

More than half (55%) of all households who presented in 2012/13 were single people, of whom a rising number and proportion (4,650; 24% of the overall total) were single males aged 26-59 years of age. Families with children accounted for around one third (6,019; 31 per cent) of those presenting as homeless.

The Net Stock Model

Since 1994 the Housing Executive has used a Net Stock Model to estimate the need for new social housing at the Northern Ireland level. The model provides a starting point for developing the Social Housing Development Programme. It estimates the total number of new social dwellings required over a 10 year period based on a combination of demographic trends (e.g. household projections) and housing stock information (e.g. housing starts, demolitions and vacancy rates). The model assumes that most of the dwellings constructed will continue to be for the private sector and that the average annual rate of construction will be approximately the same as during the previous 10 years. The residual requirement – the difference between housing need in total and construction of new dwellings for the private sector – equates to the projected need for social housing. The most recent model⁴ was produced in January 2013 based on the 2008-based household projections – modified to take account of 2011 Census information – and the most recent housing stock data.

On the demand side in this most recent iteration of the model, a lower rate of household formation has reduced the estimated total extra demand compared to the estimate based on the previous 2006-based household projections. On the supply side the significantly lower rate of new dwelling construction in the latter years of the most recent ten-year period is largely balanced by a lower number of demolitions and vacancy rate in new private housing to give an annual ongoing requirement for 1,200 new social dwellings for the period 2008–2018.

However, given the cumulative backlog of more than 7,000 which has developed since 2001 – a backlog which reflects the difference between outturn in terms of new build completions and the needs-based requirement based on the Net Stock Model – the ongoing lower rate of private sector new build expected over the next three years and the continuing high levels of housing need apparent from the waiting list for social housing (see earlier sections of Chapter 1), it is considered appropriate to continue to have an annual target of 2,000 new social dwellings for the next five year period (see table 2).

As part of the recently commissioned research on *Demographic Trends and Future Housing Need* in Northern Ireland (see page 24), a team of researchers will review

⁴ Paris, C. (2013) *Net Stock Model for 2008-2018*, Report to the Northern Ireland Housing Executive.

the Net Stock Model in the context of the most recent socio-demographic statistics and trends emerging from the 2011 Census. This new project will assess to what extent the estimates made as part of similar research undertaken in 2004 have come true and, on the basis of the 2011 Census, will extrapolate demographic trends and housing requirements forward to 2021. Given the growing body of evidence which suggests that economic factors – the prolonged period of economic stagnation in particular – are having a significant impact on rates of household formation, the new project will examine ways of incorporating these influences into a model of future demand and need for housing in Northern Ireland.

Table 2: Net Stock Model 2008-2018

	Projected Households (000)
Extra Demand 2008-2018	
New Households	83.0
Concealed Households	5.0
Temporary Accommodation	1.4
Total Extra Demand	89.4
Extra Supply 2008-2018	
New Private Output	92.3
Less Net Demolitions, Conversions and Closures	(5.0)
Less 5% Second Homes	(4.6)
Less 11% Vacancy in New Private Housing	(4.6)
Total Extra Supply	78.1
Social Housing Needed 2008-2018	
Deficit	11.3
Plus 2% Vacancy in New Social	0.2
Total Needed	11.5
Total Rounded and Allowance for Other Factors	12.0
Total Per Annum	1.2

Source: Paris, January 2013

Characteristics and Condition

Headline results from the 2011 House Condition Survey provide the most recent picture of the characteristics and condition of the approximately 760,000 dwellings which make up Northern Ireland's housing stock – an increase of 55,000 (7%) over the period since 2006.

Dwelling Tenure

The proportion of the total stock which is in the owner occupied sector (and is occupied) has continued to fall (from 66.5 per cent in 2006 to 61.7 per cent in 2011), although the number of owner-occupied dwellings has remained broadly the same (470,000).

The number of occupied private rented sector dwellings grew rapidly between 2006 (81,000; 11.5%) and 2011 (125,000; 16.5%). However, if vacant properties, whose tenure when last occupied was private rented, are included, the figure rises to 144,500 (19.0%).

Between 2001 and 2006, the number of tenanted social dwellings fell substantially as the Social Housing Development Programme only replaced approximately one third of the houses sold or demolished. However, since 2006, the number of sales to sitting tenants declined dramatically and a significantly higher number of new social dwellings were constructed in 2009/10 and 2010/11. The 2011 survey confirmed that the number of occupied social dwellings had started to increase again (to nearly 111,000).

Dwelling Age

The 2011 House Condition Survey confirmed that the number and proportion of homes built before 1919 has continued to decline: from 114,000 (16%) in 2006 to 87,700 (12% in 2011). Conversely there has been a substantial increase in the number and proportion of dwellings built since 1980: in 2006, 210,000 (30%) properties had been built since 1980; by 2011 there were 300,700 (40%) homes built since 1980.

Dwelling Type

Northern Ireland's dwelling stock has traditionally been dominated by houses and bungalows. The 2011 House Condition Survey confirmed that, despite the greater number of flats/apartments built in recent years, terraced houses accounted for approximately 28 per cent of the stock. Additionally, each of the following dwelling types comprised approximately one fifth of the total housing stock: bungalows (21%), detached houses (21%) and semi-detached houses (22%). The number of flats/apartments had grown by approximately 10,000 since 2006 to 66,000 and accounted for nine per cent of the stock in 2011.

Unfitness

In 2001 the rate of unfitness in Northern Ireland's housing stock was 4.9 per cent (equating to approximately 32,000 dwellings). By 2006 the rate of unfitness had fallen to 3.4 per cent and to only 2.4 per cent (17,500 dwellings) by 2009. The 2011 House Condition Survey showed that the rate of unfitness had actually risen once again. In 2011 approximately 35,000 properties (4.6 per cent of all properties) were

deemed to be unfit. For statistical reasons it is important not to over-emphasise the apparent doubling in the number of unfit properties within the space of two years. However, the survey does provide a clear signal: that the long period of steadily improving housing conditions in Northern Ireland maybe at an end.

Unfitness is concentrated in the private sector, and particularly in privately owned vacant properties. Out of a total of 35,200 unfit properties, approximately 28,000 (80%) of these were vacant: 18,700 (53%) were in the owner occupied sector when last occupied and 6,700 (19%) of them in the private rented sector.

Government Indicators

Modelling work undertaken by the Building Research Establishment in partnership with the Housing Executive on the basis of the 2011 House Condition Survey has provided the following figures on Government Indicators of housing quality:

Decent Homes Standard

In 2011, 11 per cent (86,600) of all dwellings failed the Decent Homes Standard. This represents a further improvement from the 15 per cent (112,000) which failed in 2009 and mainly reflects the large numbers of dwellings receiving more efficient oil or gas central heating. More than two-thirds (67%) of dwellings which failed the Decent Homes Standard did so on the basis of the thermal comfort criterion.

The rate of non-decency varied considerably by tenure:

- ➔ it was highest for vacant dwellings (57%; 38% in 2009);
- ➔ four per cent of social housing and 10% of privately rented properties failed the Decent Homes Standard (compared to 15% and 17% respectively in 2009); and
- ➔ only eight per cent of owner-occupied properties failed the standard.

Additional modelling work undertaken in partnership with the Building Research Establishment and NISRA's Census team will enable these Northern Ireland level figures to be disaggregated to District Council Level.

Housing Health and Safety Rating System

The Housing Health and Safety Rating was developed as a means of evaluating the potential effect of any design issues/faults on the health and safety of a property's occupants, visitors or neighbours. It emphasises the potential effect of hazards rather than the existence of faults, but allows faults to be recorded and assessed for their potential to cause harm.

In 2011, 10 per cent of all dwellings had Category 1 hazards⁵, half the proportion (20%) in 2009. The proportions with Category 1 hazards were highest in vacant properties (55%) and in dwellings built before 1919 (36%). The proportions were lowest in social housing (2%) and in the most modern dwellings built since 1980 (2%).

⁵ The HHSRS provides a means of rating the seriousness of any hazard arising from a defect in a dwelling. The scoring procedure uses a formula to generate a numerical score for each of the hazards identified at a property, based on the likelihood of an occurrence which could result in harm to a vulnerable person and the likely health outcomes or harms that would result from the occurrence. Scores can range from 0 to more than 5,000, and a score of 1,000 or more represents a 'Category 1' hazard.

Vacant Properties

The 2011 House Condition Survey confirmed that between 2006 and 2011 the number of vacant properties in Northern Ireland continued to rise. In 2011 there were approximately 55,000 vacant properties at any one time in Northern Ireland, 7.2 per cent of the stock. This compares to a figure of 44,000 (5.9%) in 2009 and 40,000 (5.7%) in 2006. A high vacancy rate is particularly evident in the private rented sector, where some 19,000 properties (13%) are vacant: a rate which is almost double the rate for the stock as a whole. In the owner-occupied sector the vacancy rate is 6 per cent, while in the social sector it is lower still.

However, it is important to emphasise that the vast majority of vacant properties are part of the normal turnover of properties in the private sector. Table 3 summarises the results of secondary analysis of data on properties recorded as vacant in the 2011 House Condition Survey database. The analysis begins with the total estimated number of dwellings which are vacant in Northern Ireland at any one point in time. It reduces this number by separating out those awaiting demolition, those undergoing extensive modernisation, those being used for other purposes and those where the resident is absent for a lengthy period of time. This reduces the total to 28,900, a number which is reduced further by excluding dwellings which have been empty for less than six months, vacant holiday homes and unfit properties in isolated rural areas, which are very unlikely to be utilised as a dwelling again. The analysis estimates, therefore, that approximately 12,800 properties could be brought back into use, although this would be further reduced to 9,400 if all unfit properties are excluded.

Table 3: Vacant Properties Analysis: 2011 House Condition Survey

Category/Status	No. of Vacant Properties
Total vacant private sector dwellings	48,600
Awaiting demolition	(3,200)
Being modernised	(8,300)
Being used for another purpose (e.g. storage/office)	(2,500)
Other (resident in hospital, abroad etc.)	(5,700)
	28,900
Less than 6 mths vacant	(12,900)
	16,000
Vacant holiday homes	(600)
Isolated rural vacant unfits	(2,600)
Could be brought back into use	12,800
Remaining vacant unfits	3,400
Excluding all unfit dwellings	9,400

Source: House Condition Survey, 2011

Energy Conservation and Fuel Poverty

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

The Northern Ireland House Condition Survey is the single most comprehensive source of information on the energy-related characteristics of the housing stock. Successive surveys have shown that:

- The energy efficiency of the stock improved by 20 per cent in the decade from 1996 to 2006, and by 2011 the overall improvement was 22.5 per cent.⁶ This progress has been mainly the result of fuel switching and insulation programmes. By 2011, more than 99 per cent of dwellings had full central heating and the most popular fuel sources were oil (68%, rising to 75% if homes with dual heating systems are included) and natural gas (17%).
- The average SAP (energy efficiency) rating for dwellings increased from 54 in 2006 to 57 in 2009, and the most recent findings showed a further improvement in the energy efficiency of the stock: the mean SAP rating in 2011 was 60.
- Around one fifth (21%) of dwellings had no wall insulation in 2011. The proportion was significantly lower than in 1996 (52%), but virtually unchanged from 2006 (22%). Many of the dwellings that have no insulation are of solid wall construction and cannot avail of cavity wall insulation.
- In 2011, the vast majority (96%) of dwellings that had lofts had loft insulation, and the proportion had increased from 87 per cent in 1996 and 95 per cent in 2006. More than half (57%) of dwellings had up to 150 mm of loft insulation, while 40 per cent had more than 150 mm.
- In 1996, only 24 per cent of dwellings had full double glazing. By 2006, the proportion had increased to 68 per cent, while the latest (2011) figures showed that more than four fifths (81%) of dwellings had full double glazing and a further 12 per cent were partially double glazed.

Fuel poverty

A household is considered to be in fuel poverty if, in order to maintain an acceptable level of temperature throughout the home (21°C in the living room and 18°C in other occupied rooms), more than 10 per cent of its income would have to be spent on all household fuel. The three main causes of fuel poverty are poor thermal efficiency of dwellings, low household income and high fuel prices.

⁶ Changes in the energy efficiency of the housing stock are measured by the BRE Domestic Energy Model (BREDEM) using Northern Ireland House Condition Survey data. The model calculates the energy use and fuel requirements of dwellings based on their characteristics.

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The baseline figure for fuel poverty in Northern Ireland was calculated using 2001 House Condition Survey data. At that time, one third of households (33%; 203,250) were estimated to be in fuel poverty. The model used to calculate the rate of fuel poverty was updated between 2001 and 2006. On the basis of this revised model, 226,000 households in Northern Ireland (34%) were found to be in fuel poverty in 2006, compared with a reworked figure of 27 per cent in 2001. The most recent figures, modelled using data from the 2011 House Condition Survey, showed that the overall rate of fuel poverty (42%; 294,200 households) was higher in 2011 than in 2006, but slightly lower than in 2009, when it peaked at 44 per cent (302,300 households). The general increase in the rate of fuel poverty since 2006 has been mainly due to rising fuel prices, and would have been much more severe had it not been for improvements to the energy efficiency of the housing stock. The effects of investment in energy efficiency were most apparent in the social rented sector, in which both the number and proportion of households in fuel poverty fell substantially between 2009 and 2011 (from 56,500 to 43,900, and from 51% to 40% respectively).

Fuel Poverty Strategy

The Department for Social Development's (DSDs) updated fuel poverty strategy, *Warmer Healthier Homes*, was published in 2011. With a core goal of eradicating fuel poverty, the strategy targets available resources on those vulnerable households most in need of help. The Warm Homes Scheme and boiler replacement grant are key parts of the strategy, which focuses on removing energy inefficiency as a primary cause of fuel poverty. DSD action to tackle fuel poverty also includes area-based pilot schemes for affordable warmth and the Housing Executive's heating replacement scheme.

Warm Homes scheme

The Warm Homes Scheme supports owner occupiers and private landlords in the provision of insulation and heating measures to improve energy efficiency. In total, 9,095 insulation measures and 907 heating measures were carried out through the scheme in 2012/13 at a cost of almost £14.7 million.

Following an independent review of fuel poverty in Northern Ireland which was commissioned by the Department for Social Development and carried out by a team at the University of Ulster in 2011⁷, the University secured funding for further research to develop an advanced area-based targeting mechanism to identify clusters of households that were in the most extreme fuel poverty and eligible for Warm Homes funding. The second phase of research involved an Affordable Warmth area-based pilot scheme carried out across 19 of the 26 local authorities in Northern Ireland in partnership with the DSD, Office of the First Minister and Deputy First Minister, Department of Agriculture and Rural Development and the Housing Executive. It enabled the team at the University of Ulster to develop a more accurate tool for targeting fuel poverty. The tool was found to be particularly appropriate for finding the small pockets of severe and extreme fuel poverty which exist in all 26 council areas in Northern Ireland.

A second phase pilot commenced in 2013 in two areas: the Mid Ulster council cluster (Cookstown, Magherafelt and Dungannon) and Newtownabbey Borough

⁷ Liddell, Morris, Rae & McKenzie (2011) *Defining Fuel Poverty in Northern Ireland: A Preliminary Review*

Council. The pilots involve a team of project officers calling at homes to complete surveys, which determine whether the household qualifies for energy efficiency improvement measures.

With the current Warm Homes Scheme contract due to end in June 2014, the Department for Social Development published a consultation document, which drew heavily on the findings of the Affordable Warmth pilots, in February 2014. *From Fuel Poverty to Achieving Affordable Warmth* sets out proposals for a new approach to assisting those households most affected by fuel poverty in Northern Ireland, which would involve the DSD working in partnership with the University of Ulster, district councils and the Housing Executive. The main changes under the proposed new approach are:

- ➔ to move away from the self-referral format of the Warm Homes Scheme towards a largely targeted approach; and
- ➔ to set an income qualification threshold instead of using social security benefits as a passport.

