

# Strategic Housing Market Analysis: Overview of Key Findings and Outputs

NIHE Insight Event

Tony Dignan

6 March 2023

# Agenda

- Introductions
- SHMA overview
- Key findings
  - Population and household change
  - Projected housing requirements
  - Affordability and tenure split
- Concluding remarks

# SHMA overview

- Housing Market Areas (HMAs)
  - The spatial area within which most households both live and work and where those moving house without changing their place of work search for, and choose, a home.
- Spatial framework for Strategic Housing Market Analyses (SHMAs)
- 11 HMAs defined in a research project commissioned by NIHE and which reported in 2018
  - Newhaven Research, 2018. [Mapping Northern Ireland's Housing Market Areas](#).

# Map A Northern Ireland Housing Market Areas

## Legend

 Housing Market Area boundary

## Reporting areas

 Belfast

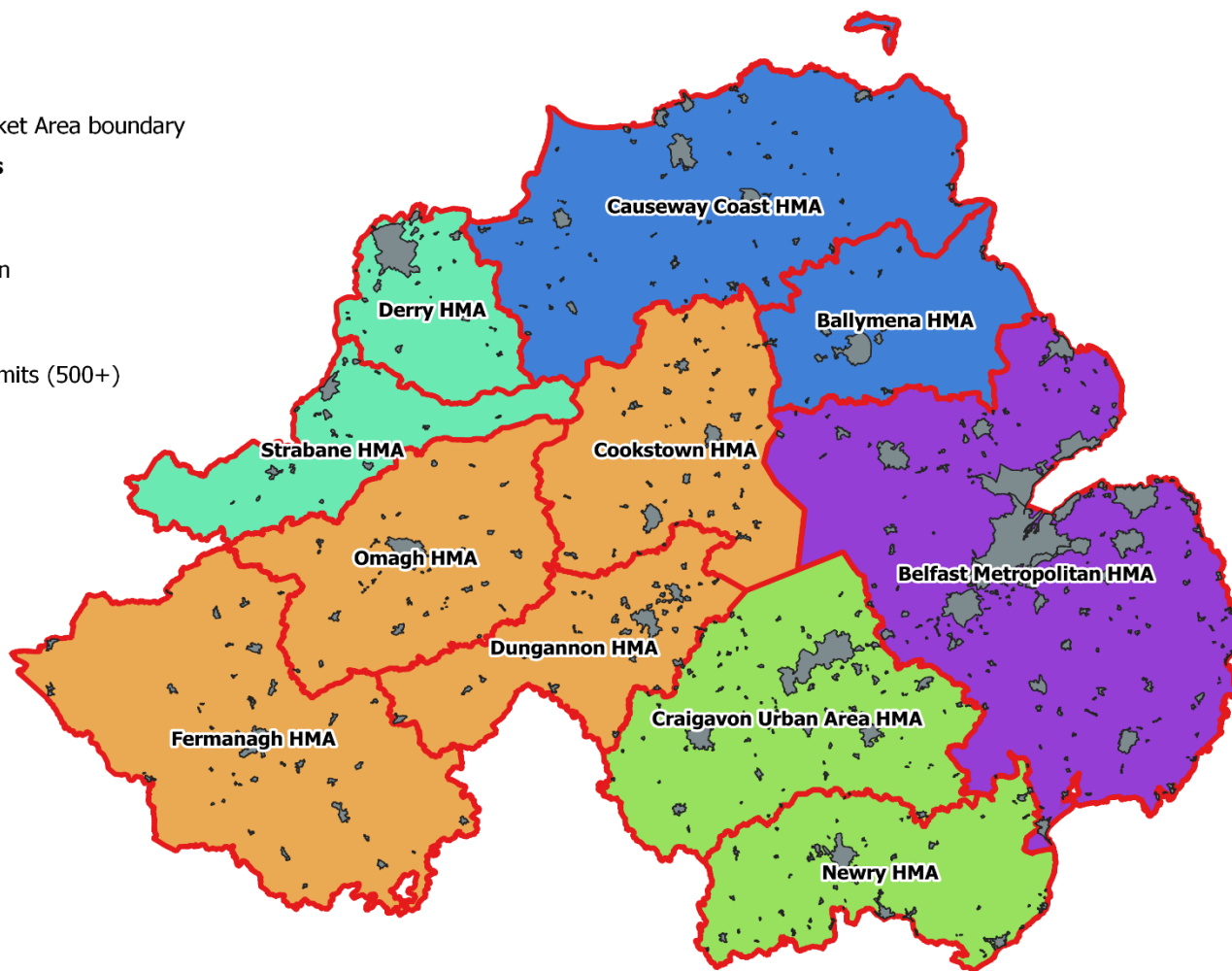
 West

 South Eastern

 Western

 Northern

 Settlement limits (500+)



