

# Housing Market Analysis

Craigavon Housing Market Area



**Housing**  
Executive



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## 1. INTRODUCING THE CRAIGAVON HOUSING MARKET AREA

### The Craigavon HMA

The Craigavon HMA as identified in a Housing Executive commissioned study is mapped below. The HMA is located in the south east of Northern Ireland and borders County Monaghan. It also neighbours the Belfast, Newry, Dungannon and Mid Ulster HMAs.

**Map 1: Craigavon Housing Market Area**



The HMA comprises 46 wards; this includes all the wards in the Armagh local government district (LGD), 22 wards in the Craigavon LGD and the wards of Lawrencetown and Gilford that are part of the Banbridge LGD. For the purpose of the study, three sub areas have been identified, as shown in table 1 below.

There are two urban sub areas within the Craigavon HMA, namely Armagh City and Craigavon Urban which includes the towns of Craigavon, Lurgan and Portadown. The formal definition of 'rural' is a settlement of less than 4,500 people however, for this study, the remaining wards in the HMA outside of the main urban centres has been defined as Craigavon rural sub area.



## Housing Market Analysis

### Craigavon Housing Market Area

**Table 1: Wards within Craigavon HMA**

<b><i>Armagh City</i></b>	<b><i>Craigavon Rural</i></b>	<b><i>Craigavon Urban</i></b>
Abbey Park	Keady	Drumgask
Callan Bridge	Tandragee	Tavanagh
Demesne	Rich Hill	Taghnevan
Downs	Poyntz Pass	Parklake
Observatory	Milford	Mourneview
The Mall	Market Hill	Knocknashane
	Loughgall	Killycomain
	Laurelvale	Kernan
	Lawrencetown	Edenderry
	Killeen	Drumgor
	Hockley	Woodville
	Hamiltionsbawn	Court
	Derrynoose	Corcrair
	Charlemont	Church
	Carrigatuke	Brownstown
	Ballymartrim	Ballyoran
	Killylea	Ballybay
	The Birches	Annagh
	Bleary	Drumnamoe
	Derrytrasna	
	Gilford	



## Policy Context

This Chapter sets out the main policies and strategies under which the Craigavon housing market functions, this includes welfare reform, planning reform and local government reforms.

### UK Economy

Since 2008, the UK economy has remained weak and has experienced a double dip recession. The UK officially entered recession in January 2009 after 2 quarters of negative growth. The economy emerged from this recession in July - September 2009 and entered a period of fragile growth. However, after negative economic growth over two quarters, from October 2011 to March 2012 the UK entered a 'double dip' recession in 2012. In Quarter 3 of this year, boosted by short factors such as the Olympic Games, the UK economy experienced growth of 1% but there is increasing evidence that the UK economy could be moving towards a triple dip recession.

The Chancellor in his Autumn Statement 2012 stated that the Office of Budget Responsibility is predicting a drop in growth by 0.1% for 2012, which is a significant decrease on the 0.8% growth for this year predicted at the Budget in March 2012. The Office of Budget Responsibility has now forecast lower growth rates over the next few years, with a prediction of 1.2% growth for 2013, instead of the previous prediction of 2%. The Chancellor has therefore announced an extension of economic austerity from 2016 to 2018, as the target for reducing national debt has not been met. In the Autumn Statement, the Chancellor announced further cuts in the Welfare Bill, with working age benefits and child benefit capped at a 1% increase for the next 3 years; this is below the 2.7% rate of inflation under the Consumer Price Index. Local housing allowances will also be capped at a 1% rise for 2 years from 2014.

### Welfare Reform

The Welfare Reform Act received Royal Assent in March 2012; this Act applies to Great Britain. A Welfare Reform Bill for Northern Ireland was presented to the Assembly in October 2012; this Bill contains the measures in the Great Britain Welfare Reform Act. A key element of Welfare Reform is replace benefits and tax credits, including housing benefit with a 'Universal Credit' for all claimants by October 2017. Recipients of Universal Credit will receive one monthly payment, from which rent should be paid.

Changes to Housing Benefit include a link between housing benefit payments to the size of accommodation required by a household. Tenants in the social rented sector of working age, who are under occupying their property, could find their Housing Benefit reduced by up to 25% from April 2013. This may lead to a number of tenants wishing to move to smaller properties, which may be in short supply in certain locations. Changes to Local Housing Allowances will affect Housing Benefit recipients in the Private Rented Sector. These changes include the intention to



calculate Housing Benefit entitlement with reference to local rents at the 30<sup>th</sup> percentile, instead of the 50<sup>th</sup> percentile, and the maximum rate is to be set for a four-bedroom property. In addition, the amount of local housing allowance will be reduced to cover the cost of a room in shared accommodation for single people under the age of 35.

### **Financial Services Authority - Mortgage Market Review**

In October 2012, the Financial Services Authority (FSA) published reforms for the mortgage market as part of its Mortgage Market Review (MMR). The regulatory framework for mortgage lending in 2007 proved ineffective at constraining high risk lending and borrowing. The purpose of the changes in regulation contained in the MMR is to ensure that the mortgage market is sustainable. Reforms include:

- Affordability assessment – lenders must verify income and ensure the mortgage is affordable on net income, taking into account committed expenditure and basic household expenditure
- Interest rate stress test – the lender should also take into account of the impact on mortgage payments should interest rates increase.
- Interest only mortgages - the lender must assess affordability on a capital and interest repayment basis, unless there is an alternative source of capital repayment.

### **The Programme for Government 2011-15 (PFG)**

The Programme for Government 2011-12 was published on 12 March 2012. The Programme sets the strategic context for both the Budget and the Investment Strategy for Northern Ireland and identifies the actions the Executive will take to deliver its five priorities:

Growing a sustainable economy and investing in the future;

Creating opportunities, tackling disadvantage and improving health and well-being;

Protecting our people, the environment and creating safer communities;

Building a strong and shared community;

Delivering high quality and efficient public services.

Key actions for housing include:

- Deliver 8000 new social and affordable housing units
- Introducing and supporting a range of initiatives aimed at reducing fuel poverty across Northern Ireland
- Improve thermal efficiency of Housing Executive stock and ensure double glazing in all properties
- To have implemented new structures to support improved housing services by the end of 2014/15.



## **Northern Ireland Budget 2011-15**

The Northern Ireland Budget 2011-15 was issued in March 2011. The Budget details the spending plans for Northern Ireland departments over the period from 2011-12 to 2014-15. The Budget has been prepared with a significant reduction in the level of funding as a result of the UK Government's Spending Review and its deficit reduction plan. Consequentially the Department of Social Development's expenditure is set to fall. Expenditure for the Housing Executive and Housing Associations is set to reduce sharply, current Expenditure for housing will reduce from £211.8m in 2010/11 to £165.5m in 2014/15 (-22%) and Capital Expenditure is set to reduce from £130.1m in 2011/12 to £90m 2014/15 (-30%).

## **The Economic Strategy**

The top priority for the Programme for Government is to grow the Northern Ireland economy. Subsequently, the Northern Ireland Executive published an Economic Strategy 'Priorities for Sustainable Growth and Prosperity' (March 2012). This Strategy is based around the twin aims of rebalancing the economy by growing private sector activity in the longer term and through rebuilding the economy to secure employment growth in the shorter to medium term.

## **Housing Strategy 2012-17**

The Department of Social Development published 'Facing the Future: Northern Ireland Housing Strategy 2012-17' for consultation on 15th October 2012. The Strategy states that social housing should also play a role in reducing worklessness, creating a shared society and supporting economic and social regeneration. A final Housing Strategy will be published in early 2013.

Proposals contained in the draft Strategy include:

- Increasing access to affordable housing by expanding the range of affordable housing products
- Housing Association Grant to be paid to a wider range of bodies including the private sector, and competition will be encouraged in the Social Housing Development Programme ;
- Introduce developer contributions;
- Improve standards in the private rented sector and improve regulation of houses in multiples occupation (HMOs)
- Undertake a fundamental review of the social housing allocation policy. Bring more empty homes back into use and develop an empty homes action plan;
- Taking a housing led approach to regeneration;
- Support shared communities by developing a 'Shared Community Programme'.

## **Regeneration**

In 2012, the Department for Social Development published a consultation document 'Urban Regeneration and Community Development Policy Framework'. This Framework proposes an 'outcomes focused' approach to regeneration and





community development as opposed to an approach, which centres on processes. The framework also advocates housing led regeneration.

Current strategies for regeneration and to tackle disadvantage include the 'People and Place: A Strategy for Neighbourhood Renewal' (DSD, 2003). This has identified several communities that experience high levels of deprivation. It encourages community, voluntary, government agencies and the private sector to work together to deliver goals associated with community, economic, social and physical renewal. Currently there are four neighbourhood renewal areas in the Craigavon HMA.

### Local Government Reform

Reform of local government is also ongoing as part of the Review of Administration, launched by the NI Executive in 2002. It involves a reduction in the number of local government districts (LGD) from 26 to 11 alongside the transfer of planning, regeneration and some other central government functions to local government. The new councils are due to be in place by 2015. Planning function pilots are due to commence in April 2013, other pilot programmes are to take place in 2014. The proposed new councils are summarised in Table 1.

The new councils will receive powers of well being and community planning. They also will be given a statutory duty to lead and facilitate community planning and will be required to consult and co-operate with the community and bodies responsible for providing public services.

### Proposed New Local Government Districts

New LGD	Current LGD
Belfast City	Belfast and some parts of adjacent LGDs
Lisburn City and Castlereagh	Lisburn; Castlereagh
Antrim and Newtownabbey	Antrim; Newtownabbey
Mid and East Antrim	Ballymena; Larne; Carrickfergus
North Down and Ards	Ards; North Down
Armagh City, Banbridge and Craigavon	Armagh; Craigavon; Banbridge
Newry City, Mourne and Down	Newry and Mourne; Down
Mid Ulster	Cookstown; Dungannon; Magherafelt
Causeway Coast and Glens	Coleraine; Limavady; Ballymoney; Moyle
Derry/Londonderry and Strabane	Derry/Londonderry; Strabane
Fermanagh and Omagh	Omagh; Fermanagh

### Planning

The Planning System in Northern Ireland undergoing a programme of reform and this reform resulted in the Planning Act 2011. This legislation allows for the transfer of the majority of planning functions to the new councils. The new Councils will take responsibility for Local Development Plans and determining applications for major



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## Craigavon Housing Market Area



and local development. The Strategic Planning Division in DOE will retain responsibility for regionally significant development and planning policy.

### The Regional Development Strategy

The Regional Development Strategy (RDS) 2035 was published in March 2012. The RDS provides an overarching strategic framework for development to 2035. The Strategy aims to achieve a strong, spatially balanced economy, a healthy environment and an inclusive society. It also contains a commitment to sustainable development.

The RDS's Spatial Framework, aims to influence the geography of development across Northern Ireland. The RDS projects housing growth required to respond to the total net housing requirement and sets 'Housing Growth Indicators' (HGIs) to guide distribution of housing in the region.

The Strategy indicates that an additional housing requirement of 190,000 dwellings between 2008 and 2025 will be needed throughout Northern Ireland. The HGIs allocate a proportion of the regional net additional housing requirement to each LGD. The RDS's regional allocation of 190,000 dwellings is shared according to the Spatial Framework, with 60,800 dwellings apportioned to the Belfast Metropolitan Area and hinterland and 129,200 dwellings assigned to the North, South and West of the Region. These allocations are intended to provide a starting point for assessing future additional housing requirements at the local level through the Development Plan process. The Strategy also emphasises that there should be a minimum of five years supply of housing land within local government districts. Table 2 below shows the housing requirement for Craigavon HMA.

### Craigavon HMA housing requirement (housing growth indicators) 2008 to 2025.

LGD	RDS 2035 2008-2025	
	No	%
Armagh	5,500	3
Banbridge	5,500	3
Craigavon	10,300	5
Northern Ireland	190,000	100

Source: DRD (2012)

### Planning Policy Statements and Development Plans

The implementation of the RDS is supported by Planning Policy Statements and Development Plans.

Planning Policy Statements (PPS) contain policies on land-use and other planning matters. Of particular significance are PPS 12 Housing in Settlements, which was issued in 2005 and PPS 21 Sustainable Development in the Countryside, which was issued in 2010:



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PPS 12 seeks to contain residential development within existing settlements. It provides a framework for establishing the spatial distribution of housing allocations as part of the development plan process. It also allows for supply of land and other measures to deliver new social housing development predicated on the findings from Housing Needs Assessments prepared by the Housing Executive. A review of PPS 12, which includes a review of developer contributions and other measures to support social and intermediate housing is ongoing;

PPS 21 seeks to strike a balance between rural development and rural conservation. It provides for the consolidation of existing residential clusters and for farmhouses to be built in suitable locations to support rural communities. Policy CTY 5 'Affordable Housing' of PPS 21 allows for the development of up to 14 social and/or intermediate dwellings adjoining or close to settlement limits where there are no readily available sites within settlement limits, or a within Dispersed Rural Communities where a need has been established by the Housing Executive.

Development Plans seek to translate RDS policies and PPS guidance at the local level. These documents set out land allocations for a range of land uses, including residential development. Development Plans relevant to the Craigavon HMA include the Armagh Area Plan 2004, the Banbridge Area Plan 1983-1998 and the draft Banbridge, Newry and Mourne Area Plan 2015, the Craigavon Area Plan 2010 and the Craigavon Town Centre Boundaries and Retail Designation Plan 2010.

### **NIHE Housing Need Assessment**

The present spatial planning framework requires the Housing Executive to undertake a housing needs assessment, which is expected to form a technical supplement to support of local development plans. PPS 12 states that 'the findings of the HNA will influence how development plans will seek to facilitate a reasonable mix and balance of housing tenures and types to cater for the identified range of housing needs'.

### **Housing need and Housing Market Assessment**

The RDS 2035 clarifies the HGI figures provide a starting point for assessing housing growth and they should be interpreted in light of local assessments of housing need and housing market conditions. It is now recognised that assessment of cross tenure housing need is more robust if the findings are embedded within a wider local housing market assessment.

In Great Britain, Housing Market Assessment has become a component of the local evidence base that local authorities are required to produce to support planning and housing policy. In particular, Housing Market Assessment is expected to inform the 'plan, monitor and manage' process of setting and reviewing housing supply targets at the sub-regional and local level.

In 2009, the Housing Executive established a set of functional HMA boundaries within Northern Ireland. This Housing Market Assessment marks an important step towards ensuring the Housing Executive ongoing programme of housing need assessments are understood and interpreted in light of the workings of the wider housing system.



### Conclusions

The Craigavon HMA continues to evolve within a policy framework set out in a variety of NI Executive policy documents.

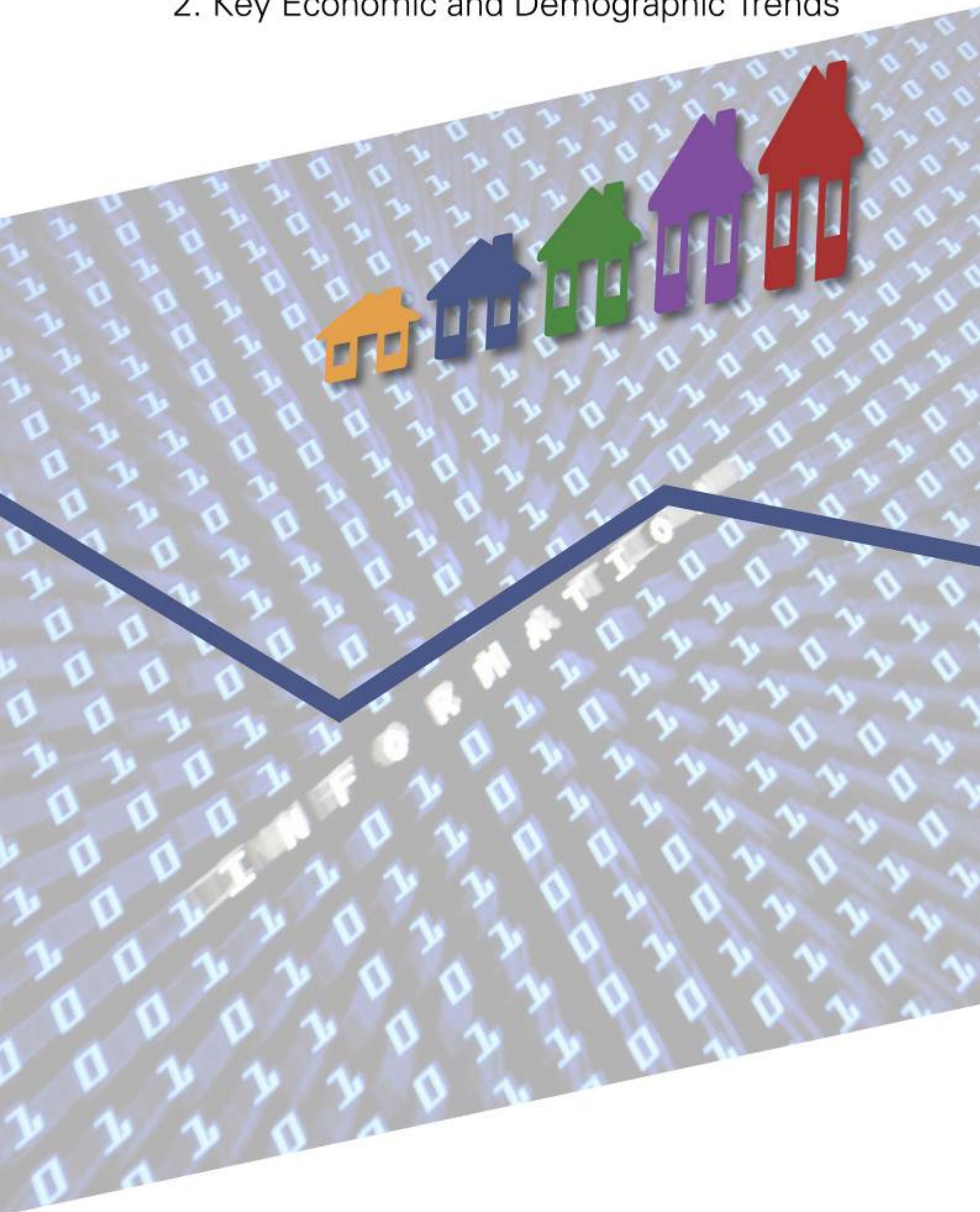
Housing is central to the NI Executive ambition to rebuild and rebalance the economy, both at the Northern Ireland and the Craigavon HMA level. Ensuring the right volume and mix of housing in the right locations will be central to increasing mobility amongst the internal workforce and encouraging people to come from abroad to take up employment.

It has become clear that the effects of the UK recession will be felt for several years. Reductions in public expenditure and the programme of welfare reforms are likely to have a greater impact on the local economy because of the comparative 'over-reliance' on the public sector and the high welfare benefit dependency of the working age population relative to other UK regions.

There are many uncertainties surrounding welfare reforms but the scale of expected cuts in welfare expenditure will undoubtedly affect consumer spending and future trends in the need and demand for housing in different tenures. The precise impacts of these changes, however, remain uncertain. Continued monitoring and early identification of changing levels and patterns of housing need and demand will be vital if policy is to intervene and respond to emerging needs and demands in a timely fashion.

Reform of the planning system and local government will necessitate the creation of new intra-government relationships. It will require individual departments, agencies and local government districts to adopt a more integrated approach to spatial planning and to find new ways to ensure that local plans align with the community plan ambitions as well as the ambitions of the RDS. It will be important to monitor future development in the Craigavon HMA to ensure that its housing market responds to the challenges set out on the RDS.

## 2. Key Economic and Demographic Trends







## 2. CRAIGAVON HMA: KEY ECONOMIC AND DEMOGRAPHIC TRENDS

Recent and possible future trends in economic performance, and the responses of the labour market and demographic profiles is of particular significance.

### Economic Performance

Economic performance is an important factor in attracting households to move or remain within an area, and is one indicator as to the potential level of demand for housing. Gross Value Added (GVA) is a widely accepted measure of the net value of the goods and services produced within the economy. Figures for GVA are available at a sub-regional level at the Nomenclature of Units for Territorial Statistics 3 (NUTS 3) areas. (Details of GVA and NUTS data are contained in Appendix xx)

The Craigavon HMA falls under the coverage of two NUTS 3 sub-regional areas. **East of Northern Ireland** area incorporates the parts of the HMA that fall into the Craigavon and Banbridge Local Government Districts (LGDs). The **South & West of Northern Ireland** area covers the parts of the HMA that are in Armagh LGD. Whilst this data is not coterminous with the Craigavon HMA, it is an important indicator highlighting issues affecting the Craigavon HMA.

GVA per head is a good comparative measure of productivity and figures show that similar to the rest of Northern Ireland a stable growth was experienced between 1997 and 2007 in both Nuts 3 areas. This went into reverse with a contraction between 2007 and 2009.

During this time in the East of Northern Ireland the average annual growth rate was 4.4%, lower than the Northern Ireland average of 4.8%, with only the North of Northern Ireland lower (4.1%). Despite this the East of Northern Ireland contributed to 22% of the Northern Ireland total GVA in 2009, second only to Belfast which contributed 29% towards total NI GVA.

Employment in the East of Northern has always been higher than the Northern Ireland average and whilst there was growth, it was starting from an already strong position. Growth can be attributed to construction, distribution and the business and finance services, which is characteristic with the rest of Northern Ireland during this time.

In South & West Northern Ireland, the average growth between 1997 and 2009 was 5.5%, higher than the Northern Ireland average of 4.8%, and the highest of all the Nuts 3 areas in Northern Ireland. As an area it also increased its percentage share of NI GVA to 18% in 2009, one of only two areas to have done so since 1997, Outer Belfast has fared similarly (see table xx). These figures suggest that during this time, more jobs were created within the Armagh area of the HMA. Armagh City is a popular area for employment, and attracts large numbers of commuters into the area for work.



Growth in South and West of Northern Ireland as with the East, was most notably seen in the expansion of the business services and finance sector and the distribution, transport and communication sector. However, unlike the rest of Northern Ireland, the production sector experienced an expansion, albeit small.

At the time of writing information at NUTS 3 level was not available beyond 2009 for Northern Ireland. However in general since then, the UK and Northern Ireland economies experienced a limited growth during 2010 and 2011, but low business confidence, rising unemployment, tight bank lending criteria, and constrained public sector spending continued to weigh the economy down. Indeed the economy re entered recession in early 2012, despite low interest rates, falling inflation and government measures such as quantitative easing.

In Northern Ireland, unemployment in Construction, Retail, Agriculture and financial services continues to grow, and certainly this will have had a negative impact on the Craigavon HMA. Encouragingly, for the HMA, manufacturing, research and development and pharmaceuticals have continued to experience growth, with exports in foodstuffs in particular high in Northern Ireland. Industry within the HMA is discussed later.

Looking to the future, in the short term continued low interest rates, and low inflation will help economic growth, as this would ensure consumers have more money in their pockets to spend. However high fuel costs, and ongoing uncertainty in Europe will continue to pose threats to economic recovery in Northern Ireland.

### Economic Trends

LGD findings from the Labour Force Survey from 2006 to 2010, indicated that the **economic activity** rate (definition) for the three LGD's included in the Craigavon HMA were above the Northern Ireland average. In 2010, the economic activity rate for all persons aged between 16 and 65 in Craigavon was 62.9%, in Armagh 68.8% and in Banbridge 72.5%, compared to the Northern Ireland rate of 59.5%.

Over the same period, the average annual **employment rate (definition)** for the three LGDs also remained above the comparable figure for Northern Ireland of 55.3%. In 2010, the average annual employment rate for all persons aged 16 and over in Craigavon was 62.9%, in Armagh 68.8% and Banbridge 72.5%.

Craigavon HMA has a high concentration of employees in the **service sector**, this being an important factor as to why the local labour market seems to have fared reasonably well during the recession. In 2009, 77.5% of the employment in the area was provided by the service sector. This was less than the Northern Ireland figure of 82.8%; however, both Armagh City and the Craigavon Rural submarkets were dominated by public and private services with over 80% of employment in this sector.



**Table 2: No of employees in Craigavon HMA and submarkets (workplace based), 2009**

Area	Employee Jobs Total	Full Time (%)	Part Time (%)	Manu- facture (%)	Cons- truction (%)	Services (%)	Other (%)	Change 2001-9 (%)
Northern Ireland	691,395	65.0	34.9	10.7	5.3	82.8	1.2	9.0
Craigavon HMA	54,245	63.9	36.1	15.8	5.2	77.5	1.5	15.7
Armagh City	8,663	59.1	40.9	9.5	5.1	83.3	2.1	4.0
Craigavon Urban	31,565	63.1	36.9	19.5	5.1	74.1	1.5	9.2
Craigavon Rural	14,017	69.0	31.0	11.2	5.2	81.7	1.9	24.7

Source: Census of Employment: DETI LGD outputs and NINIS Ward level outputs

In 2009, both urban centres of the HMA had significant employment in health, social work and education services in the **public sector**. The Southern Health and Social Care Trust employs in excess of 13,000 staff and has hospitals in Craigavon, Lurgan and Armagh, as well as in the neighbouring HMA's of Dungannon and Newry. The Southern Regional College is also an important employer with campuses in Armagh, Lurgan and Portadown within the HMA.

In the rural HMA, which includes larger settlements like Tandragee and Richill, service sector jobs are scattered throughout the area, with local primary schools, health services, post offices, bus and rail services, pubs and restaurants, as well as local garages, hairdressers, dry cleaners and other independent businesses.

The Craigavon Urban and Rural submarket also has notable employment in **industries** related to food processing, light engineering, metal fabrication, textile manufacture and pharmaceuticals providing almost 16% of employment. One major pharmaceutical and research company in the area for example, employs around 2,000 people, at both manual and professional level; they also have employees from 30 different nationalities on site. Industry and in particular the agri-foods industry has been a major attraction for migrant workers coming to Northern Ireland and explains the popularity of the Craigavon LGD area for the migrant population to not only work, but also to settle within the community; this is discussed later in this chapter.

**Agriculture** remains an important employer in the HMA, especially in Bramley apple production, and related products. The Bramley orchards stretch from Armagh city to Portadown, with the greatest concentration being in the Loughgall area, approximately 5,000 acres. The orchards of County Armagh produce more than 40,000 tonnes of Bramley apples annually. An increasing quantity of the crop goes for cider production but the market for cooking apples remains an important outlet for the 140 growers who produce the bulk of the local Bramley crop.



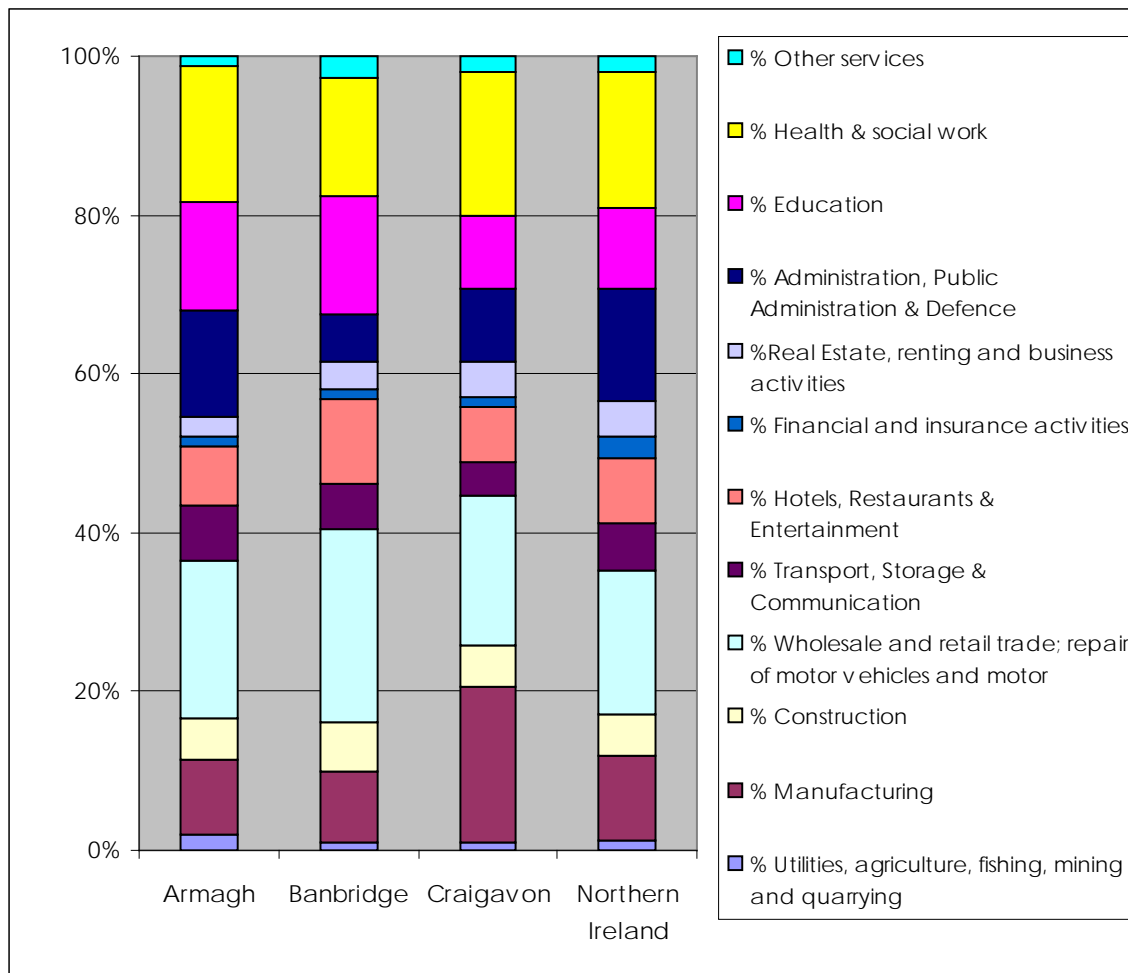
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Being central to Belfast and Dublin, Craigavon HMA is an ideal location for the haulage and distribution service, which is well represented across both urban and rural submarkets within the HMA, as well as the bordering HMA's of Newry and Belfast.

**Retail** is an important feature in the Craigavon HMA with the traditional market towns of Lurgan and Portadown, and Craigavon Centre drawing larger international chains to the town's Rushmere Shopping Centre. In comparison, Armagh City Centre, although focused on retail and commercial use, has a more limited retail offering, with most shops and cafes independently owned. Throughout a large part of the rural submarket retail outlets are more likely to be locally owned family businesses, such as small supermarkets, butchers, shoe shops and electrical stores.

**Figure 1: Employee share by industry 2009 (LGD Only)**



Source: Census of Employment, DETINI

Despite being centrally located in Northern Ireland, **tourism** still provides a reasonable amount of employment in the area. Oxford Island is a National Nature Reserve and public recreation site on the southern shores of Lough Neagh and managed by Craigavon Borough Council, and is one of the most visited attractions in Northern Ireland. Armagh City with its history attracts many visitors every year with its Georgian architecture, two cathedrals and the Mall, as well as Navan Fort.