Under the proposals put forward in the consultation, all energy efficiency measures available in the existing Warm Homes Scheme would be retained, and additional new measures introduced.

Boiler Replacement scheme

The boiler replacement scheme, which is part-financed by the European Sustainable Competitiveness Programme for Northern Ireland, was introduced in September 2012. It is open to owner occupiers whose household income is less than £40,000 and who have an inefficient boiler that is at least 15 years old (and, in the case of gas boilers, where the gas connection to the property was made at least 15 years ago). A grant of up to £1,000 can be made available to eligible households towards either:

- ➔ replacement of an inefficient boiler with a more energy efficient condensing oil or gas boiler;
- ➔ switching from oil to gas; or
- ➔ switching to a wood pellet boiler.

Between 1 September 2012 and 31 August 2013, there were more than 35,000 enquiries about the scheme, a total of 11,600 applications were approved and 7,300 installations were completed.

Other initiatives

Other energy efficiency measures implemented or investigated during 2012/13 include electricity brokering and the Renewable Heat Premium Payment. Full details on the range of energy efficiency measures available to households in the owner occupied, private rented and social housing sectors are included in the Housing Executive's *Home Energy Conservation Report (2013)*, which is available to download from the Housing Executive website.

Key Issues and Strategic Perspectives

The world economy appears to have entered a period of more stable growth. There are signs that prospects for employment and output have improved in the USA over the last six months. However, high levels of unemployment and the as yet unresolved sovereign debt crisis in a number of countries in the Eurozone still pose a very significant risk to the economies of the UK and the Republic of Ireland – and therefore for Northern Ireland too. In Northern Ireland, lower levels of public expenditure, higher levels of indebtedness and benefit dependency and on-going uncertainties in the labour market, with higher levels of part-time and temporary work, will continue to impact negatively on household incomes and investor confidence.

Northern Ireland's demography is continuing to change. The number of households is continuing to rise, although the 2011 Census has confirmed that the rate of household formation has slowed a little – at least partly in response to the economic environment. The trend towards more single person households and older households will continue, resulting in sustained demand for accommodation, and in particular for smaller units of accommodation and supported housing. However, this trend will occur at a slower rate as countervailing economic forces encourage more concealed households.

A combination of demographic and economic factors means that the need for social housing in Northern Ireland remains substantial. The numbers of applicants on the waiting list (more than 41,000) and those in "housing stress" (almost 22,500) have risen sharply over the past year. The Net Stock Model indicates an on-going annual requirement of 1,200 new social housing units in the period 2008-2018, reflecting lower expected levels of household formation. However, the annual requirement has been set at 2,000 to reflect a significant backlog which has developed since 2001 and the very challenging market conditions, which make it unlikely that there will be a significant upturn in the number of new dwellings completed in the private sector in the short term.

Northern Ireland's housing stock continued to grow steadily between 2009 and 2011, with approximately 20,000 additional homes being added to the stock. However, for the first time, the rate of unfitness increased: from 2.4 per cent in 2009 to 4.6 per cent in 2011, partly reflecting the more limited resources available for home improvements in the private sector on the part of both owner occupiers and government.

The rate of fuel poverty in Northern Ireland reduced between 2009 and 2011 to 42 per cent. Reducing it further remains a very difficult challenge in the short term, given that energy prices are to remain high and real household incomes are falling. Improving the fabric of dwellings can ameliorate the impact of fuel poverty significantly, but cannot eradicate it altogether.



2

Chapter

The Owner Occupied Sector

“The number of new dwellings being constructed in the private sector will continue to remain low... the brighter economic outlook and a greater availability of higher loan-to-value mortgages for first time buyers would indicate that house prices are likely to drift upwards”

Housing
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The Owner Occupied Sector: Key Figures

	2001	2006	2011
TOTAL STOCK	432,300	468,900	469,100
Urban	272,200 (63%)	307,600 (66%)	314,300 (67%)
Rural	160,100 (37%)	161,300 (34%)	154,800 (33%)
DWELLING AGE			
Pre-1919	76,800 (18%)	69,500 (15%)	46,800 (10%)
1919-1980	234,100 (54%)	255,400 (54%)	219,100 (47%)
Post-1980	121,400 (28%)	143,900 (31%)	203,200 (43%)
HOUSING CONDITIONS			
Unfitness (rate)	12,000 (2.8%)	7,500 (1.6%)	4,600 (1.0%)
Non-Decent Homes (rate)	101,100 (23%)	95,700 (20%)	38,300 (8%)
Fuel Poverty (rate)	97,900 (23%)	148,000 (32%)	190,000 (41%)
New housing construction	10,418	13,955	5,913
Average house price (£)	86,754	174,178	139,800
Median advance:income ratio (FTBs)	2.36	3.19	3.20
Proportion of sales to FTBs	60	32	57
No. of NIHE sales	5,555	2,522	249

Introduction



During the second half of the twentieth century owner occupation had grown steadily in Northern Ireland.

Government policies, including tax relief on mortgage interest, reductions in “bricks and mortar” subsidies for the construction of new social dwellings, rent increases in the social sector and in particular, after 1979, the generous discounts to tenants in the social sector wanting to purchase their home, had all combined to accelerate this trend. Owner occupation continued to grow during the early years of the new millennium. Low interest rates helped to counteract the growing gap between the income of the typical first-time buyers and rising house prices. However, since 2007 the combined effects of the ‘credit crunch’, a steep economic downturn and the concomitant growth of the private rented sector have ultimately led to a reversal of this long-term trend.

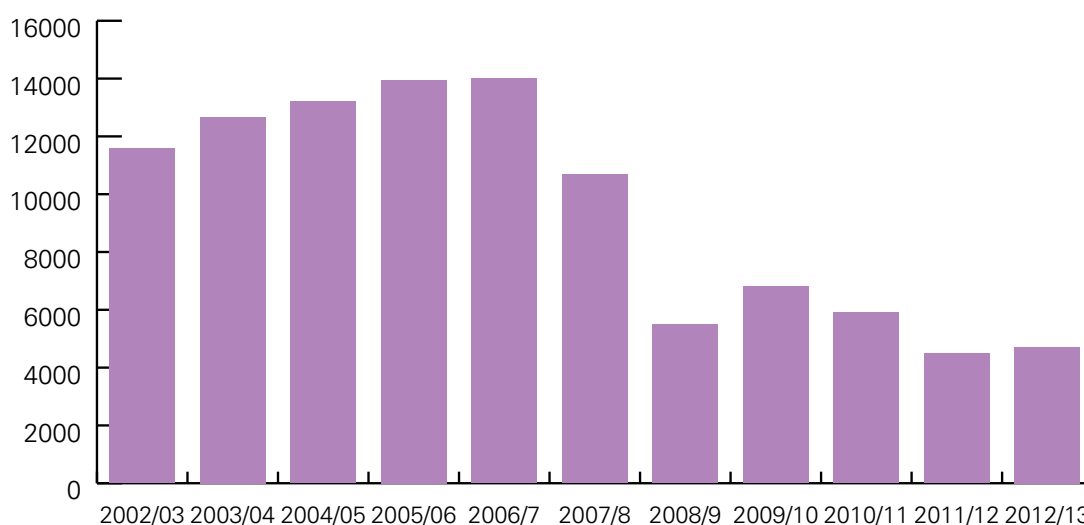
Between 2006 and 2011 the number of owner occupied dwellings remained approximately the same (469,000), but the proportion of the total housing stock in owner occupation fell from 66 per cent to only 62 per cent. The turnaround during this five-year period reflected a combination of higher unemployment and continued uncertainty in the labour market, high levels of personal debt and the continuing reluctance of banks and building societies to significantly relax their lending criteria. First time buyers, in particular, found it difficult to purchase their first home and chose to either remain in the parental home, return to the parental home (the so called “boomerang kids”) or to enter, or remain in, the private rented sector for longer periods. During 2013, there were signs that the owner occupied sector was once again becoming more vibrant, with more first time buyers entering the market, assisted by the re-emergence of higher loan-to-value mortgages (and most recently by Help to Buy or equivalent schemes being run independently of Government by a number of lenders). However, it is unlikely that the underlying patterns of housing choice which have been established since 2007 will change over the next three year period.

Northern Ireland is not exceptional in terms of a falling proportion of its stock in the owner occupied sector. The most recent English Housing Survey also recorded a fall in the proportion of households living in owner occupied homes. From a peak of 71 per cent in 2003 (when the equivalent figure in Northern Ireland was 73 per cent), it has fallen to 66 per cent in 2010/11 (the proportion of households living in owner occupied properties in Northern Ireland in 2010/11 was approximately 67 per cent).

New Housing

The construction of new dwellings for the private sector in Northern Ireland reached a highpoint in 2006/07 when almost 14,000 new dwellings were started. Following the collapse in the market in 2007/08 there was a sharp downturn in the number started to less than 5,500 in 2008/09. A small upturn in 2009/10 (6,802) was followed by a further downturn to less than 4,500 in 2011/12, followed by a small upturn in 2012/13 (4,708) (see figure 4). Figures for the first six months of 2013/14 indicate that the pattern has remained essentially unchanged, with a total of 2,183 new dwellings started.

Figure 4: New Housing Construction in the Private Sector 2002/03 – 2012/13



Source: DSD, *Housing Statistics 2012/13*

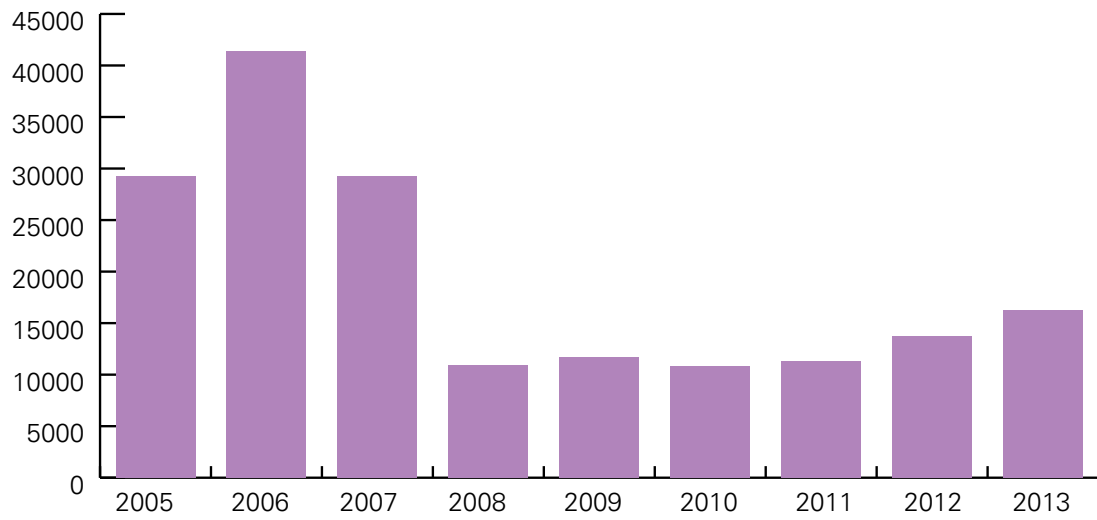
Transaction Rates

The downturn in the construction of new dwellings after 2006/07 was mirrored in the overall market by a dramatic reduction in the number of house sales completed. Figure 5 illustrates that from a peak of more than 41,000 residential property sales in 2006 at the height of the boom, this figure fell steeply to approximately 11,000 in 2008 and remained in and around this level until 2012 when the figure rose to 13,700. In 2013, however, there was a very significant increase (19%) in the number of transaction to approximately 16,300⁸. and although this is still considerably below the figure of 30,000 which was typical in the pre-boom era, it is nevertheless a key indicator that the housing market is returning to normality.

A similar indication of a reviving market emerges from the latest University of Ulster Quarterly House Price Index (for quarter 4, 2013) which draws on sample of 1,758 transactions, a figure which is 30 per cent higher than the equivalent quarter in 2012.

⁸ Land & Property Services: *Northern Ireland Residential Property Price Index, October-December 2013*

Figure 5: NI: Residential Property Sales: 2005-2013



Source: Land & Property Services, *Residential Property Price Index*.

House Prices

Nationwide's house price index report for Q4, 2013 showed that all regions of the UK saw annual price increases during 2013. The average price for a dwelling for the UK in Q4, 2013 was £174,444; "the price of a typical UK house rose by 2.7% in Q4, 2013, after allowing for seasonal effects. Prices were up 7.1% over the year as a whole".⁹ This overall average, however, conceals considerable regional variations. At one end of the regional scale, house prices increased over the year in London by 14.9 per cent to reach £345,186, whereas at the other end of the scale the North, recorded annual growth of only 1.9 per cent, with an average house price of only £116,417. However, the region with the lowest average house price continued to be Northern Ireland (£111,612), although it registered an annual increase of 7.0 per cent. Wales and Scotland also saw annual increases in the average price of homes of 6.1 per cent and 3.7 per cent respectively. Commentators have identified a number of factors are driving this upturn in house prices: better underlying economic indicators, the effects of the Government's Help to Buy Scheme, which has enabled first-time buyers to access mortgage finance more easily and the shortage of supply, particularly in London and the South East of England. It is important to note that the North/South divide in property prices is continuing to widen, a trend which is exacerbated by investors competing for high-end properties in central London.

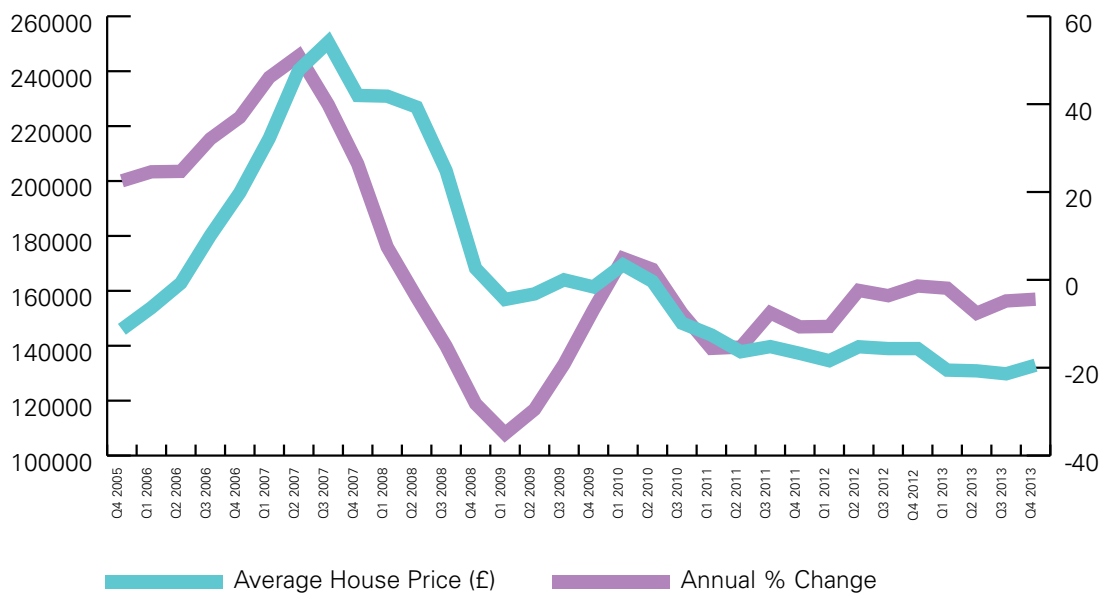
The **University of Ulster's mix-adjusted analysis** of open market transactions gathered from a network of estate agents shows a somewhat different picture for Northern Ireland: a stabilisation of house prices during 2013 rather than a significant upward movement.