© Crown copyright and Database rights NIMA ES&LA209.3

## 11 HMAs, grouped into five reporting areas

Nine HMAs either (i) coterminous with LGDs (Causeway, ABC) or (ii) wholly contained within their LGD (Derry & Strabane, Cookstown & Dungannon, Omagh & Fermanagh and, within the Belfast HMA, AND, Belfast, Lisburn & Castlereagh, Antrim & Newtownabbey. Newry, Mourne and Down and M&EA each split between two HMAs

# SHMA Objectives and Requirements

- Objectives
  - To assist policymakers in their understanding of the dynamics of the HMAs
  - To inform Local Development Plans
- Requirements
  - Analyse key economic, demographic and housing data
  - Provide **housing need projections** across **all tenures (private, intermediate and social)** for **15 years** at Housing Market Area and Local Authority level.
  - Apply a range of **scenarios** to the 15-year housing need assessment calculation

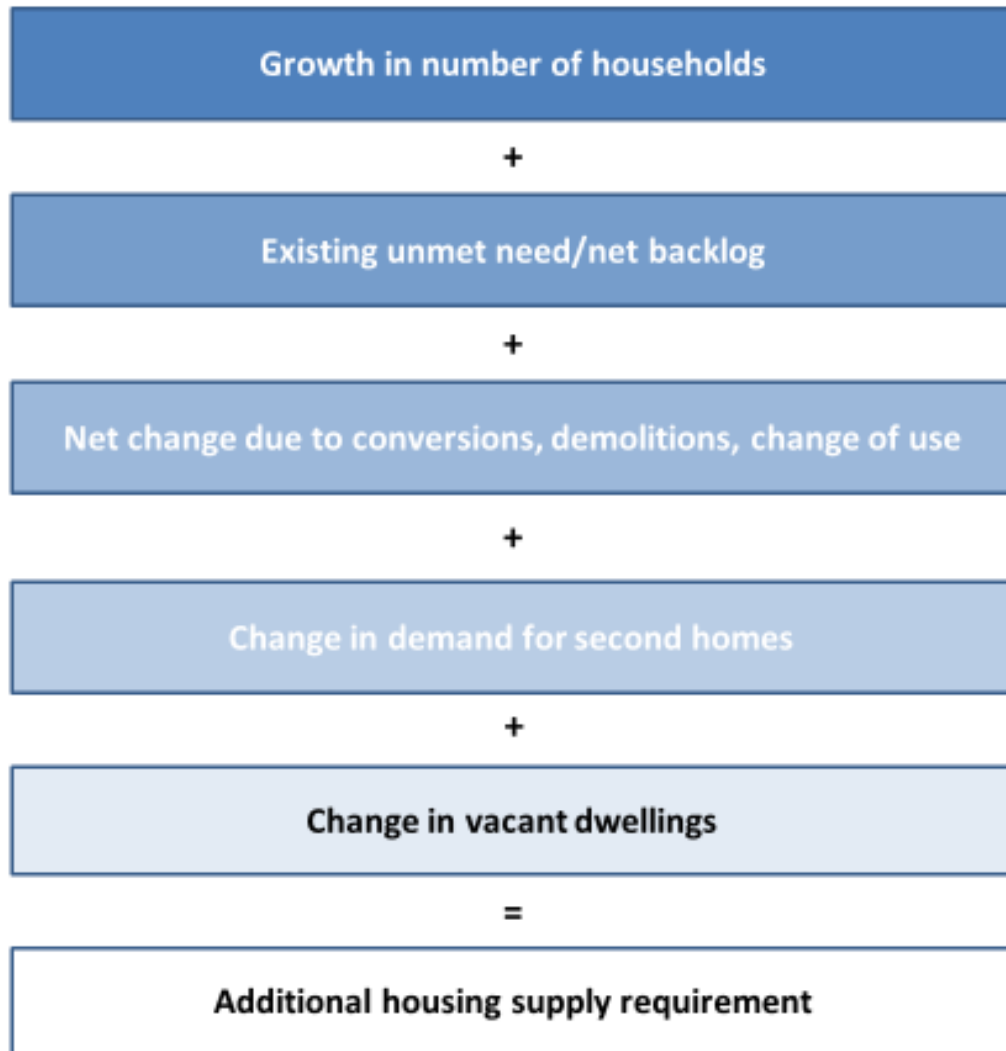
# The SHMA reports

- Completed in two stages
  - December 2020 and June 2022
  - Available at <https://www.nihe.gov.uk/Working-With-Us/Research/Housing-Market-Analysis>
  - Each SHMA includes Sections on Policy Context, Population, Households, Housing Market, Housing Stock and Occupancy, Housing Requirements
  - Also a summary NI document, which includes results by LGD, with accompanying Appendices
- The SHMAs each take a longer term perspective – 15 years ahead, 2020 to 2035
- Extrapolation of trends (population, households) combined with analysis of rents and house prices relative to incomes
- Historical data pre-date Covid and Census 2021