# Housing Market Analysis

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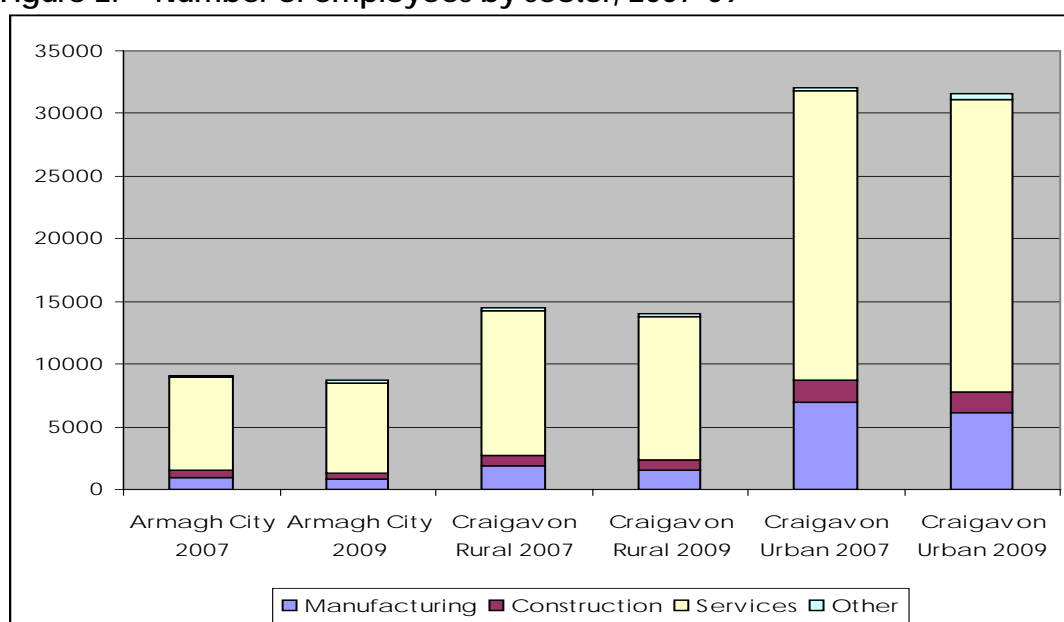
The Craigavon HMA borders County Monaghan in the Republic of Ireland linked by the A5 from Armagh City to Monaghan Town. The border region is predominately rural, and has well established, settled communities, with little inward and outward migration, other than younger people moving out to Dublin, Belfast and other parts of the UK for education or employment; this is however a general trend of the 15-29 year old age group in Northern Ireland, particularly since 2007.

Recent Housing Executive research (Crossing Borders 2012) reports there are some important economic linkages between the Armagh LGD and Monaghan Town and its surrounds, in terms of cross border retail and leisure activities. Monaghan town is popular in terms of entertainment and weddings, whilst people travel from Monaghan to shop in Armagh City for lower priced goods. The report also suggests that whilst there is cross border commuting, the labour market linkages continue to remain limited. This is because jobs are not always advertised on a cross border basis and small firms that are rural still tend to rely on local networks to recruit employees.

The report concluded that because of the rural nature of the area and that any cross border commuting was not replicated in housing terms, the housing market stops at the border in both directions.

Figure 2 below indicates a drop in the numbers employed from 2007 (55,654) to 2009 (54,241). As expected manufacturing and construction had the highest reduction in job numbers, with Craigavon Rural particularly affected. This is reflective of the situation throughout Northern Ireland since the recession in 2008, with many jobs lost in construction due to the crisis in the housing market. The services showed little change, with a slight increase in Craigavon Urban balancing out the small reductions in the other sub market areas. Throughout the HMA the number of jobs in other services actually increased, however the numbers are small and have little affect on the overall picture.

**Figure 2: Number of employees by sector, 2007-09**



Source: Census of Employment, DETINI



## Housing Market Analysis Craigavon Housing Market Area

Earnings data from ASHE and CACI Paycheck both indicate that in 2011/12 gross earnings in the Craigavon HMA tended to be lower than the Northern Ireland average of £31,420 (see appendix 3). This may be due to the high employment in manufacturing and food production, which tends to have higher proportions of lower paid, manual and unskilled labour.

One manifestation of the recession has been the increase in **unemployment**. Claimant count figures for the five years to 2010, suggests that the majority of the jobs lost in the HMA occurred between 2008 and 2009, with the number of people claiming unemployment related benefits rising from 1,911 to 3,761 (96%) during this time. The claimant count continued to increase, albeit at a slower rate, into 2010, with the figure rising to 4,444. (See appendix 3)

Within Armagh City claimant count numbers increased across all the wards, the most jobs were lost however in the Callan Bridge ward, which is also one of the top 100 most deprived wards in Northern Ireland. In the rural submarket of the HMA there was a substantial increase in the claimant count with all wards affected, Derrytrasna being the most notable, and is thought to be due to the fall back in employment in agriculture in the area.

The Craigavon urban submarket also experienced an increase in claimants across all wards, Corcrair and Taghnevan wards in Portadown affected more than most. Both wards are in the top 100 most deprived, and have a high concentration of social housing in the area.

More recently unemployment throughout Northern Ireland has continued to increase across all Local Government Districts, certainly youth unemployment, 23.5% as at September 2012 (Labour Force Survey) will contribute to persistent rates of unemployment. It could be suggested that manufacturing in food and pharmaceuticals as well as service sector employment are maintaining better than average employment figures in the Craigavon HMA, but economic recovery remains fragile.

Recent notable job losses within the HMA include 170 with the closure of a call centre, 50 jobs at a local haulage firm, 36 jobs at plastics company, 50 jobs lost in a window and glazing company. Losses throughout Northern Ireland in banking, telecommunications, textiles and transport over the past few years, will also have had a negative impact on the area. In addition public sector employment has and will continue to decline due to an ongoing commitment to reduce costs by 5% per annum and the introduction of austerity measures by Government to reduce public expenditure,

Claimant count based unemployment does not provide a complete measure of worklessness. Working age adults in receipt of key state benefits<sup>1</sup> from 2004 to 2010, indicates that prior to 2009, the proportions of working age adults in receipt of key

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<sup>1</sup> Numbers of working age claimants claiming at least one of the main benefits (Income Support, Jobseekers Allowance, Disability Living Allowance, Incapacity Benefit or Severe Disability Allowance and Pension Credit for males aged 60 - 64)



benefits had been falling slowly but steadily. Following the downturn in the economy in 2009, this trend went into sharp reverse both nationally and locally. Relative to the Northern Ireland figure, the percentage of working age adults in receipt of key benefits in Craigavon HMA has consistently remained lower over this period.

**Figure 3: % Population in receipt of key benefits, 2004 to 2010**



Source: NINIS (2010) Receipt of key benefits

Arising from the levels of unemployment and benefit dependency in some locations within the Craigavon HMA, there are levels of deprivation higher than in many other parts of Northern Ireland. Craigavon LGD ranks as fourth most deprived district according to the Northern Ireland Deprivation Measure 2010 (NISRA 2010), with nine wards amongst the top 100 most deprived in Northern Ireland. These wards are all located within areas of high social housing in the Craigavon Urban submarket, located in the towns of Portadown and Lurgan. In comparison, the Armagh LGD is 19th most deprived, out of the 26 LGD's, with only one ward falling into the top 100, and again it is an area with high levels of social housing.

## Economic Outlook

The economic slowdown, alongside increased borrowing costs had an immediate and devastating impact on the housing market and housing vulnerable services throughout Northern Ireland, including the Craigavon HMA. Sales to first time buyers and 'buy to let' investors dramatically reduced and jobs were lost in construction and related manufacturing and service industries. Craigavon HMA's reliance on the service sector and strong industry in food production and manufacturing has sheltered the area to some degree from the worst affects of economic downturn; however, as with the rest of Northern Ireland improvement in economic and labour market conditions in Craigavon HMA continues to remains uncertain.



## Housing Market Analysis Craigavon Housing Market Area

The UK economy pulled out of recession in 2010, but returned to a technical recession in 2012 after two successive quarters of negative growth. Over the past year, the claimant count has continued to rise with 62,900 people in Northern Ireland claiming unemployment related benefits in June 2012, and at 6.9% is the second highest regional figure in the UK. Price Waterhouse Coopers reported that thousands of private sector jobs had been lost in Northern Ireland between March 2010 and March 2012, with the greatest impact felt by the construction and retail sectors, which lost 5,710 and 5,820 jobs respectively.

Over the same period in Northern Ireland, approximately 500 jobs were lost in financial services, 230 in food processing and 100 in tourism and leisure. The only sector that experienced growth in employment was manufacturing where job numbers increased by 1,390 over the two years to March 2012. Redundancies therefore remain high.

In the public sector the reduction in the NI Executive spending plans up to 2015, as discussed in Chapter 2, will continue to exert downward pressure on economic growth as well as consumer spending and confidence. Associated job losses are likely to see the rate of unemployment climb further.

With the state of the Northern Ireland economy continuing to deteriorate there remains little prospect of consumer confidence in the housing market recovering to any significant extent. The regions average house price was £134,650 in quarter one of 2012 (University of Ulster Quarterly House Price Index), almost £116,000 lower than the value in quarter three of 2007. This indicates that houses have become more affordable, however lending criteria remains strict with many still unable to access the housing market due to their inability to meet the necessary deposit payment.

This undoubtedly will see the demand for affordable rented housing continue to grow and constraints on funding for new social housing construction will mean that a growing share of households seeking to rent will have to look to the private rental market.

In October 2012, The Northern Ireland Assembly voted in favour of the UK Government's proposed welfare reforms, which are outlined earlier. It is not clear that these measures will have the intended impact of encouraging those currently on benefit to find work. This will not only depend on jobs being available but also that it is the right type of work so that the claimant is eligible to apply.

This could put greater pressure on the availability of housing at the lower end of the private rented sector resulting in an increase in housing problems such as overcrowding and homelessness. That said, predicting the reaction of private landlords to changes in Housing Benefit is difficult. Ultimately, the behaviour of private landlords is likely to be shaped by the market they operate in. We return to this theme in Chapter 4.

Finally, weak economic and housing market conditions are likely to see some increase in the numbers of people that decide to continue to live with their parents, or share housing with others. As a result, actual household formation rates for the





Craigavon HMA and elsewhere in Northern Ireland may be below the projected trend for the next three to five years. If this does arise, the numbers of households living in the Craigavon HMA by 2015 may be somewhat lower than NISRA projects (discussed later in the chapter).

From a planning for housing perspective, it is important to look beyond the short to medium term dynamics of the economy and its impact on the housing system. There is a widespread consensus that the rapid growth in retailing and public administration jobs that occurred in Northern Ireland in the decade to 2008 was supported by a unique set of circumstances that will not be repeated in the decade ahead. Over the next 10 years and beyond, job growth in the region is likely to be slow relative to the UK unless the economic performance and competitiveness of the private sector of the economy can be improved.

If this scenario were to arise, future levels and patterns of external and internal migration would differ from the trend-based migration assumptions embedded in the latest NISRA population and household projections. One consequence of this would be that long-term rates of population and household growth would be lower than NISRA currently projected. Demand for housing would therefore moderate due to proportionately fewer households having the capacity to purchase housing.

In the past, the Northern Ireland economy has been accused of having an under-developed private sector, which has forced an over-reliance on the public sector. Such reliance has been heavily exposed after the downturn. In moving forward, the expansion of the private sector will be an important factor in economic recovery. This is of particular importance to Craigavon HMA which places a strong reliance on the public sector.

The Northern Ireland Executive's Economic Strategy will have an important influence on the future direction of housing policy. It will be important to reflect on the mix of housing that may be required to support the type of employment that strategy seeks to promote. For example, an influx of professional and executive posts may increase demand for family housing whilst service and customer-care related jobs may attract younger single people seeking smaller and lower value dwellings.

## Population

In analysing the Craigavon housing market, it is also important to understand the make up of the local population and future projections. After scrutinising employment and income, it is essential to understand the population trends in order to plan for future housing.

The population of Craigavon HMA increased by 14,583 between 2001 and 2010, this equates to 11.5%, nearly twice the rate of Northern Ireland (6.5%). Of the sub-divisions in 2010, Craigavon Urban and Craigavon Rural have a similar population of around 62,700, and both experienced around a 13% increase over the ten-year period; Armagh City has just over 15,200, with a more modest 2.1% increase.



## Housing Market Analysis

### Craigavon Housing Market Area

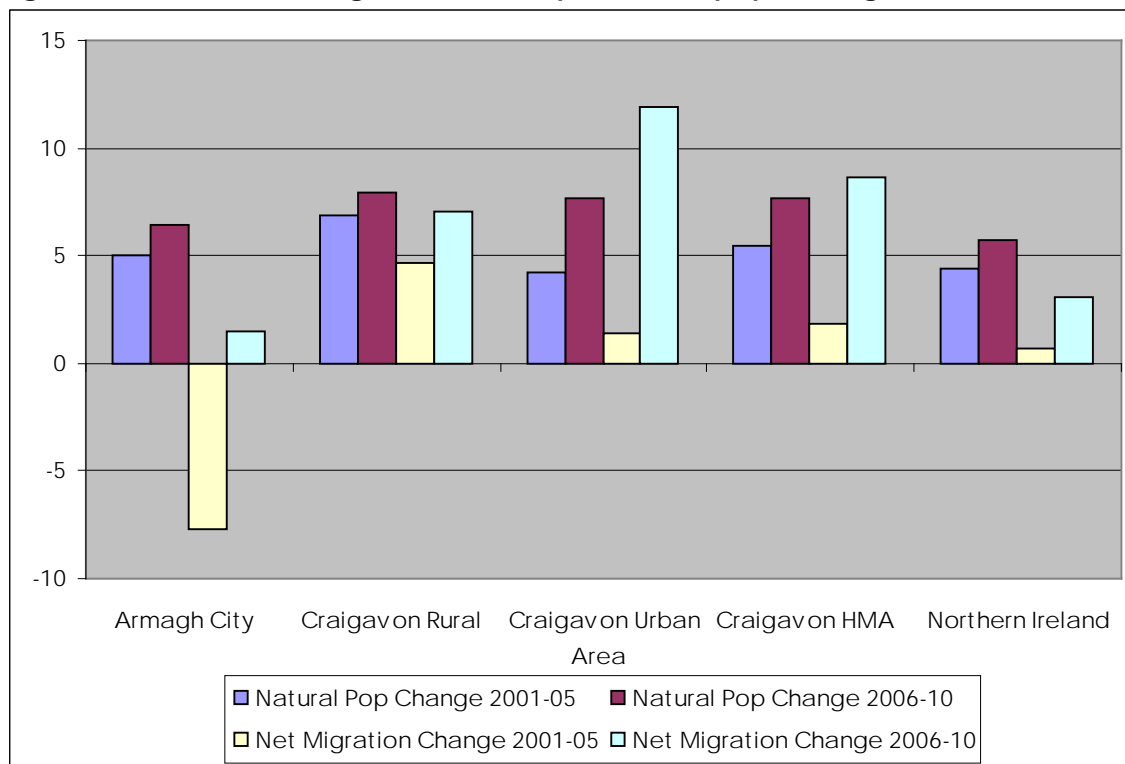
**Table 3: Northern Ireland population estimates 2001 to 2010**

	2001 (000's)	2005 (000's)	2010 (000's)	change 2001-10 (%)	change 2005-10 (%)
Northern Ireland	1,691,319	1,726,414	1,801,405	6.5	4.3
Armagh City	14,901	14,607	15,212	2.1	4.1
Craigavon Urban	55,763	57,000	62,709	12.5	10.0
Craigavon Rural	55,424	58,239	62,750	13.2	7.7
Craigavon HMA	126,088	129,846	140,671	11.6	8.3

Source: NISRA (2012) Small area population (ward) estimates aggregated to HMA

Natural change (ie, the number of births, minus the number deaths), followed closely by migration from outside Northern Ireland are the main drivers for this above average population change.

**Figure 4: Annual average rate in components of pop. change 2001-10**



Source: NISRA small area ward based annual statistics for births and deaths aggregated to HMA, LGD and sub-market level and then cross referenced with HMA, sub-market and LGD population estimates

Table 4 shows that from 2001-2010, Craigavon HMA experienced higher rates of growth across all age bands than Northern Ireland. The working age population of Craigavon HMA increased by 11.4% compared to the Northern Ireland figure of 7.1%. Craigavon Urban alone experienced a 24.4% increase, followed by a 10.8% increase in the rural submarket. Craigavon HMA is well positioned to attract a greater population, as it is easy within commuting distance to not only to Belfast, but main towns like Craigavon, Portadown, and Dungannon, as well as Armagh and Newry Cities.

# Housing Market Analysis

## Craigavon Housing Market Area



New build housing has been in abundance with an average of almost 1,300 properties built each year from 2001 to 2010. House prices in the Craigavon LGD area have also been lower than the Northern Ireland average, and this will certainly have attracted people away from Belfast and larger towns where house prices tended to be much higher. Craigavon LGD has also had amongst the highest levels of inward migration in Northern Ireland, and as a result of this new build more private rental properties, which are favoured by the migrant work force, will have been available.

Craigavon HMA's was one of only two HMA's in Northern Ireland to experience an increase in 0-15 year olds (1.3%); Dungannon had the highest increase at 4%. The Southern Health Trust reported that Craigavon had the second highest increase in birth rates in Northern Ireland (45%); again second only to Dungannon (50%). This along with a growing retired population (18.6%) will have contributed to the fast growing population.

It seems looking at submarket level that this growth in 0-15 year olds was entirely within the Craigavon Rural submarket, with both urban centres actually experiencing a decline in numbers. This supports suggestions that people may have moved away from the urban centres to set up home in rural areas where house prices will have been more affordable. The largest increase in retired people was also in the rural submarket, and again more affordable house prices may have encouraged people to retire to rural areas. House prices will be discussed in greater detail in Chapter 3.



**Table 4: Northern Ireland population estimates 2001 to 2010**

	Northern Ireland	Craigavon HMA	Armagh City	Craigavon Urban	Craigavon Rural
<b>Population 2010</b>					
0-15 years	397,149	31,352	3,384	13,245	14,723
working age	1,029,949	86,281	9,174	38,954	38,153
retired	262,211	23,031	2,652	10,507	9,872
Total	1,689,318	140,671	15,212	62,709	62,750
<b>Population 2001</b>					
0-15 years	382,025	30,930	3,701	13,282	13,947
working age	1,109,050	76,420	8,850	33,554	34,016
Retired	308,319	18,747	2,350	8,935	7,462
Total	1,799,395	126,088	14,901	55,763	55,424
<b>Change in population age group 2001-10(numeric)</b>					
0-15 years	-15,124	422	-317	-37	776
working age	79,101	9,861	324	5,400	4,137
Retired	46,108	4,284	302	1,572	2,410
Total	110,077	14,583	311	6,946	7,326
<b>Change in population age group 2001-10 (percent)</b>					
0-15 years	-4	1.3	-9.4	-0.3	5.3
working age	7.1	11.4	3.5	24.4	10.8
Retired	15	18.6	11.4	15.0	24.4
Total	6.1	10.4	2.0	11.1	11.7

Source; NISRA (2012) Mid- Year Small Area Population Estimates aggregated to housing market and sub-market area Note: working age refers to women aged 16-59 years and men aged 16 to 64 years. It should also be noted that small area figures (due to rounding by NISRA) do not always aggregate precise to LGD and national totals

Since the expansion of the European Union (EU) in May 2004, there has been an increase in the numbers of people living in Northern Ireland, born in Eastern Europe<sup>2</sup>. Oxford Economics (2009) estimate that in 2008, 56,000 individuals living in Northern Ireland had been born outside of the UK or the ROI, although the true figure could range from 50,000 to 59,000. This figure includes some 30,000 individuals from the former A8 countries that NISRA estimate live in Northern Ireland. To put this in context, the Census reported that 720 Northern Ireland residents had been born in Eastern Europe in 2001.

<sup>2</sup> A8 refers to the former 'accession eight' countries that became members of the European Union on 1st May 2004, including Poland, Lithuania, Latvia, Estonia, Hungary, Czech Republic, Slovenia and Slovakia. Cyprus & Malta joined the EU in 2006, Romania and Bulgaria joined in 2007.





**Table 5: NISRA estimated A8 Population by LGD, 2009**

LGD Name	A8 Population (2009)	2009 Mid Year Estimate	% of Population
Armagh	190	58,800	3.2
Banbridge	400	47,600	0.9
Craigavon	4,000	92,400	4.4
<b>Northern Ireland</b>	<b>39,000</b>	<b>1,788,900</b>	<b>2.2</b>

Source: NISRA (2008b) Size of the EU Accession (A8) Population Resident in Craigavon and NISRA (2010) Small Area population estimates (ward based).

Notes: The A8 population counts for Armagh, Banbridge and Craigavon are judged most likely to live and work in the HMAs of the same name. These figures are derived from NISRA ward level population estimates.

In terms of the spatial distribution of individuals that have migrated from the former A8 countries, NISRA estimates indicate that 4,000 live in Craigavon LGD, 400 in Banbridge LGD and 190 in Armagh LGD. The main reason for the greater number of former A8 population in Craigavon LGD, as said previously is likely due to the strength of the food processing and manufacturing industries in the area. Traditionally jobs within these industries have attracted migrant workers. Initially the migrant worker population was transitory in nature attracting young, single adults. Over time, the migrant population has become more settled with families forming and putting down roots in the area.

NISRA projections suggest that the Craigavon HMA population could increase by 6.4% in the period to 2015 and by 16.0% by 2023. In both instances, double the rate of the projected Northern Ireland increase (Table 6).

**Table 6: Craigavon HMA Population Projections, 2010-23**

Table 6. Craigavon HMA Population Projections, 2010-23						
	2010	2015	2023	change 2010-23		change 2010-15
				No	(%)	(%)
2008-based population projections						
Craigavon HMA	143,200	152,300	166,100	22,900	16.0	6.4
Northern Ireland	1,802,200	1,862,200	1,945,800	143,600	8.0	3.3

Source: NISRA 2006 and 2008-based LGD population projections- pro-rata allocation to sub-markets

NOTES: Consistent with NISRA advice projections have been rounded to the nearest 100.

The figures are based on NISRA projections for the Craigavon HMA.

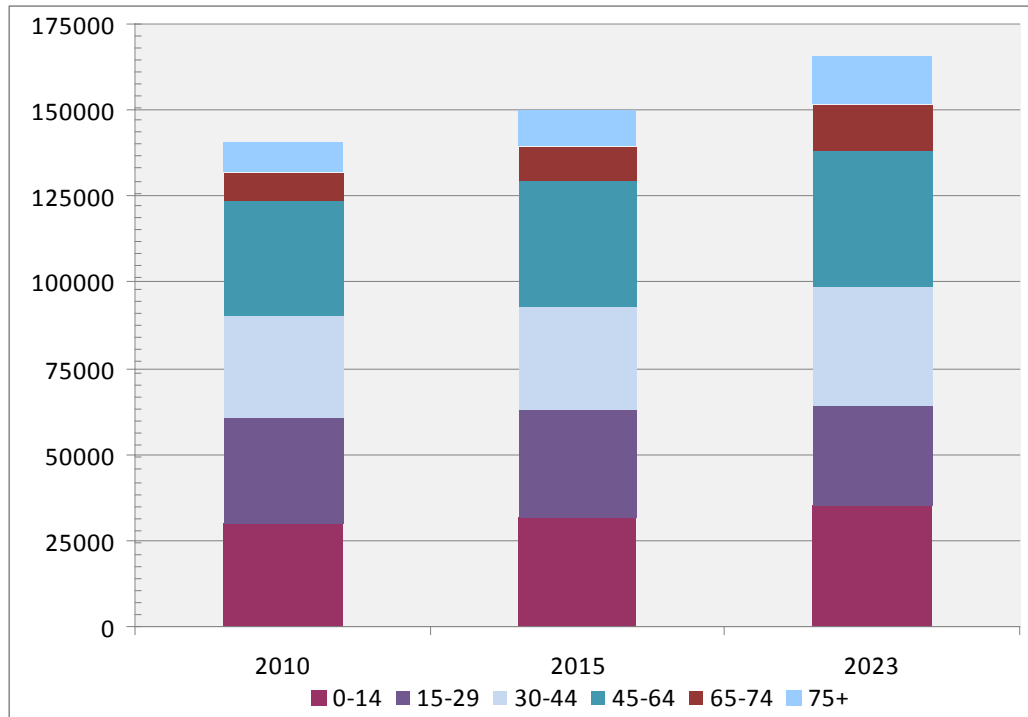
Projections show possible growth across all age groups from 2010 to 2023 except in the 15-29 year category, which could decrease marginally. Young people can leave an area to study, and are likely to be less adverse to travel to seek employment if necessary. Therefore, as the migration and the household formation, patterns of this age group tend to be influenced by economic conditions and the dynamics of the housing system, this long-term trend should be treated with caution.

Projections also suggest that the older population of the Craigavon HMA will increase dramatically, with approximately a 61% increase in the 75+ age group, and 28% in the 65-74 age group. Such figures suggest that the future population profile in the Craigavon HMA will result in higher proportions at the younger and older ends of



the age spectrum, which will greatly affect all aspects of life, in particular the economy, education, healthcare and provision of housing.

**Figure 5: Craigavon HMA population projections by age, 2010-2023 (2008 based)**



Source: NISRA

From a housing perspective, the way in which the population organises itself into **households**, and thus expresses demand and need in the housing system, is of particular significance.

From 2001 to 2010, the number of households in Craigavon HMA increased by 17.9% to 53,830, which was well above the comparable rate for Northern Ireland (12.4%). The Craigavon Urban and Rural submarkets experienced the greatest growth in the HMA. The level of new build housing mentioned earlier will certainly have contributed to the increased household numbers in the Craigavon HMA. House building peaked at 1,820 in 2005/6, and over the ten years from 2001, the Craigavon HMA had the highest number of new build starts outside of Belfast, discussed further in the next chapter.



**Table 7: Craigavon HMA Household Estimates 2001-10**

	2001	2010	change 2001-10	
			No	(%)
Northern Ireland	628,490	706,400	77,910	12.4
Craigavon HMA	45,650	53,830	8,180	17.9
Armagh City	5470	5910	440	8.0
Craigavon Urban	21960	26310	4350	19.8
Craigavon Rural	18220	21610	3390	18.6

Source: NISRA (2010) Notes: Ward level occupied stock estimates adjusted to sum to NISRA LGD 2008-based household projections for 2010 and numbers rounded to nearest 10

Future household trends are more sensitive to economic, housing market and policy changes than future population trends. As a result, **household projections** are subject to a greater degree of uncertainty than population projections.

NISRA issued 2008-based regional household projections to 2023 for the Craigavon HMA, which are summarised in Table 8.

**Table 8: NISRA 2008-based household projections for Craigavon HMA 2010-23**

2008-based	2010	2015	2021	2023	change 2010-15	change 2010-21	change 2010-23
Craigavon HMA	54,400	59,200	64,500	66,500	8.8%	18.6%	22.4%
Northern Ireland	706,200	749,200	794,300	810,600	6.1%	12.5%	14.8%

Source: NISRA 2008-based household projections (2010)

Figures rounded to be consistent with NISRA reporting conventions

NISRA project, that 66,500 households may be living in the Craigavon HMA by 2023, this equates to a 22.4% increase, which is significantly higher than the comparable rate for Northern Ireland (14.8%).

Table 9 shows projections for Craigavon HMA by household type. It indicates that up to 2023 household growth will be driven by an increase in smaller and single person households, with a projected 37% increase, a higher rate than Northern Ireland as a whole. The increase in single person households reflects a mix of factors including higher divorce rates and higher numbers of adults delaying marriage and child bearing until they are in their 30s. Most significantly, older people that outlive their partners continue to live alone for a much longer time than in the past. It could also be argued that an increase in private rental opportunities in recent years, coupled with the availability of housing benefit may have encouraged single person households, although with welfare reform changes, discussed earlier in the report, this is a trend that may not continue.

Projections also suggest that there is likely to be a decline in the numbers of larger households without children, this could suggest adult children will remain at home longer, before forming their own household. There is also a possibility that there will be an increase in adults sharing the one property, who are not necessarily from the same family unit.

In planning for future housing, it will be important to cater for single and smaller households in order to avoid an over supply of larger, unaffordable housing. The



## Housing Market Analysis

### Craigavon Housing Market Area

prospect of larger adult households who are not family also needs to be considered especially with changes in housing benefit for single adults, and changes with regard to under occupation.

**Table 9: NISRA 2008-based projected households by household type to 2023**

	2010	2015	2023	change 2010-23		change 2010-15
				No	%	
Northern Ireland						
Single person households	213,000	236,400	273,800	60,800	29%	11%
Two adults without children	184,800	200,800	222,000	37,200	20%	9%
Other households no children	98,300	96,100	88,100	-10,200	-10%	-2%
Lone adult with children	37,000	37,100	37,500	500	1%	0%
Other households with children	173,300	178,800	189,000	15,700	9%	3%
All households	706,400	749,200	810,400	104,000	15%	6%
Craigavon HMA						
Single person households	16,400	18,700	22,500	6,100	37%	14%
Two adults without children	14,200	15,900	18,200	4,000	28%	12%
Other households no children	7,600	7,600	7,200	-400	-5%	0%
Lone adult with children	2,900	2,900	3,100	200	7%	0%
Other households with children	13,400	14,100	15,500	2100	16%	5%
All households	54,400	59,200	66,500	12,100	22%	9%

Source: NISRA household projections 2008-based

NOTE: Craigavon HMA (which is NUTS 3 areas of East of Northern Ireland) includes the LGDs of Banbridge and Down

It is expected, however, that both population and household projections in the near future will forecast more modest increases due to the recession, and this may result in a downturn in migration into the Craigavon HMA, and household formation. Looking ahead it is much less certain what future rates of internal and external migration might look like. Much will depend on how quickly the economy, employment and associated house building stabilise and how quickly consumer and developer confidence in the housing market returns.