The University of Ulster's index shows that from a highpoint in Q3, 2007 (£250,586) the average house price in Northern Ireland fell to £156,857 in Q1, 2009 – a peak to trough decline of 37 per cent. During 2009 the average house price rose again to reach £161,429 in Q4, 2009, before dropping sharply again during 2010 to reach £149,795. During 2011 prices continued on a gradual downward trend to reach £137,219 in Q4, 2011 (an annual weighted decline of 10.7 per cent). During 2012 and 2013, prices continued to drift downward, but at a much slower rate. In Q4, 2013 the average price was £132,922 (approximately 47 per cent lower than the peak in 2007; see figure 6), reflecting an annual decline of 4.4 per cent (or -2.3 per cent in terms of the weighted average). However, comparison of the Q4, 2013 figure with the figure for the previous quarter (£129,777) shows that a significant upturn (an increase of 2.4 per cent) took place in the second half of 2013. Indeed when variation in sample mix is taken into consideration, the weighted average price increased by 2.7 per cent.¹⁰

⁹ Nationwide House Price Index, Q4, 2013, p.1.

¹⁰ University of Ulster Quarterly House Price Index, Q4, 2013, p.3.

Figure 6: NI: Average House Price, 2003-2013



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

Analysis by property type reveals some apparent differences in the rate of price change (see table 4). Most house types experienced a small downward drift over the year of one or two per cent. The reduction of approximately 16 per cent for semi-detached bungalows must be treated with considerable caution as it was based on a very small sample of properties and therefore subject to statistical distortion. The reduction in average apartment prices is based on more robust data and may reflect the ongoing surplus of this type of dwelling in parts of Northern Ireland.

Table 4: NI: Average House Prices and Annual Change by Property Type, Q4, 2013

Property Type	Q4, 2013 (£)	% Change (YoY)
Terraced Houses	83,695	-1.5
SD Houses	125,265	-1.5
Detached Houses	222,675	-1.0
SD Bungalows	88,010	-15.9
Detached Bungalows	153,391	-2.5
Apartments	96,137	-7.2

Source: University of Ulster, *Quarterly House Price Index Report 117: Q4, 2013*

Analysis by geographic region (see table 5) shows there were considerable regional disparities in house price movements between Q4, 2012 and Q4, 2013. At one end of the scale the average price in Londonderry/Strabane rose by 14 per cent and indeed six out of the eleven house price regions in Northern Ireland showed increases. However, at the other end of the spectrum Lisburn showed a decline of 11 per cent and in Belfast the average price declined by 8 per cent. It is impossible to establish clearly the relative importance of local factors which account for these regional variations. However, this type of pattern is typical of a market on the turn as new more secular trends are re-established, and it is also worth noting that some of the regions with significant increases (e.g. Londonderry/Strabane) recorded very significant reductions (-28%) last year.

Table 5: NI: Regional House Prices Q4, 2011-2012

	Average Price Q4, 2012 (£)	Average Price Q4, 2013 (£)	% Change (YoY) (unwtd)
Belfast	149,156	136,830	-8.3
North Down	167,581	171,829	+2.5
Lisburn	161,732	143,491	-11.3
East Antrim	126,974	119,390	-6.0
Londonderry/Strabane	86,986	99,322	+14.2
Antrim/Ballymena	124,769	118,722	-4.8
Coleraine/Limavady/North Coast	121,053	124,361	+2.7
Enniskillen/Fermanagh/S Tyrone	108,023	116,828	+8.2
Mid Ulster	102,400	106,139	+3.7
Mid and South Down	133,106	125,456	-5.7
Craigavon/Armagh	111,418	115,002	+3.2
Northern Ireland (unweighted)	138,969	132,922	-4.4

Source: University of Ulster, *Quarterly House Price Index Report 117: Q4, 2013*

The Land & Property Services (LPS) Residential Property Price Index, launched in 2012 utilises information on residential sales recorded by Her Majesty's Revenue & Customs (HMRC) for stamp duty purposes to produce a standardised price¹¹ which reflects pure price change. As in the case of the University of Ulster's index it produces a mix-adjusted index using key characteristics to control for differences in the mix of properties sold over time. It is Northern Ireland's most comprehensive index, as it covers almost all dwellings sold, although this also has a disadvantage in that it includes properties which are not completed (shell properties) and distressed properties ("fire sales") which are sold at below market rate.

Key findings from the LPS figures for Q4, 2013 show a slightly different picture from the University of Ulster index:

- Between Q4, 2012 and Q4, 2013 the standardised price of residential properties increased by 4 per cent to £98,975.
- Between Q3, 2013 and Q4, 2013 standardised residential prices remained flat overall.
- Residential property prices continue to be less than half of their peak in Q3, 2007.

The **Office for National Statistics House Price Index** shows a somewhat different picture again, although it is important to highlight that these monthly figures are based only on mortgage-based sales for owner occupiers and therefore exclude an important part of the overall market: investment properties included in both the University of Ulster and LPS surveys. The mix-adjusted house price for Northern Ireland in December 2013 was £135,000, a figure which is close to the University

¹¹ The standardised price is defined as a hypothecated value based on a weighted combination of prices (e.g. 0.5% of a detached house in North Down, 4% of a terraced house in Belfast, etc).

of Ulster figure average, and represents a 4.8 per cent increase on the figure for December 2012.

House price change 2014

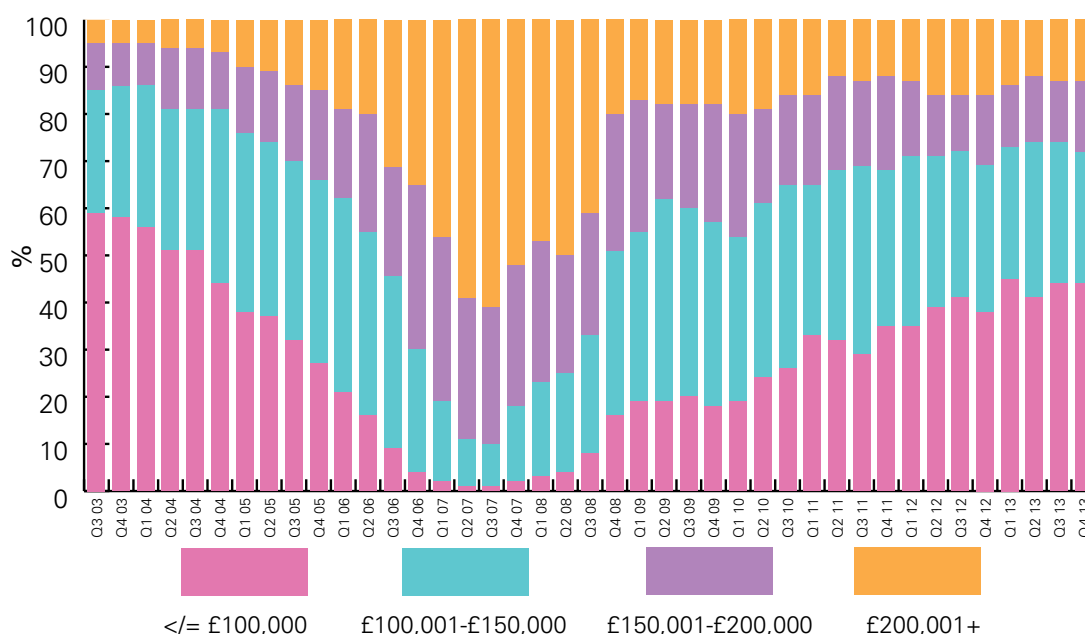
Forecasting the rate of house price change for a twelve month period accurately is always difficult. Last year's estimate of a downward drift of up to 5 per cent turned out to be reasonably accurate, with the University of Ulster index showing a decline of 4.4 per cent (2.7% weighted). Indeed if the more robust price statistics for all sales for 2012 and 2013 are compared rather than quarterly data, then a fall of 5 per cent (from £138,144 to £131,204) is recorded.

This year's estimate takes into account a number of countervailing forces. On the one hand there are signs of increasing economic activity and mortgages have become easier to access, partly due to the Help to Buy scheme or its equivalent operated independently from Government by individual lenders. In addition the low level of construction of new dwellings for the private sector is set to continue. On the other hand, ongoing labour market uncertainty and indications that mortgage interest rates are being increased will affect purchasers' appetite for entering the market. On balance however, it is likely that the average price for homes sold in Q4, 2014 may be up to 5 per cent higher than in Q4, 2013.

Affordability in Northern Ireland

Affordability in terms of the traditional house price to income ratios is no longer seen as a significant issue. Figure 7 shows the proportion of properties sold in each price band between 2003 and 2013. In 2003 almost 60 per cent of all homes were sold for less than £100,000. At the peak of the housing boom in 2007 this proportion had fallen to almost zero. However, since 2010 more than 30 per cent of all homes sold cost less than £100,000 and in Q4, 2013 the proportion had risen to 44 per cent.

Figure 7: NI: Proportion of Transactions by Price Band, 2003–2013



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

Council of Mortgage Lender figures for Northern Ireland for Q4, 2013 confirm a significant increase in the number of first time buyers entering the market in Northern Ireland. A total of 1,800 loans were advanced to first-time buyers in Northern Ireland during this quarter, representing almost two-thirds (62%) of all loans advanced during this quarter. This figure represented an increase of 13 per cent compared to Q3, 2014 and an annual increase of 29 per cent. On average, first-time buyers borrowed 2.85 times their income (unchanged from Q3, 2013) but much lower than the UK average of 3.36.

Repossessions

Figure 8 shows that the number of writs and originating summonses relating to mortgages rose sharply between 2007/08 and 2008/09 to 3,894 following the sharp downturn in the housing market. In the following three financial years the number remained fairly static at around 3,500, although there was another upturn in 2012/13 to 3,854. It is important to remember, however, that only a small proportion of homes which are subject to actions for possession are made subject to actual possession orders (666 in 2012/13). Indeed, even at this stage many do not end in actual repossession. Nevertheless the number of repossession orders is an important indicator of continuing stress in the housing market.

Figure 8: NI: Actions for Repossession, 2003/04-2012/13



Source: DSD: *Housing Statistics 2010/11*

Affordability Index for Northern Ireland

Since 2001, the Housing Executive has published an affordability index developed in partnership with University of Ulster to provide an evidence base for how changes in the housing market were affecting first-time buyers' ability to enter the market. This index was based on a number of key variables: income, house price, mortgage term, mortgage interest rate and the loan to value (LTV) ratio. Following the more than 50 per cent peak-to-trough reduction in prices in the years after 2007, it became increasingly apparent that house price to income ratios were no longer sufficient to satisfactorily explain the affordability issues facing first-time buyers. The Housing Executive therefore commissioned the University of Ulster to revisit the affordability index in the light of the market realities of the period 2010-12.

The resulting report completed by the University of Ulster in December 2013 provides a new perspective on affordability. It highlights the "higher deposits expected by lending institutions as part of reducing risk and exposure to a declining market and rising mortgage interest rates reflecting the detachment of the banking system from base interest movements [Bank of England base rate] towards a minimum bank mortgage base rate". It also notes that while the affordability index used in the 2000s reflected certain key trends, notably the much lower house prices it did not "adequately capture the wider deposit gap conundrum".

In order to address this, the University of Ulster report presents two inter-related affordability measures:

- ➔ A new **affordability index**, which uses the concept of an Affordable Limit (AL) to capture the ratio of the maximum allowable loan to income and assumes that the maximum monthly income which can be dedicated to repaying the mortgage is 35 per cent.
- ➔ Secondly, an **access deposit gap** measures the level of deposit required using the first quartile (25th percentile) house price and income adjusted to reflect

Housing Executive

overall net (disposable) income after tax deductions and national insurance. This measure forms the basis of an arbitrary savings ratio to determine the length of time it would take to amass a deposit, based on market prices and median income.

Key findings emerging from the research include the following:

- The Affordable Limit (AL) for prospective first time buyers based on median income has contracted. For Northern Ireland as a whole, the AL multiplier fell from 5.81 of annual income in 2010 to 4.95 in 2012, primarily reflecting changes in mortgage interest rates and the need for higher deposits. However, this was counteracted by lower house prices and therefore lower house price to income ratios. The net result has been that affordability has improved significantly across most housing market areas, particularly in Armagh/Craigavon and Fermanagh/Omagh. Only in the Ards/North Down and Magherafelt/Cookstown/Dungannon housing market areas has there been any appreciable reduction in affordability.
- Overall there are still wide geographical differences in levels of affordability (see table 6). As would be expected, Belfast has the lowest percentage of affordable homes for first time buyers (27%) while Carrick/Larne has the highest (75%).

Table 6: NI: Repayment Affordability 2010-2012

Housing Market Areas	2010		2011		2012	
	Afford Gap (£)	% Unafford	Afford Gap (£)	% Unafford	Afford Gap (£)	% Unafford
Ards & North Down	34,089	47	41,609	45	29,821	58
Armagh & Craigavon	-4,228	77	8,634	69	19,739	58
Antrim & Newtownabbey	2,960	73	10,378	70	18,277	66
Belfast	-8,629	78	8,167	69	3,820	73
Carrick & Larne	62,951	24	65,505	23	63,691	25
Derry, Strabane & Limavady	435	73	2,987	72	5,832	68
Fermanagh & Omagh	40,667	46	44,101	47	50,949	27
Newry, Down & Banbridge	-5,602	79	8,274	71	16,408	63
Lisburn & Castlereagh	18,061	61	9,410	66	8,920	69
Magherafelt, Cookstown & Dungannon	17,667	51	26,101	62	19,461	58
Moyle, Ballymena, Ballymoney & Coleraine	17,667	55	26,151	58	21,199	57

Source: University of Ulster

- ➔ From 2010 the savings ratio¹² and percentage of annual disposable income required as a deposit decreased as a consequence of reduced house prices and enhanced loan to value ratios. Once again, there were significant geographical variations (see table 7), ranging from deposit requirements of 25 per cent of annual income in Carrick and Larne (the most affordable market area) to approximately 47 per cent of annual income in Belfast, Lisburn & Castlereagh, and the North West housing market area (Derry, Limavady, Strabane). These higher proportions reflect either higher priced market areas such as Belfast, which have experienced an element of house price recovery, or housing market areas where income levels are lower relative to house price.
- ➔ Finally, the study brings together the two measures (percentage of dwellings unaffordable and the savings ratio) into a composite index which, not unexpectedly, reveals that three housing market areas (Belfast; Lisburn/ Castlereagh; Derry/Strabane/Limavady) exhibit the strongest affordability pressures (each with a composite index of more than 1.0). In contrast Carrick/ Larne and Fermanagh/Omagh experience the lowest affordability issues as measured by the composite index.