# Housing requirements

- Methodology
- Household projections
- Backlog
- Tenure
- Sensitivities

# Net stock model: Components

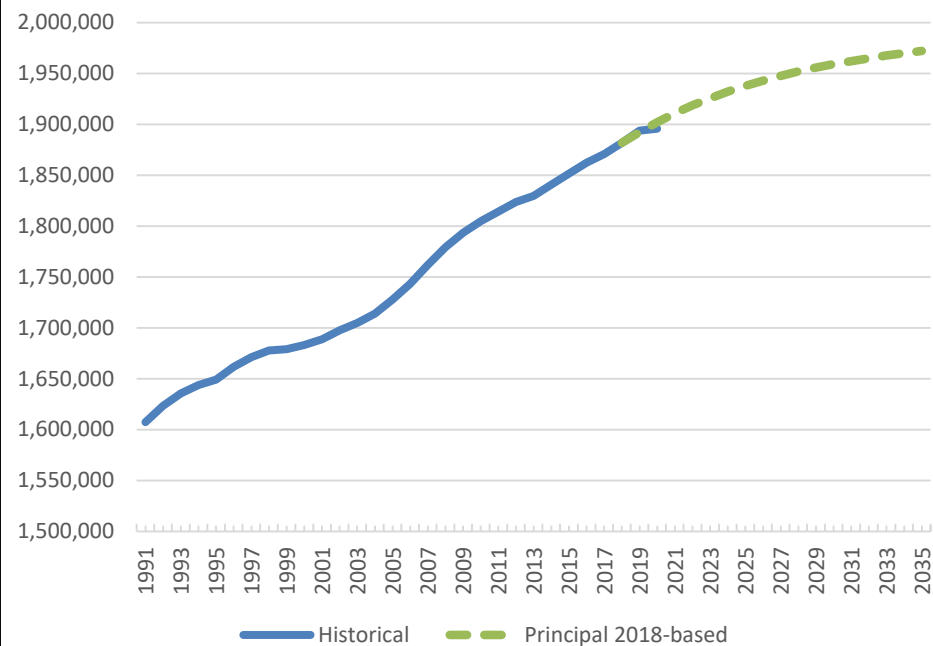




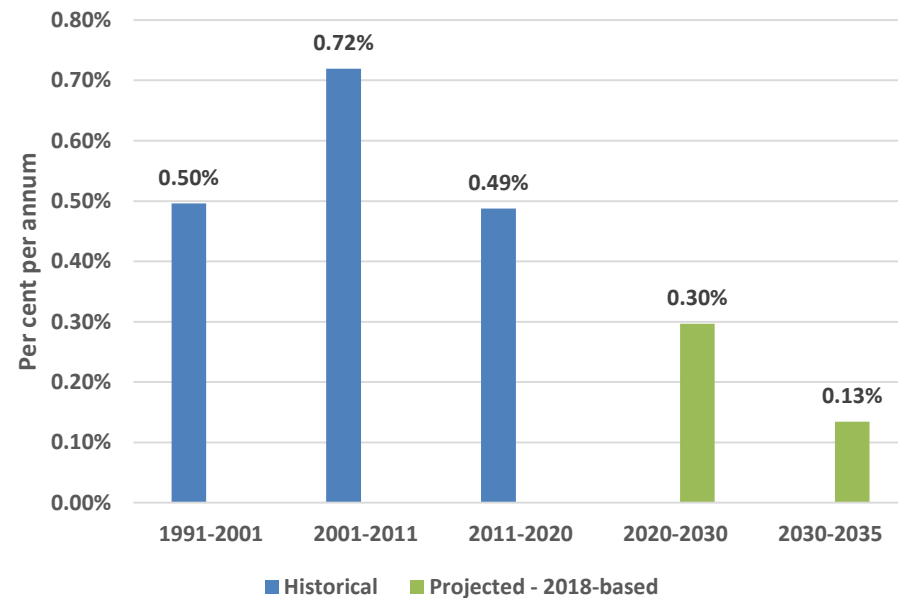
# Housing requirements

- Household projections
  - Household population projections
  - Household formation trends
    - What is happening with average household size?