### Key issues

- The average annual growth rate for East of Northern Ireland (4.4%) was less than the Northern Ireland average (4.8%). The higher growth rate of the South and West of Northern Ireland (5.5%), suggests that there was more job creation in the Armagh area of the HMA;
- In 2010, the employment rates for the three LGD's with wards in the Craigavon HMA were considerably higher than the Northern Ireland average;
- In 2010 the largest employing industry in the Craigavon HMA was the service sector (77.5%); Manufacturing (15.8%) being the other main employer. Construction employment related to 5.2% of full time employment;



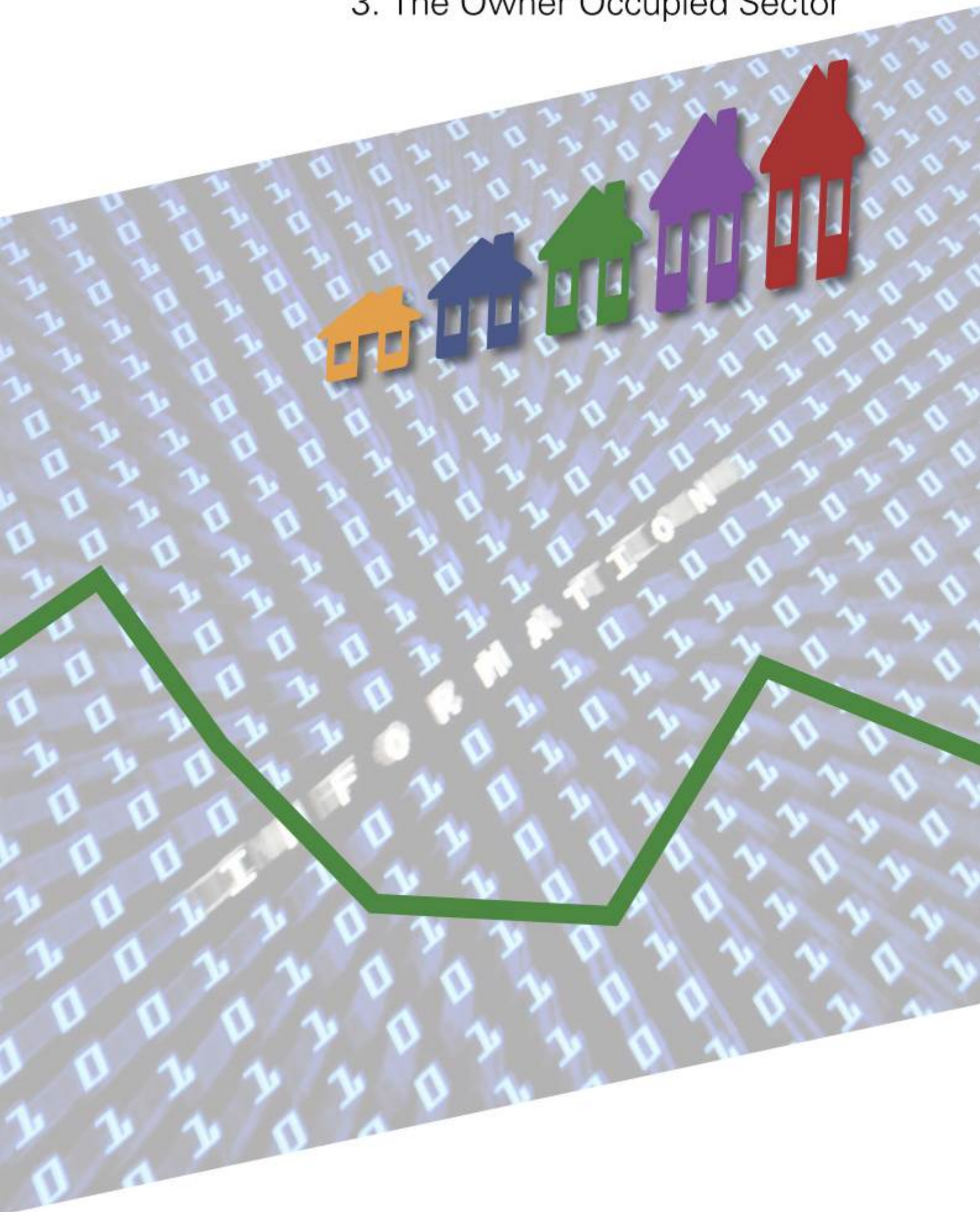
# Housing Market Analysis

## Craigavon Housing Market Area



- Employment levels in the service industry to some extent protected the Craigavon HMA from the worst affects of the economic crisis up to 2010;
- Although there is some evident economic linkages between the Armagh LGD and Monaghan Town, the overwhelming consensus amongst local experts is that the housing market stops at the border in both directions (Crossing Borders: NIHE 2012);
- Since the start of the downturn Craigavon HMA has suffered job losses, especially in construction, manufacturing and related services;
- Claimant count figures increased across all wards in the HMA, though wards that are included in NISRA's top 100 most deprived areas were hit hardest;
- At 2010, income in Craigavon HMA was lower than the Northern Ireland average, indicative of lower paid manual and unskilled labour common in manufacturing, industry and some smaller service providers;
- Between 2001 and 2010, the population of Craigavon HMA increased by 11.5%, almost twice the rate of the Northern Ireland average (6.5%);
- The UK economy returning to recession in the first quarter of 2012 further dampened consumer confidence and put further downward pressure on economic growth in Northern Ireland;
- The affect of welfare reform is as yet unclear. The anticipated Long term budget savings may have a detrimental impact on small households and the lowest earners, leading already economically vulnerable households into mortgage and rent arrears;
- The population increased across all age groups in Craigavon HMA and it was one of only two HMA's to have an increase in 0-15 year olds (1.3%); neighbouring Dungannon HMA had a 4.0% increase;
- Craigavon LGD had amongst the highest levels of inward migration from outside Northern Ireland. In 2009 there were approximately 4,000 former A8 population residing in the Craigavon LGD;
- Total households in causeway HMA increased between 2001 and 2010. The rate of increase is expected to slow to 2023 and a shift towards smaller households is anticipated.

### 3. The Owner Occupied Sector



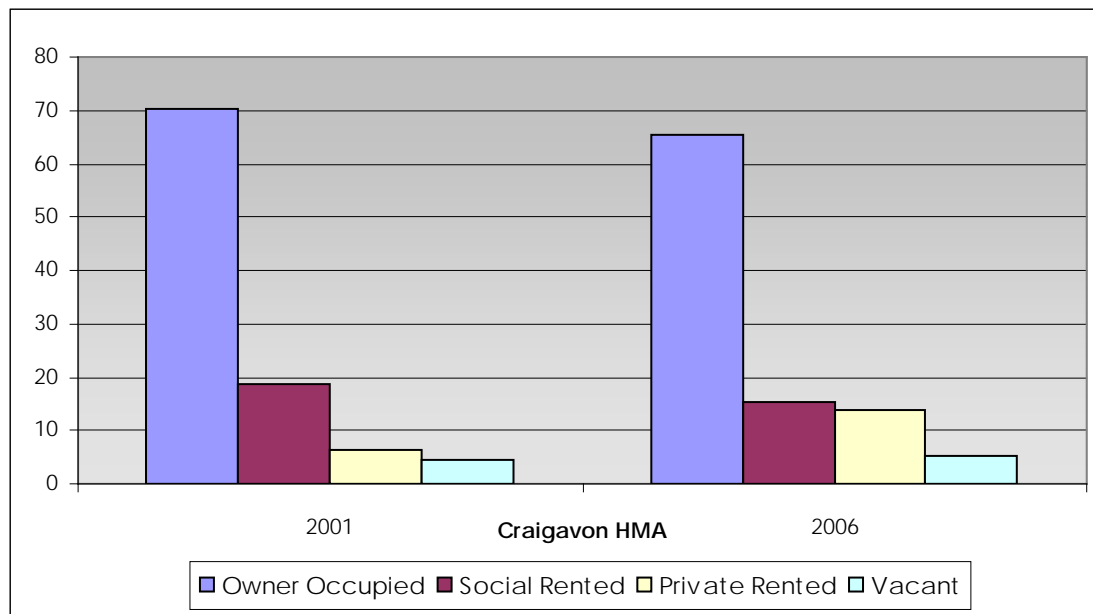


### 3. CRAIGAVON HMA: THE OWNER OCCUPIED SECTOR

#### Profile of the owner occupied sector

This chapter considers the characteristics and dynamics of the owner occupied sector within the Craigavon HMA, including recent housing supply and prices trends.

**Figure 6: Tenure of occupied and vacant stock in HMA, 2001-2006 (%)**



Source: HCS, 2001 and 2006

Owner occupation has historically been the preferred tenure for most households in the Craigavon HMA. The 2001 House Condition Survey (HCS) reported that 70.4% of households were living in the sector, higher than the Northern Ireland rate of 66.8%. As the housing market and house building rose towards its peak in 2007, the percentage of owner occupation actually began to reduce in the Craigavon HMA and by 2006, 65.4% of households lived in the sector, lower than the Northern Ireland rate of 66.5%. Conversely, the private rented sector in the Craigavon HMA more than doubled over the same period, suggesting that much of the new build stock was bought for letting purposes, discussed in more detail in **Chapter 4**.

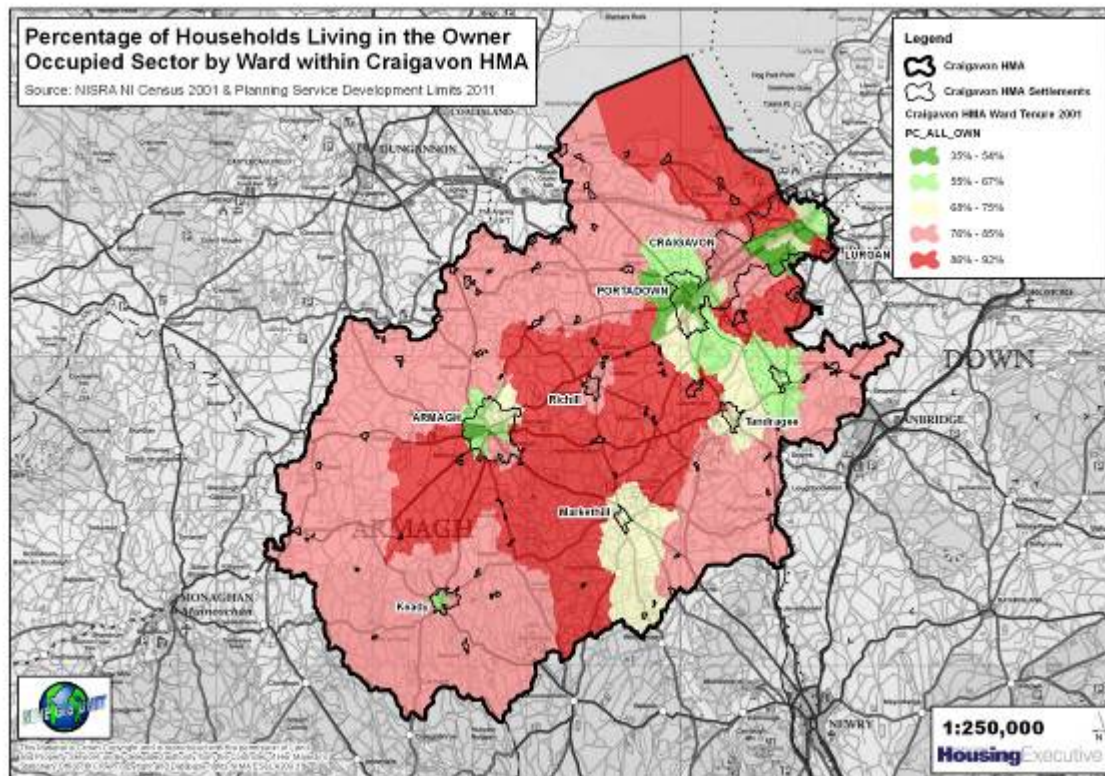
Map 2 illustrates the percentage of people who owned their properties by ward within the Craigavon HMA in 2001. It indicates that owner occupation was higher in rural areas with over 80% ownership in many wards, Derrytrasna and Hamiltonsbawn being the most popular with almost 92% owner occupation. The lowest levels of owner occupation were reported in Callan Bridge (38.9%) in Armagh City and Corcrair in Portadown (35%), both areas reported high levels of rental, social and private, and are areas of high income deprivation.





## Housing Market Analysis Craigavon Housing Market Area

Map 2: Percentage of households living in owner occupied sector by ward (2001)



NISRA: 2001 Census

Since 2006, owner occupation continues to be the most popular tenure in the Craigavon HMA, however, indicators suggest that its tenure share of the overall housing market has decreased even more so in recent years, and more people are entering the private rented sector. The 2009 HCS figures collated for the proposed Armagh, Banbridge and Craigavon District, are not coterminous with the Craigavon HMA, however give a reasonable indication of the tenure situation in the area. The report suggests that owner occupation slipped below 60% and private rental at 22.6% was the highest in Northern Ireland, outside of South Belfast where there is a high percentage of student rental accommodation.

Vacancy rates for Craigavon HMA were consistently higher than the Northern Ireland average from 1996 to 2010; this may in part be related to the high level of private rental in the HMA. Certainly wards with reported high levels of renting both social and private, exhibited the highest level of vacancies during this period, for example Callan Bridge, Annagh and Keady. Craigavon HMA also had the highest level of new build in the ten years from 2001 outside of Belfast, and at the time of survey, unsold new build could have had an impact on the vacancy level. A Housing Executive survey in 2008/09 showed that around 44% of new build starts had not been sold. Since then vacancies dropped back significantly and in 2010 the HMA rate was almost in line with the Northern Ireland figure. It is likely that by 2010 that much of the vacant private stock had been utilised for private renting, certainly as said above, figures suggest that the private rental market in Craigavon is almost the highest in Northern Ireland.



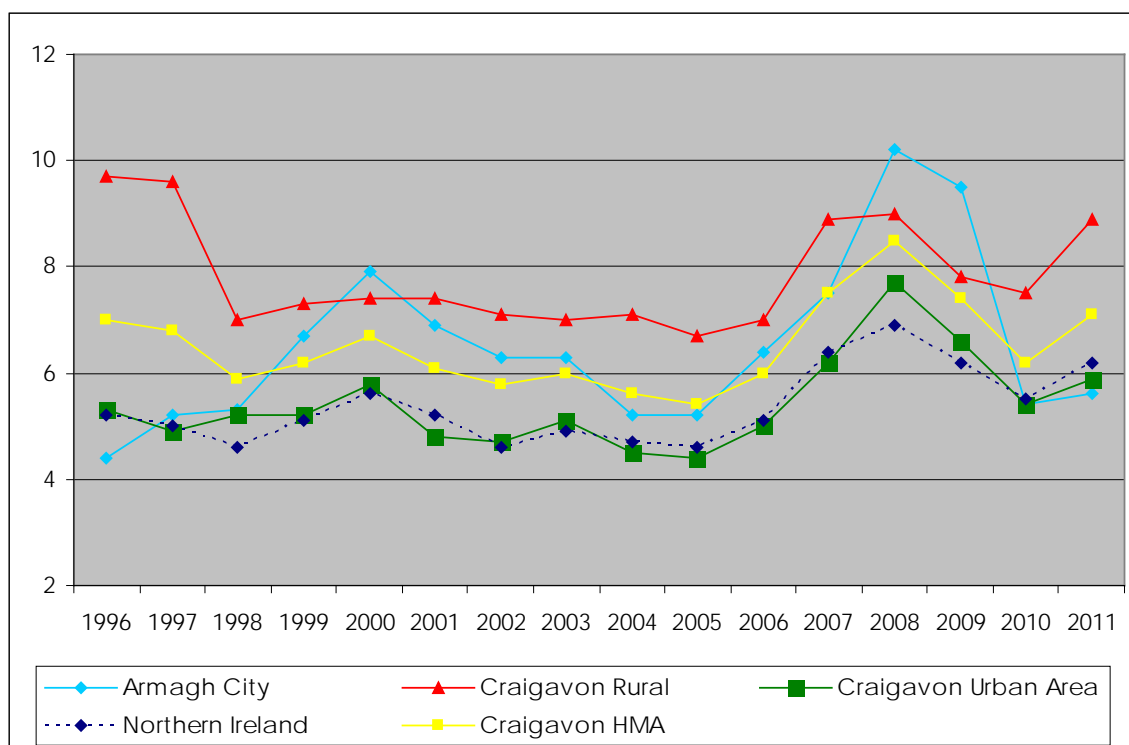
## Housing Market Analysis

### Craigavon Housing Market Area



In 2011, vacancies have increased again across the HMA. Consultation with estate agents and investigation of property websites suggest that many properties that are now empty are as a result of repossessions, and sit empty awaiting sale. There was also the suggestion that developers who have not been able to sell and privately renting their properties in the hope for a market recovery, are now being forced to sell at a loss due to financial pressure. If prospectus tenants know that these properties are for sale they are unlikely to rent them, and tenants in-situ will move on if they find themselves in that position. Only those in need of a short term let will consider such properties.

**Figure 7: Figure 11: Annual vacancy rates across Craigavon HMA 1996-2011**



House building in the Craigavon HMA has been high, averaging 1,211 dwellings per year for the ten years to 2010. Unsurprisingly, new build was plentiful in and around the urban centre of Craigavon, where jobs in both the manufacturing and service industries will have attracted people into the area to work, and ideally to live. The increase in household numbers supports this suggestion as between 2001 and 2010 numbers increased by 19%.

The Craigavon rural area had a similar increase in household numbers; smaller towns (large settlements) like Tandragee, Gilford, Milford and Bleary had their fair share of new build. Whilst these areas have their own local offering of employment for those who choose to set up home here, the proximity to main towns and the cities of Newry, Armagh and Belfast means a short commute, if they work elsewhere. This along with lower house prices, common outside of main urban areas, will have made the rural submarket an attractive place to live.



**Figure 8: New dwelling sector starts in the Craigavon HMA , 2001-11**

year	New Dwelling Starts Private Sector	New Dwelling Starts Housing Associations	New Dwelling Starts Total All Sectors	HA starts as % of all New Dwellings
2001/02	1,161	6	1,167	0.5
2002/03	1,510	9	1,519	0.6
2003/04	1,504	22	1,526	1.5
2004/05	1,706	29	1,735	1.6
2005/06	1,817	3	1,820	0.2
2006/07	1,596	7	1,603	0.4
2007/08	1,002	19	1021	1.8
2008/09	619	43	662	6.5
2009/10	714	29	743	3.9
2010/11	531	86	617	14.0
Average 2001- 2004	1,334	17	1,351	1.3
Average 2005- 2008	1,530	15	1,545	7.8
Average 2009-2011	621	53	674	3.7
Average 2001- 2011	1,211	25	1,236	2.0
Total Craigavon	12,160	253	12,413	2.0
Northern Ireland	107,774	11,226	118,974	9.4

Source: NINIS (2012) Total Number of New Dwellings Started in NI

Notes: Figures are aggregated from LGD figures, as small area data is not available. The LGDs include, Craigavon and Armagh and Banbridge.

Households in Armagh City increased by a more modest 8% in the ten years from 2001 to 2010, there was however a reasonable level of housing construction, particularly in the east of the city. Armagh offers employment mainly in the service sector, which certainly attracts people into the city to work and live. House prices in popular parts of Armagh were generally higher than most of the rest of the HMA, and NI as a whole, so this will have dampened demand to some degree.

The 2009 HCS and estate agent findings suggest that much of the new build entered the private rented market. Certainly a larger portion went to owner occupation, but the lower than NI average house prices also attracted buy to let investors, who saw the potential in the lettings market in an area where job opportunities were plentiful. This in turn pushed first time buyers out of the market, and saw many turning to private rental as the only alternative if they wanted their own home. This will be discussed in greater detail in the next chapter.

New build starts in the Craigavon HMA declined considerably in 2008/09 (619), but remained high compared to other HMA's. For comparison, in the neighbouring HMA's of Dungannon and Newry there were 392 and 64 new build private starts respectively. It is anticipated however that the level of starts will remain lower than in the past and recovery, if any is unlikely in the short term. Discussion with local agents confirmed that land prices are currently minimal in comparison to the peak around 2007 (approximately £100k per acre compared to 1 million per acre). The greatest barrier to the construction industry is access to finance; developers may get funding

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to purchase the land, but fail to get funding to develop it. Until the banks start to offer finance to builders, there will be little movement in the sector.

Housing association new build starts have not been able to keep pace with private sector new build in Craigavon HMA, averaging just 20 per year in the ten years from 2001. Despite demand for social housing in many parts of Craigavon HMA, housing associations were unable to compete financially with private developers for prime pieces of land. In recent years, land has been at more of a premium but difficulty finding land for social new build continues, however this isn't always down to finance. Also, recent budget cuts have resulted in a more targeted approach for social housing.

**Table 10: Comparison of annual average starts relative to RDS and household growth annual averages in 10 years to March 2011**

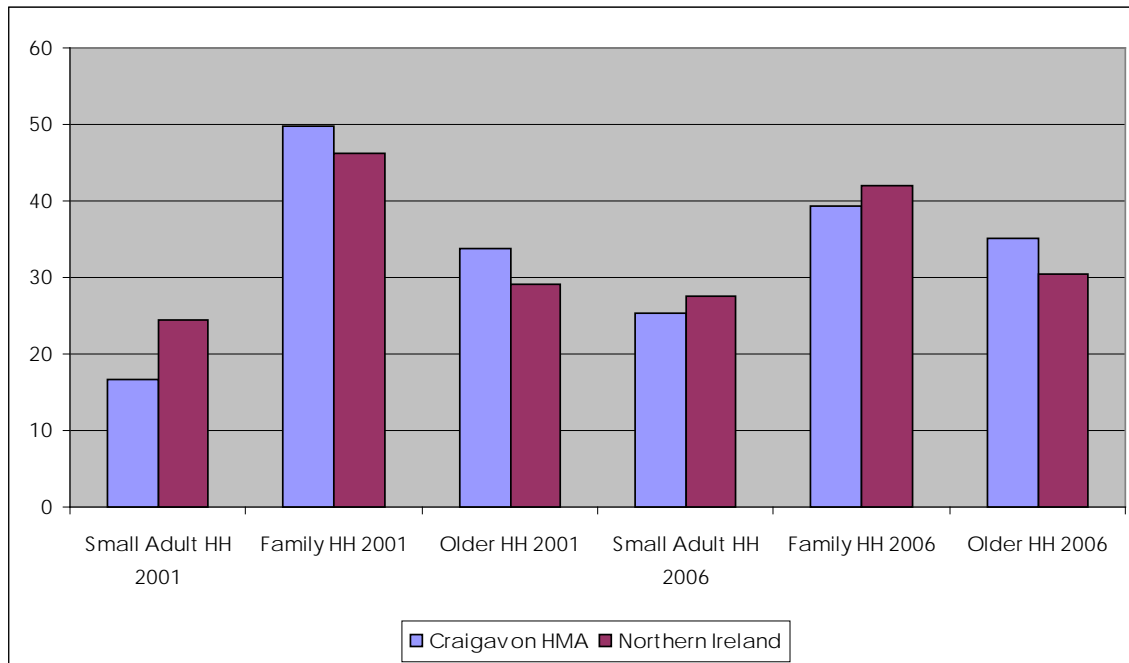
Area	HGI 2008-2025	HGI annualised equivalent (divided by 17 and rounded)	Net average annual household growth (rounded)	Annual average number of Starts	Starts as % HGI	Starts as % of net annual household growth
Northern Ireland	190,000	11,200	10,030	12,028	107	120
Armagh	5,500	300	340	430	143	127
Banbridge	5,500	300	360	477	159	133
Craigavon	10,300	600	720	901	150	125

Source: NINIS

Table 10 compares the annual average number of starts over the 10 years to March 2011 with the annualised equivalent housing growth indicator (HGI) and the average net annual household growth to 2011. The NISRA projections provide a 'policy neutral' scenario in the sense they indicate what would happen if trends were to continue. Performance in Craigavon HMA as a whole has exceeded policy intent. In each of the three LGDs within the HMA, starts have surpassed projections for household growth. This suggests that in recent years the number of new dwellings being developed has risen faster than the market can reasonably absorb in the short term, irrespective of potential buyers ability to access affordable mortgages.



**Figure 9: Owners by Household Group, 2001 & 2006**



Source: HCS, 2001 and 2006

The socio-economic profile of households living in the owner occupied sector of the Craigavon HMA supports suggestions that households are getting smaller. In 2001 around 50% of households in the owner occupied sector were small adult or elderly households, by 2006 this had increased to just over 60%. Availability of mortgage finance to first time buyers and individuals at this time probably supported this growth in owner occupation amongst smaller household types.

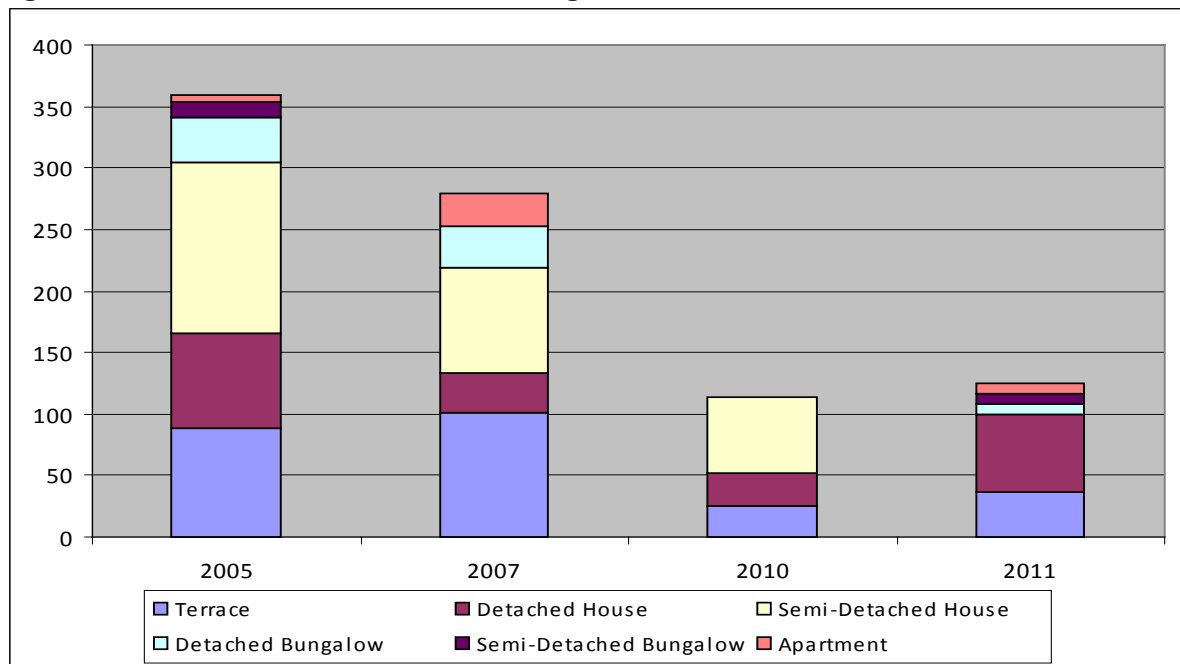
It is unlikely that there has been any significant change in the trend from 2006, since house prices reached a peak in 2007 and effectively priced smaller households out of the market. Estate agents reported that first time buyers have been struggling to access owner occupation due to the deposits required to get a mortgage since the downturn began which could even suggest that there could be a slight decline in small adult household owners.

Estate agents in the Craigavon HMA report that sales are up, but only because house prices continue to fall. They report any recovery will be fragile and until the banks ease their lending criteria the market will not properly stabilise, they see increased numbers of first time buyers as crucial to sustained market recovery. Certainly with house prices at their lowest in at least ten years, the properties are available, but first time buyers are finding themselves further hampered, by those with the ability to offer cash for good value repossessed properties. This is to be expected in a recessionary economy.





**Figure 10: Sales volume across the Craigavon HMA, 2005-2011**



Source: University of Ulster

University of Ulster sales indicators show that after a decline in sales continuing into 2010, a small recovery was experienced in 2011 (see figure 10) however numbers are less than half of sales recorded in 2005. The recovery in 2011 appears to be as a result of increased sales in terrace and detached properties. The number of sales in semi detached property types is not recorded, but it appears that sales of this historically popular house type were down.

Estate agents report that properties in the Craigavon HMA continue to sell if they are below £75,000, and since the down turn most terrace properties will be below this value. Increasingly however semi detached property prices are dropping below this value in attempts from vendors (owner occupiers and landlords) to acquire a sale. Sales of three and four detached properties are on the up again because of prices, such properties are currently on the market in parts of the HMA for as little as £79,000, and for those with money in their pockets these houses are an attractive buy, especially in the right areas.

Estate agents suggest that house prices in Craigavon HMA are mainly governed by location, and not necessarily by the urban/rural split. In Armagh City for example a three bed semi detached home on the market for £35,000 to £45,000 tends to be located in or near existing Housing Executive estates which tend not to be popular outside of local interest. Newer properties and properties of a similar size located in private residential areas however range from £110,000 up to £145,000. Agents confirm that this is a familiar picture throughout in the urban locations of the HMA, though upper end prices in the Craigavon/Lurgan/ Portadown urban area are not



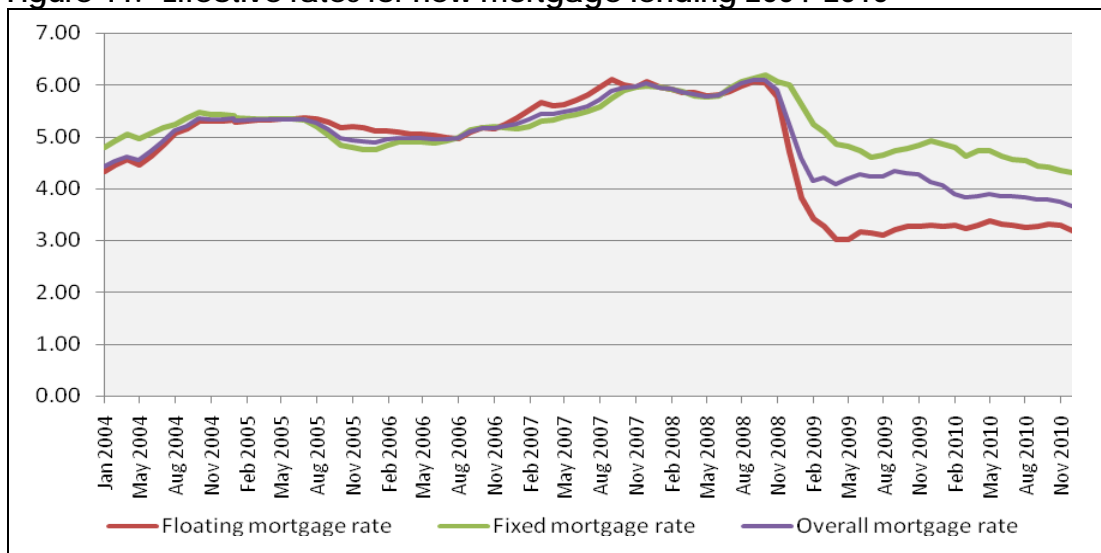
## Housing Market Analysis Craigavon Housing Market Area

as high as in Armagh City. Three bed semi detached properties here tend to range from £65,000 to £95,000.

Rural areas continue to attract lower house prices in general, however as expected detached properties in rural locations remain amongst the most expensive in the HMA. The University of Ulster Quarterly House Price Index reported that the average house price in Craigavon/Armagh in September 2012 was £87,523, amongst the lowest in Northern Ireland. This is down almost 20% on the same time last year, supporting agent's suggestions that house prices are still coming down.

Since the Bank of England cut interest rates to less than 1% in early 2009 the effective mortgage rate has declined (see Figure 11). Although the effective mortgage rate continues to exceed the base rate, it remains low by historic standards. For households buying their home with a mortgage, lower interest rates have generally brought a reduction in interest payments as a proportion of income. This has eased affordability pressures for most households with a mortgage.

**Figure 11: Effective rates for new mortgage lending 2004-2010**



Source: Bank of England (2011)

The predicament for prospective first time buyers is that few have been able to take advantage of lower house prices and lower interest rates because of the continued credit constraints that have found expression through loan to value (LTV) ratios. Deposit requirements increased sharply in 2008 and have remained so as lenders seek to minimise their risk of exposure to mortgage default. Most first time buyers still require deposits ranging from 15% to 30% to access mortgage products. There are signs that in an attempt to support first time buyers some lenders are easing their loan to value ratios, with Danske Bank for example offering in some cases 100% mortgages, and the Ulster Banks Momentum Mortgage where 95% mortgage packages are available. Criteria is however strict, with those accepted for such products needing to demonstrate little to no other credit/lending, and in many cases a guarantor. Finally, prospective buyers' decisions to enter the market will continue to be impacted as uncertainties about jobs and pensions continue, and many will still hold off, or rent in the meantime.