Table 7: NI: Percentage of Unaffordable Housing Relative to the Savings Ratio

Housing Market Areas (2012)	Savings Ratio	% Unaffordable	Composite Index
Ards & North Down	1.26	58	0.731
Armagh & Craigavon	1.24	58	0.719
Antrim & Newtownabbey	1.32	66	0.871
Belfast	1.57	73	1.146
Carrick & Larne	0.82	25	0.205
Derry, Strabane & Limavady	1.53	68	1.040
Fermanagh & Omagh	0.84	27	0.227
Newry, Down & Banbridge	1.37	63	0.863
Lisburn & Castlereagh	1.53	69	1.056
Magherafelt, Cookstown & Dungannon	1.34	58	0.777
Moyle, Ballymena, Ballymoney & Coleraine	1.31	57	0.747

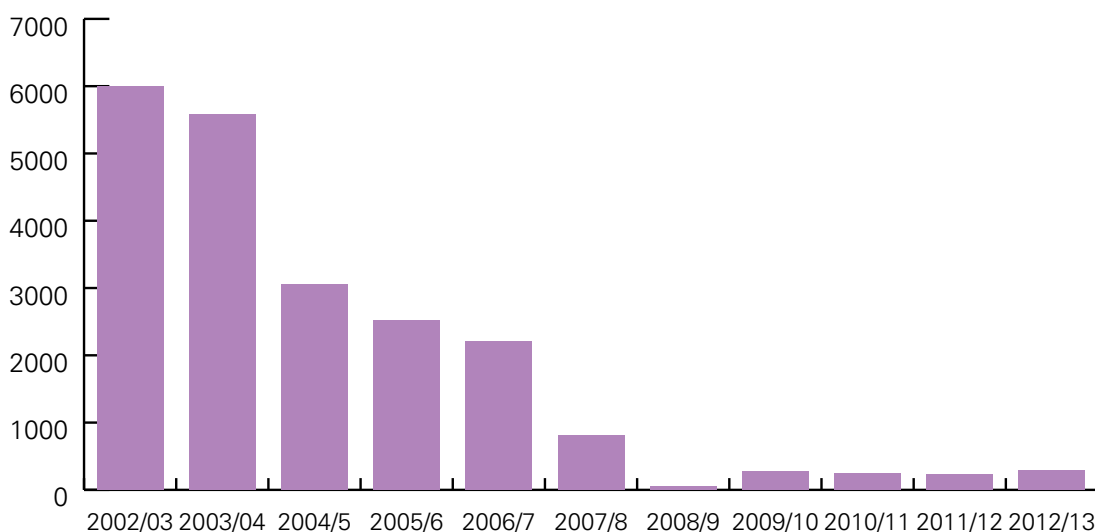
Source: University of Ulster,

¹² The savings ratio is a broad estimate of the number of years it would take a household on median income to save a typical deposit (25%) if it could set aside 30 per cent of its income per annum.

The Sale of Housing Executive Dwellings

Since the introduction of the House Sales Scheme in Northern Ireland in 1979 the Housing Executive has sold more than 117,000 dwellings to sitting tenants. These dwellings now account for approximately 15 per cent of the housing market as a whole. Figure 9 shows that in 2002/03 almost 6,000 Housing Executive dwellings were sold to sitting tenants. Following the introduction of major revisions to the House Sales Scheme, and in particular the reduction of the maximum discount to £24,000 together with the substantial increases in house prices between 2004 and 2007 there was a dramatic reduction in the number sold. In 2008/09 only 54 were sold. The annual volume of house sales rose the following year to 250 and remained at approximately that level until 2012/13 when it increased to 290. In the current financial year 449 had been sold by the end of January 2014. Despite this increase, the volume of house sales is likely to remain low reflecting both ongoing labour market uncertainty and the ongoing squeeze on disposable incomes of households on lower incomes.

Figure 9: Housing Executive Sales Completed, 2002/03-2012/13



Source: NIHE

Characteristics and Condition

The 2011 House Condition Survey provides the most up to date picture of the characteristics and condition of the owner-occupied stock.

Dwelling Age

More than two-fifths (43%) of the owner-occupied stock had been built since 1980. The proportion of properties built before 1919 declined from approximately 18 per cent in 2001 to 10 per cent in 2011.

Dwelling Type

More than one-quarter of the stock was detached houses (27%), 23 per cent bungalows, 24 per cent semi-detached and 22 per cent were terraced houses. Flats/apartments still only make up a very small proportion of the owner-occupied sector (3%).

Unfitness

The 2011 House Condition Survey confirms that the owner-occupied stock continues to remain in very good condition. In 2011 there were approximately 4,600 unfit properties that were owner occupied, representing an unfitness rate of 1.0 per cent. However, if the 18,700 unfit vacant properties in this sector are taken into account in addition to the 4,600 unfit occupied ones, the sector has an overall unfitness rate of 4.7 per cent, compared to 6.4 per cent in the private rented sector and 2.3 per cent in the social sector).

Government Indicators

Modelling work being undertaken by the Building Research Establishment in partnership with the Housing Executive during 2012 provides an update to key Government indicators of housing quality.

Disrepair and the Decent Homes Standard

The 2011 House Condition Survey found that 45 per cent (50% in 2009) of owner occupied dwellings had some element of fabric disrepair. This was below the average for the whole of the stock (49%). The average basic repair cost was £712 (£693 in 2009), which was well below the £2123 for the stock as a whole, but higher than for the occupied stock (£654).

Only 8 per cent (38,300 dwellings) of owner occupied homes (13%; 58,000 in 2009) failed the Decent Homes Standard (compared to 11 per cent for the stock as a whole), but they accounted for more than two-fifths (44%) of all homes failing this standard in 2011.

Housing, Health and Safety Standard

Less than one in ten (7%) of all owner occupied homes also failed the Housing Health and Safety Standard, a slightly lower proportion than that for the stock as a whole (10%).

Fuel Poverty

In 2011 approximately two-fifths (41%) of all households in the owner occupied sector were in fuel poverty, a slight increase on the figure of 39 per cent in 2009 and very similar to the figure for all households (42%).

Grant Aid for the Owner Occupied Sector

Successive House Condition Surveys have confirmed the important role that home improvement grants have played in improving the condition of Northern Ireland's owner occupied stock – particularly in rural areas. However, in recent years, budgetary constraints have led to grants expenditure being focussed increasingly on mandatory Disabled Facilities Grants and Home Repair Grants rather than Renovation and Replacement Grants.

Table 12 shows how this has been reflected in the levels and patterns of grants activity and associated expenditure over the past five years.

Table 12: Home Improvement Grants: 2008/09 – 2012/13: Approvals and Expenditure

Year	Renovation	Replacement	Disabled Facilities	Repairs	HRA	HMO	Total Grants	Approved Expenditure (£)
2008/09	931	117	1,755	765	2,433	86	6,087	38.8m
2009/10	161	27	1,750	851	172	72	3,033	23.1m
2010/11	404	83	1,143	889	567	13	3,099	21.3m
2011/12	96	14	1,337	859	54	3	2,363	15.1m
2012/13	55	9	1,209	923	42	1	2,239	13.6m

Source: NIHE

The following key points emerge:

- In 2008/09 grants expenditure was almost £40 million and more than 6,000 grants were approved. By the following financial year, however, severe budgetary pressures resulted in the number of approvals falling to almost 3,000 and expenditure likewise to approximately £23 million.
- Since then the number of approvals has reduced in line with reductions in funding. In 2012/13 the approved expenditure for grants totalled £13.6m.
- The number of Renovation Grants approved in 2012/13 (55) further decreased compared to the previous year's figure. Similarly, the number of Replacement Grants approved decreased to only 9.
- The number of Disabled Facilities Grants approved in 2012/13 (1,209) was lower than in the previous year; the number of Home Repairs Assistance (HRA) Grants fell to 42.
- Only Repairs Grants registered an increase in terms of approvals (from 859 to 923).
- For the financial year 2013/14 a total of £14.7 million was allocated to the Housing Executive's home improvement grants budget. The focus continues to be on Disabled Facility Grants.

Key Issues and Strategic Perspective

Northern Ireland's owner occupied sector had continued to grow in the early years of the new millennium with low interest rates helping to counteract the growing gap between the income of the typical first-time buyers and rising house prices. Since 2007, however, the combined effects of the 'credit crunch', a steep economic downturn and the concomitant growth of the private rented sector have ultimately led to a reversal of this long-term trend. Between 2006 and 2011 the proportion of the total housing stock in owner occupation fell from 66 to 62 per cent, although the number of dwellings in owner occupation remained approximately the same (almost 469,000).

During 2013, there were signs that the owner occupied sector was once again becoming more vibrant, with more first time buyers entering the market, assisted by the re-emergence of higher loan-to-value mortgages (and most recently by the growing demand for Co-Ownership and the Help to Buy or equivalent schemes being run independently of Government by a number of lenders), but it is unlikely that the underlying patterns of tenure choice which have been established since 2007 will change over the next three year period.

The health of the economy will always be the single most important underlying determinant of the owner-occupied sector of the housing market. Northern Ireland's economy is likely to experience only limited growth over the coming three year period, with the result that the labour market and household incomes will remain subdued.

This economic outlook will impact on the owner occupied sector of the market over the coming three-year period in a number of ways:

- The number of new dwellings being constructed in the private sector will continue to remain low at around 5,000 per annum.
- The number of existing dwellings entering or re-entering the owner occupied sector (via the House Sales Scheme or by private landlords selling to owner occupiers) is also likely to continue to remain low.
- The combined effect of these estimates means that it is likely that the proportion of dwellings in the owner occupied sector will continue to decline.

Average house prices in Northern Ireland are still almost 50 per cent lower than at their peak in 2007, but the leading house price indices for Northern Ireland all indicate a significant increase in transaction rates and an upward drift in house prices during 2013. This combined with the brighter economic outlook and a greater availability of higher loan-to-value mortgages for first time buyers would indicate that house prices are likely to drift upwards by up to 5 per cent during 2014, although this rate will vary significantly between local housing markets.

The University of Ulster's new composite index of affordability combines house price to income ratio for first time buyers and access to deposits. It confirms that affordability has improved significantly in recent years across most housing market areas. However, in a number of key housing market areas (Belfast, Lisburn/Castlereagh, Derry/Strabane/Limavady) there remain strong affordability pressures, and it is in these areas that lack of housing supply can be an important factor. The Ministerial Housing Supply Forum is currently addressing housing supply issues in Northern Ireland.

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Chapter

The Private Rented Sector

“The private rented sector continues to grow, albeit at a slower rate... accounting for almost a fifth of all housing stock.”

Housing
Executive

The Private Rented Sector: Key Figures

	2001	2006	2011
TOTAL STOCK	49,400	80,800	125,400
Urban	35,400 (72%)	61,800 (76%)	95,600 (76%)
Rural	14,000 (28%)	19,000 (24%)	29,800 (24%)
DWELLING AGE			
Pre-1919	18,900 (38%)	22,300 (28%)	18,300 (15%)
1919-1980	23,100 (47%)	38,500 (48%)	56,200 (45%)
Post 1980	7,400 (15%)	21,100 (25%)	50,900 (41%)
HOUSING CONDITIONS			
Unfitness (rate)	4,300 (8.7%)	2,200 (2.7%)	2,500 (2%)
Non-Decent Homes (rate)	23,400 (47%)	21,400 (27%)	12,800 (10%)
Fuel Poverty (rate)	21,400 (44%)	35,300 (44%)	60,300 (49%)
Average monthly rent in the private sector in Northern Ireland in 2013 was £538.			

Background

The 2011 House Condition Survey estimated that there were more than 125,400 occupied dwellings in Northern Ireland's private rented sector (16.5% of the total stock).

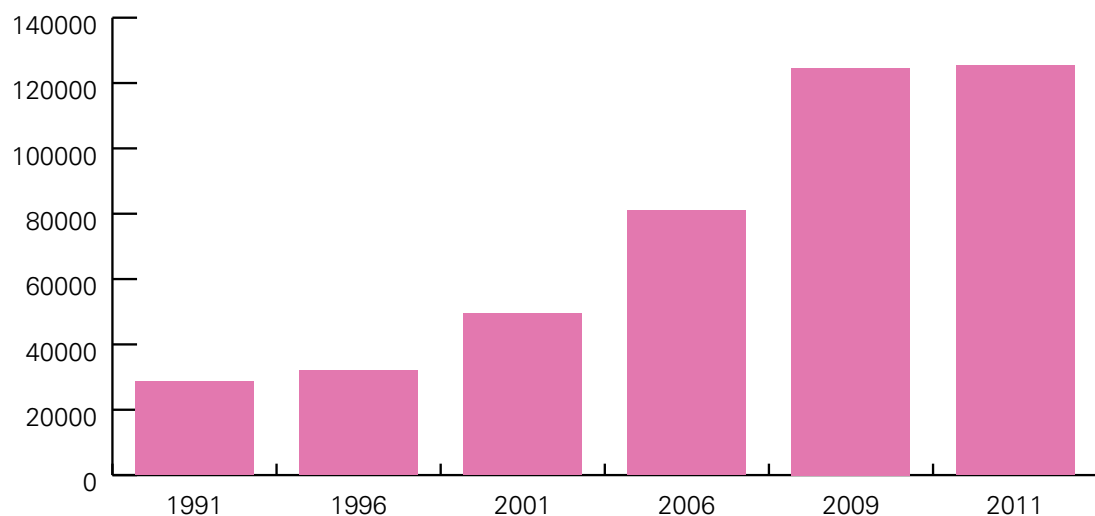


This represents a substantial increase since 2006 (11.5 per cent of the total stock), and reflects both supply side factors, such as the investor driven boom and demand side factors such as the demand from first time buyers unable to access owner occupation. However, as figure 10 shows, growth had clearly slowed between 2009 and 2011 as the rate of household formation and the appetite for investment in buy to let had tailed off.

If vacant dwellings, classified according to their previous occupancy, are included in the 2011 count, almost one-fifth (19%; 144,500) of all properties are in the private rented sector. These figures are in line with tenure data from the 2011 Northern Ireland Census, which suggests that 18 per cent of all households in Northern Ireland are in privately rented accommodation (including the 'other privately rented' and 'living rent free' tenure options).

These trends are also in line with the rest of the UK. The most recent figures emerging from the English Housing Survey (2011/12) indicate a continuing growth in private renting, with 17 per cent of all households in England living in the private rented sector.

Figure 10: The Growth of the Private Rented Sector 1991-2011



Source: NIHE: Northern Ireland House Condition Surveys, 1991-2011

Characteristics and Condition

The 2011 House Condition Survey provides the most up to date data on the characteristics and condition of privately rented homes in Northern Ireland. The survey also provides information on government indicators: the Decent Homes Standard, the Housing Health and Safety Rating System (HHSRS) and fuel poverty. The key figures have been summarised below.

Dwelling Age

The proportion of private rented dwellings built before 1919 has continued to decline (28% in 2006: 15% in 2011). Conversely, the proportion of privately rented dwellings built after 1980 has increased from 25 per cent in 2006 to 41 per cent in 2011, reflecting further substantial investment in new build apartments, townhouses and semi-detached dwellings by buy-to-let investors.

Vacant Dwellings

The rate of vacancy continues to be significantly higher than in any other tenure. In 2011, the vacancy rate in the private rented sector was 13 per cent, compared to seven per cent for the stock as a whole. The number of vacant dwellings which when last occupied were in the sector has increased by approximately 1,500 since 2009.

Dwelling Type

The proportion of terraced houses in the private rented sector had remained relatively static (40% in 2001: 40% in 2011) and remains the most common house type in the sector. While the number of occupied privately rented flats/apartments increased from 7,000 in 2001 to 13,800 in 2011, the proportion has actually fallen from 14 per cent to 11 per cent.

Unfitness

The unfitness rate in the private rented sector has decreased substantially over the last 10 years (8.7% in 2001: 2.7% in 2006: 2% in 2011), reflecting the amount of (often grant aided) investment by private landlords and the expansion of buy-to-let into modern/new build properties. However, the rate of unfitness in the private rented sector remains higher than in other occupied tenures (1% in owner occupied stock and minimal unfitness in the social sector). This may be a reflection of the financial difficulties some landlords are having, making them reluctant to carry out necessary maintenance and improvements.

Government Indicators

Disrepair and the Decent Homes Standard

In 2011, 53 per cent of dwellings in the private rented sector had at least one fault, a reduction from the comparable figure in 2009 (56%). The average repair cost (£551 for urgent repairs and £739 for basic repairs) was higher than all occupied stock as a whole (£467 for urgent repairs and £654 for basic repairs).