**Population, N. Ireland, historical and projected**  
(Source: NISRA)

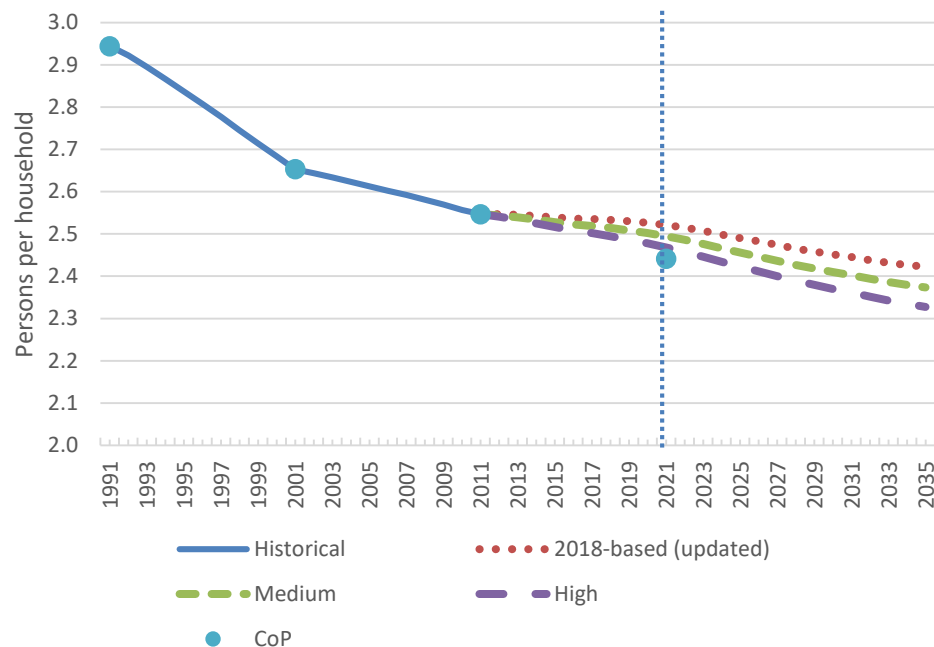


**Population change, N. Ireland, per cent per annum, historical 1991-2020, projected 2020-2035 (Source: NISRA)**

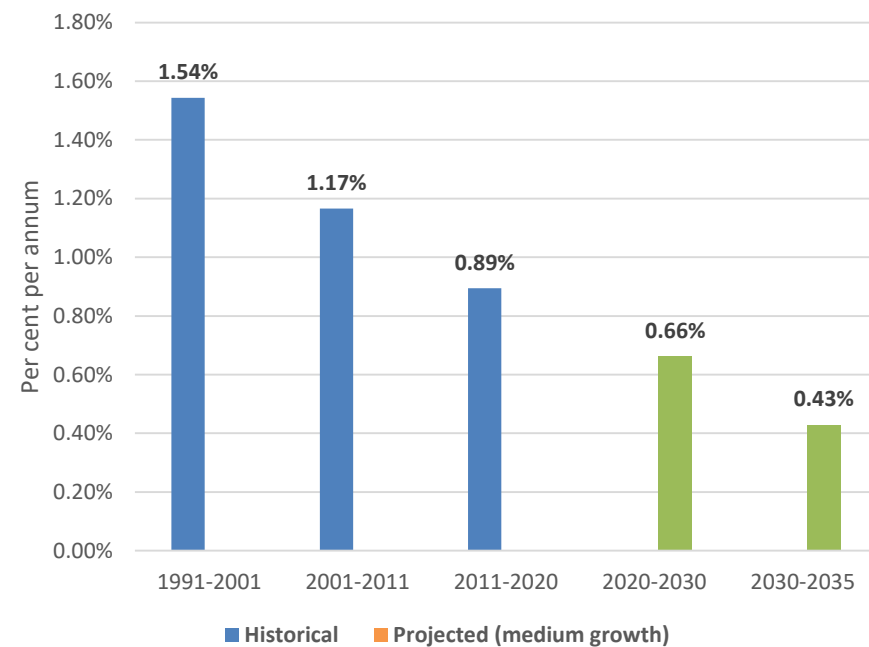


- Key driver of change in number of households
- Sourced from NISRA 2018-based population projections
- Projections - modest population growth over period to 2035, with growth slowing sharply post-2030
- The projections are based on a components of change model – births minus deaths plus net migration
- Uncertainty around each of those components
- NISRA will be issuing 2021-based projections with components revised in light of 2021 Census of Population results