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The UK and Scottish Governments suggest that a household should be considered able to afford to buy a home if it costs no more than 3.5 times the gross household income for a single income household or 2.9 times the gross household income for a dual income household.

Table 11 compares the lower quartile and median house price for a 2/3 bedroom property in 2011 with the lower quartile and median CACI PayCheck income point for Craigavon HMA.

**Table 11: Craigavon HMA affordability ratios for 2/3 bedroom properties, 2011**

Area	lower quartile price	median price	lower quartile income	median household income	lower quartile ratio	median ratio	LQ price to median income
<b>Craigavon HMA</b>	70,750	99,500	12,711	24,109	5.6	4.1	2.9
<b>Northern Ireland</b>	83,687	120,000	12,953	24,752	6.5	4.8	3.4

Source: Ulster University (22 July) and CACI Paycheck

Assuming the lower quartile income point broadly equates to the incomes of young single income households and the median income point is similar to the income of younger dual income households, the figures in Table 11 suggest that in 2011:

- The lower quartile price of £70,750 in the Craigavon HMA, in spite of the scale of recent falls, remains well above affordable levels younger single income households. The figures suggest that with prices 5.6 times gross annual income younger single households would struggle to purchase a home unless they had considerable savings or access to other sources of funds;
- Younger households with a dual income could comfortably purchase a property at the lower quartile price, but struggle to purchase a home with a median value.

Affordability ratios give no indication of the proportions of households experiencing affordability problems accessing other tenures. We therefore sought to extend the analysis of affordability to look at the costs of buying and renting privately.

This analysis, which is summarised in Table 12, illustrates the potential proportions of younger households under the age of 40 that may lack the purchasing power to access the private housing market without some form of public sector intervention. It is not intended to provide a definitive measure. Instead, it seeks to provide a consistent measure that can be used to consider the relative difficulty of accessing the lower end of the privately owned and rented market from one geographical area to another.

The analysis is based on the following assumptions:

- The cost of purchasing a dwelling at the lower quartile 2/3 bedroom property in 2011 with a mortgage equivalent to 80% or 95% of the purchase price;
- The median rent payable for a two bedroom private flat in 2011. These figures are derived from the private rental index database prepared by University of Ulster;



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- In terms of house purchase, a household could borrow 3.0 times their income and secure a 25-year repayment mortgage with an interest rate of 4.7%;
- In terms of rent payments, this should not exceed 25% of gross household income. This rent and the above owner occupation benchmarks are broadly consistent with CLG (2007) and Scottish Government Guidance (2008);
- The income distribution amongst households of less than 40 years is similar to the income distribution for all households. For example if 10% of all households have an income of less than £10,000 then it is probable that 10% of households under 40 years will have an income of less than £10,000;
- The 95% loan to value ratio is consistent with DCLG guidance (2007) whilst the 80% loan to value ratio reflects current market conditions and the deposit requirements of mortgage lenders;
- Although there has been a gradual increase in the levels of financial assistance used to help new households buy a home, no wealth adjustment factor has been applied. Another caveat is that some younger households will already be suitably housed and will not be looking to buy or rent. This will include households already living in the social rented sector as well as households that have already become homeowners.

The figures presented in Table 12 suggest that:

- Around 47% of younger households in the Craigavon HMA could not afford to purchase a dwelling of the value of £70,500 (lower quartile Price) even with a 95% mortgage. This compares to almost 53% in Northern Ireland and assumes lenders were willing to provide mortgages with a loan to value ratio of 95%;
- If we assume a loan to value ratio of 80%, approximately 40% of younger households in the Craigavon HMA could not afford to purchase a dwelling of the value of £70,500. At Northern Ireland level, almost 46% could not afford to buy a property at the lower quartile price;
- Almost 37% of younger households in the Craigavon HMA have an income below the level that would see rents exceeding 25% of gross household income. This compares to almost 42% in Northern Ireland.

Therefore, although the sharp fall in house prices has seen the gap between the cost of purchase and the cost of private renting narrow considerably, renting is still the most affordable private housing option. The estimates are sensitive to price threshold and the mortgage multiplier adopted. For example, if the multiplier was increased the proportion of households in the Craigavon HMA unable to afford a dwelling to the value of £70,750 with a 95% mortgage would decrease. Likewise, if the average property price increased the percentage unable to buy would increase.



**Table 12: Comparison of the cost of owning and private renting**

	Northern Ireland	Craigavon HMA
Estimated number of households under 40 years	198,113	15,330
<b>Lower quartile purchase price (2/3 bed lower quartile)</b>		
95% mortgage	£79,500	£67,200
80% mortgage	£67,000	£56,600
<b>Weekly cost of option (25 year repayment mortgage at 4.7% interest)</b>		
95% mortgage	£104.00	£88.00
80% mortgage	£88.00	£74.50
Private median rent for a 2 bedroom dwelling	£96.75	£83.40
<b>Gross income required to access open market</b>		
3.0 multiplier and 95% mortgage	£26,500	22,400
3.0 multiplier and 80% mortgage	£22,333	18,867
Rent equals 25% gross income	£20,124	17,347
<b>Affordability test 1: Lower quartile purchase: 95% mortgage &amp; 3.0 multiplier</b>		
No unable to buy	104,406	7,205
% unable to buy	52.7	47.0
<b>Affordability test 2: Lower quartile purchase: 80% mortgage &amp; 3.0 multiplier</b>		
No unable to buy	90,538	6,147
% unable to buy	45.7	40.1
<b>Affordability test 3: private rent 2 bedroom dwelling ( not exceeding 25% gross income)</b>		
No unable to afford	83,009	5,626
% unable to afford	41.9	36.7

Sources: CACI PayCheck, Ulster University Price Index and published Rental Index dataset 2012

Note: NIHCS 2011 percent of householders aged 17-39 years applied to NISRA projections to derive household count for younger households.





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For the reasons outlined above, it seems there may be potential for intermediate housing products in Craigavon HMA. Intermediate housing is a term used by the UK Government to refer to properties which have prices and/or rents higher than those for the social rented sector but lower than the prevailing market rate. The term therefore covers a wide range of types of provision but the essential features of intermediate housing products are that:

- The housing should meet the requirements of eligible households and the cost should be low enough for them to afford;
- There should be provision for affordable homes to remain at affordable prices for future eligible households or for the subsidy to be recycled for further affordable housing provision.

As intermediate housing products are not intended for households in receipt of Housing Benefit, any estimates should be based on the numbers and proportions of younger households that have sufficient income to purchase a 2/3 bedroom house with a 95% mortgage – 8,125 in the case of Craigavon HMA.

This approach should be treated with some degree of caution as it gives no indication of demand for intermediate products. Consultation with local estate agents in Armagh and the Craigavon area suggested that there is a high demand for intermediate housing products; one agent reported at least five inquiries a week. The problem they see with such products again is availability of finance for any share requiring a mortgage, and available funding levels of intermediate product providers. They also say that the reputation of intermediate products in Northern Ireland is not good, and advertising would be needed in order to shift people's ideologies.

The Northern Ireland **Co-Ownership** Housing Association Ltd, better known as Co-Ownership Housing is Northern Ireland's regional body for shared ownership. It offers a 'do it yourself' shared ownership scheme exclusively in Northern Ireland. Potential purchasers can buy a share of between 50% and 90% and increase their slice of ownership if/when they have access to more finance.

Uptake of the Co-Ownership scheme in Craigavon HMA has been mixed. By 2012, a total of 1,495 households had availed of the scheme in Craigavon LGD, 288 in Armagh LGD and 419 in Moyle LGD. The most popular areas are situated in the Belfast HMA. In line with the house sales market in general, there have been less properties sold through Co-Ownership in the past few years. In 2011/12, just six properties were sold via the scheme in Craigavon LGD with two sold in Banbridge and none in Armagh LGDs.

In 2010/11, the average purchase price of a property bought with Co-Ownership was £122,775. This is a small decrease from 2009/10 (£127,310). This is based on a relatively low sample scale and should be treated with a degree of caution. On average, purchasers initially took ownership of 57% of their property. This would suggest that, despite falling house prices, a mixture of difficulty accessing mortgages and low income means affordability remains a major problem.

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Schemes like Co-Ownership are an important part of the housing market in recessionary times. In order to stimulate movement across the owner occupied tenure, it is important to encourage those at the start of the chain. Since finance/deposits are difficult for the majority of prospective first time buyers to raise, assistance is required. The difficulty will be encouraging households to commit to home ownership when uncertainty remains with house prices, the economy and employment.

Estate agents in the Craigavon HMA report in the short to medium term there is likely to be little change in the owner occupied market and house prices in the area will continue to decrease. The general impression is that sustained rises in house prices will only take place when unemployment levels reduce, income rises and credit constraints are eased for both developers and prospective buyers. Restrictions in public sector spending and heightened uncertainty over future employment prospects are likely to dampen the pace of economic and housing market recovery.

Another factor which may lead to slow recovery is the current state of the construction industry. The housing slump caused house builders and developers to postpone or mothball developments and take measures, such as reducing staff, to decrease costs. There are some concerns that this may reduce the industry's capacity to respond promptly to any recovery in demand.

In addition, recessions tend to alter the market behaviour of developers. They become more risk averse and naturally prefer to develop sites which pose the least difficulty. Often, there will be a preference to build traditional three to five bedroom family houses as opposed to apartments because demand for the former tends to be more consistent and stable.

In the short term, a continuation of slow private house building rates will probably continue. This scenario will suit the Craigavon HMA over the next few years as starts have been exceeding household growth. In the medium term, the downward trend in construction could intersect household growth. It will be important to react to this possibility before it happens in order to avoid a major housing shortage. Financial incentives may need to be offered to proactively encourage construction before a demand problem manifests.

### Key Issues

- Owner occupation remains the tenure of choice in Craigavon HMA with higher rates than the Northern Ireland average, however an increasing percentage share is being lost to the PRS;
- Over the last decade, private sector new build in the Craigavon HMA, has been the highest outside of Belfast, and has been in excess of household growth;
- The economic downturn has hit the construction sector hard and led to a fall in new build dwellings for sale;

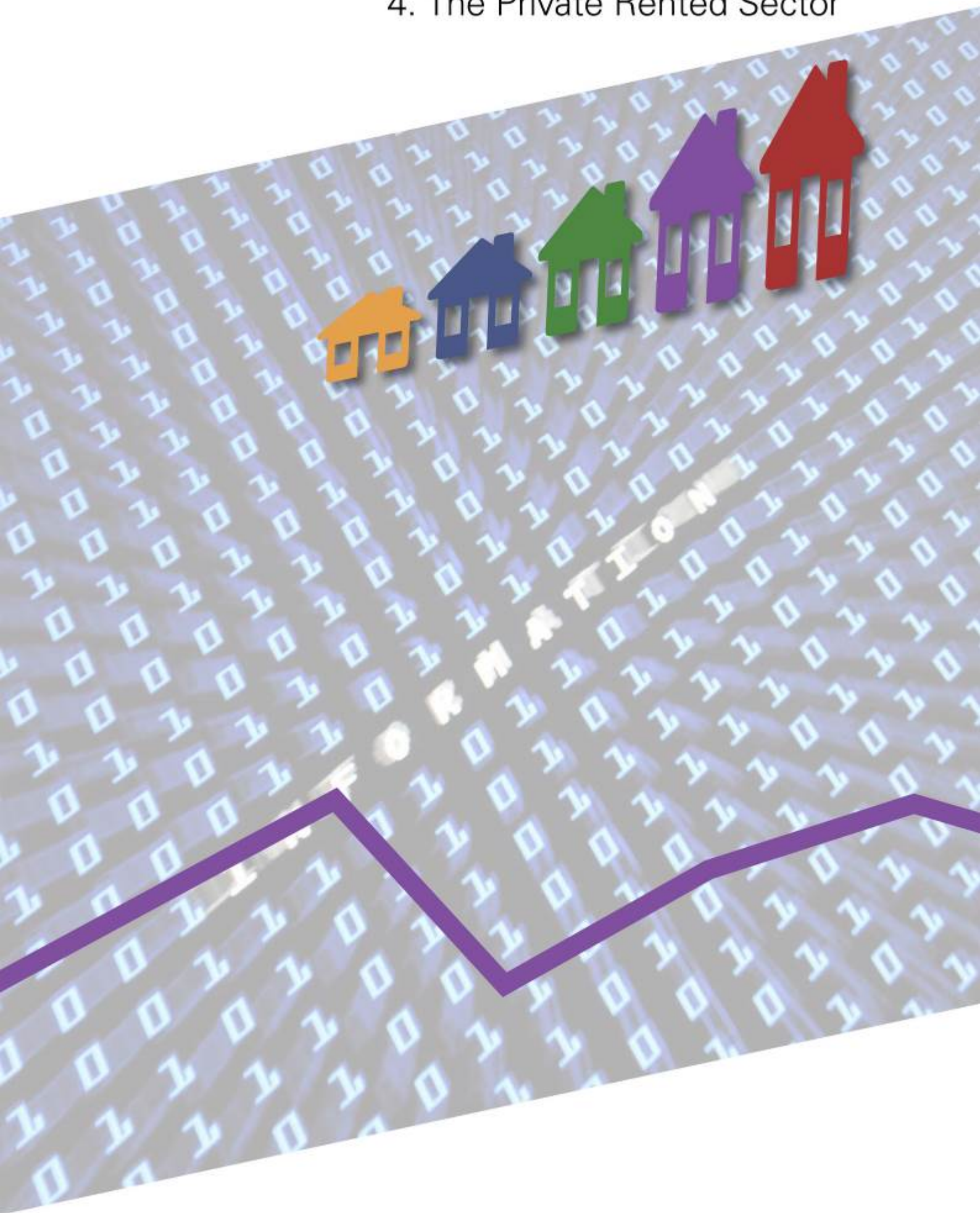


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- The owner occupied sector is mainly comprised of family households. Small adult and elderly households have been increasing their share of the market;
- House prices continue to fall albeit at a slower rate than in previous years;
- Whilst the affordability gap has narrowed, tighter lending criteria and a lack of consumer confidence means sales are still slow;
- The position of owner occupation in Craigavon HMA is unlikely to change significantly over the next few years;
- Planning and innovation in housing and social services will be required to meet the needs of the ageing population, the majority of whom are homeowners;
- Negative equity and repossession remains a continuing risk for home owners in the Craigavon HMA and across the country;
- Reductions in public sector spending will continue to have a dampening effect on the housing market;
- Continued difficulties accessing owner occupation means that demand for private rental and social housing is likely to increase in the short to medium term;
- There is potential for 'intermediate housing' options to meet the housing needs of 'the squeezed middle'. Demand though is as yet unclear.

## 4. The Private Rented Sector





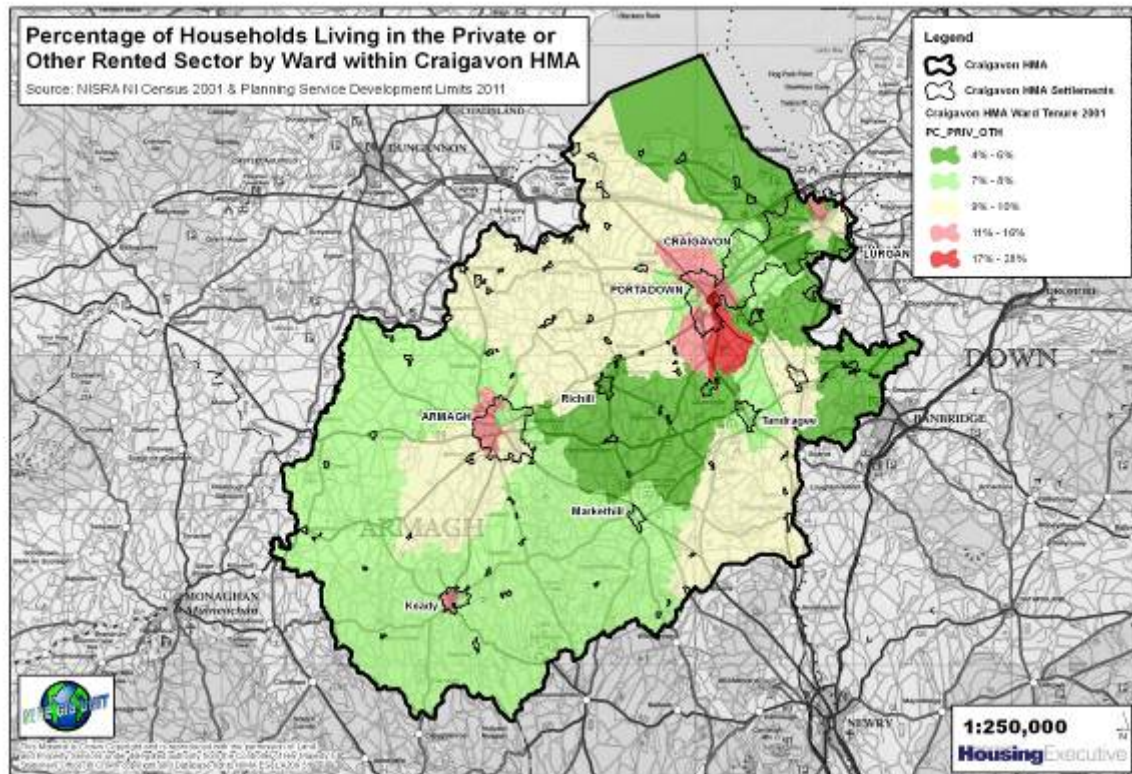


## 4. CRAIGAVON HMA: THE PRIVATE RENTED SECTOR

### Profile of the Private Rented Sector

The Private Rented Sector (PRS) has experienced a major revival in Northern Ireland. The HCS and the Continuous Household Survey both indicate that between 2001 and 2006 the PRS share of the total housing stock for Northern Ireland increased from just under 8% to 13%. Since 2006, evidence from the 2009 HCS indicated that the sector has continued to expand rapidly. Between 2006 and 2009 the occupied PRS stock increased by 43,800 to 124,600 units whilst the total PRS stock (i.e. including vacant units) increased by 47,400 to 142,000. Thus by 2009 the PRS sector accounted for almost 17% of the total occupied stock and over 19% of the total stock<sup>3</sup>. Preliminary results from the 2011 HCS suggest that in Northern Ireland the PRS remained around 17% of occupied stock

**Map 3: Proportion of the stock in the private rented sector, 2001**



Source: Census, 2001

Map 3 shows that in 2001, private rental was concentrated mostly in the urban locations within the HMA, to the west of Armagh City, and the wards to the south of Portadown. Keady and The Birches at that time had the highest recorded levels in the rural HMA.

<sup>3</sup> NIHE assign vacant dwellings to the tenure of their last occupancy. In 2009 there were some 43,400 of which 17,400 (40%) were assessed to be in the private rental sector.



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Analysing figures at Local Government District Level (LGD), the HCS indicates that the proportion of the total housing stock in the PRS more than doubled in both Armagh and Craigavon from 2001 to 2006. The PRS rose from 6.0% to 14.8% in Craigavon and from 4.6% to 11.3% in Armagh. Banbridge LGD also experienced a large increase from 3.6% to 9.7% during the same period.

The 2009 HCS figures suggest that this increase continued at a similar rate, as in the proposed Armagh, Banbridge and Craigavon District, the PRS represented almost 23% of total housing stock; second only to the South Belfast where there is a large proportion of the PRS is student and HMO type accommodation. There has been a corresponding increase in the number of private Housing Benefit claimants, with the number of claimants increasing by 52% between 2008 and 2012 in Craigavon and Banbridge LGDs, and 49% in Armagh LGD.

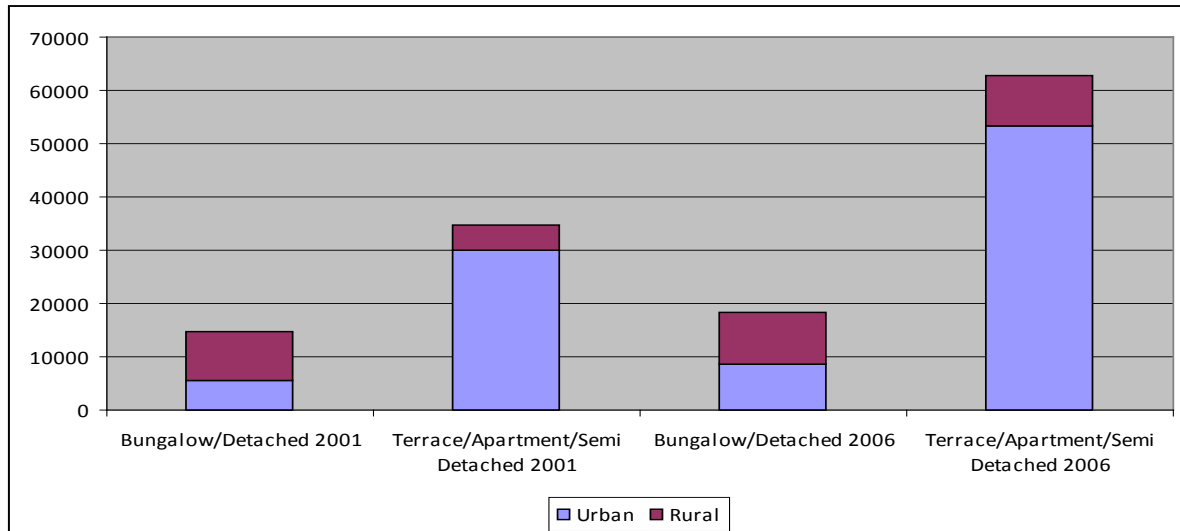
Recent consultation with Estate agents reports demand for private rental is high throughout the HMA. Good quality newer private rental, in the right areas tends to be rarely vacant and demand continues to outstrip supply. House building has been high in Craigavon HMA and the figures above suggest that a considerable amount of this new build entered the private rental market, consistent with the rest of Northern Ireland since the economic down turn.

Estate agents also report that private rental accommodation remains high in those areas identified in the 2001 census; however, these are high turnover areas, with older terrace properties and ex Housing Executive stock which is now in the private rented sector. Older dwellings are not popular, with people demanding higher standards, and prefer newer houses. Housing Executive estates also pose letting difficulties as they tend to have single community identities, and are only popular in the immediate locality. There is also some evidence that private new build close to these areas bought for the rental market is also difficult to let, and there are indications that landlords are attempting to sell these properties off at knock down prices.

Figure 12 shows the urban/rural breakdown of PRS housing stock and its composition in 2001 and 2006 for Northern Ireland and broadly reflects the position within Craigavon HMA:



**Figure 12: Private rental stock by Urban/Rural breakdown, 2001 and 2006**



Source: House Condition Survey 2001 & 2006 (edited dataset)

NB: Consistent with advice from the Housing Executive Research Unit these figures have been rounded to the nearest 100.

The expansion in the PRS between 2001 and 2006 was driven in part by the development of terrace, apartment and semi detached properties in the urban parts of Northern Ireland. The overall number of terrace/apartment/semi-detached properties increased by 81% during this time and support suggestions that these types of properties are the most popular in the PRS.

More recent Information from property websites, and knowledge gained from local estate agents, confirms that terraced and semi-detached properties are the most common dwelling types, and most sought after in the PRS in both the Craigavon HMA urban centers and rural sub area.

Bungalows and detached houses increased by a more modest 23%, between 2001 and 2006. Traditionally, detached and bungalow house types are not abundant in the PRS, and tend to be in rural locations, but they are more popular in the owner occupied market.

Although modest there was an increase in private rental properties in rural areas from 2001 to 2006. This was likely due to increased construction and increases in the buy to let market. In recent years, it is likely that there has been an increase in all house types as the PRS has further developed. There may also be a greater choice of house types as bungalow and detached properties could be offered for rental as an interim measure until households have the opportunity to sell. Also, developers who have built for the owner occupied market have been, and are expected to continue to rent out their unsold property to provide a return on their investment until the housing market recovers. Financial pressure from banks however has meant some have since been forced them to sell at a loss.

Vacancy rates were discussed in chapter 3 and for Craigavon HMA were found to be consistently higher than the Northern Ireland average from 1996 to 2010. This is in the main due to the high level of private rental in the HMA.

A comparison of HCS statistics between 2001 and 2006 shows the expansion of the PRS during this period, especially in urban areas. In 2001, pre 1945 properties

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represented 58% of PRS stock. This trend reversed by the time of the 2006 HCS and it is considered likely that the number of post 1945 properties continued to increase in both the rural and urban areas of Northern Ireland due to the high levels of new build that entered the PRS.

**Table 13: PRS by Dwelling Age by Urban and Rural breakdown, Northern Ireland**

	HCS 2001		HCS 2006	
	Urban	Rural	Urban	Rural
<b>Pre 1945</b>	20,700	8,400	26,900	8,200
<b>Post 1945</b>	14,700	5,600	34,900	10,900
<b>Total</b>	<b>35,400</b>	<b>14,000</b>	<b>61,800</b>	<b>19,100</b>

Source: House Condition Survey 2001 & 2006 (edited dataset)

NB: Consistent with advice from the Housing Executive Research Unit these figures have been rounded to the nearest 100.

Estate agents have commented that many newer dwellings have entered the private rental market in the past ten years as buy to let investments. They also report that a significant number of the properties that have been made available for private rental have been ex-Housing Executive properties, built in the 60's and 70's.

The PRS in Northern Ireland has traditionally been associated with poor housing conditions and a legacy of poor tenant/landlord relationships and wider tenancy management issues. The HCS provides various criteria to measure the condition of dwellings across all tenures. One such measure is the Decent Homes standard. A 'decent home' is described as wind and weather tight, warm and has modern facilities. These criteria are measured by a fitness standard, the state of repair, the level of facilities and the degree of thermal comfort.

In Northern Ireland, the highest rate of failure to meet the decent homes standard within occupied stock in 2006 was in the PRS (26.5%). Decent homes numbers have improved across all tenures in NI since 2006, and in 2009 the failure rate in the PRS had fallen to 17%; however this was still the highest rate amongst occupied stock.

This improvement in the decent homes rate in the PRS can probably be attributed to high numbers of newer properties entering the market. At this time also, investors who saw the demand for private rental soar, also purchased and refurbished older properties specifically for the buy to let market. Demand for good quality rental accommodation increased dramatically during this time as many people experienced difficulties accessing other tenures.

The 2006 HCS provides information on the decent homes standards at LGD level and provides an indication of the non decency rate in the Craigavon HMA. Armagh LGD had the highest non decency rate in the HMA and in Northern Ireland at 30.9%; this may be due to the fact that in 2006, around 30% of housing stock in Armagh LGD was built pre 1945. Armagh City also has high numbers of older private rental stock which may also explain the high failure rate. For comparison Banbridge LGD non decency rate in 2006 was also relatively high at 27.6% and in Craigavon LGD 21.8%. This compares to a Northern Ireland average of 23.0%. Housing stock in the Craigavon LGD is newer with 80% built post 1945, and in recent years there has been a high level of new build, helping to bring the non decency rate down.

The PRS plays a pivotal role in the local housing system. It is the tenure where wider housing pressures are often exhibited and remedied, even if only temporarily. The PRS can cater for a diverse range of niche markets; it can provide flexible



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accommodation for young professionals, migrant workers and students. It also provides for households that cannot or do not want to buy a house or rent from a social landlord. Private renting also has a traditional role both in providing permanent housing for tenants and providing emergency housing of last resort (e.g. to assist with homeless applicants).

Estate agents in Craigavon HMA have confirmed that, similar to the findings for Northern Ireland, smaller and younger households are the main household types living in or seeking private rental accommodation. Owner occupation remains beyond the means of many households despite reduced house prices. In addition, older people in the Craigavon area tend to be homeowners or tenants in the social rented sector. Private renting has proved in the past to be the main option for younger households setting up home for the first time or who have yet to 'settle down'. Increasingly however, due to affordability and access issues in other tenures, this profile is changing with more families entering the PRS.

Table x sets out the distribution of household types for 2001, 2006, and 2009 in Northern Ireland. Over this time, small adult and family households have represented the largest group in the PRS in both urban and rural locations, and in 2009 made up around 90% of all households in the PRS. Between 2006 and 2009, small adult household numbers increased by 75% and family households by 63%. Elderly numbers dropped however, by 10%.

**Table 14: PRS by Household Type by Urban and Rural breakdown, Northern Ireland**

	HCS 2001		HCS 2006		HCS 2009	
	Urban	Rural	Urban	Rural	Urban	Rural
<b>Small Adult HH</b>	16,500	5,000	24,200	7,600	42,600	13,100
<b>Family HH</b>	12,300	5,400	27,200	6,400	37,800	17,000
<b>Older HH</b>	6,000	3,400	10,000	4,400	9,600	3,300
<b>Total</b>	34,800	13,800	61,400	18,400	90,000	33,400

Source: House Condition Survey 2001, 2006 & 2009 (edited dataset)

NB: Consistent with advice from the Housing Executive Research Unit these figures have been rounded to the nearest 100.

The 2006 HCS reported that 54% of heads of households aged between 17 and 39 were housed in the PRS; this being a considerable increase since 2001 (27%). In 2009, the HCS reported a continuing reliance on the PRS for this age group. There has been an increase in lower income households in the PRS since 2001. In 2009, the HCS reported that in Northern Ireland unemployment in households in the PRS had risen to 21%. The increase in private Housing Benefit claimants since 2006 suggests a similar trend in Craigavon LGD. Conversely, estate agents in the area also report increasing levels of singles and couples with relatively good incomes, i.e. beyond income levels for Housing Benefit support, becoming more dependent on the PRS for accommodation. The 2009 HCS confirms a rising number and proportion of households in the PRS in employment since 2006 (42% to 52%). These figures support the assumption that more households have to rent rather than purchase due to constraints on financial lending.

The HCS provides an urban/rural income breakdown by tenure between 2001 and 2009 in Northern Ireland. Table 22 shows a gradual increase in mean income from £13,300 in 2001 to £16,800 in 2009 for those privately renting. In comparison to the



mean income across all tenures (discussed in Chapter 2), the PRS remains the intermediate tenure between social housing and owner occupied in terms of household earning power. The mean income across all tenures in 2006 was £19,100 in Northern Ireland.

**Table 15: PRS by Income by Urban and Rural breakdown, Northern Ireland**

	HCS 2001		HCS 2006		HCS 2009	
	Mean Income	Median Income	Mean Income	Median Income	Mean Income	Median Income
<b>Urban</b>	13,200	12,500	14,000	10,500	17,300	12,500
<b>Rural</b>	13,500	12,500	14,700	12,500	15,500	12,500
<b>N. Ireland</b>	13,300	12,500	14,100	10,500	16,800	12,500

Source: House Condition Survey 2001, 2006 & 2009 (edited dataset)

NB: Consistent with advice from the Housing Executive Research Unit these figures have been rounded to the nearest 100.

## Affordability

On behalf of the Housing Executive, the University of Ulster has gathered information from 2007 onwards on a sample of rental transactions across Northern Ireland based on information supplied by estate agents. The resulting database provides analysis of rents, location, bedroom number, type of property and new lettings and can be interrogated at the Craigavon HMA level. The analysis can track activity in the market place, adjusted for seasonal issues and other variables. To access affordability, information for two and three bedroom properties has been combined with CACI income data at the relevant geographies. The affordability criterion is whether the market rent is less than or equal to 25% of gross household income. The latter is based on the CACI income analysis. The following are the main findings for the rental affordability of two and three bedroom properties in the Craigavon HMA.