There was a significant reduction in the proportion of privately rented homes that failed the Decent Homes Standard (10% in 2011: 17% in 2009). However, the rate of failure in 2011 was still the highest of the three occupied tenures.

Housing Health and Safety Rating

Analysis of the 2011 House Condition Survey data on the basis of the Housing Health and Safety Rating revealed a considerable reduction in the proportion of privately rented dwellings with at least one Category 1 Hazard (8% in 2011: 15% in 2009). This reduction compared favourably with the owner occupied sector (7% in 2011).

Fuel Poverty

In 2011, less than half (49%) of households in the private rented sector were in fuel poverty, which is a reduction on the 55 per cent of households in 2009, but remains higher than the comparable figure for all households (42%). This difference to a certain extent reflects the characteristics of the stock, but more importantly the greater concentrations of low-income households in this sector compared to the owner occupied sector.

Census NI 2011 – The Private Rented Sector

The most recent census in Northern Ireland took place in 2011. Since 2012, the census figures have been released on a rolling basis. The key census statistics for the private rented sector are listed below:

Almost one-fifth (18%) of households in Northern Ireland lived in the private rented sector (including 'other privately rented' and 'living rent free' tenure options).

- ➔ More than two-fifths (43%) of households in the private rented sector were adult households, 39 per cent were households with children and seven per cent were older households.
- ➔ There were similar proportions of terraced (32%) and semi-detached properties (30%) in the private rented sector. One-fifth (20%) of properties were detached and a further 18 per cent were classed as 'flat, maisonette, apartment'.
- ➔ More than one-third (34%) of households living in the private rented sector consisted of one person and almost one-third (31%) were 2 person households.
- ➔ The central heating type for more than half (57%) of households in the private rented sector was oil central heating. Slightly more than one-fifth (21%) used gas central heating and 13 per cent used two or more types of central heating.
- ➔ Two-fifths (40%) of households had an occupancy rating of '+2 or more' and more than one-quarter (29%) had an occupancy rating of '+1' – indicating that almost 70 per cent of households in the private rented sector had at least one room more than their requirements. Twelve per cent of households had a rating of '-1', indicating overcrowding.
- ➔ Analysis at local council level reveals, that the highest proportion of privately rented homes is in Belfast (20%): a reflection of the demand for privately rented accommodation from households (including students and young professionals in the city), who cannot afford to purchase. Craigavon and Dungannon have the next highest proportions of privately rented households in the private rented sector (both 18%), reflecting to a large extent, the high number of migrant workers employed in the area, who often live in privately rented accommodation.

Performance of the Private Rental Market

The private rented sector in Northern Ireland has traditionally been the most difficult sector of the housing market in which to undertake research. In particular there has been a lack of regular consistent information on rental and transaction levels. Since 2007, bi-annual reports have been produced through a partnership between the Housing Executive, University of Ulster and Propertynews.com, charting average monthly rents and number of lettings, as well as providing analysis by location, property type and number of bedrooms for the Belfast Metropolitan Area. Additional data has now permitted this analysis to be extended to cover the whole of Northern Ireland.

The following is an overview of the key findings emerging from the first robust private rental index for Northern Ireland as a whole, covering the period January – December 2013.

Rental Levels and Transaction Levels in Northern Ireland

There were approximately 26,400 new lettings in 2013 in the private rented sector in Northern Ireland. Analysis indicates continued growth in lettings with a half yearly increase of 6.4 per cent in the second half of 2013 compared to the first (see table 9). The average monthly rent for Northern Ireland in 2013 was £538. However average rents decreased in the second half of the year by 1.7 per cent.

Table 9 : Key Private Rental Statistics, 2013

H1 2013 (Jan-June)	H2 2013 (July-Dec)	Half-Year Change	Total 2013
Rental Transactions 2013			
12,782	13,606	6.4%	26,388
Average Rent 2013			
£543	£534	-1.7%	£538

Source: NIHE/UU/PN: *Private Rental Index, 2013*

Lettings by property type

Proportionally, the number of lettings by property type remained fairly consistent throughout 2013, with terrace/townhouses and apartments holding the largest market share (approximately 70%). Average rents by property type also remained consistent throughout the year with the exception of apartments, where a 5 per cent decrease in average rents was recorded.

Lettings by number of bedrooms

Table 10 shows the number of three bedroom properties let increased in the second half of 2013 by 11 per cent, as did the number of two bedroom properties (+7%). There was a 5 per cent decrease in the number of 4 or more bedroom properties let in the second half of the year. Overall the proportion of properties let by number of bedrooms remained broadly unchanged, with two and three bedroom properties accounting for approximately three-quarters of the properties let throughout the year (78%).

Table 10 : NI: Lettings by Number of Bedrooms, 2013

Property Type	Jan-June 2013	July-Dec 2013	Half Year Change (%)	Total 2013
1 bedroom	827 (7%)	852 (6%)	3.0%	1,679 (6%)
2 bedroom	4,579 (36%)	4,893 (36%)	6.9%	9,472 (36%)
3 bedroom	5,286 (41%)	5,891 (43%)	11.4%	11,177 (42%)
4/4+ bedroom	2,070 (16%)	1,968 (15%)	-4.9%	4,038 (15%)
All	12,782 (100%)	13,606 (100%)	6.6%	26,388 (100%)

Source: NIHE/UU/PN: *Private Rental Index, 2013*

Rental Activity in Belfast*

The city of Belfast constituted 40 per cent of the rental market in Northern Ireland in 2013, and previous research and analysis has already confirmed the consistent growth of rental activity in the city.

Table 11 confirms an overall 3 per cent increase in rental transactions in the second half of 2013. The vast majority of properties let in Belfast were terrace/townhouses and apartments (86%), indeed the number of apartments let during the second half of the year decreased by almost 10 per cent. The average rent for Belfast in 2013 was £581. This rose/fell between the first and second half of the year.

Table 11 : Rental Transactions by Property Type in Belfast, 2013

Property Type	Jan-June 2013	July-Dec 2013	Half Year Change (%)	Total 2013
Apartment	2,186 (42%)	1,976 (37%)	-9.6%	4,162 (40%)
Terrace/Townhouse	2,316 (45%)	2,565 (48%)	10.8%	4,881 (46%)
Semi – Detached	548 (11%)	653 (12%)	19.2%	1,201 (11%)
Detached	139 (3%)	148 (3%)	6.5%	287 (7%)
All	5,189 (100%)	5,342 (100%)	2.9%	26,388 (100%)

Source: NIHE/UU/PN: *Private Rental Index, 2013*

Rental Levels outside Belfast

Analysis of the distribution of the rental market outside Belfast highlighted North Down and Newtownabbey as having the largest rental markets outside Belfast, followed by Lisburn, Craigavon and Ards. However, there appears to be limited private rental activity outside the main urban hubs.

The highest average rents outside Belfast were found in North Down (£602), Lisburn (£574) and Castlereagh (£566), all urban districts located within the Belfast Metropolitan Area. Conversely the lowest rents were found in more rural areas, including Moyle (£443), Ballymoney (£448), Fermanagh (£448) and Omagh (£449), districts (see figure 11).

* Belfast is used in this analysis to mean the Belfast City Council area.

Figure 11 :Average Monthly Rent by District Council: 2013



Source: NIHE/JU/PN: *Private Rental Index, 2013*

Private Rented Sector Strategy

The Department for Social Development launched its *Building Sound Foundations: A Strategy for the Private Rented Sector* in 2010. The primary objective of the strategy is “to create the conditions in which the private rented sector contributes more fully to meeting our rapidly changing housing needs”. It also highlights the role the private rented sector can play in supporting greater tenure choice, the need to promote more sustainable tenancies and the importance of a more balanced approach to the rights and responsibilities of both landlord and tenants. In response to this approach the Department for Social Development introduced a ‘Tenancy Deposit Scheme’ for Northern Ireland in April 2013.

The main aims of the scheme include:

- Tenancy deposits are protected by a third party
- The quick repayment of deposits
- Free access to an independent dispute resolution service
- Sanctions for non-compliance
- Provision of Information (between tenant and landlord)

Two types of scheme have been approved to operate in Northern Ireland: the Custodial Scheme and the Insurance Scheme and three organisations have been appointed as administrators of the scheme. As of the 1st April 2013 all landlords, by law, must protect any deposit taken in connection with a private tenancy, in an approved deposit scheme.

Figures for the first twelve months of the Tenancy Deposit Scheme reveal that more than 18,000 tenant deposits were protected by the scheme. In financial terms this equates to more than £10 million.

Another important element of the Private Rented Strategy came to fruition in February 2014 when the Landlord Registration Scheme came into effect. Since 25th February all private landlords letting a new tenancy have been required to register new lettings and submit details about themselves and their rental properties to the Landlord Registration Registrar. All landlords are required to be registered by 25th February 2015. In the first two months of registration more than 4,000 landlords have registered and provided details of approximately 10,000 properties. The Department for Social Development is now embarking on a review of private sector regulation as set out in its 2012 Housing Strategy.

Reform of Housing Benefit

Housing Benefit has played a vital role in sustaining the private rented sector in Northern Ireland. In 2012/13 more than 60,000 private tenants were in receipt of Housing Benefit. The total Housing Benefit budget amounted to almost £300m. For households on lower incomes, in particular, Housing Benefit plays an important role in enabling them to find a home of the right quality, in the right location at an affordable price.

Changes to the Housing Benefit system implemented since April 2011 have reduced this level of support to individual households in a number of key ways:

- ➔ The weekly rate of HB was capped at a maximum of £400 for four bedroom accommodation, regardless of household size; this affected approximately 500 larger households.
- ➔ Local Housing Allowances are now calculated on the basis of the 30th percentile rather than the median (50th percentile); this led to a reduction of an estimated average weekly amount of £7 for more than 40,000 households.
- ➔ The ending of “excess payments” of up to £15 a week, which the tenant was allowed to keep if the actual rent was lower than the Local Housing Allowance; an estimated 7,000 households were affected.
- ➔ The shared accommodation rate (Single Room Rent) is now applied to single people up to the age of 35 instead of 25, with single claimants aged 25 to 35 in the private rented sector now receiving the shared accommodation rate irrespective of the property occupied. This affected approximately 5,000 existing applicants and typically led to a £25 a week reduction in Housing Benefit.

There has been very considerable debate amongst housing professionals about the impact of these changes on the sustainability of the private rented sector, and in particular on households on low incomes, and on landlords, many of whom are now experiencing “negative equity”. What is clear, however, is that the agreement between central Government and the Minister for Social Development in October 2012, which enabled the continuation of direct payment of Housing Benefit to landlords, has had a significant impact on ensuring the longer term stability and viability of the private rental sector. The next sections summarise the key findings from a study commissioned by the Department for Social Development (undertaken by Sheffield Hallam University) on the impact of Housing Benefit reforms on the private rented sector, from both the tenant and landlord perspectives and from research commissioned by the Housing Executive on tenants’ experience of living in the private rented sector (undertaken in partnership with the University of Ulster).

The Impact of Housing Benefit Reform on the Private Rented Sector

This study was undertaken by the Centre for Regional Economics and Social Research at Sheffield Hallam University as part of a UK-wide research project commissioned by the Department of Works and Pensions.

The research methodology combined quantitative and qualitative methods in a two phase approach to assess behavioural change and the direct/indirect consequences for claimants and landlords of Housing Benefit reforms. Three case study areas, Armagh, Greater Shankill and West Belfast, were selected for the research. The same claimants and landlords were interviewed and surveyed during both phases of the research, which occurred 18 months apart, thus providing a longitudinal analysis of the impact of the reforms. Phase one of the research was completed in October 2012, and the most recent, phase two, was completed in November 2013.

Experience of claimants

A total of 254 face-to-face interviews were conducted with Local Housing Allowance (LHA) claimants during phase one. Phase two re-interviewed 174 of the claimants from phase one.

The majority of respondents (81%) to the claimant survey were from workless households. Working status remained very consistent through both phases of the research with 92 per cent of respondents who were workless in phase one, remaining workless at phase two.

Overall, the majority (85%) of respondents from phase one were still in receipt of LHA at phase two. Of those respondents, almost all (98%) were receiving LHA on the same claim as when interviewed previously.

A small proportion of respondents (14%) had moved home between research phases, however, no one claimed reduction of Housing Benefit as a main reason for moving.

The overwhelming majority (95%) of respondents had their LHA paid directly to the landlord.

For 60 per cent of respondents, their LHA did not cover the rent (63% in phase one). Analysis of those respondents with a shortfall during phase two revealed that lone parents were more likely to have a shortfall (71%) than other household types (single: 54%; other: 41%). There were also significantly more respondents with a shortfall in rent living in Armagh (82%) than in West Belfast (47%) or Shankill (59%).

There was no significant difference between the number of respondents in arrears during phase one (7%) and phase two (6%). Tenants in arrears gave general financial reasons for their arrears.

More than one quarter (27%) of respondents stated they were managing fairly/very well financially and less than half (42%) were managing fairly/very poorly. Many respondents reported running out of money fairly/very often (71%) and of those respondents 93 per cent also said they found the rent difficult to afford.

Experience of landlords

A total of 167 landlords who rent to tenants in receipt of LHA and non-LHA Housing Benefit completed postal surveys in phases one and two. As with the tenants, landlords were selected from the three case study areas.

Almost half (46%) of landlords surveyed had been in business for more than ten years. A high proportion of the landlords surveyed were letting a single property (44%; 21% in GB).

More than two-thirds (70%) of landlords in NI had not changed their letting strategy in response to the LHA reforms.

There was a significant increase in the percentage of landlords who said they had been affected 'a lot/a fair amount' by the LHA reforms (phase one – 15%, phase two – 33%).

The majority (81%) of landlords received direct Housing Benefit payments for all their tenants (30% in GB).

Landlords stated that there had been an increase in arrears for both LHA tenants (28%) and non-LHA tenants (21%), since April 2011.

There was an increase in the proportion of landlords who felt that they had been affected by arrears caused by the LHA reforms (44%; 24% in Phase one).

Overall, there was a significant increase in the number of current tenants negotiating rent (phase two 35%: 21% in phase one), and prospective tenants negotiating a lower rent (phase two 37%: 19% in phase one).

Most of the landlords surveyed intended to continue to rent to tenants claiming LHA (89%), however 35 per cent stated that they may cease letting to under 35 year olds over the next year as a result of Housing Benefit reforms.

Living in the Private Rented Sector: Tenants Survey 2012

The 2011 House Condition Survey provided a sample frame for follow-up interviews with tenants living in the private rented sector. A total of 138 interviews were carried out in 2012 to collect data on tenants' housing history, future intentions, tenant-landlord relationships, affordability issues and attitudes to living in the private rented sector. The key findings from this research have been summarised below. Comparisons with previous similar research undertaken in 2006 is included where appropriate.

Housing History

Analysis of housing history was limited to those tenants who had moved in the previous 5 years (105 tenants). Of those tenants, almost two-thirds (65%) had previously lived in private rented accommodation (49% in 2006).

The majority of tenants were satisfied with their previous accommodation (71%) and with their area as a place to live (77%), although the proportions have shown a slight decline by (two percentage points) compared to 2006.

The most common reasons given by tenants for leaving their previous accommodation were related to the size/state of repair of the property itself (36%) and family/personal reasons (32%). This is different to the main reasons given in the 2006 survey, where 39 per cent stated family/personal reasons as the main reason for leaving and 24 per cent stated the size/condition of the property as their main reason.

Access and Affordability

Overall, 70 per cent of tenants had to pay rent in advance and/or a deposit (53% in 2006). The average amount of deposit was £415, much higher than in 2006 when the average was £348. Similarly, the average deposit in 2012 was £413, compared to £294 in 2006.