**Average household size, historical and projected, N. Ireland**

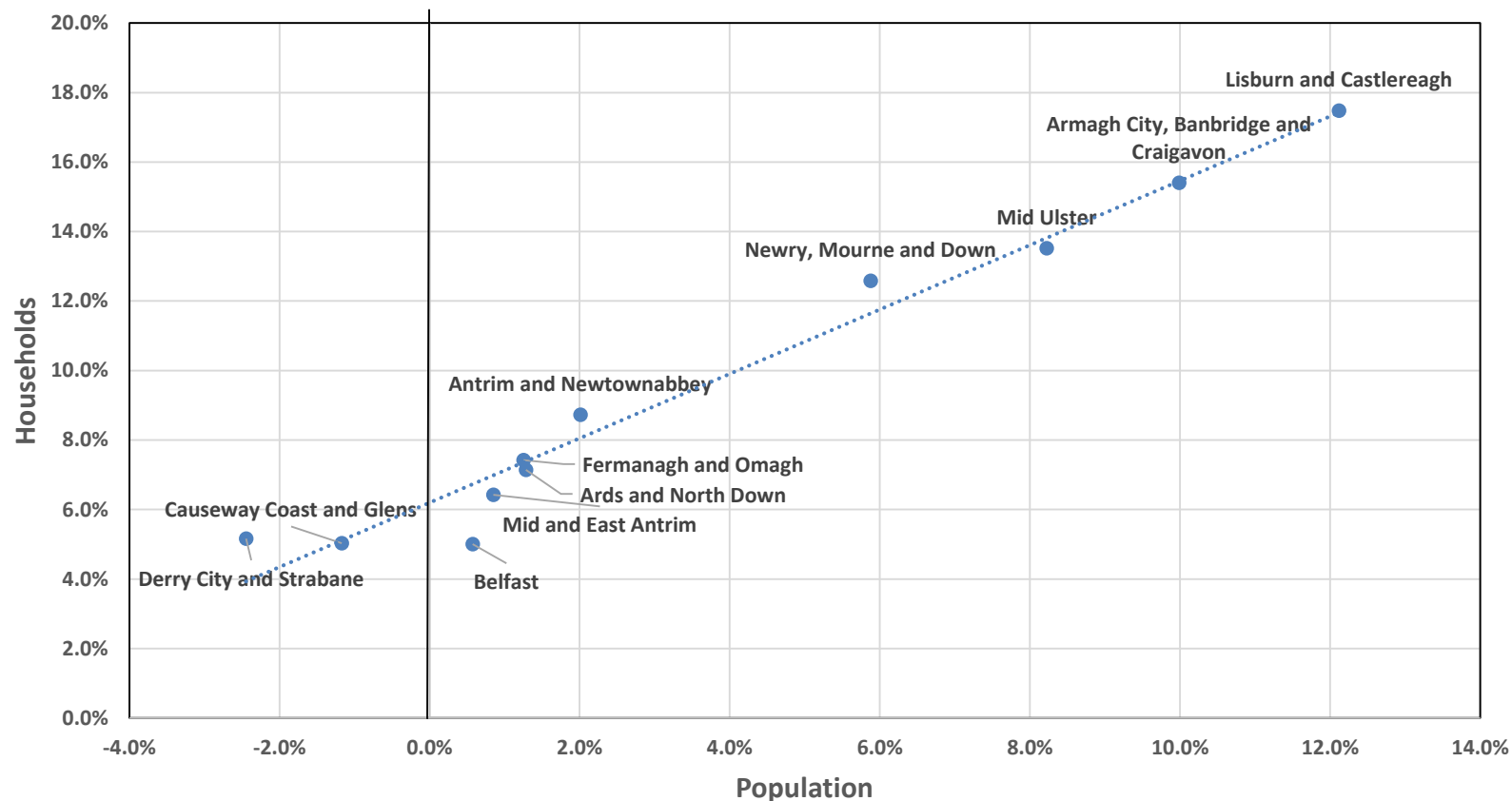


**Household change, historical and projected, N. Ireland, per cent per annum**



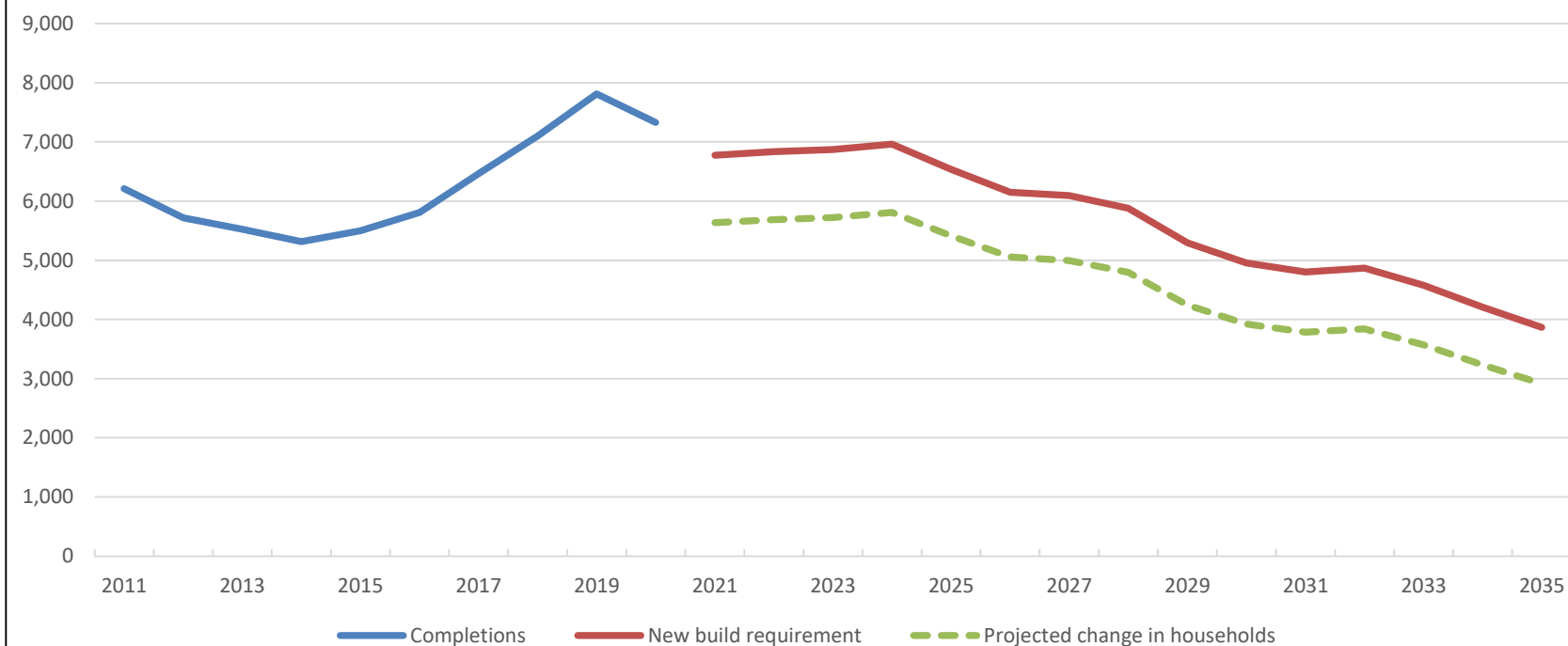
- The change in the number of households is key element in projecting new dwelling requirements
- Depends on rate of population growth combined with change in average household size (AHS)
- Falling average household size means households grow faster than population
- Uncertainties around the AHS trend – scenarios developed to address that
- The central projection (medium growth scenario) – reflects the trajectory of the population projections, i.e. modest growth with a noticeable slowing post-2030
- The 2021 Census of Population results, issued in autumn 2022, indicate AHS fell at a faster pace 2011 to 2021 compared with the modelled historical ‘projections’ prepared for the SHMAs
- However, the projected growth rates 2020-30 and 2030-35 in the central scenario are ‘on trend’

## Population and household projections, per cent change 2020-2035, by LGD



- The geographical pattern in the population and household projections – shaped by historical trends
- Fastest-growing LGDs in past two decades projected to maintain that position in the projection period
- For each LGD, due to falling AHS, projected household growth rate faster than rate of population change

**Figure 3.2 Projected new dwelling requirements, excluding backlog, N. Ireland**



**Table 3.3 New dwelling requirements, Northern Ireland, no backlog, 2020-2030 and 2030-2035**

	Total	Annualised		
		2020-2035	2020-2030	2030-2035
New households	68,610	4,570	5,130	3,470
Other changes	16,060	1,070	1,110	1,000
<b>Total</b>	<b>84,670</b>	<b>5,640</b>	<b>6,240</b>	<b>4,460</b>