**Table 16: Two Bed Rental Affordability, 2010**

Geography	Measure	Rent £ per week	Can afford (%)	Cannot afford (%)
<b>Craigavon HMA</b>				
	Lower quartile	77.10	66.3	33.7
	Mean	84.07	63.0	37.0
	Median	83.40	63.3	36.7

Source: NIHE and CACI

In 2012, the median rent for two bed accommodation in Craigavon HMA was £83.40, and was unaffordable for 36.7% of households, similar to the mean rent. For three bed accommodation the median rent was £92.50 per week and unaffordable to around 41% of households.





**Table 17: Three Bed Rental Affordability, 2012**

Geography	Measure	Rent £ per week	Can afford (%)	Cannot afford (%)
Craigavon HMA	Lower quartile	85.7	62.2	37.8
	Mean	93.5	58.6	41.4
	Median	92.5	59.0	41.0

Source: NIHE and CACI

These findings suggest that the levels of rents and gross incomes in the Craigavon HMA PRS represent continued affordability problems for those not able to access Housing Benefit (HB) through the Local Housing Allowance (LHA). This is as a result of a number of contributory factors driven by the local economy and housing market, such as increased unemployment, greater dependence on benefits and higher cost of living. This would suggest that the PRS is not necessarily suitable for low income households as an alternative to the social sector. Increasing high demand for the PRS could put further pressures on affordability as rental prices may increase relative to the sector's popularity.

A limitation of this data is that it assumes the same rental levels and incomes across the entire HMA. There may therefore be greater localised affordability problems which the figures are unable to uncover. The data does however give a broad indication of current rental affordability. The outlook is unlikely to change in the near future. This will have a major impact on the housing benefit bill over the next few years as claimants are likely to rise.

The biggest challenge for PRS tenants will be the impact of Welfare Reform. Changes to the Local Housing Allowance (LHA) could result in greater affordability problems and high arrears. According to the 'DSD: Monitoring the impact of recent measures affecting Housing Benefit and Local Housing Allowances in the private rented sector in Northern Ireland', Amendments to LHA included the following:

- Removal of the £15 per week excess paid to tenants renting below the LHA rates;
- Setting LHA rates to the 30th percentile of local market rents, meaning about three in ten properties for rent in an area should be affordable to people on Housing Benefit rather than five in ten properties in the past;
- Capping LHA rates by property size and scrapping the five bedroom rate;
- Up rating housing benefit rates by the Consumer Price Index from April 2013;
- Up rating non-dependant deductions;
- Increasing financial support for Discretionary Housing Payments;
- Temporarily widening the discretion of local authorities to make direct rent payments to landlords;
- Including an additional bedroom in the size criteria for some households with a non-resident carer;
- Raising the age at which the Shared Accommodation Rate applies from 25 to 35;
- Capping total household benefits at £500 per week from 2013.

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Combined, these factors could increase the financial strain on some households within the PRS. This could have a knock on effect on the social housing waiting list. It may also see an expansion of HMOs among those aged under 35 as a reaction to the affordability problems.

Looking at 2012 data, Table x contrasts the two bed Local Housing Allowance level of rent in the PRS with the actual lower quartile and median rents quoted in Table x for two bed properties. It shows that the LHA rent level of £79.24 is not affordable for 34.8% of households in the Craigavon HMA.

**Table 18: Local Housing Allowance Affordability (2 bed)**

Market	LHA (£)	cannot afford (%)	PRS LQ rent (£)	% cannot afford (%)	PRS median rent (£)	cannot afford (%)
Craigavon HMA	79.24	34.8	77.1	33.7	83.4	36.7

Source: NIHE and CACI

The key issue that Table 25 highlights is the extent to which the LHA alleviates non-affordability for PRS households. We can indirectly assess this by subtracting the median rent from the LHA to make a rough and ready assessment. This indicates that the median rent payer eligible for the full LHA could expect to have £79.24 of £83.40 (95%) met if living in the Craigavon HMA. This equates to around £216.32 per year, £18.02 per month that the rent payer has to make up from other income sources, and to a low-income household, or welfare dependent household, this is a significant amount of money.

At the time of writing this report (Dec 2012) there were 18 two bed properties available for renting in the Craigavon area on the Property News Website. Of the 18 only two properties had rents less than the current LHA rate for the area. The average rent of these 18 properties was around £391 per calendar month (£90.23 per week), meaning the average family with full housing benefit entitlement for a two bedrooms would have to find almost £11 per week to make up the shortfall.

The issue of affordability of private rental in the Craigavon HMA is also heightened by a reported shortage in supply of smaller properties, meaning households in the area have to consider larger properties, with extra bedrooms that their LHA won't cover. Take for example in the Craigavon area in Dec 2012, there were 55 three bedroom properties available to let. The rental values ranged from £300 to £495 per calendar month, four of the properties had rental values of less than the maximum LHA entitlement for a 2 bed property. However most rental values were in excess of £425, therefore if a household that required only two bedrooms, and due to lack of availability had to rent a three bed property, the shortfall between HB assistance and rental value would be much wider and certainly a major strain on the pocket. This is a situation that many social housing tenants are also going to be faced with in 2013, meaning that even turning to social housing, which also has a shortage of smaller units, as an alternative will not ease this problem.



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Expert interviews confirmed the importance of the Housing Benefit (LHA). It is considered by some that a large part of the PRS is underpinned by public funding through the LHA, particularly at the current juncture in the market. They also argued that consequently any future cuts in HB as part of wider fiscal austerity measures will be serious for the sector's future.

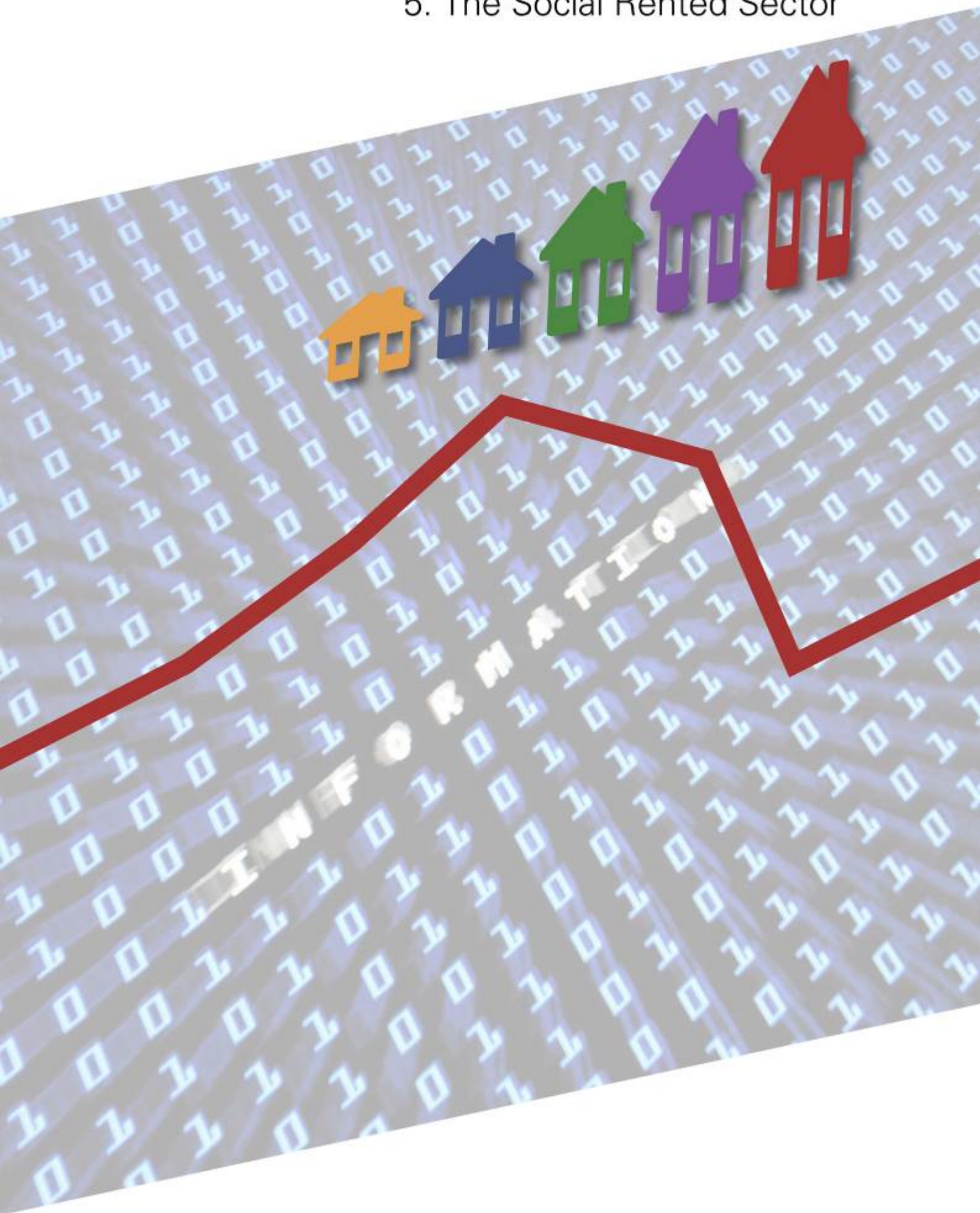
Despite these highlighted affordability issues, the PRS holds almost a fifth share of all housing in Northern Ireland. Moving forward, it will be essential to better understand the dynamics of the sector and how it can be integrated more effectively into the housing market. Historically, the PRS was viewed as a short-term stopgap for those aspiring to owner occupation. It has however increasingly become a tenure capable of providing a wide range of housing with long-term leases.

### Key issues

- Between 2001 and 2006, the PRS increased its share of total housing stock from 8% to 13%;
- In 2001, private rental properties were concentrated mostly within the urban locations within the HMA, to the west of Armagh City, and the wards to the south of Portadown. Keady and The Birches at that time high the highest recorded levels in the rural HMA;
- Since the downturn of owner occupation, there has been greater choice of properties and locations in the PRS;
- PRS stock in Craigavon HMA has some of the highest levels of non decent stock, with almost 31% failing to meet decent home standards in the Armagh Local Government District;
- The PRS is currently providing a stopgap for households who would have traditionally sought housing in the owner occupied tenure;
- Over the past few years, the number of housing benefit claimants in the PRS within the Craigavon HMA has increased significantly;
- Affordability remains an issue in the PRS within Craigavon; median rent for a two bed property would be unaffordable to almost 37% of household; this rises to 41% for a three bed property;
- Affordability of the PRS in Craigavon HMA is further exacerbated by a reported shortage of smaller homes, meaning households are having to rent larger properties which their LHA entitlement does not cover for;
- Welfare reform may provide the biggest affordability challenge to PRS tenants for a generation.



## 5. The Social Rented Sector



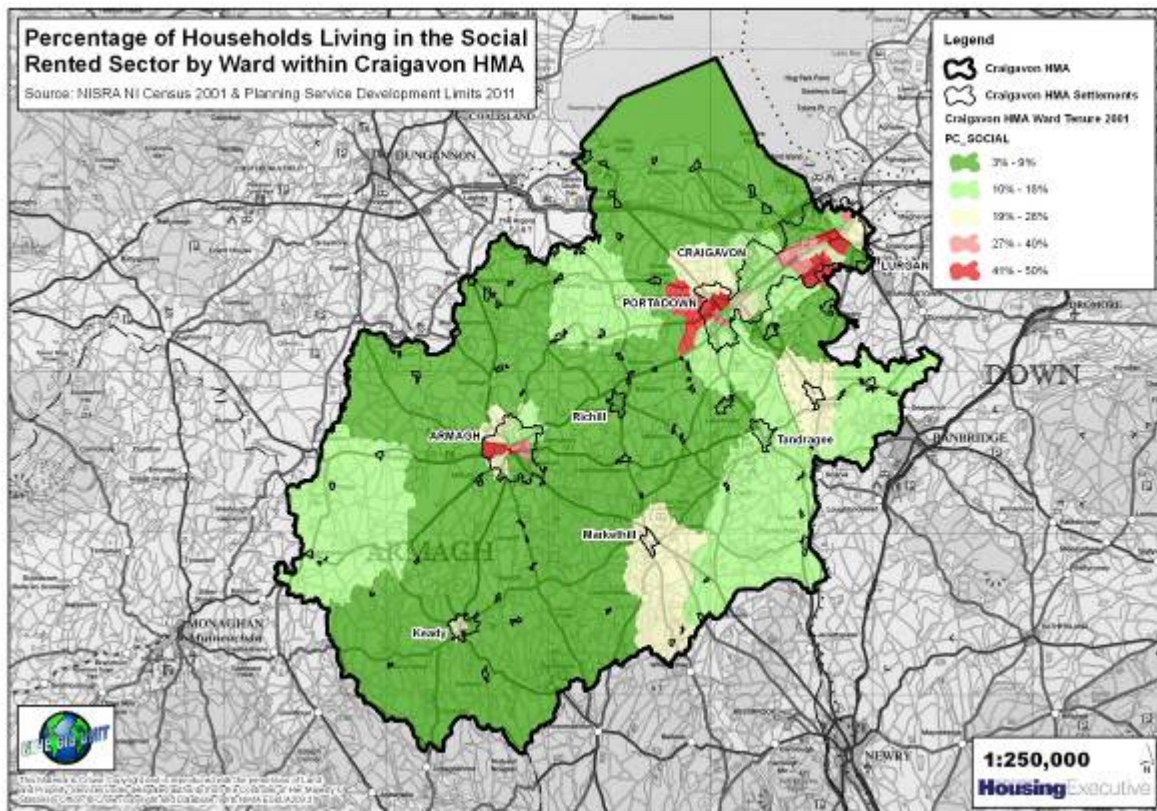


## 5. CRAIGAVON HMA: THE SOCIAL RENTED SECTOR

### Profile of the social housing stock

In March 2011, the social rented sector accounted for around 16% of Northern Ireland's total housing stock. Approximately 89,000 dwellings were owned and managed by the Northern Ireland Housing Executive, whilst Housing Associations owned 28,300. In addition, the housing associations also own and manage around 4,500 units of accommodation not fully self contained.

**Map 4: Percent of households living in social rented sector in 2001, by ward**



Source: Census, 2001

According to the 2001 Census, approximately 20% of households in Craigavon HMA rented from NIHE/Housing Associations. Map 4 indicates that the greatest concentrations of social housing occurred in the urban sectors of the HMA. Wards with particularly high levels of social renting include Callan Bridge in Armagh City, Gilford in the Craigavon rural sub market and Drumgask in the Craigavon urban submarket. By 2006, the House Condition Survey indicates that this those renting social housing had dropped to around 16% within the Craigavon HMA, it is likely however the numbers remained highest in these areas.

The decline in social rented stock has been driven by the sale of Housing Executive dwellings, which outpaced construction of new social rented dwellings. For purposes of illustration table 19 shows the number of social house sales compared to the numbers of social completions between 2001 and 2010, for the Local



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Government Districts of Armagh, Banbridge and Craigavon. It should be noted however, that the Banbridge figures are not representative of the Craigavon HMA as only one dwelling was build in the Gilford ward during this time.

Table 19 shows that, between 2001 and 2010 some 2,677 Housing Executive dwellings were sold. In common with the rest of the UK however sales began to fall away in 2005/6. In the five years to March 2010, there was an average of 101 sales each year compared to an average of 434 sales in the five years to March 2005. Aside from changes to the eligibility criteria in respect of house purchase, the decline in house sales has been shaped by changes in the profile of the stock and the tenant base plus wider housing market conditions<sup>4</sup>.

**Table 19: Social rented sector completions and Housing Executive sales by LGD 2001 to 2010**

Area	Total 2001 -2010		
	No social completions	No Housing Executive sales	Completions as % of sales
Armagh	75	819	9
Banbridge	156	661	24
Craigavon	109	1,197	9
Northern Ireland	9,192	25,626	36

Source: NINIS (2011) Social rented completions and NIHE sales to 2009/10

Note: Sales total excludes a very small number of 'special' NIHE sales plus all HA sales.

Over this period of time, only 340 dwellings were put back via social new build construction or Off the Shelf/Existing Satisfactory purchases, less than 13% when looking at the three LGDs as a whole. Most of the new build schemes, or new social purchases for Armagh, Banbridge and Craigavon LGDs comprises projects that involve less than 50 units. All of the Social Housing Development Programme schemes in Craigavon Urban and Rural areas did not exceed 30 units, and in Craigavon rural, schemes rarely comprised of more than 20 units.

The impact of this situation has been negative; there is now less social housing available for allocation, further constraining affordable housing options for low income households. Plus the reduced house sales has seen a major reduction in capital receipts, resulting in less money for the upkeep and maintenance of existing stock. That said, the 2011 House Condition Survey (HCS) reported that in Northern Ireland, only 150 social sector dwellings (0.1%, excluding vacant dwellings) were estimated unfit, and this is unchanged since the 2009 survey. However, around 15% failed to meet the Decent Home Standard, mostly on the basis of thermal comfort.

In 2009, it was estimated that 55% of households in the social rented sector were assessed to be fuel poor compared to 44% of all households. Low incomes along with very substantial rises in fuel costs, has increased concerns regarding fuel poverty, within the social rented sector. The Housing Executive is committed to provide better homes for all our tenants by improving our stock and to reduce the

<sup>4</sup> There was a modest upturn in sales in 2009-10 which may reflect the expansion of the NIHE sale scheme to incorporate equity sharing, starting at 25%.



## Housing Market Analysis Craigavon Housing Market Area

percentage of homes failing the Decent Homes Standard and improve thermal efficiency to help address fuel poverty.

In respect of thermal efficiency, The Housing Executive's current heating policy is to switch from inefficient solid fuels and electricity to more energy efficient, less polluting and more controllable heating like natural gas, oil and wood pellet boilers. We also promote increased levels of insulation and installation of double glazing as part of our ongoing maintenance schemes.

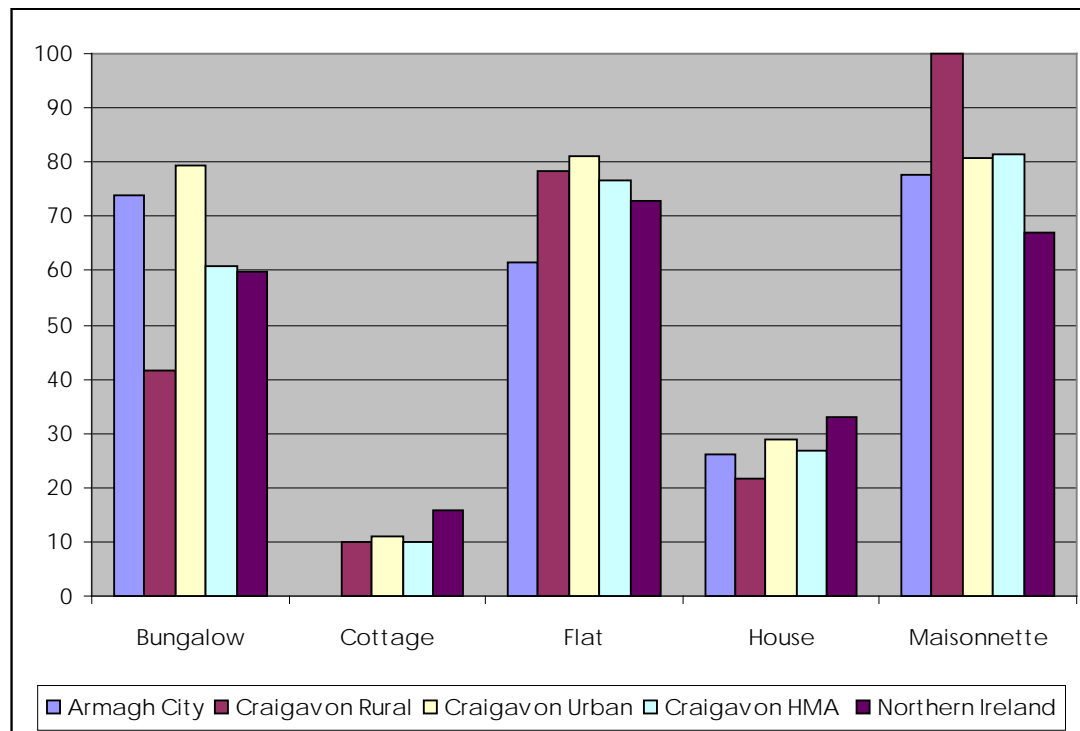
Lack of funding which is affecting the Housing Executive's ability to maintain the high standards achieved to date in maintenance and upkeep of stock, has forced us to look at stock transfer to housing associations. There has been a draft programme drawn up picking up on stock waiting the longest on capital/revenue maintenance. Within the Craigavon HMA, 153 properties have been identified for potential transfer, with tenants involved in discussions at 31 dwellings in Wellington Street in Lurgan, 14 Rural Cottages in Lurgan and 19 units at Magowan House in Portadown. The remaining properties are later in the programme and tenant consultation has not yet been carried out.

According to the HCS in 2006, almost 60% of social rented stock in Northern Ireland comprises four rooms (two bedrooms) or less (Appendix 8). This smaller dwelling size also reflects the existing and projected demographic profile of the population.

The predominance of smaller units supports the fact that a higher share of family size dwellings containing five or more rooms (three bedrooms +) has been sold. Figure 13 shows that since the introduction of the House Sales Scheme in 1979, houses and cottages have been the most attractive to buyers in both rural and urban areas of the Craigavon HMA. For example, only 10% of the original numbers of cottages remain within Housing Executive ownership, and 27% of houses. Flats on the other hand have been less popular with around 76% of the original stock numbers remaining.



**Figure 13: NIHE 2011 Stock remaining for letting as a % of 1979 stock (house type)**



Source: NIHE

In Craigavon HMA only 37%, some 6,011 of the original Housing Executive Stock remained in 2011. Houses represented 52% of this stock, Bungalows 29% and Flats and maisonnettes 18%. Properties with 3 bedrooms represented 45% of this remaining stock, 47% had 2 bedrooms or less; larger properties with 4 or more bedrooms represented only 7% of remaining stock. (See appendix 8) It is clear that the most popular dwelling type remaining in stock is still the traditional family house, as opposed to flats and maisonnettes.

Housing associations also favour these popular house types when building new social housing, and where apartments have been built they tend to target older age groups. This overcomes the difficulties associated with letting to and managing young singles, which have made apartment living unpopular. In light of welfare reform measures discussed in Chapter 2, social housing providers are now being forced to look at under occupation as well as the build up of singles, of all ages, on the waiting lists, who have not received allocations due to lack of suitable accommodation. Indeed, the SHDP (2013/16) includes the annual provision of a minimum 200 one bed units to help meet the needs of those requiring smaller properties in line with Welfare Reform.

Historically social housing was aimed at working families, however over time there has been a decline in the number and proportion of adult couple households and families within the social rented sector. The 2009 HCS reported that almost half (45%) of social tenants were single persons, living alone, the highest proportion of the three tenures. Single person households also are the highest percentage of the waiting list applicants, in 2012, single person applicants (including older singles) represented 55% of Armagh District waiting list and 50% of Craigavon District waiting list. This



## Housing Market Analysis Craigavon Housing Market Area

increase is likely due to the difficulties single persons have accessing the private housing market, whether it be inaccessible/unaffordable mortgages, too high private rents, or even lack of private rental in the area they wish to live.

There has also been a decline in the proportion of tenants in employment, and an increase in the proportion of tenants economically inactive (around 80%). Thirty four percent of households are elderly and retired. Moreover, tenants who are in work tend to be in lower paid occupations and often work part-time. According to the 2006 HCS, the average income for a social housing tenant was £11,700, compared to the average income in the owner occupied sector of £19,800. Evidence for the CTOS, suggests this has remained much the same, with 46% of tenants surveyed stating that they had incomes of £10,400 or less. These long-term trends reflect the fact that the social rented sector now mainly accommodates households who cannot afford to secure private rented or owner occupation.

In 2010/11, the average Housing Executive weekly rent was £52.76, lower than the average housing association rent of £81.69. Historically social housing rents are in the main lower than private rental rates, and the majority of tenants in receipt of full housing benefit will not have had to make up large shortfalls, if any.

At March 2012, some 3,075 social housing tenants in Craigavon LGD were claiming Housing Benefit, in Armagh LGD the number was 1,394. Although slightly down on the previous year, the number of tenants in receipt of housing benefit has been fairly consistent in recent years, and dependency on HB to meet rental payments is high. Around 80% of Housing Executive tenants in Northern Ireland were in receipt of Housing Benefit in 2011 (Continuous Tenants Omnibus Survey 2011).

These vulnerable, low income households will be affected when the housing benefit changes in relation to bedroom needs coming into affect in April 2013. Effectively less housing benefit will be received; as if a tenant is in a property with more bedrooms than is required, short falls in rent are going to have to come out of already stretched income (full details in chapter 2).

### **Social Housing Demand**

The simplest way to assess the potential 'demand' for social housing is by reference to the total number of households that have applied for social housing. Table xx therefore shows trends in the total numbers of applicants recorded on the Common Waiting List (CWL) at the end of September each year (2006-2012).



**Table 20: Social Housing Waiting List for Causeway HMA 2008-2012**

	2006	2007	2008	2009	2010	2011	2012	% change 06-12
<b>Total waiting list applicants</b>								
Craigavon HMA	2,063	2,543	2,812	2,702	2,444	2,662	2,823	36.8
Armagh City	316	358	372	363	375	403	427	35.1
Craigavon Urban	1,356	1,658	1,913	1,854	1,641	1,804	1,955	44.2
Craigavon Rural	391	527	527	485	428	455	441	12.8
<b>Total housing stress</b>								
Craigavon HMA	717	923	1,070	881	786	846	1,003	39.9
Armagh City	121	115	146	125	134	145	169	39.7
Craigavon Urban	431	589	709	581	530	581	654	51.7
Craigavon Rural	165	219	215	175	122	120	180	9.1
<b>Allocations</b>								
Craigavon HMA	700	640	582	635	702	592	728	4.0
Armagh City	84	93	57	69	90	99	87	3.6
Craigavon Urban	490	420	393	444	480	375	512	4.5
Craigavon Rural	126	127	132	122	132	118	129	2.3
<b>Ratio of new applicants (excluding transfers) to all (non transfer) lettings</b>								
Craigavon HMA	2.9	4	4.8	4.3	3.5	4.5	3.9	
Armagh City	3.8	3.8	6.5	5.3	4.2	4.1	4.9	
Craigavon Urban	2.8	3.9	4.9	4.2	3.4	4.8	3.8	
Craigavon Rural	3.1	4.1	4	4	3.2	3.9	3.4	
Northern Ireland	3.8	4.7	5.4	4.8	4.1	4.9	4.5	

In 2012, there were 2,823 applicants who wished to be considered for housing in the Craigavon HMA, almost a 37% increase since 2006. It is also the highest number of applicants recorded in the six years. The waiting list previously peaked in 2008 which corresponded with the increases in house prices leading up to and at the height of the housing boom. The inability to access the private sector resulted in a greater number of households applying for social housing. This and existing tenants who previously may have considered a move to owner occupation remained in social housing as the option became inaccessible. This in turn resulted in less stock available for re let, hence fewer allocations, and increased waiting lists. This is a





continuing trend with only 2% of existing Housing Executive tenants considering owner occupation in 2011, compared with 10% in 2006 (CTOS).

In 2009 and into 2010 waiting lists fell, probably as a result of the popularity and increase in availability of new private rental accommodation, as discussed in chapter 4. This coupled with the introduction of the Local Housing Allowance in 2008 also meant that private rental became more affordable. Since then though waiting lists have been on the increase again, owner occupation still remains inaccessible to many, despite the drop in house prices, and the supply of good private rental has become exhausted. There are also signs that private rental is becoming less popular, this is discussed further in the chapter. This trend has been replicated in both urban submarkets of the HMA, the rural submarket however has fluctuated.

**Housing stress** applicants have followed a similar trend. Not all households who wish to be considered for social housing have a pressing housing need. We therefore assess each applicant's circumstances against several criteria. These 'point based' criteria include security of tenure, housing conditions, overcrowding, intimidation and health and social well being. Applicant with 30 points or more are assessed to be in housing stress. At the end of September 2012 there were 1,003 applicants in the Craigavon HMA in housing Stress.

The numbers on the waiting list are only one aspect in the planning of future social new build. The types of households making up the waiting list need to be considered as one house type does not fit all.

**Table 21: Waiting list trends (HS only as at Sept each year)**

Armagh District	Elderly		Large Adult		Large Family		Single		Small Adult		Small Family		Total
2006	41	14%	3	1%	11	4%	147	50%	22	7%	72	24%	296
2009	44	16%	2	1%	15	5%	143	51%	16	6%	58	21%	278
2012	48	13%	8	2%	29	8%	176	46%	20	5%	97	26%	378
Craigavon District													
2006	116	20%	10	2%	28	5%	271	47%	37	6%	110	20%	572
2009	157	24%	16	2%	34	5%	261	41%	43	7%	132	21%	643
2012	149	20%	26	3%	48	6%	279	37%	45	6%	197	26%	744

Looking at housing stress applications only for the two districts that make up the highest percentage of the HMA, table 21 shows confirms that since 2006 singles have demonstrated the highest percentage need of all the household groups. In the Armagh District, small family households are the next highest need group; in Craigavon elderly households as well as small family households have the second highest percentage need.

In 2012, in both districts around 20% of applicants have been waiting longer than four years, and the majority of these households are single and older single households. It

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should also be noted that 64% of the singles on the Armagh waiting list are male applicants, in Craigavon the percentage is almost 70%.

The high percentage of men on the waiting list can be attributed to a number of things. Men are more likely to leave the family home after a marriage breakup, and because in recent years singles have effectively been priced out of owner occupation, men are seeking rental accommodation. With only a single income there is the possibility that private rents are beyond their means also, and men are turning to social housing as the only option. There is still reasonable employment in industry in the Craigavon HMA, which may encourage men into the area to work and ideally live, again access to private tenures may be beyond their means and they are seeking social housing.

On a wider scale it could also indicate an affordability issue for singles in general, in particular young singles. In the private rented sector young singles under the age of 35 are only entitled to shared room rate LHA, meaning that private rents are beyond their means if on benefits, or low income. In social housing, a young single person with full housing benefit entitlement would have their rent fully met; however this will change this year (2013) if they have more bedrooms than they need.