Of those tenants who had to pay rent in advance/deposit, more than half (55%) were in receipt of Housing Benefit, a decrease on the 2006 figure of 64 per cent. Of those tenants in receipt of Housing Benefit one third (33%) had received help to pay their advance rent/deposit.

The average weekly rent paid by tenants in 2011 was £99 (£79 in 2006). Half (50%) of all tenants surveyed found it fairly or very difficult to make their rental payments (including shortfall between Housing Benefit and actual rent). However the vast majority (95%) of tenants stated that they were up to date with their rental payments.

More than half (57%) of all tenants interviewed were in receipt of Housing Benefit. Of these tenants, 76 per cent had to pay a shortfall to make up their rent (68% in 2006). On average, tenants had to pay for a shortfall of £29 per week, which is a significant increase on the £20 average shortfall in 2006.

Almost three-quarters (73%) of tenants stated that their Housing Benefit was paid directly to the landlord (85% in 2006), and almost all (97%) stated that they preferred it to remain this way. However, awareness of changes to the Housing Benefit system was low. Three-quarters (75%) of tenants stated that they knew nothing about the changes being made to how Housing Benefit is calculated.

Landlord-Tenant Relationship

The vast majority of tenants interviewed (83%) dealt directly with their landlord, the remaining 17 per cent with a letting agent. Comparable figures for 2006 were 81 per cent and 19 per cent respectively.

Most of those tenants dealing directly with the landlord had a mobile telephone number for their landlord (90%). Only 43 per cent had a landline number and 57 per cent had an address for their landlord.

The vast majority of tenants interviewed were on 'good terms' with their landlord (91%) and were generally satisfied with the service they received from their landlord (88% very/fairly satisfied). Indeed 81 per cent stated they were very satisfied or fairly satisfied with the way their landlord/agent dealt with repairs and maintenance.

Less than three-quarters (73%) of tenants interviewed did not have a rent book, the same proportion as in 2006. However more than two thirds (68%) had a written tenancy agreement, a little higher than in 2006 (62%). Overall one-quarter (25%) of tenants interviewed had neither a rent book nor a written tenancy agreement.

The majority of tenants were in favour of regulation in the private rented sector:

- Landlord Accreditation Scheme (88% in favour)
- Arbitration Service (87% in favour)
- Landlord Registration Scheme (83% 'a good idea')
- Tenancy Deposit Scheme (89% 'a good idea')

Future Intentions

More than half of the tenants interviewed (57%) intended to stay in their current accommodation for the next 5 years.

Overall, almost three quarters (73%) of tenants intended to remain in the private rented sector for the next five years.

Key Issues and Strategic Perspective

The private rented sector in Northern Ireland continues to grow, albeit at a slower rate, currently accounting for almost a fifth of all housing stock.

High levels of worklessness and rising numbers in part-time and temporary employment, growing waiting lists for social housing and affordability issues for first time buyers will ensure that the private rented sector continues to play an important role in Northern Ireland's housing market in the longer term.

Some landlords who have experienced mortgage repayment difficulties – particularly those who bought at the height of the boom with the help of a high loan-to-value ratio mortgage – are leaving the sector. However, given the expected continued demand for private renting from first-time buyers unable to afford their first home, and the continuing pressure on the social housing budget, the risk of large-scale disinvestment is seen as low, an estimate confirmed by research undertaken by Sheffield Hallam University.

Progress in implementing the Department for Social Development's Strategy has continued. Early figures emerging from the Tenancy Deposit Scheme indicate a steady take up by private landlords and their tenants. In February 2014 another important element came into effect – the Landlord Registration Scheme. Both schemes will help contribute to a sector which is more attractive in the longer term for tenants.

Housing Benefit continues to play a vital role in supporting the sector. The Housing Benefit reforms have had a somewhat subdued impact with little evidence of mass tenant/landlord movement out of the sector. Interim protections put in place and the decision to retain direct payment of Housing Benefit payments to landlords have softened the impact of current reforms. However, there are signs that tenants on lower incomes are having greater difficulty in finding the money to bridge the gap between Housing Benefit and market rent. Generally, however, landlord-tenant relationships remain positive with the vast majority of tenants on good terms with their landlord.

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Chapter Social housing

“It is likely that a more detailed picture of plans for the future of Northern Ireland’s social housing sector will emerge later in 2014.”

Housing
Executive

The Social Housing Sector: Key Figures

	2001	2006	2011
SOCIAL STOCK*	133,900	115,000	110,800
Urban	112,000 (84%)	99,400 (86%)	93,700 (85%)
Rural	21,900 (16%)	15,600 (14%)	17,100 (15%)
Dwelling age			
Pre-1919	4,900 (4%)	4,300 (4%)	—**
1919-1944	4,600 (3%)	4,600 (4%)	—**
1945-1980	82,100 (61%)	69,600 (60%)	70,000 (63%)
Post 1980	42,300 (32%)	36,500 (32%)	34,900 (32%)
Housing conditions			
Unfitness (rate)	1,270 (0.9%)	590 (0.5%)	—**
Non-decent homes (rate)	58,800 (44%)	25,000 (22%)	—**
Fuel poverty (rate)	47,800 (36%)	42,300 (37%)	43,900 (40%)
Need for social housing***			
Total Waiting List (At March)	22,054	31,908	41,356
Housing Stress	10,639	17,223	22,414
Homeless: No. presented	12,694	20,121	19,354
Homeless: No. accepted	6,457	9,749	9,878
New social housing required (minimum)	1,500	2,500	2,000

* Excluding vacant properties

** Small sample size means that numbers should be treated with caution and are not reported here

*** Waiting list, homelessness and housing need figures are for the period April 2012 to March 2013, or at 31st March 2013.

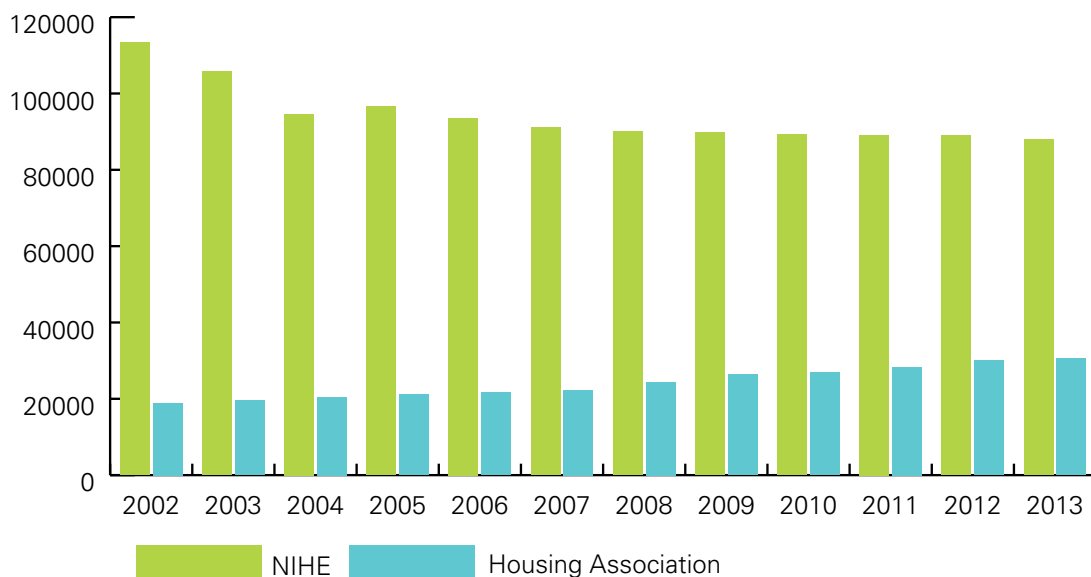
Introduction

In March 2013, the occupied, self-contained social rented sector in Northern Ireland accounted for around 16 per cent of the region's total occupied housing stock.



Around 88,000 of these dwellings were owned and managed by the Northern Ireland Housing Executive; figure 12 shows that this total has fallen by 2,000 since 2008, while the number of units owned and managed by housing associations has risen steadily, and totalled more than 30,500 in March 2013. In addition, the housing associations also own and manage around 4,500 units of accommodation that are not fully self-contained.

Figure 12: Self-contained (Occupied) Housing Executive and housing association stock in Northern Ireland, 2003-2013



Source: DSD Housing Statistics (Figures at March each year)

Characteristics, Condition and Tenant Profile

The Northern Ireland House Condition Survey provides information on the characteristics and quality of the social housing stock and the households who live in the sector. The most recent survey, carried out in 2011, showed that:

- The majority of the social housing stock (74%) was built after 1964, and around one third (32%) since 1980.
- Terraced dwellings were the most common property type, accounting for 39% of social sector stock, while flats/apartments and bungalows both accounted for around one quarter of the sector's stock (26% and 23% respectively).
- Only a minimal proportion of the social housing stock (<1%, excluding vacant dwellings) was estimated to be unfit: the figure has remained unchanged since 2009.
- Only an estimated four per cent of social sector dwellings failed to meet the Decent Homes Standard in 2011. This significant fall from 22 per cent in 2006 reflects, in particular, the ongoing investment in energy efficiency measures in the sector.
- Despite rising fuel prices, it was estimated that the overall rate of fuel poverty was slightly lower in 2011 (42%) than in 2009 (44%); the proportion of households living in the social sector who were experiencing fuel poverty also decreased from 51 per cent to 40 per cent (approximately 44,000 households).
- Social dwellings performed well when assessed using the Housing Health and Safety Rating System methodology. In 2011, the proportion estimated to have Category 1 hazards (2%) was lower than for the housing stock as a whole (10%).
- Just over one fifth (22%) of household reference persons living in the social rented sector were aged between 25 and 39, almost one third (32%) were aged 40-59, and 38 per cent were aged 60 or more.
- Tenants of social housing were fairly evenly split across three main household types: adult-only households (34%), households with children (32%) and older households (35%).
- Four fifths (80%) of households living in social sector accommodation had an annual gross income of less than £15,000. Almost one third (30%) reported having annual incomes lower than £10,000, compared with 23 per cent of those living in private rented accommodation and 12 per cent of owner occupiers.
- More than one fifth (22%) of household reference persons living in social sector properties were working either full-time or part-time and around one third (34%) were retired. At 44 per cent, the proportion of HRPs in the social rented sector who were not working (either seeking work; not seeking work; permanently sick/disabled; looking after the family/home; or other, including students) was twice the overall rate for Northern Ireland (19%) and in both 2006 and 2011 around three quarters of HRPs living in the social sector were economically inactive¹³.

¹³ People who are economically inactive comprise those who are neither in employment nor unemployed, including, for example, people who are looking after a home, retired, students and those who are long-term sick.

Social Housing Policy and Strategy

Welfare Reform and Housing Benefit

The Government's wider programme of welfare reform includes significant changes to Housing Benefit for social housing tenants, primarily:

- ➔ Reduction of Housing Benefit in cases where a working age social sector tenant lives in a home that has more bedrooms than they require, and
- ➔ Increased deductions for non-dependants living in a Housing Benefit claimant's household.

At the time of writing, the reduction in Housing Benefit for under-occupancy had been introduced in Britain, but had not yet come into force in Northern Ireland. The Welfare Reform Bill, which will pave the way for the changes, was introduced to the Northern Ireland Assembly on 1 October 2012 and needs to receive Executive and Assembly approval before it becomes law. The Bill reached Committee Stage in February 2013, but had not proceeded further at the end of the year. The Housing Executive understands the Minister for Social Development remains fully committed to taking the Bill through its remaining legislative stages. However, he cannot move the Bill towards the consideration stage until there is sufficient consensus within the Assembly.

On behalf of the Department for Social Development, the Housing Executive commissioned research to provide evidence on the potential outcomes of the Housing Benefit reforms. The analysis was carried out by the University of Glasgow and Newhaven Research. It found that:

- ➔ There were around 92,600 social sector Housing Benefit claimants in Northern Ireland at June 2012, of which almost two thirds (58,300; 63%) were of working age. In total it was estimated that around 34,100 working age tenants were under-occupying their homes by at least one bedroom.
- ➔ Of those under-occupying, the majority (68%) were under-occupying by one bedroom. However, a greater proportion of Housing Executive (33%) than housing association claimants (26%) who were under-occupying had two or more spare bedrooms.
- ➔ At a local level, the Housing Executive districts with the highest proportion of under-occupying claimants (relative to the 33% average) were Omagh, Cookstown, Strabane, Fermanagh, Limavady and Shankill.
- ➔ In total, the data suggested that the majority of working age social tenants in Northern Ireland were under-occupying: 40% by one room and 18% by more than one room. Just over 13% of working age claimants had already experienced the increased non-dependant deductions, but only an estimated 6% faced both the increased deduction and the reduction due to under-occupation.
- ➔ The benefit reforms will impact on local housing systems. Depending on local circumstances, demand may be redirected from the private rental market towards the social sector (or vice versa). Moreover, the analysis of under-occupancy at Housing Executive district level suggests that certain local areas are likely to be disproportionately affected by the reforms.

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- There is an opportunity to change the social housing stock profile through development of new, smaller units. However, the relatively small number of new additions to the stock would take some time to significantly affect the overall stock profile. As a proportion of the overall stock, the number of one- and two-bedroom properties will therefore remain relatively low for the foreseeable future.

Facing the Future: Housing Strategy for Northern Ireland

The Minister for Social Development, Nelson McCausland, launched a consultation on his five-year vision for housing in Northern Ireland in autumn 2012. The draft strategy set out four main roles for government in relation to housing:

1. Helping to create the right conditions for a stable and sustainable housing market that supports economic growth and prosperity;
2. Providing support for individuals and families to access housing, particularly the most vulnerable in society;
3. Setting minimum standards for the quality of new and existing homes and for how rented housing is managed; and
4. Driving regeneration within communities, particularly those suffering from blight and population decline.

In response to the suggestions of stakeholders during the consultation period, a fifth role for government was added:

5. To promote equality of opportunity in housing in NI and to promote good relations.

In relation to the social housing sector, the consultation identified strong support for the Social Housing Development Programme, including for wider access to grants, and for the Supporting People programme. The action plan for delivery of the Facing the Future strategy was published in 2013 and detailed a wide range of actions to be carried out within the strategy's five-year time frame, including a number relating specifically to the social sector:

- Harmonise standards for social housing construction with those used for private sector housing development.
- Introduce a developer contribution scheme.
- Explore potential for funding social housing by enabling a wider range of bodies to register as housing associations.
- Develop innovative solutions for improving the worst Housing Executive stock.
- Lead a fundamental review of social housing allocation policy.
- Consider additional forms of social housing tenancy for adapted social dwellings, and require social landlords to develop an accessible housing register and set targets for better use of this stock in the future.
- Gather information on the impact of the housing-related changes of Welfare Reform.

- ➔ Increase the availability of smaller social housing units to deliver social housing which meets the needs of individuals and is cognisant of the impact of Welfare Reform.
- ➔ Working with the Housing Executive, pilot a housing-led approach to regeneration in four areas.¹⁴
- ➔ Work with registered housing associations and others to investigate opportunities for generating employment and training opportunities.
- ➔ Develop a Shared Community Programme, to include:
 - amended application forms;
 - piloting a Belfast City Centre waiting list;
 - continuing to work with the Department of Justice and the Housing Executive to support the reduction in interface issues.
- ➔ Support business improvement in the social housing sector for the benefit of tenants and taxpayers.
- ➔ Take forward the Social Housing Reform Programme.

The Social Housing Reform Programme

In 2013 the Minister for Social Development announced proposals to explore how to reform social housing in Northern Ireland. The vision of the reforms is to create:

“Housing structures that support the provision of social and affordable homes, in thriving communities where people are proud to live”.