# Housing requirements

- Backlog

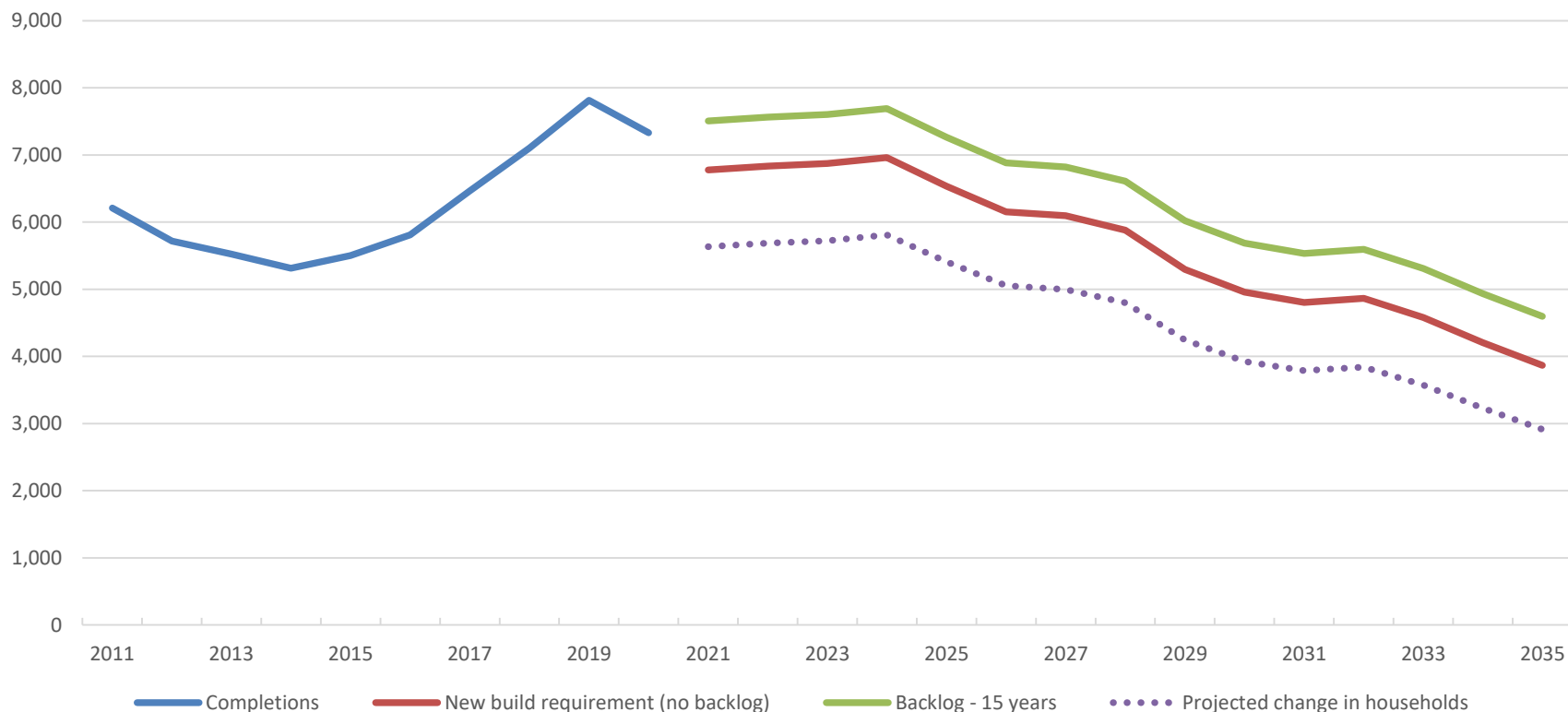
**Table 3.5 The backlog by category, Northern Ireland, CWL applicants in housing stress (30+ points), June 2019**

	No.	%
<b>Net backlog</b>	10,940	30
<b>Tenure/mismatch backlog</b>	14,750	54
<b>Social backlog</b>	6,530	17
<b>Gross backlog</b>	<b>32,220</b>	<b>100</b>

Source: NIHE, Common Waiting List.

- Derived from June 2019 Common Waiting List
- Only net backlog included in projected new dwelling requirements
- Includes only applicants who are assessed as homeless and do not live in their own dwelling, e.g., they are sharing, living in a hostel, etc.
- Does not include applicants already occupying a dwelling (e.g. social and private rented sector tenants, owner-occupiers)
  - If they are allocated a social dwelling, their current dwelling would free up to be occupied by some other household

**Figure 3.3 Projected new dwelling requirements, with backlog cleared over 15 years**



**Table 3.8 New dwelling requirements and components, 2020-2035, net stock model with backlog, N. Ireland, medium household growth scenario**

	Change 2020-2035	Annualised	Composition
	No.	No.	Col%
New households	68,610	4,570	72
Net backlog	10,940	730	11
Other changes	16,060	1,070	17
<b>Requirements</b>	<b>95,620</b>	<b>6,370</b>	<b>100</b>



# Housing requirements

- Tenure

# Tenure

- Based on affordability tests
- Data sources:
  - Rent data supplied by NIHE
  - House prices from Land and Property Services (LPS)
  - Income – CACI small area estimates, scaled to Family Resources Survey (FRS) gross household income
- Housing Benefit
  - Included in central scenario
  - Assumption can be varied
- Tests based on Scottish model
  - Centre for Housing Market Analysis

# Affordability tests

- **Market.** Estimated from the proportion of households that can afford to pay the median private rent, without spending more than 25 per cent of household income.
- **Social sector.** Estimated from the proportion of households with an income such that they would spend more than 35 per cent of their income (including Housing Benefit or the housing element of Universal Credit) at the 30<sup>th</sup> percentile of the private rent distribution.
- **Intermediate.** The estimated proportion of households that cannot afford the market rent, but can afford the social rent level.