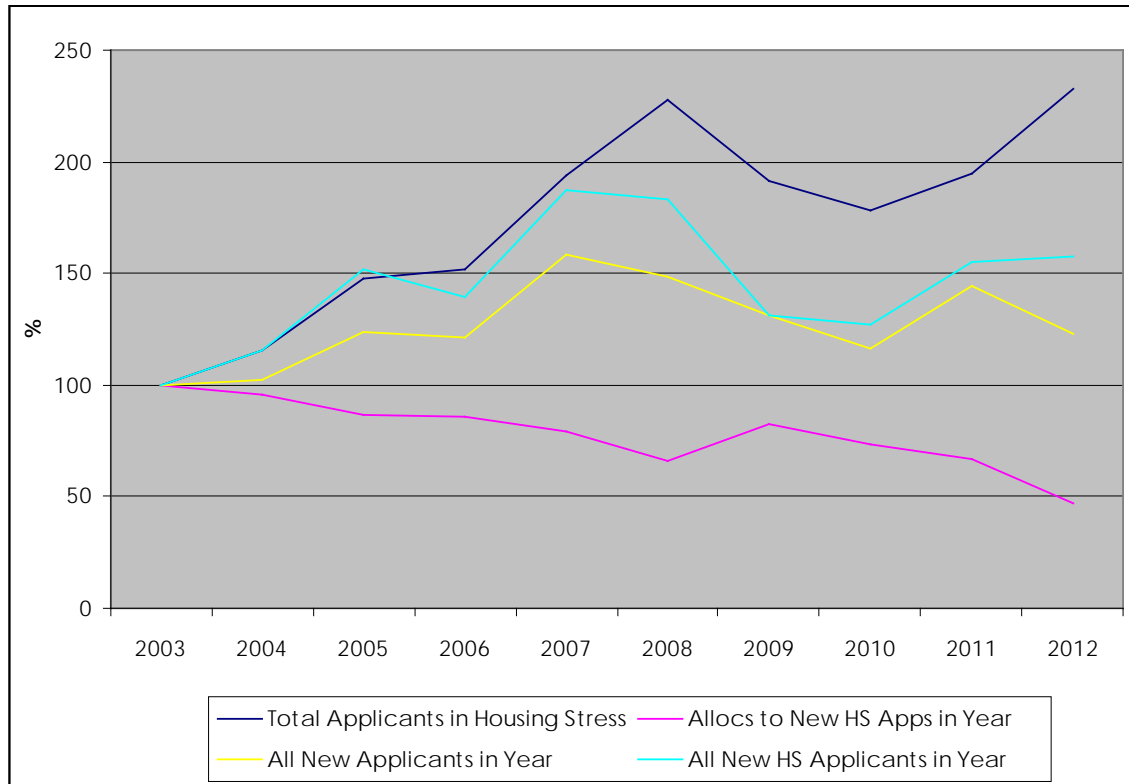
Table 21 also indicates that family need both large and small is increasing particularly in Craigavon, the majority of these families were single parent households, and 34% were in private rental tenancies. The profile of families on the Armagh waiting list is similar, however almost 55% of these families registered their current housing as private rental. This could be an indicator that families are returning to the social waiting lists; private rental will have become less affordable in recent months as LHA received is now less, due to the new calculation method. Similar numbers on the waiting list are currently sharing, which also suggests a lack of affordable accommodation in the private sector.

Social housing allocations are made up of re let of existing stock, and new build social stock. Table xx shows that in 2012 allocations peaked at 728, 23% up on the previous year. As discussed early, allocations dropped throughout 2008 and 2009 mainly due to tenants remaining in social housing longer. As previously discussed this was likely because owner occupation became inaccessible to lower income households, who may have otherwise considered a move, resulting in less stock for allocation. Limited social new build will also have had an affect.

In 2012, however, the waiting list and allocation figures indicates that despite higher numbers of allocations, waiting lists are continuing to increase, suggesting an increase or a back up in the numbers of new applicants in housing stress in the past two years. Figure 14 below confirms this, showing that since the drop in waiting lists, from 2008 through to 2010, housing stress waiting lists are climbing again. This again supports suggestions of continued difficulties accessing owner occupation; the supply of new private rented stock no longer meeting demand; and possibly issues surrounding the security of the private rental tenure.



**Figure 14: Percentage change in annual numbers of new waiting list applicants in Craigavon HMA**



Source: NIHE (Prawl & HMS)

Again, looking at allocations to housing stress since 2006 (table 22), for Craigavon and Armagh Districts, single and small family households have received the greatest number of allocations. In 2012, 77% of allocations in Armagh went to these household groups, 72% in Craigavon. This is reflective of the composition of the waiting list, worryingly however, when looking at allocations in relation to bedroom numbers, indications are that under occupation might be a significant problem for social tenants in the Craigavon HMA, come the changes later this year (2013).

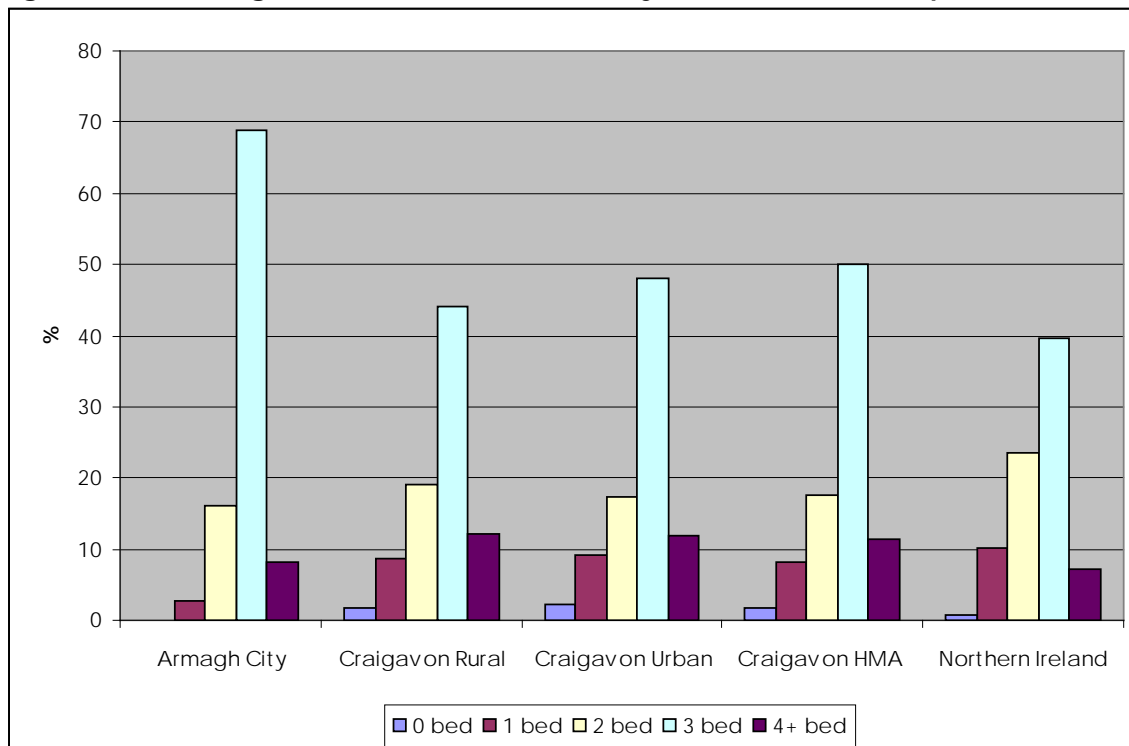
**Table 22: Allocations to Housing Stress Applicants**

Armagh District	Elderly		Large Adult		Large Family		Single		Small Adult		Small Family		Total
2006	26	17%	2	1%	8	5%	63	41%	11	8%	43	28%	153
2009	22	14%	1	1%	11	7%	72	46%	16	10%	35	22%	157
2012	19	11%	2	1%	14	8%	79	46%	5	3%	53	31%	173
Craigavon District													
2006	49	14%	4	1%	15	5%	154	44%	22	6%	104	30%	348
2009	58	15%	9	2%	26	7%	149	37%	17	4%	142	35%	401
2012	47	12%	9	2%	28	7%	160	41%	24	7%	123	31%	391



According to Figure 3 below in the year to March 11, around 50% of allocations in the HMA were to three bedroom accommodation, and less than 20% to two bedroom accommodation. With over 40% of allocations on average going to single household types, who under the new welfare reform conditions only require one bedroom, many single tenants, on full housing benefit, are going to be faced with making up rent for one or maybe two bedrooms they are considered to not need. Small families who may only require a two bed property and are currently in a three bed house will also be faced with finding the additional rent from other income.

**Figure 15: Housing Executive % Allocations by no. of bedrooms Apr 10 – March 11**



Source: NIHE Prawl, March 2011

For illustration, almost 70% of allocations in Armagh City were to three bed properties in 2011. Of the 79 allocations that year in the City, 19 families (24%) all but two considered small families, received an allocation in Armagh City in 2011, 42 single households (53%) received allocations; these statistics suggest that there are a lot of under occupied properties in Armagh City.

In the current economic climate demand for housing from these smaller household groups in going to continue, mostly in the urban submarkets. An alternative measure of the potential demand for social housing is to look at the total number of waiting list applicants at a given point in time relative to the amount of properties available to let to waiting list applicants in the previous 12 months. Sometimes referred to as the **social rented pressure ratio**, this measure can be used to look at the average expected length of time a waiting list applicant may have to wait for rehousing. It can also be used to look at the relative popularity of different areas; ratios that approach 1 or 2 tend to be regarded as a potential indicator that a low demand problem may be emerging such as anti-social behaviour.





## Housing Market Analysis Craigavon Housing Market Area

This ratio is only an approximate measure of waiting time as some applicants leave the list without being housed and housing stress applicants tend to be re-housed with greater speed, based on their relative level of housing need. Despite its limitations, the ratio provides a useful measure of the relative 'demand' for housing in different areas as well as changes in relative demand over time.

The waiting list to letting ratios for the period from 2006 to 2012 confirms the waiting list analysis. The ratios show that the Craigavon HMA experienced a build up of pressure in demand for social housing up to 2008, reaching a high of 4.8, reflecting the lower levels of allocations at this time. This pressure has fluctuated since then with the ups and downs of allocation levels, for example, the increase in allocations in 2012 saw the pressure ratio ease to 3.9, however demand remains higher than in 2006. One thing the pressure ratios show, that waiting list figures on their own do not really indicate, is that pressure in demand for social housing is highest for the Armagh City sub market area, and lowest in the rural submarket.

It is widely acknowledged that some households in housing need may not register because they perceive their chances of re-housing to be low, due to the limited stock in some rural areas and low turnover. Depending on an applicant's area of choice, simply being in housing stress does not necessarily provide sufficient points to receive an offer as there may be a number of other applicants in greater need.

If people do not register, it can lead to a situation where a hidden need exists but is not apparent from the waiting list, which means that the new houses that are needed don't get built. In order to break this cycle in rural areas and determine if hidden need exists within an area, we carry out **Rural Housing Needs Surveys (also known as Latent Demand Tests)**. These are designed to bring the possibility of new housing to the attention of households in need. We select approximately 10 rural areas across Northern Ireland each year and carry out an intensive information campaign to encourage anyone in genuine housing need to come forward and register on the waiting list. The level of interest gauged from the test helps determine the need for additional social new build.

Latent demand testing several years ago identified a hidden need in Derrytrasna, a small settlement in Co Armagh, close to Lough Neagh. A recent trawl of the waiting list has confirmed this need and has resulted in the recommendation for a PPS21 pilot scheme being added to the programme for the area. Housing associations are therefore encouraged to identify potential schemes. Testing has also been carried out in the small settlement of Derrynoose in Co Armagh; results from this test however are not yet available.

It is recognised that there is likely to be a degree of as yet unregistered social housing need within some rural locations. The Housing Executive programme of Rural Housing Needs Surveys will continue to be implemented to identify such locations.

Annual housing need assessments based on the March 2012 waiting lists have recently been carried out on all LGDs in Northern Ireland. These assessments highlight that in Craigavon LGD, 213 new social housing units may be required

# Housing Market Analysis

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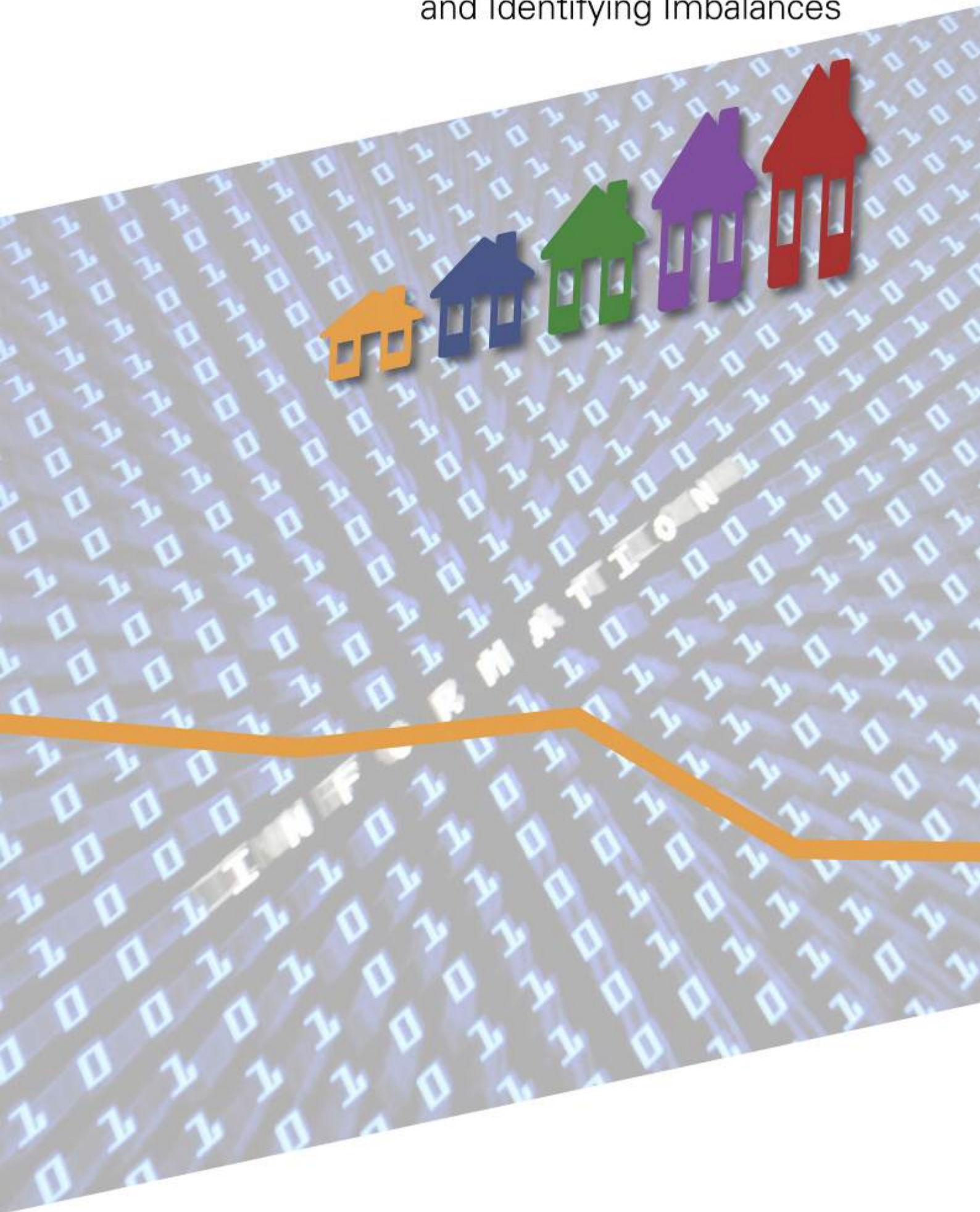


annually over the next five years, and 72 in Armagh. Social housing need is mainly concentrated among the single, small family and older person household groups and is most evident in the main urban centre.

### Key issues

- The social rented sector's tenure share of the market in Craigavon HMA and across Northern Ireland has reduced over recent years resulting in fewer available relets;
- New social housing has not kept a pace with the number of dwellings sold to sitting tenants through the House Sales scheme;
- Increasing numbers of tenants in the social rented sector in Craigavon HMA (80%) are unemployed, retired or economically inactive;
- Fuel poverty continues as a significant issue for many households in the social rented sector;
- The number of applicants in housing stress on the waiting list in 2012 is almost 40% higher than in 2006;
- After a drop in the waiting list in 2009 and 2010, numbers have increased to an all time high in Craigavon HMA. This suggests that the private rental market, which helped ease the pressure on social waiting lists is now saturated, or becoming less affordable due to changes in LHA calculations;
- The high numbers of single applicants for social housing indicates continued affordability issues with tenures in the private sector;
- Welfare reform measures may also see a desire among existing tenants who are under-occupying their properties to downsize. This will pose a challenge to social housing providers as there is likely a shortage of right types of property to allow for this;
- Property available for relet will also reduce in the face of growing demand as existing tenants continue to be reluctant or unable to access private tenures;
- New models of intermediate housing within the social sector or delivered by social sector landlords will increasingly be required.

## 6. Bringing the Evidence Together and Identifying Imbalances







## 6. BRINGING THE EVIDENCE TOGETHER AND IDENTIFYING IMBALANCES

### Introduction

This chapter draws on the evidence presented in Chapters 2 to 5 to identify the main housing market imbalances and issues arising in the Craigavon HMA and to consider how the housing system may develop in the future.

Any attempt to predict the future of the housing system is a difficult and speculative task due to the complexity of the housing system and the difficulty of gauging the possible impact of wider economic, social, political, and cultural processes. The repercussions of the credit crunch mean the future is unlikely to continue in the same way as the past. It is therefore important to appreciate the inevitable uncertainty associated with anticipating future housing system developments, as there are with all projections and forecasts. Nevertheless, this Housing Market Analysis report presents the evidence available and is a sound basis for the consideration of future trends and issues that may arise. The evidence collated indicates certain housing pressures and potential imbalances. Future reviews of the Housing Market Analysis and ongoing monitoring of the issues and imbalances will allow for adjustment as further evidence emerges.

### Demographics and the economy

The economy and housing market are highly cyclical and intertwined. The Craigavon HMA experienced economic and employment growth in the decade to 2008. This growth was mostly attributed to construction, distribution and the business and finance services and led to rapid demographic change across the Craigavon HMA. There was a significant increase in the number of migrants coming from Britain, the ROI and overseas to work and live. There was also an increase in residential mobility among existing residents. Consequently, the number of people living in the Craigavon HMA increased at almost twice the rate of the Northern Ireland average.

The greatest population growth occurred equally in both the Craigavon Urban and Rural submarkets, and was supported by some of the highest levels of new build private housing construction in Northern Ireland. This, plus the trend towards the formation of smaller households, and increased life expectancy, resulted in a corresponding growth in household numbers. Lending policy and financial institutions willingness to offer consumers credit at low interest rates and generous lending terms at this time, also shaped housing demand and inter tenure dynamics.

Arguably, the most significant imbalance that emerged in the decade to 2008 centred on the issue of affordability and the increasing difficulties faced by households seeking to gain entry to the owner occupied sector. In common with the rest of Northern Ireland and much of the UK, the Craigavon HMA experienced a period of sharp house price rises in the decade to 2007. The increase in investors in the housing market, some from the UK and the ROI, further fuelled demand and



## Housing Market Analysis Craigavon Housing Market Area

added to the upward pressure on house prices. House prices over the period increased far more rapidly than household earnings and incomes. The rate of house price inflation was such that even prices for lower cost areas and lower value property types (i.e. terraced houses and apartments) were becoming unaffordable for most potential first time buyers by 2005. The extent of the growth of the PRS in Craigavon HMA (see Chapter 4) supports local perception that potential first time buyers became increasingly unable to compete with investors and speculators that entered the 'buy to let' market during this period.

Following this long period of sustained and strong economic growth, the Craigavon HMA has since been going through a prolonged and painful period of housing market correction. The impact of the global credit crunch and the subsequent UK wide economic recession on the housing market has been worse than most initially expected.

During 2008, the global credit crunch and the lack of liquidity in the financial market brought about a swift reduction in the number of mortgages and other loans issued. This in turn led to a steep downturn in housing construction, property transactions and house prices. During 2009 and 2010 a recessionary economy and rising unemployment had a further downward effect on housing demand as both potential homeowners and developers lost further confidence in the market.

Annual private housing construction rates are currently very modest but should improve once credit constraints ease, employment levels increase, and consumer confidence in the market returns. The difficulty is that it is unclear when this recovery period will emerge. The continuation of low rates of private housing construction in the short term seems likely but of greater concern is the risk that the construction sector may be unable to develop sufficient numbers of new dwellings to achieve the RDS housing growth indicators if housing demand does not recover within five years. Regular monitoring of household growth and housing supply and revisions to demographic projections to reflect emerging evidence will be required in future in order to effectively adapt to changing environments. Housing need and imbalances in the operation of the market are key elements of such regular monitoring.

With unemployment continuing to increase, benefit dependency increasing and public sector pay freezes continuing to reduce incomes, the Craigavon HMA will continue to struggle and signs of economic growth may be slow and insignificant. Before any economic growth can take place, there are still some short to medium term challenges to overcome. The public spending cuts in Northern Ireland in the wake of the UK Comprehensive Spending Review has and will result in a considerable strain being placed on the economy. The impact of these cuts will be felt severely in Northern Ireland where there is a high dependence on the public sector.





### **An ageing population**

The population of Northern Ireland is expected to age over the next 10 to 20 years, although relative to other parts of the UK and Europe, the proportion of older households will remain comparatively low.

The increase in the number of older households will contribute to the increase in the overall aggregate demand for housing. The growth in older people aged 80 years or above will also have implications in terms of the demand for housing adaptations, specialist housing, or personal or nursing care.

Although the 'care' related needs of the most vulnerable and frail older people remain a vital policy concern, it is important to stress that the majority of older households that will be living in the Craigavon HMA in 10 or 20 years time will be homeowners living in the general housing stock. This is in line with national policy, which seeks to enable older households to live independently for as long as possible. It also reflects the fact that older households prefer to remain in their own home.

Looking across the UK, older people often experience a reduction in income on retirement. In the case of older homeowners, a decline in income and a gradual decline in fitness can diminish their capacity to carry out repairs. If not addressed, this can lead to levels of disrepair that can be detrimental to the health and well-being of occupants. This suggests that the potential role for care and repair style services is likely to increase.

There may also be merit in investigating the housing aspirations of those in their 50s to 60s and the factors that might attract them to move to housing better suited to their changing needs as they age. This information could be shared with developers to encourage them to provide 'mainstream' housing that is appealing for older households and is conveniently located near to services and facilities. In the longer term such an approach may:

- Result in greater numbers of family orientated larger houses becoming available within the second hand market than would have been the case. These are the types of properties which the population age profile for the Craigavon HMA suggest will remain in high demand for the next decade and beyond;
- Help to reduce pressure on adaptation and equipment budgets (assuming the housing is designed to limit barriers to mobility) and care and repair budgets.

### **Improving the residential offer**

Viewed from the consumer perspective the upturn in residential mobility in recent years has been a positive development. That said there are also important policy issues in terms of the impact these residential flows have on residents in those areas that people move to or away from.

At the settlement level, rapid in-migration may create challenges in terms of ensuring that the social, economic and transport infrastructure is in place to meet the



expectations and needs of an expanding population. By contrast, out-migration from settlements or neighbourhoods may reduce demand for services and lead to a lowering of the quality and range of services provided.

Improving the quality of the residential offer in Craigavon HMA will remain an important policy priority if the RDS ambitions to secure population and household growth in the area are to be delivered. Whilst there is some surplus of stock south of the border, it is not believed that there are sufficient benefits in the form of employment opportunities to entice significant numbers of households from Craigavon HMA to move there. Tax and benefit conditions in the ROI are likely to deter household migration from Northern Ireland in the short to medium term. This suggests a market that will be relatively inward looking over the next number of years. The exception could be that if options are not available to allow new households to enter the housing market in the Craigavon HMA they may migrate to Belfast, Great Britain, or further abroad.

### **The owner occupied sector**

A consequence of the affordability problems which emerged around 2005 has been that the growth in the rate of homeownership has fallen in Craigavon HMA and Northern Ireland generally. Although owner occupation continues to be the tenure of choice in this HMA, indicators suggest that since 2006 its tenure share in the overall housing market has decreased considerably.

On the surface, falling house prices have improved affordability in the sense that price to income ratios have subdued. However, this has been more than offset by tighter lending criteria which has made it extremely difficult for potential first time buyers to raise the necessary deposits and finance. In the long term a more prudent lending environment may constrain house price rises and help to prevent the re-emergence of affordability problems of the kind witnessed between 2005 and 2007. In the short term, however, it is difficult to see what housing-based interventions and policies at the Craigavon HMA level (as distinct from the national level) could do to increase the supply of loan finance. It is difficult to predict short-term price trends with any certainty.

Most existing owners that are buying their home with a mortgage have benefited from lower housing costs resulting from the reduction in mortgage rates since 2007. Nonetheless, Northern Ireland has witnessed an increase in mortgage arrears and repossessions suggesting that some lower income homeowners in the Craigavon HMA and the rest of Northern Ireland may continue to face affordability related problems for some time.

Incentives such as the House Sales Scheme and the Equity share scheme offered to sitting tenants in social housing, to help them affordably purchase their existing homes offers some potential for an increase of sales in the social sector to result in some degree of tenure shifting. However, given that a high proportion of current tenants in the social rented sector here are unemployed and dependent on welfare benefits, and that there is a persistent lack of confidence among lenders and



consumers, it is unlikely that this would represent any significant change. All things considered, it seems likely that the proportion of households living in the owner occupied sector will decrease in the short to medium term.

Finally, we would note that sizeable proportions of public sector employees that will lose their jobs are likely to be homeowners in their 30s to 50s. Early preventative action to assist this group of households may help to minimise the threat of repossession, homelessness, and upward pressure on housing stress indicators. This is especially important given the recent labour market indicators would suggest that private sector jobs are not replacing public sector job losses at the same rate as the government had hoped.

### **The private rented sector**

The current economic uncertainty and low growth environment is a contributory factor in the increased demand for private rental accommodation, with many prospective purchasers unwilling to commit to a home loan or unable to raise the finance required.

Increases in Private Housing Benefit claimants in all three LGDs in Craigavon HMA, since 2007, suggests that more people are now renting their homes from private landlords. Indeed with the private rented sector in Craigavon now the highest outside of South Belfast, the demand here is high.

Although the rise in private renting tends to be discussed solely in terms of rising house prices and speculative investment, broader factors have also been at play. Faced with the burden of student debt and less employment security, a growing number of individuals appear to have altered their attitude to housing and are delaying entering into the long-term commitment of house purchase.

This is a tenure which is still felt by many to lack security as leases tend to be relatively short term in nature. There is a need for this tenure to respond more readily to the needs and aspirations of consumers through offering greater security and improved housing management. Until these issues are addressed this tenure will continue to be seen as a 'stop gap' by many people who still aspire to have security of tenure, either in the social rented sector or through home ownership.

It is apparent that the PRS is becoming unaffordable to an increasing proportion of households as the shortfall between rental values and Local Housing Allowance widens in Craigavon HMA. Welfare reforms are likely to drive certain groups out of private rented accommodation and towards the social rented sector, or change the type of accommodation sought by households in this market.

There could be increased demand for shared accommodation now that the Local Housing Allowance entitlement for those under the age of 35 has shifted to a 'shared room rate'. It is perhaps more likely, though, that this will result in young people deferring leaving the family home to take on a private tenancy in the short term. Given the strong demand in this HMA it would seem unlikely that welfare reforms will lead to any significant reduction in rent charges. However, if the reforms produce



any significant decline in demand landlords may be forced to consider rent reductions.

As noted earlier, the PRS has grown in size and importance relative to other tenures. Views vary as to whether small investors will continue to favour housing as an investment in the future. On the one hand, there are factors that may support the continuation of investor interest in housing and support further growth in the PRS:

- The shift to higher rates of employment in the private sector, envisaged in Northern Ireland Executive's (2011) Consultative Economic Strategy may see a further shift towards greater labour market flexibility. This would mean fewer permanent full time jobs and more fixed term and part time jobs;
- A potential legacy of the credit crunch is that there may be less lending and as a result fewer households may be assessed to have the ability to access mortgage funding;
- The growth in single person and lone parent households that are reliant on single earnings or benefits and are in a weaker financial position to buy.

On the other hand, there are factors which may encourage investors to withdraw from the market. These include:

- Continued uncertainty about the potential to secure capital gains over the longer term and increasing mortgage interest rates that may reduce the rate of return possible from rental income;
- The projected decline in the numbers of adults in the key household formation age group (15-29 years) after 2015.

Looking forward, the private rental market is likely to continue to expand, albeit at a much more modest pace than witnessed over the past decade. The future rate of growth is likely to depend on a mix of factors, including:

- The alternative investment opportunities which emerge for smaller investors and whether these are perceived to be more attractive and less risky;
- The Coalition Government's proposed welfare changes including changes to Housing Benefit, the downward adjustment to the Local Housing Allowances and the eventual introduction of the Universal Credit;
- The extent to which the private rental market is orientated (or otherwise) towards housing low-income households that are reliant on state assistance to pay their rent;
- The appetite in Northern Ireland to emulate other parts of the UK in exploring leasing of private rented properties to address homelessness and other forms of housing stress;
- The willingness of more affluent households currently in their 50s and 60s that own their home to trade down and use released equity to invest in the private rental market;
- The appetite among large scale investors such as pension funds to get involved in the housing market.



## **The social rented sector**

The changes in the private housing market have had spill over effects on the social rented sector. Since 2006 there has been a significant rise in the number of applicants registered in housing stress on the social housing waiting list. Between 2006 and 2012 the number of households on the waiting list assessed to be in housing stress increased by almost 40% in Craigavon HMA. The increase in housing stress reflects a mix of factors, not least the fall in the numbers of social rented dwellings that become available for let each year.

Demand for social housing in the Craigavon HMA is on the increase, with a significant number of new applicants currently residing in the private rented sector or sharing. This indicates that private rental may be becoming less popular, due to affordability issues or insecurity of tenure. It also suggests that there is a considerable lack of affordable accommodation in the private sector.

Changing demographics and reduced funding for social housing are likely to drive change within this sector. Waiting lists in the Craigavon HMA are dominated by smaller household types young and old. This trend toward smaller households and an ageing population will see new construction concentrated on one and two bed units rather than three beds or larger homes. Such schemes may present housing management issues particularly when they comprise a majority of young, mature and elderly single or small adult households.

Welfare reform has also forced social landlords to take action to tackle under occupation of existing stock so that best use may be made of what is available. Indicators suggest that under occupation in the Craigavon HMA is high, however research carried out by the Housing Executive has found that many tenants faced with under occupancy feel that they will be able to pay the shortfall, and want to remain in their homes. This is thought to be optimistic as on average an additional £15 per week will have to be found. The full impact of under occupancy however is as yet unknown, and will be monitored closely.

Persistently weak housing market conditions and limited new construction will limit the potential for securing social housing through the use of developer contributions which has been a policy ambition for some time. Once a sustained upturn in the housing market is apparent, sensitive application of this policy may assist the finance and development of more social housing and infrastructure.

## **Responding to housing stress**

The Housing Executive's annual assessment of housing need indicates that in Craigavon HMA the requirement for additional social housing has been well in excess of social housing construction rates over the past decade.

Annual housing need assessments based on the March 2012 waiting lists for the Craigavon Local Government District indicate that 213 new social housing units may be required annually over the next five years, and 72 in Armagh LGD. Social housing





need is mainly concentrated among the single, small family and older person household groups and is most evident in the main urban centre. Funding levels however have been significantly cut meaning a reduction in new social new build in coming years.

Lord Best's recent Commission on the Future for housing in Northern Ireland pointed to the possibility of introducing some form of intermediate housing products. In practice however, new products could simply displace consumer demand from the PRS. This may not be a negative outcome if it creates additional vacancies in the PRS for a rising demand in that sector. It would be prudent to adopt a cautious approach initially in order to gauge potential demand for such products.