The key aims of the programme are to:

- ➔ improve housing structures, making the system financially sustainable for tenants and the Northern Ireland Executive;
- ➔ ensure delivery of well-maintained housing stock and increase investment in social housing more generally;
- ➔ improve the focus on strategy and regional delivery of services; and
- ➔ create space and freedom for social landlords to play a more proactive and innovative role in the communities they serve.

The initial exploration phase of the Programme was completed in March 2014. This involved researching best practice in Northern Ireland and beyond and engaging with stakeholders to find out their views on what works well and what they would like to see in the future. This information was analysed and used to inform the next steps for the Programme, which were shared with the Social Development Committee and the Northern Ireland Executive.

The aim of the next phase, which runs until March 2015, is to develop options to progress each of the following areas:

¹⁴ Six pilot areas were subsequently selected: for more information see page 88.

Housing Executive

Regional Housing Functions

- Consider functions and roles of a regional housing body and how such a body might be separated from current landlord responsibilities; and
- Examine scope to increase regional functions within existing statutory arrangements

Landlord Functions

Identify options for delivery of landlord functions including how such options might:

- provide for the required investment; and
- play a proactive role in the delivery of a range of services to tenants and communities.

Rent

- Develop and consult on a rent policy

Regulation

- Develop proposals on the regulatory approach for Northern Ireland including the powers of the regulator.

Local Government Engagement

- Develop proposals for local government engagement including:
 - Review the requirements on Housing Associations, within the Housing Association guide, to engage with local government representatives and councils;
 - Review potential models for new council engagement focussing on NIHE regional roles;
 - Review regional engagement arrangements taking local government reform into account
 - In the absence of any new detailed proposals the Housing Council should continue to exercise its current statutory role taking account of new council structures.

Tenant Engagement

- Develop proposals for tenant engagement including:
 - a Tenant Participation Strategy; and
 - Review Regulatory Framework and Housing Association guide to require social landlords develop tenant strategies

Fundamental review of social housing allocations policy

In line with a commitment set out in *Facing the Future*, the housing strategy for Northern Ireland, the Department for Social Development commissioned independent research to inform a fundamental review of social housing allocations in the region in 2012. The overall purpose of the fundamental review is to ensure that the current ways of accessing the social housing waiting list and allocating social housing make the most effective use of scarce public resources in identifying and meeting housing need in the context of Government's policy priorities.

In order to inform the fundamental review, the research was commissioned with the purpose of analysing the way social housing is accessed and allocated in Northern Ireland and, in light of best practice from Great Britain and the Republic of Ireland, making recommendations for further improvement to current approaches. The study was undertaken by a team from the University of Ulster and the University of Cambridge, and culminated in three reports which set out the academics' views on the existing allocations system in Northern Ireland and the mechanisms used elsewhere, along with a number of recommendations for change.

The research team's main findings were that:

- Demand for social housing outstrips supply in Northern Ireland, and is likely to continue to do so.
- Many stakeholders were of the view that the waiting list in its existing form is not an accurate reflection of housing need, and that there are applicants on the list who are adequately housed.
- There may be geographical areas where people do not apply for social housing as they know they have little chance of being housed. This latent demand would become more apparent if more properties were available for social renting.
- There is particular pressure to accommodate those found to be statutorily homeless. The number of 'full duty' cases represents over four fifths (85%) of the total available lettings.
- It is crucial to ensure that the processes of applying for, and letting, social housing make the most effective use of scarce public resources in identifying and meeting housing need and these should take account of broader government priorities.
- Evidence from elsewhere suggests that adopting a proactive approach through the use of Housing Options and Enhanced Housing Options Services allows housing providers to meet a range of housing need without sole reliance on the social housing sector.

Based on these key findings, the research team put forward a series of recommendations which were developed for the medium- to long-term as a means of 'future-proofing' any new allocations scheme. The researchers recommended that universal access to social housing should be retained, and a needs-based assessment approach used to prioritise applicants for social housing in a 'banding' system. The team also advocated:

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- introduction of a Choice Based Letting System for the allocation of Social dwellings in Northern Ireland;
- introduction of a Housing Options service in Northern Ireland;
- establishment of a separate transfer list;
- use of Local Lettings Policies to make direct lettings in prescribed exceptional circumstances;
- suspension of applicants who have committed anti-social behaviour from the list for up to two years;
- that applicants should receive a maximum of two reasonable offers;
- establishment of a Strategic Independent Allocations Scrutiny Panel (SIASP) which would monitor allocations on the basis of Housing Market Areas¹⁵. (Data would be used to identify housing flows within each area and ensure that allocations were being made in accordance with the scheme); and
- consideration of the potential to introduce a quota system after the proposed banded approach had been operating for an agreed period, to ensure that all bands receive an agreed percentage of lettings, with a view to promoting sustainable communities.

The Department for Social development held a 12-week consultation on the research findings and recommendations between December 2013 and March 2014.

Building Successful Communities

In October 2013, as part of the *Facing the Future* strategy, the Department for Social Development launched the Building Successful Communities initiative. The programme aims to use housing intervention as a catalyst to regenerate communities and will operate in six pilot areas (Lower Oldpark/Hillview; Divis/Albert Street; Tiger's Bay/Mountcollyer; Shankill/Brown Square; and Andersonstown (all in Belfast) and Doury Road, Ballymena. The Department for Social Development's Housing and Urban Regeneration Directorates, supported by the Social Security Agency, Housing Executive, housing associations, local communities and key statutory and voluntary agencies will work to identify social, economic and physical interventions to help reverse decline and create more sustainable communities.

The pilot areas were selected because they are already designated areas of deprivation but have good potential for recovery, with available land or properties that can be refurbished. A Regeneration Forum will be set up in each area to develop plans for interventions to meet community needs. The Housing Executive's Research Unit is undertaking household surveys in each of the six pilot areas to provide baseline data which will inform the initiative.

¹⁵ In 2010, the Housing Executive published a report undertaken by the University of Glasgow and Newhaven Research which sought to delineate functional housing market areas in Northern Ireland. The research team identified 11 housing market areas in the region: Ballymena, Belfast, Coleraine, Craigavon, Derry/Londonderry, Dungannon, Fermanagh, Mid Ulster, Newry, Omagh and Strabane.

The Housing Executive

The Housing Executive, which was established in 1971, is Northern Ireland's single comprehensive regional housing authority. It is a Public Corporation sponsored by the Department for Social Development. In 2012/13, the Housing Executive had a gross budget of £570.3 million; of this around 15 per cent (£83 million) was accounted for by funding for the Social Housing Development Programme, and 27 per cent (£153.4 million) was invested in improvements and repairs to Housing Executive stock.

Housing Executive stock

At April 2013, almost three fifths (59%) of the Housing Executive's stock was in the form of traditional terraced or semi-detached houses, while bungalows and flats both accounted for one fifth (20%) of properties. Around one tenth of Housing Executive-owned dwellings had one bedroom, two fifths (39%) had two bedrooms and almost half (48%) offered three or more bedrooms. The vast majority (97%) of dwellings had full central heating systems, most of which were fuelled by natural gas (37%) or oil (42%), and almost one tenth (9%) by Economy7 systems. Both the number (7,620) and proportion (eight per cent) of Housing Executive homes using solid fuel as their principal heat source had fallen in the year to April 2013, as investment in more efficient heating systems continued.

Household profile

The Housing Executive's Continuous Tenant Omnibus Survey (CTOS) is based on 3,400 interviews with tenants throughout the calendar year. It is an invaluable source of information on the socio-economic and demographic profiles of Housing Executive tenants.

The 2012 survey showed that, at 2.11 persons, the average size of households living in Housing Executive accommodation was smaller than for Northern Ireland's housing stock as a whole (2.49). More than two-fifths (43%) of households consisted of only one person, while a slightly lower proportion of homes (36%) were occupied by one or two older people. 'Lone older' remained the single most common household type (23% of all households). The types of households living in Housing Executive homes have remained largely unchanged in recent years.

Only 18 per cent of household reference persons (HRPs) were working (full time, part time or self employed) in 2012, a proportion that was in line with the CTOS findings in previous years. People who had retired accounted for slightly less than one third (30%) of HRPs, and 16 per cent described themselves as permanently sick/disabled. Around half (49%) of households had an annual gross household income of £10,400 or less. More than one in ten household members (12%) required some form of mobility aid (including a wheelchair).

The Housing Associations

There were 27 registered¹⁶ housing associations in Northern Ireland at March 2013, including the Northern Ireland Co-Ownership Housing Association (NICHHA). The number of registered associations in Northern Ireland has decreased steadily in the last decade (from 39 in 2003) as associations have sought to improve efficiency and maximise economies of scale through mergers. Housing associations have been responsible for developing all new social dwellings in Northern Ireland for more than a decade. They operate within 'mixed funding' arrangements, obtaining loans from the private market; the private finance component now represents more than half of the cost of general-purpose development. Global accounts prepared by PwC showed that during 2012/13, housing associations in Northern Ireland (including Co-Ownership) secured £125 million private finance in addition to the £83m Housing Association Grant received from Government, and had a turnover of £185 million.

Excluding properties within the Co-Ownership scheme, but including vacant stock, registered housing associations owned approximately 31,500 units of self-contained accommodation at March 2013. In addition, the housing associations also own and manage around 4,500 units of accommodation that are not fully self-contained. The nine largest housing associations, each of which had more than 1,000 units, owned more than four fifths (83%) of all housing association stock (see table 12).

Table 12: Housing associations with 1,000+ units of rented accommodation, March 2013

	Self-contained units	Bed spaces	Total units
Oaklee	4,422	1,401	5,823
Helm	4,810	514	5,324
Fold	4,829	314	5,143
Apex	3,265	429	3,694
Clanmil	3,240	136	3,376
Trinity	1,932	111	2,043
Habinteg	1,788	263	2,051
Ulidia	824	295	1,119
South Ulster	1,038	0	1,038
Total (associations with 1,000+ units)	26,148	3,463	29,611
Total housing association stock	31,533	4,438	35,971

Around 2,100 housing association dwellings (1,250 self-contained units and more than 800 bed spaces in shared accommodation) were suitable for tenants who use a wheelchair, and almost one third of all stock owned by associations (30%) was designed for older people. With the increased role of housing associations in general needs housing provision, the proportion of association stock accounted for by units designed for older people has gradually declined. However, housing associations continue to build new homes for older people, including forms of accommodation to meet specialist needs such as those of people with dementia.

¹⁶ Housing associations registered with the Department for Social Development are eligible to receive Housing Association Grant and operate within the Department's regulatory regime.

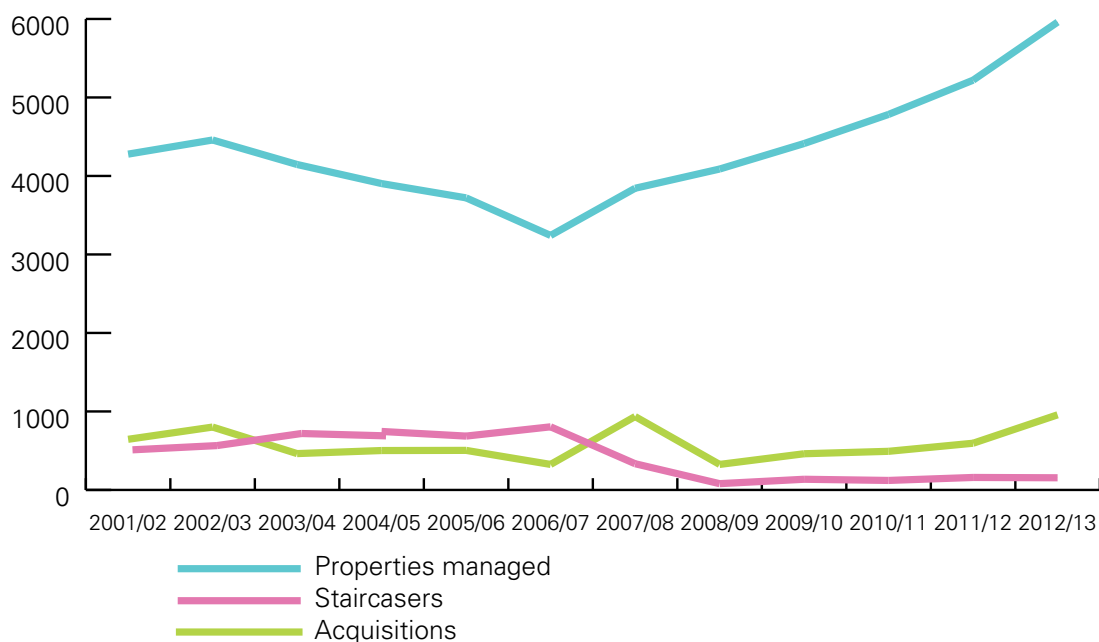
Co-Ownership Housing

The Northern Ireland Co-Ownership Housing Association (NICHA: generally known as Co-Ownership) was established in 1978. The do-it-yourself shared ownership scheme plays a key bridging role in the local housing market by enabling eligible households, whose resources would not otherwise allow them to purchase a home, to access owner-occupation through the open market.

Almost 23,000 households have purchased their own homes through Co-Ownership since the scheme was set up, with 957 of these properties acquired between April 2012 and March 2013, at a value of £105 million. The purchases were facilitated by a total of £38 million in Housing Association Grant. The average price of properties purchased through the scheme during the year was £109,675, a reduction on the average figure for the previous year (£117,675) which reflects trends in the wider housing market.

Figure 13 shows the annual total number of properties managed by Co-Ownership, purchases through the scheme and households 'staircasing' to full ownership since 2001/02, and illustrates some of the impacts of changes in the housing market over the last decade.

Figure 13: Co-Ownership – annual total properties managed, purchasers and staircasers, 2001/02 – 2012/13



Source: Co-Ownership

- The number of properties purchased through the scheme in 2012/13 was higher than any recent year since 2007/08. Secure funding sources and the availability of appropriately-priced properties allowed Co-Ownership to assist almost 1,000 households in acquiring their home during the year.

Housing Executive

- By March 2013, just over 17,000 households had 'staircased' out to become full owners since the scheme began in 1978. However, the number of households staircasing each year has been relatively low since 2006/07. Only 155 households fully staircased during 2012/13 and, of these full equity disposals, 64 (41%) were repossession cases where the mortgage lender sought possession of the property. The incidence of repossession cases was lower for Co-Ownership purchasers than in the market as a whole (0.8% of stock), and the proportion of full equity disposals which were repossessions was lower than in 2011/12 (52%). Nevertheless, the figures indicate that, several years after the downturn in the property market, some households have continued to experience difficulties in maintaining home ownership. With some repossessed properties being sold at auction for much-reduced prices, the average property loss in a repossession sale was £73,086.
- The reduced rate of staircasing has contributed to ongoing growth, since 2007, in the number of properties managed by Co-Ownership; by March 2013 the total had increased to 5,960.
- Detached (14%) and semi-detached (49%) properties accounted for more than half of all purchases through the Co-Ownership scheme in 2012/13, and only seven per cent of properties purchased were apartments, compared with 23 per cent at the height of the housing market boom in 2006/07.

At around £5.8 million, income generated through sales in 2012/13 was almost unchanged by comparison with the previous year, as was the amount repayable to the Department for Social Development (£3.2 million).