**Table 3.11 New dwelling requirements by tenure, 2020-2035, medium household growth scenario, N. Ireland**

	Market	Intermediate	Social	All
<b>Excl. backlog</b>				
<b>Total</b>	54,890	15,450	14,330	84,670
<b>Annualised</b>	3,660	1,030	960	5,640
<b>Per cent</b>	65	18	17	100
<b>Incl. backlog</b>				
<b>Total</b>	54,890	15,450	25,280	95,620
<b>Annualised</b>	3,660	1,030	1,690	6,370
<b>Per cent</b>	57	16	26	100

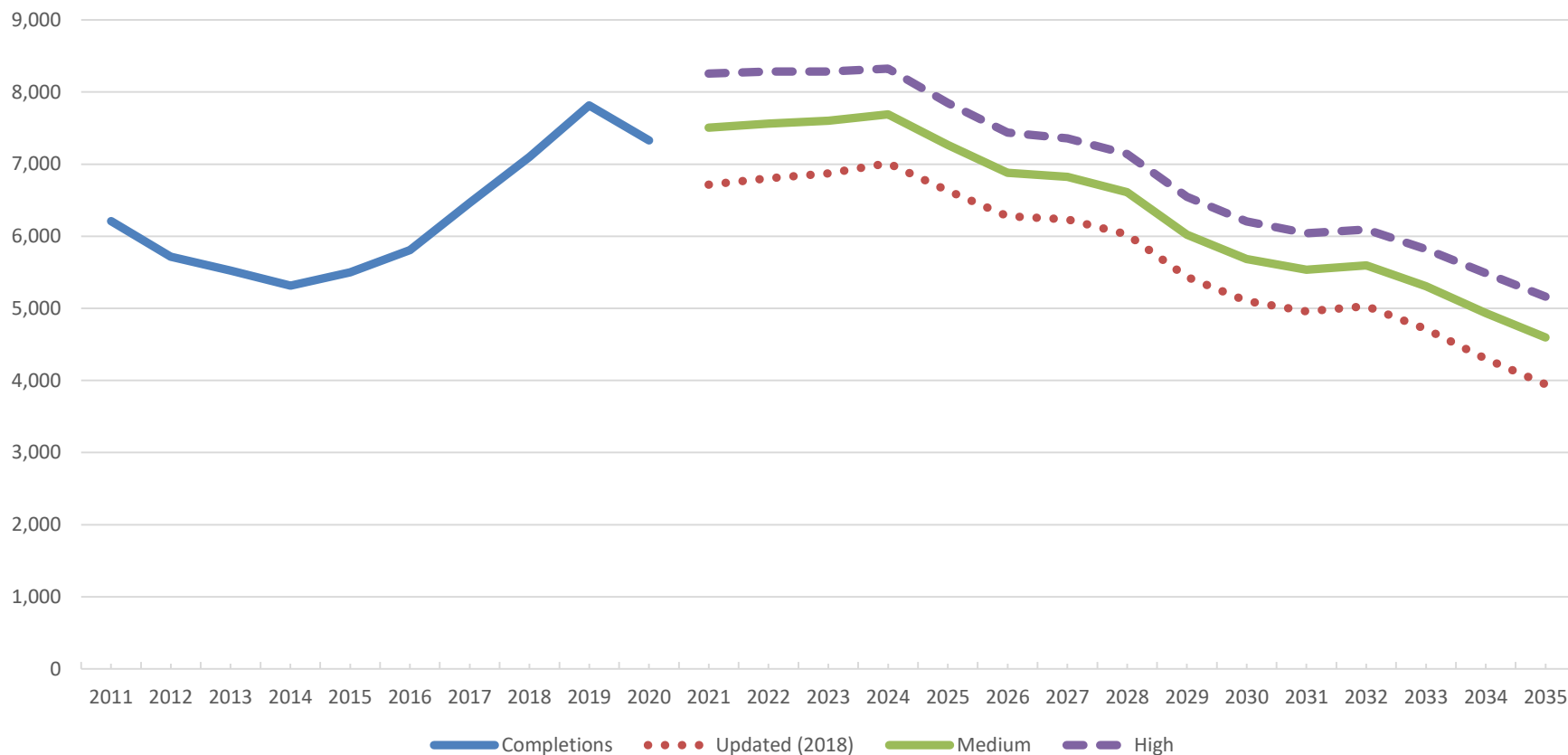
# Housing requirements

- Sensitivities

# Sensitivities

- Household growth
  - Average household size assumptions
  - Household population growth projections
- Tenure
  - Backlog
  - Rent-to-income ratios
- Other changes
  - Demand for second homes
  - Vacant dwellings proportion
  - Net changes

### Projected new dwelling requirements and household growth scenarios, with backlog, 2020-2035, N. Ireland



- The projections are sensitive to assumptions made for the trend in average household size (the updated, medium and high scenarios)
- Including the backlog, projected requirements 2020-35 range from 86,100 (updated) to 95,600 (medium/central scenario) to 104,300 (high household growth scenario)

# Concluding remarks

- The housing requirement projections were made from a pre-Covid baseline
- But, they embody long-term trends which can be expected to continue, e.g., population ageing
- Projected housing requirement pressures strongest in earlier years, through to 2028
- Uncertainties around demographic trends, affordability