### **The rural perspective**

Craigavon HMA has a significant rural area, and like the Craigavon Urban submarket it has experienced a large increase in population and households in recent years. The Craigavon rural submarket is attractive to many for a number of reasons:

- House prices in the Craigavon HMA are generally lower than the rest of Northern Ireland, and this was particularly evident in the rural submarket. These lower house prices will certainly have attracted many households seeking owner occupation into the area;
- Location to major towns and the Cities of Armagh and Belfast also make the rural HMA attractive, as commuting times would be short for those travelling to work;
- Employment levels in the Craigavon HMA also remain higher than Northern Ireland averages and this has attracted many to the Craigavon HMA, rural and urban.

As well as the lower house prices encouraging owner occupation, private rental numbers have increased in some of the larger settlements with the rural submarket. Similar however to the rest of HMA demand is high and the supply in desirable areas has been exhausted.

Owner occupation in the rural HMA is historically high, and demographic projections suggest that many homeowners are older households. Over the next 15 to 20 years this demographic indicates that policy and practical interventions in housing and services will be required. Many older homeowners will wish to remain in their homes for as long as possible. To achieve this, adaptations to the property may be required, improved transport options made available and some households may decide to downsize or move to supported or sheltered housing. There is need to plan for this demographic shift if we are to adequately meet the housing and other needs of our rural older population.

### **Longer term housing system challenges**

Changed economic circumstances and the tightening of public expenditure represent the biggest challenge faced by households for a generation. It is difficult

# Housing Market Analysis

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to predict when a recovery will occur but it is not anticipated to happen in the short term and signs of a recovery will be slow.

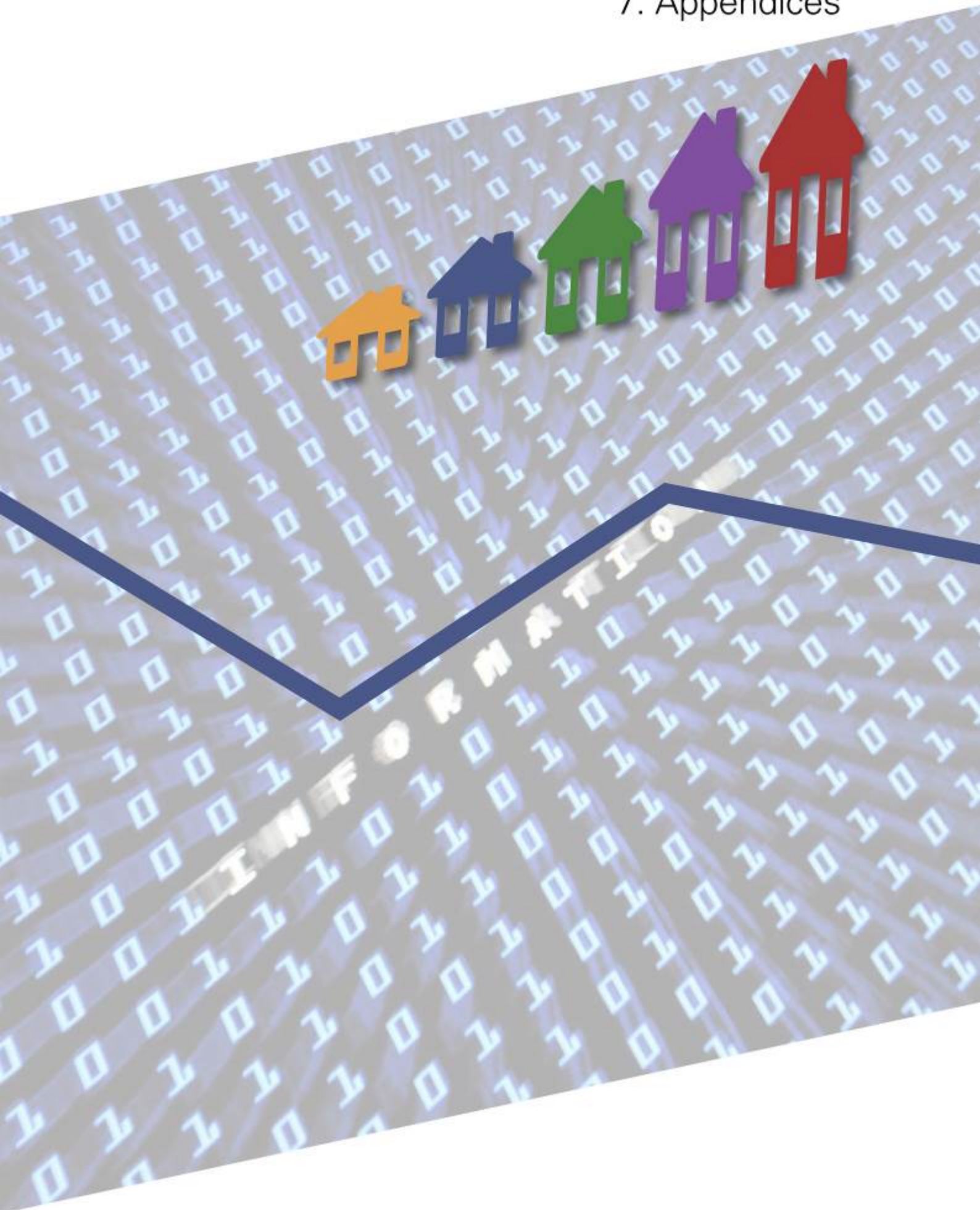
The impact economic conditions have on the housing market is widespread and is felt by many different entities. In times of a recession, major money lending organisations become risk averse and stringent restrictions are applied to their products. In its simplest terms, if households are unable to borrow sufficient finance, there is limited demand for new housing and the construction industry suffers as a result. This, in turn has a knock on effect on the manufacturing industry which is not required to produce large quantities of building materials. With all these elements combined and industries depleting, it will take considerable time for industries to have the resources in place to contribute to economic growth.

The contraction of industry has had a personal impact on many households who have suffered job losses as a result. The rise in unemployment has caused many households to tighten their own finances which has contributed to the closure of several retail outlets and increased benefit. In an effort to pull their own finances into line, households' have been more frugal in their spending which has directly impacted on the retail industry. This again has resulted in further job losses and further pressure has been placed on the prospect of economic growth.

In the early stages of welfare reform, it is difficult to gauge the impact it may have on housing and the economy. It is anticipated that many households who are currently under occupying their property and are in receipt of local housing allowance will seek to transfer into accommodation which is more suitable and affordable.

Over time, the development of a more qualitative approach, as part of the ongoing Local Housing System Analysis, could enhance understanding of the more elusive changes in the housing system in order to inform a reactive response from planning, housing and regeneration policy.

## 7. Appendices





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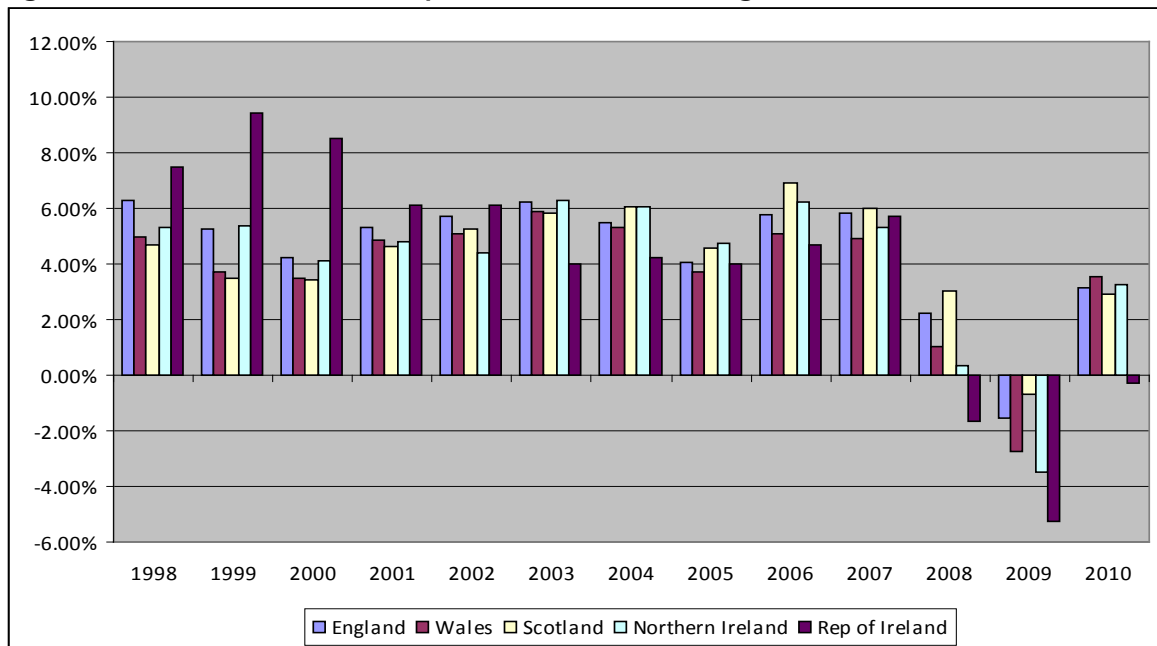
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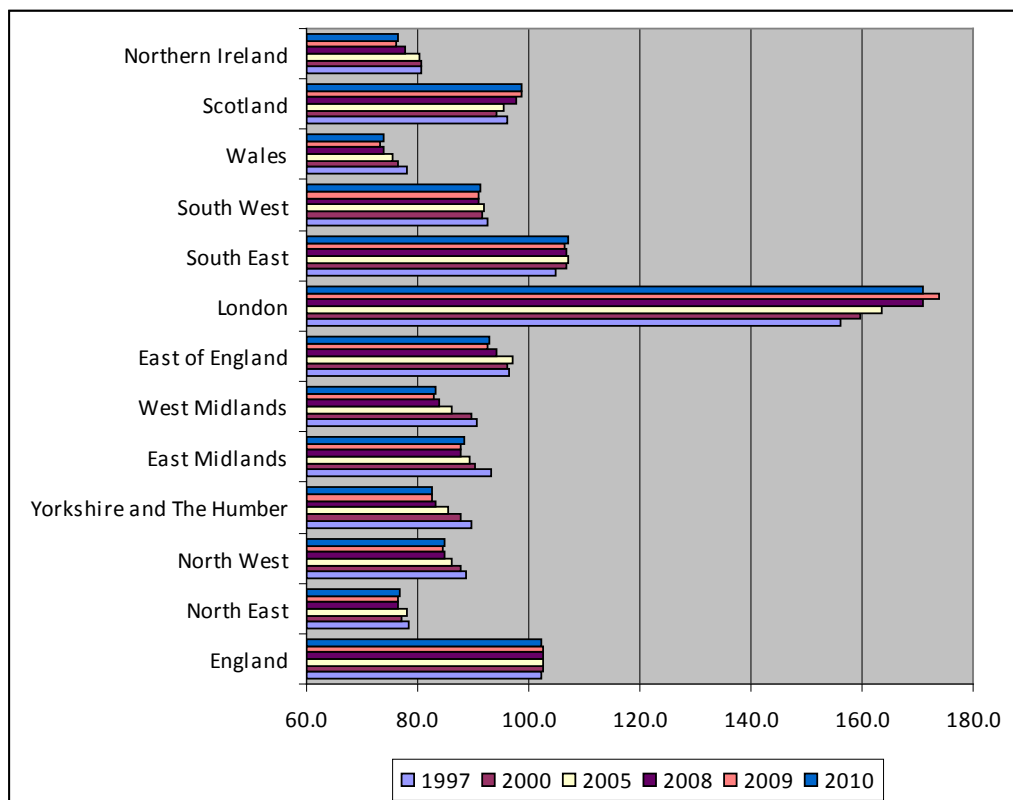
## APPENDIX 2: ECONOMIC PERFORMANCE

Figure 16: Total GVA (current prices) annual rate of growth, UK and ROI, 1998-2010



Source: ONS (December 2010) total annual workplace based GVA 1998-2010 per head at current prices. Note: UK figures are Extra- Region and exclude statistical discrepancy and offshore contribution that ONS do not assign to any region. Also, the estimates presented are current prices and do not take account of inflation.

Figure 17: GVA per head indices compared to UK average (100), 1997-2010



Source: ONS (2011) GVA per head of population index 1997-2010, where UK including Extra-Region = 100



A map of Northern Ireland divided into four main regions, each color-coded: North of NI (red), East of NI (green), West and South of NI (yellow), and Belfast (blue). The Belfast region is further subdivided into 'Outer Belfast' (purple) and 'Belfast' (blue). The map shows the coastline of Northern Ireland, including the Atlantic Ocean to the west and the Irish Sea to the east.

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**Table 24: GVA for Northern Ireland and the Craigavon economy by NUTS 3 area, 1997-2009**

Northern Ireland				
	Total GVA 1997 (million)	Total GVA 2009 (million)	As % of NI GVA 1997	As % of NI GVA 2009
Agriculture, forestry and fishing	696	318	4.1	1.2
Production	3,846	4,805	22.8	17.6
Construction	1,066	2,122	6.3	7.8
Distribution, transport and communication	3,431	6,054	20.3	22.2
Business services and finance	2,427	5,327	14.4	19.6
Public administration, education, health & other services	5,411	8,653	32.1	31.8
Total GVA	100	100	100	100
Craigavon (East of Northern Ireland NUTS 3 Area)				
	Total GVA 1997 (million)	Total GVA 2009 (million)	As % of NI GVA 1997	As % of NI GVA 2009
Agriculture, forestry and fishing	197	100	1.2	0.4
Production	1,285	1,692	7.6	6.2
Construction	311	536	1.8	2.0
Distribution, transport and communication	769	1,389	4.6	5.1
Business services and finance	402	886	2.4	3.2
Public administration, education, health & other services	963	1,474	5.7	5.4
Total GVA	3,962	6,284	23.3	22.3
Craigavon (South and West of Northern Ireland NUTS 3 Area)				
	Total GVA 1997(million)	Total GVA 2009 (million)	As % of NI GVA 1997	As % of NI GVA 2009
Agriculture, forestry and fishing	298	140	1.8	0.5
Production	609	1,079	3.6	4.0
Construction	244	608	1.4	2.2
Distribution, transport and communication	587	1,159	3.5	4.2
Business services and finance	279	603	1.7	2.2
Public administration, education, health & other services	883	1,402	5.2	5.1
Total GVA	2,902	4,990	17.2	18.3

Source: ONS (2010) GVA headline figures by NUTS 3 area (current prices and workplace based).

Notes: Data have been smoothed by ONS using a 5 year moving average and may also not sum due to rounding

Distribution includes hotels and restaurants; wholesale and retail trade; repair of motor vehicles, motorcycles and personal household goods; and transport, storage and communication.

Public administration includes defence; compulsory social security, education, health, social work, other community, social and personal service activities.

Business services etc includes real estate, renting and business activities.

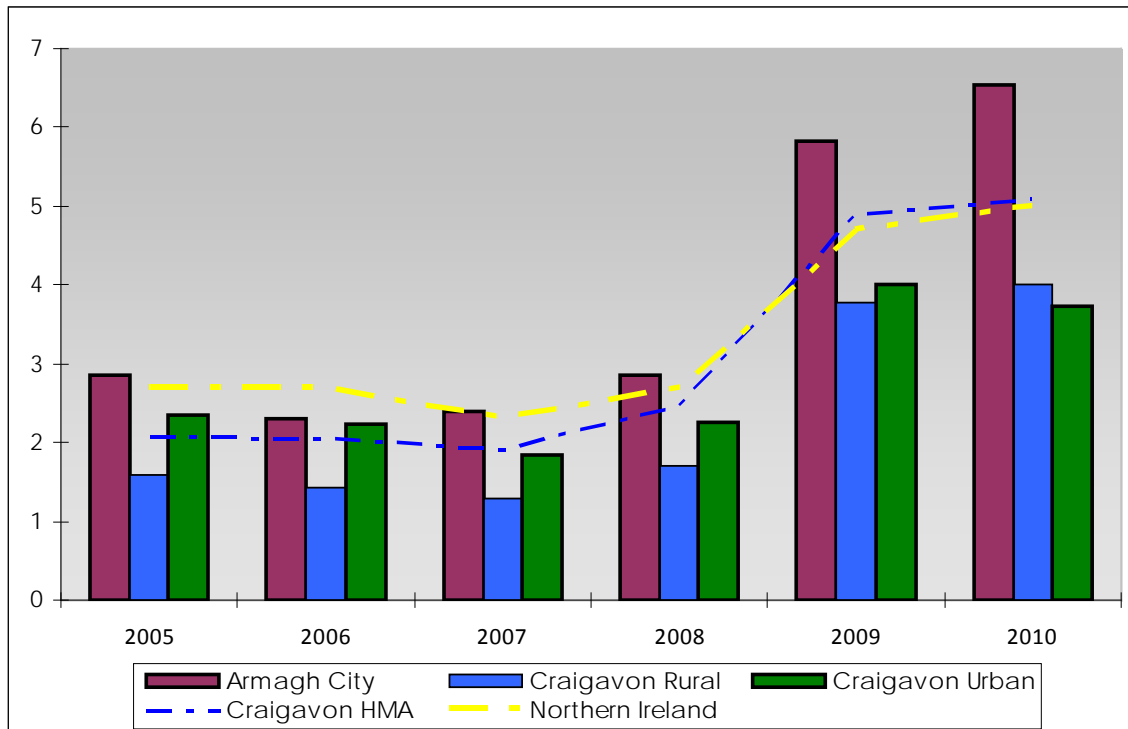
Production is made up of mining and quarrying, manufacturing, and utilities supply.





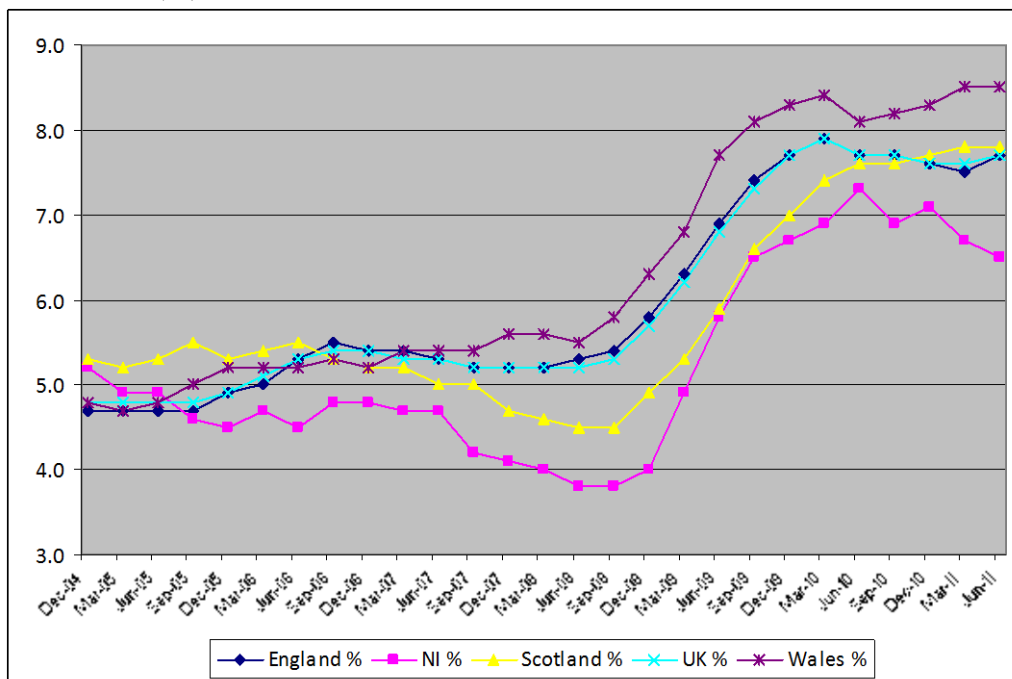
## APPENDIX 3: RECENT EMPLOYMENT TRENDS AND EARNINGS

Figure 18: Annual claimant unemployment rate for HMA 05-10 (%)



Source: NISRA

Figure 19: International Labour Office (ILO) defined unemployment rates, 2004-2011 (%)





**Table 25: Full time employee gross weekly pay 2011**

LGD	Lower quartile		Median	
	residence	Work based	residence	work based
Armagh	£309	£337	£436	£378
Banbridge	£321	£297	£449	£391
Craigavon	£317	£298	£407	£404
Northern Ireland	£378	£403	£555	£667

Source: DETINI (2012) ASHE

**Table 26: Gross household income distributions, 2011**

Area	Lower quartile	Median	Upper Quartile	Average
Northern Ireland	£12,953	£24,752	£43,856	£32,351
Craigavon HMA	£12,711	£24,109	£42,758	£31,420

Source: CACI (2012) Paycheck



## APPENDIX 4: POPULATION PROJECTIONS

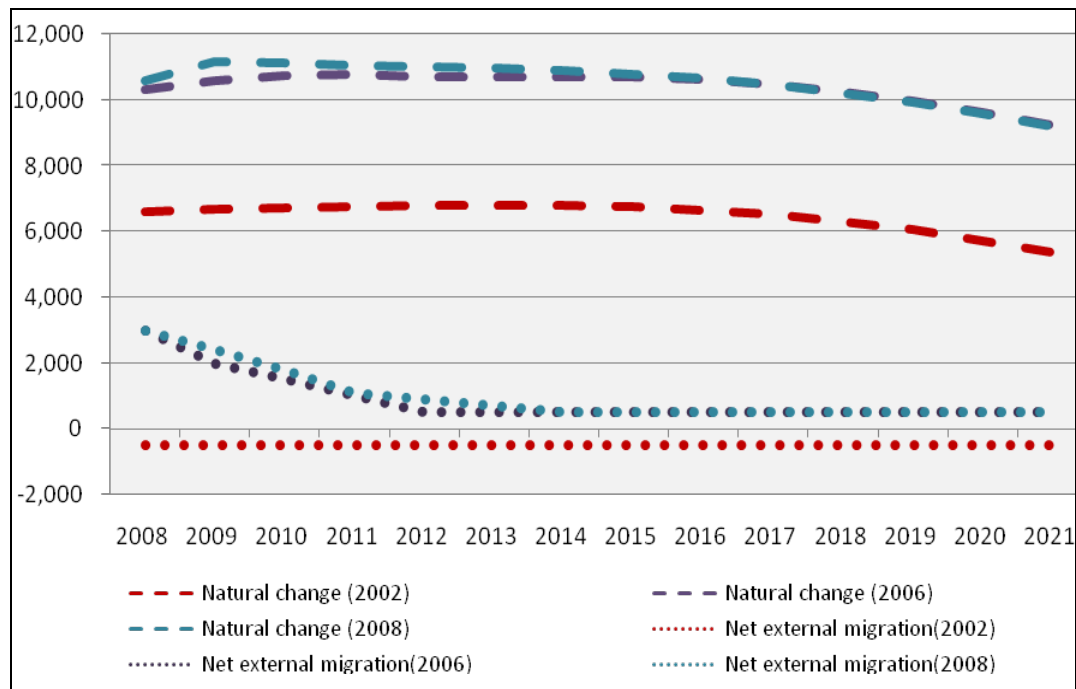
Table 27: NISRA alternative Northern Ireland population projections

Year	2002-based	2006-based	2008-based	Difference 2002 and 2008-based		Difference 2006 and 2008-based	
				No	%	No	%
2008	1,732,000	1,774,000	1,775,000	43,000	2	1,000	0.06
2009	1,739,000	1,787,000	1,789,000	50,000	3	2,000	0.11
2010	1,745,000	1,799,000	1,802,000	57,000	3	3,000	0.17
2011	1,751,000	1,812,000	1,815,000	64,000	4	3,000	0.17
2012	1,757,000	1,823,000	1,827,000	70,000	4	4,000	0.22
2013	1,763,000	1,835,000	1,839,000	76,000	4	4,000	0.22
2014	1,770,000	1,846,000	1,851,000	81,000	5	5,000	0.27
2015	1,776,000	1,857,000	1,862,000	86,000	5	5,000	0.27
2016	1,782,000	1,868,000	1,874,000	92,000	5	6,000	0.32
2017	1,788,000	1,879,000	1,885,000	97,000	5	6,000	0.32
2018	1,794,000	1,890,000	1,896,000	102,000	6	6,000	0.32
2019	1,800,000	1,901,000	1,906,000	106,000	6	5,000	0.26
2020	1,806,000	1,911,000	1,917,000	111,000	6	6,000	0.31
2021	1,811,000	1,922,000	1,927,000	116,000	6	5,000	0.26

Source: NISRA

Notes: Figures rounded up by NISRA

Figure 20: NISRA component of population change assumptions – Northern Ireland



Source: NISRA population projections



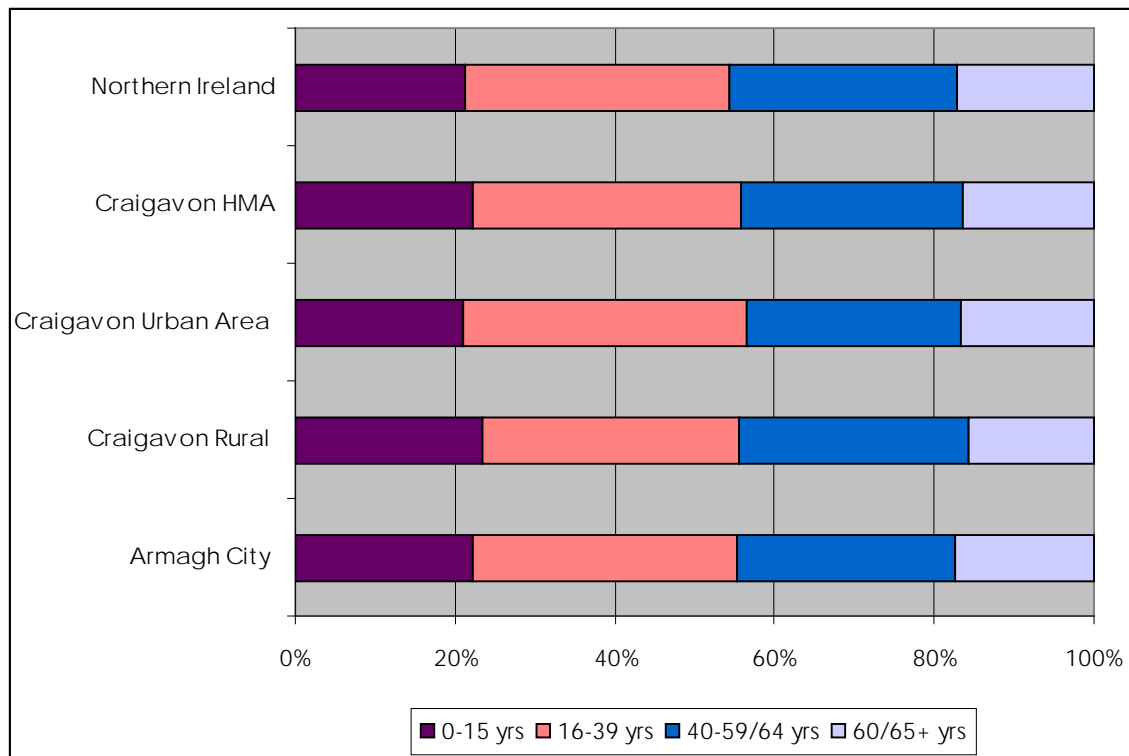
**Table 28: NISRA 2008-based household projections for Northern Ireland, 2010-33**

2008-based projections	2010	2015	2023	2033	change 2010-15	change 2010-33
<b>Household size</b>						
1 person	213,000	236,400	273,800	326,400	11%	53%
2 person	203,800	220,200	242,300	268,100	8%	32%
3 person	111,400	114,400	116,500	116,100	3%	4%
4 person	103,000	105,500	108,100	106,300	2%	3%
5+ person	75,200	72,600	69,800	63,500	-3%	-16%
All Households	706,400	749,200	810,400	880,400	6%	25%
Average household size	2.51	2.44	2.36	2.24	NA	NA
<b>Household type</b>						
Single person households	213,000	236,400	273,800	326,400	11%	53%
Two adults without children	184,800	200,800	222,000	248,800	9%	35%
Other households without children	98,300	96,100	88,100	88,500	-2%	-10%
Lone adult households with children	37,000	37,100	37,500	34,500	0%	-7%
Other households with children	173,300	178,800	189,000	182,300	3%	5%
Total households	706,400	749,200	810,400	880,400	6%	25%
<b>Comparison with 2006-based projection</b>						
Projected household count	712,000	753,900	812,000	NA	6%	NA
Average household size	2.48	2.42	2.34	NA	NA	NA

Source: NISRA 2008-based household projections (2010)

Figures rounded by NISRA

**Figure 21: Population of the HMA by age, 2010 (%)**



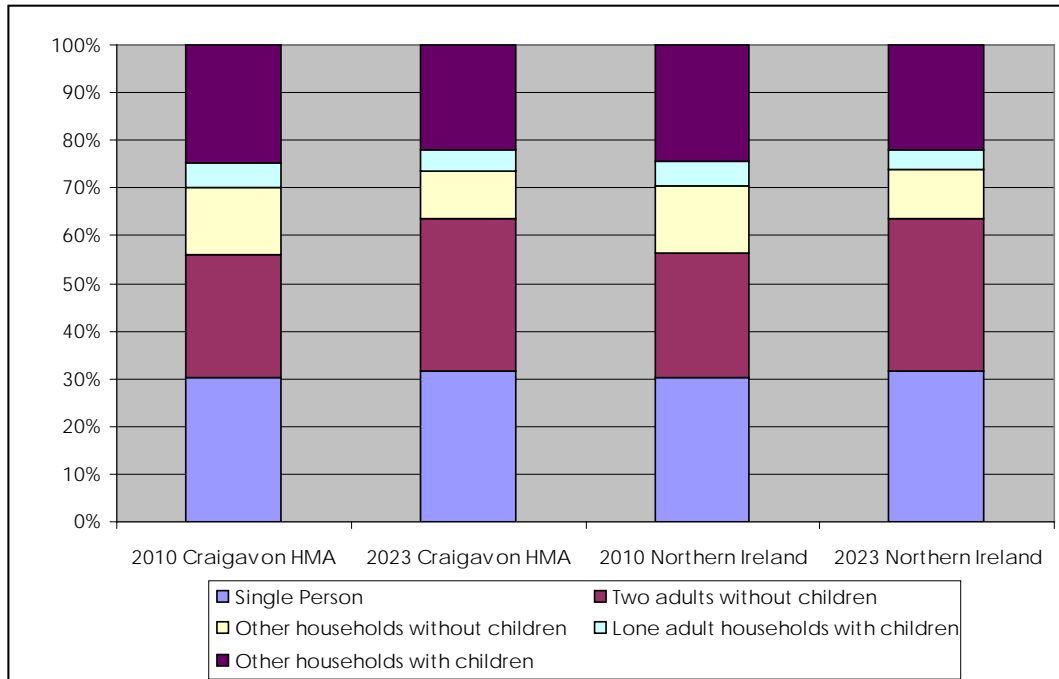
Source: NISRA



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Figure 22: : Change in household composition in the HMA 2010-2023