Data collated by Co-Ownership provides an insight into the profile of purchasers during 2012/13:

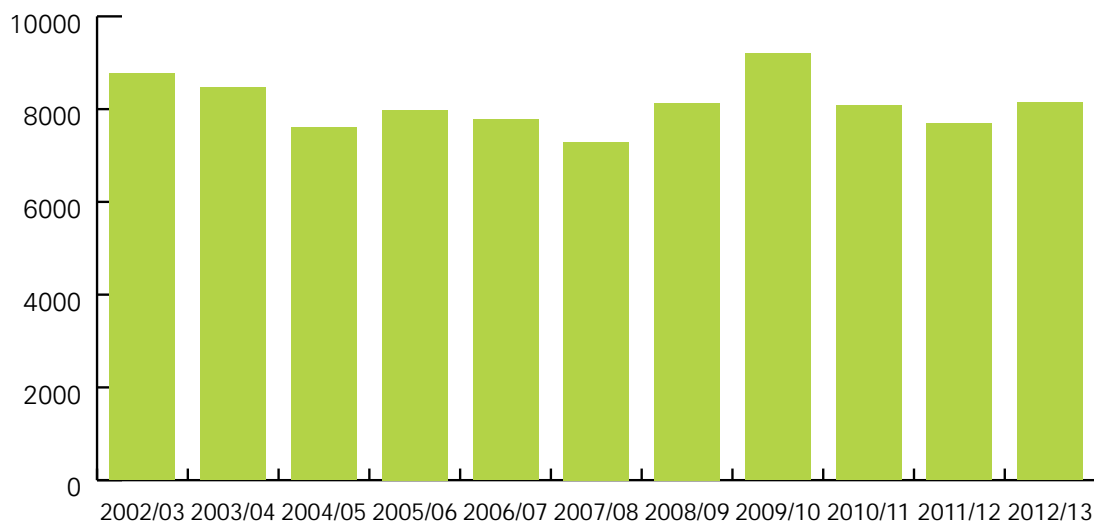
- Around two thirds (65%) of purchasing households had only one earner; the remainder were dual earner households. In terms of eligible income (earnings and guaranteed income), the most typical income band of those who purchased through the scheme was £20,000-£30,000.
- The largest proportion of purchasers (40%) was in the 25-29 age range. A further 26 per cent were aged between 30 and 34, and 17 per cent were in the 18-24 age band. Only around four per cent of purchasers were aged 45 or more.
- The average annual household income of households purchasing through Co-Ownership was £23,000.

In November 2012, NICHA announced that it had secured a £50 million, four-year financing deal with Bank of Ireland and Barclays – a continuation of funding arrangements that commenced in 2009. In combination with government grant totalling £100 million over the four years from 2011/12, the deal was expected to help secure 2,500 affordable homes. Co-Ownership has projected that it will assist in the purchase of 700 homes each year from 2012/13 to 2014/15, and a further 450 in 2015/16. The availability of additional Housing Association Grant funding through monitoring round bids in 2012/13 meant that acquisitions through the scheme were above target for the year, and a similar outcome is likely for the 2013/14 financial year.

New Social Housing

In the social rented sector, housing need is primarily met through the re-let of existing dwellings to new applicants. Figure 14 shows that the annual total number of re-lets and allocations (excluding transfers) has varied from year to year, with an annual average of around 8,100 since 2002/03. The 2012/13 total (8,144) was in line with this average figure.

Figure 14: Social housing re-lets and allocations (excluding transfers), 2002/03-2012/13



Source: NIHE

The Housing Executive is responsible for the management of the Social Housing Development Programme, which is guided by the Net Stock Model (see chapter 1) and takes account of local Housing Need Assessments (HNAs). The programme is distributed and reviewed within the overarching framework of agreed strategic guidelines and delivered by the housing associations. The strategic guidelines ensure an equitable geographical allocation of new social dwellings according to assessed housing need.

The total funding committed to the social housing development programme during the year (£159 million) included £74 million of private finance. As well as securing bank loans, associations in Northern Ireland have increasingly moved towards use of bond finance from the capital markets to secure long-term funding. During 2012/13, housing associations secured £57 million in bond finance at competitive rates through the Housing Finance Corporation.

Table 13 shows the composition of the social housing development programme since 2005/06. In line with the available budget for social housing, the total number of recorded starts in 2012/13 (1,379) was slightly lower than in 2011/12 (1,410), but exceeded the target that had been set for the year (1,325). It should, however, be noted that the financially-driven target fell short of the annual need determined by the Net Stock Model (2,000 dwellings). During 2012/13, starts on new buildings for use in the social sector totalled 1,166, of which 130 were purchased “off the shelf”

and 1,036 were new build. A further 111 “existing satisfactory” properties were acquired during the year and work started on the rehabilitation/re-improvement of 102 properties.

Table 13: Social Housing Development Programme starts, 2005/06-2012/13

	Buy and develop sites: new build	Buy new homes “off the shelf”	Package deals (design & build)	Buy “existing satisfactory” homes	Re-habilitation/ Re-improvement	Total recorded starts
2005/06	1,013	90	212	142	62	1,519
2006/07	604	48	174	180	26	1,032
2007/08	885	270	84	343	13	1,595
2008/09	476	299	131	223	7	1,136
2009/10	1,243	467	0	76	52	1,838
2010/11	1,752	400	0	93	173	2,418
2011/12	984	275	0	109	42	1,410
2012/13	1,036	130	0	111	102	1,379

General needs schemes for families, couples and single people accounted for the majority of social housing starts during 2012/13 (1,182 units; 86% of starts), while 12 per cent of starts (160 units) took the form of supported accommodation for various need groups including people with learning disabilities, people with mental health problems and young people at risk or leaving care. Only a small number of units designed specifically for the use of elderly people (around 30) were started during the year.

The outturn in terms of supported housing starts fell short of the target for the year, which had been set at 325 units in line with the Housing Related Support Strategy. The strategy includes a commitment to deliver against the Bamford-related priorities for the resettlement of people with a learning disability or mental health issue from long-stay hospitals, and a target for provision of 850 supported housing units has been set within the Social Housing Development Programme for the four years to 2014/15. However, delivery against this target may prove problematic due to difficulty in identification of sites that are suitable for the client group and financially viable for the nominated association.

Just under one tenth of starts (9%; 118 units) were located in rural areas, while dwellings in Belfast and Derry accounted for 21 per cent and 17 per cent of starts respectively. The number of social housing completions during 2012/13 (1,254) was slightly lower than in 2011/12 (1,310).

In recent years, issues such as land supply and planning constraints, combined with a reduction in the overall availability of funding, have resulted in a challenging environment for housing associations seeking to provide new social dwellings in Northern Ireland. In partnership with the Housing Executive, associations exceeded

the target of 1,275 starts in 2013/14 starting 1,299 homes during the financial year. These new homes along with the 2,000 starts planned for 2015 will contribute to the Northern Ireland Executive's Programme for Government target to deliver a total of 8,000 social and affordable homes between 2011/12 and 2014/15. Of this total, 6,000 are expected to be for rent, while the remainder will be affordable homes delivered through the Co-Ownership scheme.

Planning for social and affordable housing

As part of the wider programmes of reform of the planning system and local government, the majority of planning functions in Northern Ireland are due to transfer from central government to 11 new councils in April 2015. The transfer will effectively result in the creation of a new planning system for Northern Ireland, with new roles, responsibilities and relationships for all involved in the planning process. The current unitary system (where planning powers rest with central government) will become a two-tier delivery model, within which councils will have primary responsibility for implementation of most planning functions.

In preparation for the changes, the Department of the Environment has undertaken a comprehensive consolidation and review of planning policy. The resulting single, strategic policy document, the Strategic Planning Policy Statement (SPPS), was published for consultation in draft form in February 2014.

The draft SPPS consolidates 20 separate planning policy publications into one document and sets out the core principles that will underpin delivery of the reformed two-tier planning system from April 2015. For the most part, land-use planning policies remain largely unchanged from the principles set out within existing planning policies; the SPPS therefore primarily constitutes a framework for delivery of the reformed planning system.

As part of a focus on furthering sustainable development, the draft SPPS recommends that planning authorities should facilitate delivery of social and affordable homes. It also makes provision for councils or the Department to require developers to bear the costs of work required to facilitate their development proposals, including delivery of social and affordable housing. The draft SPPS stipulates that Local Development Plans should be informed by Housing Needs Assessment, which would provide an evidence base for the allocation of land to cater for special housing needs such as affordable housing, social housing, supported housing and travellers' accommodation.

The *Facing the Future* housing strategy noted that the introduction of a developer contributions scheme has the potential, over time, to add a significant number of new social and affordable homes in Northern Ireland. The Department for Social Development has therefore been working with the Department of the Environment to complete preparatory work, which will include a public consultation, so that developer contributions for affordable housing can be introduced when market conditions improve and the construction sector is in a stronger position. It is expected that the proposals will be published for consultation in spring 2014 and reflected in the final SPPS.

Improving and Maintaining Social Housing

The findings of the 2011 House Condition Survey showed that approximately four per cent of properties in the social sector failed to meet the Decent Homes Standard. The comparable figure in 2006 was 22 per cent. The significant reduction in the non-decency rate primarily reflects ongoing investment in new, more efficient heating systems and insulation in existing properties, and the high energy efficiency standards incorporated in new build dwellings; traditionally the vast majority of social dwellings failing to meet the decent homes standard have failed on the 'thermal comfort' criterion.

Housing Executive dwellings

The Decent Homes Standard was introduced in Northern Ireland in 2004 to promote measurable improvements to housing in the region, with the aim that the entire social stock would meet the standard by 2010. While the proportion of social stock failing to meet the standard has declined in recent years, the original target was not achieved. The Housing Executive is now working towards a target of achieving Decent Homes Standard Plus¹⁷ for all its stock by 2021. The reduced availability of capital funding due to the collapse in income from capital receipts (land and house sales) has, however, resulted in a substantial reduction in the funding available to invest in improvements to Housing Executive stock.

While starts on heating replacement installations were above target in 2012/13 (4,054 against a target of 3,700), there has been no funding for multi-element improvements since 2008/09, and there remains a residual group of Housing Executive properties in need of more extensive improvement work. In July 2013, as part of the Facing the Future housing strategy, the Minister for Social Development announced plans for the phased transfer of around 2,000 Housing Executive dwellings at 65 locations throughout Northern Ireland to housing associations, to enable improvement work. The programme follows two pilot schemes involving a total of 127 properties in Derry/Londonderry and Bangor. Improvements to the 55 properties in the Creggan area which were transferred to Apex Housing were completed late in 2013; work on the Bangor properties earmarked for transfer to Oaklee was due to commence in spring 2014.

The Housing Executive has been working with the Department for Social Development and Strategic Investment Board to develop appropriate processes for the transfer programme, including the necessary economic and technical appraisals. The process will also involve consultation with tenants, who will have the opportunity to vote 'for' or 'against' transfer to a new landlord. With some of the detailed aspects of the transfer protocol still to be finalised in late 2013, it was anticipated that consultants would be appointed and briefed to undertake economic appraisals for the first of three tranches of transfer schemes early in 2014.

¹⁷ 'Decent Homes Plus' is an enhanced version of the Decent Homes Standard, which encompasses Decent Homes plus: statutory obligations; good and tenantable repair; and maintenance of existing environmental works. The Housing Executive's definition of Decent Homes Plus includes further components, in relation to, for example, energy efficiency, carbon emissions and accessibility standards.

Due to the availability of additional funding in-year, kitchen replacement starts in 2012/13 (5,449) were well above the target that had been set for the year. Starts on double glazing (8,856) were slightly above target, while the number of external cyclical maintenance (ECM) starts (8,429) was lower than the planned 9,500 due to delays arising from the resolution of pricing issues.

Following an internal investigation which indicated that significant sums of money had been overpaid to planned maintenance contractors, the Housing Executive's Board commissioned an external review of planned maintenance contracts in June 2013. The report on the review was published in November; it concluded that failings within the Housing Executive had led to overpayments to planned maintenance contractors in the period 2009-2012, and estimated that the sum of overcharging was in the region of £9 million to £13 million.

Following publication of the report, which noted that the situation had subsequently improved, the Housing Executive put in place measures to ensure that its recommendations were implemented. However, the investigations and negotiations with contractors resulted in delays in the awarding of new planned maintenance contracts. Although targets for starts on ECM schemes at 3,200 homes, 2,750 kitchen replacements and provision of double glazing in 9,000 dwellings had been set for 2013/14, the delays mean that these targets are unlikely to be met. Work has, however, been progressing against a target of 5,750 heating installations during the year.

Maintenance and improvement of housing association stock

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

Key Issues and Strategic Perspective

The number of social dwellings in Northern Ireland is likely to continue to grow over the next three years, although planning constraints and difficulties in securing land in appropriate locations will combine to create a challenging environment as the Housing Executive and housing associations work, in partnership, towards a target of starting 2,000 new social dwellings during 2014/15.

Since 2001, the Social Housing Development Programme has not kept pace with the steadily rising need for social housing. The most recent model of future social housing need was produced in January 2013. It is estimated that there is an annual requirement for at least 1,200 additional new social dwellings to meet ongoing need. An overall figure of a minimum of 2,000 new social dwellings is seen as being required to make significant inroads into the substantial backlog which has developed since 2001 and to take account of the relatively low rate of new private construction that is expected over the next three year period.

Welfare Reforms that came into force in the rest of the UK during 2013 have yet to be fully implemented in Northern Ireland, but there is likely to be increased pressure for movement on this issue in 2014. The application of reduced Housing Benefit in cases of under-occupancy, in particular, is likely to affect a substantial number of social housing tenants, with possible impacts including an increase in social sector rent arrears and increased demand for the limited stock of smaller properties.

Work on the Social Housing Reform Programme is now well under way, with the first phase – development and approval of strategic design requirements – due to be completed by spring 2014. It is likely that a more detailed picture of plans for the future of Northern Ireland's social housing sector will emerge later in the year.

The housing market and construction sector are still recovering from the property downturn in 2008. In these conditions, the introduction of a developer contributions policy would yield only very limited results and could impact negatively on any growth in housing construction. However, it is important that work continues to finalise a policy that will enable provision of social and affordable housing through developer contributions in the longer term.

The Co-Ownership scheme continues to play a very important bridging role in meeting the needs of lower income households wishing to access owner-occupancy. The public and private funding that has been committed to the scheme will help the organisation continue to fulfil its invaluable role in a challenging housing market.



Conclusion

“Given the ongoing constraints on the public purse, resources for stimulating the housing market, for new social housing... will be more limited ...”

Housing
Executive

Conclusion

Northern Ireland's housing market is still undergoing a period of stabilisation. The prospects for the world economy and the economy of the UK have become brighter. However, high levels of government and household debt in the euro area and a lengthy period of austerity provide the wider context for the next three year period. Northern Ireland's labour market remains uncertain and ongoing public expenditure constraints will impact in a disproportionate way in Northern Ireland, where approximately one third of all employment is in the public sector and two thirds of GDP is dependent on it.

During the next three years the number of new homes being completed for the private sector is likely to remain well below the recent historic trend. House prices are likely to drift upwards, reflecting substantial improvements in the affordability ratio of house prices to incomes, and improved access to higher loan-to-value mortgages. However, the high levels of negative equity in Northern Ireland will continue to hamper the process of market normalisation.

The private rented sector will continue to play a vital role in meeting the needs of younger households on lower incomes, who in previous decades would have more likely become first-time buyers. High levels of demand for social housing in some areas will also continue to underpin the demand for private rented accommodation, which will continue to be supported by a large Housing Benefit budget. The impact of changes to the Housing Benefit system have so far been muted, in particular due to the continuation of direct payments to landlords, although recently completed research indicates higher deposits and a growing gap between Housing Benefit and market rents.

Given the ongoing constraints on the public purse, resources for stimulating the housing market, for new social housing and undertaking improvements and repairs to existing social dwellings will be more limited, making it more difficult to implement effective policy interventions in the housing market. Nevertheless it is important that the impact of these resources is maximised to address the ongoing need for investment in new social housing and affordable housing through the Co-Ownership scheme, as well as improvement and maintenance of the existing stock and measures to address fuel poverty.