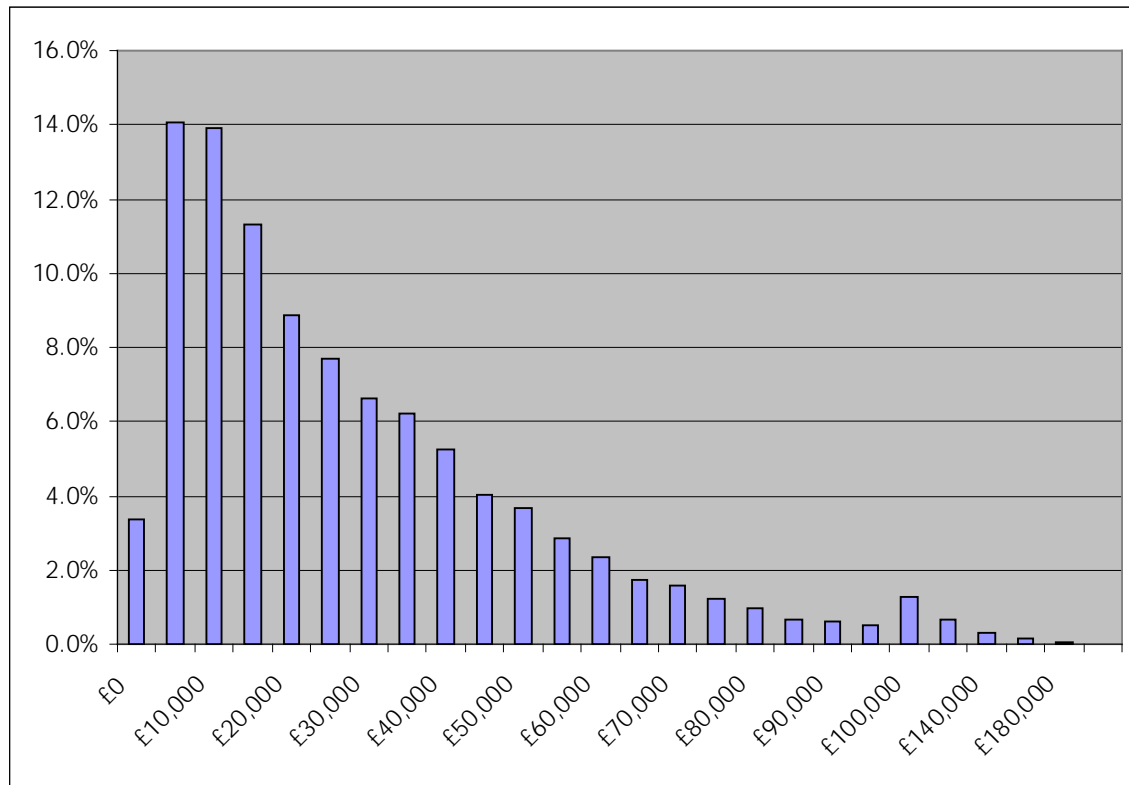
Source: NISRA





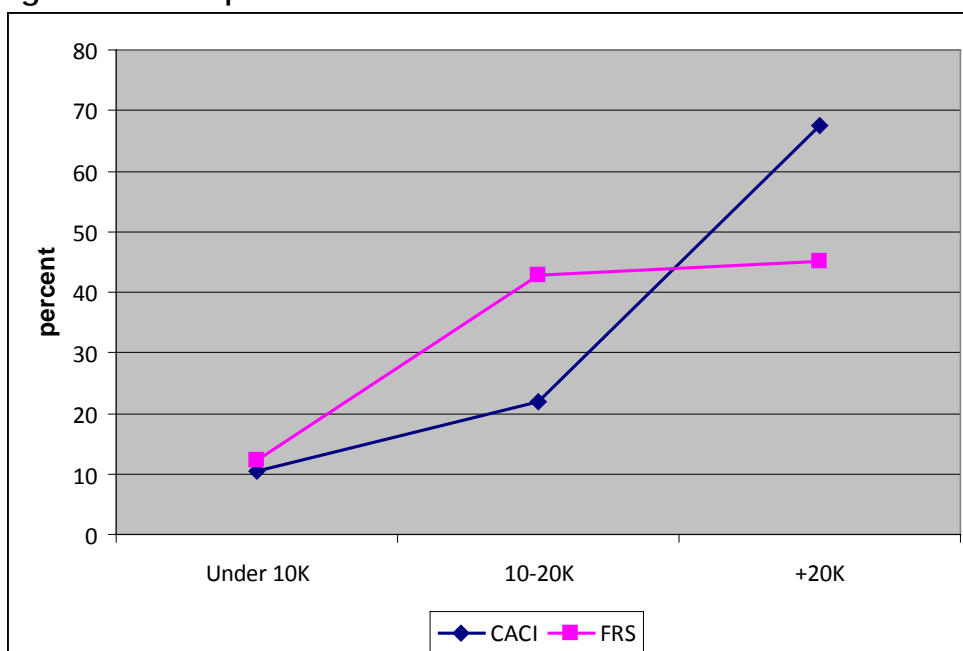
## APPENDIX 5: CACI PAYCHECK AND FAMILY RESOURCES SURVEY INCOME DATA

Figure 23: Distribution of gross annual income, Craigavon HMA, 2012



Source: CACI Paycheck

Figure 24: Comparison of FRS & CACI at Northern Ireland



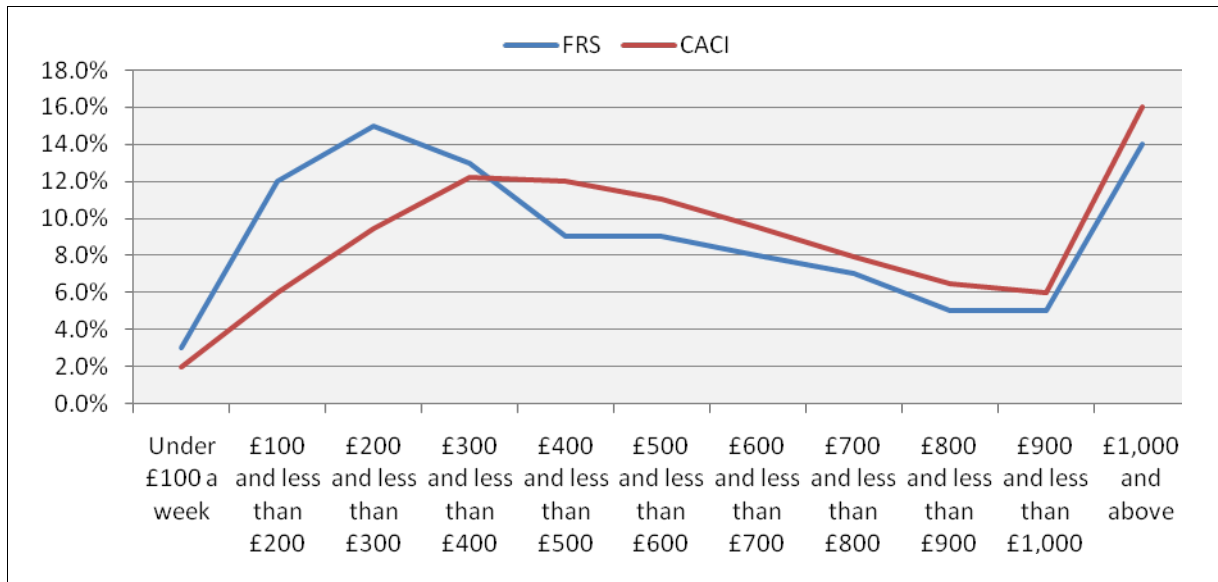
Source: FRS 09/10 and CACI PayCheck 2010



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**Figure 25: Comparison of FRS and CACI gross annual income distribution, Northern Ireland**



Source: FRS 2007/8 and CACI PayCheck 2009



## APPENDIX 6: CHANGES IN HOUSEHOLDS AND OCCUPIED STOCK NUMBERS FOR 2001 - 2010

**Table 29: Northern Ireland occupied stock and projected household numbers, 2001-10**

Year	Occupied Stock	NISRA household projection	Occupied stock as a % of households
2001	620,000	628,500	99
2002	633,200	637,000	99
2003	642,500	645,000	100
2004	653,200	652,900	100
2005	662,600	660,700	100
2006	667,700	672,600	99
2007	664,400	684,300	97
2008	676,500	693,300	98
2009	687,700	702,900	98
2010	696,300	712,000	98

**Table 30: Occupied stock as a % of households across the Craigavon HMA 2001-10**

Year	Northern Ireland	Craigavon HMA
2001	99%	98%
2002	99%	98%
2003	100%	98%
2004	100%	99%
2005	100%	99%
2006	99%	97%
2007	97%	95%
2008	98%	95%
2009	99%	95%
2010	99%	95%

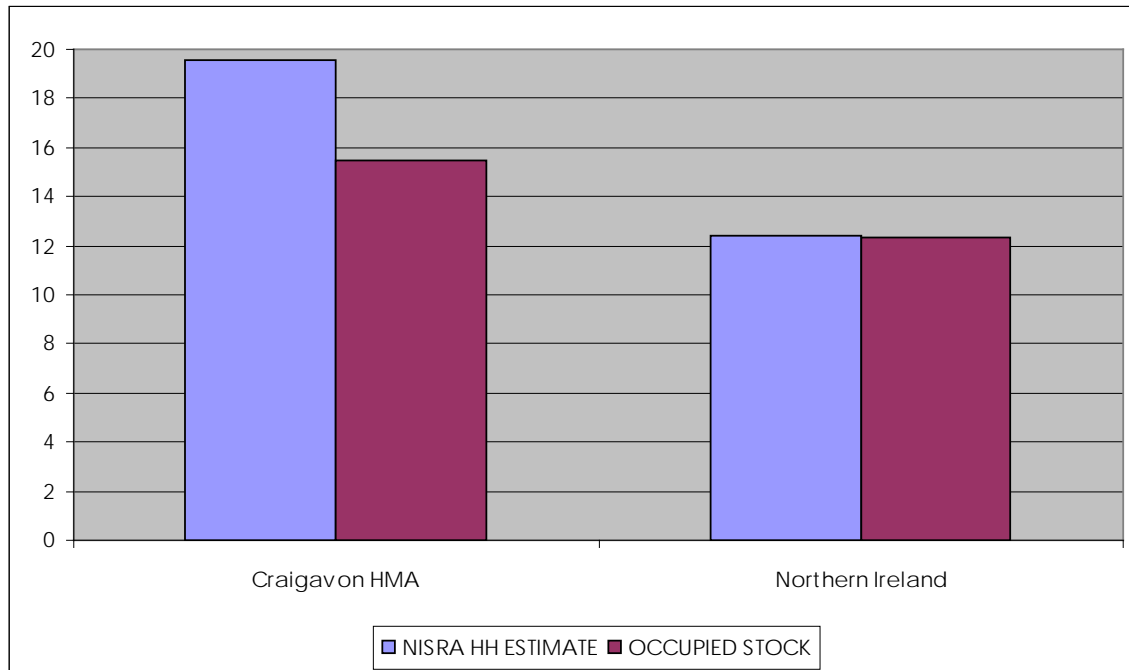
Source: NISRA (2010 household projections and NISRA (DSD) ward level occupied stock estimates published on NINIS aggregated up to selected geographies Figures for 2007 should be treated with caution as there appears to be some under-reporting of occupied stock in some wards



## Housing Market Analysis

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Figure 26: Increase in Occupied Dwellings and Projected HH numbers, 2001-10, %

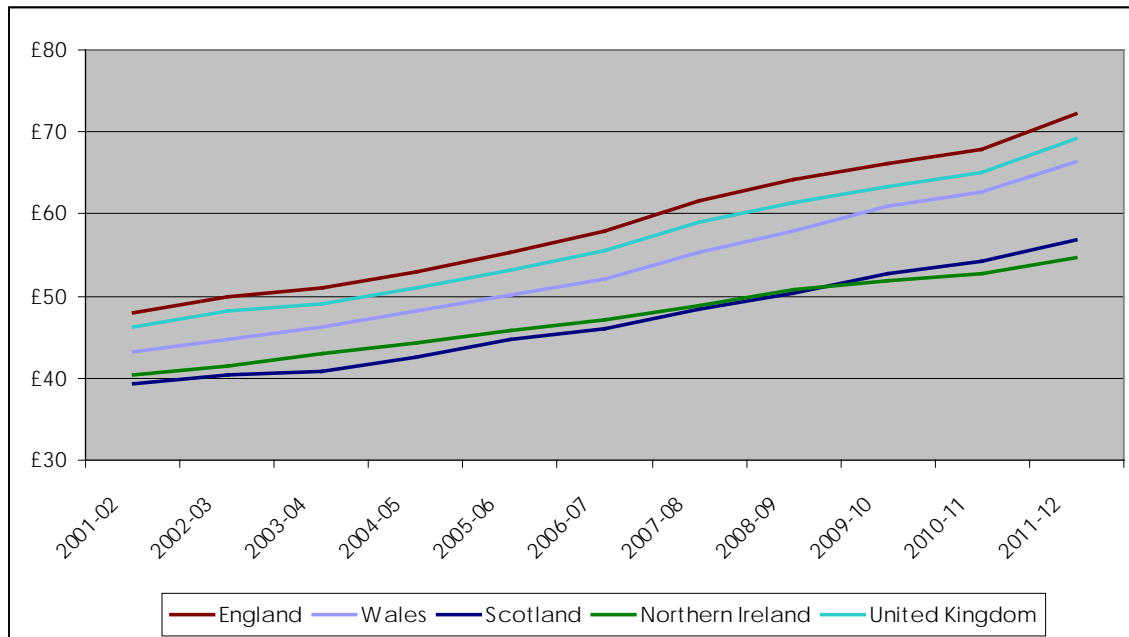


Source: NISRA/DSD



## APPENDIX 7: AVERAGE PUBLIC SECTOR RENT BY SELECTED UK REGION 2001 TO 2012 (£)

Figure 27: Average public sector rent by selected UK region, 2001-2012 (£)



Source: DCLG Live Table No 701





## APPENDIX 8: SOCIAL HOUSING

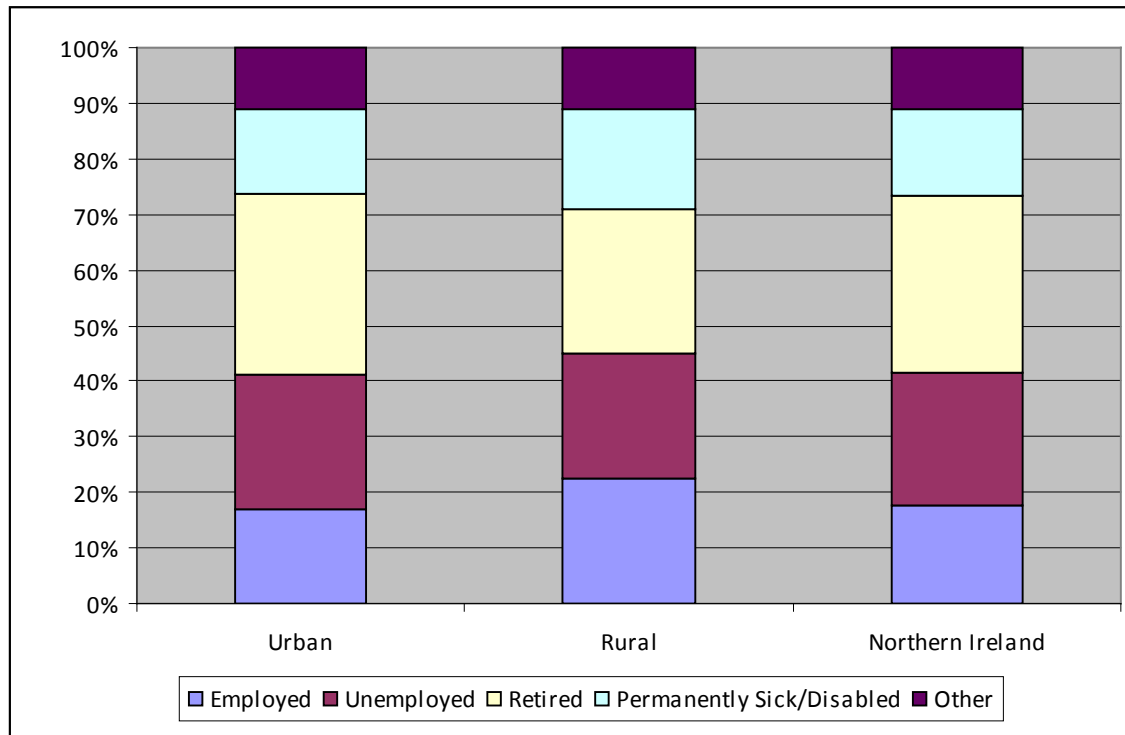
Table 31: Characteristics of social renters by Urban/Rural breakdown

	Urban	Rural	Northern Ireland
<b>Age</b>			
17-24	5	4	5
25-39	21	27	22
40-59	35	30	35
60 plus	39	39	39
<b>Gender</b>			
Male	42	52	44
Female	58	48	56
<b>Household Size</b>			
1 person	49	47	49
2 persons	23	27	24
3 persons	14	13	14
4+ persons	14	13	13
<b>Economic status</b>			
Employed	17	23	18
Unemployed	24	22	24
Retired	33	26	32
Permanently sick/disabled	15	18	15
Other	11	11	11
<b>Religion</b>			
Protestant	53	42	52
Catholic	42	53	43
Mixed/other/none	5	5	5
<b>Household</b>			
Small Adult	30	34	31
Family	35	33	35
Older	35	33	34
<b>Banded income</b>			
under £7000	20	24	20
£7000-£29999	76	72	76
£30000+	4	4	4

Source: HCS 2006

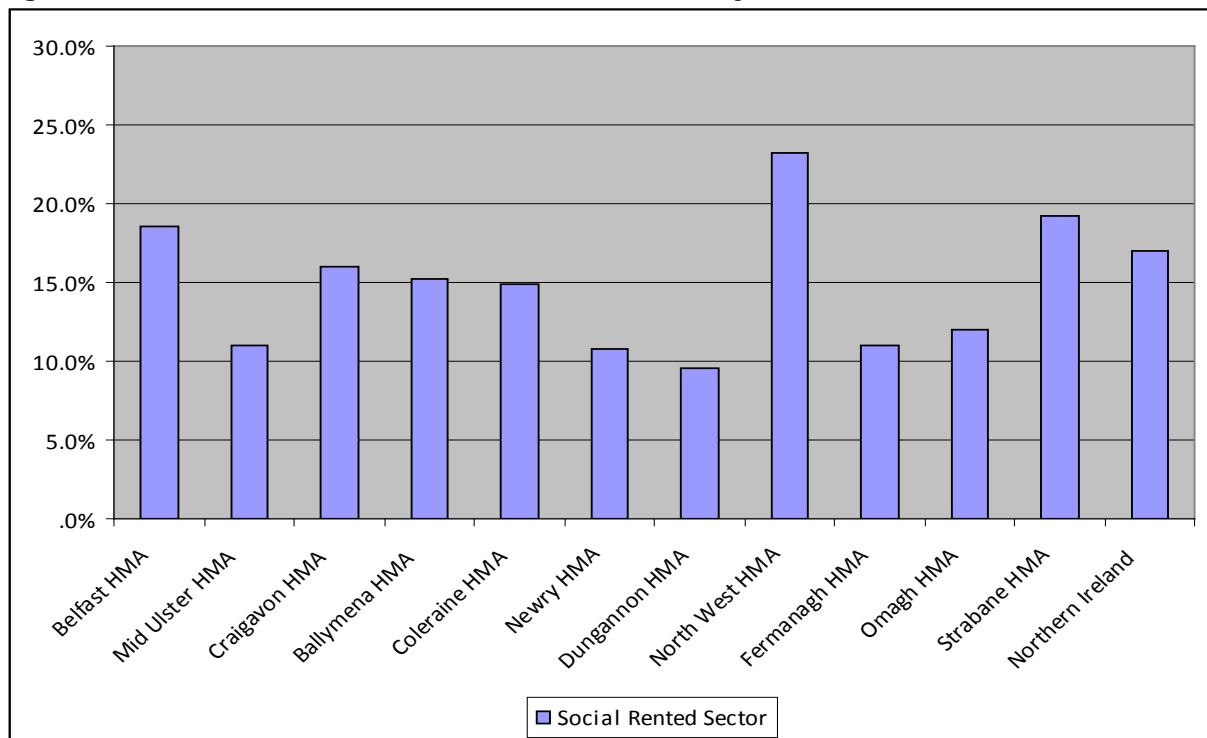


**Figure 28: Economic Status of social renters by urban/rural breakdown**



Source: HCS, 2006

**Figure 29: Households in the Social Rented Sector by HMA**



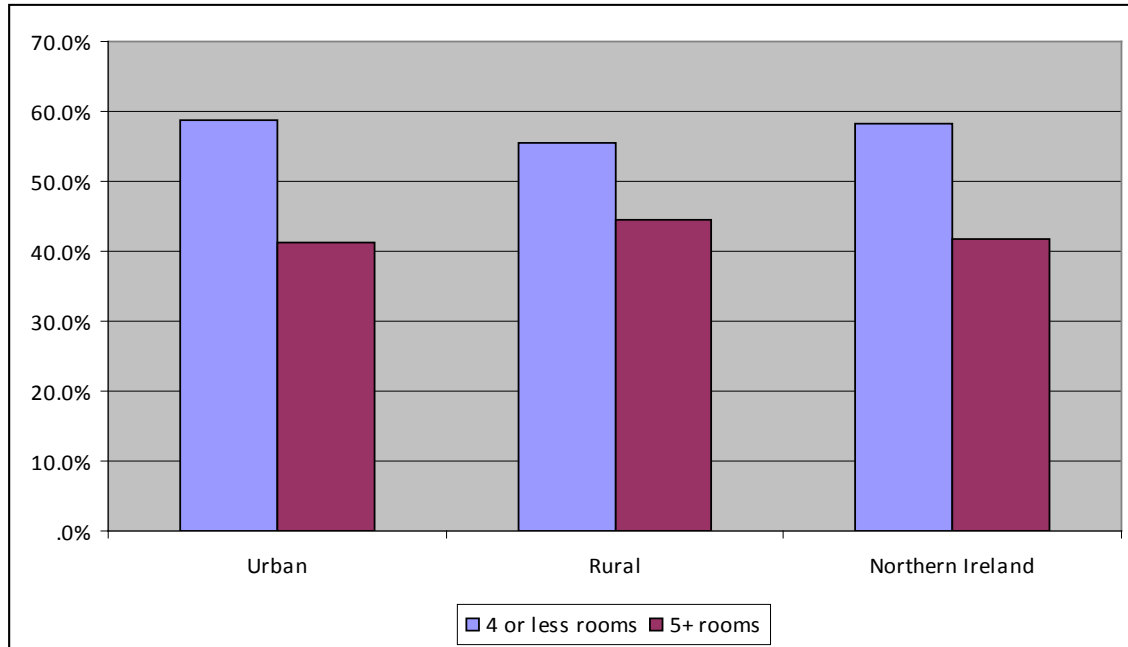
Source: House Condition Survey, 2006



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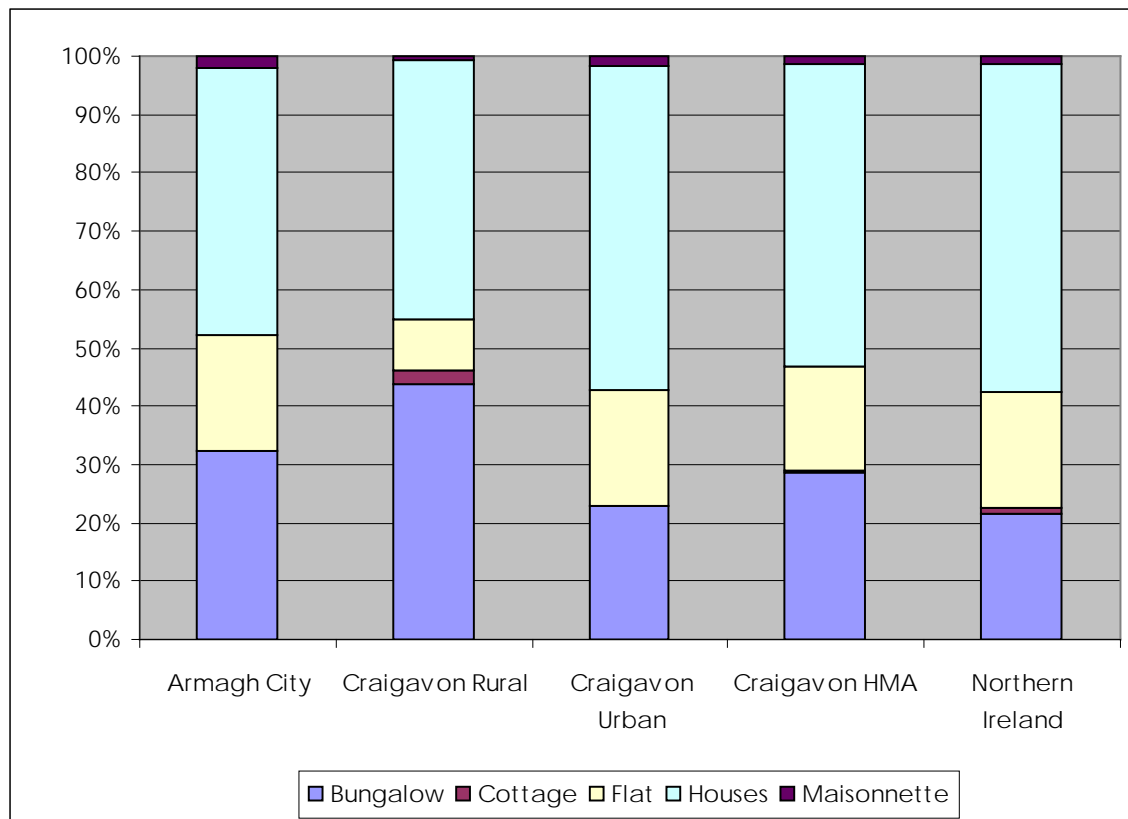
### Craigavon Housing Market Area

**Figure 30: Breakdown of Social Rented households by Urban/Rural by no. of rooms**



Source (2006) HCS

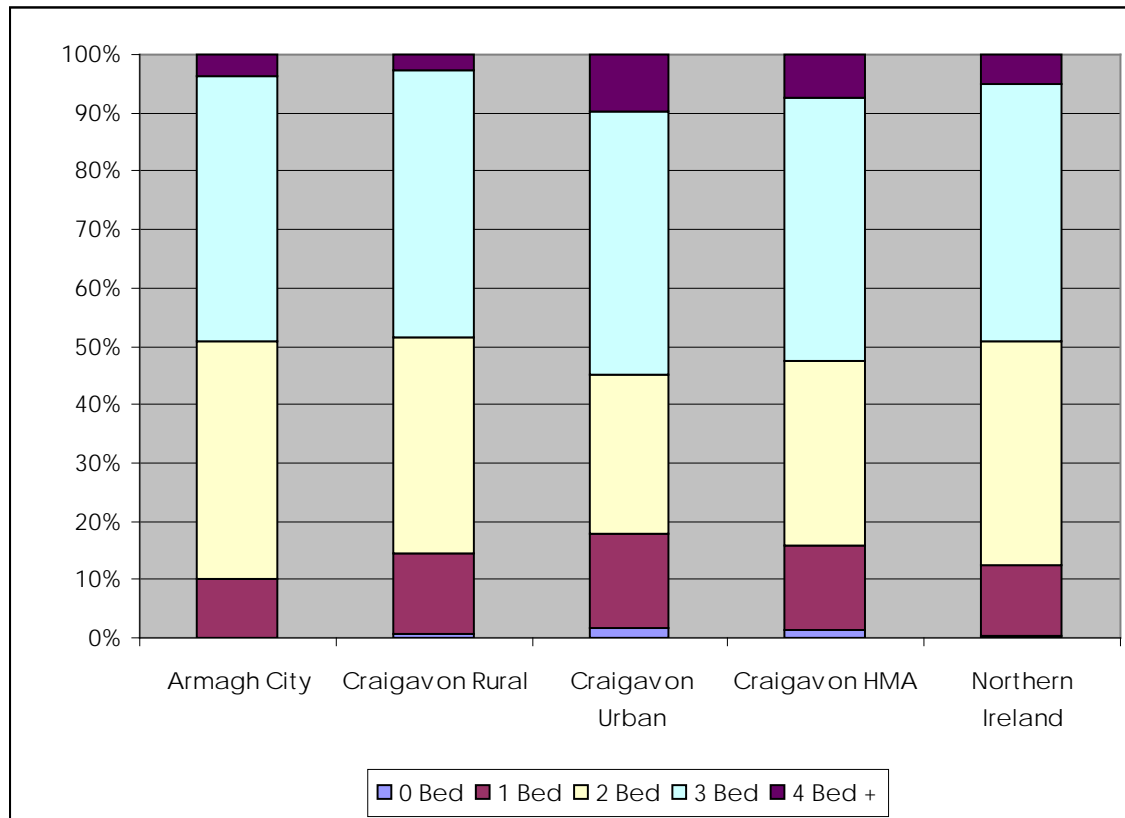
**Figure 31: Current Housing Executive Stock (2011) distribution by dwelling type (%)**



Source: NIHE

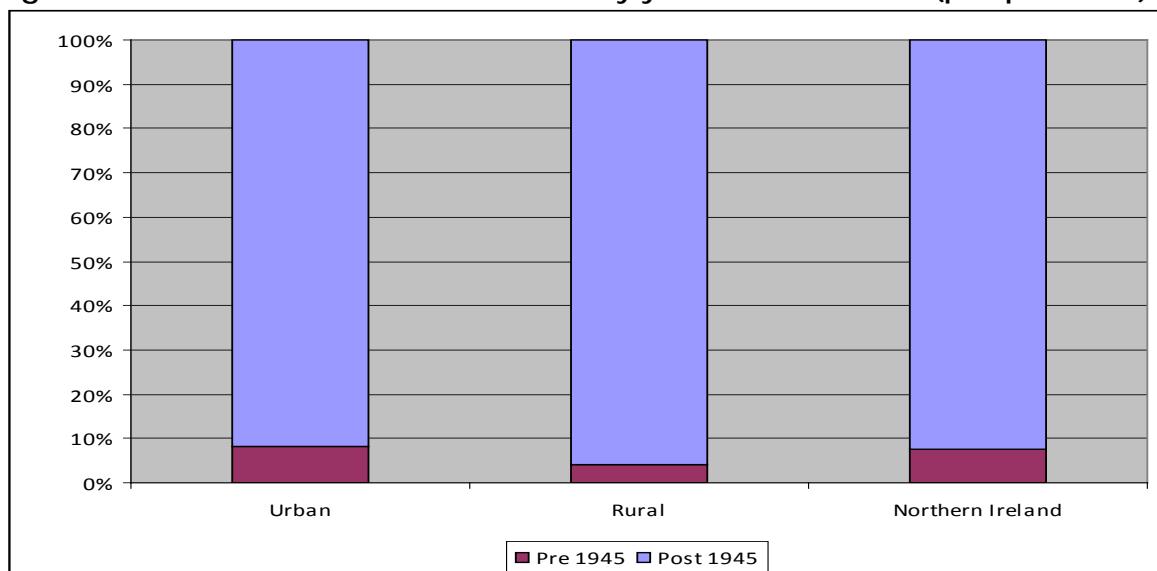


**Figure 32: Housing Executive 2011 stock distribution by number of bedrooms (%)**



Source: NIHE

**Figure 33: Social rented stock distribution by year of construction (pre/post 1945)**



Source: Northern Ireland HCS, 2006